

**STRATEGIES ADOPTED BY NDETIKA RURAL SACCO
SOCIETY LTD TO GAIN COMPETITIVE ADVANTAGE
DURING COVID-19 PANDEMIC IN KIAMBU COUNTY KENYA**


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DECLARATION

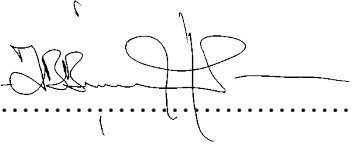
This research project is my original work and has not been presented in any university or learning institution for any award of degree.

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DEDICATION

I dedicate this research project to my family, Mr. Jim, madam Linda and madam Lloydie their relentless encouragement and support throughout the program.

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ABBREVIATION AND ACCRONYMS

BOSA	Back Office Savings Account
CAPEX	CAPital EXpenditures
CBK	Central Bank of Kenya
CEO	Chief Executive Officer
CSA	Co-operative Societies Act
DTS	Deposit Taking Saccos
FOSA	Front Office Savings Account
GDP	Gross Domestic Products
ICT	Information Communication Technology
KUSCCO	Kenya Union of Savings & Credit Co-operatives
MSE	Medium and Small Enterprises
NRS	Ndetika Rural Sacco
SACCO	Savings and Credit Cooperatives
SASRA	Sacco Societies Regulatory Authority
SWOT	Strengths, Weaknesses, Opportunities and Threats

ABSTRACT

Organizations rely on the environment in order to survive, however the environment keeps on changing and so the firms need to adjust by developing competitive strategies to help keep up, stay relevant and continue registering excellent performance better than close rivals in the industry. Saccos measures success in terms of liquidity level, surplus level, total revenue, total assets and loan book; just like another sector, Saccos too were greatly affected by the pandemic. The aim of the study was to investigate how strategy affected Ndetika Rural Sacco Limited to gain competitive advantage during covid 19 pandemic. The study used case study research design and interview guide was used to collect data from the targeted respondent who included departmental heads because they are involved in developing strategies who were accountant, marketing manager, credit manager, ICT manager and five branch managers. Data was also collected from secondary sources such as audited financial statements, published journal and strategic plan source, data was analyzed using content analysis method. The findings of the study revealed that covid 19 pandemic had a negative effect on the performance of NRS Sacco, this forced the management to rethink of new ways of doing business which resulted to adopting strategies to help stay relevant and gain competitive edge in the financial industry. The strategies adopted were cost leadership through reducing interest which reduced monthly repayment, differentiation strategy, focus strategy by opening new branch in untapped and unbanked market, mobile banking strategy and coming up with alternative sources of income through non-interest incomes since interest from loans which forms about 70% of total revenue was not forthcoming due to low loans uptake. The study concludes that changes in the external have negative impact on the Saccos' performance and so the study recommends that Ndetika Rural Sacco Limited management should adopt strategies to help in dealing with shocks in the surrounding like covid 19. Data collection method was limited to case study and some of the respondents were too busy since they are in the top management level and could not show up for the interview exercise. The research also recommends that the regulator, SASRA to come up with strategies of helping Saccos get back to their feet by through trainings and closely monitoring their performance. Government should also come up with strategies of regulating taxes and levies by reducing through the installment tax, corporate tax and excise duty rates to help Sacco grow. The study set basis for future research in investigating relationship between strategy, competitive advantage and performance in non- deposit taking Saccos.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Strategy links firms with their external surroundings in which they operate from. (Drucker, 1954) defines strategy as the way of analyzing current situation that an organization finds itself in and find appropriate ways to changing it. This involves carrying out SWOT analysis to determine strengths, weaknesses, opportunities as well as threats in the business environment. (Chandler, 1962) sees strategy as the way of determining organization's long-term goals, look for ways to achieve them and allocate resources equally required to attain them. Strategy according to (Porter, 1985) is all about being different, he defines as strategy a competitive position of choosing a different set of activities to deliver value different from competitors in the industry.

Achieving excellent results in terms of growth in non-financial organizations is one of the critical responsibilities of management teams as it determines the future of the organizations. In modern world, organizational success is linked to strategic planning and strategic management whereby without strategy the organizations will be planning to fail because it is the backbone and it holds future of organizations. (Porter, 1980) defined competitive advantage as how businesses compete in a competitive environment. Strategy is all about winning, it's about positioning an organization in a changing and competitive industry in order to achieve long term goals and gain a sustainable competitive advantage.

Strategic planning according (Freedman, 2013) was initially military thing but later found its way to public sectors, financial and non-financial institutions; which means strategic management and strategic planning is in the state of development due to changes in the environment. (Radin, 2006) pointed out that in 21st century, strategy and strategic planning is broadly used in almost all organizations so that they can achieve compliance and accountability. (Poister, 2010) explains strategic planning and strategic management has impact in improving organizational profitability and operations.

Competitive advantage theory by (Porter, 1985), it explains developing smart ways of doing business better by attracting customers than competitors in the same industry by firms developing both offensive and defensive strategies. In contingency theory, (Hickson & Hinings, 1971) points out the organizations' powers of coping with uncertainty through the control of strategic contingencies. Organizations are made up of departments which are related to deal with unexpected changes in the business surroundings. In SWOT analysis framework, (Thompson, Strickland, & Gamble, 2007) which means strengths, weaknesses, opportunities and threats is a strategic tool used by strategic managers to analyze the situation of the organization through analyzing business's external and internal environment to establish strengths, weaknesses, opportunities and threats. Through analysis the management are able to ascertain the progress of the organization's success as compared to its close competitors.

Since covid 19 was first reported in Kenya on March 2020, researchers have been investigating into ways to match growth of SACCOs amid the pandemic. (Moh, 1980) explains criteria of measuring growth in firms as productivity, flexibility and adaptability. SASRA a regulatory body for all SACCOs in Kenya looks at success in a different perspective in terms as capital adequacy and liquidity level. Capital adequacy includes core capital made up of share capital, retained earnings and statutory reserves while liquidity level on the other hand is the amount of liquid cash held by the SACCO in case members needs their refunds back and the regulator requires Saccos to maintain minimum ratio of 15% against the total members' deposits. Saccos uses metrics like member deposits, gross loan book total assets and total revenue.

(Cytonn, 2022) data on the impacts of Covid 19 on Saccos revealed that Sacco contribute big times in the Kenya's GDP, as at 2018 according to the Kenya Financial Sector Stability survey by CBK, Saccos contributed 5.55% to the GDP. Saccos had to develop risk management strategies such as loans restructure, reducing interest rates on loans, prioritizing on Saccos spending and reducing expenses.

Since 2020 when the covid-19 pandemic hit hard all business not only in Kenya but also every part of the world, the management embarked on the mission of ensuring the Sacco stays in business despite the challenges by employing key performance indicators pillar like growth of loan book, members' deposits, increased surplus. Sustainable growth achieved by an organization guarantees a success and dominance in the industry. The quench for growth according to KUSCCO data 2021 saw some co-operative societies especially those owned by employees open up membership to the non-employees with promise that they will qualify to access loans whenever they need to access goods from retail shops.

(Lilly, 2015) argued out that the measure of business success is growth which is the ultimate goal of the strategic managers. Grzegorzek (2021) explained the motives as to why profit-making organizations are so much occupied with the idea of growth, they include survival, this is especially with new businesses penetrating into the market and wishes to compete with the already established competitors. Second motive is to increase sales, in co-operative societies is to increase member's deposits and grow loan book. Third, to increase surplus and profits, the primary goal of any business is to make profit which is as a result of increased sales and increased levels of output translates to growth. And the fourth motive, is to diversify risk, growth means penetrating into new markets by opening new branches, inventing new loans products, reaching out to untapped markets, satisfying and retaining existing members.

KUSCCO an umbrella of cooperatives in the awake of covid 19 argued the Saccos to come up with strategic measures in managing the liquidity example like reducing costs associated with CAPEX(CAPital EXpenditures), slow disbursement of loans, restructuring loans or extending repayment period and also following liquidity management guidelines stipulated by the regulator SASRA like maintaining 15% liquidity level against members' total deposits to pay back deposits in the event members needs shares refund.

1.1.1 Concept of Strategy

It involves strategic managers directing their institutions to gain competitive advantage in the ever changing competitive industry and enjoy benefits like capabilities and resources in order to achieve long terms organizational goals, (Johnson & Scholes , 1997). Strategic planning includes series decisions to formulate mission, goals and objectives which the management wishes to achieve within the set period usually short term, mid-term and long-term periods. Strategic planning is directed by strategic plan which acts as a guide to the organization to achieve the set objectives.

