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Dynamic Capabilities and Competitive Advantage of Deposit Taking Savings and Credit Cooperative Societies in Nairobi City County, Kenya

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ABSTRACT

Despite providing financial support and access to over 48% of the adult population and 82% of small enterprises in Kenya, Deposit Taking Savings and Credit Cooperatives faced intense competition from other financial institutions, leading to reduced competitiveness. The general objective of the study was to investigate the effect of dynamic capabilities on the competitive advantage of Deposit Taking Savings and Credit Cooperatives in Nairobi City County, Kenya. The specific objectives were to explore the effect of marketing capability, knowledge management capability, technological innovation capability, financial management capability on the competitive advantage of Deposit Taking Savings and Credit Cooperatives in Nairobi City County, Kenya. The study was grounded in Marketing Mix Theory, Knowledge-Based Theory, Technology Acceptance Theory, Resource-Based Theory, Dynamic Capabilities Theory, and Competitive Advantage Theory. It employed a descriptive research design, with a target population of 47 Deposit Taking Savings and Credit Cooperatives operating in Nairobi City County. The units of observation included 384 top and middle-level management staff in key departments. The study used a stratefied random sampling for sampling, involving all 47 Deposit Taking Savings and Credit Cooperatives in Nairobi. Additionally, a sample of 196 top and middle management staff was selected using the Yamane Formula. A structured survey tool was utilized for gathering data. Secondary data on competitive advantage was sourced from published articles, referred journals, and other relevant materials. The data gathered included both quantitative and qualitative elements, analyzed descriptively and inferentially, with averages, frequencies, and percentages serving as useful metrics. Qualitative data was analyzed using content analysis and presented in narrative form. The relationships between variables were examined through regression analysis, with tables used to summarize responses. The study analyzed the response rate to understand the participation and engagement level of 196 respondents in a sample of Deposit Taking SACCOs, consisting of 55 senior managers and 141 middle-level managers. The overall response rate was 94.4%, with senior managers returning 90.9% of questionnaires and middle-level managers returning 95.7%. The regression analysis showed that marketing capability, knowledge management capability, technological innovation capability, and financial management capability had a significant positive impact on the competitive advantage of Deposit Taking SACCOs in Nairobi City County. These capabilities contributed to competitive advantage through various factors, such as market expansion, communication efficiency, and financial stability. Recommendations for SACCOs included developing strong marketing strategies, implementing knowledge management systems, investing in robust technology, and enhancing financial management practices. Suggestions for future studies encouraged further exploration of dynamic capabilities and competitive advantages in SACCOs, as well as other financial institutions in Kenya.

Keywords: Dynamic Capabilities, Marketing Capability, Knowledge Management Capability, Technological Innovation Capability, Financial Management Capability, Competitive Advantage

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1.0 INTRODUCTION

1.1 Background of the Study

In contemporary business environments, competitive advantage is crucial for business sustainability and success. Imbambi (2018) emphasized that the drive to achieve a competitive edge is a significant motivation among financial service providers, business leaders, and strategists worldwide. Gicheru and Kariuki (2019) highlighted specific strategies that companies employ to gain a competitive advantage, tailored to their unique operational contexts and competitive challenges. Abdelkareem, Battour, and AlAwlaqi (2022) noted that the intense competition in business settings leads to high uncertainty, impacting the competitive edge and overall firm performance.

Dynamic capabilities (DCs) are critical for navigating complex and competitive business conditions. According to Mutmainah, Suharjo, Kirbrandoko, and Nurmalina (2020), dynamic capabilities enable companies to undertake significant activities in competitive environments. Abdelkareem et al. (2022) defined dynamic capabilities as the ability to manage internal and external resources to improve organizational performance and gain a competitive advantage. Farzaneh, Wilden, Afshari, and Mehralian (2022) suggested that dynamic capabilities can help firms adapt to changing conditions and achieve a higher competitive position.

Rengkung (2018) stressed that dynamic capabilities, through sensing, learning, coordinating, and planning, lead to a greater capacity to maintain organizational presence in a dynamic business environment. As indicated by Banerjee, Farooq, and Upadhyaya (2018), dynamic capabilities are crucial for companies to continually adjust their activities to stay competitive in rapidly changing conditions.

Competitive advantage is a key differentiator for firms in achieving better performance and sustaining their market position. Khairy (2019) stated that competitive advantage allows firms to outperform rivals through superior products and services. Competitive advantage can stem from various factors, including cost efficiency, product differentiation, and effective resource management.

In the Kenyan context, SACCOs play a vital role in the economy, with Deposit Taking SACCOs (DT SACCOs) operating alongside commercial banks and MFIs. These SACCOs contribute significantly to the country's GDP and offer crucial financial services. However, they face challenges like poor corporate governance and weak internal controls. The current study aims to examine the impact of dynamic capabilities on competitive advantage among DT SACCOs in Nairobi City County, given their importance in Kenya's financial sector and their role in driving economic growth and financial inclusion.

