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**Effects of Differentiation Strategies on the Financial  
Performance of Saccos in Kirinyaga County, Kenya.**



# Effects of Differentiation Strategies on the Financial Performance of Saccos in Kirinyaga County, Kenya.

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## Abstract

**Purpose:** This study sought to examine the effect of differentiation strategies on the financial performance of Savings and Credit Cooperative Organizations (SACCOs) in Kirinyaga County, Kenya. Specifically, it focused on two strategic dimensions: customer loyalty differentiation and ICT technology adoption.

**Methodology:** The study employed a descriptive research design targeting SACCO managers and accountants. Data were collected through structured questionnaires from a sample of 90 respondents comprising 45 SACCO managers and 45 accountants selected using simple random sampling within each SACCO. Participants were assured of confidentiality, and no personal identifiers were collected. Data were used solely for academic purposes.

**Findings:** The findings revealed that differentiation strategies significantly enhance SACCO profitability, with 91.1% of respondents reporting moderate to significant financial improvements. Regarding customer loyalty differentiation, 81.1% of participants identified customer retention as very or extremely important to the success of their differentiation efforts, highlighting the importance of loyal customers in sustaining competitive advantage and revenue growth. On ICT adoption, mobile banking (66.7%) and Management Information Systems (25.6%) were the most widely used technologies, with most SACCOs having implemented these tools for over three years. This mature use of ICT aligned with improved financial outcomes through enhanced efficiency, accessibility, and customer satisfaction. Demographic data showed that most SACCO personnel were aged 31–50 years and held at least a bachelor's degree, reflecting a well-educated and experienced workforce.

**Unique Contribution to Theory, Policy and Practice:** The study contributes to theory by empirically confirming the positive impact of differentiation strategies particularly customer loyalty and ICT adoption on financial performance. For policy, it underscores the need to support digital transformation and customer-centered practices within SACCOs. Practically, the study recommends that SACCOs continue to invest in customer relationship management and digital technologies to sustain financial growth, competitiveness, and member satisfaction.

**Keywords:** *Differentiation Strategy, Customer Loyalty Differentiation and ICT Technology Adoption.*

## 1. Introduction

Savings and Credit Cooperative Organizations (SACCOs) play a pivotal role in enhancing financial inclusion and socio-economic development, particularly in Kenya where they provide critical financial services to underserved populations. In Kirinyaga County, SACCOs support agricultural, business, and household financial needs, positioning themselves as essential drivers of local economic growth. However, increasing competition in the financial services sector has compelled SACCOs to adopt strategic approaches particularly differentiation strategies to sustain and improve their financial performance (Muriuki & Ragui, 2013). Differentiation strategies involve developing unique products, services, and brand identities that distinguish SACCOs from other financial institutions. According to Kotler and Armstrong (2017), such strategies are fundamental in helping organizations attract and retain customers through enhanced service delivery, tailored financial products, and stronger customer relationships. In SACCOs, differentiation may take the form of product innovation, targeted customer engagement, digital transformation, and customized financial solutions. These approaches are crucial for building member loyalty, increasing service uptake, and ultimately improving financial outcomes (Wambui & Muturi, 2016). Empirical studies have underscored the value of strategic marketing and differentiation in enhancing the financial performance of cooperative institutions. Kimani and Muturi (2018) highlight that SACCOs adopting innovative, member-centric strategies report stronger financial results through increased membership and higher revenue. Similarly, Ong'era and Moronge (2016) emphasize that product diversification and digital engagement contribute to profitability, especially in regions where traditional financial outreach remains limited. Globally, SACCOs that implement differentiation strategies such as digital platforms, member education programs, and community-focused financial products experience improved competitiveness and long-term sustainability (Bartido & Ocampo, 2018; Delaney & McCarthy, 2014). In Kenya, research has shown that aggressive promotion and service differentiation positively correlate with SACCOs' financial performance, especially in attracting younger and urban members (Wanyonyi & Muturi, 2015). Despite these insights, there remains limited research specifically addressing the effect of differentiation strategies on SACCOs in Kirinyaga County. This study seeks to fill this gap by examining how strategic differentiation influences the financial performance of SACCOs in the region. The findings aim to inform SACCO management and policymakers on effective approaches to market positioning, service innovation, and member retention, thereby contributing to the financial sustainability and competitive strength of SACCOs in Kirinyaga County.

