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Preamble

African Journal of Business, Economics and Industry (AJOBEL) is an academic peer-reviewed yearly publication for original, innovative research and academic output that contributes to growth of knowledge in Business, Economics, Industry and related discipline globally. The journal targets: Business professionals/scientists, researchers, media specialists, business students, government agencies/policymakers and citizens with a passion for contemporary business ventures.

This second edition aims to address contemporary societal and global concerns in business and industry. It carries original full-length articles that reflect the latest research and developments in both theoretical and practical aspects of a modern business society. It promotes research awareness and compatibility platform through a concise and methodical interface to cater for all categories of scholars in business, while encouraging innovation, creativity in research catalyst by information technology and transformative leadership.

The topical issues in this journal include: Effect of organizational culture on the implementation of corporate strategy in private chartered universities; effect of natural disasters on the productivity of micro, small and medium enterprises; risk management strategies and sustainable competitive advantage of commercial banks ; financing options and the sustainable growth of real estates; situational factors, individual factors, and marketing consumers ; venture capital risk measures and access to venture capital financing by SMEs ; teacher-student communication and prevention of teenage pregnancies in public secondary schools ;textile market responses to covid-19 and relationship between biblical context and akurinu mission with emphasis on poverty alleviation.

The Journal is both in print and online versions.

Chief Editor

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Liquidity Management and Financial Sustainability of Deposit Taking Savings and Credit Cooperative Societies in Kiambu County, Kenya.

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Abstract

Savings and credit cooperative societies (Saccos) have gained prominence in many countries due to their immense contribution towards poverty reduction and economic development. Saccos are a source of livelihood to many people who depend on them either directly or indirectly. Despite their immense contribution, research has shown that majority of the Saccos are faced with challenges which have adversely affected their performance and threatened their sustainability. Poor liquidity management has been cited as a key concern for many Saccos, which has constrained their growth and survival. As a result, this study sought to assess the effect of liquidity management in terms of liquidity policy, liquidity funding and liquidity risk management on financial sustainability of Saccos with particular emphasis on deposit taking Saccos in Kiambu County. A sample of 46 Saccos was randomly selected and used as a source of primary data using a self-administered questionnaire, while secondary data was collected through review of literature from online journals. Descriptive and inferential statistics were used in data analysis. The results established a positive and significant relationship between liquidity policies, liquidity funding, liquidity risk management and financial sustainability of sampled Saccos. On the basis of the findings, the study recommends that deposit taking Saccos should develop and implement liquidity management policy which can be used as a guide to liquidity management; set aside a liquidity management fund to facilitate any liquidity shortfalls during emergencies, and develop and implement a strong liquidity management system to evaluate and monitor any liquidity risks facing Saccos and take appropriate action.

Keywords: *Liquidity Management, Liquidity Policy, Liquidity Funding, Liquidity Risk Sustainability*

Background of the Study

Liquidity refers to the ability of an entity to meet its short-term financial commitment (Saunders & Cornett, 2005). The extent of liquidity depends on the entity's liquid assets and the liabilities, which are due within the financial period. When a business is faced with low liquidity, it risks the cost of not fulfilling its commitments with the lenders, which may lead to lost suppliers, high interest rates for emergency funds and even penalties. On the other hand, high levels of liquidity are not beneficial to the business because too much idle cash attracts fraud, missed investment opportunities as well as future losses. This therefore calls for business people to maintain the right balance of liquidity level that is optimal for the proper operations of the business, hence the need for a good liquidity management system, which is able to reduce liquidity risk to the minimum possible.

Liquidity management has not been a challenge of the developing countries only; Dullien (2010) provides evidence of one of the major global financial crisis of the year 2007/2008, which was attributed to poor liquidity management among major global financial players. This led to the collapse of major commercial banks like Lehman Brothers necessitating the government to bail them out. The impact was also felt in other sectors of the economy like stock exchange prices, which

dropped drastically, low purchasing power which led to increased unemployment rates (Committee on Banking Supervision, 2013).

Alemayehu and Ndung'u (2012) reported a crisis of poor financial management attributed to poor liquidity management. They identified that poor liquidity management led to poor financial performance of commercial banks in Kenya. This was as a result of high cost of funds that affected the level of earnings. They concluded that poor liquidity management reduces the capacity of the banks' ability to compete.

Liquidity Management and Sustainability of the Sacco Sector in Kenya

The Sacco sector plays a key role in economic development of the developed as well as developing nations. Saccos basically target the low income earners with the aim of reducing the funding gap which is created by the commercial banks that focus on lending high end customers. Based on voluntary and open membership, democratic member control and economic participation by members Saccos are owned and managed by members (Waweru, 2018).

In Kenya, the Sacco sector is the largest in Africa with a membership of 14 million, and with over 30million Kenyans depending on them either directly or indirectly (Osero & Muturi, 2015). The sector has played a key role in poverty alleviation and reducing unemployment. Despite this level of contribution, Saccos sector in Kenya is performing dismally even during favorable economic times (Ngugi, 2017). The sector has been faced with several challenges stemming from regulatory, political, governance as well as operational challenges. Liquidity management has been cited as one of the key challenges constraining the Sacco sector in Kenya (Osero & Muturi, 2015), hence the purpose of this study which is aimed at assessing the effect of liquidity management on the financial sustainability of Saccos with focus on Kiambu County.

Statement of the Problem

Over the years research has shown that Saccos contribute greatly towards economic development and poverty alleviation. They have become a source of livelihood to a large population especially in developing countries. Despite this positive contribution Saccos have been facing various challenges among them; liquidity management which is seen to constrain their growth and survival. The management of Saccos has put in place measures to improve the performance of Saccos, but with little success. One of the key measures taken by the management of Saccos is to increase membership in order to stay afloat, which increases the membership with not much liquid to meet their obligations since the savers are given three times their savings as loan. This has seen the Sacco using all available cash to pay out the loan requirements as well as dividends. This is complicated by the regulator requirement that they must retain a minimum Institutional Capital Adequacy (ICA). In the year 2016 only 69 out of the 175 deposit taking Saccos met the required minimum capital balance of 8% (SASRA, 2017), implying that 61% of the deposit taking Saccos were facing liquidity challenges and raising questions as to their sustainability and the future of key credit market. This calls for urgent measures to be undertaken to save the Sacco sector from collapse. This study is aimed at assessing the effect of liquidity management in terms of liquidity policy, liquidity funding and liquidity risk management on the sustainability of Saccos and provide evidence based recommendations on what Saccos are expected to do to stay afloat.

Objective of the Study

The study aimed at assessing the effect of liquidity management on financial sustainability of Saccos in Kiambu County, Kenya.

The study was guided by following specific objectives;

- 1) To establish the effect of liquidity policy on financial sustainability of Saccos in Kiambu county, Kenya
- 2) To assess the effect of liquidity funding on financial sustainability of Saccos in Kiambu County, Kenya
- 3) To explore the effect of liquidity risk management on financial sustainability of Saccos in Kiambu County, Kenya.

Significance of the Study

The study is expected to contribute greatly to the academia by providing reference literature on liquidity management by Saccos. The recommendations will be crucial to both the regulators and the managers of Saccos to improve on liquidity position and management strategies for improvement of Saccos performance.

Scope of the Study

The study focus was on the effect of liquidity policy, liquidity funding and liquidity risk management on the financial sustainability of Saccos, with specific reference on deposit taking Saccos in Kiambu County. It focused on a sample of 46 deposit taking Saccos that were randomly selected.

Theoretical Review

Liquidity Preference Theory

Liquidity Preference theory was developed by John Maynard Keynes (1936). According to Keynes, Liquidity preference refers to the amount of money that people or an entity is willing to hold at a given point in time given the interest rate. The theory advocates for the desire of holding money instead of spending. In other words, the interest rate is the 'price' for money. Keynes further argued that there are three reasons for holding liquid assets. First, they act as ordinary transactions, second the act as a precaution against a rainy day, and third they are used for speculative purposes. He also said that money is the most liquid asset and the more quickly an asset can be converted into cash, the more liquid it is. According to this theory, banks can satisfy liquidity needs by either properly managing their cash balances or borrowing from the money markets and capital markets.

This theory supports the concept of liquidity management, in that, it advocates for proper liquidity to be maintained so as to ensure that an entity is able to meet its debt obligations when they fall due. (Rajesh & Chaudary, 2009). Distressed banks can only access funds from the market at high interest rate, which eventually causes a decline in the banks' earnings. Moreover, a bank's further borrowing to meet depositors' demand may place bank's capital at stake (Alemayehu & Ndung'u, 2012).

Empirical Review

Liquidity management has become a key concern of many researchers in both developed and developing countries for over a long period of time. Kasekende and Ating-Ego (2003) in a study in Ghana found no positive relationship between liquidity trend and profitability and concluded that there is a negative relationship between liquidity and profitability in the Ghana banking sector. This conclusion was reached with the notion that it is more beneficial to invest liquid cash into profitable ventures than retaining it in the business aiming to make the business liquid. Mbabu (2004) looked at the effect of liquidity risk on performance of commercial banks and found that there is a positive relationship between liquidity risk management and performance in Uganda. In Nigeria, Agbada and Osuji (2013) assessed the efficacy of liquidity management and bank performance and concluded that there exists a strong positive relationship between liquidity management and performance in terms of Return on Capital employed and profitability.

In Kenya, Tobias and Themba (2011) assessed the relationship between liquidity and bank performance of commercial banks in Kenya. The study used exploratory approach with panel data design. The findings show that there is positive correlation between profitability and liquidity of banks. Njeri (2013) performed research on the effect of liquidity on financial performance of deposit taking micro finance institutions. Using a descriptive research design to analyze secondary data of 5 years from 2009-2013 using multiple regression model. The study established that financial performance of the MFIs in Kenya is highly depended on the level of institutional liquidity; hence, MFIs should enhance their liquidity position to realize increased and sustainable financial performance. Weak financial stewardship, inappropriate capital structure and imprudent funds allocation has been cited as some of the factors impeding growth of Sacco's. These factors have threatened the profitability and sustainability of growth of Sacco's. Recent studies (Olando, et al. 2012; Godfrey, 2015; Mugambi, 2015; Ayieko, 2015) have also established that there is a positive relationship among financial institutions at different magnitudes.

According to SASRA, the Sacco's society regulations are meant to improve the competitiveness of Sacco's by setting financial and operating standards commensurate to deposit taking business conducted by Sacco's. This is ultimately expected to drive efficiency and improve the level of savings in the Sacco's societies as envisaged in the financial sector strategy in vision 2030. Saccos's regulations and performance relate in that the regulations are meant to set specific requirements on the tools used to measure performance (PEARLS) leading to a direct relationship (Financial Sector Deepening, 2009).

As Nyabwanga (2011) asserts, despite the significance and the increased efforts by the government of Kenya and other stakeholders to establish by several researchers (Peel & Wilson, 1997; Padachi, 2006; Kotut, 2003) efficient management of working capital is pivotal to the health and performance of small firms, hence, their view that firms should employ the use of efficient working capital management practices as a strategy of improving their value. According to (the Cooperative Bank of Kenya Report, 2008), the deposit and loan portfolio in Sacco's amounts to about 34 percent of national savings and about 24 percent of outstanding domestic credit. The World Council of Credit Unions (WOCCU) estimates that Kenyan Sacco sector is the largest in Africa; in 2005, Saccos had an estimated membership of more than 2.5 million, share capital and deposits of US\$1.66 billion, and a loan portfolio of US\$1.24 billion (WOCCU, 2005).

Clement (2012) found that, the Sacco movement in Kenya is billed as the largest in Africa and among the top 10 globally (Wanyama, 2009). With over KES 230 Billion in assets and a savings portfolio

estimated at KES 190 Billion. The Sacco movement in Kenya constitutes a significant proportion of about 20% of the country's savings. Saccos have thus become vital components of Kenya's economy and social development. Kenya has a long history of cooperative development that has been characterized by strong growth, thus making a significant contribution to the overall economy. Cooperatives are recognized by the government to be the major contributors to national development, as co-operatives are found in all sectors of the economy. With a total population of Kenya at approximately 37.2 Million (Republic of Kenya, 2008), it is estimated that 63% of Kenya's population participate directly or indirectly in cooperative based enterprises (MOCD&M, 2008). Indeed, the MOCD&M estimates that 80% of Kenya's population derives their income either directly or indirectly for cooperative activities.

Maintaining an adequate level of liquidity is an essential aspect of any financial institution. SASRA in its supervisory role provides guidelines with regard to liquidity policy of the Deposit taking and savings societies in Kenya with the aim of ensuring that Saccos are accountable and improve transparency (Kimathi, 2014). To achieve SASRA has set the minimum liquidity threshold at 15% as measured by net liquid assets divided by savings deposits and short term liabilities (Kimathi, 2014). To achieve the required level of liquidity, the Saccos are expected to have a liquidity management policy, which is aimed guiding the operational procedures of the entity and act as a road map to prudent management.

Saccos are expected to hold adequate capital to meet their day to day needs. Capital adequacy is the amount of capital a financial institution is expected to hold by the financial regulator (Sacco supervisory report, 2013). Adequate capital helps cushion depositors and protects their funds hence improving liquidity of the financial institution (Kiragu, 2014). This also increases public confidence in the Sacco. The recent global financial crisis has revealed the necessity to further improve capital adequacy and liquidity risk management, governance and to enhance the transparency of the operations of credit institutions. While encountering a variety of risks in their operations, banks may incur loss that primarily is compensated from the bank's capital, therefore the management of capital adequacy risk of banks must be given particular attention. Accordingly, the accrued reserves of liquid assets must be sufficient to withstand adverse liquidity shocks, as inadequate liquidity of the bank may lead the bank to collapse in exactly the same way as a shortage of capital (Vintila & Nenu, 2016).

Research Design

A research design is comprehensive plan or strategy for carrying out an empirical study. It is the blue print for the collection, measurement and analysis of data (cooper & schindler, 2008). The study adopted a descriptive cross sectional survey design because it aimed at describing the characteristics of a population or phenomenon being studied through use of a survey questionnaire measuring the variables under study at a specific point in time without manipulating them. Descriptive survey design is appropriate for this study as it focused on understanding the effect of liquidity management on financial sustainability of Saccos.

Study Population

A population is defined as an entire set of individuals, events or objects with similar observable characteristics (Mugenda & Mugenda, 2011). The target population for this study was all the 55

deposit taking Saccos within Kiambu County which were registered by SASRA by the end of the year 2015.

Sample Size and Sampling procedure

Sampling is the procedure used by a researcher to select the respondents for a study according to Cooper and Schindler (2008). The study randomly sampled 46 deposits taking Saccos within Kiambu County to ensure that each Sacco had an equal chance of being selected. From each Sacco one questionnaire was submitted to one senior manager who was available to respond.

Data Collection Instrument and Procedure

Primary data was collected with the help of a self-administered questionnaire. A questionnaire was considered appropriate for this study as it is commonly used to collect in-depth information from a given population (Mugenda & Mugenda, 2003). The questionnaire comprised of both closed and open ended questions divided into four sections according to the variables under study. The questionnaires were administered through drop and pick later approach to allow the selected managers to respond to the questions at their own appropriate time increasing the response rate and also accuracy of the answers.

Data Processing and Analysis

The collected data was cleaned and edited to ensure that it is in an appropriate state for the analysis. The data was processed with the help of SPSS (23). Descriptive as well as inferential statistics were used in data analysis, specifically descriptive statistics inform of means and standard deviation was used to describe the variables under study, while multiple regressions was used to establish the effect of the independent variables on the dependent variable.

Research Findings, Conclusions and Recommendations

Descriptive findings

Liquidity Policy

The findings of the study with regard to liquidity policy established that the sampled Saccos performed considerably well on average. On the question whether the Saccos had policies that set the level of liquidity, the performance was below average (Mean= 2.34) in a scale of 1-5, but they had a policy that ensured external borrowing does not exceed the set limit (Mean=4.21) which was based on having set procedures for determining the level of liquidity (Mean= 2.54). The low mean (mean= 2.24) on having a policy to monitor liquidity needs indicated that though the Saccos on average had a liquidity policy, it could not be comprehensive enough to act as a basis for setting liquidity levels, implementing as well as monitoring the liquidity levels of the Saccos as indicated in Table 1 below.

Table 1: Liquidity Policy

Questions	N	Min	Max	Mean	Std Dev
The Sacco has policies that set the level of liquidity	46	1.2	4.9	2.34	0.293
The Sacco has set procedures for determining the level of liquidity	46	2.0	3.2	2.54	0.023
There is a policy that ensures external borrowing does not exceed the set limit	46	1.3	5.0	4.21	1.531
The Sacco has a policy to monitor the liquidity needs	46	2.1	3.1	2.24	1.421

Liquidity Funding

The Performance of the sampled Saccos with regard to Liquidity funding was above average with the mean for the selected questions being above 2.5 in a scale of 1-5. The low levels of standard deviation were an indicator that the answers do not vary from one another to a great degree. The sampled Saccos were seen to carry out periodic review of the deposit structure (Mean= 3.45) which can be used as a determinant for the capacity of a Sacco to give out loans to customers without compromising its ability to meet specified debt obligations. This can be supported by having different sources of Funding (Mean= 4.33) as well as ensuring they calculate the cost of funds before borrowing (Mean= 3.22). This helped the Saccos to avoid costly funds which can threaten the liquidity position of the entity due to huge interest costs. The findings on table 2 below shows that the sampled Saccos have a system for measuring and monitoring unused borrowing capacity (Mean= 4.56) which enabled them to be able to borrow funds aimed at taking advantage of profit making opportunities when they arose.

Table 2: Liquidity Funding

Questions	N	Min	Max	Mean	Std Dev
The Sacco reviews the deposit structure periodically	46	1.33	4.44	3.45	0.021
The Sacco has different sources of Funds	46	3.23	3.91	4.33	0.151
The Sacco calculates the cost of funds	46	2.13	4.11	3.22	0.652
The Sacco has a system for measuring and monitoring unused borrowing capacity	46	2.66	4.56	3.78	1.236

Liquidity Risk Management

The study sought to gain an understanding about the liquidity risk in terms of setting liquidity risk targets as measured by liquidity ratios, the findings showed that on average the sampled Saccos established target liquidity ratios (Mean= 2.45). However, a low performance is established with regard to having a system to identify liquidity risk (Mean= 2.33), having a system to monitor liquidity risk (Mean = 2.22) as well as having a system to mitigate liquidity risk (Mean= 2.44) as shown on table 3 below:

Table 3: Liquidity Risk Management

Questions	N	Min	Max	Mean	Std Dev
The Sacco has established target liquidity ratios	46	3.00	4.87	2.45	0.022
The Sacco has a system of identifying liquidity risk	46	2.31	3.72	2.33	0.912
The Sacco has a system of monitoring liquidity risk	46	2.45	4.21	2.22	1.221
The Sacco has a system of mitigating liquidity risk	46	2.11	3.71	2.44	1.023

Financial Sustainability of Saccos

The financial sustainability of Saccos was measured by the Financial Self Sufficiency Ratio (FSSR), which was determined by the ratio of internally generated revenue to total expenses. A FSSR of more than one (1) indicates that the Sacco is sustainable, while a FSSR of less than one (1) indicates that the Sacco is not financially sustainable. The findings of the study in Table 4.4 below reveal that majority (27) representing 59% of the Saccos were not financially sustainable with a FSSR of less than one, while 19 Saccos (41%) had a FSSR of greater than one implying that they are financially sustainable.

Table 4: Financial Sustainability of Saccos

FSSR Value	Frequency	percentage
>1	19	41%
< 1	27	59%
Total	46	100%

Regression Analysis

The study sought to determine the relationship between liquidity management and financial performance of the sampled Saccos. Based on the coefficient of determination, which is used to establish the strength of the relationship, Table 5 below illustrates that there is a strong relationship between dependent and independent variables given an R^2 values of 0.727 and Adjusted R to 0.681. This means that the selected measures of liquidity management (Liquidity policy, liquidity funding and liquidity risk management) accounts for 72.7% of the variations in the financial Sustainability as measured by Financial Self Sufficiency Ratio (FSSR), while the remaining 31.9 % of the variations in financial performance can be explained by other factors which are beyond the confines of this study. To test for autocorrelation, the study used Durbin Watson (DW) test to assess whether the residuals of the models were independent. The findings showed that the DW statistic were close to the prescribed value of 2.0 (2.102) for residual independence, hence it was concluded that there was no autocorrelation as shown.

Table 5: Model Summary

R (Correlation)	R Square Square Determination)	Adjusted R the Estimate	Std. Error of Watson	Durbin- (Coefficient of
.811 ^a	.727	.681	2.236576	2.102

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Liquidity policy, liquidity funding, liquidity risks management

To test whether a significant relationship existed between the independent and the dependent variable an Analysis of Variance (ANOVA) was used. This is a measure of the significance of the Regression model. The ANOVA results presented in Table 6 below showed that the regression model was statistically significant ($F = 7.621$; $P < 0.05$). Hence, the conclusion that the overall model is statistically significant implying that the three independent variables have a significant combined positive effect on the dependent variable.

Table 6: Analysis of Variance

	Sum of Squares	Df	Mean Square	F	Sig.
Regression	39.895	3	5.979	7.621	.002 ^b
Residual	14.553	43	0.693		
Total	54.448	46			

a. Dependent Variable: financial performance

b. Predictors: (Constant), Liquidity Policy, liquidity Funding, liquidity risks Management

The overall Regression Model Table 4.7 shows the overall significance test results for the hypothesized research model. $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$

The findings show that liquidity policy, liquidity funding and liquidity risk are positively related to financial performance since all the coefficients are positive. The results showed that holding all the three independent variables constant, the financial performance of the sampled Saccos would be

1.672. A unit increase in liquidity policy while holding all other factors constant would cause financial performance of the Saccos to increase by 15.481 ($P = .000$) units. Further, a unit increase in liquidity funding, while holding other factors (liquidity policy and liquidity risk) constant, will lead to an increase in financial performance by 4.161 ($p = .002$). While a unit increase in Liquidity risk, while holding other factors (liquidity policy and liquidity funding) constant, will lead to an increase in financial performance by 5.810 ($p = .000$)

The regression equation would be;

Financial performance = $1.672 + 15.481 \times \text{Liquidity Policy} + 4.161 \times \text{liquidity Funding} + 5.810 \times \text{Liquidity risks}$.

Multicollinearity Test

The study conducted a multicollinearity tests to determine if two or more predictor (independent) variables in the multiple regression model were highly correlated. The study used tolerance and variance inflation factor (VIF) values for the predictors as a check for multicollinearity. Table 7 shows that all the tolerance values were above 0.1 and all the VIF values are below 10, hence the conclusion that multicollinearity was not a problem.

Table 7: Regression Coefficients^a

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Multicollinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.627	.304		1.027	.123		
Liquidity policy	15.491	.314	12.130	13.548	.000	.783	1.217
Liquidity Funding	4.113	.292	3.044	3.587	.002	.792	1.807
Liquidity Risk	5.820	.056	3.061	3.851	.000	.892	1.106

a. Dependent Variable: Financial performance

b. Predictors: (Constant), liquidity policy, liquidity funding, liquidity risks management

Discussion of Study Findings

The findings of the study reveal a significant positive relationship between liquidity management and financial sustainability of the sampled Saccos. These findings are similar to the findings of Olongo (2013), Wanjohi (2013) and Kavale (2016). The assessment of liquidity management practices of the commercial banks by Wanjohi (2013) found a direct relationship between liquidity management and financial performance. In addition, Olongo (2013) found that the performance of commercial banks is significantly affected by liquidity management ratios. The study found a positive correlation between ROA and liquidity management ratios. However, the results contradict those of Bassey (2015), Molefe and Muzindutsi (2016) and Vintila and Nenu (2016) who found a negative relationship between Liquidity management and financial performance.

Conclusion

The findings of the study revealed that the Saccos have put in place measure to ensure that they maintain an appropriate level of liquidity that is adequate enough to reduce the liquidity risk of not being able to meet the debt obligations as and when they fall due. The study showed that the sampled Saccos have established policies that are geared towards determining the liquidity targets and ensuring that external borrowing does not exceed the set limits. But on the other hand the study revealed that the Saccos liquidity management policies are lacking in terms of providing guidelines for monitoring liquidity needs of the Sacco. The findings further indicated that liquidity policy had the highest influence on financial sustainability, which can be attributed to giving direction as to identification, monitoring and even mitigating liquidity risk.

This also could be the cause of those Saccos that were found not to be financially sustainable. The liquidity management policy ensured that there was a proper responsibility center for liquidity management.

The study found that the Saccos performed fairly well with regard to liquidity funding. Monitoring the deposit structure ensured that there is adequate cash to fund liquidity during emergencies. This is strengthened by having several sources of funds and monitoring unused borrowing capacity which can be used to take advantage of profit generating opportunities.

The Saccos seem to have a reactive strategy to liquidity management rather than being proactive. They performed poorly in liquidity risk management compared to liquidity policy and liquidity funding. Though the Saccos have set the liquidity ratio targets they seem not to have in place proper systems for identifying liquidity risk, monitor and even mitigate liquidity risks. This can be attributed to having no proper liquidity policies to provide guidelines with regard to liquidity management. This exposed the Saccos to the risk of not being able to meet its financial obligations when they fall due.

Recommendations

Based on the above study findings the following recommendations can ensure proper liquidity management which can lead to the Saccos being financially sustainable;

- 1) Each Sacco should develop a liquidity management policy, which is aimed at recognizing, measuring, monitoring and reporting of liquidity risk. The policy procedures should be updated in accordance with the business development and market changes.
- 2) Liquidity risk management should be incorporated into the internal audit and review activities so as to ensure that it is evaluated regularly in terms of sufficiency and effectiveness.

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Strategic Responses and Sustainable Competitive Advantage of Milk Processing Firms in Kenya

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Abstract

Strategic responses have become a common phenomenon in recent times throughout the world. Organizations have adopted strategic responses locally as well as internationally due to the increased competition in the global market that has prompted them to adopt strategic responses as an important strategic choice. These strategic choices are strategic options in the hands of many organizations not only to stay in the competition, but also to extend their margins, market share and dominance globally. This study sought to investigate the influence strategic responses have on sustainable competitive advantage of milk processing firms in Kenya. The specific objective of the study was to determine the influence of restructuring strategies on sustainable competitive advantage of milk processing firms. The study employed a descriptive research design on a target population of 240 employees of beverage firms in Kenya. A sample size of 150 respondents was selected for the study. The study used mean, standard deviation, frequency and percentages in the analysis. Multiple regression analysis was used to estimate the changes in the dependent variable following a unit change in each of the independent variables. The study found out that firms had invested a lot in restructuring to eliminate non-core business activities, consolidate their business functions and re-organized their business processes to gain competitiveness. The study concluded that restructuring strategies contributed immensely to sustainable competitive advantage of milk processing firms in Kenya.

Keywords: *Restructuring, Sustainable Competitive Advantage, Strategic Choice, Strategic Responses*

Background of the Study

Organizations operate in the environment, and in order to succeed, they must select a mode of strategic behavior which matches the levels of environmental turbulence, and develop a resource capability which complements the chosen mode (Acur & Englyst, 2006). Organizations are faced with more competition, sophisticated stakeholder's expectations, scarcity of resources and the need to maximally utilize resources available by operating efficiently. They are continually involved in activities designed to improve their organizational effectiveness and adopt a restructuring strategy as a way of optimal use of resources and efficiency (Bowman & Singh, 2013). In order to effectively

achieve their objectives, plans and actions must be strategically fit to the complexities and dynamism of a rapidly shifting environment (Pearce & Robinson, 2008).

Strategic responses affect several areas of operations within the organization and require top management decisions and huge financial commitments. They are forward looking and affect long term prosperity of the firm and most critical are dependent on the environment. Timely response is critical to avoid adverse effects or missed opportunities (Vives, 2012). Competition on the other hand is generally accepted as a positive force in most industries as it is supposed to have a positive impact on an organizations efficiency, quality of provision, innovation and general competitiveness to gain advantage over competitors.

Restructuring has become so common phenomenon with organizations both locally and internationally, necessitated by the dynamic business environment, which requires organizations to develop and adopt new strategic measures to create and retain competitive advantages. Restructuring requires the management of these organizations to reposition the organization strategic focus to identify strengths, weaknesses, threats, and opportunities, and formulate the best strategic approach to counter risks and improve the competitive advantage of the organization (Mwangi, 2015).

The ambition of any business strategy is to reach a sustainable competitive advantage. It is a firm's sustainable competitive advantage that allows it to earn excess returns. Creating sustainable competitive advantage should be the most important goal of any organization and may be the most important single attribute on which each firm must place its most focus (Lockhande, 2015).

Restructuring Strategy

Restructuring a corporate entity is often a necessity when the company has grown to the point that the original structure can no longer efficiently manage the output and general interests of the organization. It involves significant changes in the organizational structure of the firm, flattening of hierarchic levels, spreading of the span of control, reducing product diversification, revising compensation, reforming corporate governance and downsizing employment so as to make the organization more competitive (Pearce & Robinson, 2011).

Organizations adopt restructuring as one of the strategies to ensure their business survives and stay afloat. Restructuring strategy involves the removal of non-performing business lines and business processes that are not efficient. It also focuses on merging related operations and business functions, and reengineering existing business processes to enhance economy and improve efficiency (Bowman & Singh, 2013). For an organization to thrive and stay on track in a hostile environment, it needs to restructure itself and capitalize on its core competencies which can be done through mergers and acquisitions strategies, change organization structures, introduce new product lines or change operations of the firm.

All these are done to ensure that the organization survives into the future and deals with the ever volatile environment to achieve sustainable competitive advantage. An organization needs to reorganize its activities in order to remain competitive as well as retain existing customers and attract new ones. An organization is assured of a competitive advantage only after others' efforts to duplicate its strategy have ceased or failed. Understanding how to exploit its competitive advantage is necessary for the milk processing firms to earn above-average returns (Byars, 2012).

Sustainable Competitive Advantage

Sustainable competitive advantage is the prolonged benefit of implementing some unique value creating strategy based on the unique combination of internal organizational resources and capabilities that cannot be replicated by competitors. It is the advantage that enables the business to survive against its competition over a long period of time due to the adoption of specific attributes (Rosinski, 2011).

According to Rothaermel (2008), a company has sustainable competitive advantage whenever it has an edge over its rivals in securing customers and defending against competitive forces. Sustainable competitive advantage is born out of core competencies that yield long-term benefit to the company. Sources of competitive advantage include high quality products, superior customer service and achieving lower costs than rivals.

To succeed in building a sustainable competitive advantage, a firm must try to provide what buyers will perceive as superior value. This entails either a good quality product at a low price, or a better quality product that is worth paying more for. Successfully implemented strategies will lift a firm to superior performance by facilitating the firm with competitive advantage to outperform current or potential players. To gain competitive advantage, a business strategy of a firm manipulates the various resources over which it has direct control and these resources have the ability to generate competitive advantage (Hill et al., 2014).

Statement of the Problem

Corporates globally have been aggressively trying to build new competencies and capabilities, to remain competitive and realize sustainable competitive advantage (Mantravadi & Reddy, 2012). As organizations seek to enhance their competitive positions in an increasingly global marketplace, they are realizing that they can cut costs, maintain quality and improve their presence by undertaking a restructuring strategy.

For an organization to gain competitive advantages, it must put in place strategies that position itself in market dominance and improve firm's overall outlook in the market. Hitt *et al.*, (2012) noted that organizational restructuring has been recognized as a vital tool to confront the competitive pressure in the market and as a tool of improving performance of these firms.

