EFFECTS OF CHANGE STRATEGIES ON FINANCIAL INCLUSION OF MEMBERS OF TEACHER-BASED SAVINGS AND CREDIT COOPERATIVE SOCIETIES (SACCOs) IN KENYA

BY

JOSEPH G. OSORO

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DECLARATION

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Signature ………………………………… Date ………………………………………

JOSEPH GOGO OSORO

SBE/PGM/018/07

DECLARATION BY SUPERVISORS

This Thesis has been prepared under our supervision and guidance as university supervisors.

Signature………………………………… Date………………………………………

Prof. Loice C. Maru

Department of Management Science,

School of Business and Economics,

Moi University.

Signature………………………………… Date……………………………………….

Dr. Ronald Bonuke

Department of Management Science,

School of Business and Economics,

Moi University.

DEDICATION

This work is dedicated to Almighty God the creator and provider of all things, to my dear Mother Jennifer and wife Jacinta for their love, patience, kind heartedness and gentle encouragement which strengthened me through this process.

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ABSTRACT

Achieving financial inclusion has remained a dream for many countries especially in sub Saharan Africa where over 80% of the adult population is excluded from the financial services. This has devastating effects on economic growth and development (Pias, 2011). Governments and financial institutions including SACCOs have implemented change strategies aimed at bridging the gap of financial exclusion. SACCOs in recent past have faced turbulence and stiff competition from Microfinance and Commercial Banks thereby threatening their existence. The objective of this study was to investigate the effects of change strategies specifically open bond, rebranding and new products adopted by teacher-based SACCOs in Kenya on financial inclusion of their members. An explanatory survey design was used, where Metropolitan Teachers SACCO, being largest and pioneer in implementing change strategies such as opening of the common bond and re-branding was purposively sampled and systematic random sampling was used to select 363 respondents out of 6,721 non-teachers for the study. The study relied on primary data collected using a structured questionnaire. The data was analyzed using both descriptive and inferential statistics (regression analysis) using Statistical Package for Social Sciences (SPSS). The demographic characteristics of the population are presented using tables of percentages, means, frequencies and standard deviations. The findings showed a strong positive correlation between Open bond, rebranding and Financial Inclusion, while there was a weak negative correlation between new products and Financial Inclusion. The Regression analysis revealed a strong positive relationship ($R = 0.658$) where a combination of Open bond, Rebranding and new products strategies together contributed 43.3% of the increase in financial inclusion and hence the study concluded that open bond and rebranding strategies increased financial inclusion while introduction of new products alone reduced financial inclusion. The study recommends policy shift from closed common bonds to open bonds in SACCO's and systematic rebranding of products and services to attract and appeal to all members of the surrounding community in which they operate irrespective of their occupation, geographical and administrative boundaries to improve on financial inclusion.

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LIST OF ABBREVIATIONS

ANOVA	- Analysis of Variance
CFI	- Cooperative Financial Institutions
FA	- Factor Analysis
FI	- Financial Inclusion
GDP	- Gross Domestic Products
IFI	- Index of Financial Inclusion
MDGs	- Millennium Development Goals
MFIs	- Microfinance Institutions
NCUA	- National Credit Union Association
SACCOS	- Savings and Credit Cooperative Society
SASRA	-SACCO Societies Regulatory Authority
TSC	- Teachers Service Commission
UN	- United Nations

OPERATIONAL DEFINITION OF TERMS

In this section, operational definitions are presented as used within the context of this study:-

Financial Inclusion: Refers to the process of availing an array of required financial services, at a fair price, at the right place, form and time and without any form of discrimination to all members of the society.

Change Strategies: Refers to the specific activities implemented by organizations to make change happen. In the context of this study change strategies refers to the three key strategies adopted by SACCOs in reaction to changes in the financial sector in order to remain competitive. They include open bond, rebranding and introduction of new products and services.

Savings and Credit Cooperative Society (SACCO)-is cooperative financial institution that is owned and controlled by members, according to democratic principles, for the purpose of encouraging savings and using pooled funds to give loans to its members at reasonable rates of interest and providing related financial services to enable members improve economic and social conditions.

Teacher-Based SACCO: Is a Cooperative financial institution whose membership is mostly composed of teachers employed by Teachers Service Commission (TSC).

Common Bond: the necessary condition or requirement that is prevailing for one to become a member of any given SACCO. It can be occupation in a given location, employee based, residential or association. It is the social connection among the members of a SACCO

Open Bond: Refers to an open membership arrangement where any member of the public is eligible to join the SACCO without barriers of common bond.

Rebranding: Corporate re-branding is defined as "the practice of building a new name representative of a differentiated position in the mind frame of stakeholders and a distinctive identity from competitors" (Muzellec*et al*,. 2003).

New products: Refers to products which were not previously being offered by a SACCO. It may not be new in the market but new in a SACCO which has never offered it before.

Vision 2030: Refers to the Kenya's national development plan to 2030, which aims to transform Kenya into a newly industrialized *"middle-income country that provides a high quality life to all its citizens by the year 2030"*.The Vision is based on three pillars: the economic, the social and the political.

CHAPTER ONE

INTRODUCTION

1.0 Overview

This chapter discusses the background to the study, statement of the problem, research objectives, and research hypothesis, significance and the scope of the study.

1.1 Background of the Study

According to the United Nations, 2.7 billion people around the world do not have access to formal financial services like savings accounts, credit, insurance, and payment services (UN, 2007; Ehrbeck, Pickens and Tarazi, 2012). Although this problem is universal, the financially excluded person is more often than not the average citizen in a developing country as noted by Chibba (2009). Research further confirms that more than 80 percent of households in most of Africa are financially excluded. In Sub-Saharan Africa 80 percent of the adult population, 325 million people, remains financially excluded (Chaia*et al.*, 2009). Even for those with access, the distribution to the products varies with some having marginal financial services encompassing merely a bank account. The people who lack access to financial services are frequently also excluded in other ways, and financial exclusion often reinforces other aspects of social exclusion (Pias, 2011).

Financial inclusion or banking sector outreach can be defined broadly as the process of availing an array of required financial services, at a fair price, at the right place, form and time and without any form of discrimination to all members of the society (Pias, 2011). The objective of financial inclusion should be advantaging the poor majority of who do not use formal financial services. Proponents of financial inclusion opine that financial exclusion leads to loss of opportunity to grow, a retarded country's growth and increased poverty levels. According to Gillespie (2009) exclusion from the financial system brings real and rising costs, often borne by those who can least afford them. Financial Inclusion is an intervention strategy that seeks to overcome the market friction that hinders the markets from operating in favor of the poor and underprivileged. Financial inclusion offers incremental and complementary solutions to tackle poverty, to promote inclusive development and to address MDGs (Chibba, 2009).

It aims at drawing the unbanked population into the formal financial system so that they have the opportunity to access financial services ranging from savings, payments, and transfers to credit and insurance. The world over and especially in the developing countries, governments are working on various strategies and regulatory frameworks to ensure they reach all those excluded financially (Gillespie, 2009). Every governments dream is to have an efficient and inclusive financial system for purposes of resource mobilization. In Kenya, Vision 2030 is premised on a safe, efficient and inclusive financial system where savings and investment rates will more than double. Financial inclusion of every Kenyan is therefore the government’s goal.

To increase the national savings relative to the GDP, the Government under Vision 2030 identified the need for financial sector reforms anchored on three key pillars namely: Providing wider access to affordable financial services, including rural areas, thereby creating employment, enhancing efficiency in the delivery of financial services to reduce cost of delivery, and Stability of the financial system to reduce risk of financial crisis (Goldsmith, 1999).

These reforms included the strengthening of alternative financial service providers such as SACCOs and MFIs to complement the commercial banks especially among individual Kenyans and small businesses segments of the financial services market. Acknowledging the important role that SACCOs and Cooperatives in general are expected to play in realizing development goals under Vision 2030, the then Ministry of Cooperatives Development and Marketing mandate was refined to promote a vibrant Cooperative sector through policy and legal framework for sustainable social-economic development in Kenya. This brought in a condusive environment for growth of SACCOs.

A cooperative is a private business owned and controlled by users and operated principally to provide benefits to users. Users are most easily viewed as customers of the business. The benefits are provided to users on the basis of use, not ownership, as is the case for other primary private business types. Benefits users receive include the purchasing or selling business transactions users or customers have with the cooperative and the profits earned by the cooperative on those transactions that are returned to the users.

The growth and development of the SACCO subsector especially in quasi banking services was demand driven with the Government adopting a ‘wait and see’ stance. However, with Vision 2030 and the need to re-store confidence among members and the general public that their money is safe with a SACCO, the Government underscored the urgent need for a regulatory framework that promotes transparency and accountability in the management of SACCOs. This would not only ensure financial stability of SACCOs as financial service providers but also enhance public confidence and hence attract more members to patronize their services. This was informed by recognizing the SACCO subsector in Kenya as an integral part of the Kenya financial sector and therefore a safe place to save money.

The enactment of SACCO Societies Act in 2008, a risk based regulatory framework and establishment of the SACCO Societies Regulatory Authority (SASRA) to license and regulate the SACCO societies was an important milestone in the reform process. The law provides for operational regulations and prudential standards similar to those required of banks or deposit taking microfinance institutions to underscore the primary policy objective of protecting member deposits so as to restore public confidence in SACCOs and encourage other parties to join SACCOs. This was meant to significantly reduce the high levels of financial exclusion as depicted in Fin Access survey 2009.

With the inclusion of MFIs and SACCOs into the formal financial system, the levels of financial inclusion have marginally increased in Kenya as revealed by FinAccess Survey (2006), and Ndii (2009). Fin Access study (2006) reported that the level of financial exclusion has fallen from 38.4 percent to 32.7 percent of the population. The study further revealed that the total proportion of people formally included, that is, able to access a service from formal sources: banks, Savings and Credit Cooperative Organizations (SACCOs), Micro Finance Institutions (MFIs) and money transfer operators such as M-PESA has increased significantly from the period 2004 to 2006 from 26.4 percent to 40.5 percent.

Ndii (2009) revealed further that increase in access, with a quarter of the adult population registered as M-PESA users. The MFI customer base grew by 117 percent, while commercial banks registered 92 percent growth in customer numbers SACCOs and the Postbank lost customers.

This increase in access statistics is admirable though the menu of services included in these statistics need to be analyzed in terms of real and comprehensive access. Additionally the exact distribution of access should be analyzed at the household level. Caution should be taken to so as to address the subject of financial inclusion in the context of its dynamism as it includes people for whom financial exclusion is a temporary state, and others for whom it seems likely to be long-lasting, if not lifelong (Kempson, 1999) and others opt for voluntary self-exclusion.

In response to client loss experienced by SACCOs in 2009, several SACCOs have embraced new strategies to compete favorably in the financial market. Such strategies include opening of common bonds, SACCO rebranding and product expansion. This study therefore aimed to find out the effects of such strategies on financial inclusion of teacher based SACCOs. It is with this background that this study was founded in order to look into the significance of such changes in SACCO business model in promoting financial inclusion in Kenya.

1.2 Statement of the Problem

Financial inclusion is an intervention strategy that seeks to overcome the market friction that hinders the markets from operating in favour of the poor and underprivileged. It aims at drawing the unbanked population into the formal financial system so that they have the opportunity to access financial services ranging from savings, payments, and transfers to credit and insurance and as such it offers incremental and complementary solutions to tackle poverty, to promote inclusive development and to address MDGs (Chibba, 2009). The 2006 FinAccess survey in Kenya estimated that the formal financial system was serving just over a quarter (26.4 percent) of Kenya's adult population.

The survey showed that SACCOs and commercial banks had comparable customer bases at 13 percent and 12 percent of the adult population respectively. The Post Office Savings Bank (Postbank) emerged as the single most significant institution, with 5.6 percent of the adult population having accounts there while microfinance institutions were the least significant with only 1.7 percent using them. In terms of contribution to access, banks (including the Postbank) contributed to 18.5 percentage points (70 percent of the access), while the non-bank institutions (SACCOs and MFIs) add 7.8 percentage points (30 percent of the access).

FinAccess Survey (2009) showed that the landscape had changed dramatically. A quarter of the adult population had registered as M-PESA users, catapulting it to the top of the league in terms of customer base. The MFI customer base grew by 117 percent, while commercial banks also registered an impressive 92 percent growth in customer numbers. SACCOs and the Postbank lost customers. Postbank's customer base reduced by 54 percent to 2.2 percent of the population, while SACCOs suffered a lesser but still significant 25 percent reduction in membership, leaving them with a membership of 8.5 percent of the population.

With increased population and emerging competition from other financial institutions, SACCOs are changing strategies in response to the market forces. Some of the recent strategic changes observed include; opening of the common bonds, service expansion and SACCO rebranding to meet the client base demands. Existing studies on financial inclusion have not focused on the effects of specific policy and strategic interventions by institutions targeting financial inclusion. This study attempted to evaluate the effects of these strategic changes in the SACCO business model on financial inclusion in Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

The main objective of the study was to establish the effects of Change Strategies on Financial inclusion of members of Teacher-based SACCOs in Kenya.

1.3.2 Specific objectives

a) To establish the effect of open bond strategies on financial inclusion in Teacher-based SACCOs in Kenya.

b) To determine the effects of rebranding strategies on financial inclusion in Teacher-based SACCOs in Kenya

c) To determine the effect of new product strategies on financial inclusion in Teacher-based SACCOsin Kenya.

1.4 Research Hypothesis

Ho_1: Open bond strategies do not significantly affect financial inclusion of Teacher-based SACCO members in Kenya.

Ho_2: Rebranding Strategies do not significantly affect financial inclusion of Teacher-based SACCO members in Kenya.

Ho_3: New product strategies do not significantly affect financial inclusion of Teacher-based SACCO members in Kenya.