Strategy involves a strategic advantage in the time of crises which can be solved through carrying out goals implementation. (Glueck, 1976) brought about four grand strategies or directional which include stability, growth, retrenchment and competition and (Ohmae, 2005) explains strategy as three C's – company, competitors and customers. Strategy helps the management to ask and answer questions “where is the organization now?”, “what is the organization’s current situation?” and “where does the organization want to be in future?”. This is only possible by carrying out SWOT analysis to understand the situation in the business industry.

Strategy is the way or the intention of the top management to achieve its long term organizational goals and take up course of action through allocation of resources to achieve the mission (Hickson & Hinings, 1971) (Porter, 1985) defines strategy as competitive positioning of the organization in the industry by differentiating its products and services from its close competitors using corporate strengths to meet the needs of the consumers.

1.1.2 Competitive Advantage

(Porter, 1985) argued that competition determines whether the organization will succeed or fail in its plan of achieving long term goals. Strategic management teams need to look for best and applicable ways to position the firm in the industry so an outwit its close competitors despite the threats in the industry. It's all about winning and doing better than everyone else in the same industry, the same case applies to Saccos, they compete for the clients despite so many of them saturated in the industry.

Competitive strategies by (Porter, 1985) are cost leadership, differentiation and focus strategies. These strategies if employed after carefully carrying out SWOT analysis to understand the market forces including competitor's behaviors and their next moves guarantees sustainable profitability levels and growth translating to improved performance. However, the choice of these strategies does not always mean or guarantees success because for instant a Sacco in a very attractive cooperative society like government-based Saccos may not register huge surplus as expected simply because it made a wrong competitive strategy.

(Cote, 2020) explains sources of competitive advantage as product differentiation, customers' willingness to pay, price discrimination, bundled pricing and human capital.

(Peterdy, 2023) sees competitive advantage as ways in which a firm can offer better products and services in the market than competitors. Firms wishing to lead in the market ought to make sure that their formula, products, services and packaging cannot be easily replicated or copied by the competitors in order to create huge margins. In order to achieve competitive advantage, firms need to understand the attributes in a product and services that attracts customers, the market to be targeted and competitors.

1.1.3 Deposit Taking SACCOS in Kiambu County

SACCOs stands for Savings and Credit Cooperatives Organizations. They are made up of individuals who come together to form a platform whereby they can borrow after saving for a stipulated period under the by-laws which govern the Sacco. Saccos operates different from banks, one has to open an account in order to become a member. They are regulated by SASRA; it requires each member to contribute some amount which differs from Sacco to Sacco to become full member known as share capital. Saccos are very unique in financial industry because owners who are the shareholders are also the members. Kiambu county has 12 registered DT Saccos according to SASRA report 2022.

(Ayugi, 2020), explains why there is increased number of Saccos in 21st century, it's as a result of endless bureaucratic process with banks leading to limited access to credit at banks. Saccos have benefits such as dividends payout on share capital and rebates on member deposits and again they create a saving culture as members are required to save regularly usually on monthly basis to increase credit worthiness.

Co-operatives Societies Act (CSA) section 2 and 5 Acts, Saccos are classified into two broad categories include Deposit Taking Saccos and Non- Deposit Taking Saccos. Further, they are classified according to membership as per SASRA annual report 201 data as- first, Government- based Saccos; draws its members are of government and state ministries. Second, Agricultural- based Saccos, formed by individuals in farming sector and lastly, community-based Saccos which draws members from local communities.

SASRA means Sacco Societies Regulatory Authority, it is the regulatory body of DT Saccos according section 22 of Saccos Societies Act 14 of 2008. The body provides operation licenses to Saccos and also regulates and supervises their operations. According to Sacco Supervision Annual Report 2020 showed that by the financial year ended 2020, the body had registered 175 DT Saccos and 5.47 million members since the formation of the body. The report showed that despite the shocks of the pandemic, the Saccos bit all odds and registered improved performance, total assets grew by Ksh.627.68 billion in 2020 from Ksh.6556.71 billion in 2019 and deposits grew by 13.41% of Ksh.431.46 billion in 2020 from Ksh.380.44 billion in 2019.

Just like any other organization, Saccos also rely on external environment whereby they draw their members and therefore it is importance for managers to have full knowledge of the surrounding and possible changes so as to position the organization in the environment and attain competitive edge. Saccos can understand the environment by carrying out SWOT analysis to ascertain the needs of the members, changes in trends in uptake of loans, technology changes so as to predict the trends of customers' needs and stay ahead of everyone else in the financial industry. (Ondieki, 2011) pointed out that Saccos face challenges inadequate capital, audit issues, poor management, liquidity challenges and large sums of loans being in arrears and not paid at and when they fall due. SASRA, the regulator manages this by ensuring that they send monthly reports to ensure there is compliance ranging from core capital to total asset ratio, non-earning assets to total deposit ratio and liquidity report which is at 15% minimum against total member deposit.

1.1.4 Ndetika Rural Sacco Society

NRS stands for Ndetika Rural Sacco. It is registered in Kenya under the Kenyan Co-operative Societies Act, CAP 490 and licensed under the SACCO Societies Act No. 14 of 2008. The Sacco which started as result of dairy co-operative society farmers who needed affordable and convenient savings and credit in 1993. It was registered with ministry of co-operatives, it later started absorbing individuals from the community and in 2011 it rebranded to NRS Sacco Society Limited. The vision of the Sacco is to become the leading financial service provider in Kenya. It is licensed as a deposit taking Sacco by the regulator SASRA.

The institution has a wide range of loan products such as development loan, emergency loan, business loan, asset finance loan, kilimo loan, mjengo loan, school fee loan, quick fix loan, fosa advance and e-loan. NRS Sacco has both back office and front office commonly called BOSA and FOSA accounts. BOSA stands Back Office Savings Accounts which means members are able to save in order to get credit after sometime while FOSA which stands for Front Office Savings Accounts means members operates current accounts which they can make withdrawals anytime. With the introduction of free paybills and mobile withdrawal channels saw the Sacco increase its non-funded income as alternative sources of income since interest from loans were not forthcoming as supposed to due to reduced loans.

Over the years, the Sacco has gone through a tremendous growth before and during the pandemic. For instance, according to audited financial statements for the year ended 31st December, 2022 the Sacco registered excellent growth as compared to previous years, loan book grew by 12% of 423M, total member deposit grew by 6.35% of 439M , total assets by 11.27% of 615M and total revenue by 17 % of 78M. Still, in the financial year ended 2021, Sacco's loan book was Ksh.361 million, member deposits at Ksh.412 million and 10,036 members according to audited financial reports for the year ended 2021. The Sacco penetrated into a new market in this beginning of year and opened a new branch in Nairobi so as to tap in new clients.

Competitiveness has helped NRS Sacco to stay ahead of the game in the finance industry. The management formulated strategies to help create competitiveness, for instance, the Sacco introduced loan products that address needs of its members for example mjengo loan for the members wishing to build commercial and residential plots, school fees loans for parents with school going children, young achievers' savings accounts for children. Turn-around time between applying for a loan and getting money in member's account was turned the business around by increasing loans uptake which saw the loan book grow by 12% of 423 million 2022 from 380 million in the year 2021. Agency banking enable member make regular savings, pay loans as well as making cash withdrawal without having to visit branch offices, and these eased operations.

1.2. Research Problem

Strategy is the heart of success of any firm as it helps business set meaningful goals and objectives to be achieved, (Smith, 2019). Today, organizations have linked strategy with the success in terms of improved growth which is critical role of strategic management teams. Choice of appropriate strategies that aligns with the goals that a Sacco want to achieve in future helps create competitive advantage by gaining superior position which can be matched by competitors in the same industry.

Financial sectors just like any other sector experienced turbulences during covid 19 pandemic. Ndetika Rural Sacco Society Limited was not spared either, which forced the management to rethink of strategies to adopt to gain competitive advantage and cope with the shocks of the pandemic so as to stay in business, stay relevant, maintain liquidity level as well as managing loan defaulting level. Changes in the environment brought by covid 19 pandemic attracted the attention researchers to divert their efforts towards establishing relationship between strategy, competitive advantage and success of organizations during times of shocks in the environment.

A study by (Mbai, 2007) on competitive strategies adopted by Mwalimu Sacco as a result of external changes since 1997 after the liberation of the country's economy. The findings were the Sacco employed high cost leadership strategy of maintaining high quality services and to outperform its competitors and differentiation strategy.

A research by (Timiyo, 2020) on determining the relevance of strategic management to Wesfarmers during covid 19 in Australia showed that the company suffered massive losses due to layoffs and outlets closing down. Strategies adopted were analyzing key resource capabilities, launching online stores and running vigorous marketing strategies.

A research (Oleng', 2021) on determining the influence of strategy pandemic on performance of deposit-taking SACCOs in Nairobi, Kenya during covid-19 pandemic. The study found out that strategic innovations, strategic crisis management and strategic leadership were used to improve performance.