A number of studies have been undertaken locally on organizational restructuring. Kithinji (2010) researched on evaluation of bank restructuring approaches adopted by three leading commercial banks in Kenya (KCB, Cooperative and Equity Banks) and found out that the banks undertook operational restructuring and asset restructuring. Amboka (2012) study on organizational restructuring as a strategic approach to performance by Safaricom Company Limited and established that restructuring resulted in improved customer service, customer retention, product differentiation and value creation. Ngige (2014) undertook a study on corporate restructuring and firm performance in the banking sector in Kenya and found that restructuring resulted in performance improvement in competitiveness.

Owing to afore mentioned studies, none of them considered the implication of restructuring strategies on sustainable competitive advantage of milk processing firms in Kenya. A knowledge gap therefore exists, and this study seeks to fill in this gap by determining the influence of restructuring strategies on sustainable competitive advantage of milk processing firms in Kenya.

General Objective

The general objective of the study was to determine the influence of strategic responses on sustainable competitive advantage of milk processing firms in Kenya.

Specific Objective

The specific objective of the study was to determine the influence of restructuring strategies on sustainable competitive advantage of milk processing firms in Kenya.

Theoretical Review

This research was guided by the resource based view and the dynamic capabilities theories.

Resource Based View Theory

The resource-based view of the firm draws attention to the firm's internal environment as a driver for competitive advantage and emphasizes the resources that firms have developed to compete in the environment (Armstrong, 2012). This theory was proposed by Penrose (1959) and is a managerial framework used to determine the strategic resources with the potential to deliver comparative advantage to a firm (Brown, 2010).

Influenced by Porter's (1985) studies, competitive advantage explains a firm's success regarding industrial sector features. This theory formulates the firm as a bundle of resources and considers that each enterprise is heterogeneous, having different established resources which arise from its own past history. Heterogeneous character can be maintained for a long time, thereby, having longterm income (Schweitzer, 2014). Resources must not be appropriable by other companies. Rivals must not be able to take each other's resources and capabilities.

The theory further argues that a firm's resources and capabilities must be scarce and valuable, and they must not be acquired, imitated, or replaced by the competitors (Goes *et al.*, 2011). The resource based view can assist firms that when undertaking strategic restructuring, only strategically important and useful resources and competencies should be viewed as sources of competitive advantage (Barney, 1991).

This theory is therefore relevant in the study and tries to explain the restructuring strategies in organizations and sees the organizations as having resources that are unique and provide the organization with a competitive advantage coming from the resources and capabilities within the organization.

Market Based View Theory

The Market-Based View (MBV) of strategy argues that industry factors and external market orientation are the primary determinants of firm performance (Peteraf & Bergen 2003). The sources of value for the firm are embedded in the competitive situation characterizing its end-product strategic position. The strategic position is a firm's unique set of activities that are different from their rivals. A firm's profitability is determined solely by the structure and competitive dynamics of the industry within which it operates (Schendel, 2004).

The Market-Based View (MBV) includes the positioning school of theories of strategy and theories developed in the industrial organization economics phase of Hoskisson's account of the development of strategic thinking (Porter 1980). Researchers observed that the firm's performance was significantly dependent on the industry environment. They viewed strategy in the context of the industry as a whole and the position of the firm in the market relative to its competitors.

A firm's relative position within its industry determines whether its profitability is above or below the industry average (Porter, 1985). The fundamental basis of average profitability in the long run is sustainable competitive advantage. The two basic types of competitive advantage a firm can possess are low cost or differentiation. When combined with the scope of activities for which a firm seeks to achieve them, the competitive advantages lead to three generic strategies for achieving above average performance in an industry.

This theory is relevant in this study as it tries to explain more on the importance of strategic restructuring in organizations and reasons behind them and their effects on sustainable competitive advantage. It tries to give answers to the objective of restructuring and how it contributes to the firms' sustainable competitive advantage.

Empirical Review

Restructuring Strategies and Sustainable Competitive Advantage

Organizational restructuring strategies helps to enhance the prospects for improved competitive advantage for firms through strategic reorientation, organizational configuration and governance structure adjustment (Hoskisson & Turk, 2013). It provides an opportunity to transfer assets to higher valued users hence recapturing competitive advantages that have been degenerated from over-diversification and a more focused strategy based on core business which is likely to produce higher profits.

Bowman *et al.*, (1990) contend that its impact on competitive advantage is contingent on the circumstances under which it is initiated but they add, generally, it leads to the smallest impact on economic performance. Thus in their overall conclusion, they noted that many forms of restructuring have positive but modest effects on competitive advantage, measured in terms of both accounting returns and shareholder returns.

Bowman *et al.*, (1999) indicate that these intermediate effects could be an emphasis on cash flows and changes in managerial incentives. In the case of organizational restructuring, these effects could be in form of greater employee satisfaction, reduced turnover, increased efficiencies and better communication. Organizational restructuring provides potential for better integration and improved and sustainable competitive advantage of firms. Organizations with designs that facilitate information processing and accurate decision making should exhibit more resilience to shocks in the market that affect their competitiveness (Perrow & Davy, 2014).

The resource-based view stresses the importance of the intangible resources and capabilities of the firm in the context of the competitive environment. Firms that devote their internal forces to exploit the opportunities of the environment and to neutralize threats while avoiding weak points are most likely to improve their competitive advantage than those that do not. An organizations restructuring is its response to the situation in the competitive environment. Design and

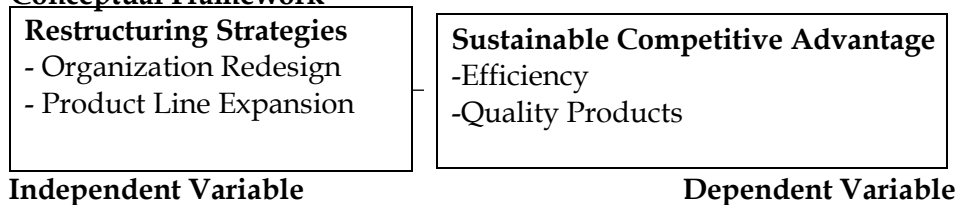
implementation of the right restructuring strategies can assist an organization in sustaining its growth and high rates of return as benefits that emanate from sustainable competitive advantage.

For restructuring to be successful and desired results achieved, management has to foremost examine their firm's current competitive position and the most suitable structure for the anticipated result. The process of executing the change from the existing structure form to the new one has to be thought out cautiously since if it has not well planned and executed carefully, the damage to the organization can affect the organization sustainable competitive advantage.

Conceptual Framework

A conceptual framework is an analytical tool with several variations and contexts. It is used to make conceptual distinctions and organize ideas (Shields & Rangarjan, 2013). The study was conceptualized as shown in Figure 1:

Conceptual Framework



Source: Authors, 2021

Figure 1: Conceptual Framework

Research Design

The research design employed in this study was descriptive in nature. Descriptive studies describe features associated with the subject population (Coopers & Schindler, 2014). Descriptive design aids in measuring and finding out the relationships among variables. This design was used in the research to allow the researcher to gather information, summarize, present and interpret it for the purposes of clarification.

Target Population

Population according to Field (2009) is total collection of elements upon which deductions can be made. This study focused on the executives and management of milk processing firms in Kenya. The total number of respondents was 240 employees all of them forming part of management and executives of milk processing firms in Kenya.

Sampling Technique and Sample Size

According to Cooper and Schindler (2014), sampling frame is a record of elements from which the sample is drawn from the population under study. The study used stratified random sampling to get a representative sample. A sample is a number of units in a population to be studied (Schindler & Cooper, 2014). Stratified Random sampling technique was used to select the subset of population because the population was large. Yamane (1967) formula was used to develop the sample as follows;

$$n = \frac{N}{1 + N(e)^2}$$

$$= \frac{240}{1 + 240(0.05)^2} \quad n = 150$$

Data Collection

Data observed or collected from firsthand experience is referred to as primary data (Cooper & Schindler, 2014). Data was collected using a semi-structured questionnaire and will be designed to capture the respondents' general and specific information.

Data Analysis and Presentation

Data Analysis is the processing of data to make meaningful information (Sounders, Lewis & Thornbill, 2009). Data was analyzed using SPSS software version 23 and multiple regression was used to determine whether a group of variables together predicted a given dependent variable (Tracy, 2012). Multiple linear regression was used to obtain an equation which described the dependent variable in terms of the independent variable based on the regression model.

Research Findings and Discussions

The findings and results of this study are presented in line with the variable of the study and are based on a descriptive research design. Results are presented in graphs, figures and inferential statistics.

Response Rate

The study had a target sample population of 150 respondents of which 140 filled and returned the questionnaires, making a response rate of 93.3%. This response rate was considered satisfactory to make conclusions from the study.

Gender Distribution

The researcher sought to determine the gender distribution of respondents. The study established that majority (53.2%) of the respondents were male whereas 46.8% of the respondents were female. This ultimately indicated that the respondents were well-distributed in-terms of gender and therefore the study did not suffer from gender biasness.

Distribution by Level of Education

The study sought to determine the level of education of respondents. Findings from the study indicated that majority of the respondents were graduates with degrees accounting for 44% of the respondents, 20% of the respondents had post graduate degrees, 33% of the respondents held diploma certificates, and only 3% of the respondents held secondary school certificates. These findings revealed that the respondents were well knowledgeable and gave valid and reliable responses with regards to the study objectives.

Period of Service in the Organization

Respondents were asked to indicate how long they had worked in the organization. Research revealed that majority of the respondents with 36% had served in the organization for 3 to 5 years, followed by 23% of the respondents who had served in the organization for a period of 5 to 10

years. Results also revealed that 17% of the respondents had served for a period of 1 to 3 years, whereas only 14% of the respondents had served for more than 10 years. Only 10% of the respondents had served in the organization for less than one year. These results indicated that the respondents had served in the organization for a considerable period of time and were in a good position to give credible information relating to this current study.

Descriptive Statistics

Restructuring Strategy

The study sought to determine the influence of restructuring strategy on organizational competitiveness in the milk processing firms in Kenya. The respondents were presented with a number of identified statements on aspects of expansion to which they are required to indicate their level of agreement. The responses were arranged on a scale of 1-5 from which the researcher computed mean and standard deviation so as to summarize the respondents' general view of aspects. The results are illustrated in Table 1.

Statements	Mean	Std. Dev.
We have eliminated non-core business activities in an effort to gain organizational competitiveness.	3.73	1.168
Consolidating our business functions has improved our competitiveness at the market.	4.02	0.948
Our organizations internal process propels us above our competitors.	3.85	0.977
We have re-organized our business processes so as to gain competitiveness	3.87	1.033
Product line expansion at the milk processing firm has led to improved competitiveness.	3.94	0.979
At our firm the business innovation is carried out so as to ensure cost competitiveness	4.05	0.871
Organization restructuring adopted by our firm has increased our competitiveness	4.07	0.908

Table 1: Restructuring Strategy

The respondents indicated to a great extent that they had eliminated non-core business activities in an effort to gain organizational competitiveness as shown by a mean of 3.73 with a standard deviation of 1.168. This shows that milk processing firms focus on core business activities that could enable them to attain competitiveness in the industry which concur with Jarso (2013) who asserted that restructuring involves the elimination of noncore business and business processes.

On whether consolidating their business functions had improved their competitiveness at the market the respondents agreed to a great extent as indicated by a mean of 4.02 with a standard deviation of 0.948. This implies that the milk processing firms had put up their operations together to enable them to be competitive and this concurs with Jarso (2013) that restructuring organization is grounded on reorganizing its business processes and ensuring that it is in the best position to compete.

The respondents agreed to a great extent that milk processing firms internal process propels their organization above their competitors as indicated by a mean of 3.85 with a standard deviation of 0.977. This shows that the milk processing firms internal initiatives had improved their competitiveness in the market. This concurs with Jarso (2013) that for restructuring to be a success, management needs to take employee needs and concerns in planning and implementation of strategies.

As to whether they had re-organized their business processes so as to gain competitiveness, the respondents agreed to a great extent as shown by a mean of 3.87 with a standard deviation of 1.033. This implies that the milk processing firms had simplified their business process to improve competition. This is consistent with Gialis (2011) that restructuring is the reorganization of the corporate operations to achieve higher levels of the operating efficiency.

Regarding to whether restructuring at the milk processing firms had led to improved competitiveness, respondents indicated great extent as shown by a mean of 3.94 with a standard deviation of 0.979. This shows that the milk processing firms streamlining its operation had improved on their competitiveness. This is in agreement with Karlsson (2011) that restructuring has enabled organizations to globally respond more quickly and effectively to new opportunities and unexpected pressures, thereby re-establishing their competitive advantage.

The respondents were in agreement to a great extent that at milk processing firms, the business innovation was done so as to ensure cost competitiveness as indicated by a mean of 4.05 with a standard deviation of 0.871. This shows that the new innovations offered by the milk processing firms ensured cost effectiveness. This is in line with Karanja (2015) that financial restructuring strategy done by the milk processing firms enhanced their liquidity level by lowering the cost of capital, reduced risk, avoid loss of control and improve shareholder value.

On whether the organizations restructuring adopted by milk processing firms had increased their competitiveness, respondents indicated great extent with a mean of 4.07 with a standard deviation of 0.908. This is consistent with Karanja (2015) that the adopting of these strategies had led to an increase in competitiveness.

Regression Analysis

The study conducted regression analysis to establish the relationship between strategic responses and sustainable competitive advantage in the milk processing firms in Kenya. The study results are shown in the subsequent sections.

Table 2: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.805 ^a	.649	.640	1.43134

Table 4.2 shows that the value of R was 0.805. R² was 0.649 which means that 64.9% of the changes in competitive levels of the milk processing firms can be explained by restructuring strategies employed. This means that there are other variables that account for 35.1% of the changes in

competitiveness in the milk processing firms. Since the changes explained by the variable reviewed in this study is above 50%, it can be deduced that the model applied was appropriate.

Table 3: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	480.484	3	160.161	78.176	.000 ^b
Residual	260.188	127	2.049		
Total	740.672	130			

The significance value from the Table 4.3 is 0.000 which is less than 0.05 thus the model is statistically significant in predicting the independent variable influence on dependent variable. The F critical at 5% level of significance is 2.70. Since F calculated (value = 78.176) was greater than the F critical (2.70), this shows that the overall model was significant.

Table 4: Coefficients

Unstandardized Coefficients			Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)		.306		.751	.408
Restructuring Strategies		.166	.044	.346	3.771
					.000

The established regression equation becomes;

$$Y = 0.306 + 0.166X_1$$

Y= Sustainable Competitive Advantage

X₁= Restructuring Strategies.

From the findings of the regression analysis if restructuring strategies were held constant, sustainable competitive advantage would be at 0.306. A unit increase in restructuring strategies

would lead to a unit increase in sustainable competitive advantage by 0.166. All factors were significant as p values were greater than 0.05.

Summary

The study revealed that restructuring strategies were born with the need to survive in the market place to enable them to outwit competition and developed new products so as to serve a new customer niche. The study further established that the milk processing firms had eliminated noncore business activities, consolidate their business functions and re-organized their business processes so as to gain competitiveness. Business innovations propel the milk processing firms above their competitors to ensure sustainable competitive advantage.

Conclusion

The study concluded that restructuring strategies had an effect on sustainable competitive advantage through reduced operating costs; increased the market share of the milk processing firms

through marketing, use of technology in order to increase its market, and improved brand image and more visibility.

Recommendation

The study recommends that managers and other stakeholders in the milk processing firms could apply the range of restructuring and expansion strategies highlighted in expanding the scope of markets and operations of their entity in a bid to ensure sustainable competitive advantage.

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Effect of Organizational Culture on the Implementation of Corporate Strategy in Private Chartered Universities in Kenya

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Abstract

This study investigated the effect of organizational culture and corporate strategy implementation in Private chartered universities in Kenya. Organizational culture and strategy are two important factors that contribute to the growth of an organization and its business continuation; and for this to happen, it is important to consider the organizational culture that helps the process of strategy implementation. The competing values framework was adopted to identify the organizational culture types. The study adopted a positivist view as it aimed at testing hypotheses derived from a predetermined conceptual framework. Cross-sectional survey research design was adopted and used to collect both quantitative and qualitative data. The accessible population included Registrars, Deans, Directors, Heads of Departments, academic staff, and students' leaders. The study used stratified random sampling and with a target sample size of 198 employees. Data from questionnaires was organized, coded, analyzed and converted into quantitative summary reports for analyses using the statistical package for social sciences (SPSS) version 23. The study used correlation and regression techniques as well as analysis of variance (ANOVA) to test the study hypotheses. Correlation analysis was used to determine the effect of organizational culture and corporate strategy implementation in Private chartered universities in Kenya. A multiple linear regression model was also used to derive inferential statistical indicators. The key finding based on the tests conducted in the study was that the explanatory variables; Clan culture, Adhocracy culture, Market culture and Hierarchy culture had effect on the response variable (Implementation of corporate strategy in Private chartered universities in Kenya).

Keywords: *Organizational Culture, Corporate Strategy, Strategy Implementation, Quality Assurance*

Introduction

Organizational culture is a vital element of effective management practices in Private universities. Culture has previously been used as a descriptive tool, but it has now become a link between improvement and success (Beytekin, Yalçınkaya, Doğan, & Karakoç, 2010). There are several issues that affect the academic performance such as organizational culture, job satisfaction, and motivation (Suparno, 2017). According to Aten and Howard-Grenville (2011), globalization has devoted to the rise and significance of organizational culture. Organizational culture is defined as 'beliefs, assumptions, and values that members of a group share about rules of conduct, leadership styles,

administrative procedures, ritual, and customs' (Schein, 1990, 1992, 1995. Hatch and Zilber (2012) argue that cultures cannot be completely or accurately described.

Kaufman (2013) did a study on organizational culture as a function of institutional type in higher education and concluded that if organizational culture represents organization's basic underlying and set of shared assumptions, then it can be conceived that the size of university may influence organizational dynamics in response to the social distance between the members. A national campus computing survey indicated that 62 percent of all higher education institutions have a strategic plan, but there are still many challenges associated with the norms and behaviors of an organizational culture during implementation (Khosrow-Pour, 2006). Institutional culture plays a very important role in determining the success of strategic planning and implementation in any organization (Musyoka, 2011). Nyakeriga (2015) in a recent study confirmed that a stable culture that systematically supports strategy implementation is the one that enables a culture of partnership, unity, teamwork and cooperation among employees. Nyakeriga (2015) has further pointed out that flexible, strong and unified cultures will approach strategy implementation and affect implementation in a positive manner by aligning goals. Goals can come into alignment when the institutions culture focus on productivity and when they get the organization's primary mission accomplished.

Literature Review

Theoretical Background

Contingency theories predict that good leadership is circumstantial specific. A contingency theory that forecasts the nature of effective leadership is best understood within the context of an organization. The people who participate in this theory share advanced meanings, values and beliefs that comprise the organization's culture. Several theorists in organizations within the higher institutions of learning emphasize the importance of culture. When these institutions are viewed as cultural systems, effective leadership gives meaning to events.

Open systems theories come in many forms, for example, institutional theorists observe organizations as a means by which the beliefs and social values are embedded in organizational structure and are also expressed in organizational change. One of the strategic planning techniques that provide a useful framework for analyzing the environmental pressures on a team or an organization is called PESTEL (Political, environmental, social, technological, environmental and legal factors). These factors are crucial in advanced strategic management and every organization needs to be aware of this. Private chartered universities operate within an environment and they are not independent of the driving factors behind organizational change. Universities benefit from a strong open system's approach especially in understanding the environmental demands and the resulting adaptation in policy and the implementation of their strategies.

According to Swanson and Holton (2009), human resource development is defined as a process of developing and unleashing human potential expertise through the organization development and personnel training and development so as to improve performance. Training is the process of systematically implementing organizational change in order to get better results whereas performance entails the organization, work process and individual or group levels. The core beliefs of human resource development are three. First, that organizations are human-made entities that rely on human expertise establish and achieve goals. Second, that human expertise is maximized and developed through human resource development and should be done for the mutual short

term and long term benefit of both the organization and the individuals involved. Third, that professionals are advocates of individual (Ruona & Gibson, 2004; Swanson & Holton, 2009). HRD process is important for the implementation of strategies in Religious-based Private chartered universities because it has the potential of harmonizing, supporting and shaping the whole institution (Chiuri, 2015).

The Competing Values Framework (CVF) is one of the models that researchers have used to measure the types of organizational culture. Though there are other typology cultures, the CVF is one of the most extended and comprehensive culture typology that has been used in some empirical studies (Igo & Skitmore, 2006). Cameron and Freeman (1991) in their study of organizational culture in institutions of higher education showed the validity of the Competing Values Framework. The sample of institutions was a representative of the population of colleges and universities in the United States of America. Institutions that had Adhocracy-type cultures were most effective in the areas of performance that related to adaptation, system openness, innovation, and cutting-edge knowledge, and all characteristics were consistent with Adhocracy principles. Quinn, Faerman, Thompson, McGrath & St. Clair (2010) point out that CVF model flourishes on adhocracy where ad hoc decisions depend on external influences. This study used this framework to investigate organizational culture on strategy implementation in Religious-based Private chartered universities in Kenya.

Empirical Studies

Studies of strategy have consistently identified organization culture as a factor affecting effective strategy implementation, and found that little attention has been given to particular issues and challenges arising from higher education (Nan & Carpenter, 2012). Further studies have shown that organizational culture is likely to have a positive effect on competitive advantage, increased productivity and a firm's performance (Yeung, Brockbank & Ulrich, 1991). A most recent empiric study of the relationships of general strategy and organizational culture was recently conducted in Australia by using six cultural norms: result orientation, detail orientation, support for people, innovativeness, team orientation and stability. The study showed that organizational culture is above all characterized by result orientation. In order to implement prospector strategy, firms are supposed to build a culture in which innovativeness and result orientation are highly valued. Any organization that wishes to implement a strategy should build a culture in which stability and orientation to details are highly valued (Janicijevic, 2012).

Ofori and Atiogbe (2012) did a research on strategic planning in public universities: a developing country perspective, and found that regarding the effect of culture on strategy implementation at the University of Ghana, the values that existed in the universities do not effectively inform the behaviors of the members of these institutions. They only existed in name because the leadership had not effectively ensured that an excellent culture was understood and shared by all. Respondents unanimously agreed that culture is a driving force for implementing strategy, but in their opinion, leadership was not setting the right example. Culture plays a huge factor in the way institutions function. Flexible, strong and unified cultures will approach strategy implementation and affect implementation in a positive manner by aligning goals. Goals can come into alignment when the Institutions culture works to focus on productivity and getting the organization's primary mission accomplished (Nyakeriga, 2015). Muthoni (2013) in her study on the effects of organizational culture on strategy implementation in Commercial Banks in Kenya found that 75 percent of commercial banks in Kenya uphold culture of dynamism, entrepreneurship and creativity at work. Majority of these commercial banks in Kenya have adopted the cultures that are flexible in dynamic

work environments. This culture is grounded on strategy supportive values, practices and behavioral norms which add to the power and effectiveness of a company's strategy implementation process.

Methodology

This study adopted cross-sectional survey design to collect data at one specific point in time. This is used to determine the current beliefs, values, behaviors, attitudes or characteristics of a given population (Cottrell & McKenzie, 2005). Jones (2015) has observed that cross-sectional survey designs are perhaps the most commonly used designs in the social sciences. This study adopted cross-sectional survey research design to sample the population of a cross-section of Private chartered universities in Kenya.

The accessible population was middle level management, academic staff and students' leaders. Middle level management includes the academic registrars, deans of schools, chairmen/heads of departments, and program directors. Academic staff included the professors, associate professors, senior lecturers, lecturers, and assistant lecturers. The selection criteria for participants included experience, position, and seniority and the participants with senior experience in the study were appropriate to answer the research questions and to represent the population. Stratified random sampling was used in private chartered universities so as to have three strata. The strata were those under middle level management, academic staff, and students' leaders. Middle level management included the academic registrars, deans of schools, chairmen/heads of departments, and program directors. Academic staff included the professors, associate professors, senior lecturers, lecturers, and assistant lecturers, and students' leaders. Each of the three strata simple random sampling was done to identify individual participants who were issued with a questionnaire to respond to the research statements, and the interview.

Results and Discussion

The participants of this study were given statements to establish if Adhocracy culture had significant effect on corporate strategy implementation in Private chartered universities in Kenya. To establish this, the respondents were tasked to rate the level to which they disapprove or approve the statements given as far as how Adhocracy culture affect implementation of strategy implementation in Private chartered universities in Kenya. To start with, it is important to know the level to which leadership in the institution is generally considered to exemplify innovation which helps strategy implementation, on a rating of 1-5, an average score of 3.79 was published with standard deviation of 1.01. This indicated that majority of the respondent were in agreement that leadership in the institution is generally considered to exemplify innovation which helps strategy implementation. To establish the level to which the respondents agreed that their institution was a very entrepreneurial place that enables strategy implementation, 30% respondents were in agreement. Adhocracy culture is characterized by entrepreneurial, dynamic and creative work place (Cameron & Freeman, 1991), and it is positively related to financial performance of organizations (Kising'u, 2017). The finding obtained had an average score of 3.32 with a standard deviation of 1.17 on scale of 1-5. The result suggested that majority of the respondents were somehow skeptical that Adhocracy culture treats work group members as equals within organization. This gives the employees the freedom to be creative and to put maximum effort into their work, hence effective strategy implementation (Kimemia, 2013).

To investigate the level to which respondents agree or disagree that the institution provides individual freedom which enhances strategy implementation in Private chartered universities, the findings revealed that majority of the respondents were not sure whether the institution provided individual freedom which enhances strategy implementation. This was supported with mean score of 3.76 and standard deviation of 1.23. In adhocracy culture, power flows from individual to individual, or from task team to task team and this type of culture is the most effective culture type for universities (Cameron & Freeman, 1991). To measure the level to which respondents agree or disagree that the leadership in the institution is visionary which enables effective strategy implementation, since mean score of 3.86 and standard deviation of 1.21 was obtained, it was clear that the leadership in the institution is visionary which enables effective strategy implementation.

On whether additional resources in the institution enhances strategy implementation, the result showed that the respondents were in agreement that additional resources in the institution enhances strategy implementation and this was confirmed with mean score of 3.41 on arrange of 1-5 with standard deviation of 1.42. A study done by Murithi (2009) confirms that resources are needed for the successful implementation of strategies, and it is very difficult to implement a strategy when resources are not available. Further, Mwanthi (2017) argues that resource allocation plays a key role in ensuring full implementation of a strategic plan, but poor resource allocation is a major reason for unsuccessful strategy implementation.

To find out whether the institution emphasizes on risk-taking ventures that help strategy implementation, mean score of 3.20 and standard deviation of 1.28 suggesting that the respondents were in total agreement that the institution emphasizes on risk-taking ventures that helps in strategy implementation. There is a fundamental belief in adhocracy culture that an idealistic and innovative vision will encourage individuals within organizations to be creative and take risks (Helfrich, Li, Mohr, Meterko & Sales, 2007; Hartnell, Ou & Kinicki, 2011). Lastly, to confirm the extent to which the institution is considered as an innovator, the result obtained confirmed that the respondents were somehow not sure whether they consider their institution as innovator or not. This was supported with mean score of 3.69 and standard deviation of 1.66. Table 1 shows the summary of the findings. Innovation has commercial importance due to its great potential for increasing the efficiency and the profitability of companies. Organizational innovations are related strongly with all the efforts of administration which renews the institutional procedures, routines, systems, and mechanisms to promote teamwork, sharing of information, collaboration, coordination, learning, and innovativeness (Shisia, Sang, Matoke & Omwario, 2014).

The study noted that employee driven culture affects the performance of the organization to a very great extent, because it creates enthusiasm in an organization through times of challenge (Mugo, 2018). The findings support studies done by Manguru (2011) that employee driven culture improves collaboration between team members and colleagues and ultimately achieve greater success, and hence, implement strategies. Different types of innovation, such as technological innovation or the combination of technological and marketing innovations may help the organization to perform well, hence implement its strategies (Goh, 2013). Institutions that had Adhocracy-type cultures were most effective in domains of performance relating to adaptation, system openness, innovation, and cutting-edge knowledge, and all attributes were consistent with Adhocracy values (Cameron & Freeman, 1991).

Table 1: Descriptive Statistics for the Effect Adhocracy Culture

Statement	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Standard dev
The leadership in the institution is generally considered to exemplify innovation which helps strategy implementation.	19(9.8)	44(22.7)	98(50.5)	31(16)	2(1)	3.79	.998
Our institution is a very entrepreneurial place that enables strategy implementation.	2(1)	53(27.3)	54(27.8)	59(30.4)	24(12.4)	3.32	1.179
Our institution provides individual freedom which enhances strategy implementation.	4(2.1)	23(11.9)	43(22.2)	86(44.3)	34(17.5)	3.76	1.233
The leadership in the institution is visionary	4(2.1)	19(9.8)	36(18.6)	92(47.4)	39(20.1)	3.86	1.211
which enables effective strategy implementation.							
Additional resources in our institution enhance strategy implementation.	11(5.7)	35(18)	55(28.4)	73(37.6)	14(7.2)	3.41	1.423
Our institution emphasizes on risk taking ventures that help strategy implementation.	11(5.7)	38(19.6)	78(40.2)	51(26.3)	12(6.2)	3.20	1.282
Our institution is an innovator	6(3.1)	37(19.1)	51(26.3)	61(31.4)	28(14.4)	3.69	1.669

On qualitative analysis the respondents were asked to list top innovations which their universities were using to generate income. The top innovations that they indicated were research, training, seminars, conferences, and short courses with 20.9% respondents. Making the universities as business centers could generate income for universities had 8.9% respondents. None responses had the majority of the respondents (29.2 %) who indicated that respondents were not sure or aware of innovations in their universities that generated income. Some respondents (8.9%) indicated that having business centers in the universities would generate income for universities.

Marketing of innovative programs and branding of the university were given by 8.1 % respondents and it is another innovation which universities could use to generate finances. These findings show that there is need for innovation in Religious-based Private universities as confirmed by Goh (2013) who indicated that different types of innovation, such as technological innovation or the combination of technological and marketing innovations may help the organization to perform well, and enable implementation of strategies. Further, Studies found that successfully innovating firms have used universities to a greater extent in their innovation activities which indicated that the firms recognized the role that universities play in developing knowledge (Janeiro, Proenca, &

da Conceicao, 2013). However, in the universities today, the university management has been focusing on the management of the teaching, research and the functions of the university bureaucracy itself, but the focus on innovation has been lost. Innovation would help the universities from focusing on management of operations towards focusing on managing outputs and outcomes (Blass & Hayward, 2014).

Test for Normality

Normality of a data set was also to be done or tested using Kolmogorov-Smirnov and Shapiro Wilk for all the variables, which were under consideration. Kolmogorov-Smirnov and Shapiro Wilk compare the scores in the samples and check whether they have the same mean or standard deviation (Sarstedt & Mooi, 2014). The findings for Kolmogorov-Smirnov showed that, the p-values were greater than 0.05 for the variable indicating that the distribution was normally distributed. Shapiro-Wilk test results also showed that adhocracy culture variable was normally distributed.