1.5 Significance of the Study

Access to financial services plays a critical role in the development process through the facilitation of economic growth and education in income inequality. It enables poor people to save and borrow to build their assets and to make educational and entrepreneurial investments to improve their livelihood. For this reason financial inclusion has gained prominence in recent years as a policy objective to improve the livelihoods of the poor. The study is therefore essential in informing policy makers in the financial sector and specifically the SACCO subsector.

This study also helps to track the progress made by SACCOS in bridging the gap in financial exclusion and facilitate a deeper understanding of SACCO members' behavior on savings, borrowing and making payments to enable SACCO management construct and implement sound policies. In the end, financial inclusion among the poor acts as a poverty eradication strategy. This study also enriched literature on financial inclusion and established the knowledge gap for further research in expanding financial outreach.

1.6 Scope of the Study

This study focused on the effect of strategic changes in teacher based SACCOs on financial inclusion of their members in Kenya. The study was undertaken between January and February 2014among the 363randomly selected members of Metropolitan Teachers SACCO, in Kiambu, Thika and Nairobi branches representing both urban and rural set ups. Both Primary and Secondary data collected within the study period were relied upon to draw conclusions to this study.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the literature reviewed pertaining to financial inclusion and SACCOsin Kenya with reference to the change strategies and espouses the research gaps addressed by this study.

2.1 The Concept of Financial Inclusion

Various scholars have attempted to define financial inclusion however, there has never been a universal agreement over what financial inclusion is and there are different views on what it means and entails as evidenced in available literature. The differences in definition emanate from the context in which it is used, geographical location and state of economic development of an area.

According to Chakrabarty (2010), it is the process of ensuring access to appropriate financial products and services needed by all sections of the society in general, and vulnerable groups such as weaker sections and low income groups in particular, at an affordable cost in a fair and transparent manner by regulated mainstream institutional players. Hannig and Jansen (2011) however defines it as the absence of price or non-price barriers in the use of financial services aimed at improving access of financial services, which entails improving the degree to which financial services are available to all at a fair price.

According to United Nations, financial inclusion involves a financial sector that provides access for credit for all bankable people and firms and saving and payment services to everyone. Inclusive finance does not require that everyone is eligible to use each of services but they should be able to choose them if desired.

All the definitions emphasize affordability, accessibility and availability. It is therefore the process availing accessible and affordable financial services to the people. Full financial inclusion means providing every household with access to a suite of modern financial services, including savings, credit, insurance, and payments, as well as sufficient education and support to help customers make good decisions for themselves (Bays, 2004).

On the converse the denial of financial services and the conditions that lead to depriving an individual or a group from the benefits of these services is called financial exclusion (Kumar, 2003).

While financial inclusion is the vision of every state and is integral to the inclusive growth process and sustainable development of every country, the size of the financially excluded population in the world is enormous according to the United Nations, approximately three billion people around the globe lack access to formal financial services- such as bank account, credit, insurance, a safe place to keep saving and a secure and efficient means to receive social benefit payments- through a registered financial institution (UN, 2007; Chibba, 2008).

In Sub-Saharan Africa 80 percent of the adult population, 325 million people, remains financially excluded (Chaia and Mador, 2010). Even for those with access, the distribution to the products varies with some having marginal financial services encompassing merely a bank account. The people who lack access to financial services are frequently also excluded in other ways, and financial exclusion often reinforces other aspects of social exclusion (Kempson and Pias, 2011).

In Kenya, even though the findings of the 2009 FinAccess Survey shows a dramatic increase in the reach of formal financial institutions from 26 to 41 percent of the adult population, more than half of the adult population are still financially excluded. This increase in access statistics is admirable though it was more in money transfer services with a decline in the importance of savings and credit societies (SACCOs) in providing access compared to 2006.

Those lacking financial services comprise of certain exclusive groups of people and thus form an important component of a much wider social exclusion. According to Kempton *et al.,* (2000), social exclusion has clear links with poverty, disadvantage and deprivation and is a much broader concept which is a shorthand term for what can happen when people or areas suffer from a combination of linked problems such as unemployment, poor skills, low incomes, poor housing, high crime environments, bad health, poverty and family breakdown. Social exclusion brings about social classes and divisions.

The included become fearful and distrustful of the excluded and vice versa culminating to polarized societies that are unhealthy for the economy. In such cases the rich areas and people tend to get richer and poor areas and people poorer. Therefore financial inclusion can be instrumental in bridging the gap between the included and excluded and the rich and the poor.

2.2.1 Indicators of Financial Inclusion

According to Hannig and Jansen (2010) and Serrao, Sequeira and Hans (2012), financial inclusion can be measured through four lenses in order of complexity (Figure 2). Firstly, access which refers to the ability to use available financial services and products from formal institutions. Secondly, quality which relates to the relevance of the financial service or product to the lifestyle needs of the consumer. Thirdly, usage which should go beyond the basic adoption of banking services and focus more on the permanence and depth of financial service and product use. Finally, impact which includes measuring changes in the lives of consumers that can be attributed to the usage of a financial device or service. This information can be sourced either from the demand side, that is, at the individual, household, or firm level, or from the supply side, that is, at the level of a financial institution, or from a combination of both.

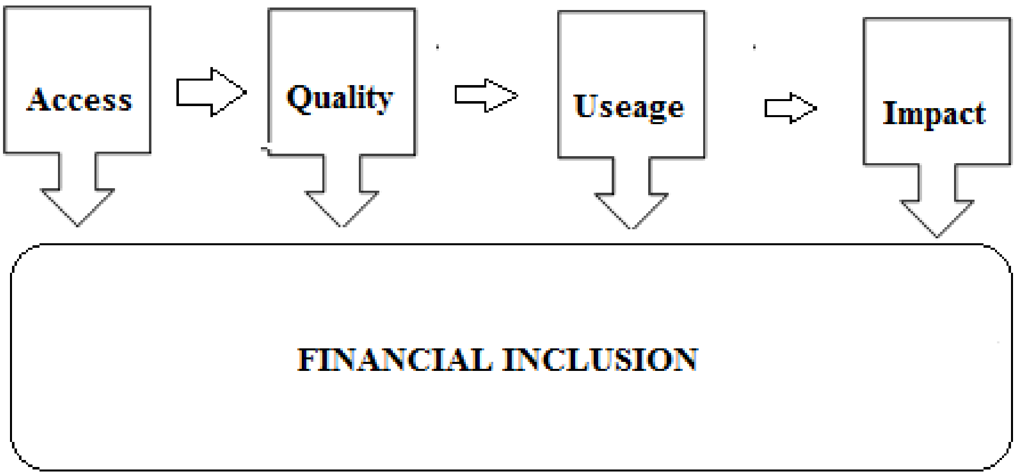


Figure 1: Measures of Financial Inclusion

Source: Adopted from Hannig and Jansen, (2010)

Thus several indicators have been used to assess the extent of financial inclusion known as index of financial inclusion (IFI). They include Bank accounts per adult, Geographic branch penetration, Demographic branch penetration, Geographic ATM penetration, Demographic ATM penetration, Demographic Loan penetration, Loan-income ratio, Demographic deposit penetration, Deposit-income ratio (or deposit-

GDP Ratio) and Cash-Deposit Ratio according to Conrad, *et al.* (2008). However, some indicators, while used individually, provide only partial information on the inclusiveness of the financial system of an economy (Chattopadhyay, 2011). Chattopadhyay (2011) opines that Index of Financial Inclusion (IFI)must satisfy the following criteria

(i) It should incorporate information on as many aspects (dimensions) of inclusion as possible.

(ii) It should be easy and simple to compute.

(iii)It should be comparable across countries/states.

Hannig and Jansen (2010) further opined that measurement of financial inclusion serves two primary objectives implying different data needs: first, measuring and monitoring levels of financial inclusion, and second, deepening understanding about factors that correlate with financial inclusion and, subsequently, the impact of policies (Figure 4). These primary objectives can be broken down to more basic levels Measurement data can be used to approximate the number of people who have access to or are currently using some type of financial service or product and their characteristics. If collected repeatedly, these data can also be used to monitor progress over time. The data also deepens understanding of the problem of financial inclusion. This is typically entails a more complex method of design and collection. This type of data is more appropriate to support solution building and impact measurement of policies put in place.

According to Sahrawat (2010), it should be emphasized that mere ownership of a financial product does not result in financial inclusion rather it is the usage of the financial product for economic self-reliance and growth which ultimately leads to financial inclusion. For example, opening a bank account by an individual is often treated as an indicator of financial inclusion. But a better indicator of financial inclusion would be the usage intensity of the bank account by the individual as it is ultimately the quantum of transactions and interaction variety between the individual and the financial institutions(s) which reflects the value derived by the individual from participating in the mainstream financial system. The quality of the service and products should also be evaluated when measuring FI as majority of the low-income population are left dependent on non-performing, unsustainable institutions, which in-turn are themselves dependent on Government subsidies. Thus measuring FI should be done in light of these views.

2.3 Savings and Credit Cooperative Societies (SACCOs)

2.3.1 Overview of SACCOs in Kenya

In Kenya, the Co-operative Movement can be traced to the very beginning of 1900 (Bottelberge, 2010), though savings and credit cooperative organizations (SACCOs) emerged later. The first Kenya's Co-operative Society, Lumbwa Co-operative Society, was formalized in 1908 by European Farmers with the main objective of purchasing farm inputs and of marketing. In 1930, the Kenya Farmers Association was registered as a Co-operative Society to take over the role of the Lumbwa Co-operative Society. African smallholder farmers fought for the formation of their own Cooperatives, but it was not until in the late 1950's that they were allowed to promote and register Cooperatives for cash crops like coffee and pyrethrum and at independence in 1963, there were 1,030 Co-operative Societies in the country (655 active) with a total membership of 355,000 (Bottelberge, 2010).

Despite the early development of cooperative movement in Kenya, the emergence of SACCOs dates back to the years 1965-1970 (Chao). They grew out of the credit systems of the old farming cooperatives which were common in cash crop areas. At that time, farmers were organized into cooperatives, and financial services were provided by the “union banking sections” where the farmers could save and obtain advances that were repaid using the income earned from the harvest. These banking sections were progressively converted in to SACCOs in order to formalize the separation between economic and financial services.

Cooperatives in Kenya have made a remarkable progress in agriculture, banking, credit, agro-processing, storage, marketing, dairy, fishing and housing (Mutes aria,(2000),. To-date, the Co-operative Movement in Kenya commands a substantial portion of this Nation’s wealth with over 15,000 registered cooperative societies country-wide and a total of approximately 2.5million active members. The movement has mobilized domestic savings estimated at over Kshs. 293 billion with a membership of over 2.5.million (SACCO Societies Regulatory Authority 2013).Following economic liberalization, the Co-operative Societies Act was revised in 1997 and went into effect on June 1st 1998. The revised Act envisaged government giving up control of cooperatives, thereby enable more autonomy to members.

Until 2004, there was no legislation, regulations or rules specific to SACCOs business or financial Cooperatives. As a result, loan portfolio quality was either not monitored or very poorly monitored and financial statements of SACCOs overstated revenues and assets. General weaknesses arising from the cooperative legislation also affected the performance of SACCOs leading to loss of member confidence (Wanjau, 2005).

With Vision 2030 and the need to re-store confidence among members and the general public that their money is safe with a SACCO, the Government underscored the urgent need for a regulatory framework that promotes transparency and accountability in the management of SACCOs. This saw the enactment of SACCO Societies Act in 2008, a risk based regulatory framework and establishment of the SACCO Societies Regulatory Authority (SASRA) to license and regulate the SACCO societies. It provides for operational regulations and prudential standards similar to those required of banks or deposit taking microfinance institutions to underscore the primary policy objective of protecting member deposits (Mudibo, 2006).

With increased public confidence brought about by stringent regulatory framework, a number of employee-based SACCOs, particularly those operating in rural areas, have expanded their branch network and opened up their bond to farmers, pastoralist and micro entrepreneurs making the Kenyan SACCOs sector by far the largest SACCO sector in Africa (Jonathan. 2009). In, 2005 there were around 2,700 SACCOs and as at end of 2011 there were 4,062 SACCOs serving about 4.5 million members and had mobilized deposits and share capital amounting to USD 2.25 billion (Ksh.189 billion) and loan to members of USD 2.25 billion. With the introduction of FOSA, regulation and proper management of SACCOs, members' confidence grew rapidly making SACCOs a significant player in the financial market.

2.3.2 Competition Dynamics in the Financial Sector

Over the last decade, financial institutions have experienced meteoric augmentation of commercial banks, M-Pesa, MFIs the rapid expansion of a number of regulated SACCOs, and the opportunities of agency banking, are seeking innovative ways to access new markets. SACCOs face considerable competition from banks and MFIs in urban areas and in the large market towns in rural areas.

The primary competition is from banks which are now seen by clients to be more transparent, and having better governance and operational systems (Mchungi, 2004). Banks and MFIs have been better and quicker in developing new products and providing clients with quick access to funds. In the past, the bank's collateral requirement, charges for financial transactions, and minimum levels of deposits were prohibitive for the majority of the population. These policies pushed clients, particularly in rural areas, into the SACCO sector.

The banks however have changed their policies to attract clientele. Many provide loans quicker, with less paperwork, less charges and less collateral requirements. Banks can now provide an employee with a same day personal loan based upon a pay slip. Many urban SACCOs have liquidity problems because of not having withdrawable savings products and large amounts of funds invested in non-earning assets (Kibaara 2006). Banks, in particular, and large MFIs are generally very liquid For example, Faulu Kenya floated its own bond issue and KWFT borrows from banks based on their deposits of the mandatory savings collected from clients as cash collateral.

Banks have now primarily focused on microfinance, which is often missing in the market strategy of most rural SACCOs. SACCO's competitive situation in Kenya is also complex because they are both competitors and clients to the banks. SACCOs partner with the many banks to use their financial products and services, but compete for the same clients (Omiti, 2000). Furthermore, banks and MFIs are now moving into rural areas hence, rural SACCO face increased competition. In addition, other services such as M pesa,Mkesho, and many others have claimed part of the SACCO market. While some of the rural SACCOs have good liquidity, this still remains a problem for the majority.