1.2 Statement of the Problem

The ever-changing operating environment and intense competition compelled SACCOs to develop strategies to maintain their success. Several SACCOs, including DECI, Good Life SACCO Society, Ekeza SACCO, Moi University SACCO (MUSCO), Nitunze SACCO (formerly Mumias OutGrowers SACCO), Nyamobite Coffee Society in Kisii, and Ntiminyakiru in Meru, collapsed (SASRA, 2021). Although SACCOs provided financial support and access to over 48% of adults and 82% of small enterprises in Kenya, they struggled with fluctuating performance in recent years. The DT SACCOs' Return on Assets rose from 5.30% in 2018 to 10.05% in 2019, dropped to 9.91% in 2020, increased to 11.33% in 2021, and settled at 10.2% in 2022. The non-performing loans in the DT SACCOs increased from KSh 2.96 billion in 2018 to KSh 3.87 billion in 2019, then to KSh 5.04 billion in 2020, further to KSh 5.65 billion in 2021, and finally to KSh 6.14 billion in 2022 (CBK, 2021). The relationship between dynamic capabilities and competitive advantage attracted significant attention across various fields. Mugambi (2021) examined dynamic capabilities and the

performance of commercial banks in Nairobi City County, Kenya, and found that innovation capability, technical knowledge capability, quality service capability, and learning culture capability had significant effects on the performance of commercial banks. Gicheru and Kariuki (2019) investigated the impact of dynamic capacities on the performance of business banks in Kenya, establishing that innovation capability, specialized information capacity, quality service capability, and learning culture capability positively correlated with the performance of business banks in Kenya. Chepkole and Deya (2019) explored the impact of dynamic capabilities on the competitive advantage of innovative firms in Nairobi City County, Kenya, and found that financial asset capacity, information management capacity, and cost efficiency capacity influenced the competitive advantage of IT firms in Nairobi City County.

Imbambi (2018) studied the impact of dynamic capacities on the competitive advantage of sugar companies in Western Kenya and discovered a statistically significant and direct connection between innovation and material capabilities and competitiveness. Manyara, Nkaabu, and Moguche (2020) used a cross-sectional survey research design to determine the effect of dynamic capability on the performance of matatu SACCOs in Meru County. They found that SACCOs could recognize and assimilate emerging external information, applying it to enhance competitiveness.

Several studies examined variables related to this study either partially or in isolation, leading to uncertainties in the operationalization and contextualization of theoretical constructs across various settings. This resulted in conceptual, methodological, and contextual gaps concerning dynamic capabilities and competitive advantage in Deposit-Taking SACCOs. On this basis, the current study aimed to establish the effect of dynamic capabilities on the competitive advantage of Deposit-Taking SACCOs in Nairobi City County, Kenya.

1.3 Objectives of the Study

The general objective of the study was to establish the effect of dynamic capabilities on the competitive advantage of Deposit-Taking SACCOs in Nairobi City County, Kenya.

1.3.1 Specific Objectives of the Study

The study was guided by the following specific objectives:

1. To explore the effect of marketing capability on the competitive advantage of Deposit-Taking SACCOs in Nairobi City County, Kenya.
2. To determine the effect of knowledge management capability on the competitive advantage of Deposit-Taking SACCOs in Nairobi City County, Kenya.
3. To assess the effect of technological innovation capability on the competitive advantage of Deposit-Taking SACCOs in Nairobi City County, Kenya.
4. To establish the effect of financial management capability on the competitive advantage of Deposit-Taking SACCOs in Nairobi City County, Kenya.

1.4 Scope of the Study

The conceptual scope of this study lay in establishing the effect of dynamic capabilities on the competitive advantage of Deposit Taking SACCOs in Kenya. In terms of content, the study focused on marketing capability, knowledge management capability, technological innovation capability, and financial management capability. The specific context of the study was the Deposit Taking SACCOs in Nairobi City County. The Deposit Taking SACCOs established and operating in this county were considered in the study. This study was limited to the 47 Deposit Taking SACCOs in Nairobi City County. The study focused on the regional/head offices of the Deposit Taking SACCOs in Nairobi City County. Consequently, the study respondents were senior managers and middle-level managers working in the Deposit Taking SACCOs in Nairobi City County. The study involved collecting information on the effect of marketing capability, knowledge management capability, technological innovation capability, and financial management capability on the

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competitive advantage of the Deposit Taking SACCOs in Nairobi City County. The time scope encompassed the most recent five-year period, covering 2018 to 2022. Methodologically, the study adopted a descriptive research design with an emphasis on quantitative data.

LITERATURE REVIEW

2.1 Theoretical frameworks

Theoretical Review This study's theoretical framework incorporates Dynamic Capabilities Theory and Competitive Advantage Theory.

2.1.1 Dynamic Capabilities Theory

Dynamic Capabilities Theory, proposed by David Teece in 2007, explores how organizations adapt to rapid and discontinuous changes while maintaining competitive standards. It emphasizes the importance of developing processes that allow firms to reconfigure resources and capabilities in response to changing environments. Teece's (2007) theory gained prominence for explaining how successful firms can maintain competitiveness through dynamic adaptability, addressing perceived limitations in earlier strategic management models like Resource-Based View (RBV). Critics, however, have highlighted challenges with the concept's ambiguity and lack of clear metrics to measure its impact on organizational performance (Zollo and Winter, 2002; Zott, 2003). This theory is relevant to this study as it suggests that organizations that effectively reconfigure their capabilities can achieve competitive advantage.

2.1.2 Competitive Advantage Theory

Proposed by Porter (1985), Competitive Advantage Theory suggests that firms should pursue strategies that create unique goods or services to sell at premium prices. It underscores productivity growth as a key focus for achieving competitive advantage. The theory implies that a firm's unique attributes or resources provide it with an edge over competitors, leading to superior performance. Critics, like Durand (2021), question whether competitive advantage is a reliable concept, arguing that it lacks a falsifiable hypothesis. Despite these criticisms, Competitive Advantage Theory is relevant to this study because it implies that well-executed strategies, based on unique firm attributes, lead to superior performance. This theory supports the study's focus on examining the competitive advantage of Deposit Taking SACCOs.