Table 2: Kolmogorov-Smirnov and Shapiro-Wilk

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Adhocracy culture	.174	192	.060	.937	192	.059
Quality Assurance	.094	192	0.087	.956	192	0.059
Corporate strategy	.129	192	.095	.972	192	.091

a. Lilliefors Significance Correction

Test for Heteroscedasticity

One of the assumptions of linear regression analysis tested in this study was homoscedasticity; this implies that the error terms along the regression line are equal. According to Barley (2009), the violation of homoscedasticity which is otherwise known as heteroscedasticity which makes it difficult to gauge the true standard deviation of the forecast errors, usually resulting in confidence intervals that are too wide or too narrow. Therefore, this study tested the null hypothesis that the data collected was homoscedastic in variance using Breusch pagan test.

Table 3: Breusch Pagan Test

White test (Breusch pagan test)	P value	Conclusion
195	0.079	Data is homoscedastic

Autocorrelation Test

Durbin Watson Statistic was conducted to test for autocorrelation in the data before accepting it for regression analysis. According to Kothari (2004), autocorrelation occurs when the residuals are not independent from each other. In other words, when the value of $y(x+1)$ is not independent from the value of $y(x)$. Therefore, the null hypothesis that there was no autocorrelation in the data collected for this study was tested with use of Durbin Watson Statistic. The results showed that the Durbin Watson Statistic was 1.927 which was between the two critical values $1.5 < d < 2.5$. Therefore, the null hypothesis which stated that there was no autocorrelation in the data was rejected. This implies that the residuals were independent from each other. Similarly, the result satisfied the rule

of thumb which states that values of $1.5 < d < 2.5$ show that there is no autocorrelation in the data (Filhoa, daSilvaa, & Zebende, 2014).

Table 4 Durbin Watson Statistic

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.863 ^a	.744	.739	.23770	1.927

Table 5: Inferential results for the effect of adhocracy culture

Model Summary						
Model	R	R Square	Adjusted R Square		Std. Error of the Estimate	
1	.552 ^a	.305	.301		.38771	
ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	12.592	1	12.592	83.768	.000 ^b
1	Residual	28.711	191	.150		
	Total	41.303	192			
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
	(Constant)	1.363	.197		6.923	.000
1	adhocracy culture	.506	.055	.552	9.152	.000
a. Dependent Variable: corporate strategy						

The regression results in the table show that the effect of adhocracy culture on implementation of corporate strategy was significant ($F(1,191) = 83.768$, $p=0.000<0.05$). With $R = 0.552$ and $R^2 = 0.305$, the model implies that about 55.2% of implementation of corporate strategy was contributed by adhocracy culture a variation of 30.5% in implementation of corporate strategy were brought about by adhocracy culture.

The F test was significant with a p value =0.000 which was less than the standard p value of 0.05 and this meant that the model was significant. From ANOVA, since p value $p=0.000$ and was lower than $p=0.05$ (p value $0.00<0.05$) therefore the hypothesis that adhocracy culture has positive significant effect on the implementation of corporate strategy in Private chartered universities in Kenya was accepted. Therefore the contribution of adhocracy culture was significant. The equation that was fitted for the model was implementation of corporate strategy = $1.363 + 0.506$ adhocracy culture.

Inferential results for the moderating effect of quality assurance in the relationship between the independent variables and the dependent variable in Private chartered universities in Kenya. This was guided by the following research hypothesis: H_1 : Quality assurance has a moderating effect in

the relationship between the independent variable and the dependent variable in Private chartered universities in Kenya. The results are presented in Table 6 below:

Table 6: Inferential results for the moderating effect of quality assurance Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.617 ^a	.380	.367	.37000		
ANOVA^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	15.696	4	3.924	28.663	.000 ^b
1	Residual	25.601	187	.137		
	Total	41.297	191			
Coefficients^a						
Model		Unstandardized Coefficients	Standardized Coefficients	t	Sig.	
		B	Std. Error	Beta		
	(Constant)	2.702	.083		32.419	.000
1	adhocracy culture.mod	.017	.019	.154	.898	.370
a. Dependent Variable: Corporate Strategy						

a. Dependent Variable: Corporate Strategy

The regression results in the table show that the effect of adhocracy culture on implementation of strategy when moderated was significant ($F(4,187) = 28.663$, $p=0.000<0.05$). With $R = 0.617$ and $R^2 = 0.380$, the model implies that about 61.7% of implementation of strategy was contributed by adhocracy culture when moderated while a variation of 65.4% in implementation of strategy were brought about by adhocracy culture when moderated.

The F test was significant with a p value =0.000 which was less than the standard p value of 0.05 and this meant that the model was significant. From ANOVA, since p value $p=0.000$ and was lower than $p=0.05$ (p value $0.00<0.05$) therefore the hypothesis that quality assurance has a moderating effect in the relationship between the independent variable and the dependent variable (implementation of strategy) in Religious-based Private chartered universities in Kenya. Therefore, the moderating effect of quality assurance was significant.

Conclusions

To establish the effect of adhocracy culture on implementation of corporate strategy in Religious based Private chartered universities in Kenya. The indicators were innovative outputs, risk-taking ventures, and vision casting. Leadership in the institution was generally considered to exemplify innovation which helped strategy implementation. The findings revealed that majority of the respondents were not sure whether the institution provided individual freedom, but it was clear that the leadership in the institution was visionary which enabled effective strategy implementation. The results also showed that the respondents were in agreement that their institution emphasizes on risk-taking ventures that helped in strategy implementation. However, other results obtained confirmed that the respondents were somehow not sure whether they considered their institutions as innovative or not.

Descriptive statistical methods were used to reach at the results. Majority of the respondents agreed that leadership in the institution was generally considered to exemplify innovation which helped strategy implementation. The results also suggested that majority of the respondents were somehow skeptical that Adhocracy culture treated work group members as equals within the organization. The findings revealed that majority of the respondents were not sure whether the institution provided individual freedom which enhances strategy implementation. It was clear that the leadership in the institution was visionary which enabled effective strategy implementation. On whether additional resources in the institution enhances strategy implementation, the result showed that respondents were in agreement that additional resources in the institution enhances strategy implementation and the institution emphasizes on risk-taking ventures that helped strategy implementation. Lastly, the respondents were somehow not sure whether they considered their institutions as innovators or not.

On qualitative analysis for adhocracy culture, the respondents were asked to list any top innovations which their universities were using to generate income. The top innovation that the respondents indicated was the research, training, seminars, conferences, and short courses. Making the universities as business centers could generate income for universities. None responses indicated that they were not sure or aware of innovations in their universities that generated income. Some respondents indicated that having business centers in the universities would generate income for these universities. Marketing of innovative programs and branding of the university was another innovation which universities could use to generate finances. Also, having a marketable guest house or party garden for hire; and having partnerships, exchange programs and fundraising were ways of generating income for the universities.

Based on findings of the study, it was concluded that there is no significant association between Adhocracy culture and implementation of corporate strategy in Religious-based Private chartered universities in Kenya. Regression analysis established that there was a positive significant effect of Adhocracy culture on implementation of strategy in Religious-based Private chartered universities in Kenya. Hence, the null hypothesis was rejected and the alternative adopted. The results of Analysis of Variance (ANOVA) also suggested that model fitted to the data was good and it was supported with p-value 0.000 which is less than 0.05 and F-statistics 62.731. Statistically it meant there was a significant relationship between Adhocracy culture and strategy implementation in Religious-based Private chartered universities in Kenya.

These results established that there was a positive significant effect of Adhocracy culture on strategy implementation in Private chartered universities in Kenya. Hence, the null hypothesis was rejected and the alternative adopted. The test of linear relationship between strategy implementation in Religious-based Private chartered universities in Kenya and Adhocracy culture was conducted by adopting Pearson moment's correlation coefficients and the results established that the variables, Strategy implementation and Adhocracy culture had a positive relationship.

Recommendations

The study recommends that university leadership and other stakeholders should communicate effectively the formulated strategies to enable their staff to implement these strategies. The findings of the study added knowledge by giving rise to insights that were valuable for academic and university leadership measures. Therefore, the results of this study were of absorption to leadership of Religious-based Private chartered universities that implemented strategies and management

practices. The first implication of the study was that university leaders need to have proper, consistent and effective communication especially with regard to new policies and changes or the culture of communication and work ethic of the leadership.

This study established that university leadership, employee participation, and strategy communication were the main factors with practical implications for Religious-based Private chartered universities in Kenya. The Management needs to be efficient and student centric, and to use effective disciplinary rules to govern up the students. The study showed that Strategic planning needed to be done with the available resources. The Management needs to make sure that there is level of commitment of university staff to organizational values. There should be involved and be in consultation of different stakeholders as directed by the Management. The Management needs to cover the gap that is there between the management board and employees which results to workers not being appreciated. The management also needs to adopt current technology and innovation, and continual upgrading of ICT facilities.

Areas of Further Research

Future researchers could do a study to establish the variables used in this research on public universities in Kenya. A comparative study in the same area but on public and private universities needs to be done to compare how these universities implement their strategies effectively. This study used cross-sectional survey research design to sample the population of a cross-section of Religious-based Private chartered universities in Kenya. Another similar study could be done but use longitudinal research design to see the effect of organizational culture on corporate strategy implementation.

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Effect of Natural Disasters on the Productivity of Micro, Small and Medium Enterprises in Kenya: A Case of Flood Events in Nyanza Region.

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Abstract

The direct and indirect effect of natural disasters are devastating to business activities and their stability. These cataclysmic events have created a significant sway on micro and small and medium- sized enterprises (SMEs) in Nyanza region in the recent past. Micro and SMEs sectors can be considered as highly susceptible sections of Nyanza region economy which was impacted drastically by the floods as they are relatively resource constrained and less resilient. Having a sound understanding of the adverse effect of floods on Micro and SMEs might be useful for entrepreneurial resilience. This study sought to explore the full range of effect experienced by Micro and SMEs located in Nyanza region following recent flooding in mid-2020. A hundred randomly selected floods affected Micro and SMEs from Kano plains of Kisumu County, were surveyed for this study. Semi structured interviews were carried out in person with the business owners in order to identify their experiences on various types of damages, rehabilitation and re-establishment. One of the major outcomes was the Micro and SMEs are susceptible to flooding in four fronts: Capital, labor, logistics and markets. Revenue have fallen below the expectations. Another serious finding was manpower as workers were the immediate victims of flood. Entrepreneurs had to find out alternative or emergency logistic support to operate their businesses as floods severely dented the infrastructure system. A change in market demand had occurred in the short-term with sharp increase in the demand for basic commodities while a dip in non-essentials. Further, it was clear that the SMEs resilience requires partnerships and cooperation among the firms, the government and other private organizations. This study concludes by providing some recommendations on strategic policies and disaster risk reduction and coping mechanism for the Micro and SMEs sector in Kenya.

Keywords: Floods, Micro and SMEs, Natural Disaster, Kano Plains, Entrepreneurs.

Introduction and Background of the Study

According to (Kim & Worrell, 2002) The fourth assessment report of the Intergovernmental Panel on Climate Change (IPCC) notes that a warmer climate coupled with increased climate variability such as El Niño will significantly increase the risk of floods in poor countries in the developing world. Current climate variability is believed to be having a significant influence on the frequency and magnitude of climatic related disasters like floods and droughts. Climatic related disasters constitute over 70% of all disasters in Kenya. Floods are the leading hydro-meteorological disaster in East Africa. In Kenya, floods are emerging as the most prevalent climatic disaster (Nations United, 2007)

Perennial floods affect low-lying regions of the country such as river valleys, swampy areas, and lakeshores. Geographically, the western, northern, eastern, central and south-eastern parts of the country are quite susceptible to seasonal floods in the wet seasons of March-April- May (MAM) and October-November-December (OND). The Lake Victoria Basin in Western Kenya is the most floodprone region in the country. The Arid and Semi-Arid Lands (ASALs) that comprise of 80% of total landmass in Kenya are also prone to floods. This is despite of the fact that ASAL districts such as Garissa and Tana River record an average rainfall of only 300-500mm annually compared to the

rainfall received in the Western and Central Highlands that receive an annual rainfall of between 1600-2000mm.

According to (Wise et al., 2014) Western Kenya is characteristically wet throughout the year with no distinctive dry season. High rainfall is received in the months of March to September, with significantly lower rainfall in January and February. Contrary to the bimodal rainfall pattern in the rest of the country, a third rainfall season is experienced during the cold and dry months of June July-August (JJA). The mean annual rainfall in western Kenya is above 1600 mm. The high vulnerability to flood risk in western Kenya is as a result of high poverty rates, poor land use patterns (deforestation and settling and cultivating along river banks), low education and illiteracy levels and the state of infrastructure that is in neglect. The prevalence rates of floods in Kenya stands at 27% and affects 5% of the population affected by disasters. Floods related fatalities constitute a whopping 60% of disaster victims in Kenya. Flood occurrence trends in western Kenya is increasingly becoming a major concern to the country's socio-economic development due to the substantial economic and financial losses incurred to respond to frequent flood disasters.

Floods impacts in Kenya are felt across various sectors of the economy including agriculture, livestock, transport, housing, public health, industrial processing, and tourism. The impacts have severe socio-economic and political implications. An initial scoping study on the economic impacts of climate change in Kenya estimated that extreme floods and drought events have the potential to reduce the country's GDP by about 2.4% per annum. In the last three decades, flood losses in Kenya have been increasing tremendously as compared to drought losses. The 1997/98 El Niño flood was associated with one of the largest flood losses in the country in 50 years. The economic and financial losses associated with the El Niño flood is in the range of up to US\$800 million (Karanja et al., 2001). The World Bank estimated the cost of the flood at Ksh 70 billion equivalent to US\$ 1 billion.

Flood assessment studies recently undertaken along the last 20 km reach of the Nzoia River in Western Kenya indicate that annual flood damages amount to about US\$4.8 million in the Budalang'i floodplains (Masese et al., 2016). The average annual flood damages in the Kano Plains are about US\$ 850,000. Thousands of people in the country's flood-prone areas are displaced and rendered homeless following destruction of their homes leading to internally displaced persons. Buildings and business premises are also affected during floods. The worst affected settlements and businesses are those developed in low-lying lands in rural and urban areas of the country including the lakeside city of Kisumu. The most vulnerable people are the poor who are forced to settle in risk floodplains to eke out a living from agriculture, livestock farming and fisheries.

Kenya, especially Nyanza region has been affected by number of major flood events during the last few years. On 15th May 2016 Kenya was hit by a severe tropical storm that caused widespread flooding in most parts of Nyanza region, destroying homes and submerging entire villages. According to the Government of Kenya Disaster Management Centre (DMC), about 400 families from Budalangi, in Busia County, have been living at the school since April, when the Nzoia River that flows from Kenya's western highlands into Lake Victoria burst its banks in the worst flooding the area has seen in decades. From an economic perspective, the impacts of flooding can be devastating on the function and sustainability of SMEs. Even though several recent studies have examined the devastation caused by flooding on SMEs in other countries (Samantha, 2018) Therefore, the objective of this study was to investigate the full range of impacts of flooding on micro, small and medium scale enterprises in Western and Nyanza regions of Kenya.

Small and Medium Enterprises (SMEs)

There is no single definition of SMEs. Most of the organizations and countries use the number of employees, value of fixed assets, annual turnover and size of balance sheet as the selection criteria in the process of categorizing firms. Different institutions and government agencies in Kenya have their own definition regarding SMEs. However, the World Bank defines SMEs based on number of employees: firms with less than 5 employees are micro businesses; firms with 6-49 employees are small; firms with 50-99 employees are medium sized; and firms with more than 100 employees are considered as large firms. Using number of employees as the selection criteria seems reasonable because when using capital, it should be revised frequently due to inflation. Hence this study follows the World Bank definition (Berisha & Pula, 2015).

According to (Kok et al., 2011) SMEs contribute to the well-being of the community by providing job opportunities, commodities and services. Therefore, SMEs are a significant part of economies of developing countries and will be even more important in the future. It seems that while the density of SMEs is higher in developed countries but this trend may change in the future as the number of SMEs per 1,000 in low-income countries grows three times faster than in high-income countries – 6 percent per year vs. 2 percent per year. SMEs tend to be more flexible in their operations, particularly informal enterprises. Labor relations are typically based on trust rather than accountability mechanisms providing a very different framework for job creation one that directly supports community networks. As a result, SMEs can have a stronger interaction with communities than bigger firms, and are key players in local development. SMEs have an important role in employment provision of local communities, not only in terms of number of jobs but in the type of employees they hire. SMEs are likely to engage less ‘employable’ workers with lower levels of education, social protection, and often belonging to particularly vulnerable groups. Even in developed countries, SMEs were identified as providing employment to those who are less likely to find a job in a bigger company, such as older and previously unemployed workers (Aladejebi & Oladimeji, 2019).

Studies conducted by (Ingirige & Russell, 2015) of disaster impact on businesses was first performed in late 1980s. The first study of this nature was carried out in United States after the Loma Prieta earthquake in 1989. Similar studies were conducted in United States after the catastrophic events of Great Midwest flood in 1993, Northridge earth quake in 1994 and Red River flood in 1997. According to the extant literature, the majority of studies on impacts of disasters on business and their continuity were conducted in United States and other developed countries. There are very few studies in this field in the context of developing countries. Disasters have shown profound adverse impacts of all types of business including SMEs. SMEs are more vulnerable to natural hazards and they are affected in numerous ways. SMEs’ vulnerability can be twofold. Firstly, smaller businesses have less financial and technical resources to reduce and cope with risk and lack of risk management mechanisms. Most of the SMEs especially in developing countries are not practicing disaster risk management mechanisms such as insurance, diversify their supply and customer bases and social protection for their employees. Secondly, disasters could have a larger impact on SMEs’ performance than other types of issues due to the general negative impact of the disaster on communities in which SMEs operate many businesses do not reach post-disaster stage.

Impact of Flooding on SMEs

Disasters have shown profound adverse impacts of all types of business including SMEs (Asgary et al., 2020). SMEs are more vulnerable to natural hazards and they are affected in numerous ways. SMEs’ vulnerability can be twofold. Firstly, smaller businesses have less financial and technical

resources to reduce and cope with risk and lack of risk management mechanisms. Most of the SMEs especially in developing countries are not practicing disaster risk management mechanisms such as insurance, diversify their supply and customer bases and social protection for their employees. Secondly, disasters could have a larger impact on SMEs' performance than other types of issues due to the general negative impact of the disaster on communities in which SMEs operate. Many businesses do not reach post-disaster stage.

The impacts of flooding can be categorized in numerous perspectives such as short term - long term; direct - indirect; etc. Direct impacts are the damages to fixed assets and capital, damages to raw materials, crops, injuries and deaths. Indirect impacts refer to the issues created in production/services or continuity of the business. The majority of impact of flooding can be clearly visible. Property damages, ruined stocks, temporary business closure are few examples for this category. However, there are some adverse impacts of flooding which are not clearly visible. For example, loss of paper work/ documents due to flooding. These will result in problems in recovery process, tracing order status/payments and insurance claims. According to Metcalf et al. (2010), these impacts can be divided into six broad categories, namely: markets, logistics, premises, people, procedures and finance.

Research Objectives

The main objective of the study is to review the effect of natural disasters on the productivity of small and medium enterprises in Kenya.

Study was guided by the following specific objectives

- 1) To examine the immediate impacts of flooding on SMEs in Kenya.
- 2) To assess the long-term impacts of flooding on SMEs in Kenya.
- 3) To draw lessons from the impacts.

Research Design

This research used quantitative cross-sectional survey research as its design. The survey method is chosen because it attempts to provide insights about how 2016 flood events in Western and Nyanza regions of Kenya affected the micro and SME's. The survey research has its inherited advantages such as a cheap and efficient means of data collection, possibility to survey a large sample in a short time period, and with relatively small staff.

Population

This study was conducted in the flood affected micro and SME's which were located in the Busia and Kisumu Counties. According to National Disaster Management Unit (NDRSC) records, 15 SMEs were fully damaged and 250 SMEs were partially damaged in the Kisumu County.

Sample

The current study was based on a random sample selected from the population of flood affected SMEs in the Western and Nyanza regions. The sample consisted of 100 firms list available at NDMU.

Either owner or manager of the selected firms were chosen as the respondents. According to the Bryman and Bell (2003), random sampling method is best employed to enable the generalization of findings to the population. The sample size obtained for this study satisfied the rule of thumb as proposed by Roscoe (1975) that sample size larger than 30 and less than 500 is appropriate for most studies.

Data Collection and Preparation

The data collection was carried out by face-to-face interviews with business owners/managers in order to identify their experiences on various types of damages, rehabilitation and re-establishment. A questionnaire was used alongside interviews to eliminate interviewer bias. The questionnaire was designed to collect all necessary information of the study by addressing following aspects:

- a) Basic information of the business and the owner
- b) The short-term impact of flooding on SMEs
- c) The long-term impact of flooding on SMEs

Data Analysis and Results

The impact of flooding on SMEs and the extent of these impacts were gathered using a five-point Likert scale. A weighting was allocated to each extent as bellow: Very much affected / Completely - 4 destroyed

Much affected / Damaged	- 3 Somewhat
affected / Somewhat	- 2 damaged
Affected a little / Slightly damaged	- 1
Not affect at all / Not damaged	- 0

The analysis commenced with the presenting the harshness of each and every identified impact of flooding. This study further used the relative importance index (RII), to evaluate the comparative importance of a single items to others.

RII is calculated as;

$$RII = \frac{\sum W}{A * N}$$

Where,

W – Is the weighting given to each impact by the respondent (i.e., 0 – 4 in this study)

A - Is the highest weighting (i.e., 4 in this study)

N - Is the number of respondent (i.e., 100 in this study)

RII Values for both short-term and long-term impacts of flooding on SMEs and their consequent ranking were calculated.

The findings were presented under the following headings.

Organizations: Scale and Ownership

Out of 100 firms surveyed, 55 firms were belonging to small category and 45 firms were belonging to medium scaled firms.

Short-Term Impacts

The basic analysis of collected responses for the short-term impacts of flooding is depicted in Table I below:

Table 1: Extent of Damages / Losses

Losses / Impact	Very much affected/ Completely destroyed	Much affected / Damaged	Somewhat affected / Somewhat damaged	Affected a little / Slightly damaged	Not affect at all / Not damaged
Damage, spoil or loss of stock	40%	42%	14%	4%	0%
Damage to premises/building	28%	51%	16%	5%	0%
Damage or loss of equipment	67%	23%	5%	5%	0%
Inability to conduct business	61%	23%	12%	4%	0%
Inconvenience to staff	18%	58%	21%	3%	0%
Loss of trading income	65%	23%	6%	6%	0%
Loss of records	18%	50%	22%	10%	0%
Travel difficulties for customers	18%	52%	25%	5%	0%
Loss of electricity, other services	26%	60%	12%	2%	0%
Delay in providing orders	28%	47%	21%	4%	0%
Delay in receiving items from suppliers	29%	40%	27%	4%	0%
Had to move to temporary premises	40%	52%	4%	4%	0%

As shown in the Table 1, the most devastating impact was damage or loss of equipment which was account for 67 percent completely destroy level. This study further identified that 65 percent of firms' trading income had been completely destroyed.

Table 2 depicts the ranking of impacts according to RII values. According to the Table 2, damage or loss of equipment was rank top as the impact experienced by the SMEs owners. Even though many SMEs are not having very sophisticated equipment, the existing ones are very important for them to continuity of the business. Moreover, the equipment might be the biggest portion of their assets of many SMEs, hence owners were worried about damaging them. Loss of trading income has identified as the second highest negative impact of flooding on SMEs while inability to conduct business took third place.

Table 2: Ranking of Impacts

Losses / Impact	No. of responses with the highest value	Total weight (Σw)	Mean impact weight	RII	Rank
Damage, spoil or loss of stock	40	318	.318	.795	5
Damage to premises/building	28	302	.302	.755	7

Damage or loss of equipment	67	352	.352	.880	1
Inability to conduct business	61	341	.341	.852	3
Inconvenience to staff	18	291	.291	.727	10
Loss of trading income	65	347	.347	.867	2
Loss of records	18	276	.276	.690	12
Travel difficulties for customers	18	283	.283	.707	11
Loss of electricity, other services	26	310	.310	.775	6
Delay in providing orders	28	299	.299	.747	8
Delay in receiving items from suppliers	29	294	.294	.735	9
Had to move to temporary premises	40	328	.328	.820	4

Long-term Impacts

The basic analysis of long-term im

Table 3: Extent of Damage/Loss (pacts is depi

Losses / Impact	Long-Term) ted in table 3 level.				
	Very much affected/ Completely destroyed	Much affected / Damaged	Somewhat affected / Somewhat damaged	Affected a little / Slightly damaged	Not affect at all / Not damaged
Disrupted cash flow or loss income	47%	46%	4%	3%	0%
Staff anxiety from flooding to business	4%	36%	40%	20%	0%
Higher insurance premium	1%	1%	79%	19%	0%
Structural damage to premises	20%	80%	0%	0%	0%
Loss of business records	1%	50%	40%	9%	0%

As shown in the Table 3, the most devastating impact was disrupted cash flow which accounted for 47 percent, *very much affected level*. This study further identified that 20 percent of firms' structural damages to premises had been completely destroyed.

Table 4 below depicts the ranking of impacts according to RII values. According to the table, disrupted cash flow was rank top as the impact experienced by the SMEs owners followed by structural damages to premises.

Table 4: Ranking of Impacts (Long Term)

Losses / Impact	No. of responses with the highest value	Total weight (Σw)	Mean impact weight	RII	Rank
Disrupted cash flow or loss income	47	337	.337	.842	1
Staff anxiety from flooding to business	4	224	.224	.560	4
Higher insurance premium	1	184	.184	.460	5
Structural damage to premises	20	320	.320	.800	2
Loss of business records	1	243	.243	.607	3

Conclusion and Recommendation

Examining the immediate and long-term impacts of flooding on SMEs in Kenya is key, given the contribution of the sector to employment and economic growth of the country. SMEs in Busia and Kisumu Counties were affected severely from the devastating floods in mid-2016. This research found that in economic perspectives, loss or damage of equipment was the highest damaged caused by the flood in the short run. Around two third of SMEs completely lost/damaged their equipment. Loss of records had the minimal impact. Disrupted cash flow and loss income affected SMEs most in the long run followed by structural damages to buildings.

SMEs need external support to get back to their usual business. The government should act as an initiator in this process. Since the main damage to SMEs was plant and equipment, the aid relief agencies should procure capital goods such as tools, equipment and machinery and distribute to the relevant firms. As natural disasters are unpredictable, full prevention is neither possible nor attainable. Disaster risk can be minimized through introducing insurance schemes, but it is not possible for SME to pay high insurance premium. The government needs to step in as a premium sharing partner allowing all SMEs to get the protection, and the authorities should think about rebuilding infrastructure on modern lines, creation of well-planned industrial zones and establishing business development services.

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Risk Management Strategies and Sustainable Competitive Advantage of Commercial Banks in Kenya

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Abstract

Every opportunity and every decision involve some risk and uncertainty. Successful firms realize the dramatic difference between taking active risks and sitting passively at risk. When firms decide to engage in business across borders, the risks are severe, and the option of staying in the mother country has its own share of risks of inaction in the face of competitors that are bolder and more agile. Achieving sustainable development and success involve implementing best strategies for dealing with risks. The general objective of this study was to examine the effect of risk management strategies on the sustainable competitive advantage of commercial banks in Kenya. The specific objective of the study was to investigate the impact of risk avoidance strategies on sustainable competitive advantage of effect of risk transferring strategies on sustainable competitive advantage and impact of risk absorption strategies on sustainable competitive advantage of commercial banks in Kenya. The study adopted a descriptive research design that employed survey methods. Data was collected using self-administered questionnaires. The target population was the risk managers of all the 43 commercial banks in Kenya. Data were analyzed using mean, standard deviation and regression analysis. Risk avoidance strategies were positive, but insignificantly affected sustainable competitive advantage, while risk transferring strategies had a positive, but insignificant effect on sustainable competitive advantage. On the other hand, risk absorption strategies positively and significantly contribute to sustainable competitive advantage.

Keywords: Risk Management Strategies, Sustainable, Competitive Advantage, Commercial Bank, Kenya.

Background of the Study

Risk management has become a priority for all sectors of the economy, so organizations can protect their interests while achieving their goals. Through risk management, organizations have an assurance that they will achieve their desired results, reduce the impact of threats to acceptable levels, and increase opportunities to seize opportunities. Dim & Orzea (2010) view risk as unexpected and usually unpleasant variations in returns that threaten a business entity. In management of risk, Schroek (2012) suggest approaches to mitigation of risk as either avoiding, transferring or absorbing the risk.

Uncertainty can be defined as the inability to know what will happen in the future, and is where risks emanate from, and determine the competitiveness of a business organization. According to the Resource Based View Theory, a firm's success is based on how well it utilizes its resources to achieve its objectives (Mata, Fuerst & Barney, 2005). A firm that smartly utilizes its resources will effectively mitigate risk. Firms should utilize their intangible assets such as knowledge to manage risk and consequently attain sustainable competitive advantage (Wiklund & Shepherd, 2013). Managing risk only at the functional level is not appropriate for business; the current market environment requires a more integrated approach to risk management. All organizations around

the world are taking a global approach to all the risks they face, and commercial banks in Kenya are no exception. Not only are commercial banks faced with shrinking bottom lines, they are also subject to increased variability and solvency (Omondi, 2015). Development of risk management strategies is therefore key to their survival as they develop strategies that deal with risks that threaten their survival. This study therefore aims to establish risk management strategies used by commercial banks to contribute to their sustainable competitive advantages.

Risk Management Strategies

Risk management is a system that works proactively by examining the various risks that may arise and defining procedures and measures that increase the organization's ability to avoid or mitigate the impact of risk processes. At an acceptable level, risk management is the process by which an organization can define risks and evaluate and develop strategies for managing or maintaining those risks. Practicing sound risk management is an ongoing process and commercial banks that effectively manage their risks can attain competitive advantage (Dima & Orzea, 2010).

Risk management is a management activity that becomes more important as companies become more global and more competitive. The risk management process consists of a series of steps that define context, assess, process, control, and continuously improve decision making. By assessing risk, organizations can reduce unexpected and costly emergencies and allocate resources more efficiently. It helps improve communication and improve organizations competitive advantage by providing a brief summary of the threats it may face (Guiso & Japelli, 2008).

Lapteva (2014) identifies three generic strategies of managing risk, namely: hedging, diversification and insurance. Each of the strategies has two dimensions: risk pooling and risk transfer. Hedging enables removal of risk through selling the risk in the market through financial instruments. It can also be done through forwards, futures or swaps where there is an arrangement to trade at some future date. Diversification strategy reduces risk by combining risks that are not seamlessly interrelated into portfolios.

Sustainable Competitive Advantage

Sustainable competitive advantage is concerned with the entity making efforts towards setting up and retaining realized benefits permanently. Sustainable competitive advantage is affected by the scale and extent of the captive market, restrictions on the powers of the competitors and greater access to customers and resources. A firm can create sustainable competitive advantage when executives use a strategy that is based on features that are difficult to be assimilated by competitors (Coyne, 2012).

Peteraf (2003) suggest four factors considered necessary for achievement of sustainable competitive advantage. These are heterogeneity of resources, imperfect resource agility, ex post limits and restrictions to competition. According to Matthews & Shulman (2010) sustainable competitive advantage can be attained through a positive brand reputation, innovation, a relational structure and strategic assets.

Competitive advantage is a matter of position in which firms occupy a competitive space, build a market around that position and jealously defend it. Stable competitive environments allow competitive advantage to be successful, particularly for large and dominant organizations operating

in mature industries. Competitive advantage can be sustained for so long as the services the organization delivers and the way it does the delivery is characterized with unique characteristics that match to the key buying criteria of a significant proportion of customers.