In general, SACCOs have been slow in increasing their competitiveness by correcting operational and governance issues, developing new products and services, and pricing them competitively. For example, only 175 large SACCOs have FOSAs with withdrawable savings and time deposits. The very top tier of the most progressive SACCOs including most of those with FOSAs are expanding their branch networks and partnering with other financial institutions such as the Cooperative Bank to offer ATM and money transfer services. Many SACCOs have invested large amounts of money to upgrade their technology capabilities although the investments have not in general been very successful.
These SACCOs are offering loan products similar to what is offered from commercial banks and have modified their interest rates on both savings and loans (Muchungi, 2004).

Rural SACCOshave now introduced new credit products including emergency /express loans and microfinance loans. Furthermore, SACCOs are starting to see the need to diversify to survive in a liberalized environment (Mutua,2007). This is leading to interesting partnerships. For instance, rural teachers SACCOs are focusing on their regional market rather than being a member of the national teachers SACCO. Employment based and commodity based SACCOs are starting to reach out to non-traditional groups. A number of SACCOs are also rebranding as others create new products convenient to the clientele.

2.3.3 Models of SACCO Business

SACCOs also referred to as Credit unions in Europe and America are co-operative financial institutions. As self-help democratic institutions, credit unions world-wide have demonstrated the efficacy of co-operative principles in the management of the financial affairs of millions of people (Barron, 1994). Membership of a credit union is open to all within the accepted common bond of association who can make use of its services and are willing to accept the corresponding responsibilities. Credit union members enjoy equal rights to vote and participate in decisions without regard to the size of their deposits. The major strength of credit unions lies in the appeal of their philosophy and objectives to a wide range of people, who wish to achieve greater self-sufficiency in the conduct of their financial affairs (Chao, 2000).

The business of SACCOs, also referred to as Credit Unions in the Europe and America, originally revolves around savings and credit by a group of people defined by a common bond. The three ‘traditional’ forms of common bond are: the associational bond (based around a common organization); an occupational bond (based around a common job); and the residential area bond (by far the most common); with the fourth being the ‘live and work’ common bond where someone is eligible to join because she/he works in the area to which the common bond refers (Barron and Hamman, 1994).

Past arrangements regarding the demarcation of common bond areas were based on defining an area whose resident population could be characterized as having a common bond, a galvanizing factor, or tie that “binds the members together” (Barron 1994). As noted, this feature lies at the core of the credit union movements philosophy, in that, borrower's credit rating is not assessed on the basis of wealth and status, but on the proven ability to save.

The common bond is therefore seen as an essential safeguard for a sense of mutual loyalty, concern and trust. Members of Credit Unions are less likely to default on loans since they are accountable to friends, neighbours, or colleagues" (Fuller,1997).

However, recent deregulatory legislation has removed the need for such common bonds and instead the group simply has to state the common interest. The common bond assisted SACCOs to manage credit risk, mobilize savings through minimum compulsory saving schemes and to manage cash flow since the cash inflows and out flows could easily be predicted. This traditional form was quite ideal given the low levels of information technology and lack of specialized staff capacities. Despite these advantages of the common bond philosophy, it has a number of challenges which mainly relate to limited growth prospects and financial exclusiveness. The common bond once defined and operationalized through the SACCO bylaws, locks out all potential members who could otherwise patronize with the SACCO and promote its growth.

According to Fuller,(1997), for those outside areas targeted common bond, it was almost like being told by a local restaurant or post office, 'sorry, you live outside of the area we have defined as our customer base-but you can try and start your own!. With the emergence of globalization supported by enhanced development and use of information technology, the relevance of common bond in SACCO business model across the world has been challenged. Presently there are a variety of very easy means money transfer and credit management techniques. These has brought stiff competition in the financial market thus threatening the very existence of SACCOs as other formal financial players like banks target the same members of SACCOs. This has led SACCOs to open up their common bonds beyond geographical demarcations, organizations and job occupation (Chao, 2007).

In Kenya, a number of SACCOs are slowly opening their common by redefining it to include employees of other similar organizations, the local community members, relatives of already members and other interested parties. Opening of the common bond has a number of advantages which include huge growth prospects and hence competitive advantage, being more inclusive, opening up areas of the city which, for one reason or another, had not previously been considered for credit union development, whilst removing the localized, sometimes if not always, artificial and divisive boundary formations (Mudibo, 2006).

2.4 Change Strategies in SACCO sand Financial Inclusion

Change is a common thread that runs through all businesses regardless of size, industry and age. The world of business is changing fast and, as such, organizations must keep unchanging their business strategies in response to the dynamic global environment (Otieno, 2010). A company has competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces. Strategy is therefore fundamental in the planning process since strategic decisions influence the way organization respond to their environment. Organizations that handle change well thrive, whilst those that do not may struggle to survive (Sarma and Pias, 2011).

SACCOs all over the world is not left out of the ever changing financial market environment and therefore they have to continuously change their strategies to remain relevant within the financial market. Some of the notable changes in the SACCOs subsector in Kenya include: opening common bonds, rebranding and introduction of new products.

2.4.1 Opening Common Bonds and Financial Inclusion

SACCOs in their original form were characterized by common bonds adopted from the seven core principles and values of cooperatives adopted by the international cooperative alliance in 1995, which traces their roots to Rochdale, England in 1844.The Co-operative Societies Act of 1997 requires that all co-operatives registered under the Act has to incorporate these principles in their by-laws; they include (i) Voluntary and open membership (ii) Democratic member control (iii) Economic participation by members (iv) Autonomy and independence (v) education, training and information (vi) cooperation among co-operatives and finally (vii) concern for community in general. Even though the first principle advocates for voluntary and open membership, in practice it has been limited to members of a particular interest thus locking out many parties form enjoying the services of a particular co-operative society. This restriction is referred to as the common bond.

A common bond is the necessary condition or requirement that is prevailing for one to become a member of any given SACCO. It can be occupation in the given location, employee based, residential or association. It is the social connection among the members of a SACCO(Jonathan, 2009). According to section 14 of the Co-operative Societies Act 1997 as amended in 2004, eligibility for membership of a co-operative society is limited those who have attained the age of 18years, employment, occupation or profession must fall within the category or description of those for which the co-operative society is formed; and is a resident within, or occupies land within, the society’s area of operation as described in the relevant by-law (Crow *et al.*, 1993).

Actualization of this legal provision is done through the SACCO Society by-laws which defines the boundaries of the common bond. Initially common bonds remained a key building block, especially for the strategic networks that underpinned many of Europe’s co-operative banks. In Kenya, until recently, SACCOs have been able to maintain their membership and attract new members through natural affiliation, stemming from the common bond among members. However, new players (MFIs) have entered the market for financial services target the mid to low-income earners, who form the basis of SACCO membership. This has threatened the existence of SACCO whose growth has been limited to a small group of people bound by the common bond thus lack of competitive advantage.

With strong common bonds SACCOs have had liquidity challenges and offered very limited number of products. For instance, for a long time SACCOs had only one saving product which is non-withdrawable unless one is leaving the SACCO and is more of a compulsory minimum saving amount pegged on the credit amount and three loan products namely, normal or development loan, emergency loan and school fees loan. There was also a limit on the number of times a member could access these loan products with lengthy processes and cumbersome documentation requirements (Mutua, 2007). These restrictions left members with little option and some resorted to more expensive commercial bank loans thereby worsening the competitive position of SACCOs. With the stiff competition in the financial market, SACCOs have adopted new strategies.

While US credit unions have increasingly embraced the concept of multiple common bonds, the position of the National Credit Union Association (NCUA) remains one of avoiding overlapping fields of membership if possible. This may suggest that longer-established credit unions have an in built growth advantage. Clearly, credit unions that are close to exhausting their potential membership face difficulties in sustaining strong growth performance. A number of commentators have argued that much of the recent growth in credit unions' share of consumer lending, which in 1999 stood at 13%, was driven by the more liberal approach adopted by the NCUA to the interpretation of the common bond in the early 1980s. Following this change, multiple common bond credit unions were permitted. Later the NCUA extended this policy to allow credit unions in financial difficulty to merge. For example downsizing or closure of manufacturing firms, military bases and other large employers significantly reduced the membership base of many occupational credit unions. Consequently, relaxation of common bond requirements has been important in permitting credit unions to sustain growth, or even to survive.

In America, research has shown the all common bond categories experienced significant average growth in assets between 1990 and 1999, but some groups (especially the associational and manufacturing single common bond categories) experienced only marginal increases in membership. In contrast, the community and low-income single common bond and the multiple common bond categories experienced rapid membership growth. When commentators emphasize that credit unions have expanded membership, with 30% of Americans now belong to a credit union, it is primarily to the community and multiple common bond categories that they refer.

In Kenya where we have the largest and fast growing SACCOs in Africa, various initiatives have undertaken with a view to broadening their membership base, offer better services and products to their members in order to remain competitive and increase financial inclusion of their members. Leading the pack with these changes are the teacher based SACCOs which previously had very strong common bond for membership. This is defined in their bylaws that for one to become a member, he or she must be an employee of TSC and belong to a particular administrative district. This locked out even teachers in private schools, employee of other institutions and the local community from enjoying the financial services offered by these SACCOs even when they are the only financial service provider within reach. Defining the common bond by the administrative District boundaries locked out even TSC teachers working in the neighboring Districts.

These SACCOs used the name of the District where they belonged for example Baringo Teaches SACCO for Baringo District and Kilifi Teachers SACCO for Kilifi District among others. This was replicated in all the Districts in the republic of Kenya. The limitation of membership in terms of one employer and the District boundary had negative effects on the growth and sustainability of these SACCOs. This is evidenced in Nyanza province where the SACCOs kept on diving membership and forming new SACCOs whenever there was a split in the District to create a new one (Associates, 2007).

Some of the new SACCOs created collapsed while others like Rachuonyo, Suba, Bondo, Siaya, Kisumu, and Kuria District Teachers SACCOs are struggling to survive. Those that did not Split their membership and remained solid and are able to weather the storm of competition by embracing new strategies aimed at broadening their membership and diversifying their product offering to accommodate the needs of membership diversity (Mudibo, 2006).

Teacher based SACCOs have opened Front Office Service Activities (FOSAs), where they provide a wide range of products and services to their members. With FOSAs where members can walk in and deposit and withdraw their savings and also apply for credit just like in a commercial bank, the relevance of strong common bonds like teaching profession has been put to question. Teacher based SACCOs have led the pack in opening their common bond to include other members of the public interested in their services thus improving their competitive advantage.

2.4.2 Re-Branding Initiatives in SACCOs and Financial Inclusion

According to Crow *et al.*,(1993),the most problematic aspect of Credit Union development is credit union image. This is mainly due to a general lack of public awareness of what credit unions are, and whom they are for. A central factor here is that no national organization for credit unions has as yet developed an effective programme for raising the general levels of understanding within society'. For example, a National Consumer Council report (1994, p.37) noted that, without such knowledge, at a most general level, "the very name 'credit union' was felt by some to have negative connotations-'credit' has associations with debt, and "union" with trade unions", to the extent that, "some CU workers (yet alone the volunteers) were demoralized by this image" (Crow*et al.,* 1993).

Similarly in Kenya it has been noted that the way SACCOs were named has been quite limiting in terms of growth prospects. This has led a number of SACCOs to rebrand and shade off the negative notion that SACCOs are meant for the low income people of a particular organization or region. Rebranding is a marketing strategy meant to transform the mindset of prospective members and inform of the changes within the SACCO business model in order to attract members of the public ordinarily left out of the system. This can only be effectively communicated through rebranding which entails change of name to reflect the new differentiated business position.

Corporate re-branding is defined as “the practice of building a newa name representative of a differentiated position in the mind frame of stakeholders and a distinctive identity from competitors” (Muzellec*et al*,. 2003, p. 32). However, by taking a wider perspective on corporate re-branding it can be seen as a two-fold area. First, it is related to corporate visual identity change, including e.g. corporate name and logo change (for corporate visual identity system (CVIS), like Van den *Bosch et al*,. 2005, 2006; Mador*et al*,. 2006). But, second, it is also related to the corporate internal processes, including e.g. corporate values change (Lomax and Mador, 2006), employee participation and internal marketing in the company.

Branding has emerged as a top management priority in the last decade due to the growing realization that brands are one of the most valuable intangible assets that firms have. Brands serve several valuable functions. At their most basic level, brands serve as markers for the offerings of a firm. For customers, brands can simplify choice, promise a particular quality level, reduce risk, and/or engender trust. Brands are built on the product itself, the accompanying marketing activity, and the use (or nonuse) by customers as well as others. Brands thus reflect the complete experience that customers have with products. Brands also play an important role in determining the effectiveness of marketing efforts such as advertising and channel placement. Finally, brands are an asset in the financial sense. Thus, brands manifest their impact at three primary levels—customer market, product market, and financial market. The value accrued by these various benefits is often called brand equity (Keller, 2002).

In recognition of the value of brands as intangible assets, increased emphasis has been placed on understanding how to build, measure, and manage brand equity (Kaikati, 2003) and (Keller 1993, 2003). There are three principal and distinct perspectives that have been taken by academics to study brand equity. Customer based. From the customer's point of view, brand equity is part of the attraction to—or repulsion from—a particular product from a particular company generated by the "nonobjective “part of the product offering, i.e., not by the product attributes per se. While initially a brand maybe synonymous with the product it makes, overtime through advertising, usage experience, and other activities and influences it can develop a series of attachments and associations that exist over and beyond the objective product.

