

**International  
Institute of  
Social Studies**

*Erasmus*

**Relationship between Online Marketing and  
Sustainable Performance of SACCOs amid Covid-19**

: The case of Farmers Based and Community Based DT-SACCOs in Kenya

A Research Paper presented by:

***Inhwa Jeong***

in partial fulfilment of the requirements for obtaining the degree of  
MASTER OF ARTS IN DEVELOPMENT STUDIES

Major:

**ECONOMICS OF DEVELOPMENT**

(ECD)

Members of the Examining Committee:

Natascha N. Wagner

Zemzem Shigute Shuka

The Hague, The Netherlands

November 2021

***Disclaimer:***

This document represents part of the author's study programme while at the International Institute of Social Studies. The views stated therein are those of the author and not necessarily those of the Institute.

***Inquiries:***

International Institute of Social Studies  
P.O. Box 29776  
2502 LT The Hague  
The Netherlands

t: +31 70 426 0460  
e: [info@iss.nl](mailto:info@iss.nl)  
w: [www.iss.nl](http://www.iss.nl)  
fb: <http://www.facebook.com/iss.nl>  
twitter: [@issnl](https://twitter.com/issnl)

***Location:***

Kortenaerkade 12  
2518 AX The Hague  
The Netherlands

**This paper was supported by the KOICA/WFK Scholarship funded by  
the Korea International Cooperation Agency. (2020-121)**

# Contents

<i>List of Tables</i>	<i>v</i>
<i>List of Figures</i>	<i>v</i>
<i>List of Map</i>	<i>vi</i>
<i>List of Appendices</i>	<i>vi</i>
<i>List of Acronyms</i>	<i>vii</i>
<i>Abstract</i>	<i>viii</i>
<b>Chapter 1 Introduction</b>	<b>1</b>
1.1 Justification: Contribution of the SACCOs to the SDGs	2
1.2 Background of the Study	2
1.3 Research Problem	3
1.4 Research Purpose and Questions	6
<b>Chapter 2 Laying the Groundwork</b>	<b>7</b>
2.1 Theoretical Discussion	7
2.2 Literature Review	12
2.3 Conceptual Framework	14
<b>Chapter 3 Methodology and Sources of Data</b>	<b>15</b>
3.1 Methodology	15
3.2 Source of Data	15
3.3 Limitations	17
<b>Chapter 4 Data and Findings</b>	<b>18</b>
4.1 Secondary Data	18
4.2 Qualitative Data	33
4.3 Discussion of Main Findings	35
<b>Chapter 5 Conclusion</b>	<b>37</b>
<i>References</i>	<i>38</i>
<i>Appendix 1. Online/Phone Survey Results</i>	<i>42</i>
<i>Appendix 2. Definition of DT-SACCOs by Common bond Characteristics</i>	<i>45</i>
<i>Appendix 3. Location of DT-SACCOs by Type</i>	<i>46</i>
<i>Appendix 4. Interview Guide</i>	<i>48</i>
<i>Appendix 5. Interview Results</i>	<i>49</i>

## List of Tables

Table 1. SACCO Asset to GDP Ratio of Selected African Countries	9
Table 2. Share of Financial Sector Total Assets to National GDP	9
Table 3. Comparative Growth Trends of DT-SACCOs (2018–2020)	10
Table 4. Employment Created by Cooperatives	11
Table 5. Conceptual Framework	14
Table 6. Type and Source of Data	15
Table 7. Proportion of DT-SACCOs by Total Assets Size in 2020	18
Table 8. Distribution of Memberships by DT-SACCO	22
Table 9. Number of DT-SACCOs Using Social Media	25
Table 10. Number of DT-SACCOs Providing Mobile App Service	26
Table 11. Number of DT-SACCOs Using Social Media and Mobile App	28
Table 12. Definition of Main Variables	30
Table 13. Statistics of Variables	30
Table 14. Pearson Correlation Matrix of Variable (sig star (.05))	31
Table 15. Overview of Interviewees	33

## List of Figures

Figure 1. Share of Internet Users in Africa, by Country (2020)	4
Figure 2. Mobile Cellular Subscriptions in Kenya (2000–2020)	5
Figure 3. Types of Cooperative Enterprises in Kenya	8
Figure 4. Distribution of 175 DT-SACCOs	19
Figure 5. Location of All DT-SACCOs	20
Figure 6. Location of DT-SACCOs by Type (i)	21
Figure 7. Location of DT-SACCOs by Type (ii)	21
Figure 8. Distribution of Memberships by DT-SACCO	22
Figure 9. Proportionate Distribution of Total Assets, Deposit and Income	22
Figure 10. Proportion of Memberships against Total Income 2020	23
Figure 11. Proportion of DT-SACCOs Operating Website (i)	24
Figure 12. Proportion of DT-SACCOs Operating Website (ii)	24
Figure 13. Number of DT-SACCOs Using Social Media (i)	25
Figure 14. Number of DT-SACCOs Using Social Media (ii)	26
Figure 15. Proportion of Mobile App Service (i)	27
Figure 16. Proportion of Mobile App Service (ii)	27
Figure 17. Growth Rate of Total Income 2019–2020 by Social Media Usage	28
Figure 18. Growth Rate of Total Income 2019–2020 by Mobile App Usage	29

## **List of Map**

Map 1. Map of Kenya	19
---------------------	----

## **List of Appendices**

Appendix 1. Online/Phone Survey Results	42
Appendix 2. Definition of DT-SACCOs by Common Bond Characteristics	45
Appendix 3. Location of DT-SACCOs by Type	46
Appendix 4. Interview Guide	48
Appendix 5. Interview Results	49

## List of Acronyms

ACCOSCA	African Confederation of Cooperative Savings and Credit Associations
CCA	Canadian Cooperative Association
DT-SACCOs	Deposit Taking Sacco Societies
DFID	Department for International Development
FAO	Food and Agriculture Organization
FOSA	Front Office Services Activity
ICA	International Cooperative Alliance
ICT	Information and Communication Technology
ILO	International Labour Organization
KNFC	Kenya National Federation of Cooperatives
KUSCCO	Kenya Union of Savings and Credit Cooperatives
MFI	Microfinance Institution
SACCOs	Savings and Credit Cooperative Societies
SASRA	the Sacco Societies Regulatory Authority
SCC	Swedish Cooperative Centre
SIDA	Swedish International Development Agency
SDGs	Sustainable Development Goals
UN	United Nations
USAID	United States Agency for International Development
WOCCU	World Council of Credit Unions

## **Abstract**

Online marketing is widely used as a marketing method for businesses nowadays to promote their products and services along with rapidly increasing internet users. Online marketing gets attention and has been used among the Kenyan Deposit Taking Savings and Credit Cooperative Societies (DT-SACCOs), particularly DT-SACCOs that have large-sized and medium-sized total assets and are located in a capital city of Kenya or near the city with good internet network conditions. However, most Farmers and Community Based DT-SACCOs situated in rural areas with low network conditions were behind in adopting online marketing. This research aims to investigate the income status from 2018 to 2020 DT-SACCOs and their online marketing usage by DT-SACCOs' type comparatively, focusing on social media marketing and mobile marketing. We examine a correlation between online marketing and income growth in the Covid-19 pandemic (2019-2020) based on the quantitative data. In addition, we observe whether online marketing is feasible in the DT-SACCOs' local context and whether it became a crucial method to ensure their stable income in the DT-SACCOs' view through the qualitative interviews that complemented a quantitative analysis. In conclusion, we suggest what may be considered for the Farmers and Community Based DT-SACCOs in the future if online marketing activity is crucial for them to provide financial services to the members and secure sustainable income.

## **Relevance to Development Studies**

The purpose of the research is to observe the role of online marketing of Kenyan DT-SACCOs on income during the Covid-19 pandemic. From a development perspective, Savings and Credit Cooperative Societies (SACCOs) are important financial institutions as SACCOs contribute to boosting rural economic activities by providing financial services and investment opportunities to grassroots. In this sense, this study aligns with a development goal of the Kenyan Government and SDGs. The Kenyan Government set a development goal, 'Vision 2030 strategy', and encouraged SACCOs activities to broaden access to financial services for community people and farmers. Above all, the findings of the study may contribute to the discussion on 'Goal 1: No poverty (end poverty in all its forms everywhere)' and 'Goal 8: decent work and economic growth' by considering inclusive economic growth, especially for unbanked people in rural areas in Kenya. We suggest the Kenyan government recognize the role of online marketing for the sustainable operation of SACCOs and the challenges SACCOs faced in adopting online marketing while providing policy support to alleviate these challenges.

## **Keywords**

Farmers Based and Community Based SACCOs, Online marketing, Income, Covid-19, Kenya

# Chapter 1

## Introduction

Savings and Credit Cooperative Societies (SACCOs) play a crucial role in providing financial services to rural people in Kenya. Particularly, Farmers Based and Community Based Deposit Taking Savings and Credit Cooperative Societies (DT-SACCOs) could be essential financial services intermediaries in rural areas by improving their access to financial services. The Kenyan government has recognised the importance of the SACCOs in expanding financial services (savings and loans) based on its development goals (Vision 2030) and has promoted and supervised SACCOs' activities.

The key focus of this paper lies in investigating the association between income and online marketing activities. Online marketing is spreading throughout the world and has become an essential method, especially with social distancing due to the Covid-19 pandemic. Remarkably, Kenya is highly advanced in the internet environment, recording the highest proportion of internet users (85.2 per cent) among 58 African countries, according to STATISTA (Johnson, 2020). Following this trend, many financial institutions and SACCOs actively conduct online and mobile app marketing.

However, limitations remain for the small total asset sized DT-SACCOs that primarily consist of Farmers Based and Community Based DT-SACCOs to follow this trend. They are unfamiliar with online marketing, or the members cannot reach it due to network issues. This made the small size of total asset DT-SACCOs stay behind the trend despite the rapid development of online and mobile technologies.

Most importantly, after Covid-19 outbreak, online marketing will gain significance in promoting and selling their products and services to clients. Therefore, the primary assumption of this study is that those SACCOs who can promote and provide their products and services online may secure income. In contrast, those who cannot operate online marketing may earn less income.

In this regard, the study examines the income status of the DT-SACCOs before and after the outbreak of the Covid-19 outbreak in Kenya (March 2020), mainly focusing on small-sized DT-SACCOs using secondary data derived from the Supervision Annual Report 2018, 2019 and 2020 by SACCO Society Regulatory Authority. The study observed each SACCO's website, social media pages and mobile banking application concerning online marketing. By combining the income and online marketing activities data, the study examines the correlation between income from 2018 to 2020 and online marketing activities.

The study conducted qualitative interviews on the marketing activities of the Farmers Based and Community Based DT-SACCOs to understand whether the online marketing activities are appropriate and effective in promoting their products and services to the members in rural areas. Above all, the interviews aimed to observe whether online marketing will become important to the DT-SACCOs and the current challenges they have faced due to social distancing measures from the Kenyan government amid Covid-19. Last, the study observes the necessity and the remaining limitations of online marketing for the Farmers Based and Community Based DT-SACCOs under the results of data analysis.

## 1.1 Justification: Contribution of the SACCOs to the SDGs

Cooperative and SACCO activities could play a role in achieving Sustainable Development Goals (SDGs), which are vital to the 2030 Agenda for Sustainable Development, and address economic, social and environmental development sustainably. Among the 17 SDGs (United Nations, 2021), Cooperatives and SACCOs would contribute to ‘Goal 1: No poverty (end poverty in all its forms everywhere)’ and ‘Goal 8: Decent work and economic growth’, which describe inclusive economic growth, productive employment and decent work for all by including unbanked people in rural areas in Kenya.

Wanyama (2014, p.20), a cooperative consultant with the International Labour Organization (ILO), presents the significant role of cooperatives in poverty eradication and social security, noting ‘cooperatives have the advantages of identifying economic opportunities for the poor; empowering the disadvantaged to defend their interests and to take part in decision-making concerning them, and providing security to the poor by allowing them to convert individual risks into collective risks.’ Wanyama et al. (2008) especially emphasised the role of SACCOs. The loans from SACCOs are used to invest in farming and business, buy land and furniture, build houses and afford school fees for their children. These investments would be important for agriculture activities and living for farmers and community people. Likewise, SACCOs can support agricultural cooperatives to access the inputs for farming activities and place their products in the market. SACCOs make a meaningful contribution to their members by giving access to financial capital, creating employment and increasing household income based on their ability to mobilise significant savings that members can borrow.

This study investigates the correlation between the Farmers and Community Based DT-SACCOs’ online marketing and their income during Covid-19 pandemic and observes what challenges they faced in marketing activities. Based on this research, we present whether online marketing will become important for their business and which marketing activities would be needed for the future to secure their income. In this sense, this study may contribute to SDGs by providing an implication on SACCOs’ marketing activities for their sustainable business.

## 1.2 Background of the Study

We primarily chose to study the online marketing of DT-SACCOs due to the results of an online and call survey regarding the management, financial and marketing capacity of Kenyan DT-SACCOs. According to van Oorschot et al. (2013, p.2), aiming for change, economic capacity and management (organising) capacity are considered the key three foundational pillars of cooperative performance. Furthermore, several studies have emphasised that marketing capacity is crucial to the SACCOs’ performance, especially online marketing. Based on these theories, we were curious which capacity building DT-SACCOs have focused on so far (i.e., management, financial or marketing) and which capacity building is important for them in the future.

The researcher conducted the online or call survey to understand which type of training the SACCOs provided to their managerial staff among management (e.g. administrative skills, membership management), financial and marketing capacity in terms of online marketing (e.g. social media promotion, mobile app) and which kind of support they received from outside donors among these three capacities. The survey was conducted from 6 to 17

September 2021 for two weeks with 175 DT-SACCOs in Kenya registered in SASRA. A total of 12 Farmers Based and 7 Community Based DT-SACCOs responded to the survey, which was conducted by email or phone based on the participant's preference. The survey used possibility sampling. The researcher conducted an online survey by sending the questionnaire via email or calling the targeted population and collected data upon their response. Given the small sample size, the survey results would not represent the opinions of all SACCOs, but the results would be used as a reference to explain the background of this research.

The survey respondents were the managerial staff of each DT-SACCO. The survey results describe that most DT-SACCOs have conducted managerial capacity building training for the staff, followed by financial training. Similarly, most respondents answered that they had received support related to managerial capacity building, followed by financial support. However, among the Farmers and Community Based DT-SACCOs, no one received support regarding (online) marketing capacity from donors. Most importantly, it was impressive that many respondents answered that (online) marketing capacity building (e.g. social media promotion, mobile app) would be needed for sustainable operation in the future, regarding the question on 'which support will be contributed to the sustainable operation of your SACCOs in the future?'

According to the survey, DT-SACCOs have conducted internal training for the management capacity building with the highest proportion across the responded DT-SACCOs, followed by financial training. However, only 6 Farmers and Community Based DT-SACCOs out of 19 provided marketing training (around 31.5 per cent) to their managerial staff, which accounts for respectively 25 per cent and 42 per cent, respectively.

When it comes to support by donors, the 7 Farmer Based DT-SACCOs (58.3 per cent) of 12 and 2 Community Based DT-SACCOs (28.6 per cent) of 7 received support from donors. The results showed that the management capacity building accounts for the largest proportion with 60 per cent, followed by the financial capacity building and direct financial aid. However, it was interesting that no one from Farmers and Community Based DT-SACCOs responded that they received any support on (online) marketing capacity building from donors.

Most importantly, the largest number of survey respondents (34 per cent) answered that support related to the marketing capacity building will contribute to the performance of their DT-SACCOs in the future, followed by management capacity building (29 per cent) and financial training (21 per cent). These results imply that marketing capacity building is much needed, and they may face challenges with it.

Based on the survey results, the researcher found a need to understand the current online marketing activities of the DT-SACCOs. The detailed survey results can be found in Appendix 1. We were curious why most respondents from the Farmers and Community Based DT-SACCOs considered that the marketing capacity including online marketing is vital for their DT-SACCO's sustainable performance. In this regard, we decided to narrow down the study scope and choose online marketing as the primary research topic.

### **1.3 Research Problem**

Dunn et al. (2002) stressed that the main difficulty of agricultural cooperatives is securing sufficient capital and finance improvements because the cooperatives generally make a budget based on small amounts of membership fees. Similarly, Mukare (2008) conducted a case study on 'Revitalizing Agricultural Cooperatives through Enhancing Member

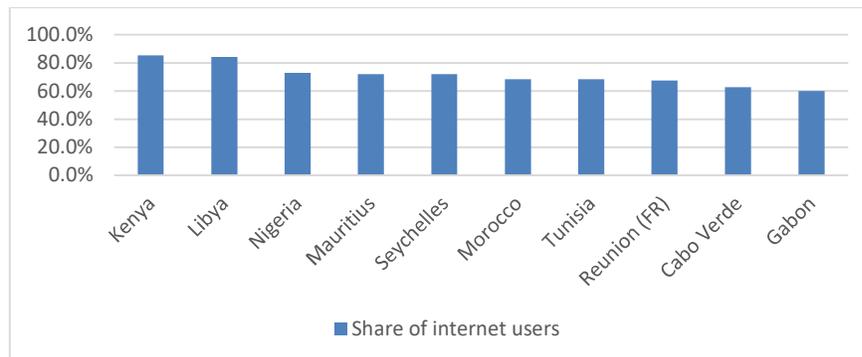
Participation in Kilifi County’ and found that lack of capital is one of the main issues that hinder agricultural cooperative sustainability and extension.

Apart from the membership fees, the total income of DT-SACCOs is typically generated from loans that account for around 86 per cent (SASRA, 2020, p.13). Ooko et al. (2013, p.11) presented that innovation on diversity and effective marketing of SACCO products positively affect SACCOs’ wealth growth. Similarly, Boggs (2004) suggested that marketing contributes to improving organisational growth, increasing the company’s profits and achieving its organisational goals. Thus, it would be vital for the DT-SACCOs to operate proper marketing to promote and place their loan products to the members to increase loan amounts.

As Kenya is highly advanced in the internet environment and even local people in rural areas can access it, online marketing will be cost-efficient to promote their service. The most popular method of online marketing would be social media marketing. Social media marketing mainly aims to encourage SACCOs to invite new members and promote their loans, savings, or insurance products and services to existing and potential members. Social media also would help disseminate knowledge sharing or update notices to existing members.

Regarding internet accessibility in Kenya, there is an interesting survey on the share of internet users in 58 African countries as of December 2020, conducted by Johnson (2021). The results show that Kenya recorded the highest proportion of internet users (85.2 per cent) than other African countries, as presented in Figure 1.

Figure 1. Share of Internet Users in Africa, by Country (2020)

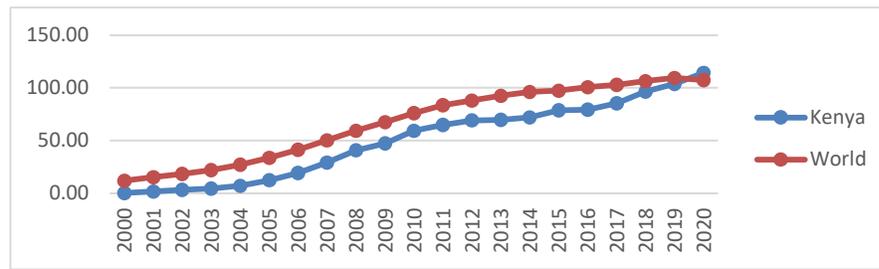


(Source: Johnson, 2021 (STATISTA))

Internet subscriptions in Kenya increased about 5.1 per cent from April (38.9 million) to June (40.9 million) in 2020 as the demand rose in social distancing measures (staying at home) because of Covid-19 pandemic (Communications Authority of Kenya, 2020, p.22). Thus, the need for internet usage and online marketing will increase more while it is difficult to access face-to-face service.