Problem Statement

Globalization has ushered in a new market dispensation full of pressure as evidenced by the distress signals which have become more frequent than before in the business environment (Arunkuma, 2011). With globalization, exposure to various types of risks has increased. Commercial banks need to look at risk strategically since risk management is a significant part of the banking business and has become a key determinant of competitive advantage. Robust management of risk is a crucial ingredient of sustainable competitive advantage (Dima & Orzea, 2010). Banks that are unable to manage risk effectively have their competitive advantage threatened (Županović, 2013).

Kenya's commercial banking sector is dynamic and the intensity of competition has been heightened, with the level and nature of risks evolving. Managers in commercial banks have had to reassess their activities and implement decisions that will not only reduce risk, but will make their banks achieve sustainable competitive advantage. Policy makers and researchers have been forced to examine the failures in the global banking system following the financial crisis. In doing so, effective risk management has come out as one factor that needs to be addressed by banks to guarantee their sustenance (Muteti, 2014).

Analysis of previous studies indicate that little has been done to ascertain the risk absorption strategies deployed by commercial banks in Kenya and how the strategies contribute to sustainable competitive advantage of the banks. A study conducted by Muteti (2014) concentrated on the link between the banks performance and risk management. Another study that was conducted by Kithinji (2010) focused on how credit risk management contributed to the profitability of commercial banks. The study by Omondi (2015) did not describe how risk management contributed to sustainable competitive advantage. Clearly, none of the studies focused on how risk management strategies affected sustainable competitive advantage by commercial banks. A gap therefore exists and this study seeks to access these risk management strategies and how they contribute to sustainable competitive advantages of commercial banks in Kenya.

General Objective

The general objective of the study was to examine the effects of risk management strategies on sustainable competitive advantage of commercial banks in Kenya.

Specific Objective

The specific objective of the study was to examine the effects of risk absorption strategies on sustainable competitive advantage of commercial banks in Kenya.

Theoretical Review

The theories reviewed in this section are the resource based view theory and the portfolio theory.

Resource Based View Theory

The resource-based view of the firm was proposed by Penrose (1959) and is a managerial framework used to determine the strategic resources with the potential to deliver comparative advantage to a firm. The focus of inquiry of the theory over the period of time has changed from the structure of the industry to the firm's internal structure, with resources and capabilities the key elements of the resource based view. The theory asserts that competitive advantage is realized if the competences and resources controlled by competing firms vary, and the variances in the resources are long lasting (Mata, Fuerst, & Barney, 2005).

The resource-based view (RBV) is a way of viewing the firm in-terms of resources. Fundamentally, this theory formulates the firm to be a bundle of resources. It is these resources and the way that they are combined, which make firms different from one another. It is considered as taking an insideout approach, while analyzing the firm. This means that the starting point of the analysis is the internal environment of the organization.

The Resource Based View of the firm considers that each enterprise is heterogeneous, having different established resources which arise from its own past history. Heterogeneous character can be maintained for a long time, thereby, having long-term income. A resource is heterogeneous when it is unevenly distributed and deployed across firms within a given competitive environment. It is also necessary that competitors are not able to imitate the resources or capabilities. The resource based view can assist firms in that when undertaking risk management, only strategically important and useful resources and competencies should be viewed as sources of competitive advantage (Barney, 1991). Strategic assets indicate the strategically important resources and competencies, which provide a firm with a potential competitive edge.

Portfolio Theory

The portfolio theory is the formalization of risk management from a modernistic empirical approach. The theory was put forth by the pioneering work of Markowitz (1952). The theory mathematically modeled the relationship between risk and return asserting that, rational investors compared risk and return so that the greater the risk, the greater the expected return. In the theory, return is estimated by the percentage of gains above the amounts invested, while risk is the standard deviation of the streams of returns on an investment (Markowitz, 1952).

The key feature of the portfolio theory is its strategy of diversification of risk. Though the benefits of diversification have a limit, the theory posits that choosing investments that are not perfectly correlated to make a portfolio can have a risk reducing effect exposure to risk (Markowitz, 1952). The actual tactics used to mitigate risk can form a strategy that can be used to position the firm and become the competitive position of the firm. If the positioning is valuable, non-imitable and rare, it forms the basis of sustainable competitive advantage of the firm.

Empirical Review

Risk Absorption Strategies and Sustainable Competitive Advantage

According to Guiso & Japelli (2008) risk absorption can be achieved by diversification. A study conducted by Mercieca, Schaeck, & Wolfe (2006) investigated how diversification affected the credit

worthiness and earnings of low level European credit companies. The study was conducted using data from 755 small banks in 15 countries. The Herfindahl Hirschman Index was used as a measure of diversification. Earnings were measured by Return on Assets (ROA) and Return on Equity (ROE). The results suggested that diversification did affect the profitability of banks.

In a study by Berger, Hasan, & Zhou (2010) the goal was to evaluate the effect of broadening risk profile through diversification on the performance of Chinese commercial banks. The study was conducted on 88 Chinese banks for the ten years between 1996 and 2006. The study was a comparison between banks with concentration strategies against those with diversification strategies. This risk management strategy of diversification was classified into: location within the country, nature and type of deposits, loans and assets. Diversification indicators were regressed upon bank specific factors such as performance, risk, cost efficiency, size, and conglomerate affiliation. Results suggested that diversification positively affected performance.

Muteti (2014) focused on the relationship between financial risk administration and financial performance of Kenyan business banks. The population for this study was commercial banks in Kenya. Analysis was performed using SPSS (version 23) and multiple regression model was employed. The study found that forex exposure, interest rate, credit, capital management, liquidity, bank size, and bank deposits risks had a significant influence on the financial performance of Kenyan commercial banks.

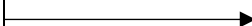
This study focused on risk absorption and its impact on the sustainable competitive advantage.

Conceptual Framework

Independent Variable

Risk Absorption Strategies

- Collateral
- Interest Rate Instruments
- Investment Protection
- Special Capital Allocation



Dependent Variable

Sustainable Competitive Advantage

- Uniqueness of Products
- Increase in Demand
- New ways of Operation
- Improved Returns

Research Design

Ogula (2005) describes a research design as a plan, structure and strategy of investigation to obtain answers to research questions and control variance. It is the plan of action the researcher adopts for answering the research questions and acts as a blueprint of the researcher (Kothari, 2004). This study adopted descriptive survey design.

Target Population

Commercial banks in Kenya form the population of this study. The CBK 2019 Annual Supervision Report indicated that as at end of 2018, the Kenyan banking sector comprised of 43 commercial banks. These 43 commercial banks formed the population of this study. According to Mugenda & Mugenda (2003), the target population should have observable characteristics, to which the researcher intends to generalize the results of the study. Managers and officers in charge of risk management in these commercial banks provided the information required by this study.

Sampling and Sample Size

According to Cooper and Schindler (2014) sampling is a record of elements from which the sample is drawn and is closely interrelated to the population under study. Sampling design is a procedure used in selecting a balanced representation from the population under study. A census of all the 43 commercial banks was conducted. Purposive sampling was used to select individuals to participate in the study. Bank risk managers from every bank comprised the respondents of the study.

Data Collection

Primary data required for this study was collected by means of a self-administered questionnaire. A questionnaire is a list of questions organized in a definite order (Kothari, 2008). The data collected was both quantitative and qualitative. The questionnaire was delivered in person by the researcher and collected immediately after being completed by the risk managers.

Test of Validity and Reliability

Validity

Validity in this study was tested through a pilot study. Participants were randomly selected from the commercial banks in Kenya. These participants did not participate in the main study. The inappropriate questionnaire items were discarded, rephrased and/or merged. The pilot study helped to establish whether the instruments measure what it intended to measure.

Reliability

To assess the reliability of instruments in this study, test-retest technique was used. The research instruments were presented to the risk managers who were randomly selected from the commercial banks in Kenya and the result were recorded, the same instruments were presented to the same group after two weeks and the results for both tests were correlated. A correlation coefficient of 0.8 was obtained. This was an indication that the instrument was reliable.

Data Analysis

Collected data was checked for completeness and then coded for analysis. Data was analyzed through descriptive statistics. Quantitative data was analyzed through descriptive statistics such as means and percentages. Qualitative data was analyzed using content analysis. Statistical analysis was done through the aid of Statistical Package for Social Sciences (SPSS) computer software. Results were presented using charts, descriptions and frequency tables.

Research Findings and Discussions

This presents the research findings and results of the study. The findings and discussions are in line with the research objective of the study and are based on descriptive survey design. Results from the study are systematically presented beginning with findings on demographic characteristics of respondents in the study.

The results of statistical analysis are also reviewed.

Response Rate

The researcher targeted branch and risk managers and officers of the 43 commercial banks in Kenya. Out of the sample of 129 respondents, 114 respondents returned their filled up questionnaires, making a response rate of 88.4%. The response indicated that the findings were a good representation of the population under study.

Reliability Analysis

The researcher employed the Cronbach's Alpha to measure how reliable responses to the questionnaire items were on each of the variables being tested. The values of Cronbach's Alpha are presented in Table 4.1 below. The lowest level of reliability was 0.789 which was the reliability of the responses on Sustainable Competitive Advantage. The rest of the variables had reliability of more than 0.7 indicating meaningful inference.

Table 1: Reliability Analysis

Variable	Cronbach's Alpha	Reliability
Risk Absorption Strategies	0.857	Good
Sustainable Competitive Advantage	0.789	Good

Descriptive Analysis

Risk Absorption Strategies

To assess the effect of Risk Absorption Strategies on Sustainable Competitive Advantage, the study required that risk managers respond to a Likert scale of seven items relating to Risk Absorption Strategies. For each of the items, the mean and the standard deviation were calculated and presented in Table 2 below. The items are ranked in descending order according to the mean.

Table 2: Risk Absorption Strategies

Risk Absorption Strategies	Mean	Std. Deviation
Your loan loss reserves are growing	4.00	.658
You insist on collateral when providing credit	3.97	.677
Interest Rate Instruments	3.87	.875
You charge special risk premium for risky borrowers	3.87	.844
You have in place investment protection reserves	3.74	1.032

Risk financing	3.68	.904
You have special capital allocation to cover risk	3.61	.679
Grand Mean	3.82	

As shown in the table above, risk managers most strongly indicated that loan loss reserves are growing ($M = 4.00$, $\sigma = 0.658$) and that collateral is a requirement when providing credit ($M = 3.97$, $\sigma = 0.677$). However, they least strongly indicated that they used Risk financing ($M = 3.68$, $\sigma = 0.904$) and they have special capital allocation to cover risk ($M = 3.61$, $\sigma = 0.679$). The grand mean was 3.82, which showed the managers generally agreed that risk absorption strategies contributed to sustainable competitive advantage. The regression analysis showed that the coefficient of risk absorption strategies was 0.310 indicating that risk absorption strategies positively contribute to sustainable competitive advantage and the contribution was significant.

Sustainable Competitive Advantage

Risk Managers in commercial banks were required to assess the sustainable competitive advantage of their commercial banks. To do this, they responded to items in a Likert scale. The choices were summarized and presented as shown in Table 3 below.

Table 3: Sustainable Competitive Advantage

Sustainable Competitiveness Advantage	Mean	Std. Deviation
Your strategies have overcome key organizational hurdles	4.39	.595
The services you provide are unique	4.13	1.212
You experience reduced costs due to risk management strategies	3.97	.716
The services you provide have no close substitutes	3.92	.850
Your market share grows due to risk management strategies	3.92	.997
Your banking products are very difficult to imitate	3.89	.689
Consumers more positively respond to your products	3.84	1.001
Your bank always comes up with new ways of operation	3.84	.916
Your products reach beyond existing demand	3.76	1.076
Your risk management strategies have led to improved returns	3.58	.758
Grand Mean	3.92	

Risk managers in commercial banks indicated most strongly that their strategies had overcome key organizational hurdles ($M = 4.39$, $\sigma = 0.595$); that the services they provide are unique ($M = 4.13$, $\sigma = 1.212$) and that they experience reduced costs due to their risk management strategies ($M = 3.97$, $\sigma = 0.716$). However, they least strongly believe that their products reach beyond existing demand ($M = 3.76$, $\sigma = 1.076$) and that their risk management strategies have led to improved returns ($M = 3.58$, $\sigma = 0.758$). The grand mean of 3.92 implies that generally all banks sampled have sustainable competitive advantage.

Effect of Risk Management Strategies and Competitive Advantage

Regression analysis was conducted to establish the relationship between risk management strategies and sustainable competitive advantage of the commercial banks. The summary of the resulting distribution of the four variables is as presented in Table 4 below:

Table 4: Summary Statistics

Variable	Min	Max	Mean	Std. Deviation
Risk Absorption Strategies	2.57	4.86	3.82	.6022
Sustainable Competitive Advantage	2.90	4.60	3.93	.4619

The highest value for risk absorption strategies was 4.86, while its minimum was 2.57. The mean for risk absorption strategies was 3.82 ($\sigma = 0.6022$). Regarding sustainable competitive advantage, the maximum was 4.60 and the minimum was 2.90. The mean for sustainable competitive advantage was 3.93 ($\sigma = 0.4619$).

Regression Analysis

Table 5: Regression Analysis

Coefficients ^a							
	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	1.652	0.674		2.451	0.020		
Risk Absorption Strategies	0.310	0.119	0.404	2.592	0.014	0.850	1.176
a. Dependent Variable: Sustainable Competitive Advantage							

The table above show that the constant of regression was 1.652 which was significant, and that of risk absorption strategies was 0.310 ($t=2.592$, $p=0.014$), which was positive and statistically significant. The findings also showed that risk absorption strategies had a positive and significant influence on sustainable competitive advantage. The regression equation was therefore as illustrated below:

$$Y = 1.652 + 0.310\alpha_1$$

Discussion of Findings

This study established that risk absorption strategies had a positive and significant effect on sustainable competitive advantage. The findings agree with those of Berger, Hasan, & Zhou (2010) who established that risk absorption strategies such as diversification in Chinese commercial banks positively affected their performance. The findings also agree with those of Mercieca, Schaeck, & Wolfe (2006) who studied European credit companies and established that diversification affected their profitability.

As regards to the relationship between risk absorption strategies and sustainable competitive advantage the study established that risk absorption strategies did affect banks competitive advantage. Loss was countered by insisting on collateral when providing credit. However, the use of risk financing and special capital allocation to cover risk were limited. The regression analysis indicated risk absorption strategies positively and significantly contributed to sustainable competitive advantage.

Conclusion

Basing on the findings, the study concludes that risk absorption strategies positively and significantly contributed to sustainable competitive advantage. While, loan loss reserves were growing, commercial banks strictly insisted on collateral when providing credit. However, there was limited use of risk financing and special capital allocation to cover risk.

Recommendation

Based on a review of the above conclusions, the study makes the following recommendation. The study recommends commercial banks capitalize on risk absorption strategies to gain competitive advantage since this strategy had the strongest effect on sustainable competitive advantage. While maintaining strict collateral requirement when providing credit, banks could improve on their use of risk financing and special capital allocation to cover risk.

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Business Innovations and Organizational Performance of Beverage Firms in Kenya

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Abstract

In a highly competitive environment, innovation is key to a firm obtaining a dominant position in the environment and gaining greater performance. Organizations are opting for business innovations as a response to increased business environmental turbulence and complexity. Understanding how business innovation management lead to sustained organizational performance is key to compete in a fundamentally different way. The purpose of the study was to investigate the impact of business innovations strategy on organizational performance of beverage firms in Kenya. The specific objective of the study was to determine how process innovation impacts organizational performance of beverage firms in Kenya. The study employed a descriptive survey research design. The population of the study was 160 respondents composed of managers from the beverage firms in Kenya. Stratified sampling was used to select a sample size of 114 respondents. The study used a structured questionnaire to collect primary data, which was analyzed using SPSS version 23 for descriptive and inferential statistics. The findings on the impact of process innovation on organizational performance revealed the existence of a positive significant relationship between process innovation and organizational performance of beverage firms in Kenya. The study concluded that process innovation is very crucial to an organization and significantly contributes to organizational performance of beverage firms in Kenya.

Keywords: *Process Innovation, Organizational Performance, Business Innovation, Beverage Firms*

Background of the Study

The success of business in a hypercompetitive environment is dependent on its adaptability and competency to respond rapidly to environmental change. Business innovativeness is one of the strategic tool that firms employ to align their resources and capabilities with opportunities in the external environment. The desire by firms to obtain sustainable business performance and growth is at the centre of pursuit of innovation by the firms. Pursuing an innovation strategy entails breaking away from the established norm, standardization and trappings of bureaucracy (Shiu & Walker, 2007).

Business innovation is an approach that guarantees the innovating firm superior performance that is reflected in the increased profitability and market growth. Business innovation empowers a firm to better define, engage and pursue uncharted market place (Palmer & Kaplan, 2007). To thrive and survive in the dynamic and highly competitive environment, while keeping up with the ever changing customer needs and priorities, beverage firms in Kenya have to adapt. Strategic business innovation is one of the strategies that beverage firms in Kenya have embraced to survive and remain commercially relevant.

Business Innovation

Strategic innovation is the creation of growth strategies, new product categories, services or business models that change the market and generate significant new value for consumers, customers and organization (Palmer & Kaplan, 2012). The process challenges a firm to look beyond its established business boundaries and mental models and to participate in an open minded, creative exploration of the realm of possibilities. The strategic innovation process involves providing solutions to three basis questions that define business. These questions are; who are our customers, what value do we provide and How do we deliver that value.

Strategic innovation entails dramatic redefinition of customer's base through exploring ways of expanding the size of the market (Hamid & Tasmin, 2013). The significance of strategic innovation to a firm lies in its ability to supplant competition by generating more value in the long run. Kim and Mauborgne (2012) contend that this is achieved through creation of new differentiated business that initially by pass competition and new business marketing that renders competition irrelevant. Strategic innovation buffers organizational growth through creation of new markets and new set of clients' needs by responding to the underserved customer segments.

Business innovation is often considered the basis of strategic change through which firms can gain sustained performance (Lin & Chen, 2013). Innovation can enable firms to differentiate their products, improve efficiency, penetrate new markets and raise market share to establish competitiveness. Innovation is considered a dominant factor in firm competitiveness and the ability to innovate the single most important factor in enhancing and sustaining performance. Increasing global competitive pressure, shortened product lifecycles and ease of imitation make it necessary for firms to innovate to sustain competitiveness. (Gunday, Ulusoy, Kilic & Alpkan, 2011).

Innovation is increasingly becoming a vital competence factor and source of strategic change for sustained performance and as a result, pressure on all businesses to continually innovate by developing and launching new products and services is becoming greater than ever (Kiraka, Kobia & Katwalo, 2013). Innovation is a key source of competitiveness in beverage firms in Kenya and most innovative enterprises are able to implement new products and processes that position them ahead of their competitors (Griffith, 2014).

Organizational Performance

Organizational performance encompasses three specific areas of firm outcomes that include financial, product market and shareholder returns on performance. Machuki and Aosa (2011) observed that organizational performance gave indication of the effectiveness of an organization. Zott (2003) proposed that firm performance is affected by its ability to integrate, build and reconfigure capabilities and competencies through innovation. Firms with a more efficient

networking strategy will acquire more competitive information about other firms. This information advantage in turn leads to better new product development through innovation and improved overall performance of the firm (Soh, 2012).

Organizations are established to achieve their goals and put their plans into practice. For goals to be achieved, needs and wishes of tools of an organization should be conceived. Organizational performance defines an entirety as a success indicator with the evaluation of different elements. The total outcome of evaluating of the divisions as production, marketing, and research in the organization together shows the performance of the organization. In general, organizations that embrace innovation and more specifically process innovation end up producing superior products and perform better (Yavuz, 2010).

Statement of the Problem

The Kenyan beverage industry has experienced considerable growth in the past few years, registering enhanced performance in 2018 as demonstrated by a growth of 15.9 per cent in the total net assets of the beverage industry (Griffith, 2014). There has been rising concern in the corporate circles as to whether the beverage industries in the country can maintain and sustain their performance even under intense competition from rivals without them inventing to stay afloat. Due to competition the market-share and market-size of these beverage firms has been shrinking over the years as more companies get into the same market with dwindling consumption patterns of customers.

Beverage firms in Kenya are rethinking how to innovate by focusing on product and process innovation to gain competitive advantage (Kungu, Desta, & Ngui, 2014). Studies on evaluation of strategies for achieving improved performance by beverage firms in the beverage processing industry suggest that innovation is the only available option which such firms can apply to gain improved performance over rivals.

Previous studies done on innovation and organization performance have been limited and have yielded inconsistent results. A study by Mulusa (2015) focused on the effects of innovation strategy on performance of commercial banks and found that innovation directly affects performance of commercial banks. Hana (2013) study on the relationship between innovation strategies and competitive advantage in the banking sector in Kenya found out that companies that focused on improved innovation were better placed to deal with competition. None of these studies focused on the effects of business innovation on the performance of beverage firms in Kenya.

Despite the limited available studies in the sector, there is need for more research on how business innovation can lead to improved organizational performance among beverage firms in Kenya in the midst of heightened competition. This study therefore seeks to investigate the impacts of business innovation on organization performance of beverage firms in Kenya. Specifically, the study seeks to investigate the impacts of process innovation on organizational performance in the beverage firms in Kenya.

General Objective

The general objective of the study was to investigate the impacts of business innovation on organization performance of beverage firms in Kenya.

Specific Objective

The specific objective of the study is to investigate the impacts of process innovation on organizational performance in the beverage firms in Kenya.

Literature Review

The theoretical and empirical literature with the developed conceptual framework that guided the study are discussed. Relevant theories have been reviewed to expose the foundation underlying the concept of innovation and performance.

Theoretical Review

Schumpeterian Theory of Innovation and Entrepreneurship

The theory is part of the innovation based endogenous growth models put forward by Schumpeter, (1911) a renowned economist of the twentieth century. The theory outlines the role of Entrepreneurship and Innovation in economic growth, and postulates that there is a continuous process of change in economies and markets. In such a dynamic economy, there is a force within the economy that accounts for change and growth personified in the businessperson. Hanush & Pyka (2007) describes the entrepreneur as an agent of innovation and pivot of change.

Schumpeter attributes economic development to innovation which may include the launch of a new product or modification of an already existing product; the application of new methods of production, opening of a new market; use of new sources of supply or raw material and the creation of a new industry structure (Hanush & Pyka, 2007). He views innovation as a process of industrial transformation, responsible for the transformation of the structure through creative destruction.

According to the theory, innovations lead to economic growth and the entrepreneur is the one who innovates. The entrepreneur is responsible for allocating existing resources to new uses and coming up with new combinations. Entrepreneurs change or transform the mode of production by exploiting an invention or open up a new source of supply of materials or a new outlet for products, by reorganizing an industry (Hanush & Pyka, 2007). The theory informs this study of the key role of innovation in performance leading to economic development. For example, economic development to take place, entrepreneurs need to innovate leading to the process of creative destruction that creates value.

Theory of the Innovative Firm

This theory was put forward by William Lazonick an economist to help explain superior performance in the wake of imperfect markets. According to the theory the function of a firm is to transform productive resources into goods and services that can be commercialized. A firm can accomplish this by engaging in innovation. Accordingly, superior economic performance result from innovative enterprises that create products of higher quality at lower cost (Lazonick, 2013). Innovative firms have the ability to transforms productive resources into higher quality, lower cost goods and services translating to a gain for the customers and other participants in the economy (Lazonick, 2009).

According to the theory, a firm is able to gain and sustain its competitiveness to compete effectively in its industry through process innovation. Such firms engage in innovation establish or sustain their competitiveness. An innovative firm may also innovate to retain its market share against an innovative competitor or to gain a strategic market position in the market (Porter 2008). Innovative firms are able to compete through innovation as opposed to varying price and quantity.

Innovative firms become competitive by investing in quality and quantity productive resources. This enable the firms to develop superior products, services and more efficient methods. In the short- term, an innovating firm is not dictated by an increase in cost but produces high quality products leading to a decrease in the unit cost with an increase in the market share (Lazonick & O'Sullivan 2000). Innovation enables the innovating firm to progressively penetrate various market segments based on the different economic power of the buyers. This provides a base upon which the firms can develop capabilities to access other market segments (Lazonic, 2013).

This theory was useful in explaining the role of process innovation and how it leads to firm performance through the production of superior products and services in the market. Innovation also leads to differentiation an important factor in performance that leads to new unique products, processes, markets and organizational methods. This helps firm's deal with competition. The theory affirms the role of innovation in organizational performance.

Empirical Review

Process Innovation and Organizational Performance

According to Schumpeter (1934) process innovation is the introduction of a new method of production, not yet tested in the Industry". It's the process of reengineering and enhancing the internal operation and capabilities of business process" (Sidek & Rosli, 2013). Such processes involve manufacturing, technical design, management and commercial activities. It includes new procedures, policies, organizational forms and knowledge embodied in products, distribution channels, applications as well as customer preferences and needs (Sidek & Rosli, 2013).

Process innovations consists of new or significantly improved methods for the production and provision of services. Process innovations may include new or significantly improved equipment, techniques and software in auxiliary support activities, like purchasing, accounting, computing and maintenance. Such innovations can involve significant changes in the equipment and software used in goods-oriented firms. Process innovations are intended to decrease unit costs of production or delivery, to increase quality, or to produce or deliver new or significantly improved products.

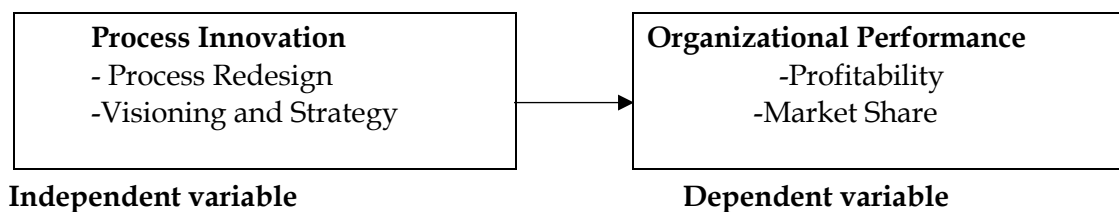
ONeira *et al.* (2013) argues that Process innovation is very pertinent to firms facing a lot of competition as it enhances productivity. Process innovation has a direct and immediate impact on productivity performance of beverage firms in Kenya. Oke *et al.*, (2013) reiterates that process innovation should be emphasized in manufacturing enterprises as a primary distinctive competence.

Varis and Littunen (2010) in their study of processing firms in Finland found process innovation to be positively correlated to firm performance. Sidek and Rosli (2013) carried out a study on the impact of Innovation on the performance of Small and Medium Manufacturing Enterprises in Malaysia and found that process innovation influenced firm performance positively. The study recommended that other manufacturing firms can apply innovation to increase their performance.

Process innovation also ensures that quality standards are met and maintained as a way of staying competitive within the banking industry. According to Herrera (2015) process innovation is divided into three phases: idea phase, development phase, and implementation phase. The idea phase of innovation includes such activities as recognizing a need for innovation, searching for solutions, studying existing innovations and identifying appropriate innovations for the organization.

The development phase on the other hand consists of evaluating the proposed ideas from technical, financial and strategic aspects, making the decision to accept an idea as the desired solution, and allocating resources for its acquisition, modification and assimilation (West, 2014). The implementation phase in process innovation deals with the actualization of designed processes or changes in the service and product processes (Camisón & Villar-López, 2012). The organization's failure to achieve the intended benefits of an innovation may reflect either a failure of implementation or the failure of the innovation itself.

Conceptual Framework



Source: Authors, 2021

Figure 1: Conceptual Framework

Research Design

This study adopted a descriptive survey research design. According to Kothari, (2008) this is a design used to describe the characteristics of a particular phenomenon in a situation. The design helps the researcher to obtain information concerning the status of the strategies being used by the sector and thus relate it to the objective of the research.

Population and Sampling

The study targeted the beverage firms operating in Kenya and specifically those operating in Nairobi where most of them are located. The respondents in this study were managers in operations, branch business, marketing and product development whose roles anchor around innovations in the beverage firms in Kenya. The respondents targeted in this study were 160 respondents consisting of managers in operations, branch business, marketing and product development at the beverage firms in Kenya. Stratified Random sampling technique was used to select the subset of population because the population was large. Yamane (1967) formula was used to develop the sample as follows;

$$n = \frac{N}{1 + N(e)^2}$$

$$= \frac{160}{1 + 160(0.5)^2} \quad n = 114$$

Data Collection Tool

This study used closed-ended structured questionnaire to collect primary data. Data collected was quantitative in nature. The questionnaire as a research instrument was considered appropriate because it allowed the collection of data from the sample, in an economic way (Cooper & Shielder, 2014).

Data Analysis

Descriptive statistics were used to provide summaries on the organizational demographics. The descriptive statistics formed the preliminary basis of the quantitative data analysis. The statistical measures that were used were means and standard deviation. Inferential statistics were analyzed using correlation and regression. A two-way ANOVA was also used to determine whether significant differences existed between the means of the variables. SPSS version 23 was used to analyze data. Analyzed data was presented using figure and tables.

Data Analysis and Findings

This involves the analysis and findings of the data that was collected from the beverage firms in Kenya.

Response Rate

Out of 114 questionnaires distributed to the managers of beverage firms in Kenya, 91 questionnaires were returned dully filled, translating to a response rate of 80.0%. According to Mugenda and Mugenda (2013) response rate for statistical analysis of 50% is considered adequate.

Working Department

Respondents were requested to indicate the department in which they worked. Thirty five percent of the respondents indicated they were from operations department, and marketing and product development respectively, while 30% were from branch business departments. The study's respondents were thus in a good position to give reliable information.

Years of Operation

Respondents were asked to indicate the years in which their company was in operation and 37% indicated that their respective organization had been in operation for between 7-10 years, while the remaining 63% had been in operations for more than 10 years.

Number of Years with the Organization

Respondents were asked to indicate the number of years they had worked with their respective organizations. The findings revealed that (40%) of respondents had been with the organization for more than 10 years, (31%) had been with their respective organization for 7-10 years, (17%) had been with their organizations for 4-6 years, while the remaining (12%) between 1-3 years. Thus, the respondents were deemed to be authoritative and could give relevant information which was up to date. The study's respondents were thus in a good position to give reliable information.

Respondents Age

When respondents were asked to indicate the level of education, (59%) indicated they had bachelor's degree; (19%) had PhDs, (12%) had masters' degrees; (6%) had higher diploma, while the remaining (4%) had diplomas. The results implied that respondents employees have been exposed to diverse ideas that enhanced organizational performance.

Effect of Process Innovation on Organizational Performance

This study also sought to determine the effect of process innovation on organizations performance. The findings of the study are presented in this section.

Process Innovation and Customer Satisfaction

When respondents were asked whether process innovation had increased customer satisfaction, (52%) strongly agreed, (35%) agreed, (9%) remained neutral, while the remaining (3%) of respondents disagreed as indicated in Table 1 below:

Table 1: Process Innovation and Satisfaction

Scale	Frequency	Percentage
Disagree	3	3
Neutral	9	9
Agree	32	35
Strongly agree	47	52
Total	91	100

Process Innovation and Organization Profitability

Respondents were asked whether process innovation enhanced organizations overall profitability, (47%) strongly agree, (41%) agreed, while the remaining (12%) remained neutral as indicated in Table 2 below:

Table 2: Process Innovation and Profitability

Scale	Frequency	Percentage
Disagree	0	0
Neutral	11	12
Agree	38	41
Strongly agree	43	47
Total	91	100

Process Innovation and Market Share

On the question on whether process innovation increased market share for their respective organizations, (50%) strongly agreed that process innovation enhanced organizations market share, (28%) were in agreement, (14%) were neutral, while (8%) disagreed as summarized in Table 3 below.