Importantly, brand equity can be built on attributes that have no inherent value (Bottenberge and Glimpse, 2009), Brown and Carpenter 2000, Carpenter et al, 1994), although Meyvis and Ellis (2010) show irrelevant information can be counterproductive in consumer decision making. Secondly, Company based from the company's point of view, a strong brand serves any purposes, including making advertising and promotion more effective, helping secure distribution, insulating a product from competition, and facilitating growth and expansion into other product categories (Keller,2003).

Brand equity from the company perspective is therefore the additional value (i.e., discounted cash flow) that accrues to a firm because of the presence of the brand name that would not accrue to an equivalent unbranded product. In economic terms, brand equity can be seen as the degree of "market inefficiency “that the firm is able to capture with its brands. Thirdly, Financial based from a financial market's point of view, brands are assets that, like plant and equipment, can and frequently are bought and sold. The financial worth of a brand is therefore the price it brings or could bring in the financial market. Presumably this price reflects expectations about the discounted value of future cash flows.

In the absence of a market transaction, it can be estimated, albeit with great difficulty(Ahonen, 2008) and Barwise 1998, Feldwick 1996), from the cost needed to establish a brand with equivalent strength or as a residual in the model of the value ofa firm's assets (Simon and Sullivan 1993).Comprehensive models of brand equity have been developed in recent years to incorporate multiple perspectives(Agarwal, 2010, Epstein and Westbrook 2001,Keller and Lehmann 2003, Ahonen*et al*,. 1998). Each of the three brand-equity measurement perspectives has produced relevant work. This study will adopt the customer based approach to measuring brand equity in financial Services offered by SACCOs.

The value of a brand and thus its equity is ultimately derived from the words and actions of consumers. Consumers decide with their purchases, based on whatever factors they deem important, which brands have more equity than others(Villas-Boas, 2004), While Corporate re-branding is a systematically planned and implemented process of planning, creating and maintaining a new favorable image and consequently a favorable reputation for the company’s a whole by sending signals to all stakeholders and by managing behavior, communication, and symbolism in order to pro-act or react to change.

Although the details of different approaches to measuring brand equity differ, they tend to share a common core: All typically either implicitly or explicitly focuses on brand-knowledge structures in the minds of consumers—individuals or organizations—as the source or foundation of brand equity. To capture differences in brand-knowledge structures, a number of hierarchy of effects models have been put forth by consumer researchers through the years. For example AIDA, this stands for Awareness-Interest-Desire-Action.

According to Keller, (2008), Customer-level brand equity can largely be captured by five aspects that form a hierarchy or chain, which are bottom (lowest level) to top (highest level) as follows:(a)Awareness (ranging from recognition to recall);(b)Associations (encompassing tangible and intangible product or service considerations);(c)Attitude (ranging from acceptability to attraction);(d) Attachment (ranging from loyalty to addiction);(e) Activity (including purchase and consumption frequency and involvement with the marketing program, other customers through word of mouth, among others or the company).

Although qualitative measures are useful to identify and characterize the range of possible associations to a brand, a more quantitative portrait of the brand often is also desirable to permit more confident and defensible strategic and tactical recommendations. Whereas qualitative research typically elicits some type of verbal responses from consumers, quantitative research typically employs various types of scale questions so that numerical representations and summaries can be made. Quantitative measures are often the primary ingredient in tracking studies that monitor brand knowledge structures of consumers over time.

In SACCOs the main driving force behind rebranding is to enable SACCOs acquire a national look, recruit new members and enable diversification into new businesses that are not only fostering financial inclusion of the old membership but also attractive the new membership. The change of name in SACCO has been synonymous with teacher based SACCOs as commonly reported in the press. For example, Kiambu District Teachers SACCO changed its name to Metropolitan SACCO, Murang'a Teachers SACCO changed to Mentor SACCO and Baringo Teachers SACCO changed to Boresha SACCO and Kilifi Teachers SACCO changed to Imarika SACCO. Changing a corporate brand name may suggests the loss of all the values that the old name signifies in an extremely short course of time; it may nullify years of effort and can seriously damage or even destroy the equity of the brand (Muzellec and Lambkin, 2006). This is not necessarily be the case for teacher based SACCOs whose main objective of rebranding is to foster financial inclusion for their members through broadening the membership base, wider product offering in a more member friendly environment.

2.4.3. New products in SACCOs and Financial Inclusion

In the United States, deregulation since the 1970s has had a profound effect on the kinds of products and services credit unions are entitled to provide, and on their financial and operational management (Kadasia, 1998). Deregulation was accompanied by the introduction of a less restrictive interpretation of the common bond requirement for membership, which created new opportunities for growth and mergers. Between 1987 and 1999 the number of credit unions declined from 15,000 to 10,858, while the number of members increased from 53 million to 76.6 million (Strahan,1998).

In Kenya, teacher based SACCOS have continued to diversifying their financial products range to retain membership and to form partnership with private and public sectors. Currently, there is less limitations on product range in SACCOs, with some products being tailor made to suite the disadvantaged groups in society that is the women and Youth which were initially left out of SACCO financial services sector. This is becoming more prominent with the advent of government devolved funds to these groups.

SACCOs have reacted to the threat posed by commercial banks by opening Front Office Service Activities (FOSAs), where they provide a wide range of products and services to their members. With FOSAs where members can walk in and deposit or withdraw their savings and also apply for credit just like in a commercial bank, the speed and quality of service delivery in SACCOs is expected to improve. According to Sahrawat, (2010), the mere ownership of a financial product does not result in financial inclusion rather it is the usage of the financial product for economic self-reliance and growth which ultimately leads to financial inclusion. For example, opening a bank account by an individual is often treated as an indicator of financial inclusion. But a better indicator of financial inclusion would be the usage intensity of the bank account by the individual as it is ultimately the quantum of transactions and interaction variety between the individual and the financial institutions(s) which reflects the value derived by the individual from participating in the mainstream financial system.

To measure the effect of the new products introduced by the SACCOs in fostering financial inclusion, it is imperative to measure the product performance. Product performance relates to the ways in which the product or service attempts to meet customers' more functional needs. Thus, product performance refers to the intrinsic properties of the brand in terms of inherent product or service characteristics. The specific performance attributes and benefits making up functionality will vary widely by category. Nevertheless, there are five important types of attributes and benefits that often underlie product performance and can be measured, as follows:

Primary characteristics and supplementary features: Customers often have beliefs about the levels at which the primary characteristics of the product operate (low, medium, high, or very high). Additionally, they may also may have beliefs as to special, perhaps even patented, features or secondary elements of a product that complement these primary characteristics.

Product reliability, durability, and serviceability: Reliability refers to the consistency of performance over time and from purchase to purchase. Durability refers to the expected economic life of the product. Serviceability refers to the ease of servicing the product if it needs repair. Thus, measures of product performance can capture factors such as the speed, accuracy, and care of product delivery and installation; the promptness, courtesy, and helpfulness of customer service and training; the quality of repair service and the time involved; and soon.

Service effectiveness, efficiency, and empathy: Service effectiveness refers to how completely the brand satisfies customers’ service requirements. Service efficiency refers to the manner by which these services are delivered in terms of speed, responsiveness, among others. Service empathy refers to the extent to which service providers are seen as trusting, caring, and with customer’s interests in mind.

Style and design: Consumers may have associations to the product that go beyond its functional aspects to more aesthetic considerations such as its size, shape, materials, and color involved. Thus, performance may also depend on sensory aspects as to how a product looks and feels and perhaps even what it sounds or smells like.

Price: Finally, the pricing policy for the brand can create associations in consumers' minds to the relevant price tier or level for the brand in the category, as well as to its corresponding price volatility or variance (in terms of the frequency or magnitude of discounts, etc.).

In addition to the initiatives outlined, SACCOs will continue to protect and sustain their market share in the financial sector if the strategies adopted are effectively implemented. Despite the growing interest by practitioners, the phenomenon has received little or no academic attention. So far, only a handful of academic studies have been done in the SACCO subsector concentrating more on the legal operational framework with less attention on the effects of the strategic changes on the financial inclusion of SACCO members. There is therefore the need to investigate effect of new products on the financial inclusion of members. These knowledge gaps are what this study seeks to fill for a stronger and sustainable SACCO business in Kenya.

2.5 Theoretical Framework

2.5.1 Finance-Growth Theory

Theories on the finance growth nexus advocate that financial development creates a productive environment for growth through ‘supply leading’ or ‘demand-following’ effect. Theories also perceive the lack of access to finance as a critical factor responsible for persistent income inequality as well as slower growth. Therefore, access to safe, easy and affordable source of finance is recognized as a pre-condition for accelerating growth and reducing income disparities and poverty which creates equal opportunities, enables economically and socially excluded people to integrate better into the economy and actively contribute to development and protect themselves against economic shocks (Throat*et al.*, 2006).

Theoretical disagreements do exist about the role of financial systems in economic growth. Some economists see the role as minor or negligible while others see it as significant.

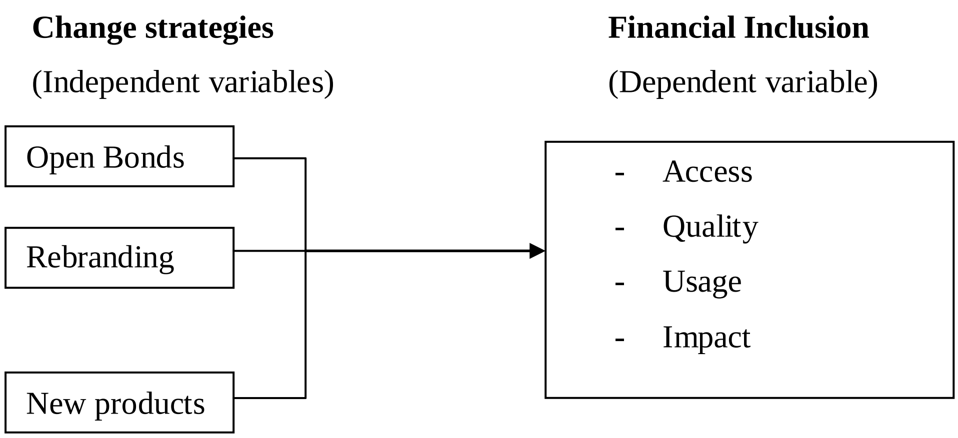
The demand following view argues that the financial system does not spur economic growth; rather the financial system simply responds to development in the real sector. The supply leading proponents contrasts the former view. The origin of the finance-led growth hypothesis can be traced back to Diamond (1983). Those who favor the finance-led growth hypothesis argue that the existence of an energetic financial sector has growth-enhancing effects. Banks enable an economy to grow by providing efficient markets for funds. Goldsmith, (1969), McKinnon (1973), Levine (1996), and others also emphasized the positive role of financial systems in economic growth as cited by Ndebbio, (2004).

The main argument of proponents of the Finance Growth theory is that, financial markets evolve in response to increased demands for financial services from an already budding economy. Therefore, the development of financial markets is a reflection of growth in other sectors of the economy. In conclusion, this theory has established a positive link between financial development and economic growth.

2.6 Conceptual Framework

In view of the fact that there is a clear demand for financial services across the population, but semi-formal and informal financial services and mechanisms are used more commonly than formal financial services (Ellis, 2010) and (Raj, 211) all efforts must be put in place to realize full financial inclusion. This study has conceived a conceptual framework based on the assumption that change strategies being undertaken by teachers based SACCOs are promoting financial inclusion of their members.

Figure 2: Conceptual framework of the effects of change strategies on financial inclusion



Source: Researcher (2014)

2.6.1 Explanation of Variables

Financial Inclusion

This generally refers to providing every household with access to a suite of modern and affordable financial services, including savings, credit, insurance, and payments, as well as sufficient education and support to help customers make good financial decisions for themselves. This is the dependent variable deemed to be influenced by the SACCO's change strategies identified in this study as open bond, rebranding and new products. The effects of these strategies are expected to be reflected on credit accessibility, use of savings accounts, insurance services, share capital and financial education as indicators of financial inclusion.

Open Bonds

This refers to allowing any interested member of public with interest and ability to meet other membership conditions to become a member of a SACCO without restrictions to common interests of association relating to employment, religion, location, and occupation and residential. The study assumes that by SACCOs opening their original common bonds, more members of the society will be able to join and hence more capital base and improved business performance enabling the members to enjoy broad range of products and services towards an all-inclusive financial environment.

Rebranding

This refers to the change in identity including; name, logo and value proposition accompanied by marketing of the new structural changes to create awareness to prospective new members as well the old membership to endure them to the new products and services on offer at the SACCO. The study assumes that this will attract more participation from members thereby contributing to better financial inclusion.

New products

This refers to both savings and credit products introduced by SACCOs to meet the diversified needs of the dynamic membership. This is assumed will help SACCOs retain and regain member loyalty thereby increasing financial inclusion.

2.7 Operationalization of Measurements of Variables

Table 2.1: Measurements of variables

	Variable	**Indicators**	**Measurement**
Dependent variable	Financial Inclusion (Y)	- Access - Quality - Usage - Impact Source: Hannig and Jansen, (2010).	5 point Likert scale
Independent variables	Open Bond (X_1)	- Quantity - Quality - Returns Source:*Researcher,2014*	5 point Likert scale
	Rebranding (X_2)	- Awareness - Recognition - Recall - Brand Imagery - Brand Judgments - Brand Feelings *Source:* Keller, (2008)	5 point Likert scale
	Products (X_3)	- Primary characteristics - Product reliability - Service empathy - Style and design - Price. ***Source:****(Kapferer, 2005; Keller, 2003).*	5 point Likert scale

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The chapter provides an overview of the strategy used to conduct the research and derive the data necessary to answer the research objectives and hypothesis. It covers research design, identification of the target population and sampling design and procedure, the instruments of data collection, validity and reliability of data collected, sources of data, methods of data collection and methods of analyzing and interpreting the data.