### 1.1 Problem statement

Savings and Credit Cooperative Organizations (SACCOs) in Kirinyaga County, Kenya, are facing increasing competition from commercial banks, microfinance institutions, and emerging digital lending platforms. While SACCOs have traditionally played a pivotal role in fostering financial inclusion, their financial sustainability and competitiveness are now under significant pressure. The evolving expectations of members for more personalized, accessible, and innovative financial services further compound the challenges faced by SACCOs. In response to these pressures,

SACCOs are exploring various marketing strategies to retain and attract members, improve service delivery, and enhance financial performance. Differentiation strategies such as customized financial products, enhanced customer service, and value-added services are particularly critical as they offer SACCOs a means of standing out in a saturated financial market. Globally, such strategies have been linked to increased customer loyalty, profitability, and institutional growth. However, SACCOs in Kirinyaga County have historically relied on traditional approaches, with limited adoption of strategic differentiation, thereby limiting their capacity to fully compete and thrive. Although some SACCOs in Kenya have adopted differentiation strategies like product innovation and targeted service delivery, there is limited empirical evidence on the actual impact of these strategies on financial outcomes within the socio-economic context of Kirinyaga County. Prior studies (e.g., Muturi & Wambua, 2016; Kimani & Muturi, 2018) have suggested positive outcomes from marketing interventions, but these findings remain generalized and do not specifically address differentiation strategies or local dynamics. As such, a significant research gap exists in understanding how differentiation strategies influence key financial performance indicators such as profitability, membership growth, and asset expansion among SACCOs in this region. This study, therefore, seeks to bridge this gap by investigating the effects of differentiation strategies on the financial performance of SACCOs in Kirinyaga County. It aims to generate context-specific insights that can guide SACCO managers and policymakers in designing and implementing effective marketing strategies to improve competitiveness, sustainability, and contribution to local economic development.

### **1.2 Objective of the Study**

The general objective of this study is to examine the effects of differentiation strategies on the financial performance of SACCOs in Kirinyaga County, Kenya.

- i. To assess the effect of customer loyalty differentiation on the financial performance of SACCOs in Kirinyaga County.
- ii. To examine the effect of ICT technology adoption differentiation on the financial performance of SACCOs in Kirinyaga County

### **1.3 Research questions**

- i. What is the effect of customer loyalty as a differentiation strategy on the financial performance of SACCOs in Kirinyaga County?
- ii. How does the adoption of technology as a differentiation strategy influence the financial performance of SACCOs in Kirinyaga County?

## **2.0 Literature Review**

### **2.1 Theoretical Review**

#### **Diffusion of Innovation Theory**

Rogers (2003) initiated the assumption, which has been applied to explain the innovation decision process. In this theory, there are five roles; the knowledge role happens when one is disclosed to an innovation's presence and attains some discernment of how it operates. The persuasion role happens when an individual creates a beneficial and adverse attitude towards innovation. The decision role happens when one participates in operations that are a motive to accept or neglect innovation while the implementation role happens when one applies innovation. The confirmation role happens when one pursues augmentation on an innovative decision made to accept or neglect the innovation. Four major components that affect the scope of innovation include, the means of communication, innovation itself, time, and the social system. These components rely to a great extent on human capital. Rogers further categorizes adopters as; those who innovate, those who adopt early, those who are an early majority, the late majority, and those who lag. This theory was useful to this study in showing how innovation spread. An individual or an organization gathers information about an innovation and considers its benefit before a decision is made and lastly evaluates its impact. In this study, DIT theory was used to show how different innovations such as Agent banking, ATM cards, and Mobile banking got communicated and persuaded to members to initiate patronage. For instance, mobile banking is used by SACCOs to market their new products and services as well as provide channels for savings and loans disbursements. Diffusion of Innovation Theory explores how new ideas, products, or technologies spread within a society or organization. In the context of SACCOs (Savings and Credit Cooperative Organizations), this theory can be applied to understand how innovations in financial products and services are adopted and implemented.

### **2.2 Empirical Review**

#### **Effect of customer loyalty differentiation strategy on the financial performance of SACCOs**

Customer loyalty has been widely recognized as a critical factor influencing the financial performance of financial institutions, including Savings and Credit Cooperative Organizations (SACCOs). Loyal customers contribute to sustained revenue streams, lower operational costs, and enhanced organizational reputation, all of which can positively impact financial outcomes (Reichheld & Sasser, 1990). In the context of SACCOs, several studies have examined the link between customer loyalty and financial performance. For instance, Muturi and Wambua (2016) found that SACCOs with high levels of member loyalty experienced a significant increase in profitability and asset growth. Their study highlighted that loyal members tend to increase their savings and loan uptake, contributing to improved liquidity and financial stability of the SACCO. Similarly, Kimani and Muturi (2018) reported that SACCOs that invest in relationship management practices fostering customer loyalty tend to record higher returns on assets (ROA) and greater membership retention rates. These SACCOs also benefit from reduced marketing costs