Table 3: Process Innovation and Market Share

Scale	Frequency	Percentage
Disagree	8	8
Neutral	13	14
Agree	25	28
Strongly agree	45	50
Total	91	100

Process Innovation and Overall Organization Performance

Respondents were asked whether process innovation enhanced overall employee performance, and majority of the respondents (52%) agreed this to be the case, (38%) strongly agreed, (8%) were neutral while (2%) of respondents disagreed that process innovation had enhanced overall organizational performance as summarized in Table 4 below.

Table 4: Process Innovation and Overall Organizational Performance

Scale	Frequency	Percentage
Disagree	2	2
Neutral	8	8
Agree	47	52
Strongly agree	34	38
Total	91	100

Correlation Analysis

This study conducted a correlation analysis to determine whether there existed significant relationships between the variables. The findings show that the relationship between process innovation and organizations performance, $r (0.502)$; $p < 0.000$, as indicated below:

Table 5: Correlation Analysis

Variable	1	2
Organization performance	Pearson correlation 1	
	Sig (2 tailed) 0.00	
	N 91	
Process Innovation	Pearson correlation 0.502**	1
	Sig (2 tailed) 0.00	
	N 91	91

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

Regression Analysis

Since there was a significant relationship between process innovation and organizational performance, a regression analysis was conducted to determine the level of significance. The

findings show an adjusted R square of (0.328), meaning that about 33% of variability on organizational performance at the beverage firms was attributable to process innovation. However, 67% of factors that contribute to organizational performance have not been covered within this study as summarized in Table 6 below.

Table 6: Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Est.
1	0.429 ^a	0.384	0.328	0.0093

a. Predictors: (Constant), Process Innovation

The study ANOVA showed the existence of a positive significant relationship between process innovation and organizational performance; $F(3, 94) = 7.074$; p value = (0.000) which was less than 0.05, making the study statistically significant as summarized in table 4.34

Table 7: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.452	3	3.484	7.074	.000 ^b
	Residual	33.008	94	.351		
	Total	40.459	97			

a. Dependent Variable: organizational performance

b. Predictors: (Constant), Process Innovation

Process innovation beta coefficient β (0.369); p value = (0.002); as summarized in table 8 below:

Table 8: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.870	1.706		3.097	.010
Process Innovation	.369	.256	.300	3.053	.002

a. Dependent Variable: organizational performance

Summary, Conclusion and Recommendations

Conclusion

The study concluded that all components of process innovation including planning, design and implementation and organization profitability were significant. Product innovation provided beverage firms under this study with the opportunity and ability to design products that competed effectively at the market place and thus enhancing organizations performance.

Recommendations

This study recommends that scholars and academicians wishing to conduct further research in the area of business innovations to consider other strategies like reward systems, talent, and conducive operational policy as a way of enhancing organizational performance.

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Venture Capital Risk Measures and Access to Venture Capital Financing by SMEs in Nairobi County, Kenya

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Abstract

Small and medium Enterprises are vital for economic growth especially in the developing countries. However, empirical evidence shows that most of these enterprises fail due to poor/lack of access to finance. Access to venture capital by the small and medium enterprises could be a plausible alternative, but unfortunately research has pointed out that majority of the enterprises do not access venture capital financing, which is considered an important option for small and medium enterprises trying to grow. This study sought to investigate the effect of venture capital risk measures on access to venture capital by small and medium enterprises in Nairobi, Kenya. The study was guided by the following specific objectives; To determine the effect of syndicate of investment on access to venture capital and to establish the effect of staging of capital infusion on access to venture capital. Agency theory underpinned the study. The study adopted the explanatory non-experimental research design and positivism philosophy guided the study. Target population of the study was 334 Small and medium size enterprises ranked by KPMG between 2008 and 2017 in their annual survey. Proportionate random sampling technique was used to select the firms. Primary data was collected by use of semi structured questionnaire, using drop and pick method. Both descriptive statistics and inferential statistics were used to analyze the data. Nested multinomial logit model was used to establish the effect of venture capital risk measures on access to venture capital financing. Results showed that venture capital risk measures, had positive influence and was statistically significant to access to venture capital financing among SMEs.

Keywords: Venture Capital, Risk Measures, Access Financing, SMEs, Nairobi County, Kenya.

Background of the Study

Small and Medium Enterprises (SMEs) are important in any economy for they have ability to grow into bigger productive units, adopt modern technologies, and they are able to cope with new economic situations (Katua, 2014). Financial problems can however mess up a great SMEs business idea, make the business fail, or hubber its growth as well as development (Ayyagari, DemirgucKunt, & Maksimovic, 2011). According to Abdullah, Khadijah, and Manan (2010),

inability to access adequate funds is the key hindrance to the growth and performance of SMEs in both developed and developing nations. The SME sector adequately responds to challenges of creating reliable employment opportunities, trigger economic growth and poverty eradication in a nation (Abdullah *et al.*, 2010).

In most nations, this sector is a main source of jobs, and stimulator of country growth. For instance, in 2011 the SMEs sector in Poland created approximately fifty percent of the Gross Domestic Product. Additionally, in 2011 the sector incorporated 6.3 million people of the total 9.0 million of the labor utilized in private sector (United Nation, 2011). Nyang'ori, (2010) shows that in European economy, SMEs account for 99 percent of enterprises and they are main source of entrepreneurial skills, creativity and job creation. Okafor (2011) argues that SMEs are the major creators of employment in third world and developing countries, comprising over ninety percent of African business operations and contributing to over fifty percent of African job creation and GDP. In Kenya, SMEs output was approximated as Kes.3369.1billion against a total country output of Kes.9971.4 which accounted for 33.79% in 2015 (Kenya National Bureau of Statistics, 2016). Despite SMEs importance, past studies shows that 29.6 percent of the 2.2 million enterprises closed in the past 5years, mostly as a result of limited operating money. Most financial institutions perceive SMEs as a risk-prone sector due to poor guarantees and lack of evidence on their repayment capabilities (Olando, Mbewa, & Jagongo, 2012). Many SMEs have limited access to most sources of funds, because of legal and regulatory framework, which do not emphasize on innovativeness for lending to the SMEs (Sigara & Memba, 2011). This lack of sufficient capital and credit is often a major handicap to the development of SMEs particularly in their early stages (Lemuel, 2009).

Venture capital (VC) a form of equity that provide a firm with funds based on their perceived potential by the investor (Mckaskill, 2009). Venture capitalists bridge the financing gap occasioned by information asymmetry for new and innovative businesses (Burżacka & Gąsiorowska 2016). However, venture capital firms are known for being highly selective in funding SMEs, and therefore receipt of venture capital finance usually strengthens among stakeholders (Graham & Sichelman, 2010). Always a minimum of one of the members of a venture capitalist must sit on the board of directors, or in any other similar position of control, that provides structure and management to the fledgling company (Gompers & Lerner, 2001). Venture capital finance is mostly financial investment for start- ups or established SMEs that are seen to have unique ideas and great growth ability (Kumar & Siddharthan, 2013).

Venture capitalists mostly focus on market served, product/service provided, the entrepreneur him/herself, management team in place and financial considerations (Deloitte, 2009). Once the VCs are settled with the screening, they agree on the terms and condition of the investment with the business owners, aiming to control the decisions and minimizing the possible cost and risk (Ndabeni, 2014). According to Obeng and Mwebi,(2012), venture capitalists rarely provide full amount of funds applied by SMES, instead they provide certain percentage of total funds requested based on the perceived ability of the SME. According to SAVC (2009), VCs employ two main risk reducing measures; syndicate of investments and staging of capital infusion. According to Cumming, (2011),majority of venture capital dealings include staging of capital which is capable of mitigate the agency problem effects. This allows the owner-manager to have some control during the investment period. Venture capitalists also use syndication, where two or more venture capitalists share in a single financing round. This mechanism helps in minimizing the problems of adverse selection through the participation of a co-investor sharing the common investment risk (Smolarski & Kut, 2011). Staged capital infusion is where funds are provided to SMEs in stages and not in lump sum. According to Ndabeni, (2014) this venture capitalists to subdivide their

investment into various stages of the investment life hence minimizes risks, controls moral hazard and give an opportunity to the investor to gather information and monitor progress while maintaining the option to abandon the project at any time.

VC, which is quite prevalent in developed countries and has played a great role in enhancing growth of SMEs through provision of equity capital. Some of the world's greatest companies, such as Home Depot, Starbucks, Whole Foods, Microsoft, Apple, Google, JetBlue, eBay, and Staples were initially backed by Venture capital (Kavanaugh *et al.*, 2014). Access to VC has played a significant role in the economic development of the United States (Dolencic, 2010). In 2012, it was estimated that venture-backed companies that went public accounted for 10.4 million jobs and \$2.3 trillion in revenues, this accounts for a share of 17.6 percent in the total U.S. Gross Domestic Product (GDP) (Kavanaugh *et al.*, 2014). Accordingly, in 2014, the value of investments in Poland accounted for 19.1 percent of the total value of investments in Central and Eastern Europe (RBC Wealth Management, 2017). In Africa unlike in developed countries, VCs are few and hence they have created little impact to the SMEs. In the year 2013 for instance, there were only 176 venture capitalists in South Africa and only 26 active VC firms dedicated to East Africa (AEAVC, 2015). Kenya dominate the private equity industry in Eastern Africa, accounting for over than 60 per cent of private equity deals in the East African region (KPMG, 2015). Kenya received investment deals worth Kenya shillings 49.7 billion out of the Kes78.9 billion, accounting for 63 per cent of the deals for East Africa (KPMG & EAVCA 2015).

VCs mostly put into account the following before providing funds to an enterprise; the business plan, basic concept of the project, past record of entrepreneur, quality of the management team, the nature of the product, market served or technology employed among others (Memba, 2011). According to KNBS (2016), out of all sources of capital use by SMEs, equity financing is accounted for by only 4.1 percent. With VC funds being available in Kenya, it is unclear why SMEs uptake to VC is very low yet they are struggling to raise funds.

Venture Capitalist Risk Measures

Usually, Venture capital investment is associated with a lot of uncertainty. When financing a firm, venture capitalist encounters significant adverse selection problem, the agency problem and moral hazard (Smolarski & Kut, 2011). The type of financial instrument used in venture capital operation is designed to respond to expected agency problems and depends on the type of firm financed, the venture capitalists' philosophy and concerns as well as the legal and business regulations of the country (Ahwireng 2012).

Staged capital infusion enables venture capitalists to subdivide their investment into several stages of the venture's life. It minimises risks, controls moral hazard and allows the venture capitalist to get information and monitor progress with an option to abandon the project at any time (Wang and Zhou, 2004; Gompers, 1995).

Syndication occurs when two or more venture capitalists work together in an investment. It gives valuable second opinion that could fine-tune selection decisions, mitigate adverse selection, and reduce idiosyncratic and financial risks. Furthermore, it involves pooling resources to improve capabilities to add value and to establish social status (Lockett and Wright 2001; Hochberg, 2007).

Entrepreneurial Characteristics

These are attributes specific to the owner of the business that can affect performance of a firm negatively or positively. According to Sajilan, n.d.(2015), entrepreneurial characteristics are categorized in terms of attitude and personal behavior, while others categorize them as demographic (age and gender) and personal characteristics (need for achievement, entrepreneur's growth strategies need for cognition and internal locus of control). This study, entrepreneurial characteristics are taken to be entrepreneurial innovativeness and managerial competency. Entrepreneurial innovativeness is measured in terms of new products development, new process development and new markets introduced, while managerial competency was indicated by level of education and years of experience. Entrepreneurial characteristics have an impact on the demand for any type of finance (Keil, Maula, & Wilson, 2010). The traits of a small firm owner are inseparable from their business. This is mostly because most of these firms are formed as sole proprietorship and partnership form of businesses where ownership is inseparable from control. Similarly, in the case of limited liability firms where there exists a separate legal entity, ownership cannot be separated from control (Nkuah, Tanyeh, & Gaeten, 2013).

Small and Medium Enterprises in Kenya

Kenya National Bureau of Statistics KNBS,(2016) classifies SMEs according to the number of employees; small: 10–49 employees; and medium: 50–99 employees. SMEs are the main vehicles by which new entrepreneurs provide the economy with a continuous supply of ideas, skills, and innovations (Normah, 2006). According to Beck, Degryse and Kneer, (2014) SMEs have ability to fuel economic growth and enhance competition and entrepreneurship hence has external benefits on economy wide efficiency, innovation and aggregate productivity. SMEs dominate the world economies mostly by provision of jobs and number of companies, yet their full potential remain untapped to a greater extent (Schlogl, 2004, Omar, Arokiasamy & Ismail, 2009). In Kenya, 90 % of all businesses are SMEs offering jobs to over 60 % of the total population (Katua, 2014). According to statistics they employ an estimated 2.4 million people and contribution to GDP is approximated at 18.4 percent (Mutai, 2011).

Statement of the Problem

Small and Medium Enterprises are the main controller of economic growth in both developed and developing countries, whose survival to a greater extent is largely dependent on access to adequate funds (Njama, 2013). Many types of assistance have been provided to SMEs to boost their performance (IEA&SED 2001). However, 2.2 million SMEs 3.8 years old on average closed down their business in the last 5 years. Out of the 2.2 million, 29.6 % blamed their predicament to poor access to external finance (KNBS, 2016). This is a key scenario that have led to lack of confidence in lending to SME by financial institutions. Therefore, this called for SMEs to look for other method of financing their business and VC is one of the best option (Musani, 2014). Venture capital has been in Kenya since the years 1970s, yet it has had little effect on growth of SMEs. According to Orlando *et al.*,(2012), only 2 % of Micro, small and medium enterprises, have had access to VC in the past. The East Africa Venture Capital Association (2015) ascertains that VCs in Kenya had raised Kes172.8 billion by 2015, but only invested Kes49.7 billion (28.8percent) in Kenya; this clearly shows that the VCs still have a lot of funds to invest. According to KNBS (2016), equity financing account for only 4.1 percent of all the sources of capital used by SMEs. With these funds being available in Kenya, it is unclear why SMEs utilization of VC is minimal, yet they are struggling to raise funds. Researches carried out in Kenya to investigate the VC risk measures on access to VC funding have not been exhaustive as there is little information on access to venture capital. For instance, Ochieng, Masoud,

and Mwirigi, (2013) researched on the determinant of uptake of credit product by SMEs in Nairobi and found out that firm's characteristics have positive correlate uptake of credit product. Memba, Gakure and karanja (2012) carried out a study on the impact of VC on growth of SMEs in Kenya and reported that VC financing has an impact on growth of SMEs. Since the study focused on all SMEs in Kenya, conceptual and contextual gaps were established. Jagongo (2012) investigated VC financing; the all-important Micro Small and Medium Enterprises (MSMEs) financing Strategy under neglect in Kenya and found out that all entrepreneurs' stakeholders were largely ignorant of the potentials for VCs to bridge the MSMEs financing gap. The findings from these studies clearly shows that VC may not have been exhaustively explored for financing small and medium firms in Kenya. The Research Objective was to establish the moderating effect of VC risk measures on the relationship between entrepreneurial characteristics and access to venture capital by SMEs in Nairobi County, Kenya. The study hypothesis was:

H₀₁: VC risk measures do not have significant moderating effect on the relationship between entrepreneurial characteristics and access to venture capital among SMEs in Nairobi County, Kenya.

Theoretical Review

Agency Theory

An agency relationship by Jensen and Meckling, (1976) is a contract where one person (the principal) gives authority to another person (the agent) to undertake some duty on their behalf. If both parties in the engagement are concerned in maximizing utility, there could be a problem since the agent may not act to the interest of the principal. However, it is not possible for the principal or the agent, at zero costs, to ensure that the agent makes best decisions on the principal's point of view (Anderson *et al.*, 2013). The problem comes about where the two parties have different focus and asymmetric information; such that the principal cannot directly ensure that the agent is always acting in his best interest. This is mostly when activities that are relevant to the principal are expensive to the agent, and where elements of what the agent does are costly for the principal to observe Vasilescu, (2010).

Agency cost issues is mostly dire for SMEs due to their lack of transparency which may lead to increased moral hazard and adverse selection problems (Degryse, Goeij and Kappert, 2012). According to Hand, Lloyd, and Rogow, (2011) the main problem of agency in SMEs is between the internal and external contributors, not between owners and managers. Bailos, Daskalaki, Eriotis and Vasiliou (2016) considered that agency costs are more in smaller firms, leading their owner to experience higher risks and in isolation, mostly in the initial years when the firm's sustainability is at stake. Solutions to these problems are quite expensive for SMEs, because it may increase the costs of operations between them and their creditors or shareholders (Fauzi & Locke, 2012). Monitoring could proof difficult and expensive in case of SMEs, because they are not required to fully disclose accounting information as is usually the case with large firms, (Vasilescu, 2010). On the basis of the arguments of this theory, the major problem highlighted are the agency cost and information asymmetry will help this research to understand interaction of some variables of this research. For instance; agent cost and information asymmetry, of SMEs concerning the VCs main risk reduction measures (syndicate of investments and staging of capital infusion) would affect access to VC which is the dependent variable of the study. According to Cumming, (2011) staging of capital have the capacity to reduce the agency problems. The information symmetry would determine the use of other VC risk measures that is syndication mechanism which is key in reducing the problems associated with adverse selection through the participation of a co-investor sharing the investment risk and staged capital infusion which is a control mechanism that enables venture capitalists to

subdivide their investment into various stages of the investment life (Smolarski & Kut, 2011; Ndabeni, 2014). Whereas agency theory has been developed primarily in the context of publicly traded firms with diffuse ownership structures and managers with very limited equity stake, its logic has some appeal for explaining the VC-E relationship. When VCs buy into a venture, they are like outside stakeholders (or large blockholders) who carefully observe the firm to track its business potential and monitor agent behavior to protect against opportunism. However, it seems that the agency problem is not uniform throughout the life of a venture. As a result, agency theory is likely to vary in its usefulness in explaining the VC and entrepreneur behaviors. For example, agency theory may be most applicable in explaining behaviors immediately prior to the initial investment VCs make in a new venture. Then, after the VC has invested in the new venture, it appears that agency concerns rapidly decline followed later by some potential upswings.

Conceptual Framework for Venture Capital Risk Measures, Entrepreneurial Characteristics and

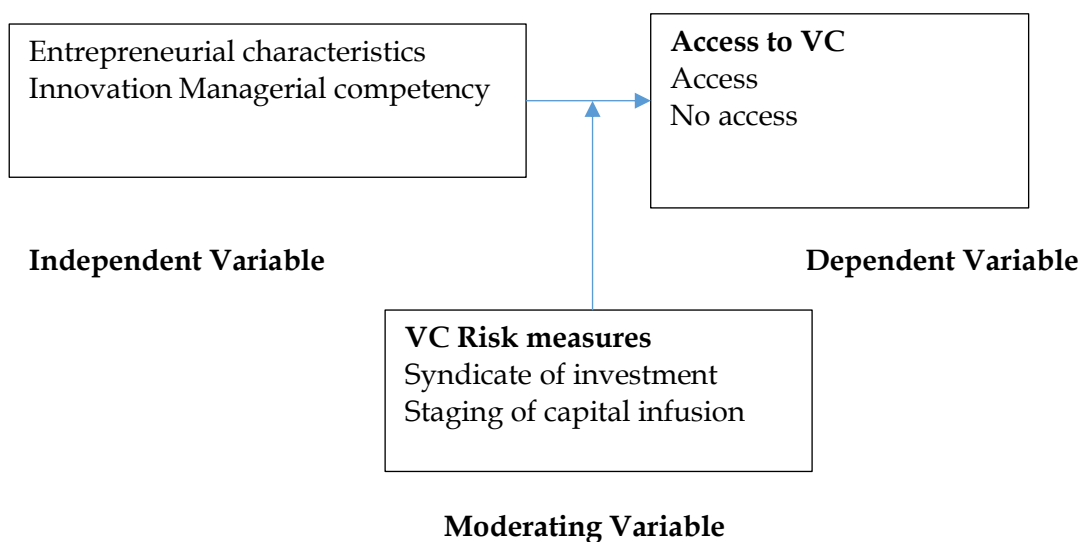


Figure 1: Conceptual Framework

Research Methodology

The study utilized explanatory research design. 334 SEs who appeared in the grouping of the top 100 SMEs lists from 2008-2016 as per to KPMG in Kenya were the target population of the study. Dillman, (2011) formula of sample calculation was used in guiding the calculation of the sample size of 178SMEs. Semi-structured questionnaires with both open and closed-ended questions was used. The data was analyzed using both descriptive and inferential statistics.

Empirical Model

This study utilized Logit model , whether a firm has accessed VC or not.

Model 1 (Binary Logit Model)

$$U_A = \beta_1\chi_1 + \beta_2\chi_2 + \varepsilon_A \dots\dots\dots 3.1$$

$$U_{A^1} = \beta_1\chi_1 + \beta_2\chi_2 + \varepsilon_{A^1} \dots\dots\dots 3.2$$

Where:

U_A - Accessed venture capital U_{A^1} -Not

Accessed venture capital χ_1 -

Entrepreneurs innovativeness χ_2 -

Entrepreneurs Managerial Competency

Moderating Effect Model

Relationship number three in the conceptual model is the moderating effect of risk measures by venture capitalists on the relationship between the entrepreneurial characteristics and access to venture capital by use of the Baron and Kenny approach

$$P(A|\{A, A^1\}) = P(A^1|\{A, A^1\}) = \beta_0 + \beta_1 X_1 * M + \beta_2 X_2 * M + \varepsilon \dots\dots\dots 3.1$$

Where:

β_0 = Constant

β_1, β_2 = Regression coefficients

M = Risks Measures (Moderating variable) ε =

Error Term

Results and Discussion

Venture Capital Risk Measures

Venture capital risk measure was measured using the number of venture capitals and method of funding. The respondents were asked to indicate the number of venture capitals that fund their firms. The results are presented in Table 1 below.

Table 1: Number of Venture Capitals Funding the Firm

Number of Venture Capitals	Percent (percent)
One	97.2
Two	2.1
Three	0.7
Total	100

As per the Table 1, 97.2 % indicated that their business was finished by a single venture capital firm. This shows that most of SMEs in Nairobi do not receive funding from different venture capital firms. Orlando, Mbewa, and Jagongo (2012) observe that majority of financial institutions see SMEs as riskprone sector because of poor guarantees and lack of information on their capacity to repay loans. Further, the respondents were asked to indicate how their firms were funded by the venture capitals. The results are presented in Table 2 below.

Table 2: Methods of Funding

How was funded	Percent (%)
One off	49
In stages	51
Total	100

Above results in Table 2 indicate that 51 % were financed in stages while 49 % shows that they were financed one off. According to Obeng and Mwebi (2012), venture capitalists rarely give funds in full amount as applied for, instead they offer certain fraction of requested funds based on the perceive potential of the SME.

The respondents were also asked to show if they were comfortable with the methods of funding. Results indicated 96 % didn't like this method of funding while only 4 % showed that they were satisfied with the method. This clearly shows that majority of the SMEs were not contented with the funding method utilized by VC firms offer their loans. Beck, Kunt, & Maksimovic (2008) argue that financial constraints can kill a great business idea, lead to business closure, or hinder growth and development of a firm.

Access to Venture Capital

Access to venture capital was proxied using the intention of the SMEs to be financed by venture capitalists in future, usage of venture capital since the startup and proportion of the venture capital received of the business. For those who answered that their firms were not funded by venture capitalists, they were asked to indicate if their firms aim to be funded in future. The results are presented in Figure 2 below.

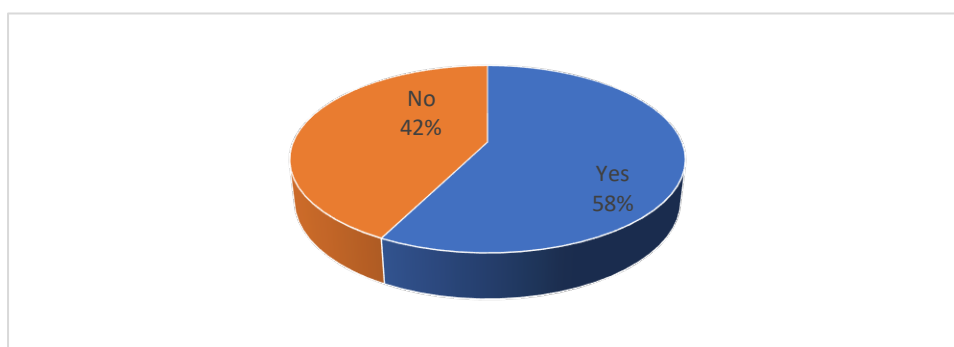
**Figure 2: Venture Capital Funding in Future**

Figure 2 indicate that 58 % wished to be financed in future while 42 % indicated that they did not see this happening in the near future. This means that most of the SMEs in Nairobi do not have adequate capital. Small and Medium Enterprises are drivers of economic expansion in both developed and emerging nations, whose growth is highly dependent on access to adequate financing (Njama, 2013). Regarding access to VC, the respondents were asked to indicate the proportion of venture capital received to their total funds requested for. The results are presented in Table 3 below.

Table 3: Venture Capital Access

Proportion of Venture Capital	Per cent
Between 1 per cent - 33per cent	19
Between 34 per cent - 66per cent	57
Between 67 per cent - 100 per cent	24
Total	100

Table 3 shows that 19 % of the respondents received 1-33 % of the venture capital applied, 57 % of the respondents received 34-66 %, while 24 % received 67-100 %. According to Deloitte (2009), venture capitalists mainly focus on; market attractiveness, product/service, the entrepreneur, the management team and financial considerations. Once the VCs are comfortable with the screening, they negotiate the terms and condition of the investment with the entrepreneur, with the aim of controlling the corporate decisions and minimize the potential cost and risk (Ndabeni, 2014). Further, the respondents were asked to indicate if they were satisfied with the amount which they received. The results are presented in Figure 3 below.

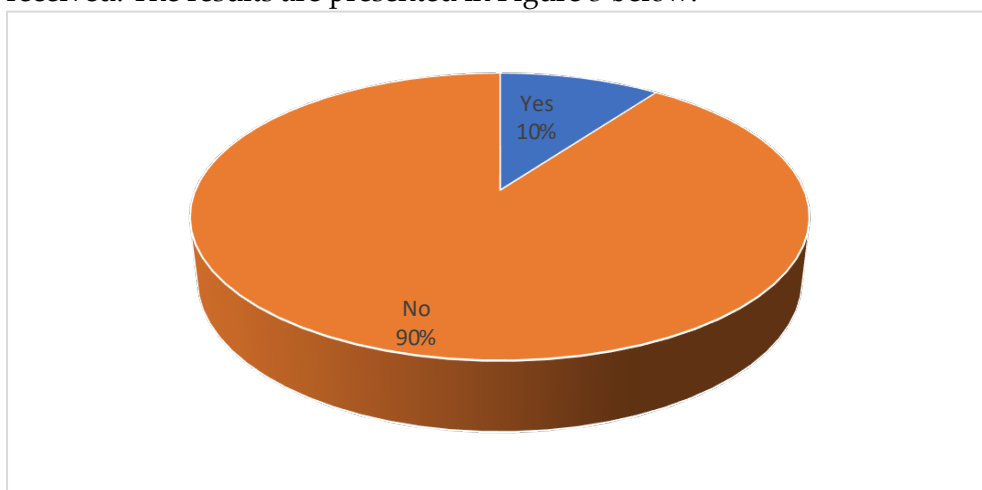
**Figure 3: Satisfaction with the Venture Capital Received**

Figure 3 indicate that 90 % of the respondents were not contented while only 10 % indicated that they were contented According to KNBS (2016), equity financing represent only 4.1 % of all the possible sources of capital used by SMEs. With the availability of the funds in Kenya, it is unclear why SMEs uptake to VC is very minimal yet they are suffering in raising funds. According to Nour, (2009), the key aspect of interest to VC when funding a firm include the product/service offered by the firm, the market served by the firm, the management team of the firm and the financial projection of the firm.

VC Risks Measure on access to VC

Overall Logit Model

An overall model was performed for all the independent variables before performing the test of moderation. Results are presented in Table 4 below.

Table 4: Regression Results for all the Independent Variables

	Coefficients	<i>t-statistics</i>
Constant	-0.982	-0.180
Entrepreneurial Innovation	0.435**	2.01
Managerial Competency (Education)	0.609**	2.55
pseudo R^2	0.62	

** $p < 0.05$

Significant if t statistic value absolute $-1.96 < \text{negative coefficient or positive coefficients} > 1.96$

Results before moderation showed that firm explain 62 % of the variations in access to venture capital. On the influence of entrepreneurial innovation variable on access to venture capital, the study clearly shows that being innovative is essential. Specifically, the more innovative a firm is the higher the chances of accessing venture capital by 0.435 which is statistically significant at 5 % level of significance. The study shows that managerial competency as proxied by the level of education that managers possess shows that it has a positive effect ($\beta = 0.609$) which is significant at 5 % level of significance as shown by the results in Table 5 below.

Moderating Effect of VC Risks Measure on the relationship between entrepreneurial characteristics and access to venture capital among SMEs in Nairobi County, Kenya.

The general objective was to find out the moderating effect of VC risks measures on the relationship between entrepreneurial characteristic and access to venture capital financing. Results are presented in Table 5 below.

Table 5: Moderating Effect of VC Risks Measure on the Relationship between Entrepreneurial Characteristics and Access and Venture Capital.

	Coefficients	<i>t-statistics</i>
Constant	-1.309	-1.16
Entrepreneurial Innovation	0.676**	2.76
Managerial Competency (Education)	0.708**	2.77
Entrepreneurial Innovation *VC risk measures	-19.40**	-2.92
Managerial Competency (Education) *VC risk measures	-12.70**	-2.60
pseudo R^2	0.74	

** $p < 0.05$

Significant if t statistic value absolute $-1.96 < \text{negative coefficient or positive coefficients} > 1.96$

From Table 5, an examination of the whether VC risks measure moderate the relationship between entrepreneurial characteristics on access to venture capital financing, the study shows that 74 % of the variations in accessing venture capital is jointly influenced by the factors that were factored into the model on moderation. Specifically, results show that moderation effect exists. The R^2 before

moderation was 62%. Therefore, the R squared improved from the 62% to 74% after moderation. This shows that VC Risks Measure generally moderates the relationship between the entrepreneur's characteristics and access to venture capital. The study found out that VC risk measures moderates the relationship between entrepreneurial innovativeness and access to Venture Capital since the coefficient value of the interacting term was significant ($\beta=19.40$, $P<0.05$). Additionally, VC risk measures moderates the relationship managerial competency and access to Venture Capital since the coefficient value of the interacting term was significant ($\beta=-12.70$, $P<0.05$). This agrees with findings by Xiang *et al.*, (2014) who carried out a study on the firm-level determinants and impacts of finance-seeking behavior and outcomes for small and medium-sized enterprises (SMEs) in Australia and established that not only does firm characteristics have the potential of influencing firm access to capital, but also other factors such as organizational factors (ownership, firm size, firm age, employment, registration), operational factors (business goals, financial objectives, operating assessment, planning, innovation or growth opportunities, and profitability) and market factors (primary markets for the firm's output, imports, and exports) affect access to capital financing.