2.2 Empirical Review

Competitive advantage was characterized as a state where organizations addressed dynamism in the external environment and continued to provide superior products to customers compared to their competitors(Chesigor, Wanyama, & Otiso, 2019). This advantage was achieved by effectively leveraging key capabilities such as marketing, knowledge management, technological innovation, and financial management. Hou and Dong (2022) highlighted that industry edge stemmed from the ability to offer superior products, reliant on the deployment of the right skills. Financial institutions, recognizing the service sector's significant impact on the global economy, focused on innovations, centralized processes, and market responsiveness (Marchand, Hennig-Thurau & Flemming, 2020).

Dynamic capabilities, as described by Ardito et al. (2020), were integrated into organizational processes, guiding resource allocation and operational routines. They formed a crucial part of an organization's structure, contributing to its competitive advantage (Banerjee et al., 2018). Moreover, firms competed not only on exploiting existing resources but also on their ability to explore, renew, and develop organizational capabilities. Marketing capabilities, according to

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Ganguly et al. (2020), facilitated building enduring relationships and enhancing brand image, leading to superior performance.

Knowledge management, emphasized by Gloet and Samson (2019), focused on acquiring, applying, and disseminating collective expertise within organizations, enhancing productivity. Technological capability, as noted by Hussain, Lazim, and Taib (2018), involved expanding and deploying core capabilities by effectively integrating different technology streams and resources. Technological innovation capability, according to Dejardin et al. (2022), enabled firms to consistently transform information into improved processes, goods, and services, thus enhancing performance and stakeholder satisfaction. Institutions, as suggested by Guozhi (2019), balanced expenditures with income streams to achieve financial outcomes, emphasizing effective financial management and governance practices. This study will examine the influence of marketing, knowledge management, technological innovation, and financial management capabilities on competitive advantage.

2.3. Conceptual Framework

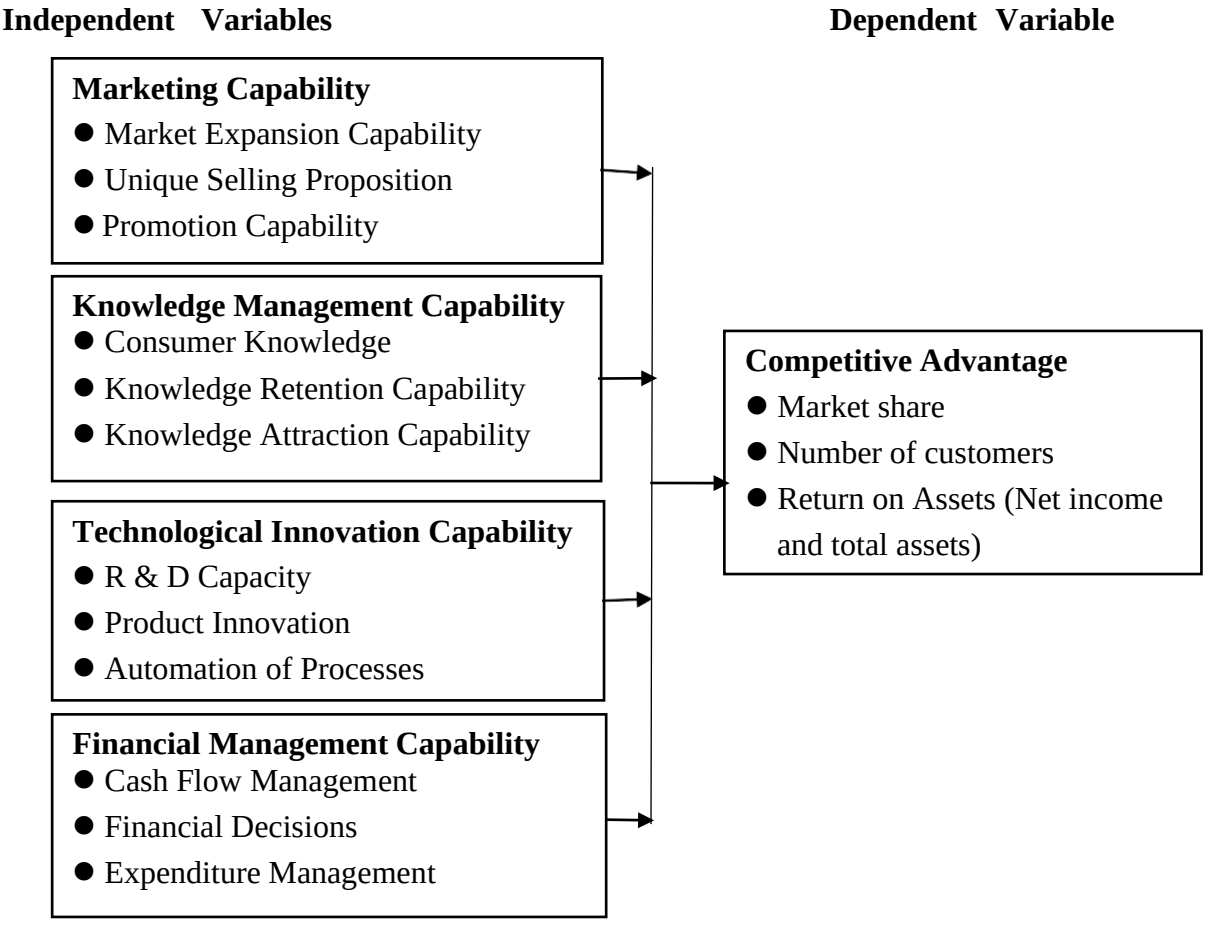

Figure 2.1: Conceptual Framework

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2.3.1Review of the study Literature

2.3.1.1 Marketing Capability and Competitive Advantage

Research on marketing capabilities and competitive advantage has shown the importance of dynamic marketing strategies across various industries and countries. Zohourian, Rahimnia, and Nabizadeh (2022) investigated dynamic marketing capabilities in the food industry in Iran, finding that these capabilities play a crucial role in reconfiguring operational marketing and boosting organizational performance. Chao, Seo, and Kim (2022) examined the impact of promotional activities on business execution in South Korea, establishing that these activities significantly influence competitive advantage and both monetary and non-monetary business outcomes.