3.1 Research Design

This study adopted an explanatory survey research design to identify the cause and effects of the change strategies being implemented by SACCOs in reaction to changes in the Kenyan financial market. The hypotheses were tested to confirm or reject the fact that these strategies are broadening the financial inclusion in Kenya. This research design is relevant to the study since previous studies on financial inclusion suggest that there is some positive correlation between financial institutions strategic initiatives to offer better targeted products and services and financial inclusion. This study built on these theories by approving or disapproving the existing theories. A section of the target population was subjected to the study and the results were generalized for the entire population of teacher based SACCOs in Kenya.

3.2 The Study Area

The study was done in Kenya. Kenya has the largest financial systems in East Africa with only 41% having access to financial services. The financial landscape is characterized by 25.8% of the adult population registered as M-PESA users, 2.2% Post bank's users, 8.5% SACCOs users and the rest of the population is served by banks and MFIs (FinAccess National Survey, 2009). The Kenyan SACCO subsector is the largest in Africa and seventh in the world and hence occupies a strategic place in the country's economic agenda.

3.3 The Target Population

The study population comprised of all members of teacher based SACCOs that have adopted the three change strategies of open bond, rebranding and new products to compete with other financial institutions within the financial market. There are about 40 teacher-based SACCOs in Kenya out of which 8 have opened their common bond and rebranded.

Metropolitan SACCO which was originally Kiambu District Teachers SACCO is the largest in terms of membership, branch network and was the first to rebrand. For purposes of this study, non-teachers who are members of Metropolitan SACCO were the accessible population. The SACCO had 22,830 active members out of which 6,721 were non-teachers. Of these, 6,603 are either in formal employment or retirees of various public and private institutions. The remaining 118 are small scale traders.

3.4 Sampling Design and Sample Size

The purposive sampling design was used, where Metropolitan SACCO, which is the largest of all teacher-based SACCOs and was the pioneer SACCO in opening of the common bond and re-branding was selected from among the 40 teacher based SACCOs in Kenya. To achieve the objectives of this study, a systematic random sampling technique was used to select a sample of 363respondentsfrom a list of 6,721 members of the SACCO who are not teachers by profession and have joined the SACCO as a result of opening the common bond.

The Sample size was determined using the formula by (Mugenda & Mugenda, 1999) commonly used in social science research as described by the formula:

$$n = \frac{Z^2pq}{d^2}$$

Where:

n = the desired sample size (if target population is greater than 10,000)

Z = the standard normal deviation at the required level of confidence, in this case 95%

p = the proportion of the target population estimated to have characteristics being measured, assumed to be 50% in this study.

q = 1-p

d = the level of statistical significance

Therefore the sample size is; $n = \frac{1.96^2 x 0.5 \text{ x } 0.5}{(0.05)^2}$

$= 384.$

Since accessible population for this study is less than 10,000 that is 6,721, the most appropriate sample size was determined by a formula linked to the above formula as described below:

Sample size(n) = = $\frac{n}{1+n / N}$ = **363** $\frac{384}{1 + 384/6,721}$

Where: n – Desired sample size when the population is more than 10,000.

N – The estimated population.

The 363 respondents were selected using a systematic random sampling method distributed proportionately to the three main branches of Kiambu, Nairobi and Thika where 90% of them transact their financial business. The representative sample was obtained by dividing the population of non-teachers in each branch by the sample size to determine the sampling interval. A random starting point was then picked using random number table and the interval used to select a sample from the list of members of the SACCO who are non-teachers.

3.5 Data Collection

3.5.1 Types and Sources of Data

The study used both primary and secondary sources to collect quantitative and qualitative data. Primary data was collected from the sampled SACCO members to get quantitative data, while secondary data was obtained through the review of different literature sources including journals, thesis and papers on SACCO change strategies and financial inclusion. This provided both qualitative and quantitative data.

3.5.2 Data Collection Procedures

The survey questionnaire was designed and pretested before the actual data collection. A research permit was then obtained from the National Council of Science and Technology in the Ministry of Education. In addition an introduction letter was obtained from the Department of Management Science in the school of Business and Economics Moi University. The purpose of the study properly explained before the interview and every respondent was informed of his/her rights to participate or withdraw voluntarily at any point in the process.

3.5.4 Testing for Reliability

Cronbach's alpha using SPSS was used to a measure internal consistency, that is, how closely related a set of items are as a group. A "high" value of alpha is often used (along with substantive arguments and possibly other statistical measures) as evidence that the items measure an underlying (or latent) construct. Cronbach's alpha reliability coefficient normally ranges between 0 and 1. However, there is actually no lower limit to the coefficient. The closer Cronbach's alpha coefficient is to1.0 the greater the internal consistency of the items in the scale. Mallery, (2003) provided the following rules of thumb:"_ > .9 – Excellent, _ > .8 – Good, _ > .7 – Acceptable, _ > .6 – Questionable, _ > .5 – Poor, and _ < .5 – Unacceptable". While increasing the value of alpha is partially dependent upon the number of items in the scale, it should be noted that this has diminishing returns. It should also be noted that an alpha of .8 is probably a reasonable goal.

This process was repeated once for comparison before the necessary adjustments were made to the instruments to minimize on errors or biasness to reduce the risk of making incorrect inferences.

3.5.5 Testing for Validity of Instruments

Validity is defined as the extent to which the instrument measures what it purports to measure. The validity of the Survey questionnaire was confirmed through validity-feedback interviews as a pre-test method as suggested by Lewis, (2007). This method enables testing the quality of the survey as a whole, and helps assess whether conclusions drawn from answers provided by respondents are valid. Five questionnaires were distributed to five people to respond to and the responses analyzed for validity.

Validity testing is largely a "common-sense" assessment and relies on knowledge of the way people responding to survey questions and common pitfalls in questionnaire design; Content Validity to ensure that all important aspects of the construct are covered and Clear definitions of the construct and its components to bring a proper understanding and ensure that the results of the questionnaire are consistent with results of established measures.

3.6. Data Analysis and Presentation

3.6.1. Preparation of Data for Analysis

The questionnaires were checked for completeness and consistency of information before coding. Quantitative data were then be coded systematically and entered into SPSS for analysis.

3.6.2. Descriptive Analysis

Univariate analysis was used to explore each variable in a data set, separately. It focused on the range of values, as well as the central tendency of the values to describe the pattern of response to the variable.

3.6.3 Correlation Analysis

Correlation analysis was used to determine the relationship and association between the dependent and independent variables. In this case financial inclusion being the dependent variable and the three change strategies open bond, re-branding and introduction of new products as independent variables.

3.6.4. Analysis Model

Multivariate inferential analysis was used in this study. The analysis adopts a multivariate ordinary least squares model, presented below:

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

Where: **Y** - Dependent variable (Financial Access)

α - The y intercept (constant)

X_1 - Open bond variables

X_2 - Rebranding variables

X_3 - New products variables

ε - error term

3.6.5 Presentation of Analyzed Data

The analyzed data was presented and discussed using table of frequencies, percentages and graphs.

3.7 Limitations of the Study

The study was limited by the geographical location since the data was only collected in Nairobi, Kiambu and Thika. The survey may not be conclusively being generalized with high confidence level although it portrays the general feeling of Kenyan population since these towns are metropolitan cities with heterogeneous population.

3.8 Ethical Considerations

Permission to carry out the study was sought from the National Council of Science and Technology in the Ministry of Education and Moi University School of Business and Economics. This was done by obtaining letters of authority to carry on with the study. The nature and the purpose of the research were explained to the respondents by the researcher.

The study was carried out with utmost respect of the individuals' rights in terms of safeguarding their personal integrity and privacy. At all times during the course of the data collection, the respondents were free to withdraw from the study if they so wished. The respondents were assured of anonymity and confidentiality. No names or personal identification numbers were reflected on the questionnaires except the questionnaires' serial numbers for purposes of data editing, recording and analysis.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter presents the analysis and findings derived from the survey. It provides the background information of the respondents, analysis and the findings using both descriptive and inferential analysis primarily on five broad themes that include demographics, open bonding, rebranding, introduction of new products and financial inclusion. Tables and diagrams have been used for clarity, simplicity and reader-friendliness.

4.1 Response Rate

According to the sample size, the study targeted 363 respondents. The data collection was a success and the final valid questionnaires after data cleaning were 267 giving a 74.55% response rate. In total, 282 responses were received from the targeted 363 potential respondents, of which, 267 respondents (94.68%) completed all of the questions that were required to be answered and 5.32% either exited the survey half way or did not attempt to answer some of the questions giving an overall success rate of 74.55%. The responses gathered from the survey have been analyzed using the SPSS software.

Basic Demographics of Respondents

The demographic characteristics considered in the study were gender, age, marital status and period as a member of the SACCO. The results and discussions are presented below;

4.2.1 Financial Inclusion by Gender

The overall pattern of responses showed that 53.2% of the respondents were male while 46.8% was female, implying that more men have accessed financial services at the SACCO than women. This was replicated in two out of the three branches sampled. Thika branch had a different result with more women than men having access at 52.5% against men's 47.5%. This confirms the results of FinAccess National survey, 2013 which revealed that more men than women have access to formal financial services at 39.5% against access by women at 26.4%. Similarly previous FinAccess Surveys done in 2009 and 2006 have shown the same trend. Table4.1 below shows the access strand by gender.

Table 4.1: Access by Gender

	Name of branch						**Total**	
Gender	Nairobi		Kiambu		Thika			
	F	**%**	**F**	**%**	**F**	**%**	**F**	**%**
Male	60	58.8%	48	47.5%	34	53.1%	142	53.2%
Female	42	41%	53	52.5%	30	46.9%	125	46.8%
Total	**102**	**100.0%**	**101**	**100.0%**	**64**	**100.0%**	**267**	**100.0%**

Source: Survey Data, 2014.

4.2.2 Financial Access by Age

The study shows that majority of the respondents fall within the age bracket of 30–50years at47.9%. This confirms the results of FinAccess national survey 2013 which found that the age bracket of 26-35years are the most financially included in the formal finance sector while those above 55years and below 26years are the most excluded. In this study only 16.9% of the responses are above 50years as shown in the table 4.3 below;

Table 4.2: Access by Age

	Name of branch							
	Nairobi		Kiambu		Thika		Total	
Age (Years)	**F**	**%**	**F**	**%**	**F**	**%**	**F**	**%**
Below 30	34	33.3%	37	36.6%	23	35.9%	94	35.2%
31 - 50	46	45.1%	48	47.5%	34	53.1%	128	47.9%
Above 50	22	21.6%	16	15.8%	7	10.9%	45	16.9%
Total	**102**		**101**	**100%**	**64**	**100%**	**267**	**100%**

Source: Field Survey 2014.

4.2.3 Period in the SACCO

In all the branches sampled majority of the respondents have been members of the SACCO for less than ten (10) years at 51.3%. This signifies that the change strategies adopted are driving the growth of the SACCO in terms of membership as shown in table 4 below. From table 4 above, all the three sampled branches had majority of the respondents above 50% falling between 0 – 10 years as members of the SACCO. Above 30 years recorded the lowest response at 5.6% confirming the fact that before these strategies were implemented, membership to the SACCO was restrictive and exclusive.

Table 4.3: Period as a Member of the SACCO

Period (Years)	Name of branch						Total	
	Nairobi		Kiambu		Thika			
	F	%	F	%	F	%	F	%
0 - 10	51	50.0	51	50.5	35	54.7	137	51.3
11-20	27	26.5	30	29.7	18	28.1	75	28.1
21 - 30	17	16.7	15	14.9	8	12.5	40	15.0
Above 30	7	6.9	5	5.0	3	4.7	15	5.6
Total	102	100	101	100.	64	100.0	267	100.0

Source: Survey Data, 2014.

4.3 Change Strategies and Impact on Financial Inclusions across demographic Profile

Study sought to find out whether there was any significant different in scores recorded in change strategic factors and financial inclusions across the demographic characteristics. The demographics characteristics captured were gender, age, marital status, period of membership and branch of the SACCO members. The significant different across demographic characteristics were sought through the use of ANOVA test.

Table 4.4 reveal the existing significant differences on perceptions on strategic changes and financial inclusions across the profile with the significant F-values marked with stars (*). In terms of gender, branch and marital status there were no significant differences in scores. These characteristics do not influence strategic change factors and financial inclusions and should not be given high considerations in strategic formulation. The age revealed differences in activity base rebranding, new products and financial inclusions. The age between 30-50 years were less satisfied with activity based rebranding compared to age groups above 50 years and below 30 years. Younger people were more satisfied with the new products compared with the older people. Generally, there was significantly high impact realized financial inclusion by the older people compared to younger people.

In terms of period as a SACCO member, the difference in scores was recorded on activity based rebranding, new product strategies and impact on the impact on financial inclusion.

Members who have stayed for long period were significantly more satisfied with activity based rebranding compared to younger members.

New members were more satisfied with new product change strategies compared with older members. In terms of impacts on financial inclusions, older members were more satisfied compared to new members. In general change strategies related to new products and activity based rebranding should be customized based on the members profile since they are the most affected by the demographic characteristics while the other strategies should not be customized on profile basis.

Table 4.4: Association between the demographic profile and Change strategies and Impact on Financial Inclusion

SN	Profile of Respondents	F-statistics			
		Open Bond	**Rebranding**	**New Products**	**Financial Inclusion**
1	**Gender**	0.708	0.076	0.176	0.322
2	**Age**	1.450	1.769	3.984*	7.366*
3	**Marital Status**	0.794	0.699	1.488	0.300
4	**Period of Membership**	1.755	1.299	2.414	2.641*
5	**Branch**	0.206	0.210	0.393	0.839

* Significant at 5% level (p-values ≤0.05)

Source: Survey Data, 2014.

Reliability of Survey Instrument

The suitability of the data collection instrument was tested by the use of Cronbach's alpha. The purpose was to eliminate variables that are consistent and therefore not appropriate for testing the hypothesis of the study. Reliability is defined as the proportion of the variability in the responses to the survey which results from the differences in the respondents. The answers to a reliable survey will differ because respondents have different opinions, not because the survey is confusing or has multiple interpretations. The average reliability scale was 0.81425, indicating that the instrument was reliable for the items included in the independent and dependent factors.