Conclusion

Venture capitalists should come up policies and procedures for staging of capital infusion which have the capacity to reduce the agency problem leaving the owner with some degree of control during the investment period. Additionally, this research recommends for syndication which will help VCs in minimizing the issues associated with adverse selection through co-investing and sharing the investment risk. VCs should come up with policies that give certain faction of applied finances as per the perception on an SME potential.

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Apparel, Market Responses to Covid-19 in Nairobi County. Creating Resilience in Apparel Value Chain

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Abstract

The government of Kenya undertook various measures to curb the spread of Corona virus (Covid-19), including limiting movement in places with reported cases; closure of public spaces with high human traffic, such as schools and public events; dusk-to-dawn curfews; and ensuring basic hygiene and social distancing. However, these precautionary measures have had negative economic impacts on businesses and workers. The country witnessed job cuts across various sectors, and incomes of businesses and available working hours for staff significantly fallen. This paper presents a critical appraisal of the impacts of Covid-19 on apparel industry value chain in Nairobi, Kenya. The purpose of this study was to examine the impact of Covid-19 pandemic on apparel industry focusing on both effects and strategies that were employed to provide stability and resilience in the industry. The specific objectives of this study were to assess the impact of Covid-19 travel restrictions on apparel value chain; establish how apparel value chain was impacted by economic lockdown in Kenya due to Covid-19 and examine how the apparel industry rebuilt resilience to stabilize the impacts of the pandemic. Using stratified and random sampling, this study had 60 respondents including 5 producers, 20 traders and 35 consumers of apparels. A descriptive survey research design was employed to collect data using a questionnaire and an interview guide. This study utilized both chi-square test of independence and regression modelling to assess the impacts of the covid-19 measures on production, trading and consumption of apparels. The study established that travel restrictions had an impact across apparel value chain, but at different levels. Among the consumers there was a significant relationship between Covid-19 and need to purchase (p -value = .002), frequency of purchase (p -value = .019) and quantity of purchase (p -value = .000). There was a significant impact between Covid-19 measures and apparel trading and production. Mask and personal protective gears were taken up by both small and large producers to cushion them from common apparel making. The study concluded that apparel industry was hit by Covid-19 and since it is a key sector for thousands of livelihoods, it is recommended that the government sets aside funds to boost the sector through loans and provide an expanded market for producers by embracing technology.

Keywords: Apparel Value Chain, Covid-19, Market Response, Resilience.

Introduction

On 31st December 2019, the World Health Organization (WHO) was informed of a cluster of cases of pneumonia of unknown cause detected in Wuhan City, Hubei Province, Peoples' Republic of China (Zhao et al., 2020). This was subsequently confirmed as an outbreak of a new type of coronavirus, 2019 novel Coronavirus (2019-nCoV) by the National Health Commission, Peoples' Republic of China and the WHO (Sohrabi et al., 2020). As of 1st January 2020, the Coronavirus Worldometer showed that the number of infected cases globally was over 100 million with recorded

deaths exceeding 1.9m, and over 45m recovered patients with over 700 000 infections daily. As of 7th March 2020, the data was 117m cases, 66m recovered and 2.59 deaths due to covid 19 related cases. Nziza et al. (2019) noted that the number of infected cases had risen to 108,000 with 1,874 deaths and 87,550 recoveries.

The Covid-19 pandemic is unprecedented in its global reach and impact, posing formidable challenges to policymakers and empirical analysis of its direct and indirect effects within the interconnected global economy (Adam et al., nd). The Covid-19 pandemic is a global shock 'like no other', involving simultaneous disruptions to both supply and demand in an interconnected world economy. On the supply side, infections reduce labour supply and productivity, while lockdowns, business closures, and social distancing also cause supply disruptions (Bodenstein, Corsetti, & Guerrieri, 2020). On the demand side, layoffs and the loss of income (from morbidity, quarantines, and unemployment) and worsened economic prospects reduce household consumption and firms' investment.

A rapidly growing body of research investigates the heterogeneous, non-linear, and uncertain macroeconomic effects of Covid-19 across countries, sectors in individual countries, as well as on a global scale. Pagano et al. (2020) and Capelle-Blancard and Desroziers (2020) considered the effects of the pandemic on the US stock market and highlighted its differential impact on various sectors of the economy. Ludvigson et al. (2020) quantified the macroeconomic impact of Covid-19 in the US using a VAR framework and a gauge of the magnitude of the Covid-19 shock in relation to past costly disasters. McKibbin and Fernando (2020) explored the global macroeconomic effects of alternative scenarios of how Covid-19 might evolve in the year ahead, highlighting the role of spillovers. This study however, focuses on the effect of the pandemic on apparel sector of fashion in Nairobi County, Kenya.

According to the Organization for Economic Cooperation and Development (OECD) (2020), annual global GDP growth was projected to drop to 2.4% in 2020, with growth possibly even being negative in the first quarter of 2020 due to COVID-19 pandemic. Following the global spread of COVID-19, Ghana introduced a partial lockdown restricting economic activities in Accra, Kumasi, and Tema. The partial lockdown forced many businesses to close, while those firms that kept operating found themselves with fewer customers and orders, had increased difficulties to source inputs and cover financial shortfalls. Thirty six percent of firms had to close during the partial lockdown. Firms in the manufacturing sector were most affected followed by trade, and other services, like accommodation and food sectors. Of the firms that remained open, 88% experienced reduction in sales. On employment 38% of firms report that they reduced workers' wages (corresponding to 28% of employment in the private sector). Three and a half percent of firms' report having laid off workers, corresponding to 2.3% of employment. Digital solutions: Fewer than 10% of firms adopted digital solutions in doing business.

As the outbreak intensified, Nigeria's services, trade and financial sectors would suffer significant disruptions. Together, the three sectors contribute over 30% to GDP. Contraction in these sectors could result in significant job losses both in formal and informal job markets. This could be a severe blow and a threat to instability as youth unemployment/underemployment is already high at 55%.

The socio-economic impact of the COVID-19 epidemic operates through two distinct channels. First, the direct and indirect effects of the sickness, which results when an income-earner in the household falls ill, the ratio of active members to dependents falls. Secondly, aversion behaviour effects resulting from the fear of catching the virus, which in turn leads to a fear of association with others and reduces labor force participation, closes places of employment, disrupts transportation,

motivates the governments to close borders and restrict entry of citizens from afflicted countries, which triggers private decision makers to disrupt trade, travel, and commerce by canceling scheduled commercial flights and reducing shipping and cargo services.

After the confirmation of the first case on 13 March 2020, Kenya introduced various restrictions such as the entry of foreigners from countries that have confirmed coronavirus cases, working at home and closing of learning institutions. Other restrictions have since been placed by 47 individual governors in their respective counties. Barely a few days into the restrictions, small-scale traders in Nairobi were already feeling the effects of coronavirus-induced hardships. This study sought to establish the effect of covid-19 travel restrictions on apparel market dynamics.

Problem Statement

The Coronavirus (COVID-19) pandemic is currently causing significant adverse impact on the global economy. Governments around the world are implementing various fiscal measures to mitigate the adverse effect and provide relief for businesses and households. Apart from the guidelines provided by the World Health Organization, Kenya has also taken measures such as limiting movement in places with reported cases; closure of public spaces with high human traffic, such as schools and public events; and dusk-to-dawn curfews. These measures have adverse effects on the several sectors of the economy including apparel industry. This sector is a fundamental part of global business and creates millions of direct and indirect jobs globally. Consequently, it is important that any risk factor on this vital sector is scientifically analyzed and decision made based on empirical findings. This study therefore ought to examine how the pandemic has affected the apparel sector in Nairobi County with focus on the value chain (production, trade and consumption).

Objectives

- i. To assess the impact of Covid-19 travel restrictions on apparel value chain.
- ii. To establish how apparel value chain was impacted by economic lockdown in Kenya due to Covid-19.
- iii. To apparel industry rebuilt resilience to stabilize the impacts of the pandemic.

Methods and Materials

Using stratified and random sampling, the study used 60 respondents that included 5 producers, 20 traders and 35 consumers of apparels. A descriptive survey research design was employed to collect data using a questionnaire and an interview guide. This study utilized both chi-square test of independence and regression modelling to assess the impacts of the covid-19 measures on production, trading and consumption of apparels. The questionnaires were administered by the researcher to the respondents. All the selected respondents were given 30 minutes to fill and return the questionnaires. Data gathered was analyzed quantitatively and qualitatively. All the responses were coded and entered into SPSS. Frequency distributions and percentages were generated to facilitate comparisons and cross tabulations of various items.

Results and Discussions

Impact of Covid-19 Travel Restrictions on Apparel Production

This study established the effect of Covid-19 travel restrictions on apparel production. The findings are presented in Table 1 below:

Table 1 : Effects of Covid-19 Travel Restrictions on Apparel Production

	<u>SA</u>	<u>A</u>	<u>N</u>	<u>D</u>	<u>SD</u>
Delayed arrival of raw materials	% 40	% 20	% 20	% 20	% 0
Hard paying employees due to reduced purchases	100	0	0	0	0
Reduced working hours reduced production	60	20	20	0	0
Reduced profits due to covid-19 budgetary allocation	0 20	0 0	20 20	40 20	40 40

*SA = Strongly agree A = Agree N= Neutral D = Disagree SD = Strongly disagree.

All the respondents in production value chain indicated that they had it hard to pay the employees because of reduced purchases. They indicated that the situation will only be safe if they embraced new technology. The study also showed that 40% of the respondents strongly agreed that they experienced delayed raw materials arrival because they could not travel themselves to purchase or order raw materials due lack of technology hence production was slowed. The study also showed that 40% of the respondents disagreed and strongly disagreed that Covid-19 budgetary allocation caused reduced profits in apparel production. Forty percent of the respondents also strongly disagreed that layoff of employees had an impact on production.

This study further established percentage reduction in production among the respondents. Figure 1 below shows the results.

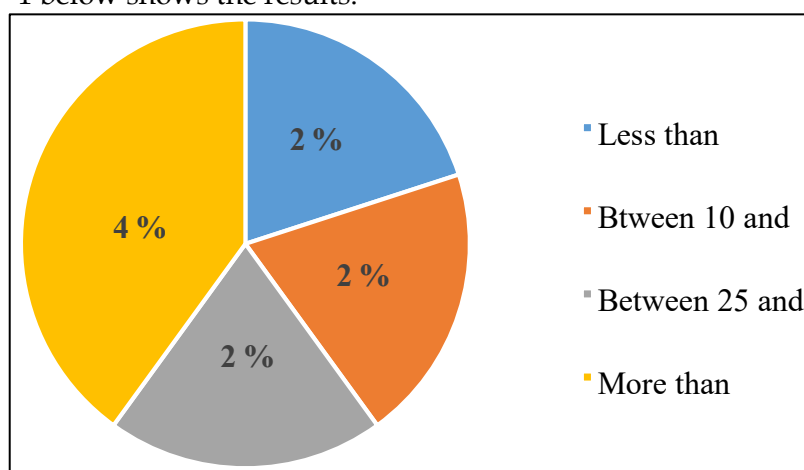


Figure 1: Percentage Reduction in Apparel Production

The study showed that 40% of the respondents recorded a reduction of over 40% in production , while 10% of the respondents recorded less than 10%, between 10 and 25% and between 25% and 40%.

These results corollate those of Zhou et al. (2020) who found that sales contraction and price volatility of vegetables in the context of interruption of supply chain dominated the total losses during the pandemic. The study further showed that farmer households' participation in local market and modern marketing methods helps mitigate the negative effects of the COVID-19 shock, while labor hiring and facilities adoption in production widen the losses due to the shortage in the workforce.

Impact of Covid-19 Travel Restrictions on Apparel Trade

This study established the impact of travel restrictions resulting from covid-19 on textile trade. Results were presented in Table 2 below.

Table 2: Impact of Covid-19 Travel Restrictions on apparel Trade

Category	SA	A	N	D	SD
Reduction in sales	9	7	2	2	0
	45	35	10	10	0
Less imports in apparel	6	10	3	0	1
	30	50	15	0	5
Reduced working hours reduced trade in textile	4	5	2	5	4
	20	25	10	25	20
Transport costs skyrocketed reducing profits	1	7	5	2	5
	5	35	25	10	25
Less textile demand hence low profits	10	7	1		2
	50	35	5	0	10

The study found out that 45% of the traders strongly agreed that there was a reduction in sales of apparel. Half of the traders indicated that there was a drastic decrease in imports from other Country which are normally sold on the local market. The study further showed that there was no general feeling on the effect of reduced working hours on the sales of apparels. However, the study indicates that 50% of the traders strongly agreed that there was a reduced demand of the textile from buyers, hence affecting their profits. Daniel (2019) did a study on HIV/AIDS pandemic and agricultural production in Cameroon. The result reveals that the prevalence of HIV/ AIDS correlates negatively with production.

The study sought to establish the extent to which the decrease in sales among apparel traders. Their responses are presented in Figure 2 below.

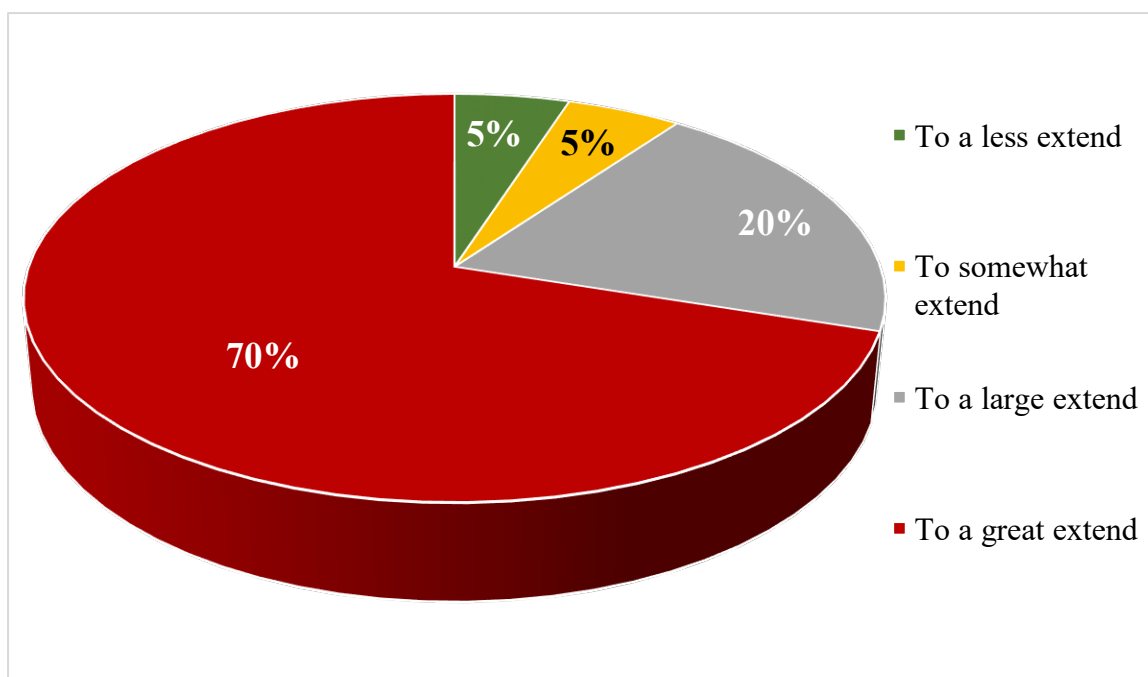


Fig. 2: Extent on Decrease in Sales among Apparel Traders.

The study results showed that the majority (70%) of the respondents indicated that they had their sales decrease due to covid-19 travel restrictions. The study also showed that 20% had sales reductions to a large extent.

Impact of Covid-19 Travel Restrictions on Apparel Consumption

This study sought to establish the influence of covid-19 travel restrictions on apparel consumption in Nairobi County. The variables tested were variability in frequency of shopping, monthly apparel budget, origin of clothing (local or imported) and type of clothes.

Shopping Frequency

This study sought to establish the frequency of textile shopping during Covid-19 pandemic. Table 4 below shows the results.

Table 3: Frequency of Apparel shopping

	Before Covid		During Covid	
	Frequency	Percent	Frequency	Percent
Rarely	4	11.4	9	25.7
Semi annually	4	11.4	6	17.1
Quarterly	9	25.7	10	28.6
Monthly	13	37.1	9	25.7
Weekly	5	14.3	1	2.9

The study indicates that there was a change in the frequency of apparel shopping before and during Covi-19 and that those who rarely purchased clothing increased from 11% to 26%, while those who

did their textile shopping semiannually also increased from 11% to 17%. However, the study findings indicated that those who did their apparel shopping monthly and weekly reduced from 37 to 26% and 14% to 3% respectively.

The study examined the amount of money spent on textile purchases.

Table 4: Amount of Money Spent on Apparel Purchases

Amount in Ksh. Per month	Before Covid		During Covid	
	Frequency	Percent	Frequency	Percent
Less than 1000	13	37.1	19	54.3
1000 – 2000	8	22.9	11	31.4
2000 – 3000	5	14.3	4	11.4
3000 – 5000	6	17.1	1	2.9
More than 5000	3	8.6	0	0.0

The study revealed that across all the groups (production, trade and consumption), there was a reduction of the amount spent on purchasing apparels. For instance, those who spend less than Ksh. 1000 increased from 37% to 54%, while those who spent more than Ksh. 5000 reduced to 0% from 9%. This implied that the percentage of those who spent less than ksh 1000 were more than what they used to be, while those who used to spend more than ksh 5000 reduced to zero from 9%.

This study also sought to establish the influence of covid-19 on the origin of clothes that were bought. The category was imported or local clothes. The results showed that while 19% of the buyers went for new imported clothes, the number went down to only 11%. Consequently, the percentage of those who consumed local apparels rose to 90% from 80%.

Lastly, the study sought to establish the type of clothes that were consumed. The type was categorized as either new or used (Locally known as – “*mitumba*”). The study sought to establish those who consistently used one of the cadre of clothes. Results suggested that 40% of the buyers bought new clothes before Covid, this number reduced to just 16% during the pandemic. This finding implies that people reduced their expenditure on apparels and opted for cheaper second hand clothes.

This study establishes the impact of Covid-19 on travel restrictions and apparel market response. Table 5 shows the results:

Table 6: Relationship between Covid-19 Travel Restrictions and Production Response across the Apparel Value Chain.

Factor	Scale	Production	Trade	Chisquare (x ²)	Asymptotic significance	Effect size (φ)
Delayed arrival of raw materials	SA	2 (40)		9.331	0.099	0.322
	A	1 (20)		28.010	*0.028	0.783
	N	1(20)		0.762	0.098	0.672
	D	1 (20)		57.120	0.471	0.223
Hard paying employees due to reduced purchases	SA	5 (100)		1.002	*0.002	0.601
Reduced working hours reduced production	SA	3 60)		26.998	*0.001	0.483
	A	1 (20)		0.092	*0.046	0.900
	N	1 (20)		9.672	0.281	0.129
Reduced profits due to covid-19 budgetary allocation	N	1 (20)		3.089	*0.008	0.420
	D	2 (40)		7.100	0.809	0.337
	SD	2 (40)		0.329	0.073	0.545
Reduced production due to layoffs.	SA	1 (20)		21.115	0.929	0.338
	N	1 (20)		67.772	0.894	0.176
	D	1(20)		20.719	0.658	0.619
	SD	2 (40)		13.902	*0.011	0.492
Percentage reduction in production	Less than 10	1(20)		11.911	*0.023	0.403
	Between 10 and 25	1(20)		3.44	0.738	0.302
	Between 25 and 40	1(20)		52.003	0.224	0.092
	More than 40	2(40)		4.905	0.54	0.322
Reduction in sales	SA		9(45)	1.779	0.908	0.117
	A		7(35)	23.003	0.427	0.078
	N		2(10)	7.441	0.891	0.298
	D		2(10)	10.33	0.078	0.37
Less apparels imports	SA		6(30)	56.121	*0.040	0.258
	A		10(50)	1.332	0.669	0.365
	N		3(15)	8.243	*0.002	0.202
	SD		1(5)	0.665	*0.009	0.292

Reduced working hours reduced trade in textile	SA		4(20)	21.733	*0.008	0.465
	A		5(25)	4.009	0.437	0.092
	N		2(10)	6.34	0.229	0.322
	D		5(25)	0.775	.983	0.438
	SD		4(20)	48.121	0.453	0.117
Transport costs skyrocketed reducing profits	SA		1(5)	7.001	0.087	0.078
	A		7(35)	69.412	*0.032	0.227
	N		5(25)	24.166	*0.001	0.338
	D		2(10)	1.908	0.065	0.21
	SD		4(6.3)	2.565	*0.026	0.298
Less textile demand hence low profits	SA		10(50)	8.009	*0.035	0.37
	A		7(35)	4.786	0.393	0.41
	N		1(5)	9.225	0.324	0.126
	SD		2(10)	10.438	0.116	0.287

Note: * indicates significance at 0.05 ($p < 0.05$)

The study established that 'agree' for delayed arrival of raw materials was found to have a significant relationship with production of textile ($\chi^2 = 28.010$, $p = *0.028$, $\phi = 0.783$), other responses on the delayed delivery of raw materials had no significant relationship. Strongly agree response to hard paying employees due to reduced purchases was significant at 0.05 ($\chi^2 = 1.002$, $p = *0.002$, $\phi = 0.601$). Results also showed that textile production was significantly related to reduced working hours for strongly agree ($p = 0.001$) and agree ($p = 0.046$). Among the trading variables, less apparel imports were significant for strongly agree ($p = 0.040$), neutral ($p = 0.002$) and strongly disagree ($p = 0.009$). Reduced working hours were not significant for any of the response. Low profits caused by less textile demand was significant at $p = 0.035$ for strongly agree.

Chi Square Test for Frequency of Apparel Shopping

This study carried out a chi square test for frequency of apparel shopping. Table 6 below shows the results.

Table 6: Chi Square Test for Frequency of Apparel Shopping

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	11.250 ^a	9	.259
Likelihood Ratio	10.549	9	.308
N of Valid Cases	5		
a. 16 cells (100.0%) have expected count less than 5. The minimum expected count is .20.			

The study showed that there was no significant relationship between frequency of apparel shopping among the consumers and covid-19 travel restrictions ($\chi^2 = 11.250$, $p = 0.259$).

Chi Square Test for amount of Money Spent on Apparel Purchases

The chi square test for amount of money spent on apparel purchases.

Table 8: Chi Square Test for amount of Money Spent on Apparel Purchases.

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	20.000 ^a	16	.220
Likelihood Ratio	16.094	16	.446
N of Valid Cases	5		
a. 25 cells (100.0%) have expected count less than 5. The minimum expected count is .20.			

The study showed no significant relationship between the amounts of money spent on apparel purchases ($\chi^2 = 20.000$, $p = 0.220$) and Covid 19.

Strategies Undertaken by Producers and Traders to Cushion the Apparel Industry from Covid-19 Effects

This study sought to establish some of the strategies that were used by the apparel value chain in curbing the negative effects of covid-19. When asked what measures had been put in place to ensure that the negative effects of Covid-19 do not totally ravage the textile industry one of the producers said;

It was initially challenging in the beginning to a point of sending some of our workers to unpaid leave but then when the government liberalized mask production, we recalled them and started making masks and PPEs. Fortunately, it paid off. Production respondent 1. Yet another respondent said;

We secured a bank loan to cushion our low sales and continued with our production with a hope that sales will pick up when the country opens up again. Things are slowly improving when most of the restrictions started easing.

The study also examined the strategies used by traders and consumers in addressing the negative effects of Covid-19 in Nairobi County. One of the traders had this to say;

I abandoned the sale of clothes and took advantage of the situation and started supplying face masks. I have been selling them both on retail and wholesale and it has been wells so far.

One buyer said;

I stopped purchasing new clothes for sometimes during the Covid pandemic. I have worked with what I had before the pandemic.

Conclusions and Recommendations

The study established that travel restrictions and economic lockdown had an effect across the apparel value chain at different levels as well as the strategies used to mitigate the effects of the pandemic. Among the producers, there was a significant relationship between Covid-19 imposed travel restrictions and delayed arrival of raw materials ($\chi^2 = 28.010$, $p = *0.028$, $\phi = 0.783$); There was a significant relationship between Covid-19 travel restrictions and reduced working hours for strongly agree ($p = 0.001$) and agree ($p = 0.046$). Mask and personal protective gears were taken up by both small and large producers to cushion them from common apparel making. The same was for the traders who sold them at both wholesale and retail prices for survival. The study further noted that buyers scaled down the purchase frequency and amount spent. Some opted for cheaper second hand clothes.

It is recommended that the government should put in place measures to ensure that all industries including apparel are cushioned against the devastating effects of the corona virus.

Further study should be done to establish the effect of the pandemic on other sectors particularly the service industry that does not necessarily rely on the physical travelling of people.

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Financing Options and the Sustainable Growth of Real Estate in Nairobi Metropolis, Kenya

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Abstract

Real estate business is an undertaking that has been perceived as a project that needs a lot of capital to initiate. In Kenya, investing in real estate has been a huge venture for the last 10 years as demand for housing continues to rise. This research aimed at establishing the perceived role of financing options on the sustainable growth of real estate in Nairobi Metropolis, Kenya. It is difficult to fund big projects in real estate solely from personal savings. There is need to use other sources of finance such as equity, mortgage, or venture capital. This research paper objective was to examine the influence of equity financing option on the growth of real estate in Nairobi Metropolis in Kenya. This study collected primary data collected using a structured questionnaire from registered developers in Kenya with an interest in Nairobi Metropolis. The sample size was 81 out of a population of 100 developers registered with Kenya Property Developers Association. The study employed descriptive research design and data was analyzed through multiple regression analysis. The study found out that the variables addressed explain 93% of the growth of Real estate in Kenya and that equity financing variable contributed immensely to the sustainable growth of the real estate sector in Nairobi Metropolis in Kenya. The study concluded that equity financing was necessary for the growth of real estate in Nairobi Metropolis.

Keywords: *Equity Financing, Metropolis, Financing Options, Real Estate, Property Developer.*

Background of the Study

Real estate concerns a mass of land and resource fixed, whether movable or immovable such as buildings and fences or other fixed assets (Baker & Wiedemer, 2012). The most important factor in real estate development is funding and what makes it complicated is its capital intensive nature that demands proper and adequate funding to make it even more realizable. The terms and availability of the required funds determine the course of real estate operation (Brueggeman & Fisher, 2005).

Increasing emphasis is being placed in developing and transitioning economies on the restructuring of real estate finance and mortgage markets. McKinney (1952) identified four sources of real estate financing in the order of priority in contribution during the housing boom in the United States, such as savings and loan associations followed by commercial banks, insurance companies, and mutual savings banks. Despite the rising attention on urban housing and development, informal settlement sector is still the biggest contributor to housing in developing countries especially in Asia, Southern America and Africa (Mwangi, 2012).

Financing options for real estate development in Kenya is still a great deal and poses a great deal of problem for the developers. This is largely due to slow economic growth and instability and strict measures imposed by most financial institutions. This is compounded by the fact that the

interest rate structures have been unfavourable to the development of real estate. Furthermore the financing of real estate development is always a long term, hence attracting high interest rates that are being charged on the funds provided for such development (Kohnstann, 2012).

Real Estate Development in Kenya

The real estate market is distinguished by the predictable cycles of booms and busts. It is divided into formal and informal markets with the major market representing a peculiar complexity of three autonomous but associated markets (Koech, 2014). These markets include space, asset and development markets which portray market arenas where trading takes place and prices regulated through the interplay of demand and supply (Ubale, Martin & Wee, 2013).

For the past ten years, Kenya has undergone a significant growth in terms of population and migration from rural to urban settlement. Urbanization has resulted to a modern single family set up which has created a huge demand for urban housing leading to further expansion of the urban areas. Demand from the middle income earners is also extremely high and its estimated that Nairobi alone requires approximately 150,000 new housing units per year against a maximum construction of about 10,000 units per year (Flaman & Gallagher, 2015).

Construction activities require a lot of capital to execute. Financial resources have to be utilized by all property developers to meet various costs even before the project begins. As a developer, one has to plan effectively in securing funding for development. One of the most critical steps in planning for construction is identifying the most suitable source of funding for construction development. A major challenge in real estate industry is therefore financing, both at development stage and in end-user finance. Due to limited financing options, the real estate industry in Kenya has been characterized by fairly rigid financing conditions and relatively high interest rates. There is need to put capital aside to start or grow the sector and most investors do not have access to ready funds to invest in real estate (Flaman & Gallagher, 2012).

Statement of the Problem

Real estate investments are relatively risky due to their irreversible nature, intrinsic uncertainties, and the long payback period, and this makes it difficult to access funding from financiers. Research by Freire, Lima, Cira, & Kessides (2007) highlighted that legal land development for low income households has dried up or is in the process of drying up in many developing economies. In Buenos Aires for instance, the formal submarket for sale of individual lots in monthly installments to low-income households was important from 1950 to 2000, but has disappeared (World Bank, 2010).

The sourcing of funds for investment in real estate development poses a great deal of problem for the developer. There is a deficiency of long term financing necessary to finance real estate projects due to financial institutions preferring short term financing. The Central Bank of Kenya has a postulates that there is a long term funding disparity which further complicates the funding of long term projects in the real estate sector (CBK, 2017). Funding of the real estate in Kenya is in competition with other sectors in the economy and so threatening the continuous growth in real estate (Kamau, 2017).

Macharia (2013) in her study on the effects of global financial crunch on the financial performance of commercial banks offering real estate finance in Kenya found out that there was a negative

relationship between performance and global financial crisis of commercial banks offering real estate finance in Kenya. Michuki (2010) alluded that Real Estate Investment Trusts needs by investors at the NSE established that investors would not prefer to put their money in Real Estate Investment Trusts. Previous and recent studies done on real estate have not focused on the role of financing options and specifically equity financing option on the growth of the sector in Nairobi, Kenya. Based on this, a gap therefore exists and this research intends to bridge this gap.

General Objective

The general objective of the study was to determine the effect of financing options on the growth of real estate in Nairobi metropolis, Kenya.

Specific Objective

The specific objective of the study was to determine the effect of equity financing on the growth of real estate in Nairobi metropolis, Kenya.

Theoretical Review

Real Estate Simulation Theory

This theory was developed by Wieand (1996), and observed the degree to which financial markets facilitated the provision of housing finance across a wide range of nations. The theory indicates that States or Countries with stronger laws for finance providers and investors, deeper credit information systems, and a firmer macroeconomic atmospheres have strong housing finance schemes. The random nature of real estate market largely obstructs the development of comprehensive analytical models illustrating market functions (Keeney, 2012).

This theory was financially relevant in ascertaining constraints that affect real estate accomplishment by focusing on mortgage characteristics such as the cost of taking out a mortgage as a financial constraint to both the developer and interested parties. The theory was also used to shed light on the effects of the direct and indirect subsidies, including interest deductibility, factors that have a big impact on the real costs and subsequent housing project success.

Resource Dependency Theory

This theory was developed by Brueckner, (1997) and advices top managers to select the leastconstraining device to manage relations with their exchange partners that will allow them to minimize uncertainty. This theory is relevant in project management as it emphasizes on the significance of having many opportunities in an effort of ensuring project success. This theory is pertinent to tackle financial constraints and encouraging on the marketing approaches to be used in order to guarantee that a housing project is successful (Sirmon, Hitt & Ireland, 2007).