(Inhwa, 2021) study on the relationship between online marketing and sustainable performance of farmers based and community based Saccos in Kenya amid of covid 19 pandemic. Both online and offline marketing strategies had a positive impact by increasing levels of income significantly according to the findings of the study.

(Ramadhan, 2021) research on strategic responses to Covid 19 pandemic and performance of Nation Media Group Plc Kenya. The findings were the firm employed product pricing strategy, service diversification, new customer management strategies as well as embracing digitization strategy to cushion the firm against unforgiving Covid-19 impacts.

(Schemmer, Allen, & Gray, 2021) in their study on Strategic resilience by Ghanaian MSE in the face of covid 19 found out the medium and small enterprises had to invent new strategies such as reduced mobile money transactions costs, financial support insurance and credit resilience strategy as a tool to transfer risks, product specification strategy and capacity building and training of human capital.

(Gusti, Ni, Wayan, & Henny, 2022) study on loan restructuring as a banking solution strategy during Covid-19 based on Contingency theory in Indonesia revealed that financial institutions often face credit risks when advancing loans to its members. The study found out that, in pandemic situations, contingency theory is necessary as it guides organization on the choice of right strategies to adopt to provide solutions to the situation they face.

A survey by (Ndakengerwa, 2022) on impact of Covid 19 on Saccos in Rwanda and readiness to use Economic Recovery Funds found that Saccos adopted strategies such as refinancing of the businesses by the Rwandan Government under the Economic Recovery Fund and human resource capacity to cushion the businesses against the impact of the pandemic.

Previous studies done on this area on strategies adopted by the above organizations during environmental shocks have shown gaps in areas like, have not exhausted strategies, also none the studies have been done on Ndetika Rural Sacco Limited during environmental shocks. This led to the motivation and the need for this study so as to add contributions to the already existing knowledge regarding strategies to adopt in the event of changes in the environment in which they operate in.

This study had one research question: what strategies did Ndetika Rural Sacco Ltd adopt to gain competitive advantage during covid-19 pandemic?

1.3 Research Objective

The study had one objective which was to investigate how strategy affected Ndetika Rural Sacco to gain competitive advantage during covid 19 pandemic.

1.4 Value of the Study

The results of the study were useful to management teams of Ndetika Rural Sacco and in financial sector towards coming up with appropriate strategies that are appropriate to the Sacco in order to gain competitiveness and do better than close competitors in the same industry as well as cushion the business against unforeseen uncertainties. Being prepared for changes in the business environment such as credit risk through provision for bad debts could help in reducing loans in default as well as accelerate growth in loan book, member deposits, new membership and increase surplus and maintain minimum liquidity ratio of 15% as required by the regulator.

The findings of the study would be useful policy makers such as government and the regulator of Saccos cooperatives societies SASRA in coming up with new ways of monitoring the performance of the Saccos and so as to know the best strategies to use so regulate Saccos and protect members who are the shareholders and owners of the Saccos. To government, the results could be used to make decisions on income tax to apply on Saccos during pandemics and external shocks in future like covid 19 which currently stands at 5% as well as corporate.

Researchers and scholars would find this study relevant in exploring the relationship between liquidity of Saccos and pandemics similar to covid 19 the strategies to adopt so as to stay in business by gaining competitive advantage during pandemics, especially in Non-Deposit taking Saccos. There has been significant growth in financial sector especially in Saccos in the past decade, hence this study would set base for future studies on the vital part Saccos play in the country's economy.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

Literature review was conducted on the studies done before to set the basis for this research paper. A review was conducted based on research objective on the strategies adopted by Ndetika Rural Sacco Society to achieve competitive advantage during covid 19 pandemic; to determine the effect of pandemic on liquidity level of the Sacco which is the measure of Saccos' performance.

This chapter also looked into various theories in which this study was based on past as well as previous studies done in relation to strategies adopted by different organizations to guide the study. The concept of strategy and competitive advantage also come out clearly in this area, empirical studies and knowledge gaps which motivated this study was discussed in the end of the chapter.

2.2 Theoretical Foundation

This area explained theoretical model that guided study and which set basis and foundation of the study as well as why research problem exists. These theories will include- Competitive Advantage Theory, Contingency theory and SWOT Analysis Framework.

2.2.1 Competitive Advantage Theory

Theory explains smart way of doing better by attracting customers than competitors in the same industry by firms developing both offensive and defensive strategies. Today firms often fall and gets up as a result of changes in external environment but how they raise up again depends on whether they have developed defensive mechanisms to cushion the organization against the industry situation, (Porter M. , 1985).

(Ansoff, 1993) argued in his theory of organizations being open system because they interact with their environment to stay alive, organizations are environment dependent and environment serving. Changes in external environment like covid-19 forced business to develop defensive strategies and mechanisms in order to survive. A sustainable competitive advantage comes when a firm develop series of traits that will enable it to outmatch its competitors, which are efficiency and quality of operations, new innovations and retention of customers over a long period of time in the industry.

(Albadi, 2018) explores competitive advantage as a tool to guide firms in differentiating their products, services or the operations and delivering them to customers at a lower price than the competitors. An organization is considered to have gained competitive advantage if owns and develops unique traits to create more economic value to products and services than its competitors and if this continues for the longest time possible, then that firm is said to have a sustainable competitive advantage.

A Sacco is considered to have a sustainable competitive advantage when it develops series of attributes that will enable it to outperform its competitors, these attributes include efficiency and quality of operations, endless innovations and retention of customers over a long period of time in the industry, (Wang,2014). These factors ideally are perfect move as the firm uses them to change the rules of the game to its favor against the close competitors.

2.2.2. Contingency Theory

(Lorsch, 1967) relates the theory with both business and external environment in which firms operate from. All organizations are environment serving and that they depend on the surrounding in order to exist since they draw the inputs in form of raw materials and successfully transform them into output and discharges them back to the environment. If this mutual relationship is maintained for the longest time as long as the firm exist creates sustainable competitive advantage.

(Pearce, Robinson, & Richard , 1997) strategic contingency explains relationship between external environment and the organization. Uncertainties means not knowing what to expect about the business environment because the external surrounding keeps on changing, this could affect business operations and surplus levels. This is where the contingency strategic theory comes in to help business cope and manage unexpected uncertainties. Strategic managers must look into dynamic capabilities, technology and leadership wellness as organizational contingency factors.

(Gusti, Ni, Wayan, & Henny, 2022) reviled that financial institutions often face credit risks when advancing loans to its members. The risks associated are members not paying their monthly repayments leading to loans falling in arrears and eventually loss category which forces management to write off the loans from Saccos surplus as because they are bad debts. In pandemic situations, contingency theory is necessary as it will guide the organization on the choice of right strategies to adopt to provide solutions to the situation at hand and be successful.

(Hickson D. , 1971) argued that the theory related to powers of coping with uncertainty through the control of strategic contingencies, he added that firms comprises of departments which are related and all aim at deal with unexpected changes in the business surroundings. Leadership skills are a very vital in solving and providing solutions to risks which comes along with unpredictable shocks.

(Chandler, 1962) in his book of “Strategy and Structure” defined strategy as involving the process of organization’s long-term goals and objective and establishing course of action and finally allocate the necessary resources required to achieve the set goals. Strategic plan is a document designed by the strategic management team after analyzing where the organization stands currently through SWOT analysis and where it wants to be in the next let’s say in five years. Strategic planning.

(Poister, 2010) pointed out there exist a connection between strategic planning and the organization’s performance, which means there is need for organizations to practice this in order to register improved performance. Hickson (1971) agrees organization’s management teams to practice strategic contingency plan by using leadership skills to deal and cope with unpredictable shocks in the external environment like covid 19 which will eventually have huge impacts on Saccos general performance and liquidity levels.

2.2.3 SWOT Analysis Framework

(Thompson, Strickland, & Gamble, 2007), SWOT means for strengths, weaknesses, opportunities and threats. (Anja, 2008) explains that SWOT analysis as a strategic tool which is used analyze the situation of the organization through analyzing business's external and internal environment to establish strengths, weaknesses, opportunities and threats. It is a business strategic tool used by the management team to ascertain how organization is performing as compared to its close competitors in the industry and guide strategic managers in making decisions.

Since Saccos are environment serving and interacts with external environment, SWOT analysis is the ideal tool to analyze situation in the business environment in order to identify threats like Covid -19. (Barney & Henesterly, 2006), argues that strategic choices which are consistent with the with policies and goals of the organization when implemented put the organization at forefront in gaining competitive advantage.

SWOT analysis technique helps Saccos come up into ways to improve business operations and increase surplus which is the main objective of profit making organization through evaluating market positioning, business brand, marketing channels, (Forsey, 2023)). This important strategic tool enables Saccos' management create a specific objective to pursue, have a documented record of the steps to take in order to achieve goals set and also helps to understand the factors affecting the firm and ways to mitigate them in order to improve chances of competing, winning and leading in the industry.