The reliability value for the study is substantial considering the fact that the highest reliability that can be obtained is 1 and this is an indication that the three independent factors and the financial inclusion variables are acceptable for analysis as indicated in table 4.4 below. A Cronbach value of 0.7 or greater is considered reliable (Mallery, 2004).

Table 4.5: Reliability Statistics (Cronbach's alphas)

SN	Factor	No. of Items	Cronbach's Alpha
1	Open Bond	4	0.782
2	Rebranding	22	0.800
3	New Products	5	0.778
4	Financial Inclusion	9	0.897

Source: Survey Data, 2014

4.5 Open Bond Strategies

The responses to the four aspects related to opening of the SACCO's common bond to include other members of the within the community who are not necessarily teachers were analyzed and presented in Table 4.6 below. Generally majority of the respondents agreed that the SACCO has opened its common bond to allow non-teachers join its membership with 73.8% strongly agreeing that the membership of the SACCO is open and voluntary. This is supported by the fact that the mean response to the four parameters of open bond used in this study was 4.403 with a standard deviation of 0.764 and an average skewness of -1.757 and a Kurtosis of 4.751. Therefore the data distribution is positively skewed towards strongly agree on a five point Likert scale and the responses are homogeneous with less variances around the mean.

The Cronbach's alpha was used to test internal consistency ("reliability") of the multiple Likert questions in the survey questions relating to open bond and the scale was determined to be reliable at 0.782 cronbach's alpha. Most of the respondents also strongly agreed that opening the common bond by the SACCO has given them an opportunity to save and get credit, acquire financial skills through member education and training as well make able to receive and make payments. The debate around closed bond versus open bond has elicited diversified views in the co-operative movement with some scholars concluding that opening the common bond dilutes the ownership and the core principle of democratic member control while others see it as an opportunity for expansion and growth of not only the co-operative institution but also the broad national financial inclusion.

The observation in this study is consistent with the findings of previous studies that opening of the common bond in a SACCO widens broadens the membership scope and thus provide opportunity for growth (Mudibo, 2006).It is worthwhile to note that open and voluntary membership is the first core principle of co-operative business adopted by international Co-operative Alliance in 1884, Rochdale England, received the highest response rate of 73.8%. This imply that SACCO’s that have relaxed the common bond definition to allow interested members of the public participate in their financial activities are likely to experience rapid growth not only in membership but also in terms of financial sustainability.

However, According to research done on the historical development of CFIs in seven countries reviewed (Germany, USA, Canada, India, Ireland, Brazil and Kenya) with the key question as to whether ‘open common bonds’ or ‘closed common bonds’ are instrumental in the development of the sector. The ‘closed common bond theorem’ is supported by an analysis based on a theoretical model of CFI formation and consolidation using an extensive United States CFIs dataset and a nonlinear approach.

In this particular study, the authors concluded that the larger the pool from which a CFI can draw membership, the less effective it is in attracting members.

However, using the same dataset, albeit a few years later, (Goddard *et al.*, 2002) noted that less restrictive interpretation of the common bond in US CFIs created opportunities for growth and mergers, with the number of CFIs declining from 15,000 in 1987 to 10,858 in 1999. Remarkably however, membership, as an indicator of outreach, increased from 53 million to 76.6 million and asset size from US$571 million to US$1.9 billion over the same period. This was also confirmed by a separate study by (Robbins, 2005) who noted that less restrictive common bonds in the US resulted in improved financial conditions of CFIs as well as increased competition between banks and CFIs. The growth in the SACCO sub-sector sector in Kenya has also been largely attributed to early restrictions limiting common bonds to a secure crop or employment.

Table 4.6: Analysis of Responses to Opening of the Common Bond

SN	**Responses** **Open Bond Strategies**	**1** **%**	**2** **%**	**3** **%**	**4** **%**	**5** **%**	**Mean**	**Std. Dev.**	**Skewness**	**Kurtosis**
1	Voluntary and open membership	1.1	1.1	1.1	22.8	73.8	4.67	0.669	-2.922	11.089
2	Opportunity for Saving and Credit	1.5	1.9	7.5	40.4	48.7	4.33	0.816	-1.553	3.296
3	Acquire financial management skills	1.1	2.6	8.6	39.3	48.3	4.31	0.825	-1.401	2.419
4	Opportunity to receive and make payments in a convenient and secure environment	0.7	1.1	9.4	44.9	43.8	4.30	0.746	-1.152	2.198
	Average						**4.403**	**0.764**	**-1.757**	**4.751**
	Reliability (Cronbach's Alpha)						**0.782**			
	N						**267**			

Source: Survey Data, 2014

4.6 Rebranding Initiatives in SACCOs

The measurement of the value of a brand is derived from words and actions of the consumers and hence this study adopted a model suggested by (Keller, 2008) which captures five aspects of customer brand equity ranging from awareness, association, attitude, attachment and activity. From these parameters, 22 questions were set out in the questionnaire and were effectively responded to by the sampled respondents. Factor analysis was then used to reduce these questions to manageable level through elimination of non-significant questions. This resulted into 14 out of twenty 22 questions being selected for further as analysis as shown the table 4.6 below. Factor analysis also divided the rebranding into three major sub factors which mainly comprised of awareness, activity and feelings.

4.6.1 Exploratory Factor Analysis on Rebranding Initiatives

The items studied were considered to be very many and therefore the need to reduce the number of variables by the use of Factor analysis (FA) technique. Factor analysis assumes that some underlying factors exist that explains the correlations or inter-relationship among the observed variables (Chatfield and Collins 1992). The dimensional structure of the independent factors for change strategies and the variables for financial inclusions were examined using a principal component factor analysis with varimax rotation in establishing preliminary solutions to Exploratory Factor Analysis (EFA).Exploratory factor analysis was found suitable for this study since there were no expectations of the number and nature of variables. Pett*et al.,* (2003) suggested using Principle Component Analysis in an exploratory factor analysis where there is no priori theory or model to be tested. Table 4.6 shows the output of SPSS on FA with communalities of the 22 questions relating to the brand equity measurements.

Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy/Bartlett's Test of Sphericity

Prior to the extraction of the factors, the suitability of the data for factor analysis should be tested. Kaiser-Meyer-Olin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity was adopted. The KMO index ranges from 0 to 1, with 0.50 considered suitable for factor analysis. The Bartlett's Test of Sphericity should be significant ($p<.05$) for factor analysis to be suitable. The results revealed a high value of 0.907 for the sampling adequacy indicating that the data is suitable for factor analysis i.e. the proportion of variance in the items that might be caused by underlying factors. This is confirmed by the significance of the Bartlett's test of sphericity tests (X^2:2724.880 ,df: 231, sig.: 0.000) indicating that the variables are not unrelated and therefore suitable for structure detection. Table 4.6below shows two tests that indicate the suitability of the data for factor analysis.

Table 4.7: KMO and Barlett's Test for Structure detection

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.907
	Approx. Chi-Square	2724.880
Bartlett's Test of Sphericity	df	231
	Sig.	.000

Source: Survey Data, 2014

Principal Components Analysis (PCA)

The aim of data extraction is to reduce the large number of items into factors/components and to produce scale unidimentionality and simplifying factor solutions. Among the several criteria, Principal Component Analysis was used for factor extraction. According to Pett*et al.*, (2003), PCA is recommended for establishing preliminary solutions in exploratory factor analysis where there is no priori theory or model exists.

Extraction communalities are estimates of the variance in each variable accounted for by the factors in the factor solution. The higher the value the more influential is the variable in determination of the factor. Small values indicate variables that do not fit well with the factor solution, and should possibly be dropped from the analysis. Factors with loading above 0.5 are considered influential in the resultant factor detection. In the first SPSS output only four items were not influential and these include: understanding SACCO products and services, (0.453), attachment to brand and services (0.493) and image, brand name has a national appeal (0.245) and image, SACCO name always come in handy at times of financial needs (0.244).The most influential variable was “consistency with saving constantly since joining the SACCO” with a loading factor of 0.732 followed by “the availability of credit all the time” with a loading factor of 0.693 as shown in table 4.8 below.

Table 4.8: Extraction Method: Principal Component Analysis for Rebranding Strategy

	Initial	Extraction
Rebranding - Awareness, familiar with the new name and logo	1.000	.685
Rebranding - Awareness, recognize the new name, logo and corporate colours	1.000	.651
Rebranding - Awareness, Recall characteristics of brand name	1.000	.673
Rebranding - Association, capture aspirations and thought	1.000	.633
Rebranding - Association, association with the financial provider of choice	1.000	.561
Rebranding - Attitude, brand more likeable, affectionate and attractive	1.000	.605
Rebranding - Attitude, Affordable Credit facilities and high returns	1.000	.638
Rebranding - Attachment, Members are part of SACCO	1.000	.505
Rebranding - Activity, go for credit any time	1.000	.693
Rebranding - Activity, saving constantly since joining the SACCO	1.000	.732
Rebranding - Activity, receiving salary and income payments through FOSA	1.000	.679
Rebranding - Activity, attending financial education and training activities organized by the SACCO	1.000	.505
Rebranding - Image, never disappointed by the SACCO whenever in need of financial services	1.000	.537
Rebranding - Judgments, products and services offered by metropolitan are reliable and suit members needs	1.000	.573
Rebranding - Judgments, the SACCO is one of the best in Kenya	1.000	.549
Rebranding - Feelings, SACCO name evokes good emotions past, present and future	1.000	.607
Rebranding - Feelings, pride and accomplished when the name of SACCO is mentioned	1.000	.693
Rebranding - Feelings, recommend friends and relatives to join the SACCO	1.000	.657

Extraction Method: Principal Component Analysis.
Source: Survey Data, 2014

Traditional convention of including factors with eigenvalues of 1 or higher led to the identification of four factors with a cumulative explained variance of 58.6%. The initial solutions resulted into eight factors solutions to better aid interpretation. The Total column gives the eigenvalue, or amount of variance in the original variables accounted for by each component. The second section of the table shows the extracted components.

They explain nearly 59% of the variability in the original 22 variables and hence can considerably reduce the complexity of the data set by using these components, with a 41% loss of information. The rotation maintains the cumulative percentage of variation explained by the extracted components, but that variation is now spread more evenly over the components. The large changes in the individual totals suggest that the rotated component matrix will be easier to interpret than the un-rotated matrix.

Table 4.9: Principal Component Analysis and Extraction of 3 factors

Total Variance Explained

Comp	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	7.206	40.032	40.032	7.206	40.032	40.032	4.099	22.774	22.774
2	1.891	10.508	50.539	1.891	10.508	50.539	3.428	19.042	41.815
3	1.291	7.175	57.714	1.291	7.175	57.714	2.862	15.898	57.714
4	1.105	6.141	63.854						
5	.788	4.378	68.232						
6	.746	4.146	72.378						
7	.625	3.474	75.852						
8	.592	3.288	79.140						
9	.555	3.083	82.223						
10	.494	2.745	84.968						
11	.446	2.479	87.447						
12	.409	2.275	89.722						
13	.372	2.065	91.787						
14	.348	1.932	93.719						
15	.321	1.782	95.501						
16	.306	1.702	97.203						
17	.270	1.501	98.704						
18	.233	1.296	100.000						

Extraction Method: Principal Component Analysis.

Source: SPPS output, 2014

4.6.2 Grouping of Sub-factors on Rebranding

The output from Principal component analysis was rotated using varimax method to make clear distinction between the factors identified. Table 4.9 shows the variables and the corresponding factor loading value for each corresponding factor above 0.3. Factor loading gives the relationship between the variable/item under measure and the extracted factors and it is measured in term of correlation coefficient. On criteria for selecting factor loading, generally factor loading above 0.6 is considered high while factor loading greater than or equal to 0.3 is considered moderately (Klien, 2005). Therefore, the cut-off for analyzing the loading was 0.5±0.03. Next, no item (row) should have multiple factors greater or equal to 0.5±0.03. Lastly, no factor should have only one high loading item.

Other factor loadings that do not satisfy the above criteria are considered less significant and can be safely removed while the high loading factors are critical factors and should therefore be retained. Table 4.10 indicates that eight factors emerged meeting the above criteria. Variables were divided further into to three sub factors. The branding factors dealing with awareness and attractiveness were grouped together. The second factor under rebranding was Activity based branding while the third factors under branding were judgment and feeling based. Ten items were eliminated under branding indicating that they have no influence on the structure hence have no contribution to the impact on financial inclusions. These included: Brand name has national appeal, SACCO names, affordability of credit facilities and high returns, member’s attachment to the SACCO, connection to brand and services and association with the financial provider of choice.

Table 4.10: Principal Factor Analysis for Rotated Component Matrix

	Component/Factors		
	1	2	3
Rebranding - Awareness, familiar with the new name and logo		.790	
Rebranding - Awareness, recognize the new name, logo and corporate colours		.779	
Rebranding - Awareness, Recall characteristics of brand name		.757	
Rebranding - Activity, go for credit any time			.723
Rebranding - Activity, saving constantly since joining the SACCO			.806
Rebranding - Activity, receiving salary and income payments through FOSA			.701
Rebranding - Feelings, pride and accomplished when the name of SACCO is mentioned	.767		
Rebranding - Feelings, recommend friends and relatives to join the SACCO	.773		

Extraction Method: Principal Component Analysis, Rotation Method: Varimax with Kaiser Normalization.