Resource dependency theory emphasizes on the organization's ability to institute methods to access resources (Van, Witteloostuijn & Boone, 2006). Resource dependency theory assumes that the firm makes the right choices to achieve objectives. According to this theory, real estate firms are not able to accumulate all financial resources internally and therefore depend on finances from other organizations in their environment to access the limited resources. For the firms to survive or prosper, financial resources must be obtained from external sources (Barringer & Harrison, 2000).

This theory is applicable to this study due to the financial, market and government policies dependency nature of the housing projects that developers may not wholly depend on internal funding like savings or revenue reserves, but should also seek funding from other organizations in the environment.

Empirical Review

Empirical evidence suggests that investors may over-invest in real estate (Taylor, 2008). Such portfolio inefficiency is not necessarily attributable to irrational behavior on the part of homeowners. As outlined in Dilmaghani (2014), the quantity of housing owned must be at least as large as the amount of housing consumed.

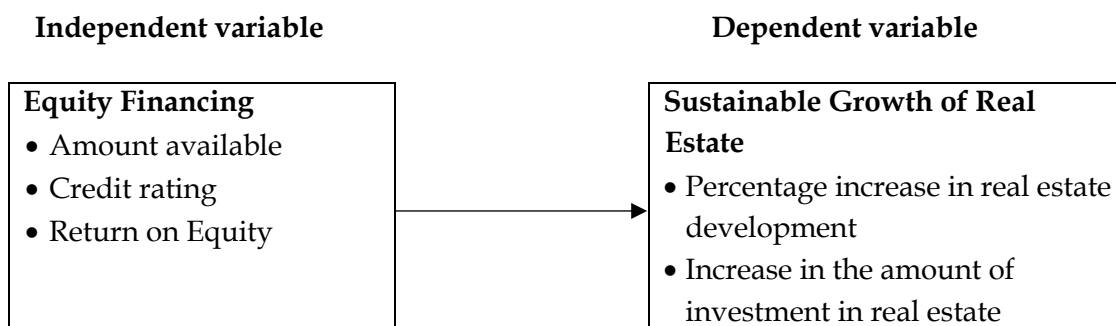
Equity Financing Option and Growth of Real Estate

Equity financing has been widely used in emerging market. Several financial institutions in Kenya have been providing equity financing to real estate developers, this is also the practice in developed economies. The economic development, enterprises upgrade and market reform increases the demand for venture capital, which creates a good chance for the development of equity financing. The main demand in equity financing focuses on infrastructure, industrial and commercial areas.

Arcand, Berkes, and Panizza (2012), did a study on the vanishing effect and found a basic relationship between equity finance and real estate development, but by the fact that standard models do not allow for a non-monotonic relationship between financial development and real estate. Allowing for this relationship, they find a positive marginal effect of financial depth on real estate in economies in which the level of credit to the private sector falls below a threshold of about 80–100 percent of GDP.

Equity financing is well-developed in developed countries and it's estimated that there are more than 100 billion dollars invested in equity fund. The main investors were insurance companies in the early stage, and gradually mainly with fund companies and commercial banks. Fund companies account for 70% and commercial banks 20% (Sun, 2015). As equity financing products have good liquidity and low fluctuation, it has great attraction to the institutional investors like insurance companies, commercial banks, investment banks, hedge fund and pension funds since it's a mature asset class.

Conceptual Framework



Source: Authors, 2021

Research Design

This study adopted descriptive survey design. This design as defined by Orodho (2009) is a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. The main feature of descriptive survey design is to describe specific characteristics of a large group of persons, objects or institutions, through questionnaires (Kothari 2012).

Target Population

According to Mugenda and Mugenda (2013), a population is a well-defined set of people, services, elements and events, group of things or households that are being explored. The population for this study was all the 100 registered real estate developers in Kenya by April, 2020.

Table 1: Target Population

Category	Population
Premium Developers	12
Corporate Developers	57
Associate Developers	31
Total	100

Source: Kenya Property Developers Authority 2020

Sampling and Sampling Procedure

Sampling is defined by Saunders, Lewis and Thornhill, (2012) as a method used in drawing samples from a population usually in such a way that the sample facilitates determination of some hypothesis concerning the population. This study sampled 81% of the population from all the three clusters. According to Yamane Taro (1967), the sample size is computed as:

$$n = \frac{N}{1 + N(e)^2}$$

Where n is the sample

N is the population

e is the desired level of precision

$$n = \frac{100}{1 + 100(0.05)^2} = 80 \text{ units.}$$

This is equal to 80% of the population. This is distributed to the clusters as follows;

Table 2: Sample Size

Category	Population		Sample	Approx.
Premium	12	12/100*80	9.6	10
Corporate	57	57/100*80	45.6	46
Associate	31	31/100*80	24.8	25
Total	100		80	81

Source: Author (2021)

The approximate sample size was 81 and the researcher felt that this was a representative sample of the population.

Research Instrument

Data was gathered using a semi-structured questionnaire which was preferred as data was gathered in a consistent manner, making it more impartial than interviews (Mugenda & Mugenda, 2012).

Data Analysis and Presentation

Qualitative techniques were used to undertake data analysis. Quantitative analysis was used to establish the scores of responses provided. This entailed generation of descriptive statistics after data collection, estimation of population parameters from the statistics, and making of inferences based on the statistical findings. The study used a multiple linear regression model with the aid of SPSS software.

$$Y = \alpha_0 + \alpha_1 x_1 + \varepsilon$$

Y is the growth in real estate and is the dependent variable

α_0 , the intercept or the constant The error term is

represented by ε

α_1 , is the partial regression coefficients to determine changes in the independent variable X_1

x_1 is the independent variable and represents Equity financing

Research Findings and Discussions

Response Rate

A total of 81 questionnaires were distributed. Those successfully completed were 70 representing a total of 86% as illustrated in the table 3. According to Mugenda and Mugenda (2003), response rate above 80% is acceptable for a descriptive study. This is represented in Table 3 below.

Table 3: Response Rate

	Frequency	Percentage
Successful	70	86.4
Unsuccessful	11	13.6
Total	81	100%

Source: Author (2021)

Duration of Involvement in the Real Estate Sector

Over 52% of the respondents indicated they had been in the real estate business for between 1 to 5 years. Thirty four percent had been in the industry for 5-10 years, while those who had been in the real estate industry for more than 10 years are 12%. This is represented in Table 4 below.

Table 4: Duration

Duration in real estate	Frequency	Percent
1-5years	37	52.9
5-10years	24	34.3
<u>Above10 years</u> Total	<u>9</u> 70	<u>12.9</u> 100.0

Source: Author (2021)

Whether Personalised Tailored Loans Aid Growth of Real Estate

Majority of the respondents (96%) were affirmative as to whether tailored loans and real estate growth , with only 3% responding negatively and 1% not responding . This is represented in Table 5 below.

Table 5: Personalised Tailored Loans Aiding Growth in Real Estate

Response	Frequency	Percent
Yes	67	95.7
No	2	2.9
I don't know	1	1.4
Total	70	100.0

Source: Author (2020)

Diagnostic Tests

These tests show whether the data fulfils the requirement of ordinary least squares (OLS) and thus sufficiency and adequacy of the data for regression analysis.

Test for Normality and Linearity

A normality test is carried out to determine if the data set is well-modeled by a normal distribution (Paul& Zhang, 2010). The data was summarized and tested for normality using skewness and kurtosis and was found without any inconsistencies. Kurtosis is a display of flattening of a distribution and skewness is as an indication of asymmetry and deviation from a normal

distribution. Data is said to satisfy normality parameters if skewness and kurtosis is between +2 and -2. Kothari, C. R. (2004).

Test of Heteroscedasticity

According to Vinod (2008) heteroscedasticity is a condition where the variability of a variable is imbalanced across the array of values of a second variable that predicts it. A state of homoscedasticity is when the value of “Prob > Chi-squared” is higher than 0.05 .The data set did not show any condition of heteroscedasticity when tested using Breusch-Pagan/Cook-Waisberg test. The results were Chi2 (1) = 0.01 and prob>Chi (2) =0.09075 as shown in Table 6 below.

Table 6: Test for Heteroscedasticity

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of realgrowth

chi2 (1) = 0.01

Prob > chi2 = 0.9075

Source: Author, 2020

Correlation Analysis

The relationship between the independent variable and the dependent variable was examined using correlation analysis. Correlation is used to find the relationship between a group of subjects and in turn assists in testing for multi-collinearity. Pearson correlation coefficient (r) and p-value analysis were used. Multi-collinearity exists if the absolute value of Pearson correlation is higher than 0.8. Correlation was perceived to be significant when (p<0.05) two tailed.

Table 7 below shows the results of the correlation analysis which revealed that equity financing as a financing option was negatively related to real estate performance (r= -0.236, p=0.049).

. hettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of realgrowth

chi2 (1) = 0.01

Prob > chi2 = 0.9075

Table 7: Pearson Correlation

Variable	real estate	Growth of financing	Equity
Growth of real Estate	1.000		
Finance	0.236	1.000	
		Sig.(2-tailed)	0.049

Source: Author (2021)

Descriptive Statistics

Equity Financing

The Table 8 below shows the roles that the respondents think equity financing has towards growth of real estate. Sixty four percent cited finance as the role of equity finance, 14% advisory, 10% risk sharing, 6% networking, 4% technical support and finally 1% believe equity financing lower costs of real estate.

Table 8: Role of Equity Financing

Equity financing roles	Frequency	Percent
Financing	45	64.3
Networking	4	5.7
Advisory	10	14.3
Technical support	3	4.3
Risks sharing	7	10.0
Lower financing costs	1	1.4
Total	70	100.0

Source: Author (2021)

Equity Financing

The objective was to determine the effects of equity financing on growth of real estate in Kenya and results are presented in Table 9. The respondents were in disagreement as to whether equity financing is available to starters in real estate with a mean of 3.529 and a standard deviation of 1.1099, indicating low variance among the respondents on availability of equity finance to starters. They were however in agreement that, equity investors primarily seek opportunity for growth and are willing to take a chance in real estate growth which has high returns with a mean of 1.886 and a standard deviation of 0.713.

The amount available depends on amount inherited, transfers from diaspora as the respondents agreed with a mean of 1.986 and a standard deviation of 0.825 showing moderate variance among respondents. Respondents further agreed that equity financing is a safer funding than debt financing with a mean of 1.757 and standard deviation of 0.907, but were neutral on whether equity financing affects real estate positively with a mean of 1.743 and standard deviation of 0.716.

Table 9 : Equity Financing

	Mean	Std. Deviation
Equity financing is available for starters in real estate	3.529	1.0997
Equity investors primarily seek opportunity for growth and are		.7131

willing to take a chance in real estate growth which has high returns	1.886	
Amount available depends on among other factors like amount		.8252
1.986 inherited, transfers from diaspora		
Equity financing is a safer funding for real estate growth than debt financing	1.757	.9079
Equity financing affects the growth of real estate positively	1.743	.7160
The payback is payback too long	2.929	1.3002

Source: Author (2016)

Inferential Statistics

Inferential analysis was done and included correlation, model of fitness and analysis of variance and regression analysis. It was on the basis of the regression analysis results that the researchers used confirmatory factor analysis and found out that equity financing explained growth in real estate with 11.47%.

Regression Analysis

This covers the fitness of the regression model used to investigate role of financing options on the growth of real estate in Nairobi metropolis. The extent to which changes in the dependent variable real estate growth can be explained by change in the equity financing is illustrated by coefficient of determination.

Analysis of Variance

When testing for statistical significance, p-value indicates the level of relation of the independent variable to the dependent variable and if the significant number is less than the critical value (pvalue) which is statistically set at 0.05, then the model is deemed significant in explaining the relationship between the dependent variable and independent variable otherwise the model will be deemed as non-significant. Overall, the results indicated the model was statistically nonsignificant looking at the reported p-value of 0.306 which is more than the conventional 0.05 significance level.

Regression Coefficients

The results indicated and concluded that equity financing had a t= 0.993 and a p-value of 0.324 showing very low significance level.

Table 10: Model Summary

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Est</i>
1	.266 ^a	.071	.013	1.16764

a. Predictors: (Constant), Equity Financing

Table 4.10: Variances
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.724	4	1.681	1.233	.306 ^b
	Residual	88.619	65	1.363		
	Total	95.343	69			

a. Dependent Variable: Growth of Real Estate b. Predictors: (Constant), Equity Financing Source: Author (2020)

Table 11: Regression Coefficients
Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.348	1.053		4.130	.000
	Equity Financing	.207	.209	.124	.993	.324

Source: Author (2020)

The regression equation is as follows

$$Y = 4.348 + 0.207\alpha_1$$

Summary of Findings

The initial results of the study showed that developers preferred equity financing which has adjustable interest rates compared to mortgage with fixed rate of interest. It was also observed that one can qualify for equity of an amount of value equal to the value of security. Most of the factors considered under equity other than security or collateral showed that equity supports real estate growth with a mean of 3.857 and 2.271. Equity is one of the most important factor that influences growth in real estate in Kenya according to multiple regression analysis. An increase in equity finance increases growth in real estate by 20.7%, while all other factors left constant.

Conclusion

Descriptive results on the variables indicate that the dependent variable 'growth in real estate' improved from 4% to 18%. The independent variable equity finance also supported growth of real estate, with equity financing at a high of 3.529. The study therefore concluded that equity financing had a considerable contribution to real estate growth in Nairobi Metropolitan in Kenya.

Recommendations

- 1) This study recommends that mortgage firms invent new methods and products to attract players in the real estate industry, which has recorded a tremendous growth in the last ten years.
- 2) Investors should also be encouraged to use equity financing since it is cheap in the long run because there is no interest charge.
- 3) Since affordable housing is still a big problem in Kenya, the researcher recommends that the Government of Kenya finds discounted methods to finance development of this sector and formulate more attractive tax incentives.

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Transformational Leadership and Employee Performance in Sacco's in Nyeri County, Kenya

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Abstract

With increasing competition among today's organizations, stakeholders tend to be more concerned about probing the new ways of getting the employees more committed to what they do and to the organization as well. The role of leadership is an important determinant of employee's performance and commitment. The purpose of this study was to investigate the effect of transformational leadership on employee performance in Sacco's in Nyeri County. The specific objective of the study was to investigate the effects of Intellectual stimulation on employee performance in Sacco's in Nyeri County. The study adopted a descriptive survey design. A total of 20 Sacco's in Nyeri County were selected as the population of the study. A census was conducted and purposive sampling was adopted to select individuals to participate in the study. The sample of the study was 120 respondents. A questionnaire was used for data collection with close ended questions. Data was analyzed using SPSS(23) and inferential statistics. Findings of this study indicated that transformational leadership in Saccos led to improved employee performance. When managers utilized intellectual stimulation, there were positive reactions from employees. With the role of leadership in the modelling of employee commitment and performance considered very crucial in the modern organization, it was paramount for Sacco's to put more effort in entrenching transformational leadership in their organizations.

Keywords: Transformational Leadership, Performance, Intellectual Stimulation

Background of the Study

Transformational leadership is a process of mutual exchange between leaders and followers involving reward-based transactions. It is a model that encourages leaders to raise one another to higher levels of motivation and morality. To run organizations smoothly, effectively and efficiently, the most valuable and indispensable factor organizations need is human resource

(Mosadragh, 2010). Well-qualified and capable personnel are important in context of achieving goals and objectives of an organization. The success of an organization depends on the hard working, loyal and involved managers and employees.

Transformational leaders believe in the need for change. They, then articulate a vision of the future of the organization, and provide a model that is consistent with the vision. They then foster the acceptance of group goals and provide individualized support afterwards. As a result, followers of transformational leaders often feel trust and respect towards the leader and are motivated to do more than they are expected to do. Therefore, leaders change the beliefs and attitudes of their followers so that they are willing to perform beyond the minimum levels specified by the organization (Aziz, 2014).

The type of leadership style in an organization largely contributes to its success or failure. Organizations in the world today are realizing that adequate achievement of business short and long-term goals and objectives as well as the optimum employee performance and effectiveness is largely dependent on leadership style (Yusuf, Mohammed & Kazeem, 2014). Leadership has been a critical subject of examination over the years by diverse scholars in an endeavor to find and develop the most effective style for exemplary employee performance.

Transformational Leadership

The concept of transformational leadership is important in business in order to evaluate its influence on the performance of enterprises effectively. Leadership involves a learning process, centered not only in what is supposed to be communicated, but also in learning how to communicate in ways that other people can comprehend and follow. There is therefore a leader-follower relation in place to enhance doing things right. Learning is a continuous process in which leaders and followers may change their roles, but followership and leadership function in the same way always (Riggio & Conger, 2013).

Successful leaders have an obligation to their staff, their organization, the processes and tasks involved as well as individual and other people capacity evaluation. They must embrace contemporary realities while envisioning future possibilities. Besides, they need to have confidence and strategies for working competently across a spectrum of diverse issues, from developing the organizational clarity that comes from sound structures and policies to unleashing energy and creativity through bold visions (Tasker, 2012).

Alrifi (2012) clarifies that transformational type of leadership plays a critical role in motivating followers to levels beyond expectations by triggering them to be creative. It further transforms personal values and self-concepts of followers and shift them to a new level of needs and aspirations. According to Balyer (2012), transformational leadership is a style in which leaders and followers are enhanced to motivate and execute the change with the members of their institution. In this type of leadership, superiors serve as mentors, coaches, role models, and leaders, socializing members into the culture, not necessarily because they are expected to do so but because they feel personal obligation to help new members assimilate into the culture (Alrifi, 2012).

Studies show transformational leadership as having positive association with employee performance outcomes (Dumdum, Lowe, & Avolio, 2012). Similarly, meta-analyses covering empirical studies portray a strong connection between transformational leadership and employee performance and contextual performance; through undertaking actions that go beyond formal

roles but that also contribute to the good functioning of the organization (Judge & Piccolo, 2014). This study attempts to expound the effects of transformational leadership on employee performance of Saccos in Nyeri County, Kenya.

Employee Performance

Employee performance refers to an individual's ability to be creative, innovative, inspiring, and take on challenging tasks to achieve organizational goals for the greater good of the organization. The word performance is used to pass on the individual aptitude to be inspired, stirring, pioneering towards achieving the goals on an organization. Mangkunegara (2009) defines performance as what can be done by a person in accordance with the duties and functions. For the strength of an organization job satisfaction plays a vital role which has significant effect on employee performance. The main theme of every organization is to enhance employee performance. Howell and Merenda (2011) suggested that transformational leadership plays an imperative role in increasing job satisfaction as well as role play to achieve organization's goals. Employee performance a measurable action measured by quality of work; quantity of work; punctuality; cost efficiency; ability to do the work and ability to build work relationships (Bass, 2015). Performance, therefore, is a result of work that can be measured using certain standards by considering quality, quantity, and punctuality. Quantity refers to the amount of work resulted in a certain period of time, and punctuality refers to ability to stick to time allotment plan.

Statement of the Problem

Poor or inappropriate leadership may result in a decrease in employee motivation, a decrease in collaboration between managers and employees, and an increase in employee turnover rates (Lephoko, Bezuidenhout & Roos, 2012). Fundamental research on transformational leadership on employee performance has been conducted widely worldwide as well as in leading organizations with inconclusive results.

Choudhary, Akhtar and Zaheer (2012) examined the impact of transformational and servant leadership on employee performance from profit-oriented service sector of Pakistan and found out that transformational leadership enhances employee performance. Jelovac and Matjaz (2012) had a similar finding on an empirical survey of leadership styles of Slovenian entrepreneurs founders of SMEs and found out that the use of transformational leadership was correlated with increased self-reported effectiveness of their organization. Koech and Namusonge (2012) investigated the main effects of leadership styles on employee performance at state-owned corporations.

The study outcomes revealed correlations between the transformational-leadership factors and employee performance were high. While these studies provide the influences of transformational leadership on employee performance, a gap exists on how individual component factors of transformational leadership influence employee performance in Saccos, and this research aims to fill this gap.

General Objective

The general objective of the study was to investigate the effects of transformational leadership on employee performance in Saccos in Nyeri county, Kenya.

Specific Objective

The specific objective of the study was to investigate the effects of Intellectual stimulation on employee performance in Saccos in Nyeri county, Kenya.

Theoretical Framework

Transactional Theory

The concept of transactional leadership was first mentioned by Max Weber in his socio-economic considerations of the organization. Weber description of transactional leadership style and his basic facts are accepted by Bernard Bass in 1981 (Weber, 1947). Transactional leadership is based on classical principles of exchange with followers who are part of interactions and therefore are rewarded for meeting pre-defined standards and performance. This form of leadership is also focused on maintaining the status quo, so transactional leadership present traditional approach of leadership.

According to Bass and Avolio (1993), transactional leadership involves motivating and directing followers, appealing to their own interests. The power of the leader comes from formal authority and responsibility in the organization. The main task of the followers is to respect the instructions of leaders. The leader provides rewards and punishments in the organization of its legitimacy. Transactional leadership is, in essence, oriented on monitoring organization, processes and outcomes in the market.

The transactional theory builds on transformational leadership in that through motivation employees are empowered to achieve organizational goals and objectives and ultimately high employee performance. The essence of this research is to demonstrate the influence of one of the three elements of transformational leadership which is intellectual stimulation others being inspirational motivation and individualized consideration which is intrinsic in nature, on employee performance.

Transformational Leadership Theory

Bass (1985) defined transformational leadership in terms of how the leader affects followers, who are intended to trust, admire and respect the transformational leader. He identified three ways in which leaders transform followers: Increasing their awareness of task importance and value; getting them to focus first on team or organizational goals, rather than their own interests; and activating their higher-order needs.

The two key charismatic effects that transformational leaders achieve are to evoke strong emotions and to cause identification of the followers with the leader. This may be through stirring appeals. It may also occur through quieter methods such as coaching and mentoring (Bass, 1990). Authentic transformational leadership is grounded in moral foundations that are based on four components: Idealized influence; Inspirational motivation; Intellectual stimulation; and Individualized consideration (Bass & Riggio, 2006). The three moral aspects include: the moral character of the leader; the ethical values embedded in the leader's vision, articulation, and program; and the morality of the processes of social ethical choice and action that leaders and followers engage in and collectively pursue (Bass & Steidlmeier, 2008).

While various scholars argue out on what they perceive as the most critical factors of transformational leadership in as far as influencing performance is considered, it is without doubt that all factors are important. However, this study focused on one element of transformational leadership, intellectual stimulation. The study endeavoured to bring out an understanding of how it contributes towards influencing the employee performance of an organization.

Empirical Review

Intellectual Stimulation and Employee Performance

Intellectual Stimulation involves followers developing new and different solutions to common problems and carrying out work in new ways. Leaders challenge the process and confront old and outdated assumptions, traditions and processes. Further, they involve others in the discussion and stimulate new ways of thinking. According to Northouse (2010), intellectual stimulation is leadership that stimulates followers to be creative and innovative, and to challenge their own beliefs and values as well as those of the leader and the organization. This type of leadership supports followers as they try new approaches and develop innovative ways of dealing with organizational issues.

Intellectual stimulation promotes followers thinking things out on their own and engaging in careful problem solving. Avolio *et al.* (2009) described intellectual stimulation as getting followers to question the tried and true methods of solving problems by encouraging them to improve upon those methods. Intellectual stimulation involves exciting individual's cognitive ability, so that he can engage in independent thinking in the course of carrying out job responsibilities (Jung, Chow, and Wu, 2003). According to Bass and Steidlmeier (1999), intellectual stimulation encourages followers to challenge leader decisions and group processes, and this encourages innovative thinking.

Dansereau (2005) state that by creating intellectual stimuli, managers excite employees' ability to experiment with new practices and generate ideas that can greatly impact performance. Intellectual stimulation component of transformational leadership plays a healthy and beneficial role in organizational learning (Brown & Posner, 2011). Intellectual stimulation appeals to follower needs for achievement and growth in ways that the follower finds attractive.

Leaders, especially transformational leaders, have considerable control of the presence or absence of organizational innovativeness. Since transformational leaders are oriented toward innovation, their propensity to motivate and intellectually stimulate their followers instils the follower with that same innovative inclination leading to exemplary employee performance (Vinkenburg, 2011).

Conceptual Framework

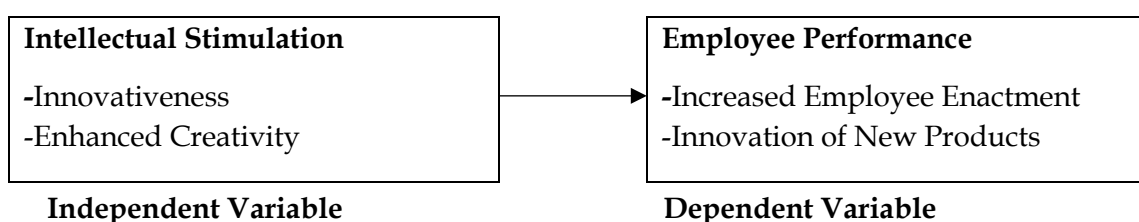


Figure 1: Conceptual Framework

Research Design

This research adopted a descriptive survey research design. Orodho (2009) defines descriptive survey design as a method of collecting information by interviewing or administering a questionnaire to a sample of individuals. The main feature of descriptive survey design is to describe specific characteristics of a large group of persons, objects or institutions, through questionnaires (Kothari 2012).

Population of the Study

Mugenda and Mugenda (2013) defines population as a whole group of persons or individuals, events or objects with common observable characteristics. Target population on the other hand refers to the population a researcher intends to generalize the study findings (Kombo & Tromp, 2012). The population of the study were the 20 Saccos operating in Nyeri county, Kenya (SASRA, 2020).

Sampling Technique

Sampling involves selecting a reasonable example or an agent part of a populace with the end goal of deciding parameters or qualities of the entire populace (Bailey, 2011). A census of all the 20 SACCOs was conducted. Purposive sampling was used to select individuals to participate in the study. According to Burns (2010), purposive sampling is when a researcher chooses specific people within the population to use for the study. In this study, from each Sacco the manager, heads of accounts & finance, marketing, credit and ICT departments were selected. From each Sacco, there were 6 participants in the study, forming a sample size of 120 respondents.

Research Instrument

The study used a structured questionnaire to collect data. A questionnaire is a research instrument comprising of a progression of inquiries and different prompts with the end goal of collecting data from respondents (Dawson, 2009). The questionnaires were semi-structured containing both closed and open questions to enable the respondents provide more information.

Data Analysis and Presentation

Data analysis involved data coding and analysis (Gatara, 2010). Data analysis was done using quantitative approaches. Descriptive statistics such as mean and percentages were applied in the data analysis. The results were presented using tables and figures with explanations on all parameters used. Data was analyzed using descriptive statistics. This was done using SPSS version 23 and inferential statistics.

Research Findings and Discussions

Response Rate

A total of 120 questionnaires were distributed to the respondents of which 105 were returned dully filled and the rest of the respondents did not give feedback. This made a response rate of 87.5% which was considered good for analysis.

Respondents Characteristics

Respondents characteristics were analyzed in terms of gender, age, department, and length worked at their respective Sacco's. The gender distribution indicated that 47.3% of the respondents were male, while 52.7% were female. The gender distribution is important due to the fact that some of the employee performance may be affected along gender lines such as long working hours into

the night. In the context of the distribution by age, 3.3%, 38.5%, and 58.2% of the respondents were below 25 years, 25-30 years, and above 30 years respectively.

In the context of the distribution by department, 83.5%, 3.3%, 4.4%, and 8.8% of the respondents worked in customer care, quality analyst, management, and support system departments respectively. For the length of time worked at their respective Sacco, 12.1%, 30.8%, 35.2%, and 22.0% of the respondents had worked for less than 1 year, 1-3 years, 3-5 years, and above 5 years respectively.

Descriptive Statistics

The descriptive statistics were examined for both the dependent and independent variable using frequency distributions, means and standard deviations.

Influence of Intellectual Stimulation on Employee Performance

The influence of the Intellectual Stimulation on the employee performance was examined using five metrics a likert scale of Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A) and Strongly Disagree (SA) was used. The results are presented in Table 1 below.

Table 1: Frequency Distribution for Intellectual Stimulation

	SA	A	N	D	SD	TOTAL
I get opportunity to work in the way I think is best	15.4%	45.1%	23.1%	9.9%	6.6%	100%
I get permitted to set my own pace for change	20.9%	46.2%	17.6%	12.1%	3.3%	100%
I am allowed to have my own judgment in solving problems	24.2%	49.5%	15.4%	9.9%	1.1%	100%
I get help to rethink ideas I have never questioned before	28.6%	47.3%	15.4%	6.6%	2.2%	100%
I am challenged to think of old problems in a new way	20.9%	30.8%	41.8%	6.6%	0%	100%

The means and standard deviations of the intellectual stimulation were also examined. A score of less than 1.5 meant the respondents strongly agreed with the statement given. A score 1.5 and above but less than 2.5 meant the respondents agreed with the statement given. A score of 2.5 and above but less than 3.5 meant the respondents were neutral. A score of 3.5 and above, but less than 4.5 indicated that the respondents disagreed. A score of 4.5 and above indicated strong disagreement with the statement given. The findings are presented in Table 2 below;

Table 2: Means and Standard Deviation of Intellectual Stimulation

	N	Mean	Std. Dev
I get opportunity to work in the way I think is best	105	2.47	1.078
I get permitted to set my own pace for change	105	2.31	1.040
I am allowed to have my own judgment in solving problems	105	2.14	0.938
I get help to rethink ideas I have never questioned before	105	2.07	0.952
I am challenged to think of old problems in a new way	105	2.34	0.885

The means of all the parameters for individualized considerations were between 1.5 and 2.5 thus on average the respondents“ tended to agree with the given metrics. The standard deviations for employees opportunity to work in a way he thinks best, employees’ permission to set own pace for change, employees allowance to make judgment in solving problems, employees receipt of help to rethink of ideas that had never been questioned, and employees challenge to think of old problems in new ways were 1.078, 1.040, 0.938, 0.952, and 0.885 respectively. There was lack of consensus among the respondents in relations to employees’ opportunity to work in a way he thinks best, and employees’ permission to set own pace for change due to standard deviations of 1.078 and 1.040 respectively. The other metrics had their responses moderately spread.

From the analysis, Northouse (2001) argues that leadership that stimulates followers to be creative and innovative, and to challenge their own beliefs and values as well as those of the leader and the organization are critical for the performance of the organization. According to Bass & Steidlmeier (2009), intellectual stimulation encourages followers to challenge leader decisions and group processes and this encourages innovative thinking. According to Hult *et al.* (2014), leaders, especially transformational leaders, have considerable control of the presence or absence of organizational innovativeness. Since transformational leaders are oriented toward innovation, their propensity to motivate and intellectually stimulate their followers infuses the follower with that same innovative inclination (Vinkenburg, 2011). The end result is exemplary performance both for the employee and the organization.

Inferential Statistics

The inferential statistics were conducted using the linear correlation and multiple linear regressions.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.920 ^a	.846	.841	.31441
a. Predictors: (Constant), Intellectual Stimulation				

The multiple linear regressions gave a multiple correlation coefficient of 0.920, which indicates that the relationship between the independent variable on the dependent variable is strong and positively correlated. The multiple linear regression also gave a coefficient of determination of 0.846 indicating that the independent variable contributed to 84.6% of the variance in the dependent variable.

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	47.244	3	15.748	159.306	.000 ^a
Residual	8.600	87	.099		
Total	55.844	90			

a. Predictors: (Constant), Intellectual Stimulation

The F-ratio in the ANOVA table tests whether the overall regression model is a good fit for the data. The table shows that the independent variable statistically significantly predicts the dependent variable, $F(3.87) = 159.306$, $p < .005$ (i.e., the regression model is a good fit of the data).