2.3. Strategy and Competitive Advantage

Strategy is the way of carefully positioning firm in the competitive industry and do better than the competitors, (Porter, 1985). He brought up a model known as Porter's generic strategic model to highlight the strategies that any organizations can adopt to gain competitive advantage if it considers success to be the ultimate goal. Strategies by the model include differentiation, cost leadership and focus strategies.

(Johnson & Scholes , 1997) explained that strategy involves mission, vision, strategic capability strategic fit. Mission is the overall goal that the organization wishes to pursue, it's about the scope of business the firm is carrying out. Vision is where any organization wants to be in future. Strategic capability addresses the issue of capacity of the firm to implement the strategy, it involves unique and rare resources like human capital, finances, timely information access, up to date technologies and innovations which competitors cannot get hold of and this way firm will gain sustainable competitive advantage.

(Pearce, Robinson, & Richard , 1997) Strategy formulation comprises of several steps. The first step is determining the goals that the organization wishes to achieve. Second step is to analyze both internal and external environments in which business operate through SWOT analysis tool is a strategic tool to environment scanning. Third, put down the strategy selected into action which involves bringing together the resources like human capital and technology. The lastly is monitoring and evaluation of the strategy performance and take any action in case there is deviation between actual and targets set.

Firm's competitive advantage is the ability to stay ahead of the close competitors in the competitive business surroundings, (Juneja, 2022). The ways to create competitiveness include cost leadership, differentiation, innovative strategy, operational effectiveness strategy, technology based competitive strategy, information strategy and adaptability advantage. Sustainable competitive advantage happens when a firm continuously attracts and retains potential customers better than competitors and maintain being ahead of everyone else in the industry for the longest time possible.

Strategic fit by (Channon ,2015), involves firm clearly scanning the external environment to understand business opportunities, changes in consumption patterns, new markets to explore, existing market to add more products and services and look into ways where competitors are doing better so as to know strategies to use whether to do strategic alliance or go global among others. Strategic capability addresses the issue of capacity of the firm to implement the strategy, it involves unique and rare resources like human capital, finances, timely information access, up to date technologies and innovations which competitors cannot get hold of and this way firm will gain sustainable competitive advantage against its close competitors.

2.4 Empirical Studies and Knowledge Gaps

A study by (Mbai, 2007) on competitive strategies adopted by Mwalimu Sacco in Kenya as a result of external changes since 1997 after the liberation of the country's economy showed that the Sacco employed high cost leadership, differentiation strategies and of maintaining high quality services to outperform its competitors.

A research by (Timiyoy, 2020) on determining the relevance of strategic management to Wesfarmers during covid 19 in Australia showed that the company suffered massive losses due to layoffs and outlets closing down. The company adopted strategies like analyzing key resource capabilities, launching online purchases stores and running vigorous marketing strategies to promote and increase sales in order to stay in business.

(Inhwa J. , 2021) survey on the relationship between online marketing and sustainable performance of farmers based and community based Saccos in Kenya amid of covid 19 pandemic. These farmers faced the challenge on promoting and marketing their firm products in the market due to social distancing measures. The survey found out that, use of online marketing strategies of both online and offline marketing due to government containment measures increased income levels significantly.

(Ramadhan, 2021) a study on strategic responses to Covid 19 pandemic and performance of Nation Media Group Plc Kenya. Due to rapid changes in consumer preferences new responsive strategies to deal with business disruptions of the operations and survive the competition from the rivals in the industry. Strategies adopted were product pricing strategy, service diversification, new customer management strategies as well as embracing digitization strategy of the operations.

A research by (Olenge, 2021), on determining the influence of strategic influence of covid-19 pandemic on performance of deposit-taking SACCOs in Nairobi, Kenya to ascertain the influence of strategic crisis management and establish the influence of strategic leadership on performance. Strategic innovations, strategic crisis management and strategic leadership used by the Saccos had a significant influence on performance of organizations of deposit taking in Nairobi.

(Schemmer, Allen, & Gray, 2021) study on Strategic resilience by Ghanaian SME in the face of covid 19 found out that medium and small enterprises adopted new survival ways. Strategies adopted were mobile money transactions to digitize SMEs operations, Financial support insurance and credit resilience strategy by pooling resources to transfer risks, product specification strategy and capacity building and training of human capital was also used a tool to help improve performance of the enterprises.

(Ndakengerwa, 2022), research on impact of Covid 19 on Saccos in Rwanda and readiness to use Economic Recovery Funds found out that Saccos faced challenges of increasing loans in default, reduced incomes from loan interest, reduced deposits in terms of shares and a decrease in loans demand. Refinancing businesses by the Rwandan Government under the Economic Recovery Fund, human resource capacity training as a strategies were used by the Saccos enables the staffs understand credit risk management and liquidity risk levels on loans disbursements.

(Gusti, Ni, Wayan, & Henny, 2022), study on loan restructuring as banking solution strategy in Australia during Covid 19 pandemic reviled decline in economic activities due to social distance restrictions hence affecting banking sector performance and decline in financial stability. The findings were, in pandemic situations, contingency theory is necessary as it will guide the organization on the choice of right strategies to adopt to provide solutions to the situation at hand and be successful.

Covid 19 forced Saccos management to rethink of new strategies to take on in order to survive in the changing surrounding and embrace new ways of doing business. Again there was contextual gap in these studies, also all the studies focused on financial sector except one case study by (Ramadhan, 2021), which is about Nation media sector. None of the studies touched issue about concept of competitive advantage. With all this information gap on the same topic of the past research, the study focused on filling the gap on determining the strategies adopted by Ndetika Rural Sacco Ltd to gain competitive advantage during covid 19 pandemic.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This area examined the research designs and the reasons as to why the researcher chose such a design. The data collection procedures, sources of data process and analyze and presentation of the findings for the research topic and study. It also touched on the procedures used to analyze data collected, also how data was presented and the why the researched used such a method of data analysis.

3.2 Research Design

(Saunders, 2009), explains research design as plan formulated to answer a research question. (Bliesmer, 1970), defines research design as a chronological way of carrying out a research which includes data collection and analyzing data and interpreting data. The researcher in this study used descriptive and correlational research designs, the research also utilized qualitative and quantitative data which was sourced from both primary and secondary sources.

Case study was used in this research, the method enabled the researcher to carry out a detailed study within a specific context, that is on NRS Sacco, (Yasir, Rashid, & Warraich, 2019). This method helps researchers to acquire much information about persons, groups, an organization or situation as it focuses on behaviors and patterns in real life situations, (Yin, 2003). The researcher chose this research method because it helps collect much information to answer the research question. Types of case studies include collective case studies, descriptive, explanatory, exploratory and intrinsic case studies. In this case, the researcher used exploratory case study to carry out an investigation so as to acknowledge the strategies adopted by Ndetika Rural Sacco to gain competitive advantage during covid 19 pandemic.

Descriptive design was relevant in this study as it gave a description of strategies employed by Ndetika Rural Sacco to gain competitive advantage during and after Covid 19 pandemic. The correlation research design helped to explain the relationship between the impact of the pandemic to Ndetika Rural Sacco performance in terms of liquidity level which is a measure of performance in Saccos, (Yin, 2003).

3.3 Data Collection

Data was collected from primary source by conducting interviews from the targeted respondents. Primary source provides the first hand information collected for the first time for the purpose of study. (Persaud & Salkind, 2010), primary data or raw data is information obtained from original source by the investigator which is considered to be more reliable by the management to make informed decision making. (Ajayi, 2017), describes primary data as a first hand data that a researcher collect which could be from interviews, questionnaires, surveys and from internet sources.

Qualitative data was collected from one on one interview with the targeted respondents, data was also collected from secondary sources such as audited financial statements for the year ended December, 2019, 2020, 2021, and 2022. The researcher conducted one on one interview on the ten targeted respondents in order to collect data. The researcher chose this method because one- on-one interviews are more formal and provides more reliable information and also helps find consistency in patterns of the participants' responses.

The researcher sought approval from the organization before collecting primary data from the ten targeted respondents of Ndetika Rural Society Limited through a letter of introduction. The respondents include the departmental heads such as, the CEO, operations manager, accountant, credit manager, ICT manager, marketing manager and five branch managers. These respondents were chosen because they are in top level management and that they are the ones responsible in developing Sacco's strategies.

3.4 Data Analysis

Data analysis involves transforming raw data into research results, (LeCompte, 2002). Data was reduced into to meaningful and useful data and further interpreted, it was relevant to address the research question. After data was collected, it was organized and then summarized to be reduced into small fragments relevant for the study to help find the pattern of the responses provided.