Kwon (2021) explored dynamic marketing capabilities in South Korean export companies, discovering that capabilities such as "market responding abilities" substantially impact performance in international markets. Alshamayleh, Amlus, Alkhazali, and Qawasmeh (2021) focused on marketing capabilities among SMEs in Jordan, revealing a strong correlation between marketing capabilities and innovation performance.

Chahal and Kaur (2020) researched the role of marketing capabilities in competitive advantage, suggesting that a firm's market orientation and ability to adapt to environmental disruptions can lead to improved business performance and a competitive edge. Absah, Rismayani, and Harahap (2019) examined the effects of marketing capabilities on monetary performance in the fashion industry in Indonesia, indicating that these capabilities, along with innovation capacities, directly impact financial success.

Sagheb, Asayesh, Ziari, and Roosta (2018) studied the relationship between marketing capabilities and global branding, confirming that marketing strategies like product marketing and store marketing significantly contribute to international brand success. Despite these comprehensive studies, none addressed the link between marketing capabilities and competitive advantage in Deposit Taking SACCOs (Savings and Credit Cooperative Societies) in Nairobi, Kenya, indicating a contextual gap in the research.

2.3.2 Knowledge Management Capability and Competitive Advantage

In Idrees, Hynek, Xu, and Akbar's (2022) study, the role of information management capabilities in new product development performance, mediated by organizational agility, was explored in the Chinese car sector. Using a survey method, data were collected from 201 respondents, primarily project directors, managers, and designers. Findings indicated a significant impact of information sharing and application on new product development, with organizational readiness mediating the relationship. However, the study's focus on the automotive sector limited its generalizability, leaving a gap compared to the current study focusing on Deposit Taking SACCOs. Similarly, Khan, Ajmair, and Kazimi (2022) investigated the impact of information management on organizational effectiveness in the government health sector. Their quantitative survey revealed a significant positive effect, emphasizing the importance of information management elements like conversion and sharing. Yet, the study's sectoral focus and causal research design created gaps, contrasting with the ongoing study's exploratory approach. Tajpour et al. (2022) examined the influence of knowledge management roles on sustainability in technology-driven firms, emphasizing virtual engagement's mediating effect. Their correlational study, involving 537 companies, highlighted the value of knowledge management across organizational functions, particularly in fostering innovation and sustainability. However, the study's focus on technology-driven firms created a gap

compared to the ongoing research. Qandah et al. (2021) aimed to identify factors influencing product/service innovation in Jordanian entrepreneurial firms through information management capabilities. Their survey-based study underscored the significance of infrastructural and dynamic capabilities, with information integration playing a crucial mediating role. However, their sectoral focus left a gap compared to the ongoing study's focus on Deposit Taking SACCOs. Rezaei, Khalilzadeh, and Soleimani's (2021) investigation into information management's impact on organizational performance in Kabul Steel Plant highlighted the role of human resources as a mediator. Despite revealing positive effects, their study's sectoral focus diverged from the current research on Deposit Taking SACCOs. Finally, Tai (2021) explored the influence of information management on coffee production line performance in Kiambu County, Kenya. Their descriptive study, involving 71 coffee plants, highlighted the significance of information acquisition and conversion on performance. However, the study's sectoral focus differed from the ongoing study on Deposit Taking SACCOs, revealing contextual and conceptual gaps..

2.3.3 Technological Innovation Capability and Competitive Advantage Studies

Research by Okpalaoka, Ogunnaike, and Kalu (2022) investigated the impact of technological innovation capabilities on the performance of selected manufacturing SMEs in Lagos State, Nigeria. Using a distinct and causal research design, they found that research and development capacity significantly affected the value generation in these SMEs. This study focused on manufacturing SMEs, with a specific geographic scope, suggesting that technological innovation positively impacts their performance. Khraim (2022) explored the effect of technological innovation capabilities on firm performance in the IT sector, with strategic agility as a moderating variable. The study involved 67 IT firms in Amman, Jordan, and used structural equation modeling to test hypotheses. The findings indicated that various capabilities influenced firm performance, with strategic agility playing a moderating role. Heenkenda, Xu, Kulathunga, and Senevirathne (2022) examined innovation capacity's impact on SMEs' sustainability in Sri Lanka. The study utilized a sample of 384 SME owners, finding that innovation capacity and disruptive technology influenced sustainability, with knowledge creation serving as a partial mediator. This research provided insights into the broader role of technological innovation in SME sustainability. Rahim and Zainuddin (2019) assessed how Malaysian automobile manufacturers' competitive advantage and performance were influenced by their technological innovation capabilities. The study used survey and interview methods, revealing that research and development capacity and networking abilities improved firm performance and competitive advantage. Ahmad and Lazim (2019) focused on the link between Malaysian manufacturing companies' performance and technological capabilities. The study, which included 322 manufacturing firms, established a significant positive correlation between technological capabilities and firm performance, using a descriptive research design and Pearson correlation analysis. Lastly, Alam, Munizu, and Jillbert (2019) studied the impact of information technology on innovation capability, competitiveness, and firm performance in medium and large-scale manufacturing companies in Indonesia. The results showed that innovation capability influenced competitiveness and firm performance, indicating the relevance of technological innovation in driving competitive advantage. Each of these studies varies in their geographical focus, methodology, and specific research design. While they generally confirm the positive relationship between technological innovation capabilities and competitive advantage, they differ from the current focus on Deposit Taking SACCOs in Nairobi City County, indicating potential contextual and methodological gaps