Regarding mobile subscriptions, the Kenyan government’s Communications Authority reported mobile penetration (mobile users by SIM penetration) as 119.9 per cent as of June 2020, a 10 per cent increase over the previous period (Kibuacha, 2021). Moreover, according to the International Telecommunication Union (ITU) World Telecommunication/ICT Indicators Database (World Bank, 2021), mobile cellular subscriptions (per 100 people) in Kenya have rapidly increased from 0.399 in 2000 to 114.204 in 2020. Figure 2 presents the mobile cellular subscriptions in Kenya and the world. In 2020, even the subscriptions in Kenya exceeded the average subscriptions of the world (107.52). These data illustrate that Kenyan people widely use mobile phones.

Figure 2. Mobile Cellular Subscriptions in Kenya (2000–2020)



(Source: World Bank data/ITU indicators database)

Above all, Namunwa (2019) highlighted that Kenya is leading Africa in smartphone penetration and internet usage due to affordable smartphones price, reduced mobile data plans and increased social media penetration with the growing network coverage. According to his article (Namunwa, 2019), more than a third of the population can reach the network as the 3G network coverage improved from 67 per cent in 2014 to 85 per cent in 2017, along with a higher diffusion of the 4G network. With declining smartphone costs, more SACCO members own smartphones and use their SACCO's mobile banking apps to access products and services on demand (Mukenya, 2019, p.7).

Thus, online marketing using mobile apps would play a role in allowing members to receive financial services, including loans, savings or insurance, online without face-to-face interaction from the SACCOs. The members can get advanced banking services through a smartphone mobile app if the internet is available. There is another mobile banking system called M-PESA, which DFID and a Kenyan telecom company (Safaricom) initiated, to solve the problem of limited financial access for unbanked communities people using 2G phones in 2007 (USAID, 2021). Compared with the M-PESA\*, which provides simple mobile transaction services using 2G phones, in terms of withdrawing money, checking account balances and contributing savings, the mobile app provides various advanced services, including applying for all kinds of loans services, insurance, bill payment (e.g. water cost); checking detailed statement of accounts and the deposit; and withdrawing M-PESA to any other bank account.

However, it is still crucial to understand the internet environment and the digital literacy of the members. In the case of the Farmers and Community Based DT-SACCOs, it is still questionable whether the online marketing is appropriate for them because they are located in rural or farming areas that may have less accessibility to the internet network, and their members may not be familiar with online marketing.

Several pieces of literature studied the challenges of marketing activities adopting new technology of the business. Karagu et al. (2013, p.4) noted that many cooperatives are usually late to adopt technology than corporations, emphasising the importance of adopting new technology to the management. Gratzner and Winiwarter (2003) argued that the internet and new technology play a crucial role in business and provide opportunities to bypass intermediaries and quickly address customer needs. They emphasised the advantage of adopting the internet and the disadvantage of not embracing the internet and other technology.

Online marketing is one of the most frequently used marketing methods based on modern online technology in this era. Thus, the SACCOs would need to enhance their marketing capacity by adopting modern and online technology to secure sustainable business performance.

In this sense, there is a need to observe whether online marketing is an appropriate and effective method for the Farmers and Community Based DT-SACCOs in their context and investigate whether there is a correlation between income and online marketing. Most importantly, this study seeks to understand whether the DT-SACCOs using online marketing have higher income growth than the other DT-SACCOs. In other words, if the DT-SACCOs that did not adopt online marketing recorded losses, especially amid Covid-19, which requires keeping social distance.

This study focused on the problem regarding the SACCO's online marketing capacity, focusing on the farmers and Community Based DT-SACCOs. It observed the challenges they most faced in adopting online marketing.

## **1.4 Research Purpose and Questions**

### **1.4.1. Research purpose**

This study seeks to investigate the online marketing activities of DT-SACCO focusing on Farmer and Community Based DT-SACCOs categorized by common-bond characteristics and mostly belonging to small sized DT-SACCOs (less than KES 1 billion) by total assets. The study mainly examines an association between income and online marketing of DT-SACCOs by comparing them with other DT-SACCOs based on secondary data. This research primarily targets the Farmers Based and Community Based SACCOs because they would significantly affect rural economic performance and help achieve SDGs 1 and 8.

Additionally, the study listens to the Farmers Based and Community Based DT-SACCOs through interviews to understand the appropriateness of online marketing in their context and the current challenges they face to observe whether online marketing become significant for sustainable performance along with rapidly improving the online environment amid Covid-19 pandemic. Rankin and Russell (2005) define cooperative sustainability as being economically successful and able to keep a stable position in the market. Along with the definition of cooperative sustainability, this study defines income status for SACCO as sustainable performance. In this regard, the three main purposes of this research are as follows.

- a. To examine the online marketing activities of DT-SACCOs in Kenya and investigate an association of income and online marketing, focusing on Farmers and Community Based SACCOs.
- b. To observe the appropriateness of online marketing in their context.
- c. To observe whether online marketing became important for them amid Covid-19?

### **1.4.2. Research questions**

Based on the research purpose, the three main research questions are as below.

- a. What is the association between online marketing activities and the sustainable performance (income status) of DT-SACCOs?
- b. Does online marketing is appropriate for the Farmers Based and Community Based DT-SACCOs?
- c. Has online marketing become important for them amid Covid-19?

# Chapter 2

## Laying the Groundwork

### 2.1 Theoretical Discussion

#### 2.1.1 Definition and context of cooperatives and SACCOs

As defined in the International Cooperative Alliance's Statement of Cooperative Identity (ICA, 1995), a cooperative is 'an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.' They are referred to as social enterprises, meaning they have the specific feature of producing goods, services and knowledge while pursuing both economic and social aims and fostering solidarity.

Gicheru (2015, p.2) observed that cooperatives in four economic sectors dominate the cooperative landscape in Kenya: financial (savings, credit and insurance), agriculture (selling and exporting crops), housing (land buying and real estate development) and transport. Among these four sectors of cooperatives, SACCOs are also classified as financial cooperatives, which are registered with the aim of financial intermediation for their members (SASRA, 2021, p.19).

SACCO is a community membership-based financial institution owned by members in the promotion of their economic interests. According to the Annual SACCO supervision report from SACCO Societies Regulation Authority (SASRA) (2021, p.8), there were 175 licensed DT-SACCOs in 2020. The remaining SACCOs are non-DT-SACCOs that do not fit the financial performance standard to be registered as DT-SACCOs and are not supervised by SASRA.

Kenya's Cooperative Movement was dominated by agricultural cooperatives from the 1930s to the 1980s when they were overtaken by financial cooperatives comprising SACCOs, Cooperative Bank of Kenya and the Cooperative Insurance Company Group (Gicheru, 2015, p.4). The SACCOs have increased dramatically, around 87.15 per cent from 5,122 in 2016 to 9,567 in 2017.

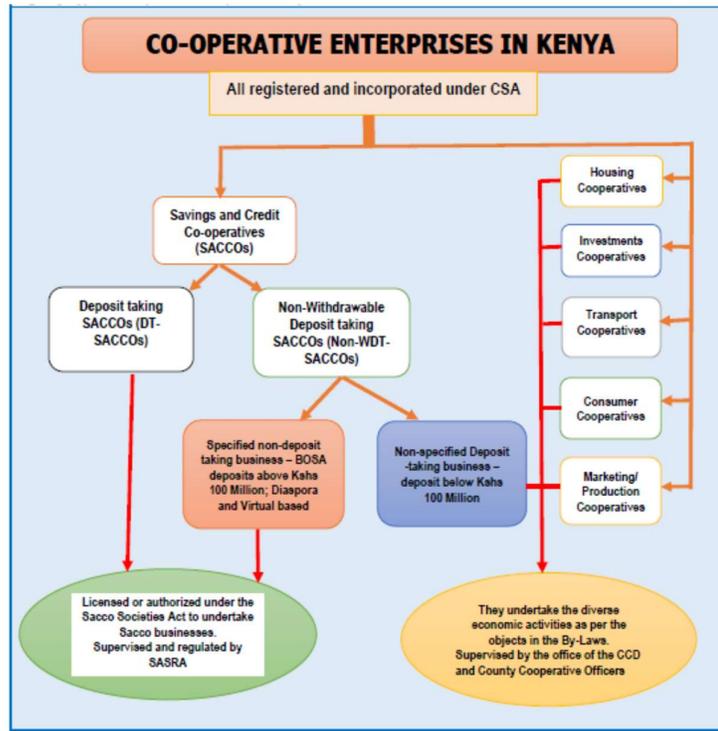
#### 2.1.2 Type of cooperatives and SACCOs in Kenya

##### a. Type of Cooperatives in Kenya

The Cooperative Societies Act, the registration and incorporation statute for cooperatives (in its many forms since independence), does not enumerate the types of cooperatives formed or incorporated under it. Therefore, the types of cooperatives might have been determined by the purposes of the formed cooperative.

Different types of cooperatives have emerged in Kenya over the years as a matter of practice (SASRA, 2021, p.20). The main types of cooperatives in Kenya are (1) SACCOs, (2) housing or investment cooperatives, (3) consumer cooperatives, (4) marketing and production cooperatives and (5) transport cooperatives. Figure 3 illustrates the types of cooperative enterprises in Kenya.

Figure 3. Types of Cooperative Enterprises in Kenya



(Source: SASRA, 2021, p.21)

### b. Structural organisations of cooperatives

There are four structural organisations of cooperatives in Kenya: primary cooperatives, secondary cooperatives, tertiary cooperatives and apex cooperatives. DT-SACCOs involve primary cooperatives whose membership is restricted to individuals and who serve individual members. The main distinctions that define the cooperatives at these levels are a qualification for membership and service provision to such membership (SASRA, 2021, p.18).

### c. DT-SACCOs type

DT-SACCOs in Kenya as cooperative enterprises were formed or founded along with certain common bond characteristics such as occupations, profession, industry and geographical area of operations, among other fields of membership. These diverse ranges of common bond characteristics can be classified into five general clusters: Government based, Teachers based, Farmers based, Private Sector based, and Community based.

Farmer based DT-SACCOs consist of farmers who engage in agricultural activities (ACCOSCA, 2016, p.15). Community Based DT-SACCOs have membership from the local community (*ibid.*). Farmers Based DT-SACCOs are founded upon certain agricultural activities of the members, mainly as coffee, tea or sugarcane farming or dairy production, in a place where the agricultural activity is undertaken. Community Based DT-SACCOs are defined ‘on the basis of some social association or membership of the potential members within the community such as churches, non-governmental organizations, and similar community initiative groupings’ by SASRA (2021, p.29). The definitions of other types of DT-SACCOs can be found in Appendix 2.

### 2.1.3 SACCOs' contribution to economic activities in Kenya

#### a. GDP contribution of SACCOs

Vision 2030 of the Kenyan government recognises the role of the financial sector in mobilising saving to meet the investment needs to achieve and sustain a 10 per cent annual economic growth target. Therefore, fostering a vibrant, competitive and stable financial sector is vital to achieving the Kenyan government's national development goals (Financial Sector Regulators, 2020, p.37). SACCOs are an essential financial institution for the rural communities to access, making it easier for the communities to access formal financial services.

Kenya's financial sector consists of Deposit-taking institutions, non-deposit-taking institutions, the financial market infrastructure, the informal financial service providers, and the financial sector regulatory agencies and bodies. Among them, the deposit-taking financial institution's segment consists of the Commercial Banks, the Mortgage Refinance Companies, and the Microfinance Banks (MFB), DT-SACCOs and the regulated non-withdrawable DT-SACCOs. DT-SACCOs.

The total assets to GDP ratio of Kenya's SACCO is among the largest in Africa (5.72 per cent), followed by Rwanda and Ethiopia (3.02 per cent and 0.70 per cent, respectively), according to Table 1 (Financial Sector Regulators, 2020, p.29). The growth of the SACCO industry has grown, adopting technology in the provision of financial services.

Table 1. SACCO Asset to GDP Ratio of Selected African Countries

<i>Country</i>	<i>Assets in 2019 (USD)</i>	<i>Nominal GDP (USD)</i>	<i>Total Assets/GDP Ratio</i>
<i>Kenya</i>	<b>5,567,147,218</b>	<b>97,403,600</b>	<b>5.72%</b>
<i>Rwanda</i>	308,481,890	10,209,000	3.02%
<i>Ethiopia</i>	635,000,000	91,166,000	0.70%
<i>Ghana</i>	297,683,637	67,077,000	0.44%
<i>South Africa</i>	22,039,604	358,839,000	0.01%

(Source: Financial Sector Regulators of Kenya, 2020)

Regarding the contribution of the DT-SACCOs to the national GDP, Table 2 shows a comparative proportion of the financial sectors total assets to the national GDP, with DT-SACCOs total assets accounting for 6.11 per cent of the national GDP in 2020, which is an increase from a proportional representation of 5.72 per cent of the national GDP represented in the previous year 2019.

Table 2. Share of Financial Sector Total Assets to National GDP

<i>Year</i>	<i>2018</i>		<i>2019</i>		<i>2020</i>	
Nominal GDP (millions)	8,904,984		9,740,400		10,266,381	
Indicator/ Industry	Total Assets (Kshs B)	Share of GDP (%)	Total Assets (Kshs B)	Share of GDP (%)	Total Assets (Kshs B)	Share of GDP (%)
Banks (Excluding MFBs)	4,408.59	49.51	4,832.3	49.61	5,420.1	52.79
Microfinance Banks (MFBs)	70.75	0.79	76.35	0.78	74.88	0.73
Insurance	637.41	7.14	705.84	7.25	761.34	7.42
Pensions	1,166.34	13.10	1,298.19	13.33	1398.95	13.63

<b>SACCOs</b>	<b>493.82</b>	<b>5.55</b>	<b>556.71</b>	<b>5.72</b>	<b>627.68</b>	<b>6.11</b>
TOTAL	6,776.91	76.09	7,469.39	76.68	8,282.95	80.68

(Source: SASRA, 2021, p.24)

### b. Growth and performance of SACCOs

According to the SASRA, the growth and performance of SACCOs were measured using the parameter of total assets, total deposits, gross loans, allowance for loan losses and core capital. According to Table 3, it is noticeable that the total assets, total deposits, and gross loans of DT-SACCOs increased more than 12 per cent. In particular, the 2019 to 2020 change per cent of core capital is significantly high at 23.41 per cent. This change shows that the performance of DT-SACCOs has been growing.

Table 3. Comparative Growth Trends of DT-SACCOs (2018–2020)

<i>Year</i>	<i>2018 (Billions Kshs)</i>	<i>Y-to-Y Change % (2018/2019)</i>	<i>2019 (Billions Kshs)</i>	<i>Y-to-Y Change % (2019/2020)</i>	<i>2020 (Billions Kshs)</i>
<i>Total Assets</i>	495.25	12.41%	556.71	12.75%	627.68
<i>Total Deposits</i>	341.91	11.27%	380.44	13.41%	431.46
<i>Gross Loans</i>	374.29	12.09%	419.55	13.16%	474.77
<i>Allowance for loans Loss</i>	15.27	26.95%	19.38	24.78%	24.19
<i>Net Loans &amp; Advance</i>	359.02	11.46%	400.16	12.60%	450.58
<i>Capital Reserve</i>	83.76	16.47%	97.55	18.18%	115.28
<i>Core Capital</i>	74.37	6.49%	79.20	23.41%	97.74

Note: The number of DT-SACCOs: (2018) 174, (2019) 172, (2020) 175

(Source: SASRA, 2021, p.31)

### c. Contribution of the SACCOs to rural economies

Mazzarol (2009, p.83) argued that cooperatives play an important role in grassroots change and assist regional economic development. Several studies showed that cooperatives contribute to poverty eradication, employment and economic benefits for women in rural areas (Karagu et al., 2013).

**Poverty eradication:** One study on the SACCOs movement in Kericho County (Karagu et al., 2013, pp.8–10) showed that 61 per cent of respondents from SACCOs acknowledge the cooperative’s positive role in poverty eradication, and 80 per cent of the interviewees agreed that the cooperative movement might contribute to generating community income. In addition, the study showed that 55 per cent of the respondents agreed on effective service delivery in terms of local community development.

**Employment:** Wanyama (2009, p.26) found that around 65 per cent of the population, which accounts for approximately 23.4 million, engaged in cooperative economic activities directly or indirectly stemming from the cooperative movement based on data from the Ministry of Cooperative Development and Marketing in 2008.

According to Table 4, referred from Working Paper No.7 of ILO COOP Africa (Pollet, 2009, p.23), it is noticeable that the employment created by cooperatives in Kenya is higher

than in other East African countries. This shows that the cooperative movement is vitalised in Kenya and has contributed significantly to direct and indirect employment.

Table 4. Employment Created by Cooperatives

<i>Country</i>	<i>Employment by institution &amp; Government</i>	<i>Employment by primary cooperatives</i>	<i>Direct employment</i>	<i>Indirect employment estimate</i>	<i>Total employment estimate</i>
<b>Kenya</b>	<b>3455</b>	<b>300,000</b>	<b>303,455</b>	<b>1,500,000</b>	<b>1,803,455</b>
<i>Botswana</i>	262	736	998	N/A	N/A
<i>Ethiopia</i>	4695	76956	81651	115079	196730
<i>Lesotho</i>	105	N/A	N/A	N/A	N/A
<i>Rwanda</i>	33	8624	8657	N/A	N/A
<i>Swaziland</i>	95	300	395	N/A	N/A
<i>Tanzania</i>	425	34524	34949	N/A	N/A
<i>Uganda</i>	285	10339	10524	68909	79433
<i>Zambia</i>	252	6000	6252	60000	66252
<i>Zanzibar</i>	78	N/A	N/A	N/A	N/A

(Source: ILO COOP Africa (2009) Working Paper No.7)

**Economic benefits to women:** SACCOs provide a crucial response to Kenyan women in rural areas, who have more difficulties accessing financial institutions than men (ILO, 2012). Economic benefits are most likely relevant to women because women play a role in ensuring food security and nutrition for the family in local communities. Additionally, joining SACCOs could be a positive method for women to improve access to leadership roles, giving them voice and exposure.

As presented above, cooperatives, especially SACCOs, are important financial institutions for Kenya's rural economic activities. The Vision 2030 strategy of the Kenyan government development goal emphasises expanding the financial services sector, which plays a significant role in mobilising savings and investments for economic development. In this sense, the farmers-based and community-based SACCOs could be essential financial services intermediaries because they could improve access to financial services for rural farmers and community people from the main financial institutions.

## 2.1.4 Development programmes for Kenyan cooperatives

### a. Landscape of donor supports

Before 2019, cooperative movements have benefitted from several donor programmes in East Asian countries. Different types of donors have been prominently present: cooperative movement agencies (WOCCU, ACIDI, SCC, CCA, etc.), development agencies (USAID, DFID, GTZ, etc.), UN agencies (IFAD, FAO, UNDP, ILO, etc.), World Bank and NGOs (World Vision, ICCO, etc.). The bulk of the programmes support 'institutional strengthening, capacity building, agricultural development, value chain monitoring, rural access to finance, and training in governance' (Pollet, 2009, pp.27–28).

According to the Working Paper No 10 of Cooperative Facility for Africa from the ILO (Wanyama, 2019, p.23), the cooperative movement has many donors, such as cooperative agencies from developed countries, international cooperative associations, international

development agencies and international organisations in Kenya. However, direct support from donors to the cooperative movement diminished with the onset of (economic) liberalisation policy in the early 1990s. In the words of one commentator, before 1990, donor assistance was seen as ‘not very helpful’ because ‘donor support was easily turned into patronage resources for aligning Cooperatives to the state’ (Wanyama, 2009, p.10). After 1990, donor assistance was considered necessary but only effective based on the specific recipient’s needs.