Content analysis method was used to analyze raw data in order to establish pattern using word-based method, this method of data analysis was chosen because its more reliable. (Mayring , 2000) defines content analysis as a technique used by researchers to carry out text or word analysis step by step. After the raw data was collected, it was analyzed to determine both useful and data not relevant for the study; the relevant data was used to form the basis of the study to answer the research question at hand.

The correlation between the variables was looked into so as to establish the relation between the strategies, competitive advantage and the Saccos performance. The researcher measured the variables to establish the relevance of the study in terms of growth in liquidity level and surplus levels, growth of loan book, deposits growth and total assets as well as customer satisfaction which are measures financial performance in Saccos, (Fakii, 2013)

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter provides analysis of the data collected, presentation of the data and also the discussion of the results of the study in reference with the research objective and research question from the interview conducted. The objective of the study was to investigate how strategy affected Ndetika Rural Sacco to gain competitive advantage during Covid 19 pandemic. Results of the data collected through interview is also presented and analyzed in this section. This area also examined the discussion of the findings of the study which helped answer the research question.

4.2 Response Rate

This area examined how the respondents turned up for one-on-one interview exercise. This show validity of the study and whether the findings of the study could be relied upon in making strategic decisions. For the study findings to be relied upon, the response rate has to meet a set rate of more than 50%, (Ndirangu.W, 2016). The study targeted 11 participants to take part of the interview in order provide data needed to answer the research question. Out of 11 targeted respondents, 9 respondents were available to take part of the exercise. The response rate for the study was 82% of the targeted participants and therefore the findings of the study can be relied upon.

4.2.1 Respondents Profile

Here the information about the respondents' details is provided. The researcher wanted to know the individuals' positions that make up the top management team of Ndetika Rural Sacco. The respondents included accountant, marketing managers, credit manager, ICT manager, five branch managers for the five operating branches both in Kiambu and Nairobi County.

4.2.2 Current Position in the Sacco

An interview was conducted among the top level management of NRS Sacco. They were chosen for the study because they are the ones who develop strategies and align the resources in terms of qualified teams, financial resources and team of experts to help in the review process. From the findings, the positions included, accountant, marketing manager, ICT manager, credit manager and five branch managers from five operating branches.

4.2.3 Length of being in management position in the NRS Sacco

The participants indicated they have been in management position for between eight months to nine years. Those being 8 months are an ICT manager and a branch manager. This was reasonable period to have observed and understand the Sacco's operations and how strategy has impacted the performance of the Sacco in the past years and regarding the strategies adopted during the pandemic. It's also a reasonable time to understand relevance of the strategy in its liquidity levels, growth of loan book, growth of total assets, growth total revenue and growth of surplus.

4.3 Strategy and Covid-19 in Ndetika Rural Sacco Limited

In the new normal of the awake of the pandemic, the Sacco had to rethink of new ways of doing business and also appreciate the importance of strategy and strategic management which is a guide in the daily operations in order to achieve long term goals in which it wishes to achieve within the set period. Strategy is heart of success in any organization as it links as it links organization to its external surrounding which keeps on changing but with choice of strategy, strategy capabilities and the right team to implement strategy guarantees excellent performance in the industry better than close competitors.

It is important for organizations to understand the nature of the business environment they are operating in, this ranges from knowing the risks they might encounter in the environment because the surrounding keeps on changing, what competitors are doing better because this also poses the risk of being kicked out of business especially when an organization is clinging on traditional ways or outdated ways and not embracing technology in the operations. It is clear that strategy guides the management on how to carry out their operations and especially during changes in the business surrounding like shocks of covid 19.

4.3.1 Strategic Plan

The respondents indicated that the Sacco embraced and incorporated strategy in their daily operations during the pandemic. This is evident since in January 2022, the Sacco launched a five-year strategic plan which is an improvement of the year 2018 strategic plan which should run up to the year 2026 and that the management should review the strategic plan after every one year because of the changes in the financial instruction industry and to understand if still the strategy its leading the Sacco towards achieving its both short, medium and long-term goals.

The Sacco has the capability to put the strategy and strategic plan into actions according to the respondents. The top management put in place resources in terms of finances and human capital specialist to design and review the progress of the strategic plan and understand whether the strategy and strategic plan its serving the purpose it was indented for in achieving the Sacco's long term goals.

The strategic plan launched by the Ndetika Rural Sacco Limited in January, 2022 included the section containing contingency strategic plan explaining what the Sacco should do in the event of uncertainties or changes in the Saccos operating environment which may threaten the success and normal daily operations. Some of the content in the contingency strategic- setting aside budget every year to cater for unforeseen events, having a team including strategic management experts to review the strategic plan from time to time. The Sacco provided for bad debts as well as insuring loans with an insurance companies to help pay loans in case a member dies or loans go into loss category. per the requirement by the regulator, SASRA and support daily Sacco's operations.

4.4 Strategies Employed by NRS Sacco in Responding to Covid 19 Pandemic

Here the participants were asked whether the Sacco had in place strategic plans to deal with changes in business environment brought by the covid 19 pandemic. This was to help understand the strategies Ndetika Rural Sacco Limited adopted so as to stay afloat, stay in business and improve its performance better than close competitors in the same industry.

4.4.1 Product Differentiation Strategy

The respondents were asked to explain whether the Sacco provided services or loan products which are unique, distinctive and of high quality from close competitor in the Sacco industry. The respondents reviewed that the Sacco offered to its members' unique loan products and services after analyzing and understanding competitor products, these included agency banking which enabled members to make deposits, withdrawals and balance enquiry through a Sacco officer without necessarily having to visit branches due to social distancing restrictions.

In the wake of the pandemic, the Sacco introduced a strategy offering customized and personalized loan products to its members which enabled the Sacco build unique identity among the Saccos in the industry. An example is a Bima Afya loan product which targeted middle age class, this is a medical cover through partnership with insurance companies to help members access medical care. Here the principal contributor is given an array of choices to choose the premium which suits them best depending with the need and the number of beneficiaries. This product which is so unique has helped the Sacco match the demand of its members and in return has led to increase in revenues.

Regarding on the question of some of the new products introduced by the Sacco during the pandemic, the interviewee stated that the institution introduced loan products such as Fosa Bizna targeting the small business owners to help them grow their business. The product is unsecured in that it's given in a multiple of four which mean it is only secured by 25% of the total shares. The repayment period is 12 months which means the default risk its small and on the other hand the Sacco is able to recover its principle amount within a financial year.

4.4.2 Cost Leadership Strategy

This part required respondents to provide information cost leadership competitive strategy that enabled the Sacco to gain a price hedge against its close rival in the Sacco industry so as to increase surprise and also broaden market size and hence reduce competition. The Sacco lowered lending rates of some loan products, some of these loans product includes business loan which was initially before covid 19 at 5% down to 4%, the send product was e-loan, this is a mobile loan which is applied and disbursed over the phone, the loan lending rate since the loan product was introduced in 2019 was 10%, and later in 2023 the interest was reduced down to 8%. All these efforts were geared towards attracting more customers to apply for loans to take advantage of low interest rate. This was matched by vigorous marketing to educate Sacco members about the new change of rates.

Reduced interest rates of some loan products by Ndetika Rural Sacco helped to reduce amount of loan in default in that, members were able to take loans at low interest rates. Members were able to apply for loans with lower rates and hence they were able pay back with the small gains they were getting from businesses and from slashed salaries from the organizations they worked for. This was to reduce high level of loans to go into default and later in to loss category.

Increased repayment payment period of some loan product is also a strategy under cost leadership that Sacco used according to the respondents. Business loan which had maximum repayment period of up to 12 months was extended to 24 months. A multiplier of shares from four times to five times was also increased to attract more members having already established businesses to borrow more. This lead to growth in loan book by 12% in the financial year ended December, 2022.

The participants revealed that by the Sacco reducing interest rates of loans products and services, it was able to grow the loan book. Loan book is the total loan principle given which is outstanding. The loan book grew from 2020 grew to 245M in 2021 and to 361 in 2022 according to annual report and audited financial statement for the year ended 31st December 2021 and 2022.

According to respondents, the Sacco rescheduled and restructured loans to its members during covid 19. This was because members were not able to pay their loans when they fall due posing to credit risk leading to loans falling in to default. Loan restructure means, an existing loan is disbursed anew with new terms in terms of long repayment period, new principle and interest repayments at a lower amount. Loan reschedule means extending repayment period for an existing loan product on outstanding loan balance hence low repayment amounts. To avoid this, the Sacco did restructure to its members of up to 67 Million in 2020, 63 Million in 2021 and 55 Million in 2022. This saw reduce amount in default of up to 13% in 2022.