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2.3.4 Financial Management Capability and Competitive Advantage

Research on financial management capability and competitive advantage has shown varied results across different contexts and industries. Yi et al. (2022) used data from the China Household Finance Survey to explore the impact of financial capability on entrepreneurial performance in rural China. They found a positive correlation between financial capability and entrepreneurial success, with technology, labor, and land acting as mediators. Zada et al. (2021) investigated five financial management practices among small and medium-sized enterprises (SMFEs) and found that strong financial practices were positively associated with financial performance and firm growth.

Meanwhile, Tampuri et al. (2021) examined financial capabilities in Ghana and identified significant relationships between financial education and financial capability, highlighting conceptual and methodological gaps. Similarly, Khayubi (2020) studied financial literacy and its impact on financial access in Kenya, indicating a need for context-specific research. Lastly, Imbambi (2018) investigated how financial resources affect competitive advantage in Western Kenya's sugar industry, finding that financial management capacity did not greatly influence competitive advantage, suggesting that effective financial management is crucial for entrepreneurial success. These studies highlight the importance of financial management capability for competitive advantage, but the diverse contexts suggest the need for more focused research on specific sectors, like Deposit Taking SACCOs in Nairobi City County, to fill existing gaps and provide more nuanced insights.

3.0 RESEARCH METHODOLOGY

The research design employed a descriptive approach, focusing on understanding the current status of the subject under study. This method provided for precise assessment and facilitated the identification of relationships between study aspects. The target population consisted of 47 Deposit Taking SACCOs in Nairobi, with a sample size of 196, chosen using the registration method. Data collection utilized self-administered semi-structured questionnaires and observation schedules. A pilot study was conducted to ensure the validity and reliability of the research instruments. Validity and reliability tests were performed using homogenous questions and Cronbach's alpha, respectively. Data analysis involved coding, cleaning, and analyzing both quantitative and qualitative data using descriptive statistics and regression analysis to understand the relationships between variables. The multiple regression model equation is

Where;

Y = Competitive advantage
$\mathbf{X_1}$ = Marketing capability
$\mathbf{X_2}$ = Knowledge management capability
$\mathbf{X_3}$ = Technological innovation capability
$\mathbf{X_4}$ = Financial management capability
$\boldsymbol{\beta o}$ = Constant term/intercept,
$\boldsymbol{\beta_1}, \boldsymbol{\beta_2}, \boldsymbol{\beta_3}, \boldsymbol{\beta_4}$= regression Co-efficient of variables
$\mathbf{X_1}, \mathbf{X_2}, \mathbf{X_3}, \mathbf{X_4}$ respectively, ***e*** =Error term

4.0 RESEARCH FINDINGS AND DISCUSSION

4.1 Response Rate

The response rate, indicating the level of participation and engagement from the target population, was determined based on a study sample of 196 respondents, comprising 55 senior managers and 141 middle-level managers. The response rate is presented in Table 4.1.

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Table 4.1: Response Rate

Category	Questionnaires administered	Questionnaires returned	Percentage
Senior managers	55	50	90.9
Middle level managers	141	135	95.7
Total	**196**	**185**	**94.4**

Source: Survey Data (2024)

The results displayed in Table 4.1 reveal that 185 out of 196 participants submitted their completed questionnaires, yielding an overall response rate of 94.4%. With such a response rate of 94.4%, it is considered sufficient for drawing conclusions and generalizing from the sample measures, as recommended by Mugenda and Mugenda (2003).

4.2 Descriptive Statistical Analysis

The descriptive statistical methods used in this research involved the calculation of various measures such as means and standard deviations.

4.2.1 Marketing Capability

The respondents were asked to indicate the extent to which the following aspects of marketing capability affect the competitive advantage of Deposit Taking SACCO. The results are presented in Table 4.2.

Table 4.2: Marketing Capability

Statement	Mean	Std Dev
Marketing expansion capability is a crucial element in ensuring post-purchase satisfaction and in building profitable long-term buyer-seller relationships	4.51	0.79
Marketing capability innovation affects success of the SACCO's marketing orientation	3.64	1.36
Marketing capability has played a major role in increasing market share and sales volumes realized in this SACCO	4.61	0.99
Product advertising strategy serves as an important pre-requisite for the ability of this SACCO in strengthening its market share	4.56	0.44
Use of various advertising platforms (e.g. online media) has enhanced engagements with the consumers of the SACCO products	4.74	0.26
This SACCO has adopted integrated marketing strategy which has resulted to competitive advantage	3.84	1.16
The good public relations established between the SACCO and its clients has immensely contributed to good market performance	4.17	0.83
The sales force knows the customers, as well as the products offered by the SACCO which increases customer loyalty	3.55	1.95
Aggregate Score	**4.09**	**0.973**

Source: Survey Data (2024)

The results in Table 4.2 indicate that the respondents strongly agreed that; marketing capability has played a major role in increasing market share and sales volumes realized in this SACCO (M=4.61, SD=0.99), use of various advertising platforms (e.g. online media) has enhanced engagements with the consumers of the SACCO products (M=4.74, SD=0.26), product advertising strategy serves as an important prerequisite for the ability of this SACCO in strengthening its market share (M=4.56, SD=0.44) and marketing expansion capability is a crucial element in ensuring post-purchase satisfaction and in building profitable long-term buyer-seller relationships (M=4.51, SD=0.79). The

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finding concurs with Moreno-Gómez, Londoño and Zapata-Upegui (2023) research which examined marketing strategy and competitiveness: Evidence from Colombian SMEs. The findings reveal that Colombian SMEs are frequent users of marketing strategies. Results show that larger SMEs that use marketing strategies are more competitive than smaller ones.