as loyal members often serve as advocates, attracting new members through word-of-mouth. A study by Wanyonyi and Muturi (2015) further reinforced the positive impact of customer loyalty on SACCO financial performance, showing that loyalty programs and personalized financial products tailored to member needs improve satisfaction and increase long-term commitment. This sustained commitment translates into increased financial transactions and improved financial ratios such as liquidity and profitability. Moreover, research in similar financial institutions globally supports these findings. For example, in Nigerian cooperative societies, Adeyemo and Ojo (2019) established that customer loyalty significantly correlates with growth in deposits and loan portfolios, ultimately enhancing the institutions' financial viability. However, some studies also caution that while customer loyalty contributes to financial performance, it must be complemented by other strategic efforts like product innovation and efficient service delivery to maximize financial benefits (Otieno, 2020).

### **Effect of ICT technology adoption differentiation strategy on the financial performance of SACCOs.**

The adoption of Information and Communication Technology (ICT) has increasingly been recognized as a pivotal factor influencing the financial performance of Savings and Credit Cooperative Organizations (SACCOs). ICT adoption facilitates improved operational efficiency, enhances customer service delivery, and expands market reach, all of which contribute to better financial outcomes (Munyoki, 2017). Empirical studies in the Kenyan SACCO sector highlight the positive impact of ICT on financial performance. For instance, Muturi and Wambua (2016) found that SACCOs that embraced digital platforms such as mobile banking, online loan applications, and automated record-keeping systems recorded significant improvements in profitability and asset growth compared to those relying on manual processes. The study emphasized that ICT adoption reduces transaction costs and turnaround times, thereby increasing member satisfaction and retention. Similarly, Kimani and Muturi (2018) observed that SACCOs investing in robust ICT infrastructure experienced higher returns on assets (ROA) and increased membership growth. The enhanced accessibility of services through ICT solutions enabled SACCOs to attract a broader client base, including the youth and rural members, thus driving deposit mobilization and loan disbursement volumes. Wanyonyi and Muturi (2015) further reinforced these findings by demonstrating that SACCOs leveraging ICT for customer relationship management and data analytics were better positioned to design personalized financial products, leading to improved loan repayment rates and reduced default levels. This directly contributed to improved liquidity and overall financial health. Beyond Kenya, international studies echo similar results. For example, research on cooperative financial institutions in Uganda by Akankwatsa et al. (2019) revealed that ICT adoption was positively correlated with operational efficiency and profitability. The integration of mobile money and online platforms enhanced transaction transparency and reduced fraud, which strengthened member trust and financial stability. However, some scholars caution that the benefits of ICT adoption depend heavily on the SACCOs'

ability to manage implementation challenges such as high initial costs, staff training needs, and resistance to change (Otieno, 2020).

### **3.0 Methodology**

#### **3.1 Research design**

The study adopted a longitudinal study design because this is highly appropriate for examining the effects of differentiation strategies on the financial performance of SACCOs in Kirinyaga County, Kenya. It allows for the tracking of changes over time and helps establish causal relationships between the implementation of differentiation strategies. Longitudinal studies involve repeated measurements of the same individuals or organizations over an extended period, providing a deeper understanding of how differentiation strategies impact financial performance (Bartido & Ocampo, 2018; Delaney & McCarthy, 2014).

#### **3.2 Research Population and Sample**

According to Burns (2010), a target population refers to all individuals of a real or hypothetical set of people, events, or objects to which a researcher wishes to create results from the study. The targeted population for the study comprised of 51 SACCOs that operate in Kirinyaga County, Kenya. Researching the entire SACCOs in Kirinyaga County allows for comparative analysis, identifying best practices and success factors that can be replicated or adapted by other SACCOs in the other counties or in similar contexts elsewhere. Kirinyaga County Cooperatives and Trade Department (2025). The total sample size of the study was 45 Saccos which was distributed in the following 4 strata's namely Kirinyaga Central, Kirinyaga east, Kirinyaga South, and Kirinyaga west using a stratified random sampling. Steven J. Fuller (1993) outlined the following formula of getting a proportionate stratified sample. According to Botev, Z.; Ridder, A. (2017) stratum (plural strata) refers to a subset (part) of the population (entire collection of items under consideration) which is being sampled. The researcher will use Simple random sampling to select the respondent or saccos from a population in each sub county. In this study, data was collected from 45 SACCO managers and 45 SACCO accountants, for a total of 90 respondents.