The body took up this critical measure to ensure the societies are stable and stays in business. An article by Kenya Financial Sector Stability Report, 2020 on Loans Restructured by SACCOs showed that between March to June all societies in Kenya restructured loans of about Ksh.4.7 billion. SASRA data showed that co-operatives societies loans restructure and reschedule loans worthy ksh.100 billion from when the first covid 19 was reported to the first half of the financial which is June, 2020. This step to restructure loans by both co-operatives societies and commercial banks was as a result of registering of low incomes in terms of interest receivables on loans which was due to slow down of business activities, many members being affected by slashing of salaries and massive layoffs which lead to a witness of higher percentages of loans falling in arrears and eventually falling in loss categories making it difficult to be recovered.

4.4.3 Focus Strategy

The respondents here were asked whether the Sacco adopted competitive strategy of focus on particular market segment, targeting specific group of individuals in a sector. This strategy sought to understand if the Sacco created a focus strategy through analyzing its members' needs. Ndetika Rural Sacco offered specific loan product and services to specific customers during the pandemic according to the respondents. It embarked on targeting small businesses owners by giving them loan products called business loans, jijenge loans which are repayable within 12 months. They are unsecured loan products in that members are given four or five times of their shares to help them grow their businesses.

The participants showed that the has been offering loan products to a targeted group, this has its roots way too before the pandemic. They include: school fees loans targeting parents with the school going children, young achievers' savings accounts targeting parents with the children who are about to join secondary school or about to join college. Other products like FOSA Bizna loan was introduced during the pandemic to target members who wishes to start small businesses after losing their jobs and slashing of salaries and needed to start doing small businesses to earn money. This loan product is unsecured meaning that no security in terms of share deposits or collateral to stand in place when advancing loans. Although unsecured loans are very risk and run risk of going into default but the Sacco put measures to ensure risks are mitigated by giving members with FOSA Bizna loan a business pay bill whereby customers can pay on goods they buy or services provided. This was the money passed through the Sacco and used to pay for the loan, also the repayment period is 12 months to help reduce amount going in to default.

The study reviled that the Sacco adopted this strategy by entering into a new market, Nairobi county. It opened its first branch and penetrated into a new market in 2023, January outside Kiambu county where the Sacco has based its operation since the inception in the last 30 years. This was to grow the Sacco by tapping into a new market to grow its membership and grow members' deposits as they are required to make regular savings. Penetrating into new market aimed to focus to unbanked people and try and reach them by providing customized products because this market deals with selling milk and meat at Dagoretti market to give products such as maziwa loan, kilimo loan and tan k loans to help these people grow their livestock farming.

4.4.4 Growing non-interest incomes Strategy

The study sought to understand whether Ndetika Rural Sacco adopted new way of earning non-funded incomes since. Main sources of income of Saccos is loans and since loans were not coming through as supposed due to members not able take loans because they had no means of paying them back. Saccos draw their members from anywhere from community where the Sacco is based to civil servants and unions and so all these sectors where equally affected.

The regulator's by-laws of 2021, shows that Saccos has a number of sources of incomes which includes interest or penalties from loans, loan application and appraisal fees, surplus from Saccos operations activities, reserves in other words statutory reserves, retained earnings, donations and external financing like borrowing from KUSCCO and from commercial bank loans.

The regulator SASRA allows Saccos to use alternative sources of income other than interest on loans which is the main source, there are other sources of incomes which are non-refunded to members and contributes to the one basket of income which report as income in the Sacco's statement of comprehensive income. They include- new membership registration fee, withdrawal charges, statement fees, SMS notification charges, accounts maintenance fees, security-valuation fees; these adds to the basket of Sacco's income.

Other alternative non-interest incomes include whose returns in a bit high includes, saving with KUSCCO, investing in CIC money markets, fixed deposits with banks etc. The regulator does not allow sources of incomes which strains the member's pockets but rather protects members' interests by demanding that Saccos to have in place excellent governance through supervisory committee who are appointed by members during AGMs to oversee the Saccos practices, again the regulator requires Saccos to carry out acceptable accounting practices.

A study by (Mathuva, 2015) on revenue diversification by Saccos in Kenya showed that Saccos have since 1990s been in great pursuit of new ways to add into basket of revenue due to pressure by the shareholders and stakeholders to achieve growth and excellent performance. SASRA, the regulator allowed Saccos to diversify their sources of revenue or income but also put stringent measures in place to ensure that Saccos do not strain and drain their members' pockets as they pursue financial soundness and growth but rather look for better ways to get the revenue without hurting shareholders.

4.4.5 Mobile Banking Strategy

The respondents were asked to indicate whether the Sacco adopted mobile banking strategy during covid 19 to help grow the business. Mobile banking in simple terms means linking one's bank or SACCO account with his or her mobile phone to enable the owner to be able to make deposit, withdraw money and transfer funds using the mobile phones. (Drexelius & Herzig 2001) sheds light on the meaning of mobile banking as the capacity to carry out bank transactions like transfers, withdrawals and deposits using mobile phones.

The participants indicated that Sacco introduced digital platforms to its members to be able to carry out financial transactions due to few numbers of customers allowed into the banking halls due to social distancing restrictions brought by the government to reduce the spread of the virus. Although mobile banking poses its own challenges as (Mas, 2009) points out like security issues like texts alerts can land on the hands of wrong people who can get access to confidential information of the members.

During the pandemic, online transactions was an ideal strategy to Ndetika Rural Sacco because it eased the way of doing business as members are able to carry out transactions including paying loans from FOSA or current account in the case of SACCOs, apply for short-term mobile loans, check accounts balance, get alert notifications when the loan repayment date is due and most importantly members are able to get alerts whenever they make any transaction; this is a big security move as no one other than the owner of the account can make a transaction especially a withdrawal or taking mobile loans as the owner will get notification alerts.

The Sacco introduced two playbills platforms to help members be able to make deposits even when far away. One of the paybills was introduced in 2022 was free which means members are not incurring any transaction when making a deposit. This helped the Sacco increase liquidity levels as members do not need to visit banking hall to make deposit or withdrawal. This saw the liquidity level grow by 2.87% of ratio of 9.49% in 2022 as compared to 2021 of a ratio of 6.62% according to audited financial statement of the year ended December ,2022. This also enabled the Sacco reach out many customers who are in diaspora.

The respondents revealed that technology played a big role during covid 19, since members could do banking to make withdrawal due to travel restrictions in an effort to containment measures, the Sacco introduced mobile money platform where members would withdraw money from their accounts, send money to other people, pay bills among other things. This was beneficial to the Sacco as it collected fees on withdrawal charges and balance enquiry.

It was also evident that the Sacco introduced members' portal as from the respondents, this was aimed to enable potential clients to visit the website, initiate process of registering to become a member, pay registration fee via the Paybill and become a member and start saving. The portal also enables the members to make account balance enquiry without paying anything. This saw the increase in membership of 65% from 9848 in 2021 to 10492 in the year 2022 according to audited financial statement for the year ended 31st December, 2022.

The Sacco also introduced cheque book for the first time at the beginning of the year 2022, this is mostly for the members with business accounts to enable them settle payments through issuance of cheque. The cheque book is linked to a free pay bill whereby one can make deposit to his account without incurring any cost. This has increased income level of the Sacco through cheque clearing fee.

Agency banking is another strategy which the Sacco introduced during the pandemic. This involves a Sacco officer going to the members' business premises with a POS gadget to collect money from members who do not have time to visit banking hall to bank their money. The gadget enables member to make a balance enquiry, deposit or withdrawal, a receipt is given to the member and a text message notification is send to his or mobile phone; this has created confident of members to the Sacco because they are sure that the money is deposited to their account.

Respondents reviled that Ndetika Rural Sacco introduced NRS Okolea App as a strategy to enable members apply for e-banking loans which are online loans without having to visit branches to apply loan, fill loan application forms which is a lot of work. Alternatively, the Sacco provided USSD code to enable members who do not have smart phone access the online services like applying for e-loans, pay loans via the app, make deposit and also withdraw money to their Mpesa from Sacco account.

4.6 Discussion of the study Findings

Comparison with the theories that set basis of the study are discussed in this section.

These theories include, competitive advantage theory, contingency theory and SWOT analysis framework. The findings of both four international and four local studies done in this area done in the past that set foundation in this have also been discussed and compared in this area.

4.6.1 Comparison with the Theories

The study results are in agreement with the competitive advantage theory by (Porter, 1980). He pointed out that generic strategies such as cost leadership, product differentiation and focus strategy have positive impact on growth of an organization. Cost leadership helps organization reduce competition and hence increase revenue through price monopoly. Focus strategy helps reach out to untapped potential market which and in return grow the business. These included, cost leadership through reducing interest rates of lending, focus strategy by entering into a new market, embracing mobile banking strategy to ease operations and alternative sources of income strategy.