The respondents agreed that; The good public relations established between the SACCO and its clients has immensely contributed to good market performance (M=4.17, SD=0.83), This SACCO has adopted integrated marketing strategy which has resulted to competitive advantage (M=3.84, SD=1.16), marketing capability innovation affects success of the SACCO's marketing orientation (M=3.64, SD=1.36) and the sales force knows the customers, as well as the products offered by the SACCO which increases customer loyalty (M=3.55, SD=1.95). The agree with Karanja, Muathe and Thuo (2019) research which examined the influence of marketing capability on the performance of mobile service provider intermediary organizations in Nairobi County, Kenya and established that marketing capabilities contributed significantly to the mobile service provider intermediary organizations' performance.

The results in Table 4.6 indicate that the respondents agreed on statements describing the influence of market capability on competitive advantage of SACCOs as indicated by aggregate mean and standard deviation of 4.09 and 0.973 based on 5-point likert scale. The finding agree with in Hamsioglu (2021) research which examined the role of marketing capabilities in innovation based competitive strategies: An application on production businesses Ankara. According to the findings, there are positive and significant correlations of intensive entrepreneurship on marketing capacities, marketing capacities on organizational innovativeness and sustainable competitive advantage as well as organizational innovativeness on competitive advantage.

4.2.2 Knowledge Management Capability

The study sought to determine the extent to which knowledge management capability affect the competitive advantage of SACCO. The finding is presented in Table 4.3.

Table 4.3: Knowledge Management Capability

Statement	Mean	Std Dev
This SACCO structures facilitates the discovery of new knowledge	4.09	0.91
The organization has a standardized reward system for sharing knowledge	4.27	0.73
The SACCO designs processes to facilitate knowledge exchange across functional boundaries	3.56	1.74
The SACCO members communicate well not only with their department members but also with other department members	4.55	0.45
This organization's members can perform their own task effectively without regard to environmental changes	4.64	0.36
This SACCO has processes for generating new knowledge from existing knowledge	3.81	1.19
This organization is able to locate and apply knowledge to changing competitive conditions	4.51	0.89
The SACCO uses knowledge management to widen the array of products without increasing costs	4.52	0.58
Aggregate Score	**4.18**	**0.856**

Source: Survey Data (2024)

The results in Table 4.3 indicate that the respondents strongly agreed that; this organization's members can perform their own task effectively without regard to environmental changes (M=4.64,

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SD=0.36), the SACCO members communicate well not only with their department members but also with other department members (M=4.55, SD=0.45), the SACCO uses knowledge management to widen the array of products without increasing costs (M=4.52, SD=0.58) and this organization is able to locate and apply knowledge to changing competitive conditions (M=4.51, SD=0.89). The finding concurs with Usman and Fadhilah (2020) research on knowledge management practice for competitive advantage through innovation. The finding indicates that practice of knowledge management as knowledge dissemination is crucial to empower competencies and skills of the workers for innovation. The respondents agreed that; the organization has a standardized reward system for sharing knowledge (M=4.27, SD=0.73), this SACCO structures facilitates the discovery of new knowledge (M=4.09, SD=0.91), This SACCO has processes for generating new knowledge from existing knowledge (M=3.81, SD=1.18) and the SACCO designs processes to facilitate knowledge exchange across functional boundaries (M=3.56, SD=1.74). The finding agrees with Nguyen, Neck and Nguyen (2019) research that focused on the critical role of knowledge management in achieving and sustaining organizational competitive advantage and found that a combined social and technological approach is ideal to take advantage of their significant positive correlations in improving organizational competitive advantage.

The results in Table 4.3 indicate that the respondents agreed on statements describing the influence of knowledge management capability on competitive advantage of SACCOs as indicated by aggregate mean and standard deviation of 4.18 and 0.856 based on 5-point likert scale. The finding agree with Sharafuddin (2017) research on the role of knowledge management in achieving sustainable competitive advantage in business. The study found that knowledge management networking value chain theory has been applied to explain how the value of a knowledge network increases as the number of the members increases in Toyota.

4.2.3 Technological Innovation Capability

The respondents were further given a list of statements describing how technological innovation capability to indicate the extent to which they influenced competitive advantage of SACCOs. The descriptive statistics of marketing capability are presented in Table 4.9.