Source: Survey Data, 2014

Table 4.11: Emerged Factors on Rebranding Initiative

Component	Emerged factors	Items
1	Rebranding: Feelings	Feeling a sense of Pride and Accomplished when the name of SACCO is mentioned Will certainly recommend friends and relatives to join the SACCO
2	Rebranding: Awareness	Familiar with the new name and logo of the SACCO. Easily recognize the new name, logo and corporate colours of the SACCO. Can recall characteristics of brand name without much effort.
3	Rebranding: Activity based	Certainly go for credit any time when in need of financing. Have been constantly Saving since joining the SACCO Receive salary and income payments through FOSA

Source: SurveyData, 2014

The results show that rebranding can be grouped into three factors which relate to Awareness, Activity and Feeling based rebranding. Other measurements relating to association, attachment, attitude, image and judgment were found to be less significant and hence eliminated. Consequently the eight factors as shown in table 4.10 above were used to compute the second independent variable X_2relating to rebranding.

4.6.3 Descriptive Analysis of Rebranding Initiatives

From the above table in can be established that majority of the respondents strongly agreed with the rebranding parameters used to capture the brand equity of the SACCO as this received the highest response ranging from 41.9% to 62.9% with a mean of 4.359, standard deviation of 0.796, Skewness of -1.464 and kurtosis of 2.729. These statistics show that the data is skewed towards strongly agree response and with less variance from the mean and the results are reliable as evidenced by Cronbach's alpha of 0.887.

Basically the results show that the non-teachers who are already members of the SACCO are aware of the SACCO brand, associate with tangible or intangible product or service considerations, have positive attitude ranging from acceptability to attraction, are attached ranging from loyalty to addiction and finally are actively involved in transacting with the SACCO. Existing literature has shown that effective branding/re-branding can positively impact customer purchase preferences and intentions, satisfaction and loyalty (Keller, 2008).

Table 4.12: Analysis of Responses on Rebranding Initiatives

SN	Responses / Attributes for Rebranding	1 %	2 %	3 %	4 %	5 %	Mean	Std. Dev.	Skewness	Kurtosis
1	Awareness, familiar with the new name and logo	1.1	3.7	5.2	42.3	47.6	4.31	0.826	-1.529	2.908
2	Awareness, recognize the new name, logo and corporate colours	0.7	3.0	3.7	39.3	53.2	4.41	0.767	-1.662	3.633
3	Awareness, Recall characteristics of brand name	0.7	3.7	6.7	41.9	46.8	4.30	0.814	-1.368	2.228
4	Activity, go for credit any time	0.4	1.9	4.1	35.6	58.1	4.49	0.701	-1.616	3.511
5	Activity, saving constantly since joining the SACCO	0.4	2.6	5.2	30.0	61.8	4.50	0.748	-1.718	3.250
6	Activity, receiving salary and income payments through FOSA	2.2	10.1	7.5	30.7	49.4	4.15	1.076	-1.232	0.612
7	Feelings, pride and accomplished when the name of SACCO is mentioned	1.1	1.5	7.1	39.7	50.6	4.37	0.776	-1.530	3.361
8	Feelings, recommend friends and relatives to join the SACCO	1.1	1.1	4.1	30.7	62.9	4.53	0.732	-2.082	5.882
	Average						**4.384**	**0.805**	**-1.592**	**3.173**
	Reliability (Cronbach's Alpha)						**0.800**			
	N						**267**			

Source: Survey Data, 2014

4.7 Introduction of New Products and Services to Foster Financial Inclusion

From the 267 respondents, majority accepted that the new product attributes of reliability, quality, efficiency, service epathy and fairness in pricing of the SACCO’s financial products are the key atributes that attracted them to the SACCO. By the use of reliability test, two questionas were eliminated since they were non consistent with the rest. These were questions related to SACCO being trusted, listening and caring financial service provider and the cost of credit. These questions were not consitent with others and should therefore be expanded to form other parallel stragegies to impact change in financial inclusion. The analysis only considered the three questions as summarized in Table 10 below. From the analysis 56.6% of the respondents recorded a low reliability, followed by low efficient and effectiveness in delivery of financial services at 49.4%.

The overal results indicate an average mean of 1.983, standard deviation of 0.866 with a skewness of 0.866 and kurtosis of 1.144. The data distribution is slightly skewed to the right and is reliable at 0.778 cronbach's alpha. This signifies the fact that most of the respondents feel the products and services offered by the SACCO takes care of their interests and hence high in their quality attributes.

According to Sahrawat (2010), product performance relates to the ways in which the product or service attempts to respond to customers' more functional needs. Customers have beliefs about the levels at which primary attributes of the product operate, that is low, medium, high or very high. By rating the product and service offering by the SACCO as low, would imply they are not willing to continue patronizing with the SACCO.

Table 4.13: Analysis of Responses to Introduction of New Products

SN	**Responses**	**1**	**2**	**3**	**4**	**5**	**Mean**	**Std. Deviation**	**Skewness**	**Kurtosis**
	New Products Attributes	**%**	**%**	**%**	**%**	**%**				
1	Financial products are reliable	27.0	56.6	12.7	3.0	0.7	1.94	0.763	0.919	1.703
2	Financial products and services are quality	34.8	45.3	11.2	7.1	1.5	1.95	0.939	1.059	0.892
3	The SACCO is efficient and effective in delivery of financial services	27.0	49.4	16.1	6.0	1.5	2.06	0.897	0.896	0.837
4	The cost of creadit i.e. interest on loans, fees and other charges	15.0	29.6	21.7	28.8	4.9	2.79	1.157	0.021	-1.069
	Average						**2.184**	**0.939**	**0.724**	**0.591**
	Reliability (Cronbach's Alpha)						**0.778**			
	N						**267**			

Source: Survey Data,2014.

4.8 Financial Inclusion

The concept of financial inclusion was tested using questions that relate to accessibility, quality, usage and impact. On average, out of the 267 respondents, over 80% agreed that the SACCO has offered them an opportunity to access quality financial services relevant to their needs. The responses are analyzed in Table 4.14 below.

On aggregate the responses are skewed towards strongly agreeing with the nine statements posed to the respondents to measure financial inclusion. The mean of the distribution stood at 4.307 with a standard deviation of 0.782, skewness 1.457 and kurtosis 3.398. The data was also tested for reliability using the Cronbach’s alpha and was found to be very reliable at 0.898 and hence further analysis using inferential statics possible. According to FinAccess national survey 2013, nationally the use of SACCOs has decreased since 2006, from 13.5% in 2009 to 9.1% in 2013 which is contrary to the findings of this study.

Table 4.14: Analysis of Responses on Financial Inclusion

SN	Responses / Measures of Financial Inclusion	1 %	2 %	3 %	4 %	5 %	Mean	Std. Deviation	Skewness	Kurtosis
1	Access to readily available and affordable services	1.1	0.7	6.0	49.1	43.1	4.32	0.721	-1.420	4.052
2	Access to a variety of financial products and services	1.5	1.1	0.4	50.9	46.1	4.39	0.703	-1.956	7.190
3	SACCO's financial products and services relevant to needs of members	0.4	1.5	3.4	44.9	49.8	4.42	0.669	-1.346	3.301
4	SACCO often give timely response to enquiries, compliants and compliments	2.2	4.5	9.4	40.8	43.1	4.18	0.937	-1.362	1.886
5	SACCOs is preferred financial services provider to most members	0.4	2.2	6.4	45.7	45.3	4.33	0.729	-1.195	2.148
6	SACCO members regularly access credit and saving services	1.1	1.9	6.7	46.1	44.2	4.30	0.772	-1.423	3.239
7	Members are able to meet the basic needs as result of SACCO membership	1.1	3.0	7.9	40.1	47.9	4.31	0.829	-1.424	2.479
8	Members able to invest in income generating activities due to affordable financing options at the SACCO	1.5	3.0	3.4	52.8	39.3	4.25	0.787	-1.604	4.097
9	SACCO has strong concern for the community in which it operates	1.9	2.6	10.9	37.8	46.8	4.25	0.889	-1.388	2.194
	Average						**4.307**	**0.782**	**-1.457**	**3.398**
	Reliability (Cronbach's Alpha)						**0.897**			
	N						**267**			

Source: Survey Data, 2014.

4.9 Empirical Analysis of Determinants of Financial Inclusion

The study sought to determine the impact of change strategies on financial inclusion. This was done by the use of linear regression analysis with financial inclusion as dependent variables and change strategies for the derived five factors representing the independent variables. The outputs of analysis are presented in Table 4.17 and Table 4.19.

Positive effect was reported on open bond, Rebranding while negative effect was noted on new products.

The negative effects indicates that the SACCOs has not performed or invested much on the activities related to new products strategies and there is therefore no related positive impact they have realized on financial inclusion.

A Pearson product-moment correlation was run to determine the relationship between the independent variables (Open bond, Rebranding and New products) and their influence on financial inclusion (Table 4.15). The data showed no violation of normality, linearity or homoscedasticity and the correlation between open bond, rebranding and New products were significantly different from zero given the low p-values (in brackets) using two tailed test and alpha at both 0.01 and 0.05.

The results show that there was a strong positive correlation between Open bond and Financial Inclusion, which was statistically significant (r = .481, n = 267, p< .00). Similarly a strong positive correlation between Rebranding and Financial Inclusion, which was statistically significant (r = .599, n = 267, p< .00), while there was a weak negative correlation between New products and Financial Inclusion, which was statistically significant (r = .344, n = 267, p< .00). Generally the results mean that opening of the common bond and rebranding increases financial inclusion while introduction of new product reduces financial inclusion.

Table 4.15: Table 4.15 Correlation Matrix of the Variables for Determinants of Financial Inclusion

Correlations				
	Financial Inclusion	Open Bond	Rebranding	New Products
Financial Inclusion	1.00			
Open Bond	.481** (0.00)	1.00		
Rebranding	.599** (0.00)	.495** (0.00)	1.00	
New Products	-.344** (0.00)	-.131* (0.03)	-.311** (0.00)	1.00

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

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

Source: Survey Data, 2014.

Regression analysis revealed a positive relationship (R = 0.658). The study also revealed that a combination of Open bond, Rebranding and new products strategies together contributed to 43% of the impacts to financial inclusion. The F value (67.08) changes are significant which implies that the model is fit and robust.

From the Tables, it can be concluded that open bond, and rebranding have significant positive effect on financial inclusion (p-values ≤ 0.05), while new products has a significant but negative effect on financial inclusion.

Table 4.16: Regression Model

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.658[a]	.433	.427	.44102	.433	67.084	3	263	.000
a. Predictors: (Constant), New Products, Open Bond, Rebranding									

The ANOVA table reports a significant *F* statistic, indicating that using the model is better than guessing the mean as shown in table 4.18 below.

Table 4.17: ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	39.144	3	13.048	67.084	.000[b]
Residual	51.154	263	.195		
Total	90.298	266			

Multicollinearity test gave a mean Variance Inflation Factor (VIF) of 1.292 an indication of negligible collinearity among the independent variables given a benchmark of VIF 10 (Table 4.16).

Table 4.18:Regression Coefficients on Change Strategies and Financial Inclusions

Model	Standardized Coefficients		t	Sig.	95% Confidence Interval for β		Collinearity Statistics	
	Std. Error	Beta			Lower Bound	Upper Bound	VIF	1/VIF (Tolerance)
(Constant)	.301	1.548	5.151	.000	0.956	2.14		
Open Bond	.052	.250	4.680	.000	0.142	0.347	1.326	0.754
Rebranding	.062	.419	7.513	.000	0.344	0.588	1.442	0.693
New Products	.044	-.181	-3.706	.000	-0.251	-0.077	1.108	0.903
Mean VIF							**1.292**	

Dependent Variable: Financial Inclusion

Source: Survey Data,2014.

4.10 Summary of the Model

Based on the factor analysis and regression analysis a derived model was obtained to represent the relationship between the effects of change strategies on financial inclusion.

The analysis adopted a multivariate ordinary least squares model as shown in the equation below:

$$\mathbf{Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon}$$

Where: **Y** - Dependent variable (Financial Inclusion)

α - The y intercept (constant)

X_1 - Open bond variables

X_2 - Rebranding variables

X_3 - New products variables

ε - error term

Substituting the parameters of the significant factors based on the values obtained from the regression analysis, the model is therefore presented as follows:

Table 4.19: Derived Parameters for Factors Affecting Financial Inclusion

	α	β_1	β_2	β_3
Parameter values	1.548	0.250	0.419	-0.181
Level of significant	0.000	0.000	0.000	0.000

Source: Survey Data, 2014.

From the model, the rebranding had the biggest influence with parameter value of 0.419 followed by open bond change strategy with a parameter value of 0.250 while new product strategy had the least influence with a parameter value of -0.181. The parameter value was negative indicating that the introduction of new products strategy has not performed favourably in the SACCO and has added some challenges to the management of the SACCO.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.0 Introduction

This chapter presents the summary of the results, drawn conclusions and recommendations based on the findings of the study.

5.1 Summary of Findings

The findings revealed that there was a significant relationship between the change strategies and financial inclusion of members of Teacher-based SACCOs in Kenya and that the resultant regression model indicates 43.3% contribution of the three change strategies to financial inclusion.

5.1.1 Open Bond Strategy

Opening the common bond strategy was found to have a positive effect on financial inclusion and this was rated to be the second best strategy on its influence to financial inclusion. The open bond variable coefficient was found to be .250andsignificant at the 5% confidence level. This implied that the null hypothesis that open bond strategies do not significantly affect financial inclusion of teacher-based SACCOs in Kenya is rejected and the alternative hypothesis adopted.

Membership to the SACCO is now voluntary and open to everyone interested in the products and services of the SACCO, thus allowing non-teachers to join SACCO has provided Kenyans with the opportunity to save and obtain cheap credit, acquire financial management skills and make payments of services in convenient and secure manner. This is attracting new members to join the SACCO.

5.1.2 Rebranding Strategy

Rebranding strategies had the greatest effect on financial inclusion in the Teacher-based SACCOs in Kenya. The coefficient of rebranding variable was found to .419 and significant at 5% confidence level. This implied that the null hypothesis that rebranding strategies do not significantly affect financial inclusion of Teacher-based SACCO members in Kenya is rejected and an alternative hypothesis is accepted.