The study findings conforms with the Contingency theory by (Lorsch, 1967). Organizations are environment serving in that they interact with the external environment in which they operate. Environment poses threats to the organization and therefore they need to be prepared for uncertainties like covid 19 pandemic which include credit risks. This may include setting a provision for bad debts and a budget and resources in anticipation for shocks. The findings of the study were that the Sacco has in place server systems which are capable of supporting remote operations including accessing system by just longing in and be able to approve loans, disburse loans and carry out daily operation without necessarily being in office. Again, the set aside provision for bad debts to cater loans which are likely to go into loss category, this is a requirement by the regulator SASRA.

The study results are in agreement with the SWOT analysis framework theory by ((Thompson, Strickland, & Gamble, 2007). He explains the importance of an organization carrying out SWOT analysis to understand threats in the external environment. The analysis enables the organization establish competitor's moves, market position and marketing channels to use to as to reach to the focus market in the industry. According to the study, NRS Sacco was able to understand changes in the financial industry brought about by the pandemic which called for the strategic managers to rethink of new and better ways of doing business in order to deal and cope with the change and still remain in business. Equally, the Sacco opened a new branch in the year early 2022, this was after carrying out SWOT analysis to know which markets to penetrate into, the market population to target, appropriate strategies to use so as to enter into identified market, some of the competitors it will be competing with and risks likely to face in the operations.

4.6.2 Comparison with Empirical Studies

The findings of the study revealed that Covid- 19 had significant negative effects on Financial institutions sector and Saccos being part of the industry was not spared by the unforgiving impacts of the pandemic. Saccos measures performance in terms of liquidity level, loan book growth, deposits growth, surplus growth, total assets growth. These were greatly affected as these measures depends on loans disbursements collection of arrears of the loan as they fall due and deposit mobilization. Liquidity is one of the concerns of the top level management as it helps Saccos competitive and be able to operate, it was affected because the members could not pay loans as they fall due since businesses were affected and many lost jobs.

The study revealed that Ndetika Rural Sacco adopted strategies such as focus strategy, differentiation strategy, cost leadership, mobile banking strategy, focusing on alternative incomes, loan restructure and reschedule. These strategies helped the Sacco gain competitive advantage and pull through the harshness of the pandemic which saw the institution grow total revenue by 17%, grow loan book by 11%, grow total asset by 11.27% and grow total member deposits by 6.3% according to Financial statements books for the year ended 2022.

The study by (Mbai, 2007) on the competitive strategies adopted by Mwalimu Sacco as a result of external changes since 1997 after liberation of the country's economy revealed that during time of economic crisis it's very critical to adopt cost leadership strategy to maintain high cost of services so as to set drive away close competitors in that they could not cope up with the cost in the industry. Differentiation strategy of designing products and services portraying unique traits gives the company competitive edge by attracting more customers as well as building organizations brand. This finding are in line with the study, the Sacco applied reduced low interest rates of lending to attract more members apply loans which is more favorable because of low monthly repayment.

The findings of case study by (Timiyo, 2020) on determining the relevance of strategic management. Strategies adopted were analyzing key resource capabilities, launching online stores and running vigorous marketing strategies. These findings are in consistent with the results, marketing and promotion both online and offline channels are very useful during crises because it reaches more a wide range of market.

The findings of the survey by (Oleong, 2021) on strategic innovations, strategic crisis management and strategic leadership improving performance are in agreement with the study. Coming up with new way of doing business by embracing technology such turnaround time, new products and services that are speaking the language of consumers and addressing needs of the end user gives the company a competitive edge. Managing crises strategy related to credit risk which involves members not paying their loans as supposed to and hence their loans shifting to loss category was evidence as the Sacco embraced trainings like credit risk management to educate staff to give loans to members which fully secured after a thorough appraisal.

Research done by (Inhwa, 2021) showed that there is a relationship between online marketing and sustainable performance during environmental changes. Both online and offline marketing strategies has a positive impact by increasing levels of income significantly. These findings agree with the results of the study which revealed that relentless marketing creates awareness of the loan products which potential customers would otherwise not know they existed which in return increase sales.

Study done by (Ramadhan, 2021) showed that service diversification, digitization and product pricing strategy helps organizations respond to changes in the environment by doing business differently. These results agree with the study which found out that digitizing Sacco operations which runs through from applying for membership from the members' portal, making deposits and withdrawals through mobile banking channels and members being able to apply loans online and still pay online without having to visit branches helps saves time as it reaches business members who do not have time to visit branches to transact.

The findings of the study by (Schemmer, Allen, & Gray, 2021) showed strategic resilience of medium and small enterprises which had to invent new strategies such as reduced mobile money transactions costs, financial support insurance and credit resilience strategy as a tool to transfer risks, product specification strategy and capacity building and training of human capital. The results are in line with the study which show that, mobile banking money channels of transaction when the cost is low attracts members to use them in their daily transaction which in return earns Sacco income in form of commission. Risk transfers strategy guides Saccos insure loans of members in case they fail to pay loans or in case a member dies, the rate is 1.5% of the amount of loan applied paid as an insurance.

Research by (Gusti, Ni, Wayan, & Henny, 2022) revealed loan restructuring strategy is a solution to financial institutions during environmental changes when they face credit risks when advancing loans to their members. Findings are consistent with the results of the study, Loan restructuring means new terms in terms of repayment period, amount for the existing loan. This extends repayment period which means low repayment amount.

The finding of the study by (Ndakengerwa, 2022) showed that refinancing and human resource capability by financial institutions readiness measures strategies helps in economic recovery are in agreement with the results of the study. Refinancing strategy is useful since it enables the organizations to source for funds to finance with its operations in the times of crises like in case of Sacco during Covid 19 facing credit risk as a result of members not paying loans and also not disbursing loans. against the impact of the pandemic.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter explains the summary of results, conclusions and the recommendations and the implication of the study in line with the research problem and study objective of investigating how strategy affected Ndetika Rural Sacco to gain competitive advantage. Also the limitations researcher encountered during data collection exercise. In the last section of the chapter, areas of future research that scholars could base their research on has also been explained.

5.2 Summary of Findings

The sought to investigate strategies adopted by Ndetika Rural Sacco to gain competitive advantage during covid 19 pandemic The study aimed to establish strategies by carrying out one on one interview with the departmental heads of the Sacco because they are involved in formulating strategy. Strategies investigated were cost leadership, differentiation strategy, mobile banking strategy, non-funded income.

During the pandemic Ndetika Rural Sacco faced credit risk as a result of members to paying loans as they are supposed to, and low disbursement since members could not take loans due to low economic developments caused by social distancing and loss of businesses. The participants' responses reviled that Covid 19 pandemic had a negative impact on Ndetika Rural Sacco Limited which forced management to rethink of new ways to do business so as to continue operating, beat its close competitors in the industry and still stay afloat and maintain liquidity level to 15%.

On the cost leadership strategy, the research established the embracing this strategy give Sacco competitive hedge against the competitive in the industry. By Lowering interest rates period of some loan products coupled with extended repayment loan saw members being able to apply for loans with lower rates and hence they were able pay back with the small gains they were getting from businesses. Growth of loan book which is a measure of Sacco performance was evident from the study. On the strategy loan reschedule and restructuring to members during covid 19 by extending repayment period and also giving existing loans new terms of repayment this helped reduce credit risk because extended repayment amount and period.

The use of focus strategy was also evident from the study and saw the Sacco to have a competitiveness despite the effects of the pandemic. Ndetika Rural Sacco offered specific loan product and services to specific customers during the pandemic according to the respondents. Again, targeting small businesses owners by giving them loan products called business loans and unsecured loan products helped grow their businesses led to grow loan book. Entering into a new market to tap unbanked customers was established from the study was a competitive move.

The research established that embracing alternative sources of incomes since the highest percentage of source of income from loans interest was not coming through due to low uptake of loans. They include- new membership registration fee, withdrawal charges, statement fees, short messages notification charges, accounts maintenance fees, security-valuation fees; these adds to the basket of Sacco's income. Regulator allowed Saccos to diversify their sources of revenue or income but also put stringent measures in place to ensure that Saccos do not strain and drain their members' pockets.

The study revealed that mobile banking strategy adoption by the Ndetika Rural Sacco had a direct positive impact on growth which is competitiveness hedge in the industry. Introduction of digital platforms to its members to be able to carry out financial transactions. Mobile banking transactions eases the way of doing business as members are able to carry out transactions including paying loans apply for short-term mobile loans, check accounts balance, get alert notifications when the loan repayment date is due and most importantly members are able to get alerts whenever they make any transaction. Commission from paybills and bank to customer services adds to the basket of income which increases liquidity level.