Table 4.4: Technological Innovation Capability

Statement	Mean	Std Dev
The SACCO has undertaken massive automation of processes in its operations	4.65	0.35
This SACCO has been updating its operations through use of advanced computerized services	3.99	1.01
The SACCO has implemented information systems across all its departments	3.54	1.46
Technological innovations enhance compatibility with the Organizational vision and mission	4.55	0.65
Technological innovation resources are an integral part of the SACCO's strategic responses in market surveillance and product development	4.09	0.91
This SACCO has invested heavily on technological innovations for cost efficiencies in doing business	4.57	0.45
This SACCO invests in technological innovations for innovativeness and creativity	3.64	1.36
This SACCO harnesses the power of technological innovations to give customers better services	3.88	1.02
Technological innovations provide a framework on which to develop key elements of our products and services	4.52	0.95

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Aggregate Score	**4.08**	**0.907**

Source: Survey Data (2024)

The results presented in Table 4.4 showed that respondents strongly agreed with the following statements: the SACCO had undertaken massive automation of processes in its operations (M=4.65, SD=0.35), the SACCO had invested heavily in technological innovations to achieve cost efficiencies in business (M=4.57, SD=0.45), technological innovations enhanced compatibility with the organization's vision and mission (M=4.55, SD=0.65), and technological innovations provided a framework for developing key elements of products and services (M=4.52, SD=0.95). These findings aligned with García-Fernández, Gálvez-Ruiz, Bohórquez, Grimaldi-Puyana, and Cepeda-Carrión's (2020) research on the relationship between technological capabilities and organizational impact, which demonstrated the significance of promoting and consolidating personal trainers' technological capabilities.

The respondents also agreed that the SACCO had been updating its operations through advanced computerized services (M=3.99, SD=1.01), the SACCO harnessed technological innovations to offer better services to customers (M=3.88, SD=1.02), the SACCO invested in technological innovations to foster innovation and creativity (M=3.64, SD=1.36), and the SACCO had implemented information systems across all its departments (M=3.54, SD=1.46). These results were consistent with Karagouni and Papadopoulos's (2017) research on the impact of technological innovation capabilities on a mature industry, which highlighted that technological innovation capabilities were crucial for maintaining sales growth and product competitiveness.

In Table 4.4, the results showed that the respondents agreed on statements regarding the influence of technological innovation on the competitive advantage of SACCOs, with an aggregate mean and standard deviation of 4.09 and 0.973 on a 5-point Likert scale. These findings were in line with the study by Yi, Meng, Linghu, and Zhang (2022), who examined the role of financial capability in improving entrepreneurial performance, demonstrating that financial capability was positively correlated with the scale, profitability, and sustainability of entrepreneurship, even after considering endogeneity.

4.2.3 Financial Management Capability

The respondents were further given a list of statements describing how financial management capability to indicate the extent to which they influenced competitive advantage of SACCOs. The descriptive statistics of marketing capability are presented in Table 4.5.

Table 4.5: Financial Management Capability

Statement	Mean	Std Dev
The SACCO always prepares list of expected activities and convert them into money values	4.11	0.89
The Organization have always had allocations for all types of things that require to be purchased in its business	4.42	0.58
The SACCO always prepares forecast of all monies it hopes to get and how to use it	4.42	0.58
The SACCO has increased market share due to the better services	4.49	0.51
The SACCO stakeholders are satisfied by the financial management	3.69	1.31
The SACCO has recorded increased accountability due to efficient financial management	4.24	0.76
Equity capital has increased due to financial management effects	3.75	1.25
The number of account holders has increased due to better services	3.98	1.02

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The SACCO prepares financial records that help in drafting the balance sheet	4.22	0.78
The SACCO is able to prepare the cash flow statements from the financial records	4.67	0.33
Aggregate Score	**4.19**	**0.801**

Source: Survey Data (2024)

The respondents strongly agreed on the statements that; The SACCO is able to prepare the cash flow statements from the financial records (M=4.67, SD=0.33), the SACCO has increased market share due to the better services (M=4.59, SD=0.51), The SACCO has recorded increased accountability due to efficient financial management (M=4.54, SD=0.76), The SACCO always prepares forecast of all monies it hopes to get and how to use it (M=4.52, SD=0.58). The finding agree with Nohong, Sohilauw, Sobarsyah and Munir (2019) examined the financial literacy and competitive advantage. SME strategy in reducing business risk. The results of the study show that financial literacy can improve competitiveness through capital structure policies.

The respondents strongly agreed on the statements that; the Organization have always had allocations for all types of things that require to be purchased in its business (M=4.42, SD=0.58), The SACCO prepares financial records that help in drafting the balance sheet (M=4.22, SD=0.78), the SACCO always prepares list of expected activities and convert them into money values (M=4.11, SD=0.89), The number of account holders has increased due to better services (M=3.98, SD=1.02), Equity capital has increased due to financial management effects (M=3.75, SD=1.25), the SACCO stakeholders are satisfied by the financial management (M=3.69, SD=1.31). The finding agrees with Nkundabanyanga, Akankunda, Nalukenge and Tusiime (2017) examined the impact of financial management practices and competitive advantage on the loan performance of MFIs. This study shows that assessing the role of competitive advantage in the relationship between financial management practices and loan performance is imperative. The results in Table 4.5 indicate that the respondents agreed on statements describing the influence of financial management capability on competitive advantage of SACCOs as indicated by aggregate mean and standard deviation of 4.19 and 0.801 based on 5- point likert scale.

4.2.5 Competitive Advantage

The respondents were asked to rate the overall competitive advantage of this SACCO in the last five years. The respondents were asked to indicate the extent to which the following aspects of competitive advantage of Deposit Taking SACCO. The results are presented in Table 4.6.

Table 4.6: Aspects of Competitive Advantage

Aspect	1	2	3	4	5
Number of customers	1.6	1.6	1.6	1.6	1.6
Growth in market share	3.2	3.2	3.2	3.2	3.2
Profitability	8.1	8.1	8.1	8.1	8.1
Net income	10.8	10.8	10.8	10.8	10.8
Total assets	1.6	2.1	3.2	43.2	49.7
Average score	0.1	3.8	7.6	40.5	47.6

Key 1= no extent, 2= little extent, 3= moderate extent, 4= great extent and 5 is to a very great extent

Source: Survey Data (2024)

The results presented in Table 4.6 indicate that majority (88.1%) of the respondents indicated that that number of customers, growth in market share, profitability, net income and total assets had affected the competitive advantage of Deposit Taking SACCO to a great extent.