### **b. Main donors and assistances in Kenya**

There were two leading cooperative agencies from the developed countries working in Kenya: The Swedish Cooperative Centre (SCC) and the Canadian Cooperative Association (CCA). SCC funds programmes for education and training, capacity building and institutional development of cooperatives. CCA focuses on capacity building and the organisational development of cooperatives.

Regarding the international cooperative associations, the World Council of Credit Unions (WOCCU) and the International Cooperative Alliance (ICA) are active in Kenya. WOCCU focuses on supporting sustainable SACCO growth, building the local technical capacity of SACCOs and financial services (Pollet, 2009, p.18). In the meantime, ICA supported translating Kenya’s cooperative policy and legal framework into local languages for all cooperatives and developing the legal and policy environments for cooperatives (Wanyama, 2009, p.24).

Several international development agencies also supported cooperatives either directly or indirectly in capital provision, institutional capacity building, training and developing the environment for the effective operation of cooperatives (*ibid.*).

## **2.2 Literature Review**

Several pieces of literature have emphasised the vital role of marketing in improving the income and competitiveness of SACCOs.

Ooko et al. (2013) studied whether financial stewardship contributes to the growth of SACCOs’ wealth, investigating the dependence between the growth of their wealth and loan management, institutional strengths and (marketing) innovativeness in products. This study used multiple regressions to test the multicollinearity and regression of the growth of SACCOs’ wealth according to three aspects. The analysis shows that the growth of SACCOs’ wealth depends on innovation in diversity, attractiveness and effective marketing of SACCO products (Ooko et al., 2013, p.11) in addition to the loan management and institutional strengths.

Muchena et al. (2016) studied the effects of marketing strategy on the competitiveness of SACCO in Meru County, Kenya, through the descriptive survey design. The main finding was that most respondents regarded the marketing promotions as important for the SACCOs’ activity because they will attract new members and improve quality management (p.110). The research recommended further studies on challenges in establishing marketing strategies and adopting modern technology to enhance competitiveness.

Similarly, Olunja et al. (2013) examined the relationship between the adoption of the marketing concept and DT SACCOs’ growth in Kenya through descriptive survey design. The researchers recommended encouraging aggressive marketing to increase product uptake and memberships and adopting technology in daily base activities to reduce costs by offering

reliable online self-service to the clients (members) to improve accessibility to the products (Olunja et al., 2013, pp.45–46). This study also recognised Boggs' (2004) suggestion about the important role of marketing in organisational growth because it helps improve a company's profits and achieve its organisational goals.

Online marketing is one of the most frequently used marketing methods based on modern technology. Social media marketing attracts attention to companies and customers as a considerable number of internet users use social media, such as Facebook, Twitter, Instagram and YouTube. Social media marketing uses social media platforms to promote products or services (Felix et al., 2016). Social media would be used for public relations methods and communication channels targeting specific internet users (Constantinides et al., 2008).

Parveen et al. (2016, p.2224) suggested that social media usage has a significant positive impact on organisations' performance, including cost reduction of marketing, building customer relations and improving information accessibility. Social media marketing has also enabled customers to get information about organisations and products and enabled organisations to collect information about customers and competitors.

Koori et al. (2018) studied the impact of social media usage on organisational performance of SACCOs within Nairobi, Kenya, based on descriptive research design with correlation analysis. The main finding indicated a positive and statistically significant correlation between social media communication usage and organisational performance (*ibid.*, p.43). According to the survey, most respondents strongly agree that social media is useful for market research (42.3 per cent) and price comparison (46.4 per cent). The study also emphasised a positive relationship between SACCO organisational performance and knowledge sharing usage; social media vitalises knowledge sharing and communication among members (*ibid.*, p.39). Most importantly, 75 per cent of the survey respondents agreed that social media would be used to improve the organisational performance of SACCOs in terms of promoting sales (loan services).

Mukenya (2019) emphasised the role of the mobile app platform that expands the delivery of products and services to SACCO members and provides simple and advanced online service access. Hariyanti (2021, p.116) highlighted the advantage of mobile banking apps because they allow cooperatives' members to access the products and services anytime and anywhere if an internet connection is available.

Similarly, Nyandika (2014, p.6) argued that mobile banking would help achieve financial inclusion as over 8 million bank customers can access financial services anywhere and anytime through mobile banking. The study examined the determinants of mobile banking revenues with a focus on the Cooperative Bank of Kenya, which has the largest number of mobile banking users, including its customers and SACCO members, and revealed that the number of mobile banking customers significantly affects mobile banking revenues (Nyandika, 2014, p.36).

Cleveland (2016, pp.34–35) suggested that bank performance does improve when it provides mobile banking functions to the customers with cost reduction in front-line tellers and in 'brick-and-mortar banking'.

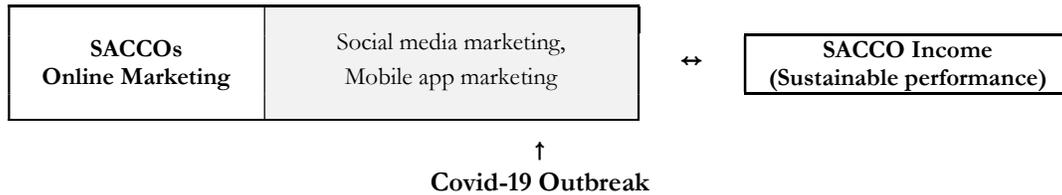
As seen in the literature review, marketing using modern technology such as online and mobile app marketing would be a needed and crucial method to improve DT-SACCOs' income for sustainable performance in Kenya.

## 2.3 Conceptual Framework

Referring to the literature review, this study established the conceptual framework to answer the research questions in Table 5. The conceptual framework presents the correlation between the income of the Farmers and Community Based DT-SACCOs and their online marketing. As mentioned in the research purpose, this study defines income status as for the sustainable performance of DT-SACCOs based on the definition by Rankin and Russell (2005).

Based on this framework, the study investigates an association between the income size from 2018 to 2020 of the Farmers and Community Based DT-SACCOs and their current online marketing activities (focusing on social media and mobile app marketing) using descriptive statistics. In addition, this study sees Covid-19 as an external factor and observes whether there is a significant change in income and marketing activities in the standard of 2019 due to the social distancing measures that came into force in March 2020 in Kenya.

Table 5. Conceptual Framework



# Chapter 3

## Methodology and Sources of Data

### 3.1 Methodology

This research attempted to use quantitative and qualitative methodologies to derive abundant and valid results. Regarding the quantitative method, descriptive statistics design was dominantly adopted with correlation analysis based on secondary data. Correlation analysis can provide a degree of association between the variables, but there are some limits. For example, the analysis results cannot infer a direct cause and effect relationship, and they also cannot explain the reason for the correlation between the variables (Almeida et al., 2017, p.383).

As a complementary means, it was necessary to conduct qualitative interviews with four DT-SACCOs to understand the local context and observe a real association between income and online marketing to see beyond the number obtained through quantitative data. In this sense, the study adopted mixed methods to get reliable findings and to offer more rich answers to the research questions.

### 3.2 Source of Data

Table 6 describes the source and type of data from qualitative and quantitative methods.

Table 6. Type and Source of Data

<i>Type</i>	<i>Data</i>	<i>Source</i>
<i>Quantitative Data</i>	DT-SACCOs' characteristics Financial performance	The Supervision Annual Report 2018, 2019 and 2020 from SASRA
	Online marketing activities (Website, social media, and mobile app)	DT-SACCOs webpage, social media, and mobile app
<i>Qualitative data</i>	Contextual information in rural areas General marketing and online marketing activities Challenges due to Covid-19 pandemic	Qualitative interview

#### 3.2.1 Quantitative data

Quantitative data on characteristics and financial performance of DT-SACCOs was acquired from the Annual SACCO Supervision Report 2018, 2019 and 2020 from SASRA. Data regarding online marketing activities were observed by searching their website, social media account and mobile app.

This part investigates the general characteristics, financial performance, and marketing performance of 175 DT-SACCOs. Most importantly, the capacities of Farmers and Community Based DT-SACCOs were compared with other sectors including Government, Private and Teacher SACCOs to understand whether there is a difference.

Secondary data were collected to understand the economic and online marketing capacity of DT-SACCOs. The study mainly focuses on Small sized (by total assets) DT-SACCOs and Farmers and Community Based DT-SACCOs by comparing other types of DT-SACCOs. The detailed contents are as follows.

The data of characteristics (number of DT-SACCOs by type, membership size, location) and economic capacity (total assets, total deposits, total incomes) of DT-SACCOs derived from the Annual SACCO Supervision Report 2018, 2019 and 2020 of SASRA. Regarding the online marketing capacity, the researcher collected data from each DT-SACCO's website, social media and mobile app.

The researcher primarily focused on collecting online marketing capacity, which are crucial marketing activities to promote and place their products and services to the members and ultimately to contribute increasing the income of DT-SACCOs under the social distancing measures of the Kenyan government amid Covid-19 pandemic. The marketing capacity was examined based on whether they operate social media marketing and provide mobile apps for convenient banking services for members.

### **3.2.2 Qualitative data**

When it comes to the qualitative data, it was derived from call or written interviews considering preference and local network situation of DT-SACCOs. The researcher chose the semi-structured interviewing technique because it can balance closed interviews and open-ended interviews (Adams, 2015, pp.365–366).

Call or online written interviews were conducted based on the interviewee's preference and network stability. Therefore, 3 call interviews and 1 online written interview were conducted. The closed approach was effective in getting an objective response when the interviewer does not know when the call will be disconnected due to poor mobile network conditions. However, we also attempted to use an open-ended approach to obtain relatively free and diverse responses from the interviewees if the network condition was stable. The advantage of this method was that we could get an answer not previously considered.

Regarding the sampling size, 2 Farmers Based and 2 Community Based DT-SACCOs were targeted among the DT-SACCOs that previously participated in the online/call survey. Two SACCOs operated social media or mobile apps, and the other two SACCOs have not operated social media or mobile apps.

The main purpose of a qualitative interview is to understand the marketing activities of DT-SACCOs. We were prepared based on the instruction of Kvale and Brinkmann (2009, p.123–141). As 'the first few minutes of an interview are decisive' (Kvale and Brinkmann, 2009, p.128), in the first stage of the interview, we focused on building interaction with the interviewees by having free talk before starting the interview.

The interviewer briefly introduced the purpose of the interview and asked for consent to write interview notes during the interviews. As we promised the interviewee that the SACCO's name and personal information of the interviewee would be kept confidential, and the name of SACCO would be pronounced as its initial. After the call interview, we pay attention to check the accuracy of the interview. We shared a keynote of the interview contents to the interviewee and asked if there were any corrections or additions.

There were 10 questions under the 4 sub-sectors as shows in Appendix 2. For call interviews, the questions were approached differently considering the context of the interview and each interviewee's response based on Kvale and Brinkmann's (2009, p.134) suggestion.

However, it should be noted that the written interviews were limited to taking a different approach by the interviewees' response and having a dynamic interaction with the interviewees.

First, the interviewer asked about the general marketing background of the DT-SACCOs. The targeted DT-SACCOs were the Farmers Based and Community Based DT-SACCOs that participated in the online and phone survey mentioned in the Background part and responded that marketing would contribute to the sustainable operation of their SACCOs in the future. Furthermore, the researcher asked whether their SACCOs have conducted any marketing before and the purpose of the marketing activities. The interviewer asked what kind of marketing the DT-SACCOs conducted and observed whether they have conducted online social marketing.

In the introduction, we investigated the DT-SACCOs' demographic background (whether they have marketing staff or a department, their member's characteristics (digital literacy), internet access, main products and services. The questions were narrowed to investigate how they think about online marketing by asking about the current online marketing situation and the potential plan to use it. Most importantly, some questions were intended to investigate whether the marketing activities contributed to SACCO's income growth and which was the most effective and appropriate in their context considering internet accessibility and targeting people's characteristics.

The researcher asked about the current challenges of their marketing activities amid Covid-19 pandemic and whether their marketing approach has changed or will be changed in light of Covid-19. Through this question, the researcher observed whether there is a need to change the marketing activities from traditional direct marketing to online marketing and their challenges on adopting online marketing in their current situation.

Last, we asked about their general marketing activities, including online marketing. Before finishing the interview, we asked whether the interviewee wanted to say something or add any opinion on the interview.

### **3.3 Limitations**

Qualitative interviews could not be collected in the field due to Covid-19 pandemic. Hence, there were limitations to collecting a large number of responses from the DT-SACCOs due to the poor local network environment. This is the main reason the researcher chose phone or written interviews with small numbers of DT-SACCOs.

The qualitative data derived from interviews with small sample sizes of 2 Farmers Based and 2 Community Based DT-SACCOs among 49 Farmers Based and 22 Community Based DT-SACCOs. Thus, we recognised that the interview results would not be generalised to other Farmers Based and Community Based DT-SACCOs.

## Chapter 4

### Data and Findings

This chapter provides an overview of the data analysis based on quantitative (secondary) data from the secondary data and qualitative data from the interviews. We show secondary data based on descriptive statistics and correlation analysis. We also present qualitative data derived from interviews with a narrative approach.

#### 4.1 Secondary Data

##### 4.1.1 Characteristics of SACCOs

###### a. Distribution of DT-SACCOs

In 2020, 49 Farmer Based, 22 Community Based, 37 Government Based, 24 Private Sector based, and 43 Teacher Based DT-SACCOs were registered (SARSA, 2021, 29p).

The Annual SACCO Supervision Report 2018, 2019 and 2020 from SASRA provided the statistics of general characteristics and economic activities (total assets, total deposits, total incomes) of DT-SACCOs by common-bond characteristics but did not provide information on which DT-SACCOs belong to which common-bond characteristics.

For this reason, the researcher determined the common-bond characteristics by checking each DT-SACCO's website or calling them. Most of the DT-SACCOs have a website, but a few did not and could not be reached by phone or email. In this case, their characteristics were classified according to the researcher's judgment based on the SACCO's name or main products by searching other websites.

Thus, it should be noted that the classification of DT-SACCOs by common-bond characteristics could be a bit different from the actual classification by SASRA. To reduce the error, the study analysed the DT-SACCOs based on common bond characteristics and total asset size, as clearly stated in the Annual Supervision Report 2020 from SASRA on which DT-SACCOs belong to which total assets.

SASRA also classifies DT-SACCOs by their total asset size, categorising the large-sized DT-SACCOs whose total assets exceed KES 5 billion, the medium-tiered DT-SACCOs whose total assets are greater than KES 1 billion but less than KES 5 billion, and the small-sized DT-SACCOs whose total assets are less than KES 1 billion. The comparative distribution of DT-SACCOs according to the size of their total assets is as Table 7.

Table 7. Proportion of DT-SACCOs by Total Assets Size in 2020

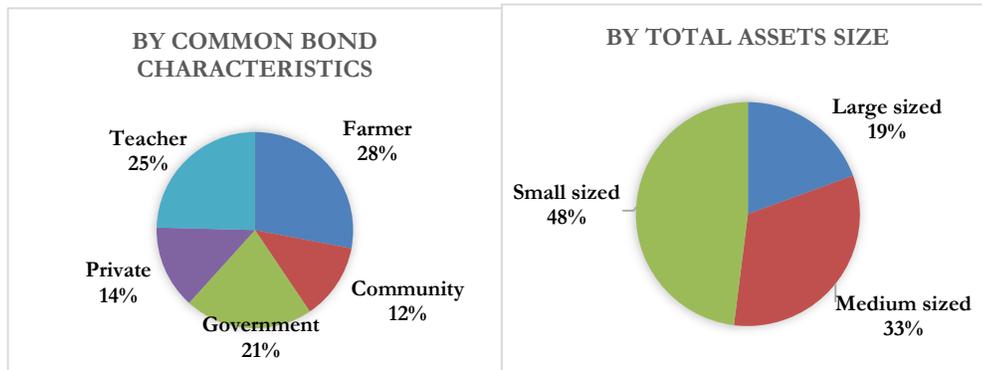
<i>Type</i>	<i>Number of DT-SACCOs</i>	<i>Total Assets (Billions KES)</i>	<i>Proportion to Total Assets</i>
<i>Large sized</i>	34	452.13	72.03%
<i>Medium sized</i>	57	142.86	22.76%
<i>Small sized</i>	84	32.70	5.21%
<b>Total</b>	<b>175</b>	<b>627.68</b>	<b>100%</b>

(Source: SASRA, 2021)

Even though the total number of small-sized DT-SACCOs is the largest with 84, their proportion to total assets only accounted for 5.21 per cent. In comparison, the proportion to total assets of the large-sized DT-SACCOs accounted for 72.03 per cent in 2020. This finding implies that the large-sized DT-SACCOs predominated the DT-SACCOs market.

The distribution of DT-SACCOs by their common-bond characteristics and total assets size are as Figure 4.