#### **3.3 Ethical Considerations**

Ethical approval was sought from the Kirinyaga University and a research permit was obtained from NACOSTI. Consent was obtained from participating respondents. Informed consent presupposes that the participant is given full information about participation rights and use of data (Saunders et al, 2007). Participants were informed of the purpose of study and confidentiality was assured. Privacy and confidentiality was maintained while handling the data throughout the research. Consequently, names of the participants were not revealed in the instrument. The findings of the study were not used for any other purposes other than that which pertains to this study and all questionnaires were destroyed upon presentation and defence of the study findings.

### 3.4 Research Variables

Effect of customer loyalty on the financial performance and influence of technology adoption as a differentiation strategy on the financial performance of SACCOs were the independent variables while the dependent variable effect of differentiation strategies on the financial performance.

### 3.5 Data Collection

The study used both primary data and secondary data. Primary data was collected using questionnaires as the principal data collection instrument. This was administered to sampled respondents in their respective sacco. The questionnaire contained close ended questions. The questionnaire was used because it allowed the collection of large amounts of data from the target population within a short period of time. Secondary data was involve systematically gathering existing information from various sources to complement and validate findings obtained through primary data collection methods for triangulation. (Mugenda and Mugenda, 2003).

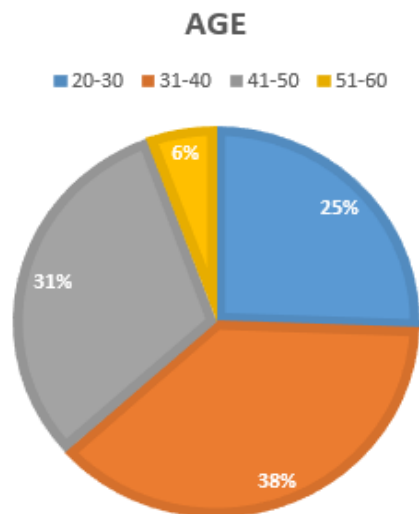
## 4.0 Finding of the study

### 4.1 Demographic Data Analysis

#### 4.2.3 Distributions of the respondents by age

The researcher was interested in the demographic information of the respondents to help understand better the data on the topic under study. This entailed information on respondents' age, gender, position, marital status, level of education and religion.

The respondents' age distributions in different age brackets are presented in figure 1 below.



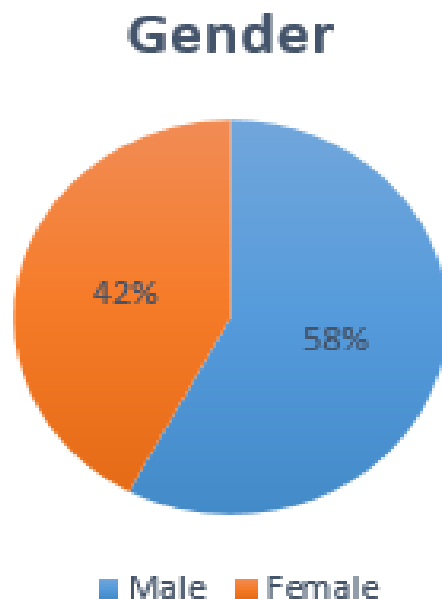
**Figure 1: Distributions of respondents by Age**

The data presented in Figure 1 provides a revealing depiction of the age demographics among the respondents of the study. Comprising the largest segment of the respondents, individuals falling within the age range of 31-40 years accounted for 38% or 34 respondents. The second most prominent age bracket was the 41-50 years age group, contributing to 31% of the respondents,

translating to 28 individuals. Respondents aged between 20-30 years represented 25% of the sample, tallying up to 23 individuals. The smallest group included those aged 51-60, representing only 6% of respondents, amounting to 5 individuals. This group, comprising 34 respondents (38%), represents the largest segment of SACCO management and accounting personnel. Professionals in this age range are typically in their prime career years, possessing both experience and adaptability to modern strategic management practices. Their active involvement suggests that SACCOs in Kirinyaga County are largely managed by individuals who balance traditional financial management principles with emerging strategic approaches, such as cost leadership, differentiation, and technology-driven financial strategies.

#### 4.2.4 Distributions of Respondents by Gender

It was necessary to get the gender of the respondents so as to establish whether the research considered gender balance as well as to avoid biasness. The response is shown in Figure 2.