Linear Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.843	.240		7.690	.000
	Stimulation	.783	.041	.852	18.889	.000
a. Dependent Variable:		Performance				

The coefficient for the intercept was 1.843, which implied that when Intellectual Stimulation is equated to zero then the employee performance will improve by a margin of 1.843. The regression model will therefore be;

$$Y = 1.843 + 0.783x_1$$

Summary, Conclusion and Recommendations

Summary

The influence of the intellectual stimulation on employee performance was examined using five metrics; Employee's opportunity to work in a way they think is best, employee's permission to set own pace for change, employee's allowance to make judgment in solving problems, employee's receipt of help to rethink of ideas that had never been questioned, and employees' challenge to think of old problems in new ways with means of 2.47, 2.31, 2.14, 2.07, and 2.34 respectively. The means of all the parameters for individualized considerations were between 1.5 and 2.5 thus on average the respondents' tended to agree with the given metrics. The analysis of the relationship between intellectual stimulation and employee performance was positively correlated and statistically significant ($r= 0.920$; $p=0.000<0.05$).

Conclusion

Transformational leadership is important as it trains leaders to be reliable and to generate commitment from followers. Saccos in Nyeri County have the ability to inspire, motivate and intellectually stimulate their employees through their leaders, which results to positive impact on employee performance.

Recommendations

The study recommends that improvements in leadership strategies should be made to harmonize recognizing employees' cognitive ability in regard to work and innovation. Saccos should also put more effort in entrenching transformational leadership in their organizations.

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Relationship between Biblical Context and Akurinu Mission with Emphasis on Poverty Alleviation

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Abstract

This study investigated the relationship between selected principle of biblical hermeneutics and contextual theology among believers in African Independent Churches (AICs), notably the Akurinu believers in Nairobi County, Kenya. The objectives of the study were to find out the relationship between biblical context and fulfilment of mission among Akurinu believers and to determine the moderating effect of culture on the three predictors of contextual theology. Descriptive and correlation designs were used. The study was conducted among 2618 targeted believers who formed Akurinu congregations registered with General Conference of Akurinu Churches Assembly in Nairobi County. Data was analyzed using Software Package for Social Sciences computer system to generate frequency distribution and Chi-square test was applied on qualitative data to test agreement between variables. Wald Chi to test for independence in quantitative data. Logistic regression model was used to test hypothesis on quantitative data. Hierarchical model employed to test moderating effect of culture on predictor variable in the objective. Qualitative data were presented in frequency tables and percentages and inferential data were presented in relevant software tables. Based on $\alpha=0.05$ level, hypothesis statistically significant with predictive probability of odds ratio 0.245 of change on the variable. P-value for culture was 0.159, greater than $\alpha=0.05$, therefore moderating effect was statistically insignificant. Results showed that biblical context had a significant association with fulfilment of Akurinu mission. Findings could benefit churches and religious researchers interested in biblical contextualization, reduce theological challenges among Akurinu believers, and inform Christians, religious researchers and theologians.

Keywords: *Biblical Principles, Contextualization, Biblical Context, Fulfilment of Mission, Culture.*

Background

In recent years, there has been a growing interest in need for team-based and trans-disciplinary research. Hall, et al. (2012) argue that trans-disciplinary has to be team-based because it requires expertise in divergent and related fields. However, there are a few scholars who are experts in two

or more fields. In this study, God's objective truth as recorded in the Holy Bible has been studied from a hermeneutical approach and how it is associated with religious practice among Akurinu believers in Nairobi County, Kenya with emphasis on how findings may be applied to alleviate poverty.

General Conference of Akurinu Churches Assembly (GeCACA) was formed in 2016 by Akurinu believers predominantly in Nairobi County to look into all matters Akurinu doctrine, faith and practice. A notable GeCACA member (Macharia, 2012) observes that emerging post-independence needs called for expansion of the original mission to include education initially disdained as colonial import. Illiteracy among Akurinu believers and religious-based discrimination denied them access into the job market, thereby promoting economic-related poverty. Akurinu believers viewed business enterprises as a mark of secular life and greed for earthly things which were inconsistent with their contextual application of scriptures such as 1 Timothy 6:3-10, (NKJV). However, love of money in ways that promote greed for it is warned against, not having money but money having the believer. With increasing migration of Akurinu believers into urban settings, money became an essential need for God to provide as a means of access to educational services, food, shelter, daily communication and transport needs, among others. The need to harmonize God's truth, prayer for the nation as initial God-given mission, education, money and biblical morality as means of poverty alleviation became increasingly clear.

McConnell (1981) defined poverty as available money to meet basic needs (shelter, clothing and food) at personal, family, community or national level being less than enough. Poverty from an economic perspective may be caused by discrimination based on wage, employment, occupational, human capital, gender, age, race, tribe and religion, among others. Among African voices, Sakupapa (2018) notes that Mbiti (1931-2019), Bendiako (1945-2008), Mugambi (b. 1947) and Aduyoye (b. 1934 and Macharia 2012), among others, argue that African Independent Churches had lower education compared with other Africans due to their religious beliefs which made them initially reactive to all that was associated with Western colonizers, formal education included. In later years, education became acceptable to AICs, but schools demanded specific uniform dressing for all students. Many Akurinu believers could not go to school because they could not give up on their dressing codes. These features applied to Akurinu believers especially discouragement of education of girl child and discrimination in the labour market based on religion. To alleviate poverty associated with the above, pursuit of education and fighting for Akurinu faith have been taken seriously. Findings by Njeri (1984) also indicated that Akurinu believers understood the call of their prophets by God was of equal weight as that Moses, Elijah, Samuel and others.

McMahon (2013) argues that a Bible interpreter comes to know what God said in the original Bible texts require laws of logic as a science of correct reasoning. According to the law of identity, God is spirit and cannot be flesh (John 4:23). Biblical hermeneutics describes principles used to determine the correct meaning of a text and implications of this meaning to contemporary user but application of these principles is called exegesis (Menn, 2017). Barriers to communication include selective filtering based on past experience, distorted value system, emotional state and biased belief system, among others.

The Problem

Ideally, God's truth extracted from a biblical text within its context and how it relates to its application towards fulfilment of Akurinu mission was expected to inform fulfilment of Godgiven mission to Akurinu believers in matters of their devotion to God, godly social life as a specific

aspect of contextualization of God's truth, among others. However, multiple meanings of a biblical text and diversity of needs such as disunity among Akurinu believers, lack of ministry properties for sustainable financing of emerging missions, and poverty among others. In words of GeCACA (2017), the 16th and last objective was "to identify pursue opportunities that will yield financial sustainability solutions and community empowerment". The problem was lack of seeing the relationship between correct interpretation of God's truth in its original context and multiple applications in fulfilment of multi-dimensional mission of Akurinu believers, poverty alleviation included. This problem has challenged growth in Akurinu faith in Nairobi County through apparent contradictions among God's truth, fulfilment of spiritual mission in the face of poverty. If this problem continued, stress in faith created by apparent contradictions among Akurinu believers in Nairobi County would have continued. Since the law of non-contradiction states that cannot exist between what it is and what it is not, this paper was geared towards investigating the 'Relationship between Biblical Context and Akurinu Mission with Emphasis on Poverty Alleviation' as one of the multiple outcomes of limited view of God's truth by Akurinu believers in Nairobi County.

Study Objectives

- i. To find out the relationship between biblical context and fulfilment of mission among Akurinu believers
- ii. To determine the moderating effect of culture on the predictor of poverty alleviation

Hypotheses

- i. H₀₁. There is no statistically significant relationship between biblical context and fulfilment of mission among Akurinu believers.
- ii. H₀₂. There is no significant moderating effect of culture on poverty alleviation among Akurinu believers.

Justification of the Study

Scholars such as Njeri (1984) and Ndungu (1994), among others, have provided history, beliefs and practices of Akurinu believers from historical and anthropological perspectives. From a theological perspective, very little has been studied on relationship between how Akurinu believers do hermeneutics and how they contextualize their theology. Hermeneutical challenges were suspected to be the main cause of these features of contextual theology, with emphasis on poverty alleviation through education and discrimination on the basis of religion and initial reaction against education as part of colonial life and moral challenges associated with learned ladies as perceived by Akurinu community (Macharia, 2012). The findings were to be interpreted at 95% level of confidence.

Literature Review

Chipao (2017) has defined biblical interpretation as a systematic interpretation of the Bible using sound principles that help the interpreter to get God's truth as God meant when writers wrote it. Challenges to interpretation include time gap, cultural gap (differences in customs, beliefs,

traditions and practices), geographical distance, language gap, philosophical gap (how one views life) and covenant gap (today's Bible readers and Old Testament writers). The sound principles of hermeneutics are biblical context, theological, grammar, genre and scripture interprets scripture. In this paper, biblical context is studied. Boda (2009) explains that there are phases to examine when using biblical context (historical principle) of hermeneutics to interpret any text. Phase one is original context. The word context has two parts, Latin *con*, meaning together and *texere*, meaning to weave. Nystron (1977) has outlined three phases of interpretative process, namely; meaning at biblical context, retention of the same meaning across cultures and history and application (contextualization) in a contemporary context. As applied to main Akurinu text, Zech. 3:1-10, God spoke to post-exilic Israel by using leaders in the priestly ministerial office to affirm His forgiveness to them. The text was not about mission or institution of religious dress code.

Mcquail & Windahl (2015) have argued that regardless of taxonomy, dynamics within communication relationship, such as lack of familiarity or credibility of source, psychological noise, semantics, syntax and selective filtering, among others, enhance or block communication of God's truth to people as radial figure 1 below illustrates:



Figure 1. Relational Communication Model (adapted from Mcquail & Windahl, 2015 and modified)

Believers A,B,C and D have personality differences, different levels of relationship with God, differences in interpretive skills and personal economic contexts in which they apply biblical truths to alleviate poverty. Consequently, these aspects moderate contextualization.

Relating this procedure to every Akurinu believer in Nairobi County, the texts that speak on mission of God to mankind through the church, such as great commission in Matthew 28:18-20 on disciple-making and Matthew 5:13-14 on church being influential upon unchurched in godly ways similar to the ways salt and light work applies to Akurinu believers if contextualization of theology of mission were purely biblical. It was upon this biblical critique that relationship between variables in this objective was evaluated. Initially, this mission was so confined, yet religion as lived experiences and economic aspects of lived experiences in Nairobi County were inseparable.

Moderating Effect of Culture on Poverty Alleviation

In the study objectives, measures of moderating variable were culture, gender, level of education, type of theological training and urban life in general. Gill (2013) has defined culture as people's shared traits such as values, beliefs, attitudes, ideas, ways of doing things that shape lifestyle of the people group. Gill (2013) has categorized culture into mental models (procedures, reasoning systems, beliefs and knowledge), preferences (attitudes and values that guide moral reasoning), and artefacts (manifestations of cultural life such as language, transport and communication systems among others).

Gruchy (2005) explains origin of AICs in South Africa, noting that at the turn of twentieth century, Black-White Church in South Africa had three options of existence; a black church under Western administration from Europe or America, member of a multi-racial church dominated by white supremacy or initiates their own as African Christians. Oosthuizen, Kitshoff & BRILL (1994) differentiates African Initiated Zionist Apostolic type churches born in Natal from Ethiopian Aladula AICs which were broke from mission churches for spiritual freedom primarily. Akurinu church in Kenya is classified Zionist Apostolic type of AIC. The studies revealed that the three types of AICs struggle with identity, worldview and social-cultural experiences primarily due to racial and ethnic diversity between blacks and white.

Mucherera (2017) notes that African Independent Churches struggle with blending Western Christianity with religious values, citing Shona traditional religion in Zimbabwe as a case study. There was need for social analysis in order to understand why Pentecostal churches were taking those in AICs churches. Critical observations revealed religious identity conflict among Shona, negative attitude of missionaries that Shona culture was pagan and disregarding of any biblical elements with Shona culture and religion. Shona's reactions to this attitude led to rise of AICs whose believers attempted to contextualize blended theology. For missionaries, conversion meant turning from Shona culture to western culture and faith in Jesus Christ coming last in their mission emphases. Contextualization of biblical truth became a bigger challenge in urban areas with poverty among Shona. Udokang (2011) recommends that African churches in urban areas should meet their needs of adjustment, identity and security.

Studies done in Kenya are in the background to the study. All these studies indicate that contextual theology is moderated by cultural factors such as gender, level of education, urban-rural characteristics and quality of theology in congregations, among others (Marbaniang, 2014).

In GeCACA (2017), the outlined seven strategic pillars of mission of General Conference of Akurinu Churches Assembly (GeCACA) were unity of Akurinu churches; restore, preserve and sustain Akurinu heritage (special calling and theology, defined identity based on shared values, lifestyles and spirituality, develop mission-oriented calendar and formal theological formulation; internal reform agenda, education and healthcare; partnerships with government organizations for increased participation in nation building, integration and interaction with larger society among others (p.5-18). The gap is that very little has been done on the relationship between interpretation of the Bible and contextualization of theology in AICs.

Saaty (2014) has discussed four laws of logic which are necessary for decision making for unchanging truth as solution to doctrinal differences in the church God's truth recorded the Bible falls in this category. Law of identity states that two elements x and y are identical if they share the same properties. Considering Akurinu faith presented by founding prophets as a shared element, all Akurinu believers should share the same believe as long as source of their faith was the same, specifically God and His word. Literature reviewed had indicated variations in the faith existed among various Akurinu groups of believers. The law of non-contradiction is valid if either x or not x is true but not both. Methods of contextualization of theology may vary, but not content. It was noted that content contextualized had variations. Third, element x has property y or it does not. Regardless of gender, age and context, Akurinu believers were either on transition into special group of evangelical Christians or remain as believers whose faith is anchored on Akurinu traditions instead of Jesus Christ. The fourth law, the law of quantitative comparison states that if elements A and B share property D, then it is important in order to establish more than the other. This law was tested using linear multivariate regression model, such as coefficients of hypotheses,

which has more than other. This law was necessary in deciding on the strength and direction of relationships in each variable set. Lack of intellectual truth or spiritual truth leads to poverty in its diversity.

Theoretical Framework

Two theories guided this study. Diffusion of Innovations Theory (DIT) was appropriate, because it explains how Akurinu hermeneutics and contextual theology had potential to permeate communities of faith in hierarchical levels and among peers (horizontal diffusion). In this study, diffusion is expected to occur through word of mouth, imitation and teachings in gaarus (training places next to Akurinu sanctuary).

Diffusion of Innovations Theory (DIT) was developed by Rogers in 1962. The theory explains how an idea or truth spreads within a social system over time and is eventually applied within four



elements for its operation, namely, nature of innovation, communication channels, time and social system. The process of diffusion involves knowledge, persuasion, decision making and implementation.

Four Phases of Hermeneutical Process as Explained by Diffusion of Innovations Theory

Narrowing this theory to Akurinu's contextual theology on poverty alleviation, it provides an explanation of the process of applying God's truth through biblical hermeneutics or destroying it through aberrant hermeneutics. It is based on the assumption that doctrine is well received and applied wherever it diffuses. As a sociological theory, this theory is weak in that it does not explain the sources of ability of the interpreter to apply God's truth. This theory is less supportive of the study variables since it only explains patterns of spread of any influence, good or bad. However, it can be used to explain how correct meaning of text based on its biblical context is related to fulfilment of Akurinu mission. When Akurinu doctrines influence belief system and results in religious practices, called contextualization of theology in this study, diffusion of innovation is more appropriate to use, because applications are subjective to individual believers as individual innovations which spread among the believers here called diffusion.

Divine Command Theory in Relation to Biblical Context and Fulfilment of Mission

The theory advanced by Haris (2008) presents an argument and claim that in any religion, the deity of that religion provides the right doctrine, faith and practice as divine commands to believers in that deity. Applied to Christianity, Quinn (1978) adds that an action is morally right because God commands it and believers are obligated to obey by acting accordingly. Plato argued whether a thing is good because God says it is good or it is inherently good and God only affirms that it is good. Plato called this Euthyphro's dilemma (Adams 1987, Evans, 2007). This study is based on the premise that God is good and what He says is good since it promotes the wellbeing of His creation, human beings included.

Research Design

Descriptive and correlational designs were used to provide qualitative data from interviews with Akurinu church leaders and some similar items in the questionnaire for Akurinu believers for comparison purposes and correlational/predictive design was used to find out predictive probability of odds ratio of biblical context on fulfilment of mission.

Pilot Study

To enhance objectivity, instruments were pre-tested with thirty participants (30) in one of Akurinu congregations, namely, the African Holy Ghost Christian Church (AHGCC) in Mwihoko, bordering Ruiru County, because it had accurate population of 200 people available from GeCACA office and with a typical social class as AHGCC churches sampled. The congregation was selected for piloting on the basis of being among the Akurinu groups with largest number of Akurinu believers.

Instrumentation

Structured self-administered questionnaire and in-depth interview were given and filled by Akurinu believers under researcher's supervision.

Sample and Sampling Techniques

Purposive, simple random, adaptive and proportionate techniques were used as diversity of participants and appropriateness demanded as summarised in Table 1.

Table 1: Sample Size, Sampling, Category of Participants in Seven Sub-Counties and Tools to use

S/N	Participants	Sampling Technique	Sample Size	Tools Used
1	Leaders	Purposive	18	Interview Guide
2	Believers	Proportionate, Simple Random & Adaptive	328	Questionnaire
Total	Two groups	3	346	2

$$n = \frac{N_h}{N}$$

Formula used to get total sample was $n = \frac{N_h}{N}$, yielding 328 Akurinu believers.

Data Analysis

The texts were categorised into themes and sub-themes (emergent themes) to assist the researcher to categorize results according to the variables of interest. The transcribed conversation is analysed to bring out context sought in the in-depth interview. Association between predictor and outcome variables but not causality (Caulfield, 2019). Inferential statistics were analysed using logistic regression equation. $Z = \log(p/1-p) = B_0 + B_1.X_1 + B_2.X_2 + B_3.X_3 \dots + e$ where;
Z= outcome (dependent) variable, here being Akurinu fulfilment of mission,
 B_0 =constant,
 X_1 is predictor variable, here being biblical context,

B is the average change in Z per one unit change in X

P= probability that a unit change in predictor variable will be reflected in outcome variable as 1p, as odds ratio, meaning that the predicted change in log odds in the dependent variable for every one unit change in the predictor variable.

e=2.71828 as error term

Log or $\ln [p/1-p]$ is the log odds, or “logit”.

Z-value is calculated by dividing constant by standard error value (B_0/e). It is reflected in the Wald Chi squared test SPSS output as Wald (Crowson, 2018).

Table 2: Methods of Data Analysis According to Objectives

S/N	Objective	Independent variable	Dependent variable	Method of analysis
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Relationship	Biblical Fulfilment	Qualitative Data: Textual Analysis & between Context of Mission	Wald Chi-square test & chi square context and test of independence	fulfilment of Quantitative Data: Binary Logistic mission Regression (SPSS)
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Data Analysis, Presentation and Discussion

Gender Analysis

The participants were asked to indicate their gender and distribution of participants by gender was computed and results shown in Table 3.

Table 3: Distribution of Participants by Gender

Gender	Frequency	Percent
Female	130	43.05
Male	172	56.95
Total	302	100

Distribution of Akurinu Believers by Education Level

Chi-square test for agreement was performed and results of the distribution of education level by gender presented in level in Table 4 as categorical data.

Table 4: Education Level of Respondents

Education level	Male	Female	Total
Class 8	11	39	50 (16.56%)
Form 4	30	67	97 (32.12%)
Diploma	63	26	89 (29.47%)
Degree	32	22	54(17.88%)
Masters	7	2	9 (2.98%)
Doctorate	3	0	3(0.99%)
Total: 6	146	156	(302)100%

Results in Table 4 above indicated that the gender of respondents were not distributed equally over education levels, there were more females than males at lower classes (Standard 8 and Form

4), while there were more males than females at Diploma to doctorate levels. Chi Square test of agreement ($\chi^2=151.7$, $P\leq 0.0001$), p-value less than 0.05, therefore relationship between education and ability to interpret biblical texts was statistically significant. Since education was positively associated with increased job opportunities in the job market, pursuit of education alleviated poverty among Akurinu believers.

Qualitative Analysis of Data from Interviews

Oral interviews based on question 1 (O.I.2C), participants were asked to list any three verses in the Bible which helped them to know about their service to God as God-given mission of Akurinu Church. Finding out biblical content was necessary because it informed the nature, process and outcomes of Akurinu's fulfilment of mission perceived to have been handed down to them by God through the founding prophets. Verbal statements were summarized as text, each participant in the interview designated according to codes assigned (designated code) in Table 5 below and original mission God had in the biblical context specified as should be when selected five principles are used to interpret texts raised by Akurinu believers in support of their theology. Outcomes were summarized in Table 5 below.

Table 5: Akurinu Leaders' Perspective on Biblical Context for God-given Mission

Biblical Text	Designation Code	Textual mission of God (Misio Dei)
<i>We know it from Zech. 3:1-5, Lev. 8:110 and Exodus 29:1-7 as God's once for all mission of Akurinu Church</i>	Archbishop (M): clergy C11.	Restoration of post-exilic Judah; Institution of priestly office as formal order of mission
<i>1Cor. 14:26, Isa. 61:1-5 and 1 John 4:1</i>	Overseer (M): clergy C13.	Gospel-based mission
<i>Zech. 3, Exodus 29 and Leviticus 8</i>	Bishop (F): clergy C14.	Messianic prophecy, Institution of priestly office as formal order of mission
<i>Prophets were given scriptures by God, such as Zech. 3:3-4, to guide the mission of Akurinu, mainly warfare prayer assignments for Kenya. Prophets interpret what God is saying directly</i>	Bishop (M): clergy C7.	Restoration of post-exilic Judah
<i>Zech. 3 and others. God, in His own sovereign way gave biblical songs to composers as biblical revelation. They are biblically based</i>	Bishop (M): clergy C8.	Restoration of post-exilic Judah
<i>Matt. 2:11-13, Deut. 22:11-12 and Rev. 3:18-19 9 (white garments)</i>	Senior Bishop (M): clergy C1.	God's safety through dreams, nonallegorical dress materials, restoration of Laodicians in Revelation.

<i>Scriptures revealed to the Akurinu prophets include Zech. 3 and others in Exodus as God's command to Aaron and his sons</i>	Senior pastor (M): clergy C2.	Restoration of post-exilic Judah. Institution of priestly office as formal order of mission
<i>Mainly through prophetic leadership, Zech. 3 and communal ministries guided by Acts 2:42-47</i>	Pastor (M): clergy C3.	Restoration of post-exilic Judah, formal discipleship in apostolic church
<i>Exo. 28, Leviticus 8. However, what God tells the prophet is very strong in determining and sustaining our standards of life and ministry</i>	Pastor (M): clergy C4.	Institution of priestly office as formal order of mission
<i>We dress according to Aaronic priesthood in Exod. 28 for ministry in Exodus 29</i>	Pastor (M): clergy 5.	Dressing symbolized Aaronic priesthood
<i>Isa. 61 and Exo. 29 teach us about service</i>	Pastor (M): (clergyC10).	Dressing and mission positively related
<i>There are many verses but I cannot remember any off-head</i>	Youth leader (M): (leader Y 9)	Challenge memory of scriptures (Psalm 119: 9-11, 105)
<i>Zech. 3 and Isa. 61</i>	Youth leader (M): leader Y6).	Messianic prophecy, Restoration of post-exilic Judah
<i>There are many scriptures, Zech 3 and Isa. 61 included</i>	Deacon (M): leader D15.	Restoration of post-exilic Judah
<i>I cannot remember any</i>	Youth leader (F): leader Y16.	Challenge memory of scriptures (Psalm 119: 9-11, 105)
<i>1Cor. 6:16-20, Gen.1:26-28</i>		Godly lifestyle related to mission
<i>Romans 12. Gifts of the Holy Spirit</i>	Pastor's wife (F): leader PW 17. Overseer's wife (F): leader OW18.	Gift-based and charismatic mission related

Results suggested that a distorted understanding of God's truth as Akurinu believers existed.

When biblical context is used, the Bible interpreter hears what God said originally. Although results indicated there was a positive relationship between biblical context and fulfilment of mission, an illustration of qualitative contextualization using grammar principle helps to clarify the meaning of Zech. 3: 4. The Hebrew verb used here is *abar*, עָבַר, with wide range of meanings, 'to pass over or by or through, alienate, bring, carry, do away, take, take away' by erasing (Heb. *machah*, מָחָה) their sins (Strong, 1990). Therefore, since the original meaning was to alienate, God's act of cleansing the nation meant that He would no longer treat Judah as sinners. The Heb. noun for *miter* in Zech. 3:5 is *tsaniph*, צָנִיף, , ancient Jewish head dress of cloth wrapped around the

head, turban, which was contemporary head dress in the Middle East and surrounding nations. This dress did not have religious meaning attached to it (Kitto & Taylor, 1856, Encyc. 2015).

In Table 6, results indicated that what one did best, leader or follower, ranked top (38.9%) as the practical way of determining one's area of God's call!. This method was problematic in a number of ways. Criteria for determining what was one's best was not clear since there was no practical way of linking scriptures cited in Table 5 as an objective measurement to God's standards. Subjective ways of knowing one's area of best performance would have taken different trajectories such as good comments observers or consumers of ministerial services (social dimension). If one did well in regular prayer for personal transformation and transformation of others and God did it, specific scriptures such as Gal. 5:22-23 would have guided Akurinu believers and leaders to interpret whether to evaluate whether manifestations of love, joy, peace, among others, were a result of prayer alone or a product of one's good performance in multiple dimensions of religion, identified by Ninian Smart as experiential, social, moral/ethical, doctrinal, devotional, mystical and material (Smart,1996).

Respondents were asked to state any three negative remarks they received from non-Akurinus as a result of their contextualization of theology of dressing. Results are presented in Table 6.

Table 6: Negative Remarks made by Non-Akurinus about Akurinu Believers

Negative remarks by non-Akurinus	f	%	Emergent theme
They think I am brainwashed	30	9.9	Stereotyping
I do not understand my royalty to God	53	17.5	Prejudice
I avoid interest in secular world	55	18.2	Exclusivists
Dress code is awkward	54	17.9	Misfit
Should live as one of them	17	5.6	Inculturation
Do not know meaning of turban	16	5.3	Meaning of turban
Do you trust the teaching of the Bible?	7	2.3	Biblical authority
I look old fashioned	1	0.3	Fashion
No response	69	22.8	Unknown position
Total	302	100.0	

Results indicated that non-affirming responses of Akurinu believers by non-Akurinus existed as discrimination based on their religion.

McConnell (1981) argues that one of the causes of poverty is discrimination. Various efforts made by GeCACA to address discrimination were measures of poverty alleviation of poverty as articulated in GeCACA objective d among others which is; "restore Akurinu heritage and selfesteem and ensure good standing with the government and society" (GeCACA, 2017).

Therefore frequency counts in Table 6 suggested that Akurinu believers in Nairobi experienced discrimination in several of spheres, business world included.

Hypothesis Testing

The hypothesis was: H₀₂. There is no statistically significant relationship between biblical context and fulfilment of mission among Akurinu believers. Akurinu believers were asked to name specific ministries they believed to have been given by God according to propositions given in Table 6. Results of logistic regression were presented in Table 7 below:

Table 7: Analysis of Variance for Fulfilment of Mission

Variables in the Equation		B	S.E.	Wald	df	Sig.	Exp(B)
1 ^a	Fulfillment Step mission	-1.405	.238	34.733	1	.000	.245
	Constant	7.985	1.139	49.138	1	.000	2936.599

a. Variable(s) entered on step 1: fulfillment mission.

The predicted probability is Akurinu membership for biblical contextualization as P(T) divided by P(F) to get odds ratio. To assess the hypothesis of no statistically significant relationship between biblical context and fulfilment of mission among Akurinu believers, the logistic regression was used to analyze the response on this data. There was significant relationship between the biblical context and the fulfilment of mission with the $\chi^2=34.733, P \leq 0.000$ which was less than 0.05 significant level. The predictive probability of change in odds ratio on fulfilment of mission was 0.245, which means that the increase in one unit of the applied knowledge of correct interpretation of text according to the biblical context predicted a change in odds ratio of 0.245 on fulfilment of mission, specifically poverty alleviation. This statistic meant that correct interpretation of biblical texts would not account for 0.755 of changes in poverty alleviation. Mcquail & Windahl (2015) have argued that regardless of taxonomy, dynamics within communication relationship, such as lack of familiarity or credibility of source, psychological noise, semantics, syntax and selective filtering, among others, enhance or block communication of God's truth to people. Crowson (2018) and Grande (2016) note that odds ratio greater than 1 indicated that the probability that a value in predictor variable would cause change in log odds of dependent variable is higher than the probability that it would not.

Hierarchical logistic model was performed to determine the moderating effect of culture on poverty alleviation results were presented in Table 8 below.

Table 8: Analysis of Variance for the Moderating Variable on Fulfillment Mission

Variables in the Equation		B	S.E.	Wald	df	Sig.	Exp(B)
1 ^a	Fulfillment mission Step	-1.446	.244	34.997	1	.000	.235
	cultureobj2	-.238	.169	1.984	1	.159	.788
	Constant	9.308	1.524	37.302	1	.000	11020.837

a. Variable(s) entered on step 1: cultureobj2.

To assess if the moderating variable culture influences the relationship between the biblical context and fulfillment of mission knowledge, the hierarchical logistic regression model was used. From the analysis the direct relationship between the biblical context and fulfillment of knowledge among Akurinu believers was significantly different, Wald chi square =35.266, $P \leq 0.000$ which was less than $p=0.05$ level. This meant that there was sufficient evidence that unit change in the applied knowledge of biblical context predicted a change in odds ratio of 0.235. The results of the study also indicated that the indirect relationship between the moderating variables culture with the biblical context was not significantly different, Wald chi square =1.984, $P > 0.159$ which is greater than $p=0.05$ level. Although SPSS tool showed that influence of culture was statistically insignificant, the odds ratio of 0.788 had a high likelihood of causing a change in the dependent variable, poverty alleviation. This apparent contradiction can be explained by the fact that elements of culture such as discrimination were intrinsic, therefore SPSS software could not capture internal impact Nairobi culture had on Akurinu believers, though moderating effect was relatively high. Textual analysis in qualitative data is useful verification that influence of culture was high. The introduction of this variable to odds ratio of fulfilment of mission lowered the odds ratio by 0.010 as net effect of positive and negative cultural elements captured in the study.

Summary, Conclusions and Recommendations

In summary, though small, this decrease reflected a negative relationship between urban culture and fulfilment of Akurinu mission, poverty alleviation. Probably, the variables were difficult for participants to estimate their effect because of their intrinsic nature. Qualitative analysis based on texts of participants were more reliable interpreters of findings than hypothesis testing since SPSS does not capture abstract elements such as discrimination of Akurinu believers by non-believers with whom they did business in Nairobi County.

Conclusively, the moderation was very small as an interference with predictive probability of biblical context negatively. The study concluded that efforts of Akurinu believers to alleviate poverty through education, employment, business ventures and while preserving their faith were strongly challenged by reactions of wider culture in Nairobi County.

The study recommends that Akurinu leaders interpret scriptures correctly based on biblical context in order to facilitate their holistic application of God's truth to address a variety of urban challenges, including poverty alleviation.

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