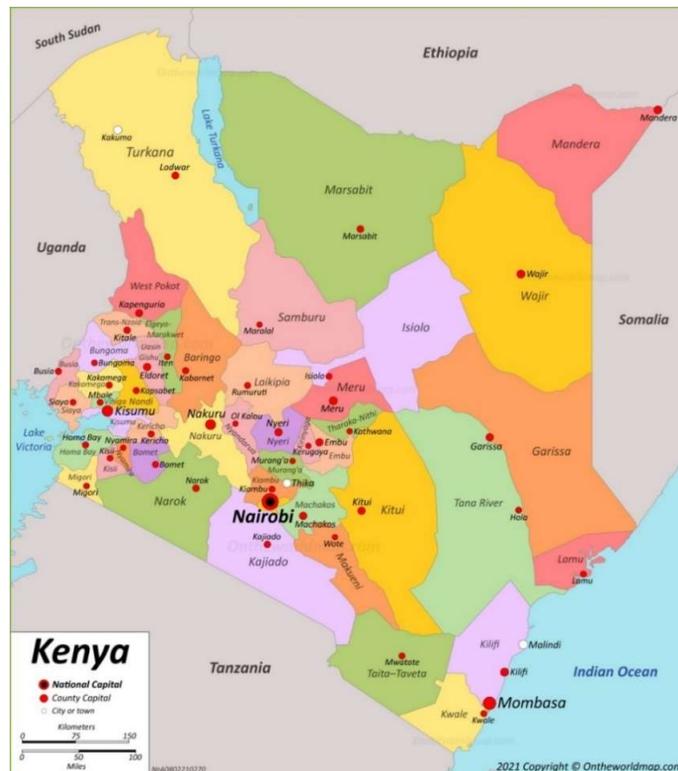
Figure 4. Distribution of 175 DT-SACCOs



(Source: SASRA, 2020, pp.28-29)

b. Location

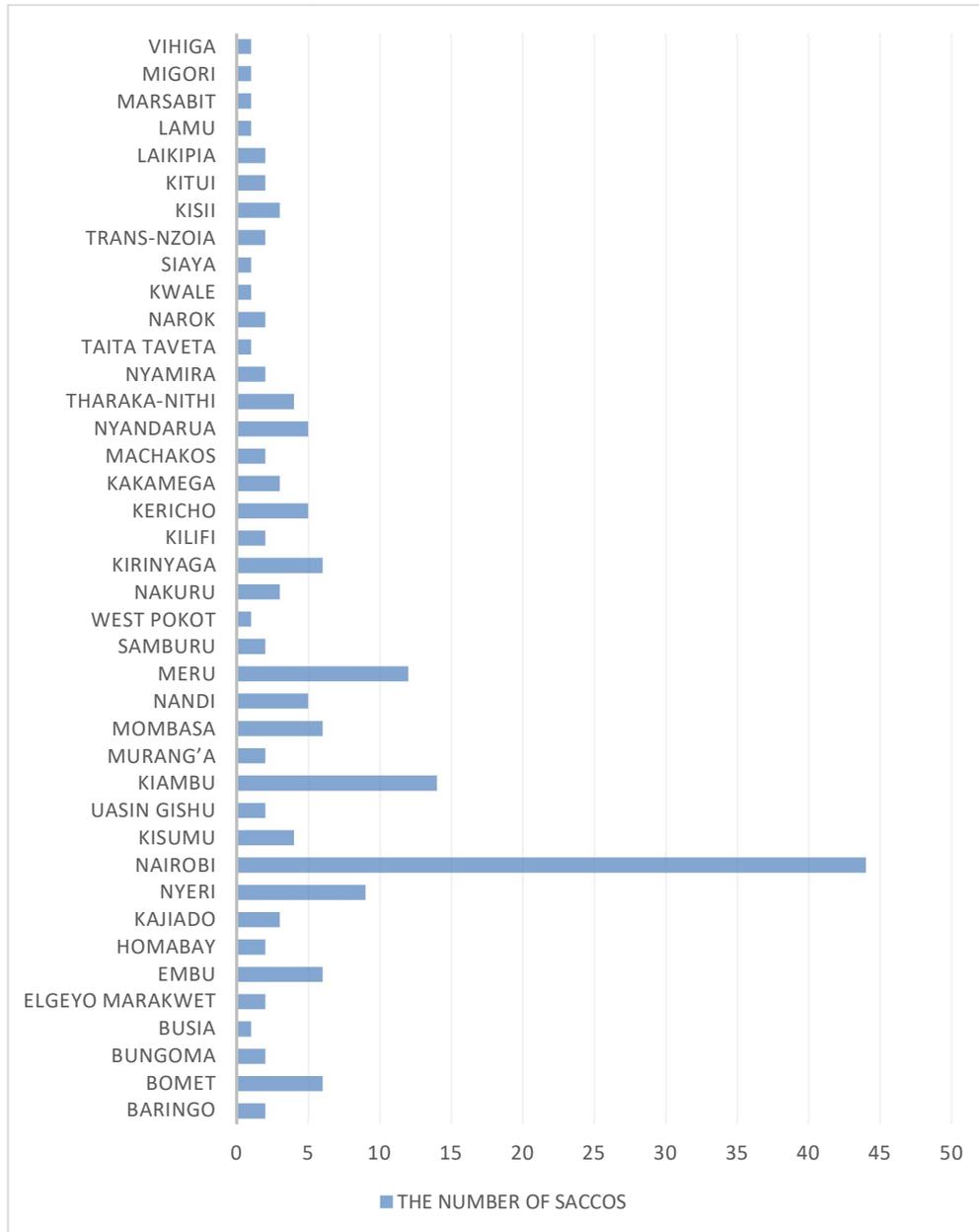
Map 1. Kenya



(Source: On the world map, 2021)

The map of Kenya (Map 1) shows 47 counties with their capitals and the national capital (Nairobi). According to Figure 5, it is noticeable that most DT-SACCOs are in Nairobi County (43 per cent), which has the national capital and is an industrialised and economically centralised county, followed by Kiambu County, which is close to Nairobi County. The third largest number of DT-SACCOs is in Meru County, which is in the centre of Kenya and vitalised the agricultural business.

Figure 5. Location of All DT-SACCOs

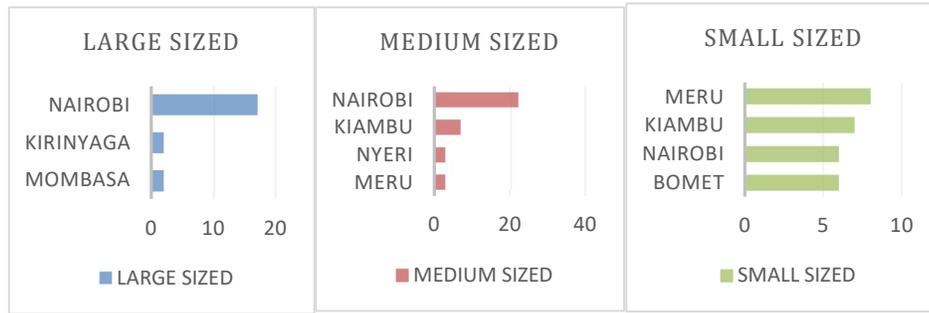


(Source: SASRA, 2021)

Figures 6 and 7 show the top 3 locations of DT-SACCOs by common bond characteristics type and total asset size, respectively. Figure 6 illustrates that most large sized and medium sized DT-SACCOs are in Nairobi. The small sized DT-SACCOs are in Meru, Kiambu

and Bomet Counties, where the agriculture is the predominant business activity (Meru County, 2021; Kiambu County, 2021; Bomet County, 2021), and are evenly distributed on a small scale throughout Kenya. Based on the data, it is expected that the Farmers and Community Based DT-SACCOs would belong to small sized DT-SACCOs, while the Government, Teacher and Private Sector DT-SACCOs might belong to the large and medium sized DT-SACCOs.

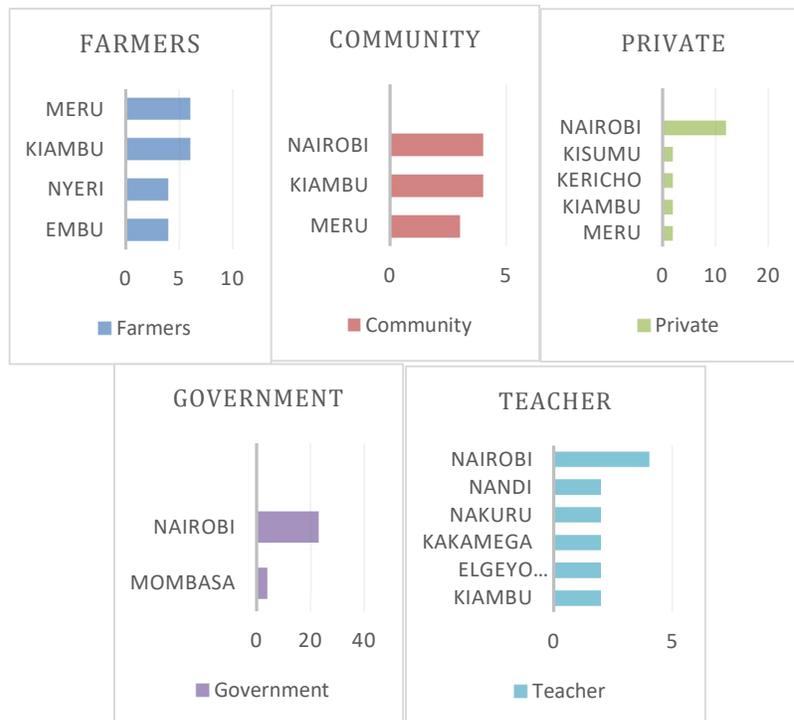
Figure 6. Location of DT-SACCOs by Type (i)



(Source: SASRA, 2021)

Figure 7 shows that most Private Sector Based (12 per cent) and Government Based (23 per cent) DT-SACCOs are in Nairobi County. Teachers Based DT-SACCOs are evenly distributed across all counties in Kenya. The detailed distribution of DT-SACCOs by common bond characteristics and total asset size can be found in Appendix 3.

Figure 7. Location of DT-SACCOs by Type (ii)

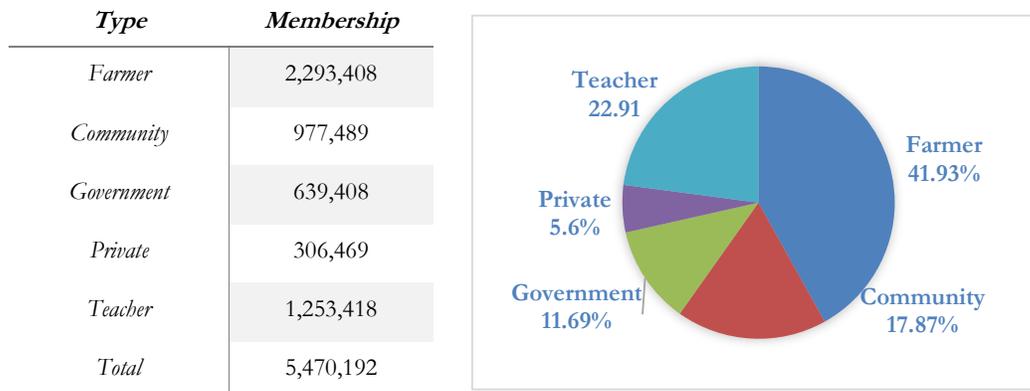


(Source: SASRA, 2021)

**c. The number of memberships**

According to Table 8 and Figure 8, Farmers Based DT-SACCOs recorded the highest number of memberships (2,293,408) accounting for 41.93 per cent, followed by Teachers Based DT-SACCOs (1,253,418) accounting for 22.91 per cent. Private Sector Based DT-SACCOs accounted for the least number of members, just 5.60 per cent of the total membership in 2020.

Table 8/Figure 8. Distribution of Memberships by DT-SACCO  
(Common Bond Characteristics)

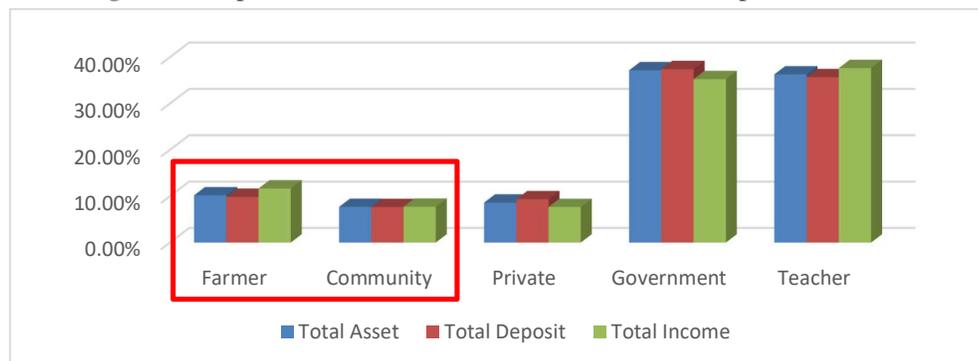


(Source: SASRA, 2021)

**4.1.2 Financial performance**

Financial performance of DT-SACCOs was analysed based on its total asset, total deposit and total income in 2020. Detailed analysis is presented in Figure 9.

Figure 9. Proportionate Distribution of Total Assets, Deposit and Income



(Source: SASRA, 2021)

According to Figure 9, the Government Based DT-SACCOs recorded the largest proportion of the total assets, followed by Teacher Based DT-SACCOs. In contrast, Community Based DT-SACCOs recorded the lowest proportion of total assets.

Similarly, Government Based and Teachers Based DT-SACCOs accounted for a large proportion of total deposits. On the other hand, Farmers Based, Private Sector Based and Community Based DT-SACCOs recorded less than 10 per cent in total deposits.

Regarding income, Teachers Based and Government Based DT-SACCOs held a large proportion, while Farmers Based and Community Based DT-SACCOs remain less in comparison.

Figure 10. Proportion of Memberships against Total Income 2020



(Source: SASRA, 2021)

Interestingly, Figure 10 illustrates that the Farmer Based DT-SACCOs account for a small portion of total assets, total deposits, and income though the SACCOs have the largest number of memberships. In terms of income, they account for the second smallest share after Community Based DT-SACCOs, which have the smallest number of memberships.

In short, this analysis implies that the Farmer Based DT-SACCOs may have a smaller financial size than other SACCOs and would make little income, which means that the members equally received minimal dividends from their SACCOs. As we have seen in the financial performance of DT-SACCOs by common bond characteristics, most Farmers and Community Based DT-SACCOs would belong to the small sized DT-SACCOs.

### 4.1.3 Marketing performance using online technology

#### a. Marketing method

##### ■ Membership promotion through website

The purpose of the operating website is to share the DT-SACCO's, including the organizational vision, management staff, and loans and saving products, to the potential and existing members. Figure 11 shows the proportion of operating websites of DT-SACCOs by total asset size.

According to Figure 11, it is noticeable that all the large sized DT-SACCOs use websites and the majority of the medium sized DT-SACCOs also have websites. In contrast, only 67 per cent of the small sized DT-SACCOs, which mostly include Farmer and Community Based DT-SACCOs, operate their website. Instead of operating their own website, most small sized DT-SACCOs registered their products and services with contact information on other business partners' websites to advertise their products.

Figure 11. Proportion of DT-SACCOs Operating Website (i)

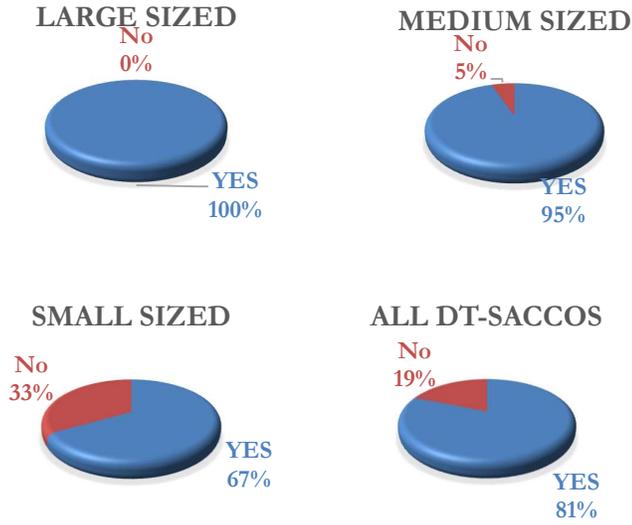
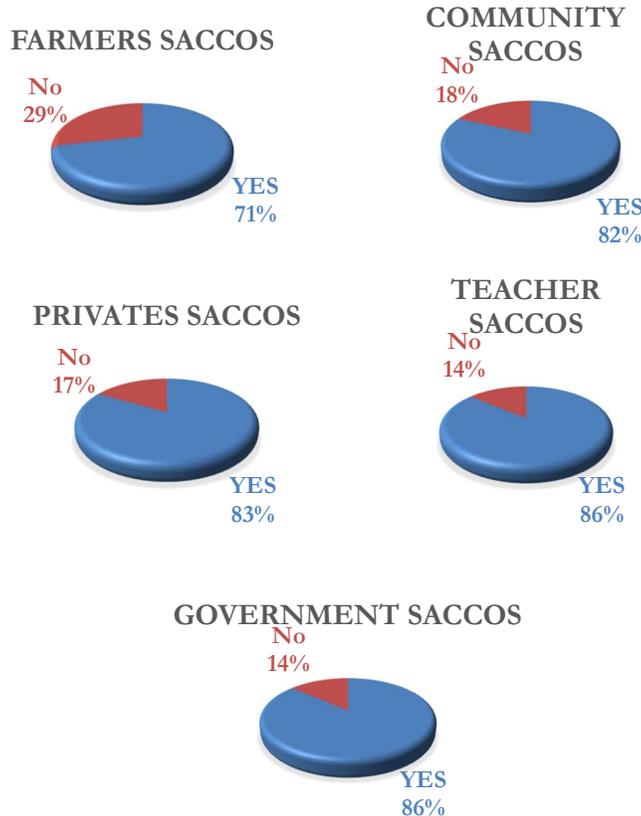


Figure 12 shows the proportion of DT-SACCOs by common bond characteristics type. Farmers Based and Community Based SACCOs account for less proportion of website operation than other SACCOs. Particularly, it is noticeable that 29 per cent of Farmers Based DT-SACCOs did not operate their own website. In contrast, Government Based SACCOs and Teacher Based DT-SACCOs operate a website the most (86 per cent).

Figure 12. Proportion of DT-SACCOs Operating Website (ii)



■ Social Media Marketing

Data were collected from each DT-SACCO's social media account, focusing on four prominent social media (Facebook, Twitter, Instagram, YouTube), which play an important role in promoting loan services to existing and potential members online. The researcher investigated the DT-SACCOs' social media accounts by web searching and included only those that showed at least more than three posts for marketing purposes. Based on the observations, the number of DT-SACCOs operating social media accounts for promoting their products and knowledge sharing is presented in Table 9.

Table 9. Number of DT-SACCOs Using Social Media

<i>Type</i>	<i>Large sized</i>	<i>Medium sized</i>	<i>Small sized</i>	<i>Total</i>
<i>Yes</i>	34	53	57	144
<i>No</i>	0	4	27	31
<i>Total</i>	34	57	84	175

Figure 13. Number of DT-SACCOs Using Social Media (i)

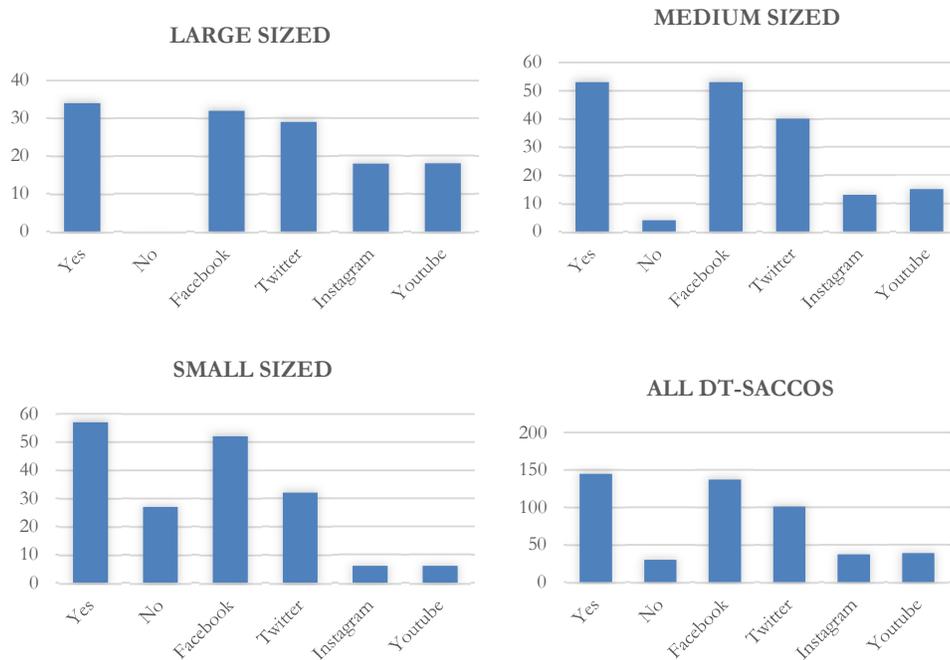
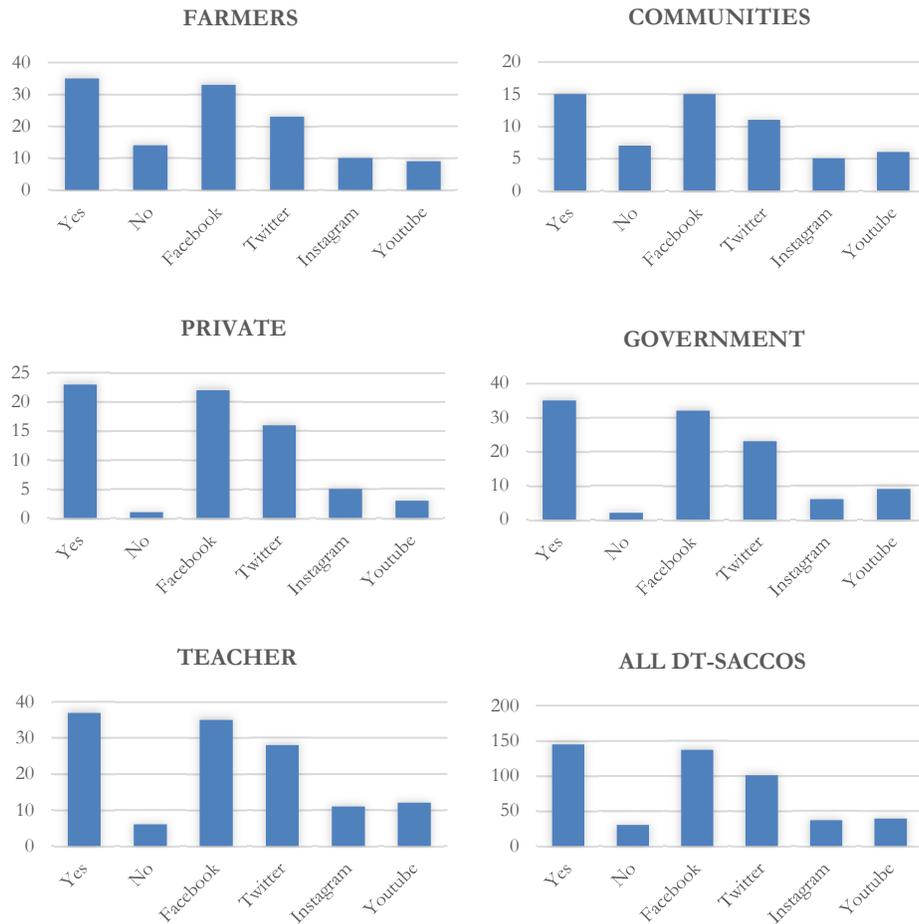


Figure 13 shows that the small sized DT-SACCOs, which mostly include Farmers and Community Based DT-SACCOs operate social media account less than the large sized and medium sized DT-SACCOs. Remarkably, all large sized DT-SACCOs and almost all medium sized DT-SACCOs are actively operating social media to advertise their loan and saving products to their existing and potential members. They also used social media to vitalize communication with the members online by sharing membership meeting notices and other information.