**Figure 2: Distributions of Respondents by Gender**

As shown in Figure 3, the study had 52 male respondents (58%) and 38 female respondents (42%), indicating a relatively balanced gender representation among accountants and managers in SACCOs within Kirinyaga County. This gender distribution provides valuable insights into the role of gender diversity in strategic management and financial performance. With a majority of the respondents being male, SACCO leadership and financial decision-making may still be slightly male-dominated, which could influence the strategic priorities adopted. However, gender diversity remains critical, as different perspectives contribute to more comprehensive strategic planning and risk assessment. The significant presence of women suggests that SACCOs are actively incorporating female leadership in financial management, potentially leading to more inclusive and diversified financial strategies. This is supported by Wanyonyi and Muturi (2015), who found

that gender inclusivity in SACCO leadership leads to improved governance, transparency, and innovation in financial decision-making. The significant presence of women in this study suggests that SACCOs in Kirinyaga County are progressively embracing female leadership in financial management, potentially resulting in more inclusive and diversified financial strategies that enhance overall performance

#### 4.2.5 Distributions of Respondents by Position

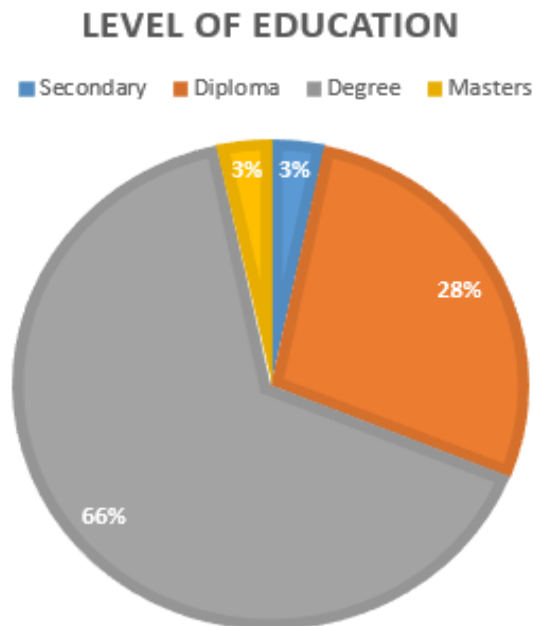


**Figure 3: Distributions of Respondents by position**

The study's respondent distribution, as shown in Figure 3, indicates an equal representation of Accountants (50 respondents, 50%) and Managers (50 respondents, 50%). This balance provides a comprehensive perspective on the effects of marketing strategies on the financial performance of SACCOs in Kirinyaga County. The 50-50 distribution of accountants and managers ensures a comprehensive analysis of financial performance in relation to marketing strategies. Accountants provide a financial perspective, focusing on cost control and efficiency, while managers offer strategic insights related to growth and competitiveness. The combination of these perspectives strengthens the study's ability to assess the effectiveness of strategic management in enhancing SACCO financial sustainability this aligns with Barney's (1991) Resource-Based View, which emphasizes that sustainable competitive advantage arises when organizations possess valuable, rare, inimitable, and non-substitutable (VRIN) resources. As Barney noted, "firms gain sustained competitive advantages by implementing strategies that exploit their internal strengths, through responding to environmental opportunities." The diverse expertise of both accountants and managers can be seen as an internal strength that allows SACCOs to craft and implement more effective, resource-based strategies to improve financial outcomes.

#### 4.2.6 Distributions of Respondents by Level of education

The respondents were asked to indicate their education level and recorded in Figure 4



**Figure 4: Level of Education**

The study's findings on educational distribution, as shown in Figure 4, indicate that majority of SACCO accountants and managers hold a bachelor's degree (66%), suggesting that most professionals possess formal training in finance, accounting, business management, or related fields. This high level of education ensures that SACCOs benefit from skilled personnel capable of applying strategic marketing principles effectively to enhance financial performance. Degree holders are more likely to be familiar with modern financial technologies, risk management strategies, and cost leadership approaches, contributing to the overall efficiency and growth of SACCOs. Diploma holders (28%) represent a sizable portion of SACCO professionals, indicating that practical, technical training remains a key pathway into financial and managerial roles. Only 3 respondents (3%) have a master's degree, suggesting that advanced strategic management expertise is less common among SACCO leadership in Kirinyaga County. This may indicate a gap in high-level financial planning and strategic decision-making skills, which could impact long-term financial sustainability and competitive positioning. A small percentage (3 respondents, 3%) have only secondary school education, suggesting that some professionals may have gained leadership roles through experience rather than formal academic training his aligns with Lynch's (2014) findings that "an organisation's ability to compete is strongly influenced by the capabilities of its people, particularly their knowledge, skills, and willingness to apply strategic thinking." Thus, while SACCOs benefit from generally well-educated personnel, the scarcity of advanced qualifications may hinder their ability to sustain competitive advantage in the long term.