The rebranding related to judgments and feelings had the greatest impact on SACCO members. They indicated that the products and services offered by the Metropolitan SACCO are dependable and suits their interest and is considered to be the best SACCO in Kenya. The Metropolitan name evokes good thoughts and sense of pride and many members would recommend to friends and relatives to join metropolitan SACCO. Rebranding therefore contributes immensely to financial inclusion through increased access to quality of financial services, usage of financial services and impact positively to meeting family and investment needs. The activity based branding such as provision of credit, saving services and salary/business payments also had a positive effect on financial inclusion.

5.1.3 New Products Strategy

The new product strategy has a negative effect on financial inclusion in teacher based SACCOs in Kenya. The coefficient of new product variable was found to be -.181 and significant implying that the null hypothesis that introduction of new products has no effect on financial inclusion is rejected and the alternative hypothesis accepted. The new product strategy has significant but negative contribution to financial inclusion could be interpreted to mean that SACCO members are shying away due to introduction of new products.

The new products parameters evaluated were related to reliability, quality of products and services, efficiency and effectiveness of delivery of products. These aspects are significantly important to the SACCO members, but the SACCO has not performed satisfactorily in their realization and therefore provides an opportunity for improvement.

An analysis of association between the demographic profile of respondents and the change strategies showed that there was no relationship between gender, branch and marital status on change strategies and financial inclusions. Age and period of membership indicated significant difference in change strategies related to new products and activity based rebranding and financial inclusions. This implied that rebranding and introduction of new products and services should consider age and period with members while formulating these strategies in order to have a greater impact on financial inclusion.

5.2 Conclusion

The main objective of the study was to establish the effects of Change Strategies (Opening common bond, rebranding and new products) on financial inclusion of the members of Teacher-based SACCOs in Kenya. This was well grounded in literature review and specific objectives and hypothesis were formulated to guide the research in achieving this objective. From the findings, this has been achieved as confirmed by the hypothesis testing results from both correlation and regression analysis, that the change strategies have a strong significant effect on financial inclusion.

Open bond strategies were found to have a positive effect on financial inclusion in Teacher-based SACCOs in Kenya. This finding is likely to illicit much debate as previous studies have shown that traditionally the development of SACCOs or Cooperative financial institutions for that matter has been based on strong common bond or closed bonds. The key issue is whether ‘open common bonds’ or ‘closed common bonds’ are instrumental in the development of the SACCO sub-sector. The ‘closed common bond theorem’ was supported by an analysis based on a theoretical model of CFI formation and consolidation using an extensive United States CFIs dataset and a nonlinear approach, In this particular study, the authors concluded that the larger the pool from which a CFI can draw membership, the less effective it is in attracting members. This is a contradiction to the finding of this study that opening up the common bond attracts new membership from the surrounding community and thus a wider financial access.

However, using the same dataset, Goddard *et al*, (2002) a few years later, noted that less restrictive interpretation of the common bond in US CFIs created opportunities for growth and mergers, with the number of CFIs declining from 15,000 in 1987 to 10,858 in 1999. Remarkably however, membership, as an indicator of outreach, increased from 53 million to 76.6 million and asset size from US$571 million to US$1.9 billion over the same period. This was also confirmed by a separate study by Robbins (2005) who noted that less restrictive common bonds in the US resulted in improved financial conditions of CFIs as well as increased competition between banks and CFIs.

The growth in the CFI sector in Kenya has also been largely attributed to early restrictions limiting common bonds to a secure crop or employment.

This has since changed as confirmed by the finding of this study that growth in the SACCO sub-sector is being driven by opening the common bonds, which entail expansion of membership criteria beyond the traditional closed bonds.

The second objective was to determine the effects of rebranding strategies on financial inclusion of Teacher-based SACCOs in Kenya. This has also been achieved by establishing that rebranding of SACCOs has a significant positive relationship with financial inclusion. Therefore effective rebranding of SACCOs is attracting new membership beyond the common bonds of SACCOs. This finding has challenged the traditional method of naming SACCOs based on employer, crop and geographical region upon which the majority of SACCO membership is drawn. The new names, logos and service delivery structures are attractive and appealing to the surrounding community upon which a SACCO is based and hence driving growth.

The findings on rebranding confirm the results of earlier studies that the value of a brand and thus its equity is ultimately derived from the words and actions of consumers. Consumers decide with their purchases, based on whatever factors they deem important, which brands have more equity than others (Villas-Boas, 2004), While Corporate re-branding is a systematically planned and implemented process of planning, creating and maintaining a new favourable image and consequently a favourable reputation for the company's a whole by sending signals to all stakeholders and by managing behaviour, communication, and symbolism in order to proact or react to change.

Thirdly, the study sought to determine the effect of new product strategies on financial inclusion of Teacher-based SACCOs in Kenya. The introduction of new products and services in the SACCO had a significant but negative influence on financial inclusion, this implied that were not happy with the new products strategies adopted by the SACCO. Therefore SACCOs should invest more in research and development of new products especially the service quality dimensions in order to attract more members and compete favourably with the main stream financial institutions.

5.3 Recommendations

In order to improve the level of financial inclusion in Kenya where SACCOs continue to play a pivotal role in the financial sector, this study recommends the following;

5.3.1 Implications to Theory

The findings of this study builds on the Finance-Growth Theory which advocates for ‘supply leading’ or “demand following” effect in which access to safe, easy and affordable financial resources is recognized as a precondition for accelerating growth. This study found that SACCOs play an important role in the financial services sector by opening their common bond and rebranding so us to include more members of the society to patronize the financial services being offered by SACCOs and therefore increasing financial inclusion. This will attract more people to join SACCOs and access financial services to facilitate the realization of their economic dreams.

5.3.2 Implications to Policy and Practice

This study recommends that SACCOs should embrace opening of their common bond in order to attract more members for growth. This strategy should be accompanied by rebranding initiatives to shade off the traditional SACCO image of closed membership in order to have more impact on financial inclusion. At the same time they should put more effort on the provision of quality services through the introduction of new products and services which are friendlier to the populace especially the youth. These should be customized based on the personal profile of both current and prospective membership since they largely affect the level of satisfaction. Policy makers should focus on developing policies that broaden the common bonds so to promote the growth of multiple bond SACCOs that are capable of marshaling adequate capital to compete favourably with commercial banks.

5.3.3 Suggestions for Further Research

Further research should be done by expanding the change strategies to include pricing in terms of interest on loans, fees and other charges by the SACCO since banks which are the main competitors of SACCOs have been charging exorbitant rates as compared to SACCOs and yet the banks are still pose a serious challenge and control the largest market share in financial services.

The scope of future survey should also be widened to have a full representation of the entire Kenyan SACCO population by incorporating various categories of SACCOs such as farmer based, community based and trade based.

Future studies should also consider focusing only of the rebranding initiatives as the study revealed it has the highest contribution to financial inclusion and considering the emerged three key factors from the results of factor analysis. The three key factors of feelings, awareness and activity can be considered as independent variables influencing financial inclusion.

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APPENDIX I

RESEARCH QUESTIONNAIRE

This questionnaire has FIVE (5) sections; A, B, C, D and E. Please answer all questions in the questionnaire. Do not indicate your name. Please note that your responses will be treated confidentially and strictly for academic purpose.

SECTION A: GENERAL INFORMATION

Answer the following questions by ticking the numbers inside the box beside your appropriate answer.

1. a) Gender: Male [1] Female [2]
   b) Age: Below 30yrs [1] 31yrs – 50yrs [2] Above 60yrs [4]
   c) Occupation: Teacher [1] Other profession [2] Business/Farmer [3]
   d) Marital status: Married [1] Single [2]
2. For how long have you been a member of this SACCO? (*tick the numbers in the box*)
   5 years and below [1] 6yrs – 10yrs [2] 11yrs -15yrs [3] 16yrs - 20yrs [4] Above 20 [5]

SECTION B: OPEN BOND

To what extent do you agree or disagree with the following statements (tick number in the box)

Statements		**Strongly Disagree**	**Disagree**	**Neither Agree Nor Disagree**	**Agree**	**Strongly Agree**
a)	Membership of the SACCO is voluntary and open to everyone interested in the services of the SACCO.	[1]	[2]	[3]	[4]	[5]
b)	Allowing non-teachers to join the SACCO has given them an opportunity to save and access credit.	[1]	[2]	[3]	[4]	[5]
c)	Allowing non-teachers to join the SACCO has enabled them to acquire financial management skills.	[1]	[2]	[3]	[4]	[5]
d)	Allowing non-teachers to join the SACCO has given them an opportunity to receive and make payment services in a convenient and secure environment.	[1]	[2]	[3]	[4]	[5]

SECTION C: REBRANDING

To what extent do you agree or disagree with the following statements.

	Brand Awareness	Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree
i.	I am Familiar with the new name and logo of the SACCO and what they mean.	[1]	[2]	[3]	[4]	[5]
ii.	I understand the characteristics of the SACCO products and services.	[1]	[2]	[3]	[4]	[5]
iii.	I can easily recognize the new name, corporate colours and Logo of the SACCO.	[1]	[2]	[3]	[4]	[5]
iv.	I can recall the characteristics of the brand name without much effort.	[1]	[2]	[3]	[4]	[5]
	Brand Association					
v.	The new brand name of the SACCO captures my thoughts and aspirations.	[1]	[2]	[3]	[4]	[5]
vi.	I feel proud to be associated with the SACCO as a financial provider of choice.	[1]	[2]	[3]	[4]	[5]
Brand Attitude						
vii.	The new SACCO brand name is more likable, affectionable and attractive.	[1]	[2]	[3]	[4]	[5]
viii.	I prefer the SACCOdue to its affordable credit facilities and high returns on member deposits.	[1]	[2]	[3]	[4]	[5]
Brand Attachment						
ix.	x) I believe the SACCO is part of me and who I am.	[1]	[2]	[3]	[4]	[5]
x.	I feel personally connected to the SACCO brand and services.	[1]	[2]	[3]	[4]	[5]
Brand Activity						
xi.	I will certainly go for credit from the SACCO any time I am in need of financing.	[1]	[2]	[3]	[4]	[5]
xii.	I have been constantly saving with the SACCO ever since I joined.	[1]	[2]	[3]	[4]	[5]
xiii.	I do receive my salary income/business payments or otherwise through the SACCO.	[1]	[2]	[3]	[4]	[5]
xiv.	I have attended financial education and trainings activities organised by the SACCO.	[1]	[2]	[3]	[4]	[5]
Brand Image						
xv.	The SACCO's brand name "Metropoiltan SACCO" has a national appeal to all Kenyans irrespective of geographical, occupational and residential status.	[1]	[2]	[3]	[4]	[5]
xvi.	The SACCO's name always comes in handy at the times of financial needs.	[1]	[2]	[3]	[4]	[5]
xvii.	I have never been disappointed by the SACCO whenever I need any financial service since I joined the SACCO.	[1]	[2]	[3]	[4]	[5]

Brand Judgments						
xviii.	The products and services offered by Metropolitan SACCO are reliable and members' needs.	[1]	[2]	[3]	[4]	[5]
xix.	I consider Metropolitan SACCO to be one of the best SACCOs in Kenya.	[1]	[2]	[3]	[4]	[5]
Brand Feelings						
xx.	Mentioning the name of Metropolitan SACCO automatically evoke many good thoughts about the past, present and future.	[1]	[2]	[3]	[4]	[5]
xxi.	I always feel a sense of pride and accomplishment when the name of the SACCO is mentioned.	[1]	[2]	[3]	[4]	[5]
xxii.	I will certainly recommend to my friends and relatives who want to join a SACCO to join Metropolitan SACCO.	[1]	[2]	[3]	[4]	[5]

SECTION D: NEW PRODUCTS

Rate the following SACCO product features and attributes as per the rating scales indicated by ticking the most appropriate rating based on your experience with the SACCO.

Product attributes:	**Very low**	**Low**	**Medium**	**High**	**Very high**
i. Reliability of SACCO financial products and services.	[1]	[2]	[3]	[4]	[5]
ii. Quality of SACCO financial products and services.	[1]	[2]	[3]	[4]	[5]
iii. Efficiency and Effectiveness of SACCO's delivery of products and services.	[1]	[2]	[3]	[4]	[5]
iv. Service empathy (Trusted listening and caring financial service provider).	[1]	[2]	[3]	[4]	[5]
v. Price (Interests on loans, fees and other charges by the SACCO)	[1]	[2]	[3]	[4]	[5]

SECTION E: FINANCIAL INCLUSION

To what extent do you agree or disagree with the following statements.

Access	**Strongly Disagree**	**Disagree**	**Neither Agree Nor Disagree**	**Agree**	**Strongly Agree**
i) The SACCO's financial services are readily available and affordable.	[1]	[2]	[3]	[4]	[5]
ii) The SACCO offers a variety of financial products and services tailored to the needs of members.	[1]	[2]	[3]	[4]	[5]
Quality					
iii) The SACCO's financial products and services are relevant to my needs and requirements	[1]	[2]	[3]	[4]	[5]
iv) The SACCO gives timely response to enquiries, complaints and compliments	[1]	[2]	[3]	[4]	[5]
Usage					

V) The SACCO is my preferred number one financial service provider.	[1]	[2]	[3]	[4]	[5]
vi) I have regularly accessed the SACCO's credit and saving services.	[1]	[2]	[3]	[4]	[5]
Impact					
vii) I am able to meet my family's basic needs (food, shelter, clothing & education) because of being a member of the SACCO.	[1]	[2]	[3]	[4]	[5]
viii) I am able to invest in income generating activities due to affordable financing options at the SACCO.	[1]	[2]	[3]	[4]	[5]
ix) The SACCO has a strong concern for the community in which it operates.	[1]	[2]	[3]	[4]	[5]