Figure 14. Number of DT-SACCOs Using Social Media (ii)



When it comes to the common bond characteristics, the results are not different from the analysis on the social media usage of DT-SACCOs by total assets size. Figure 14 shows that the Farmer Based and Community Based DT-SACCOs operate fewer social media accounts than other DT-SACCOs. 14 of 35 Farmers Based DT-SACCOs (40 per cent) and 7 of 15 Communities Based DT-SACCOs (46.7 per cent) did not use social media. In contrast, most Government Based, Private Based DT-SACCOs and Teacher Based DT-SACCOs actively operate social media activities for their existing and potential member.

■ Mobile Application Service

Table 10 and Figure 15 presents the number and proportion of mobile app services provided by DT-SACCOs.

Table 10. Number of DT-SACCOs Providing Mobile App Service

<i>Provision of app</i>	<i>Large sized</i>	<i>Medium sized</i>	<i>Small sized</i>	<i>Total</i>
<i>Yes</i>	25	32	23	80
<i>No</i>	9	25	61	95
<i>Total</i>	34	57	84	175

Figure 15. Proportion of Mobile App Service (i)

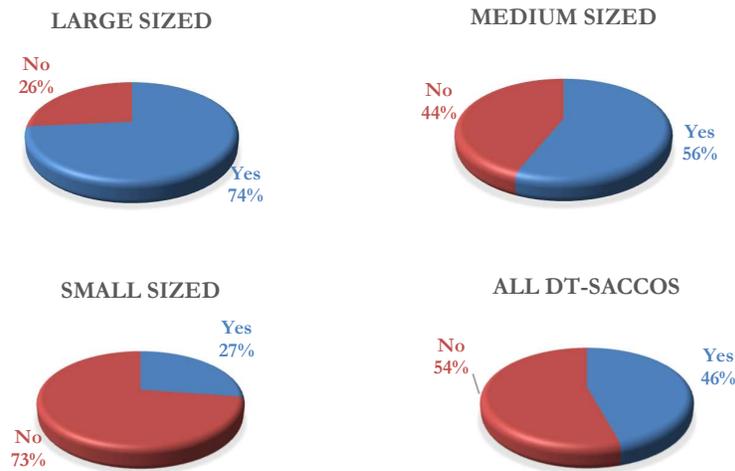
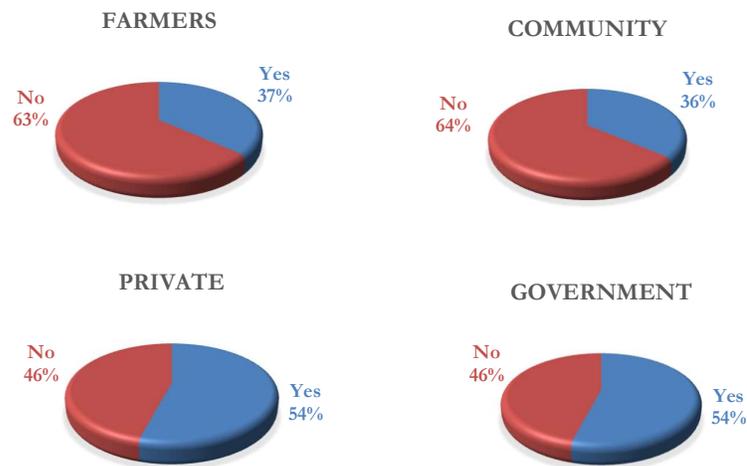


Figure 15 describes how 74 per cent of large sized DT-SACCOs and 70 per cent of medium sized DT-SACCOs provide mobile banking app services, making it easier for their members to get loans through the app. On the other hand, the proportion of small sized DT-SACCOs that provide the mobile app service at this moment only accounts for 46 per cent, which is less than half.

When we see the proportion of mobile app service of DT-SACCOs by common bond characteristics in Figure 16, it is clear that Private Sector Based DT-SACCOs provide 54 per cent of mobile banking app services the most, making their members easier to get loans through the app. The Farmers Based and Community Based DT-SACCOs provide the service at 37 per cent and 36 per cent, respectively, which are lower than other types of DT-SACCOs.

Based on the data, it is evident that the Farmers and Communities SACCOs' marketing capacity using technology, such as social media marketing and mobile app banking service, is lower than other sector SACCOs.

Figure 16. Proportion of Mobile App Service (ii)





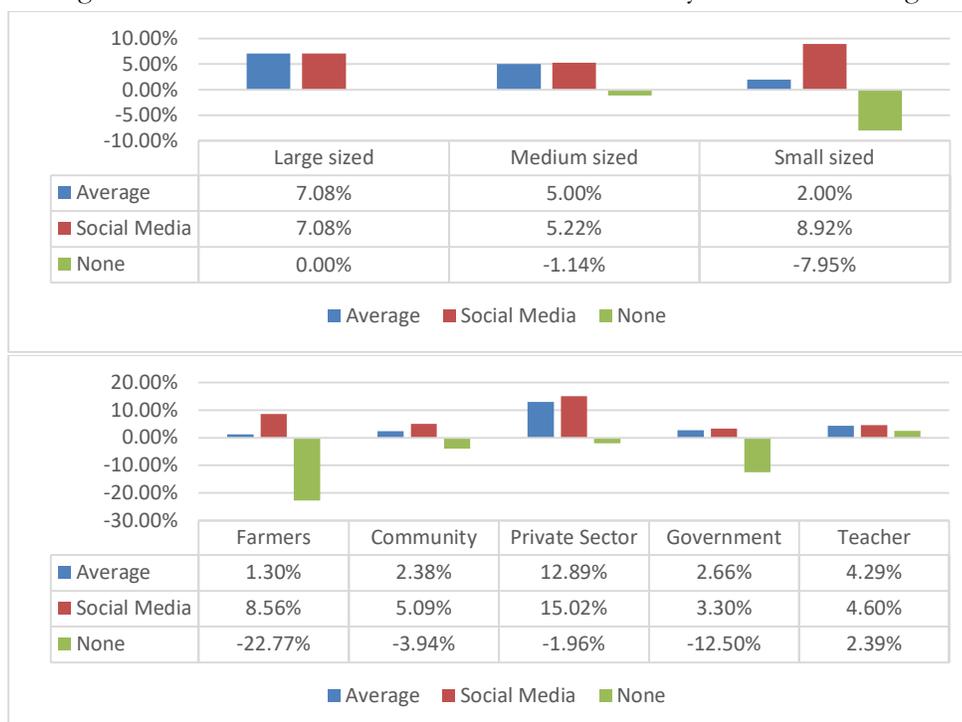
The analysis shows that the small sized DT-SACCOs that mostly includes Farmers and Communities DT-SACCOs are behind in terms of using online/mobile technology, such as social media and mobile app banking service. These are promising methods to facilitate knowledge sharing among members and improve access to their loans and saving product online to their members. Table 11 presents the number of DT-SACCOs by using social media and mobile applications by common bond characteristics.

Interestingly, according to Figure 17, there would be a relationship between the growth rate of total income and usage of social media in 2019–2020. We compared the DT-SACCOs based on the size of their total assets and their common bond characteristics. Remarkably, 14 of Farmer Based DT-SACCOs that do not use social media have a negative income growth rate of more than minus 20 per cent. On the other hand, the 75 SACCOs that use more than one social media show an 8.56 per cent of the growth rate of total income.

Table 11. Number of DT-SACCOs Using Social Media and Mobile App

Type		Farmers	Community	Private	Government	Teacher
Social Media	Yes	35	15	23	35	37
	No	14	7	1	2	6
Mobile App	Yes	18	8	13	20	18
	No	31	14	11	17	25

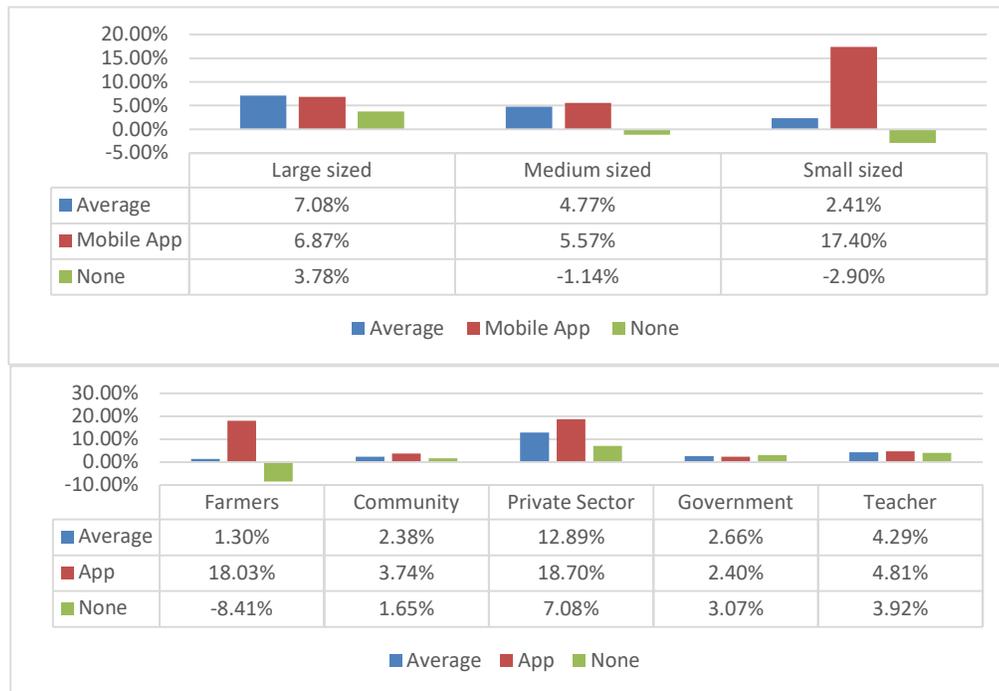
Figure 17. Growth Rate of Total Income 2019–2020 by Social Media Usage



(Source: SASRA Annual Report 2018, 2019, 2020)

Similarly, Figure 18 shows DT-SACCO's growth rate of total income from 2019 to 2020 by mobile app service compared by total assets size and common bond characteristics. The figure describes that the total income growth rate of the DT-SACCOs have an association with the provision of mobile app service. The small sized DT-SACCOs that provide mobile app services for their member at this moment achieved an average higher total income growth rate in 2020 compared with DT-SACCOs.

Figure 18. Growth Rate of Total Income 2019–2020 by Mobile App Usage



(Source: SASRA Annual Report 2018, 2019, 2020)

When comparing the DT-SACCOs by their common bond characteristics, the Farmers, Community, Private Sector, and Teacher Based DT-SACCOs provided mobile service record higher growth rate than DT-SACCOs, which did not offer mobile app service. However, there does not seem to be a strong relationship between the provision of mobile app services and the total income growth rate.

Based on the analysis, we can assume there would be an association between the total income growth rate and the usage of social media and mobile apps. It is observed that the online technical gap and income growth between small-sized and large-sized DT-SACCOs are large.

#### 4.1.4 Correlation analysis (Pearson correlation)

The study seeks to establish the correlation between total income from 2018 to 2020 and online marketing methods, including website, social media (Facebook, Twitter, Instagram, YouTube) and mobile app. Apart from the association between total income and online marketing, the study observed associations between type of DT-SACCOs (by

common bond characteristics and total assets size) and online marketing activities (mobile app, website and social media) and associations between type of DT-SACCOs and total income. Table 12 provides the definitions of the main variables.

Table 12. Definitions of Main Variables

<i>Variable</i>	<i>Observations</i>
<i>Common Bond Characteristics</i>	DT-SACCOs by Common bond characteristics 1. Farmers, 2. Community, 3. Private, 4. Government, 5. Teacher
<i>Size by total assets</i>	DT-SACCOs by total assets size 1. Large sized, 2. Medium sized, 3. Small sized
<i>Income2018</i>	Total income of DT-SACCOs in 2018 (KES. Billions)
<i>Income2019</i>	Total income of DT-SACCOs in 2019 (KES. Billions)
<i>Income2020</i>	Total income of DT-SACCOs in 2020 (KES. Billions)
<i>App</i>	Whether the DT-SACCO operates online marketing using mobile app 0: No, 1. Yes
<i>Website</i>	Whether the DT-SACCOs operates online marketing using website 0: No, 1. Yes
<i>Facebook</i>	Whether the DT-SACCOs operates online social media marketing using Facebook 0: No, 1. Yes
<i>Twitter</i>	Whether the DT-SACCOs operates online social media marketing using Twitter 0: No, 1. Yes
<i>Instagram</i>	Whether the DT-SACCOs operates online social media marketing Instagram 0: No, 1. Yes
<i>YouTube</i>	Whether the DT-SACCOs operates online social media marketing YouTube 0: No, 1. Yes

The statistics of variables describe that there are around 175 observations in the standard of number of DT-SACCOs in 2020. The observations of the total incomes (KES Billion) for 2018 to 2020 were adopted based on the number of DT-SACCOs officially registered with SASRA for that year.

Table 13 presents that the mean and standard deviation of total income in 2020 is higher than that of total income in 2018 and 2019. Online marketing methods are observed as dummy variables: if the DT-SACCOs have been operating online marketing is recorded as 1, or if not, it is recorded as 0.

Table 13. Statistics of Variables

<i>Variable</i>	<i>Observations</i>	<i>Mean</i>	<i>Standard deviation</i>	<i>Min</i>	<i>Max</i>
<i>Common Bond Characteristics</i>	175	3.017	1.566	1	5
<i>Size by total assets</i>	175	2.286	0.772	1	3
<i>Income2018</i>	170	0.379	0.653	0	4.63
<i>Income2019</i>	174	0.459	0.893	0	6.41
<i>Income2020</i>	175	0.492	0.953	0	7.22
<i>App</i>	175	0.457	0.499	0	1
<i>Website</i>	175	0.823	0.383	0	1
<i>Facebook</i>	175	0.783	0.413	0	1
<i>Twitter</i>	175	0.577	0.495	0	1
<i>Instagram</i>	175	0.211	0.409	0	1
<i>YouTube</i>	175	0.223	0.417	0	1

\* This table shows at three decimals

Based on the variables, the results of the Pearson correlation analysis (sig star (0.05)) are shown in Table 14. We observed the associations between (1) common-bond characteristics and total income; (2) total asset size and total income; and (3) online marketing activities (mobile app, website and social media) and total income of DT-SACCOs.

Table 14. Pearson Correlation Matrix of Variable (sig star (.05))

<i>Variables</i>	<i>Common Bond Characteristics</i>	<i>Size By total assets</i>	<i>Income 2018</i>	<i>Income 2019</i>	<i>Income 2020</i>
<i>Size by total assets</i>	-0.351* 0.000 175	1.000 175			
<i>Income2018</i>	0.252* 0.001 170	-0.675* 0.000 170	1.000 170		
<i>Income2019</i>	0.254* 0.001 174	-0.633* 0.000 174	0.891* 0.000 170	1.000 174	
<i>Income2020</i>	0.254* 0.001 175	-0.632* 0.000 175	0.872* 0.000 170	0.997* 0.016 174	1.000 175
<i>App</i>	0.093 0.222 175	-0.370* 0.000 175	0.290* 0.000 170	0.278* 0.000 174	0.285* 0.000 175
<i>Website</i>	0.168* 0.026 175	-0.372* 0.000 175	0.244* 0.001 170	0.215* 0.004 174	0.218* 0.004 175
<i>Facebook</i>	0.157* 0.039 175	-0.345* 0.000 175	0.199* 0.009 170	0.182* 0.016 174	0.191* 0.012 175
<i>Twitter</i>	0.143 0.060 175	-0.389* 0.000 175	0.270* 0.000 170	0.252* 0.001 174	0.258* 0.001 175
<i>Instagram</i>	0.021 0.781 175	-0.410* 0.000 175	0.234* 0.002 170	0.273* 0.000 174	0.277* 0.000 175
<i>YouTube</i>	0.073 0.335 175	-0.413* 0.000 175	0.358* 0.000 170	0.293* 0.000 174	0.286* 0.000 175

### Common bond characteristics and Income

According to the results, the Pearson correlation coefficients,  $r$  presented that the sector of DT-SACCOs (1. Farmers, 2. Community, 3. Private Sector, 4. Government, 5. Teacher) are positively related with total income 2018, 2019, and 2020 of the DT-SACCOs. As the coefficient values of them are smaller than 0.3, the Pearson correlation coefficients suggest a small strength correlation based on a guideline of Cohen (1988). If the test is statistically significant, a star (\*) is indicated next to the correlation coefficient. Based on the test results, there are significant correlations between common bond characteristics of DT-SACCOs and their total income from 2018 to 2020, but with small strength associations.

### Size by total asset and Income

The results show there are negative and significant associations between size by total assets (1: Large size, 2: Medium size, 3. Small size) and other variables. In particular, the magnitude of the Pearson correlation coefficients suggests there are strong negative correlations between total income from 2018 to 2020 of the DT-SACCOs and size of total assets, as  $r$  indicated  $-0.675^*$  (2018),  $-0.633^*$  (2019) and  $-0.632^*$  (2020). This implies that the income 2018 to 2020 of the SACCOs may be smaller if the SACCOs have a small size of total assets.

## Online marketing and Income

First, the Pearson correlation coefficients,  $r$  that indicates the strengthen and sign between total income 2018 to 2020 and mobile app are 0.290\* (Income 2018), 0.278\* (Income 2019) and 0.285\* (Income 2020). As the sign of the Pearson correlation coefficient is positive, we can say there is a positive correlation between the variables. Additionally, the results above describe that there is a statistically significant relationship ( $p$ -value [2018, 2019, 2020]: 0.000) between the variables of total income from 2018 to 2020 and mobile app. However, the correlation coefficients suggest a small strength correlation.