#### 4.2.7 Implementation of differentiation strategies affects the profitability of SACCOs.

Respondents were asked give their Opinion how implementation of differentiation strategies affect the profitability of SACCOs. Result was recorded in table 4.17.

***Table 1: Implementation of differentiation strategies affects the profitability of SACCOs***

	Frequency	Percent
Has no effect on profitability	1	1.1
Slightly increases profitability	7	7.8
Moderately increases profitability	52	57.8
Significantly increases profitability	30	33.3
Decreases profitability	0	0
<b>Total</b>	<b>90</b>	<b>100.0</b>

Table 1 presents respondents' opinions on the impact of differentiation strategies on SACCO profitability. The results indicate that most respondents believe differentiation enhances profitability, with varying levels of impact. Most Believe Profitability Increases Moderately or Significantly with 52 respondents (57.8%) believe differentiation moderately increases profitability, suggesting steady financial gains when SACCOs differentiate their services while 30 respondents (33.3%) feel it significantly increases profitability, indicating that when effectively executed, differentiation can result in substantial financial growth. Minimal Belief in Limited Impact of only 7 respondents (7.8%) believe differentiation slightly increases profitability. This could imply that some SACCOs may not be fully leveraging differentiation strategies to maximize financial benefits. Only 1 respondent (1.1%) believes differentiation has no effect on profitability, however no respondents (0%) believe differentiation decreases profitability, reinforcing that differentiation is a low-risk, high-reward strategy. In line with Teece's (2007) work, the data suggests that differentiation can indeed lead to higher profitability for SACCOs, but its effectiveness varies depending on how well these strategies are executed. SACCOs that have invested in developing dynamic capabilities and continuously updating their differentiation strategies are likely to see significant financial growth. Those with more limited differentiation efforts may need to refine their approach to capture the full potential of differentiation, leveraging innovation, customer insights, and operational flexibility to improve profitability.

#### 4.2.8 Duration of implementing differentiation strategies

Respondents were asked how long has their SACCO been implementing differentiation strategies, result was recorded in table 2

**Table 2: Duration of implementing differentiation strategies**

	Frequency	Percent
Less than 1 year	4	4.4
1-2 years	17	18.9
3-5 years	31	34.4
More than 5 years	38	42.2
<b>Total</b>	<b>90</b>	<b>100.0</b>

Table 2 presents data on how long SACCOs in Kirinyaga County have been implementing differentiation strategies. The findings indicate that most SACCOs have a long history of using differentiation strategies, with the majority having implemented them for more than 3 years. Most SACCOs Have Long-Term Experience with Differentiation with 69 respondents (76.6%) have been implementing differentiation strategies for at least 3 years. while 38 respondents (42.2%) have used differentiation for more than 5 years, showing that differentiation is not a new approach but an established practice in many SACCOs. This suggests that many SACCOs recognize differentiation as a sustainable strategy to improve financial performance and competitiveness. There were moderate Adoption with 17 respondents (18.9%) having adopted differentiation strategies within the last 1-2 years. These SACCOs may be in the early stages of testing differentiation strategies, potentially exploring options like customized financial products, branding, or technology-driven services. Only 4 SACCOs (4.4%) have implemented differentiation within the past year. This suggests that most SACCOs have already recognized the value of differentiation, and very few are just starting to adopt such strategies. Ljuba (2016) highlights that “the longevity of differentiation strategies in SACCOs is a clear indication that the strategy has proven effective over time. However, it is crucial that these SACCOs continue to adapt and innovate, as differentiation alone may not suffice in a rapidly changing financial landscape. New entrants and evolving consumer expectations demand continuous innovation in product offerings, branding, and service delivery. SACCOs must stay proactive in monitoring and adjusting their differentiation strategies to maintain a competitive edge”. Ljuba’s (2016) study emphasizes that long-term implementation of differentiation strategies should be coupled with ongoing evaluation and adaptation to keep pace with market dynamics

#### 4.2.9 Customer loyalty and retention whether are for SACCOs that focus on differentiation strategies.

Respondents were asked their Perception on customer loyalty and retention whether are for SACCOs that focus on differentiation strategies, result was recorded in table 3.