5.3 Conclusion

Embracing strategy in business daily operation guides on what to do and moves to take in order to achieve long term goals set and gain competitive advantage by performing better than anyone else in the industry. Strategies adopted which are cost leadership, differentiation, focus strategy, mobile banking strategy and non-funded income strategies improved performance.

Reducing interest rates of borrowing created competitive advantage to Ndetika Rural Sacco because it attracts more borrowing which in return grows loan book. Differentiation strategy which concerns with unique brands of products and services to the consumers helped build the reputation of the Sacco as the loans products such as FOSA Bizna loans which targets established business owners and maziwa loan which targets dairy farmers are so unique and addresses the needs of the customers.

Also, focus strategy introduced by the Sacco led to launching of a new branch in a new market to tap the unbanked potential clients. Penetrating into a new market creates competitive advantage to targeting a group of potential clients. Introduction of mobile banking strategy helped institution embrace technology in the awake of the new normal by using online transaction channels to make deposits, withdrawals, apply for short term loans and repaying back using paybills or mobile app. Embracing alternative ways for sourcing income since loan interest income was not coming through due low uptake of loans applications proved to have a competitive advantage as Ndetika Rural Sacco could maintain liquidity level as a measure of success.

Guided by the findings of the study, the study concluded that Covid 19 pandemic impacts was immensely felt by Ndetika Rural Sacco. The study concluded that the pandemic affected how business were carried out and how the Sacco operated and so strategy and strategic management is relevant especially during changes in the external environment.

5.4 Recommendations and Implications of the Study

Having a strategy in place in an organization requires capabilities in terms of resources like trained staffs and financial resources. Top management should be in forefront in guiding both middle and operations levels of management in implementing strategy to help in come up competitive products and services to help outwit competition even there are changes in the external business environment. Also, strategic plan should be evaluated from time to time at least after one year to evaluate the progress whether strategies adopted are serving the purpose intended and if not, corrective measures should be taken.

The study established that alternative source of income strategy helps the Sacco grow the basket of income. Saccos main source of income is from loans disbursed and because during crisis there is might be low uptake of loans taking, it is important for the decision making team of the institution to come up with more alternative sources of income to help Ndetika Rural Sacco continue growing revenue and surplus levels.

Based on the findings of the study, the study recommends that there is need for Ndetika Rural Sacco limited adopt strategies such as differentiation, focus strategy, alternative sources of income, mobile banking strategy to help in improving performance in awake of new normal so as to increase surplus, grow loan book, grow total assets and improve on liquidity level and still be compliant with its regulator SASRA and compete effectively in the industry.

5.5 Limitations of the Study

The research target was Ndetika Rural Sacco and the results of the study cannot be used to conclude that strategies adopted by the Sacco as having same impacts to Deposit taking Saccos Limited. There is also limitation in terms of methodology in that a case study was used whereby only one financial institution was used for the study and one on one interview was used to collect data which was later analyzed using content analysis. Again, some of the respondent were not willing to provide very critical information about the Sacco because can be used by rivals in the industry.

Some of the respondents who are the top management of Ndetika Rural Sacco were too busy and so they could not show up for the one-on-one interview exercise. However, the efforts to reach and arrange interview through the telephone was not successful. Thus, the researcher could not get two respondents on board for the interview. This was mainly contributed by branches being located far from each other where four being in Kiambu county and one in Nairobi county. Thus, travel from one branch to another and getting respondents was difficult since they have other activities to attend to.

5.6 Areas for Further Research

The study recommends future research on the finding of the study to add knowledge on the relationship between strategy, competitive advantage on performance on Non-Deposit taking Saccos to understand impact environmental uncertainties on liquidity level and the relevance of strategy and strategic management on performance. The study concluded that strategy is backbone to organizations because it helps create competitive edge even in the times of the changes in the environment.

The study was limited in Kiambu county, further study should be carried out on Saccos in other counties in the rest of the country to compare and understand the impact the strategy has in operations, liquidity level and on loan book growth and again the strategies to adopt in order to gain competitive advantage and register excellent results in terms of growth better than anyone else. Also, future study should be done on the role that Saccos play in financial sector since there has been increase number of Saccos in the past decade.

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APPENDICES

Appendix i: Letter of Introduction

Millicah Lucy Nguli,
School of Business,
University of Nairobi,
D61/36108/2019,
ID No: 31742755.

RE: REQUEST TO COLLECT RESEARCH DATA

I am a student at the University of Nairobi currently undertaking a degree in Master of Business Administration. As part of my program, am required to carry out and submit research on- **STRATEGIES ADOPTED BY NDETIKA RURAL SACCO SOCIETY LIMITED TO ACHIEVE COMPETITIVE ADVANTAGE DURING COVID-19 PANDEMIC**. It is for this reason that your organization has been selected to take part of generating the data required in the study. The information to be provided will be confidential and your name will not be mentioned.

One on one interview guide will be used to collect data. The findings of the study will be shared to your company upon completion of the study. Your participation and time will be highly valued.

Regards,

Millicah Lucy Nguli

Appendix ii: Interview Guide

Interview guide will collect data on strategies adopted by Ndetika Rural Sacco Ltd to gain competitive advantage during Covid- 19 pandemic.

SECTION A: RESPONDENTS PROFILE

- i. What is your current position in the Sacco?

.....

- ii. How long have been in management position in the Sacco?

.....

SECTION B. STRATEGY AND COVID 19 ON NDETIKA RURAL SACCO LTD

- i. Does your Sacco have in place a strategic plan?

.....

.....

- ii. Has your Sacco reviewed strategic plan since awake of Covid 19? If yes, which year?

.....

.....

- iii. Does your Sacco have a capability to implement strategic plan.? If yes, please explain how.

.....

.....

- iv. Does the Sacco's strategic plan include contingent strategic plan part to help the organization deal with unexpected shocks like covid-19 pandemic so as to stay in business despite the impacts? If yes, what are some of contents in the contingency strategic plan?

.....
.....

SECTION C: STRATEGIES EMPLOYED TO RESPOND TO COVID 19

1.Product Differentiation Strategy

- i. Did the Sacco offer loan products and services different from its close competitors during covid 19?

.....
.....

- ii. How did the Sacco consider offering customized loan products to its members?.....

.....
.....

- iii. What are some of the new loans products that the Sacco brought into the market during covid 19 pandemic?

.....

- iv. How did the Sacco understand the needs of its members were met through offering customized loan products?

.....
.....

2. Cost Leadership Strategy

- i. Did the Sacco reduce interest rates of loans products? If yes, from which rate before pandemic and to which rate during the pandemic?

.....
.....

- ii. How did reducing interest rates of loans products reduce loans default?.....

.....

- iii. How did low interest rate of loaning contribute to growth of loan book.?.....

.....

- iv. Did the Sacco rescheduled/ restructure loans during covid-19 pandemic? If ye, how many loans and how much?

.....
.....

- v. How did loan restructure/reschedule reduce loans in default?

.....
.....

3. Focus Strategy

- i. Did the Sacco offer loan products and services to specific customers.? If yes, please give examples

.....
.....

ii. Did your Sacco offer loan products and services to specific market? Yes, please give examples

.....
.....

iii. How did the Sacco identify the new markets to focus its efforts at during the pandemic to reach the untapped group so as to increase its presence in new areas?.....

.....
.....

4. Growing non growing non-loan interest incomes Strategy

i. Did your Sacco focused on increasing non-loans interest incomes? If yes, please mention some of the non- loans interest incomes that the Sacco adopted.....

.....
.....

ii. How did growing non -loan interest incomes increase Saccos liquidity level.....

.....

5. Mobile banking Strategy

i. Did your Sacco adopt mobile banking strategy during the pandemic? If, yes, how did the strategy help the Sacco in its operations and stay business?.....

.....

ii. How did use of mobile banking strategy help to increase growth of loan book?.....

.....
.....

iii. How did mobile banking strategy help to improve liquidity level of the Sacco during pandemic period?

.....
.....

Appendix iii: List of Deposit- Taking Saccos in Kiambu County

1. Ammar Sacco Society Ltd-Thika town
2. Azima Sacco Society Ltd- Thika town
3. Dimkes DT Sacco Society Ltd- Kiambu town
4. Fajiri Sacco Society LTD- Githuguri town
5. Fundilima Sacco Society Ltd- Juja town
6. GDC Sacco Society Ltd- Githuguri town
7. Good Faith Sacco Ltd- Githuguri town
8. Jacaranda Sacco Society Ltd- Ruiru town
9. Joinas Sacco Society Ltd- Banana town
10. NRS Sacco Society Ltd- Kikuyu town
11. Orient Society Ltd – Thika town
12. Tai Sacco Society Ltd- Githuguri town

Source: SASRA, (2022) List of Deposit Taking Saccos in Kiambu county, Kenya for the year ended 2022. <http://www.sasra.co.ke>.