With regard to the website or social media and total income, there are positive and significant correlations between the total income of DT-SACCOs from 2018 to 2020 and usage of the website or social media (Facebook, Twitter, Instagram, YouTube). However, the coefficient values are less than 0.3 except for the coefficient value of total income 2018 and YouTube (0.358\*), the strength of the correlation is small.

## Overall findings

As a result, the correlation analysis results indicate there are significant correlations between common bond characteristics of DT-SACCOs and their total income from 2018 to 2020 with small strength associations. In comparison, there are negative and significant associations between size by total assets and total income from 2018 to 2020, which means the DT-SACCOs with smaller total assets might earn the smaller income.

Most importantly, the analysis results describe there is a positive correlation between total income and online marketing with the mobile app, website and social media in a small strength. The results are in line with Cleveland (2016, pp.34–35) that bank performance does improve when the bank offered mobile banking functions to the customers. The results are also aligned with Parveen et al. (2016, p.2224) that social media usage positively affects the organizations' performance, including cost reduction of marketing and enabling their customers to get products information online. The findings are in an agreement with Ooko et al. (2013, p.11) that innovation on diversity and effective marketing of SACCO products have a positive relation with SACCOs' wealth growth. However, we keep in mind that the association between total income from 2018 to 2020 and variables related to online marketing is not strong and the results cannot infer a direct cause and effect relationship between the variables.

We have seen the quantitative analysis results. Apart from this, we may need to understand the contextual background of the DT-SACCOs to understand the appropriateness of online marketing activities in rural areas. Perhaps Farmers Based and Community Based DT-SACCOs faced challenges to operating online marketing due to low internet networks or members' preference on using social media or mobile apps.

As the Covid-19 outbreak brought social distancing measures hindering offline marketing, online marketing became important for DT-SACCOs. Thus, it may be needed to reduce the gap by facilitating the small sized DT-SACCOs to adopt the online marketing methods while improving the network and mobile environment for their members. We conducted interviews to understand the context of the Farmers Based and Community Based DT-SACCOs and would like to present the results following section.

## 4.2 Qualitative Data

### 4.2.1 Interview results

The researcher conducted qualitative interviews with 2 Farmer and 2 Community Based DT-SACCOs based on phone or written interview questions from 5 to 29 October 2021. All the interviews were initially conducted using Skype, but one interview was suddenly cut due to the poor mobile network between the Netherlands and Kenya. For this reason, one interview was conducted as a closed interview based on agreement with the interviewee. The detailed characteristics of interviewed DT-SACCOs are given in Table 15.

Table 15. Overview of Interviewees

<i>Type</i>	<i>SACCOs</i>	<i>Common bond</i>	<i>Total assets size</i>	<i>Location</i>	<i>Website</i>	<i>Social Media</i>	<i>Mobile App</i>
<i>Call</i>	V DT-SACCO	Farmers	Small	Vihiga	No	F	No
<i>Call</i>	M DT-SACCO	Farmers	Medium	Nyandarua	Yes	F, T, I	Yes
<i>Written</i>	S DT-SACCO	Community	Small	Bungoma	No	F	No
<i>Call</i>	J DT-SACCO	Community	Small	Kiambu	Yes	F, T, Y	Yes

(Source: Interview notes from each interview)

- **Demographic background:** All four SACCOs selected a managerial staff member to participate in the online survey. They answered that marketing would contribute to the sustainable operation of their SACCOs in the future. All of the SACCOs are in farming or rural areas; agriculture is the main economic activity of their county. The SACCO Annual Supervision Report 2020 indicates that their total incomes slightly increased or remained the same from 2018 to 2020. Most members of each SACCO can access the internet on a limited basis, and most use the 2G phone.
- **Background of marketing activities:** All the SACCOs have used direct outdoor marketing through partner agents to invite new members and promote their products through door-to-door campaigns and group meetings or the distribution of fliers before Covid-19 pandemic. They also operate social media marketing especially using Facebook, and two of DT-SACCOs provide online banking services through mobile app. Among the four SACCOs, one Farmers Based DT-SACCOs with medium-size of total assets and one Community Based DT-SACCOs with small sized total assets use mobile app marketing.

### 4.2.2 Main finding from qualitative interviews

Through the qualitative interviews with four Farmers and Community Based DT-SACCOs, the interpersonal offline marketing is the preferred marketing strategy so far. Many people want to associate with an already tested organization or product. The interviewees emphasised that their members use to trust the information they received from friends, colleagues or community people who already benefit from the DT-SACCOs.

They also have carried out online social media marketing to improve awareness of their brand and products with information sharing. However, in their view, it was less effective because the majority of their members still prefer in-person marketing, and the reception and connectivity with the audience were low. These opinions do not align with Koori et al.

(2018, p.39) that social media plays an effective and important role in promoting knowledge sharing and communication among members (*ibid.*, p.39). For this reason, they have used fewer social media to promote their product. However, they have faced challenges due to the government's social distancing measures and felt they would need to operate online marketing. According to them, social distancing protocols brought about increased costs, reduced group gatherings, and at some point, no gatherings were allowed. They expressed their current worries that this could lead to reduced product uptake and negatively affects recruiting new members.

Regarding future plans to overcome this challenge, M Farmers Based DT-SACCO that has medium-sized total assets and is located in the rural area, mentioned that social media marketing would be helpful to on-board youthful members. This method would become important along with higher internet connectivity and penetration. Furthermore, the respondent from M DT-SACCOs presents their future plans of having a nationwide outlook while emphasising 'there will need to combine online marketing with radio and TV platforms that have countrywide coverage' at the interview. Similarly, J Community Based DT-SACCOs with small-sized total assets expressed that 'The future is online, although different clienteles have different needs. This has to be complemented with other methods like door-to-door campaigns.'

On the other hand, there was a different opinion on social media marketing. The S Community Based DT-SACCOs with small-sized total assets still believes that online marketing may not be appropriate and feasible in the current context because the members have rarely used social media and they prefer word-of-mouth marketing based on trust so far. However, the respondent from the S DT-SACCOs believed there would be potential for social media marketing because the digital literacy levels of members are adequate enough to communicate through digital means, and the cost of using the internet is affordable for them. These opinions agree with Parveen et al. (2016, p.2224) that social media usage has a significant positive impact on organizations' performance in terms of marketing cost reduction.

Regarding mobile app marketing, the DT-SACCOs that do not provide mobile apps responded that M-PESA is preferred for the members because it offers simple banking services, including loan requests. However, they also mentioned that a mobile app would be useful because it provides advanced banking services and enables the members to get savings and loans products as long as internet data is available. It is aligned with the opinions of Mukenya (2019) and Hariyanti (2021) on the advantage of a mobile banking application that allows cooperatives' members to access the products and services anytime and anywhere through an internet connection.

According to the SACCOs that provide mobile apps, J DT-SACCO emphasised the advantages of using mobile apps as follows:

Obviously, this has more than doubled client interaction and reduced branch visits. The advantage of mobile apps is that they offer convenience. You have a variety of transactions you can perform, like deposits to other accounts, with better accuracy and lesser transaction costs. M-PESA restricts transactions to sending to either Pay-bill, other individuals and transaction costs are levied to withdraw from an account and to send.

The results are in line with Cleveland (2016, pp.34–35) that financial performance does improve when the bank offers mobile banking services to the customers online with a reduction in offline 'brick-and-mortar banking'. On the other hand, M DT-SACCO responded that they provide mobile apps to the members, but it is likely to be preferred by young members. They see limitations that mobile apps are available for the members who have smartphones, and it requires installation and version upgrade.

Based on the results, we found that the DT-SACCO has used direct marketing to increase members and advertise their products before Covid-19 outbreak. Due to the social distancing measures from the Kenyan government, the DT-SACCO could not conduct direct marketing until now. Most importantly, the interviewee felt a need to operate online marketing through social media and mobile app methods, along with a rapidly improving internet environment and an uncertain future when offline marketing is not guaranteed. The detailed interview results from the respondents can be found in Appendix 5.

## **4.3 Discussion of Main Findings**

### **4.3.1 Main findings from quantitative and qualitative analysis**

The study contributes to understanding the correlation between social media marketing and mobile app marketing in income of DT-SACCOs amid Covid-19 pandemic and challenges the DT-SACCOs' members faced due to Covid-19 to promote products and services to their members.

The descriptive analysis based on secondary data presented that the financial performance (total income, assets and deposit) and online marketing capacity of the Farmers and Community Based DT-SACCOs is lower than the other type of SACCOs. When it comes to the total income from 2018 to 2020, the Farmers Based DT-SACCOs' total incomes were relatively lower than other SACCOs even though their membership size is the largest among DT-SACCOs. This implies that their loan size is small, but their dividend would be small equally. Similarly, the Community Based DT-SACCOs earned fewer total incomes than other DT-SACCOs, considering the number of memberships. As the loan is the primary income source (85 per cent), it implies that there is a need to vitalise the loan or savings products to the members to increase their income. Thus, it is essential to use appropriate marketing methods to promote their product and services by adopting modern technology to strengthen their competitiveness, as recommended by Muchena et al. (2016).

Particularly, online marketing using social media or mobile app has been frequently used for business these days. Following this trend, most DT-SACCOs, particularly large-sized and medium-sized DT-SACCOs of total assets (mainly Government, Teachers and Private Based DT-SACCOs), have used online marketing to promote their products and recruit more members. We found from the secondary data that the Farmer Based and Community Based DT-SACCOs' social media marketing activities are less vitalized than other DT-SACCOs. Besides, the mobile app marketing was also less used by Farmers Based and Community Based DT-SACCOs.

However, amid Covid-19 where it is challenging to conduct offline marketing due to the social distancing restrictions from the government, online marketing seems to become essential for SACCOs. The quantitative analysis shows there is a relatively positive relationship between the total income (2018–2020) of DT-SACCOs and social media marketing and the relationship between their total income and mobile app services. Of course, we keep in mind that the results cannot directly interpret there is a cause or significant relationship between the variables.

The qualitative interviews support the quantitative findings. As seen in the qualitative interview results, the study could understand that the Farmer and Community Based DT-SACCOs faced challenges promoting and placing their products and services to the clients/members amid Covid-19 pandemic due to the government's social distancing measures.

Their social media marketing has been less active due to the member's characteristics (farmers, old ages, less usage of smartphone) and low internet access that prefer direct marketing with interpersonal touch. According to the respondents from the Farmers and Community Based DT-SACCOs, their DT-SACCOs are in rural areas with lower internet penetration than cities. Also, the responded that their members prefer direct in-person marketing to online marketing, not because of the low internet penetration, but they are not familiar with social media or mobile apps yet.

However, they recognised the importance of adopting online marketing to keep customer relations and provide their products online for their sustainable financial performance. This result aligned with Parveen et al. (2016) that social media marketing could affect the organisation's performance positively, especially in terms of improving customer relations and information access. The result also aligns with the study of Koor et al. (2018) that presented social media usage has a positive relationship with the organisational performance of SACCOs.

### **4.3.2. Implications**

It may become necessary for the Farmers and Community Based DT-SACCOs to consider online marketing, such as social media or mobile app marketing, to ensure the DT-SACCO's income not only the current member characteristics and preferences but also future potential needs based on external environment changes, including improvement in internet access and the implementation of social distancing measures due to any pandemic.

The Kenyan government should recognise the importance of adopting online marketing to promote and provide financial services to the members in the present era, where non-face-to-face business activities are required due to infectious diseases such as Covid-19 along with rapidly increasing internet penetration. The Farmers Based and Community Based DT-SACCOs responded that they need the capacity building on the (online) marketing part for their SACCOs' sustainable operation in the future in the previous online survey. Considering their needs in capacity building of online marketing, the government may prepare support to alleviate the challenges the Farmers Based and Community Based DT SACCOs face in adopting online marketing skills while dealing with low internet networks in rural areas.

### **4.3.3 Recommendation for further research**

This study mainly focused on social media marketing and mobile app marketing. Through the qualitative interviews, we found that the respondents considered that SMS marketing using 2G phones would be a useful method considering the members' characteristics and mobile usage circumstances in rural areas. In this regard, this study would like to recommend studying the relation between SMS marketing using 2G phones and income of the Farmers and Community Based DT-SACCOs.

## Chapter 5

### Conclusion

Online marketing is a widely used marketing method for the business and getting essential method, along with a situation where rapid internet penetration and non-face-to-face economic activities are required. Social media marketing gets used to promote their product or service among the companies and mobile apps get attention as a means to provide non-face-to-face service, especially from financial institutions.

According to the secondary data, online marketing activities were also actively used among the DT-SACCOs, particularly large-sized and medium-sized DT-SACCOs based on total assets, which mainly consist of the Government Based, Teacher Based, and Private Sector Based DT-SACCOs. In contrast, the Farmers Based and Community Based DT-SACCOs that mostly belong to small-sized DT-SACCOs based on total assets have not operated the social media and mobile app. It may be challenging for Farmers and Community Based DT-SACCOs to operate online marketing because most of them are in rural areas with a lower internet network. Above all, the secondary data analysis implies that social media marketing and mobile app marketing may correlate with income from 2018 to 2020. This result is related to Koori et al.'s (2018) argument that there is a correlation with social media as to organisational performance. This result implies that it would be required for Farmers Based and Community Based DT-SACCOs to consider using online marketing to secure their sustainable performance.

Of course, we may not be certain that social media marketing and mobile app marketing positively affect income growth during Covid-19 based on the correlation analysis results alone. The qualitative interview results complemented this argument. The interview presented that online marketing became necessary for the Farmers Based and Community Based DT-SACCOs as means of product promotion to secure income despite several challenges they faced including the low internet accessibility and network environment. Amid Covid-19 pandemic, the Farmers and Community Based DT-SACCOs faced challenges in using the direct marketing they usually preferred due to the implementation of social distancing measures from the Kenyan government, and online marketing became a needed potential method for the SACCOs. According to the DT-SACCOs, online marketing became crucial for the members because they can receive financial service from their DT-SACCO stable through non-face-to-face even in pandemic situations. The results are also aligned with the online and call survey results presented in the Background section, most of the respondents from the Farmers Based and Community Based DT-SACCOs think that online marketing is needed for sustainable performance in the future.

If so, what may be considered for online marketing in the future to ensure providing financial services to the members and secure their sustainable income? If the Farmers Based and Community Based DT-SACCOs keep staying behind in adopting online marketing, the income gap between SACCOs would be broadened. Their sustainable performance also would be challenging when offline marketing is not allowed due to such as Covid-19 pandemic. Therefore, the Kenyan government may think about policy support to expand internet access in rural areas so that the Farmers Based and Community Based DT-SACCOs can adopt online marketing while considering the capacity building of the DT-SACCOs managerial staff on online marketing skills.

## References

- ACCOSCA (2016) The Cooperative Summit Magazine 2016. Available at: <https://accosca.org/magazines/> (Accessed: Sep 12, 2021)
- Adams, W. C. (2015) 'Conducting semi-structured interviews.' Handbook of practical program evaluation. 4, pp.365-366.
- Almeida, F., et al. (2017) Strengths and Limitations of Qualitative and Quantitative Research Methods. European Journal of Education Studies. Vol3(9). DOI: 10.5281/zenodo.887089
- Boggs, R. L. (2004) *Honored Feathers of Wisdom: Attributes for Personal and Organizational Growth*. iUniverse.
- Bomet County (2021) Economy and investment, CGOB. Available at: <https://bomet.go.ke/economy-and-investment/> (Accessed: November 12, 2021).
- Bungoma County (2019) Economy, The County Government of Bungoma. Our Heritage, Our Wealth. Available at: <https://bungoma.go.ke/economy/> (Accessed: November 12, 2021).
- Cleveland, C. E. (2016) 'A Study on How Mobile Banking Has Affected the Banking Industry: Has Mobile Banking Improved Bank Performance?'. Honors Theses. University of Mississippi. 228. Available at: [https://egrove.olemiss.edu/hon\\_thesis/228/](https://egrove.olemiss.edu/hon_thesis/228/) (Accessed: November 12, 2021)
- Communications Authority of Kenya (2020) *FOURTH QUARTER SECTOR STATISTICS REPORT FOR THE FINANCIAL YEAR 2019/20*. Communications Authority of Kenya.
- Constantinides, E., Romero, C. L. and Boria, M. A. (2008) "Social Media: A new frontier for retailers?," *European Retail Research*, pp. 1–28. doi: 10.1007/978-3-8349-8099-1\_1.
- Dunn, J.R., Crooks, A.C., Frederick, D.A., Kennedy, T.L. and Wadsworth, J.W. (2002) *Agricultural Cooperatives in the 21st Century*. United States Department of Agriculture. Available at: <https://ageconsearch.umn.edu/record/280602> (Accessed: October 1, 2021)
- Felix, R., Rauschnabel, P.A., Hinsch, C. (2016) 'Elements of Strategic Social Media Marketing: A Holistic Framework'. Journal of Business Research. 70, pp.118-126.
- Financial Sector Regulators (2020) *The Kenya Financial Stability Report*. Financial Sector Regulators. Issue No. 11. Available at: [https://www.centralbank.go.ke/uploads/financial\\_sector\\_stability/1560356005\\_Financial%20Stability%20Report.pdf](https://www.centralbank.go.ke/uploads/financial_sector_stability/1560356005_Financial%20Stability%20Report.pdf) (Accessed: September 15, 2021)
- Gratzer, M. and Winiwarter, W. (2003) *A framework for competitive advantage in eTourism*. ENTER 2003: 10th International Conference on Information Technology in Helsinki, Finland.
- Gicheru, E. (2015) 'Engaging Cooperatives in Addressing Local and Global Challenges: The Role of cooperatives in Generating Sustainable Livelihoods', Institute of Cooperative Development, A conference paper presented at the Global Forum, Addis Ababa, Ethiopia, 4-6 September 2012. Available at: <http://ccr.ica.coop/sites/ccr.ica.coop/files/attachments/2.1%20Gicheru%20paper.pdf> (Accessed: May 13, 2021)
- Hariyanti, N.K.D., Sanjaya, I.G.N., Sutawinaya, I.P. and Sudhana, I.F.P. (2021) *Conceptual Model for Adoption of Mobile Banking Technology in Savings and Loans Cooperatives*. Atlantis Press, pp.114-120.
- ICA (1995) *Cooperative identity, values & principles | ICA, Ica.coop*. Available at: <https://www.ica.coop/en/cooperatives/cooperative-identity> (Accessed: 12 November 2021).