**Table 3: Perception on how important they think customer loyalty and retention whether are for SACCOs that focus on differentiation strategies.**

	Frequency	Percent
Slightly important	2	2.2
Moderately important	15	16.7
Very important	55	61.1
Extremely important	18	20.0
Not important at all	0	0
<b>Total</b>	<b>90</b>	<b>100.0</b>

Table 3 presents data on respondents' views regarding the importance of customer loyalty and retention for SACCOs that implement differentiation strategies. The results indicate that most respondents recognize customer loyalty as a key factor in the success of differentiation strategies. Majority Believe Customer Loyalty is "Very" or "Extremely" Important with 55 respondents (61.1%) consider customer loyalty and retention very important for SACCOs that use differentiation strategies. while 18 respondents (20.0%) view it as extremely important, emphasizing that strong customer relationships are crucial for long-term success and competitive advantage. Moderate Recognition of Importance with 15 respondents (16.7%) rated customer loyalty as moderately important, suggesting that while they acknowledge its role, they may not view it as a top priority compared to other strategic factors. Very Few Consider Customer Loyalty Less Important Only 2 respondents (2.2%) believe customer loyalty is slightly important, which could indicate a lack of emphasis on customer-centric approaches in some SACCOs. While No respondents (0%) considered customer loyalty "not important at all," reinforcing that customer retention plays a critical role in differentiation strategies. Njiru and Waithaka (2019) found that customer loyalty is an essential factor for the successful implementation of differentiation strategies in organizations, especially in financial services. Their study suggests that differentiation can only yield long-term success when organizations establish a deep bond with their customers. Loyal customers are more likely to appreciate the unique offerings of a SACCO, stay with the institution over time, and even promote the SACCO to others. Their research emphasizes that loyalty can enhance the effectiveness of differentiation by ensuring that members feel valued and connected to the organization, contributing not only to retention but also to increased member advocacy.

#### 4.2.10 Types of ICT technology adopted by Sacco's

Respondents were asked the type of technology adopted in their Sacco's the result was recorded in table 4.

**Table 1: Types of ICT technology adopted by Sacco's**

	Frequency	Percent
Internet Banking	3	3.3
Mobile Banking	60	66.7
Management Information Systems (MIS)	23	25.6
Automated Teller Machines (ATMs)	1	1
Electronic Fund Transfer (EFT)	1	1.1
Others (please specify)	2	2.2
Total	90	100.0

Table 4 provides insights into the various ICT technologies that SACCOs in Kirinyaga County have adopted to enhance their operations. The results indicate a strong preference for mobile banking and Management Information Systems (MIS), with lower adoption of ATMs and Electronic Fund Transfers (EFTs). Mobile Banking is the Most Widely Adopted ICT Technology with 60 respondents (66.7%) reported that their SACCOs have integrated mobile banking services into their operations. This reflects the growing demand for digital financial services, allowing members to transact remotely and access financial services with ease. Management Information Systems (MIS) Adoption is Significant by 23 respondents (25.6%) reported the use of MIS for managing operations, data, and financial reporting. This suggests that SACCOs recognize the importance of streamlined management and data analytics for better decision-making. Only 3 respondents (3.3%) indicated that their SACCOs offer internet banking services. This may be due to lower demand for web-based banking compared to mobile banking or limited infrastructure to support online platforms. Only 1 respondent (1.1%) mentioned the use of ATMs and EFTs, indicating that most SACCOs rely on other transaction methods, such as mobile banking and in-branch services. This is due to cost constraints or the preference for digital and mobile-based financial solutions. Two respondents (2.2%) mentioned other ICT technologies, possibly including cloud-based systems, AI-driven financial solutions, or blockchain technology. These findings align with Mahboub (2018), who argues that ICT adoption is a key determinant of organizational performance and competitive advantage in the financial sector. According to Mahboub, technologies such as mobile banking and MIS not only enhance operational efficiency but also improve customer satisfaction and widen financial access. The selective adoption of ICT tools by SACCOs in Kirinyaga County illustrates a pragmatic approach to digital transformation, where affordability, user needs, and strategic priorities determine which technologies are embraced.

#### 4.2.11 Duration Sacco's have been using ICT technology

Respondents were asked the duration their Sacco's have been using ICT technology, result was recorded in table 5

**Table 2: Duration Sacco's have been using ICT technology**

	Frequency	Percent
Less than 1 year	1	1.1
1-2 years	23	25.6
3-5 years	31	34.4
More than 5 years	35	38.9
Total	90	100.0