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4.3 Inferential statistics

Regression analysis was done to establish how one variable influences the other.

Table 4.7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of theEstimate
1	.931[a]	.8667	.851	1.015

Source: Survey Data (2024)

From the findings in Table 4.7 the value of adjusted r squared was 0.851 (85.1%) an indication that there was variation of 85.1% on competitive advantage of Deposit Taking SACCO was due to changes in marketing capability, knowledge management capability, technological innovation capability and financial management capability. Additionally, this therefore means that factors not studied in this research contribute 14.9% of competitive advantage of Deposit Taking SACCO.

Table 4.8: Analysis of Variance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	102.015	4	25.504	41.725	.002
Residual	110.021	180	0.6113		
Total	212.036	184			

Source: Survey Data (2024)

As shown in Table 4.8 significance value is at 0.002 which is below 0.05. In addition, the ANOVA statistic, F (4, 41.725) is greater than the statistical mean value of (4, 25.504), and this meant that the regression model was statistically significant.

Table 4.9: Coefficients

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
(Constant)	.715	.145		4.931	.002
Marketing capability	.719	.352	.521	2.043	.001
Knowledge management capability	.845	.229	.023	3.689	.002
Technological innovation capability	.776	.334	.461	2.323	.001
Financial management capability	.883	.415	.553	2.128	.000

Source: Survey Data (2024)

The results in Table 4.9 indicate that holding independent variables constant, the dependent variable would be 0.715(71.5%). The regression coefficients indicate that when marketing capability, knowledge management capability, technological innovation capability and financial management capability are improved they would improve the competitive advantage of Deposit Taking SACCO by 0.719, 0.845, 0.776 and 0.883 respectively. Therefore, the regression equation is as follows;

Competitive advantage = 0.715 + 0.719 (marketing capability) + 0.845(knowledge management capability) + 0.776(technological innovation capability) + 0.883(financial management capability)

The study found that marketing capability had a positive significant influence on competitive advantage of Deposit Taking SACCO as indicated by (t=2.043, p=0.001). The finding agree with Alao, Adefulu, Asikhia and Makinde, (2020) research on strategic marketing and competitive advantage of selected petroleum products marketing companies in Nigeria: The moderating role of resource capabilities. The findings established that strategic marketing has a positive and significant

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effect on competitive advantage. The study established that knowledge management capability had a positive significant influence on competitive advantage of Deposit Taking SACCO as indicated by (t=3.689, p=0.002). The finding agrees with Asava–Kihima (2019) research on knowledge management for competitive advantage within commercial banks in Kenya and established that knowledge management had a positive significant effect on competitive advantage within commercial banks in Kenya.

The study revealed that technological innovation capability had a positive significant influence on competitive advantage of Deposit Taking SACCO as indicated by (t=2.323, p=0.001). The finding agrees with Wanaswa, Awino, Ogutu and Owino (2023) research on technological Innovation and Competitive Advantage: Empirical Evidence from Large Telecommunication Firms. Findings reveal a significant and positive influence of technological innovation on competitive advantage.

The study revealed that financial management capability had a positive significant influence on competitive advantage of Deposit Taking SACCO as indicated by (t=2.128, p=0.000). The finding agrees with Nkundabanyanga, Akankunda, Nalukenge and Tusiime (2017) examined the impact of financial management practices and competitive advantage on the loan performance of MFIs. This study shows that assessing the role of competitive advantage in the relationship between financial management practices and loan performance is imperative.

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The study investigated the impact of marketing capability on the competitive advantage of deposit-taking SACCOs in Nairobi City County, Kenya. The results revealed a significant positive effect, with marketing strategies such as market expansion, unique selling propositions, promotion capability, product repositioning, and product diversification all contributing to competitive advantage. The study also demonstrated that marketing efforts increased market share and sales volume, with various advertising platforms improving customer engagement.

The effect of knowledge management capability on competitive advantage was also analyzed. The findings showed that knowledge management, including knowledge retention, attraction, sharing, and application, significantly impacted the competitive advantage of deposit-taking SACCOs. It was found that effective communication and knowledge management systems helped streamline processes and reduce costs.

The study examined technological innovation capability and its influence on competitive advantage, concluding that SACCOs which invested in research and development, automation, and innovative communication experienced enhanced operational efficiency and compatibility with organizational goals.

Finally, the study assessed financial management capability, showing that effective cash flow management, financial decision-making, expenditure management, and resource mobilization contributed to competitive advantage. Efficient financial practices led to improved accountability, better market share, and strong risk management.

5.2 Conclusions of the Study

The study concluded that marketing capability was crucial for SACCOs to attract and retain customers, adapt to changing market conditions, and effectively communicate their value proposition. Knowledge management capability allowed SACCOs to make informed decisions, streamline workflows, and mitigate risks. Technological innovation capability provided SACCOs with personalized and efficient services, while financial management capability ensured proper resource allocation, risk management, and long-term sustainability

5.3Recommendations of the Study

The study recommended that deposit-taking SACCOs conduct market research to understand their target audience, establish a structured knowledge management framework, invest in digital infrastructure, and implement advanced financial management systems. SACCOs should also foster a culture of knowledge sharing and adopt user-friendly technology solutions to enhance customer experience.

5.4 Suggestions for Future Study

The study suggested further research on the dynamic capabilities impacting the competitive advantage of deposit-taking SACCOs, as well as similar studies focused on other financial institutions in Kenya, such as commercial banks.

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