- ILO (2012) 'How Women fare in East African Cooperatives: The Case of Kenya, Tanzania and Uganda, Dar es Salaam'. Available at: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---coop/documents/publication/wcms\\_735776.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---coop/documents/publication/wcms_735776.pdf) (Accessed: May 14, 2021)
- Johnson, J. (2021) Africa: Internet penetration, by country 2020, Statista. Available at: <https://www.statista.com/statistics/1124283/internet-penetration-in-africa-by-country/#professional> (Accessed: September 21, 2021).
- Karagu, J. M., Gweyi, M. O., Ndwiga, P.M. (2013) 'An investigation of the impact of co-operative movement in rural development in Kenya'. Available at: <https://www.ijbcnet.com/3-2/IJBC-13-21003.pdf> (Accessed May 13, 2021)
- Kiambu County (2021) Crop and livestock production, Kiambu County Government. Available at: <https://kiambu.go.ke/crop-and-livestock-production/> (Accessed: November 12, 2021).
- Koori, A.W., Muriithi, M.S. and Mbebe, M.J. (2018) 'IMPACT OF SOCIAL MEDIA USAGE ON ORGANIZATIONAL PERFORMANCE OF SACCOS IN KENYA (A CASE STUDY OF KUSCCO SACCO AFFILIATES)', *European Journal of Business and Strategic Management*, 3(6), pp. 27-51.
- Kvale, S. and Brinkmann, S. (2009) Conducting an Interview. In *Interviews: Learning the Craft of Qualitative Research*. pp.123-141
- Mazzarol, T. (2009) Co-operative Enterprise: A Discussion Paper and Literature Review. UWA Business School, Crawley Australia.
- Meru County (2021) MCIDC - Home, MCIDC - HOME. Available at: <https://invest-meru.co.ke/> (Accessed: October 12, 2021).
- Muchena, Z. K., Lyria, R., Ntongai, D., Ruuri, N. K. (2016) Effects of Marketing strategy on competitiveness of Saccos in Imenti North Sub-County, Meru, Kenya
- Mukare, M. C. (2008) 'Revitalizing Agricultural Cooperatives through Enhancing Member Participation A Case Study of Kilifi District', Larenstein University.
- Mukenya, E. E. (2019) 'Cross SACCO information sharing and collaboration environment: ucredit mobile application,' PhD Thesis, Strathmore University. Available at: <https://splus.strathmore.edu/handle/11071/6783> (Accessed: November 10, 2021)
- Namunwa, K. (2019) 'Kenya leads Africa in Smartphone usage,' *Business Today*, March. Available at: <https://businesstoday.co.ke/kenya-leads-africa-smartphone-usage/> (Accessed: November 7, 2021).
- Nyandika, P. N. (2014) *Determinants of mobile banking revenues: a case study of cooperative bank of Kenya*. MA Thesis. University of Nairobi.
- Olunja, E. A. (2013) *Adoption of marketing concept and Growth of Savings and Credit Cooperative Societies (SACCOS) in Kenya*. PhD Thesis. University of Nairobi. Available at: <http://erepository.uonbi.ac.ke/handle/11295/61431> (Accessed: October 12, 2021)
- On the world map (2021) Kenya Map, Kenya Maps | Maps of Republic of Kenya. Available at: <https://ontheworldmap.com/kenya/> (Accessed: November 12, 2021).
- Ooko, C. Jagongo, A. and Mbewa, M.O. (2013) 'The contribution of SACCO financial stewardship to growth of SACCOS in Kenya', Vol3(17). Available at: [http://www.ku.ac.ke/schools/business/images/stories/research/the\\_contribution\\_of\\_sacco\\_financial\\_stewardship.pdf](http://www.ku.ac.ke/schools/business/images/stories/research/the_contribution_of_sacco_financial_stewardship.pdf) (Accessed at: October 12, 2021)

- Parveen, F., Jaafar, N. I. and Ainin, S. (2016) 'Social Media's Impact on Organizational Performance and Entrepreneurial Orientation in Organizations,' *Management Decision*, 54(9), pp.2208-2234.
- Pollet, I. (2009) Cooperative in Africa: The age of reconstruction – synthesis of a survey in nine African countries, The ILO Cooperative Facility for Africa, Working Paper No.7. Available at: [https://www.ilo.org/empent/Publications/WCMS\\_117876/lang--en/index.htm](https://www.ilo.org/empent/Publications/WCMS_117876/lang--en/index.htm) (Accessed: May 14, 2021)
- Rankin, M.K. and Russell, I.W. (2005) *Building sustainable farmer cooperatives in the Mekong Delta, Vietnam: Is social capital the key*. Available at [www.engagingcommunities2005.org/abstracts/Rankin-Marlo-final.pdf](http://www.engagingcommunities2005.org/abstracts/Rankin-Marlo-final.pdf). (Accessed: July 10, 2021)
- SASRA (2021) *SACCO Supervision Annual Report 2020*. Nairobi: SACCO Societies Regulatory Authority.
- SASRA (2020) *SACCO Supervision Annual Report 2019*. Nairobi: SACCO Societies Regulatory Authority.
- SASRA (2019) *SACCO Supervision Annual Report 2018*. Nairobi: SACCO Societies Regulatory Authority.
- United Nations (2021) The 17 goals | sustainable development, United Nations. United Nations. Available at: <https://sdgs.un.org/goals> (Accessed: October 10, 2021).
- USAID (2021) The story of M-pesa, U.S. Agency for International Development. Available at: <https://www.usaid.gov/news-information/videos/how-mobile-banking-can-transform-development-0> (Accessed: November 12, 2021).
- van Oorschot, K. et al. (2013) "The three pillars of the co-operative," *Journal of Co-operative Organization and Management*, 1(2), pp. 64–69. doi: 10.1016/j.jcom.2013.10.002.
- Vihiga County (2021) Vihiga County's Profile. Available at: <https://vihiga.go.ke/about.html> (Accessed: October 6, 2021).
- Wanyama, F. O. (2009) 'Surviving liberalization: the cooperative movement in Kenya', The ILO Cooperative Facility for Africa, Working Paper No.10. Available at: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---coop/documents/publication/wcms\\_117886.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---coop/documents/publication/wcms_117886.pdf) (Accessed: May 14, 2021)
- Wanyama, F. O. Develtere, P. and Pollet, I. (2009) 'Reinventing the wheel? African cooperatives in a liberalized economic environment', The ILO Cooperative Facility for Africa, Working Paper No.1. Available at: [https://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/---coop/documents/publication/wcms\\_117870.pdf](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/---coop/documents/publication/wcms_117870.pdf) (Accessed: May 14, 2021)
- World Bank (2021) Mobile cellular subscriptions (per 100 people) - kenya, Data. International Telecommunication Union. Available at: <https://data.worldbank.org/indicator/IT.CEL.SETS.P2?end=2020&locations=KE&start=2000&view=Figure> (Accessed: November 12, 2021).

## Bibliography

- Barrett, C. B. et al. (2007) 'Chapter 2. A qualitative analysis of success and failure factors of agricultural cooperatives in Central Kenya Nyoro Ngugi,' in *Decentralization and the social economics of development: lessons from Kenya*. Cambridge, MA: CABI.

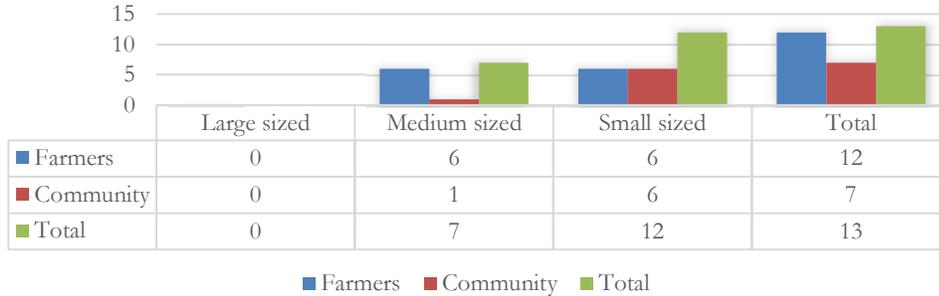
- Bolton, L. (2019) Economic impact of farming cooperatives in East Africa. K4D Helpdesk Report 535. Brighton, UK: Institute of Development Studies.
- Birchall, J. (2010) *People-Centred Businesses: Co-operatives, Mutuals and the Idea of Membership*. London: Palgrave Macmillan.
- Czchorska-Jones, B. (2018) *The Cooperative Context in Kenya: A Review of the Historical, Legal and Regulatory Environment*. ODCDC Research Group. Available at: [https://ocdc.coop/wp-content/uploads/2021/09/ContextStudy\\_Kenya.pdf](https://ocdc.coop/wp-content/uploads/2021/09/ContextStudy_Kenya.pdf) (Accessed: October 10, 2021)
- Elliott, M., Elliott, L. and Sluis, E.V.d. (2018) 'A predictive analytics understanding of cooperative membership heterogeneity and sustainability', *Sustainability*, 10(6), pp. 1-31.
- FAO (2010) "Gender dimensions of agricultural and rural employment: Differentiated pathways out of poverty. Status, trends and gaps," Rome, Available at: <http://www.fao.org/docrep/013/i1638e/i1638e.pdf> (Accessed: May 13, 2021)
- FAO (2011) *The State of Food and Agriculture 2010–11. Women in Agriculture: Closing the Gender Gap for Development*. Rome: FAO.
- Gelan, A. and Muriithi, B. W. (2012) "Measuring and explaining technical efficiency of dairy farms: a case study of smallholder farms in East Africa," *Agrekon*, 51(2), pp. 53–74. doi: 10.1080/03031853.2012.695140.
- Kibuacha, F. (2021) Mobile penetration and growth in Kenya, *GeoPoll*. Available at: <https://www.geopoll.com/blog/mobile-penetration-kenya/> (Accessed: November 12, 2021).
- KNBS (2020) *Economic Survey 2020*. Available at: <https://www.knbs.or.ke/?wpdmpro=economic-survey-2020> (Accessed: May 10, 2021)
- Kobia, S. K. (2011) *The Cooperative Movement in Kenya, Challenges and Opportunities*. Nairobi, Kenya, Colours capes media Ltd.
- Lafleur, M. (2005) *A Model for Cooperative Challenges, Cooperative Grocer Network*. Available at: <https://www.grocer.coop/articles/model-cooperative-challenges> (Accessed: May 19, 2021)
- Marketing dictionary (2018) *Long Term Objectives*, Monash Business School. Available at: <https://www.monash.edu/business/marketing/marketing-dictionary/1/long-term-objectives> (Accessed: June 21, 2021).
- Mshiu, S. (2019) *The cooperative enterprise as a practical option for the formalization of informal economy*, The ILO Cooperative Facility for Africa. Available at: [https://www.ilo.org/global/topics/cooperatives/publications/WCMS\\_754087/lang-en/index.htm](https://www.ilo.org/global/topics/cooperatives/publications/WCMS_754087/lang-en/index.htm) (Accessed: May 14, 2021)
- Nalefo, L. (2020) *Institutional Development for Cooperative Sustainability of Beef Cattle*. IOP Publishing, pp. 012058.
- Razanakoto, O., Razafindraibe, R., Andriamananjara, A., Razafimanantsoa, M., Rakotoson, T., Smolders, E. and Rabeharisoa, L., 2018. Failures in agricultural innovation due to poor understanding of farmers' predispositions. *Development in Practice*, 28(5), pp.691-704.
- World Bank (2014) *Levelling the field: Improving opportunities for women farmers in Africa*. Washington, DC: World Bank

# Appendix 1. Online/Phone Survey Results

## 1. Characteristics of Respondent

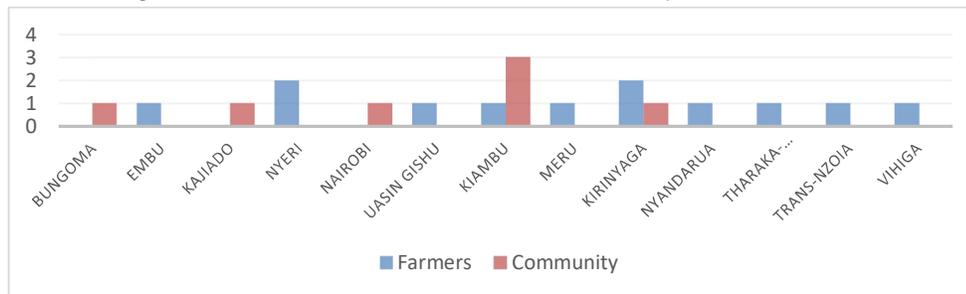
Among the 12 Farmers and 7 Community Based DT-SACCOs who responded to the survey, no one belong to large-sized DT-SACCOs by total assets. In the case of Farmers DT-SACCOs, the number of the medium size and small size by total assets are equally 6. On the one hand, 6 DT-SACCOs among 7 are small size by total assets.

Figure 1.1. Number of the responded DT-SACCOs by total assets size



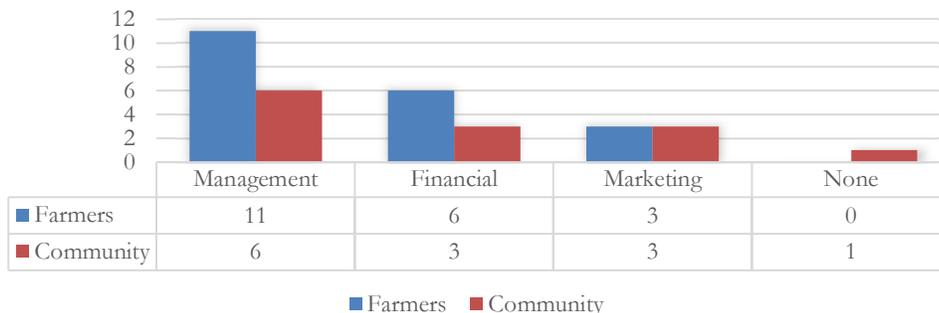
When it comes to the location of the DT-SACCOs that responded to the survey, most of them are located in agricultural and rural areas than Nairobi, which is the capital city of Kenya. Especially, the main business of Kiambu, Kirinyaga, and Nyeri County are agricultural business (Kiambu; Kirinyaga; Nyeri County Government Website).

Figure 2.2. Location of Farmers and Community DT-SACCOs



## 2. Internal training to managerial staffs by DT-SACCOs

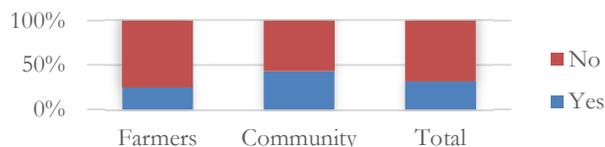
Figure 1.3. Type of internal training



Looking at the proportion of internal training for the capacity building of managerial staffs from the Figure 4, management capacity building recorded the highest proportion across the all responded DT-SACCOs, followed by financial training. Noticeably, almost half of respondents have received the management training from their DT-SACCOs.

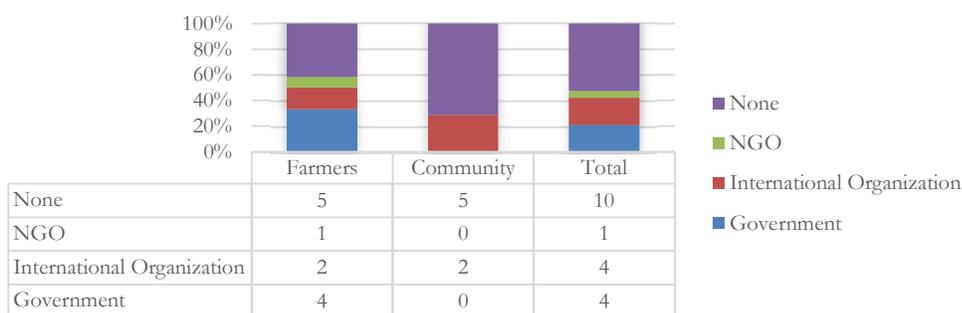
When we closely look at the (online) marketing training, only 6 Farmers and Community Based DT-SACCOs among 19 have provided (online) marketing training (around 31.5 per cent) to their managerial staff, which account for respectively 25 per cent and 42 per cent.

Figure 1.4. The proportion of the provision of internal training on Marketing



### 3. Support on capacity building from outside

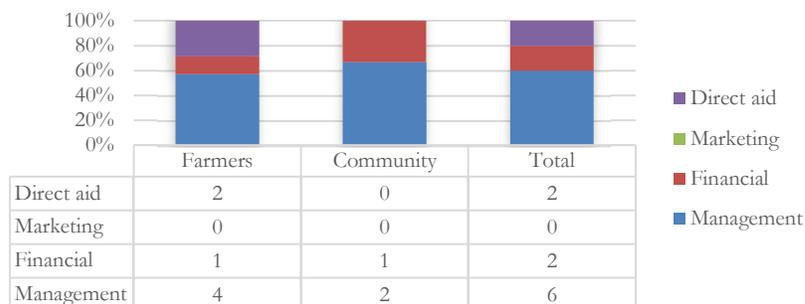
Figure 1.5. The proportion of received supports from donor by type



According to the respondents, the 7 Farmer Based DT-SACCOs (58.3 per cent) among 12 and 2 Community Based DT-SACCOs (28.6 per cent) among 7 have received support from donors, which means that totally around 47.3 per cent have received supports from donors, whereas the remaining 52.6 per cent did not receive any development support.

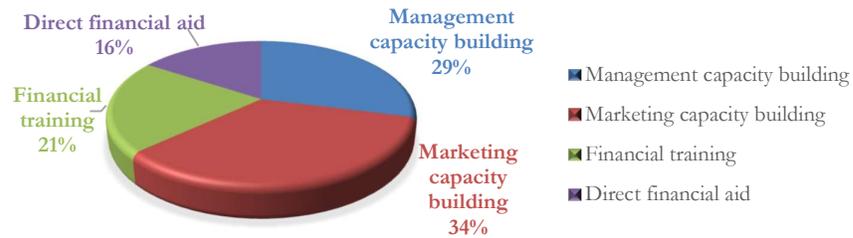
When it comes to the type of donors by DT-SACCOs, Figure 6 shows that the biggest donor of the Farmer Based DT-SACCOs is government (33.3 per cent), followed by International NGOs (16.6 per cent). On the one hand, the 2 Community Based DT-SACCOs among 7 have received supports from international organizations (28.6 per cent), while 5 have never received support from any donors.

Figure 1.6. Type of support



The Figure 7 describes the type of support. Among the Farmer Based and Community Based SACCOs that received support from donors, the management capacity building accounts for 60 per cent, while the financial capacity building and direct aid respectively account for 20 per cent. However, no one responded that they received any support on (online) marketing capacity building from outside.

Figure 1.7. Support that would contribute sustainable performance



Most importantly, the largest number of survey respondents with 34 per cent answered that support related to the marketing capacity building will contribute to the performance of their DT-SACCOs in the future, followed by management capacity building with 29 per cent and financial training with 21 per cent. This implies that the marketing capacity building is much needed, and they might face challenges with it.