Table 5 provides insights into how long SACCOs in Kirinyaga County have been utilizing ICT technology in their operations. The results show that most SACCOs have been using ICT for more than 5 years, indicating a well-established digital transformation. Majority of SACCOs Have Been Using ICT with 35 respondents (38.9%) reported that their SACCOs have used ICT for more than 5 years, showing that digital transformation has been in place for an extended period. This indicates that most SACCOs have well-integrated ICT solutions in their operations. While 31 respondents (34.4%) indicated they have used ICT for 3-5 years, meaning many SACCOs adopted digital solutions relatively recently. With 23 respondents (25.6%) reported using ICT for 1-2 years, indicating that new SACCOs or late adopters have recently embraced digital solutions. Only 1 respondent (1.1%) indicated that their SACCO had started using ICT within the past year, suggesting that nearly all SACCOs already had ICT in place before this period. These findings align with Sevrani and Bahiti (2008), who emphasized that the duration of ICT use significantly impacts the depth of integration and the benefits derived from it. According to their study, organizations with longer ICT experience tend to have more efficient operations, stronger data-driven decision-making capabilities, and better member satisfaction due to streamlined service delivery. The widespread and prolonged use of ICT by SACCOs in Kirinyaga County reflects this trajectory, highlighting the critical role of sustained digital engagement in enhancing institutional performance and competitiveness.

## 5.0 Discussion, Conclusion and Recommendation

### Discussions of the findings

The study set out to investigate how differentiation strategies influence the financial performance of SACCOs in Kirinyaga County. The findings reveal that differentiation strategies such as offering unique products and services, enhancing customer service, and adopting ICT play a critical role in improving SACCO profitability and competitiveness. A key finding is that 57.8% of respondents believed differentiation moderately increases profitability, while 33.3% stated it significantly increases it. This supports Teece's (2007) view that differentiation, when implemented effectively, can create dynamic capabilities and financial gains. The long-term adoption of differentiation strategies by most SACCOs (with over 76% implementing them for

more than 3 years) highlights the perceived value and sustainability of this approach. This is consistent with Ljuba's (2016) assertion that strategic longevity signals effectiveness. The study also demonstrates that customer loyalty and retention are pivotal, with 61.1% of respondents rating them as "very important" and 20% as "extremely important" for the success of differentiation strategies. This aligns with Njiru and Waithaka (2019), who found that loyal customers form the foundation of successful differentiated offerings by increasing trust, satisfaction, and retention. ICT adoption was another key factor. The data revealed that mobile banking (66.7%) and Management Information Systems (25.6%) are the most widely adopted technologies. This digital shift supports Mahboub's (2018) findings that ICT enhances efficiency, improves service delivery, and widens financial access, thereby indirectly supporting differentiation strategies. Furthermore, most SACCOs had used ICT for 3–5 years or more, showing maturity in digital practices, which according to Sevrani and Bahiti (2008), leads to improved operational efficiency and decision-making. Demographically, SACCO leadership and staff were largely between 31–50 years, suggesting a workforce with sufficient experience and adaptability to manage and innovate around differentiation strategies. The gender and educational composition revealed a relatively balanced and competent team, further supporting effective strategy implementation.

## Conclusion

The study concludes that differentiation strategies have a positive and significant impact on the financial performance of SACCOs in Kirinyaga County. Most SACCOs have embraced these strategies over time, focusing on service uniqueness, customer satisfaction, and technological adoption to remain competitive. The long-term use of ICT, combined with strategic human resource capabilities (managers and accountants), has enhanced SACCOs' ability to offer tailored services, improve customer retention, and thus drive profitability. While differentiation strategies are not new to most SACCOs in the region, the effectiveness of these strategies largely depends on continuous innovation, member engagement, and strategic agility.

## Recommendations

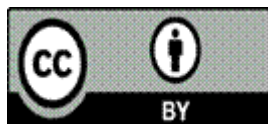
SACCOs should continuously update and innovate their product and service offerings to maintain a competitive edge in the dynamic financial landscape. Differentiation strategies must evolve in response to shifting market trends, technological advancements, and changing member preferences to remain effective. While many SACCOs have already adopted mobile banking and Management Information Systems (MIS), there is significant potential to explore additional ICT tools such as internet banking, data analytics, and artificial intelligence (AI). These technologies can enhance member experience through personalization, faster service delivery, and improved decision-making. To fully leverage these tools, SACCOs must invest in regular staff training and capacity building to ensure employees stay current with digital trends and can effectively manage new systems. Furthermore, internal factors such as gender balance and education levels play a critical role in strategic decision-making. SACCOs should actively promote diversity and support staff development through programs that sponsor advanced studies in areas like finance, leadership, and strategic management. Regular evaluation of differentiation strategies is essential. SACCOs

should implement performance indicators to assess the effectiveness of their approaches and make data-driven adjustments where necessary. This ensures resources are invested in strategies that deliver measurable value. Finally, engaging SACCO members in identifying their evolving needs allows for the development of more relevant and distinctive products and services, ultimately strengthening the SACCO's market position and member loyalty.

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