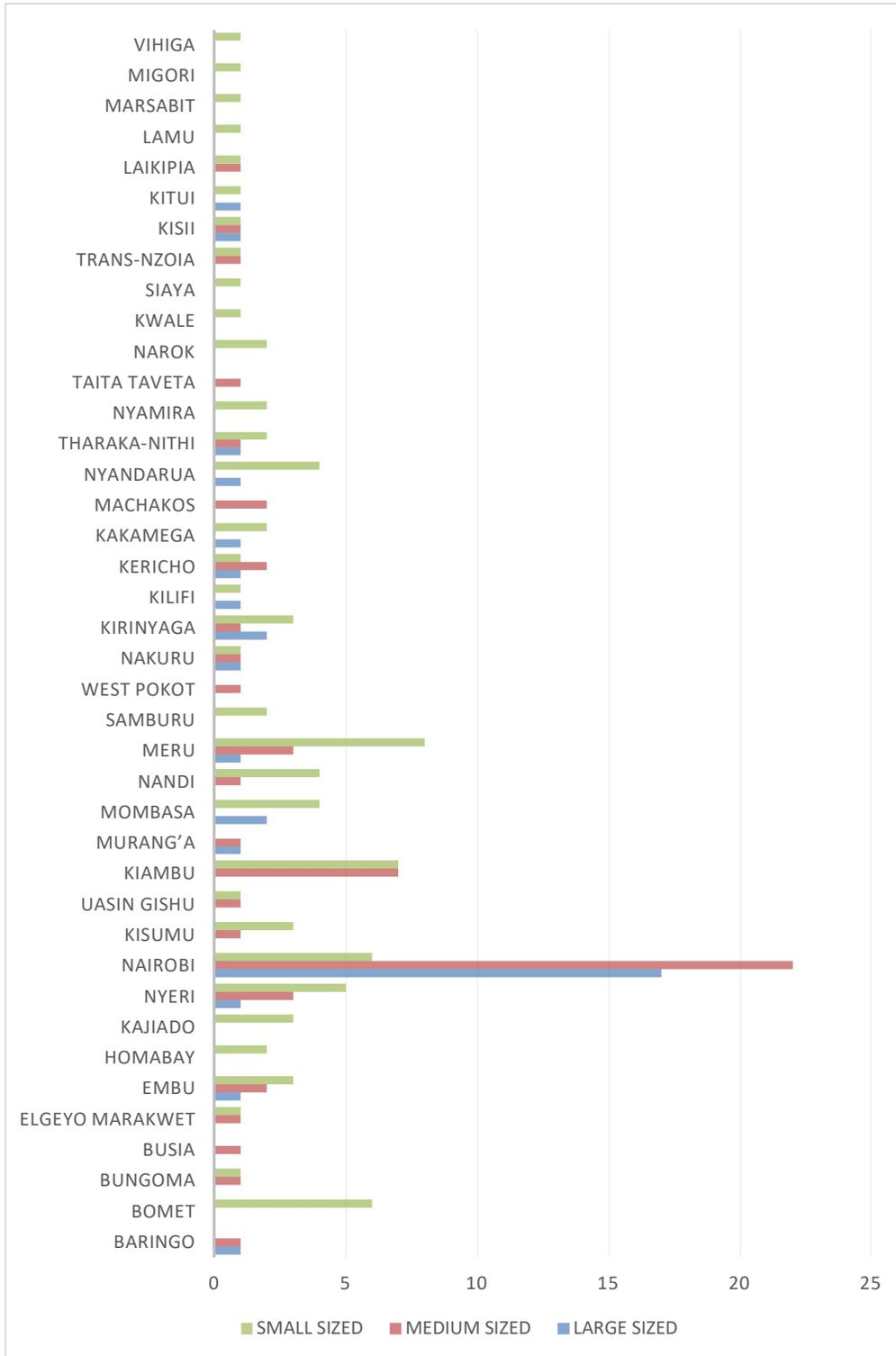
## Appendix 2. Definition of DT-SACCOs by Common bond Characteristics

CLUSTER NAME	ORIGINAL BOND AND CRITERIA FOR MEMBERSHIP AT INCORPORATION
Government based	The original membership drawn from Government ministries and departments, State Corporations, Public Universities and Colleges. The majority are headquartered in the capital city (Nairobi), but some had head offices in towns or counties where the state corporation, Public University or Colleges were based. Majority have opened branches in different parts of the Country and Counties with the object of reaching their members who are essentially public officers.
Teachers based	The original membership drawn from the teaching fraternity in the country. Even though the teaching fraternity is part of the mainstream Government, these SACCOs share the unique facet in a common employer of their members namely the Teachers Service Commission. The key difference among them is that they sprouted up along the geographical boundaries of the country's districts (now counties) within which they had their offices. Majority have opened branches in different parts of the Country and Counties with the object of reaching their members who are essentially public officers.
The Farmers based	These SACCOs were founded upon the foundations of certain agricultural activities of the would-be members, mainly as coffee, tea, or sugarcane farming, or dairy production. They are spread in different parts of the country where the agricultural activity is undertaken.
The Private Sector	The original memberships were principally drawn from privately owned companies, institutions, or entities. The common bond would then be that the members are employed by one private entity or group of similar private entities.
The Community based	The original memberships were defined on the basis of some social association or membership of the potential members within the community such as churches, non-governmental organizations, and similar community initiative groupings.

*(Source: SASRA, 2021, p.28-29)*

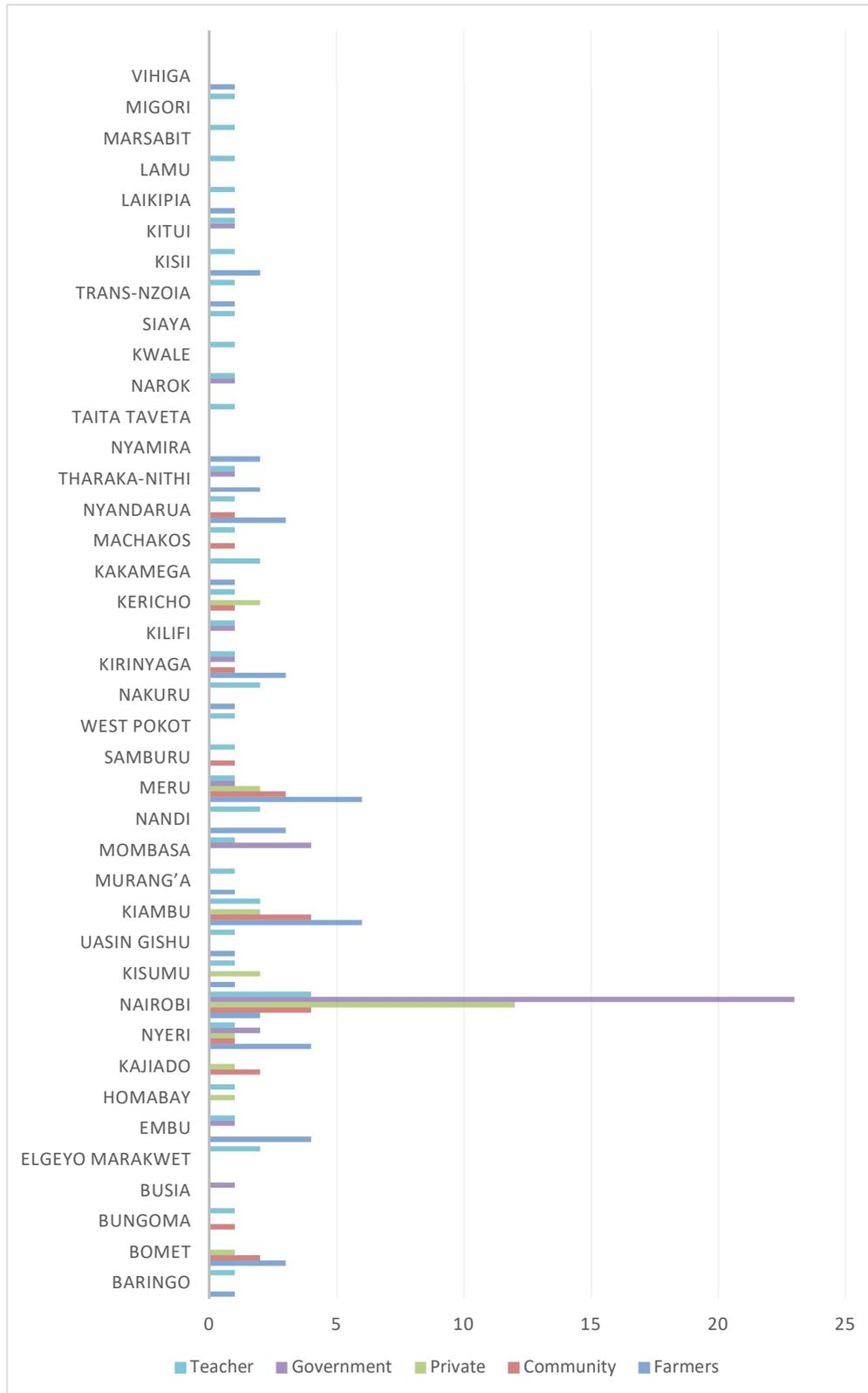
### Appendix 3. Location of DT-SACCOs by Type

Figure 3.1. Location of DT-SACCOs by total asset size



(Source: SASRA, 2021)

Figure 3.2 Location of DT-SACCOs by common bond characteristics



(Source: SASRA, 2021)

## Appendix 4. Interview Guide

### 1. Overview of interview

- ✓ Topic: To understand the Farmers and Community DT-SACCOs' marketing activity
- ✓ Targeted interviewees: 4 Farmers and Community Based DT-SACCOs
  - 2 Farmer Based DT-SACCOs (1: using online, 1: non-using online)
  - 2 Community Based DT-SACCOs (1: using online marketing, 1: non-using)
- ✓ Interview method: call interview by skype

### 2. Interview questions

- ✓ The questions consist of 14 questions under the 4 sub-sectors as below.

Questions	
<b>[Opening]</b> Introduce each other and explain interview purposes	
<b>[General marketing background]</b>	
1	Can you explain why you chose “marketing”, will be contributed to sustainable operation of your SACCOs in the future at the survey?
2	Have your SACCOs conducted any kind of marketing before? When? Why?
3	What kind of marketing have you conducted to achieve your purposes? Which one is to attract new members, and which one is to promote their loan or savings products?
4	Did it contribute your SACCOs' income growth?
5	Which one was the most effective and most appropriate in your context?
<b>[Online marketing]</b>	
6	How do you think about online social media marketing? Have you used them before? Why? How did you set it up?
7	If not, do you see potential in online marketing? Who is/would be your target audience?
8	Was it effective? Did it contribute to increase your SACCOs' income, how much?
9	Was it appropriate in your context?
<b>[Mobile banking service: M-PESA, Mobile app]</b>	
10	As far as I know there are two types mobile banking service: M-PESA, Mobile app. Can you explain what is different between two methods?
11	Do your SACCOs provide mobile banking service to your members? Which one, when and why?
<b>[Current challenges of marketing in Covid-19]</b>	
12	What is the current challenge you faced in the marketing activities amid Covid-19? Does your marketing approach change because of this?
13	Which marketing method become significant to your SACCOs due to the government's social distance measures amid Covid-19?
14	Do you think which marketing will be needed for your SACCOs in the future? Why?
<b>[Ending]</b> Remarks, other opinion	

## Appendix 5. Interview Results

### 1. 1st interview

- **Interviewee:** a managerial staff from the V SACCO in Vihiga County, the Farmers common bond characteristics and small sized DT-SACCOs by total asset.
- **Interview date:** 5 October 2021
- **Interview method:** Call interview
- **Demographic background of the SACCOs**

This SACCO is categorized as a Farmer Based and Small-sized DT-SACCOs by total assets. This SACCO was selected since one of the managerial staff from the SACCO participated in the online survey and answered marketing will be contributed to the sustainable operation of their SACCOs in the future. It is located in Vihiga county, the western region of Kenya, which is approximately 380 km far from Nairobi. According to the Vihiga County Government website (2021), 87.2% of community people are involved in farming and their major activities for the community engage in Agricultural Department. The Annual SACCO Supervision Report 2020 indicates that there was not much change in income from 2018 to 2020.
- **Background of marketing activities**

According to the call interview, the SACCO has used direct marketing through agents to invite new members and promote their products and services. Their agent visited community people and promoted their products. The interviewee responded that direct marketing was effective to increase SACCO's income by mobilizing new members and promoting their loan or saving products.
- **Online Marketing**

With regard to online marketing, the SACCO has never operated their own website to members and only have been using Facebook (social media) for knowledge sharing among members. When the interviewer asked whether your SACCO sees potential in online marketing in the future, the interviewee answered that online marketing is getting important as the internet technology is quickly spreading out and getting significant. However, some of the members still cannot access the internet because of the poor network environment, thus the direct marketing would be still essentials for these members.
- **Online Marketing using mobile**

This interview also asked whether the SACCO provides mobile marketing, particularly for mobile banking services. According to the interviewee, they provide basic mobile banking service by using M-PESA, which aims to withdraw money, but they don't provide advanced mobile banking services like requesting loans through the mobile application.
- **Current Challenges of marketing in Covid-19 situation**

Due to the social distance measures from the Kenyan government, it was not possible to conduct direct marketing to the members, so there was no income growth from 2019 to 2020. The interviewee mentioned that online marketing became significant to their SACCO because of the social distance measure. The interviewee added that online marketing will be needed for their SACCOs in

the future as it is expected that internet access in the region would be improved soon apart from the social distance measure.

■ **Main findings**

As seen in the interview, the SACCO has used direct marketing to increase members and advertise their products before the Covid-19 pandemic. Due to the social distance measures from the Kenyan government against Covid-19, the SACCO couldn't conduct direct marketing until now. Most importantly, the interviewee felt a need of operating online marketing even though there is a challenge for online marketing because of limited internet access.

## 2. 2nd Interview

■ **Interviewees:** a managerial staff from the M SACCO in Nyandarua County, the Farmers Based common bond characteristics and medium sized DT-SACCOs by total asset.

■ **Interview date:** 28 October 2021

■ **Interview method:** Call interview

■ **Demographic background of the SACCOs**

■ **Background of marketing activities**

They have undertaken door-to-door campaigns and small gatherings of people where possible keeping in mind the restrictions and Covid-19 protocols. Mainly it is to promote the SACCO's products – loans and savings.

■ **Online Marketing**

Online marketing is a bit challenging considered Nyandarua County in Kenya is in the rural areas where internet connectivity is low. This makes telemarketing the most appropriate since it is call based. However, online social media marketing is a good option especially where the target audience has an above average literacy levels with good internet connectivity. They have Facebook and Twitter pages to promote brand image and their product for increased uptake in numbers. But the reception and connectivity with the audience was low as the majority of existing customers are aged. Nevertheless, with the SACCOs strategy to bring on board youthful members, this forms a critical target audience. Potential exists especially with the opening up of rural areas and higher internet connectivity and penetration.

■ **Mobile banking services**

Mobile application is there but the majority of the members prefer USSD codes. It is likely to be preferred by youthful members in the future. Mobile applications require installation and data for version upgrades and also smartphones. M-Pesa is readily available to all phone types.

■ **Current Challenges of marketing in Covid-19**

The main current challenge they faced is Government restriction on in-person meetings. Future plans for Muki SACCO are to have a nation-wide outlook and therefore there will be need to combine online marketing with radio and TV platforms that have countrywide coverage.

## 3. 3rd Interview

- **Interviewees:** a managerial staff from the S SACCO in Bungoma County, the Community Based common bond characteristics and small sized DT-SACCOs by total asset.

- **Interview date:** 14 October 2021

- **Interview method:** Call and written interview

- **Demographic background of the SACCOs**

This SACCO is categorized as a Community Based and Small-sized DT-SACCOs by total assets. This SACCO was selected since one of the managerial staff from the SACCO participated in the online survey and answered marketing will be contributed to the sustainable operation of their SACCOs in the future. The SACCO is located in Bungoma county, the western region of Kenya, which is approximately 436 km far from Nairobi. According to the Bungoma County Government website (2019), agriculture is the main economic activity of the County, and the county is a largest sugar production area in Kenya. The Annual SACCO Supervision Report 2020 indicates that their total incomes were increased from 2018 (4 million Kshs) to 2020 (5 million Kshs).

- **Background of marketing activities**

This SACCO has conducted marketing before to recruit new members. They used different marketing strategies including person-to-person (word of mouth), using pamphlets & brochures (both hard copies and digital), leveraging on community forums, attending farmers/youth groups/women groups to market the SACCO. The majority of the strategies above were used to recruit new members while they also conducted mobile marketing to promote loans and savings products for example using SMS.

In the interviewee's view, the use of person-to-person is the most result-oriented marketing strategy since many people want to associate with an already tested organization or product. He added that they would trust the information given through friends, colleagues, or people who are already benefiting. This is why they have operated direct marketing and the 'word-of-mouth' approach from existing members has worked best in their context.

- **Online Marketing**

The SACCO has been using online marketing using mobile to promote new products, and secondly to reach out to potential members of organized groups such as youth groups, farmers groups, and women groups. The use of mobile has really increased in Kenya, and it was found to save time and resources that would be used to travel and produce posters. According to the interviewee, they have so far attained very good network status. Also, he added that the cost of using the internet and text messages is affordable. The literacy levels are considered adequate to communicate through digital means. When it comes to social media marketing, the interviewer observed their activities by searching their social media account as the interviewee did not give much information. According to the observation, they started operating a Facebook page in 2018 to attract new members and present their partnership activities by posting few photos, as well as to share the SACCO's information and contact number. However, they have not operated it since 2020. This implies that they attempted to use social media to promote their activities, but it was not very useful so far.

- **Mobile banking services**

The interviewee said they only provide mobile banking services by M-PESA. M-PESA helps us receive members' savings, loan repayments and to disburse

loans. He also clarified what difference is between M-PESA and mobile application for providing mobile banking services. M-PESA is a platform used to transfer money from any kind of phone to phone (Safaricom users) or to account without having a bank account as long as service provider's network is available. In this sense, the M-PESA would be an effective and convenient method for the members who couldn't open a bank account. Whereas mobile App would be useful as it enables the members to get savings and loans products without necessarily using a mobile service provider as long as internet data is available. However, not many members have smartphones so far, the SACCOs did not operate mobile banking services for the members yet.

■ **Current Challenges of marketing in Covid-19**

According to the interviewee, the main challenges of marketing during Covid-19 revolves around the inability to organize groups for sensitizations, increase in costs of meeting the health protocols set for meetings, inability to host many people in one meeting, and reduced community meetings that we used to leverage on. Their marketing strategy has to therefore change with the Covid-19 pandemic as they need to embrace digital marketing. However, as the members have rarely used social media and smartphones, social media or mobile application marketing still may not be appropriate and feasible in the context. However, the interviewee mentioned that mobile marketing remains a highly useful activity going into the future for their SACCO alongside direct marketing.

■ **Main findings**

Looking at the answers obtained through the interview of the SACCO, direct marketing has been the most effective marketing method to attract new members so far, while mobile marketing using SMS has been useful in promoting SACCO's products. In the interviewee's view, the optimal marketing to access community people and farmers, who are major target customers, was word-of-mouth marketing based on trust, not because of the internet and mobile network environment in the region.

#### 4. 4th Interview

■ **Interviewees:** a managerial staff from the J SACCO in Kiambu County, the Community Based common bond characteristics and small sized DT-SACCOs by total asset.

■ **Interview date:** 29 October 2021

■ **Interview method:** Call interview

■ **Demographic background of the SACCOs**

■ **Background of marketing activities**

Outdoor marketing through the distribution of fliers, door-to-door campaigns through use of marketing offices and group meetings through say forums organized by their partner for which they offer education to both existing and potential clients. Also, online through website and social media via the SACCO's Facebook page. Majorly the strategy has been to create awareness of JOINAS as a brand. Once awareness is there, this increases receptivity for other marketing pursuits. The comments that the outdoor activities have been most effective because of instant feedback form clients.

■ **Online Marketing**

The SACCO has needs to target millennials by also offering them enticing product offerings. They primarily have been using the website and Facebook account to attract new clientele especially the millennials. They set up the online marketing through the creation of a website and a Facebook page with dedicated messages and information updates by the marketing department. In fact, online marketing was less effective considering the fact that the majority of the members still seek the interpersonal touch. Though, we still believe it holds the future way of marketing.

■ **Mobile banking services**

They provide mobile application service to the members. Obviously, this has more than doubled client interaction and reduced branch visits. The advantage of mobile applications is that they offer convenience and that you have a variety of transactions you can perform like deposits to other accounts with better accuracy and lesser transaction costs. M-Pesa restricts transactions to sending to either Paybill, other individuals, or Till numbers. Transaction costs are levied to withdraw from an account and to send.

■ **Current Challenges of marketing in Covid-19**

Reaching new members, creating new relationships, and continuous connection with existing members. Not this personalized touch could be offered online. Social distancing protocols brought about increased costs, reduced group gatherings, and at some point, no gatherings at all. This leads to reduced products uptake and negatively affects to recruit of new members. The future is online, although different clienteles have different needs. This has to be complemented with other methods like door-to-door campaigns.

Especially, as a SACCO they resulted in SMS for our campaigns. From the feedback received from members, we were able to gauge that majority of the remembers understood our messages. For education forums, the target was done to small groups by sub-diving existing larger target groups. SMS was most significant because we were able to receive timely feedback.