

**INFLUENCE OF BUSINESS STRATEGIES ON COMPETITIVE ADVANTAGE: CASE
OF COOPERATIVE BANK OF KENYA, HOMA BAY COUNTY, KENYA**

KONDIEK JOSHUA NYABINDA



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DECLARATION AND APPROVAL

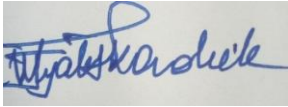
Declaration:

This project is my original work and has never been presented for any academic award in any institution.

Name: Kondiek Joshua Nyabinda

Reg. No: MBA/2013/46766

Signature:



Date: 3rd July 2025.

Approval:

This project is being submitted for examination with my approval as University Supervisor.

Name: Dr Henry Yatich

Institutional Affiliation: Mount Kenya University

Signature:



Date: 4th July 2025.

DEDICATION

The project is dedicated to my family members, led by my wife Molly, and to my children Sharlyn, Adrian, Cindy and Talia. God bless you.



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I thank the Almighty God for strength, provision, and kindness over my life throughout the research. I appreciate my Supervisor, Dr. Henry Yatich, who offered invaluable advice and academic support to me. This project would have been in vain without the academic/scholarly guidance, discussion, critique, and advice I received from him. I also appreciate my lecturers and fellow Master of Business Administration students for their encouragement and cooperation. I also want to appreciate all the respondents, individuals, and organizations that contributed to my study and research.



ABSTRACT

Competitive advantage means the current conditions that help a company do better than its competitors in the market, which brings growth benefits. The banking industry has strong competition. Some banks succeed while others close down. The strategies a bank uses help it compete well in the market. Good strategies give a bank special competitive advantage, leading to profits, growth, expansion, and customer satisfaction. This study looked at the business strategies used by Cooperative Bank of Kenya in Homa Bay County to gain competitive advantage, while its competitors closed down due to losses. Despite the tough competition in the banking sector, Cooperative Bank of Kenya has continued to succeed in Kenya. The main aim of the study was to look at how business strategies help achieve competitive advantage in Cooperative Bank of Kenya, Homa Bay County. The study wanted to know how much the bank uses strategies like innovation, product development, corporate banking, and capital base in Kenya's market. Understanding these strategies helps to make better policies for improved performance. The study used a descriptive research design. A census was done in four branches of Cooperative Bank of Kenya in Homa Bay County. The study focused on branch managers, department heads, and non-managerial staff. Questionnaires were given to both staff and management. These questionnaires had sections showing different strategies, and the staff had to rate which strategies they use in their bank. The answers collected were coded and entered into a software (SPSS) for analysis. The data was analyzed using descriptive statistics like mean scores, percentages, frequencies, and other average measures. Correlation and regression models were used to find the connection between the main variable (competitive advantage) and the other variables (business strategies). The R² value was 0.6355, meaning the strategies explained 63.55% of the changes in the bank's competitive advantage. Product development was the only strategy that had a big effect on competitive advantage at a 5% significance level ($t = 14.913$, $p < .001$). So, the study gave insight into the business strategies that help Cooperative Bank of Kenya stay ahead in the banking market in Kenya. These strategies helped the bank gain more assets, increase profits, grow and expand, keep loyal customers, and give better services that make customers happy.

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LIST OF ABBREVIATIONS AND ACRONYMS

ATM	Automated Teller Machine
CBK	Central Bank of Kenya
Coop Bank	Cooperative Bank of Kenya Limited
ICT	Information Communication Technology
IEBC	Independent Electoral and Boundaries Commission
IPO	Initial Public Offer
IT	Information Technology
KNBS	Kenya National Bureau of Statistics
MFI	Micro Finance Institutions
NACOSTI	National Commission for Science, Technology, and Innovation
NGO	Non-Governmental Organizations
NSE	Nairobi Securities Exchange
SACCO	Savings and Credit Cooperatives
SBU	Strategic Business Units
SME	Small and Medium Enterprises

CHAPTER ONE: INTRODUCTION

1.0 Introduction

Chapter one focuses on examining the background to the study, statement of the problem, the purpose of the study, objectives, research questions, significance, scope, limitations, theoretical framework, and conceptual framework of the research.

1.1 Background to the study

The banking industry around the world has many challenges and stiff competition. The strategies used by banks are important for their success. Carlson et al. (2019) said that every industry, including banking, has some economic and technical features that help it do better than competitors. Eva (2018) alluded that strategy means the actions a company takes to affect its performance in the long run. Distanont & Khongmalai (2018) said that good business strategies are based on having a lasting competitive advantage, which helps attract more customers and protect against outside challenges.

To achieve competitive advantage, organizations must have effective business strategies that are well aligned with the vision and mission statements, optimization of the resources, and embracing innovativeness. A well thought of strategy if well implemented enables an organization to leverage on its unique technical and economic characteristics and positions it well against its fierce competitors (Carlson et al., 2019). During the strategy implementation, effective communication is vital.

Sołoducho-Pelc & Sulich (2020) said the main aim of a business strategy is to get a competitive advantage over others as effectively as possible. Carlson et al. (2019) explained that a company has corporate, business, and functional strategies, which together form a long-term plan to meet goals. Eva (2018) added that a business without strategy is just a group of people. So, strategy

is very important because it brings people together to achieve the company's goals. It brings stability, consistency, and helps the company feel in control.

Kunle et al. (2017) said that competitive advantage is a long-term benefit that comes from using strategies that add value to a company. This includes using both people and resources well and making products different from others. Kuncoro & Suriani (2018) added that this also means offering high-quality products, low costs, great service, better locations, nice designs, and good value for customers. A company can compete well if it has more customers or better features than its competitors (Kunle et al., 2017). Anwar et al. (2018) said a company's success depends on how well it competes and how much of the market it controls, which helps improve its financial performance.

This study chooses the four constructs of innovation, product development, corporate banking, and capital base as the independent variables of the study. These constructs are very important for the understanding of how banks compete in the market. Innovation is the driver in coming up with new products and services efficiently which helps the bank to adapt to the market dynamics. To enhance differentiation, the products being developed must align with the customer needs and preferences. Corporate banking aligns to the needs of the corporate clients, hence creating a good revenue stream for banks. A strong capital base will underpin the financial growth and stability of the bank hence better investment in the strategic initiatives for better competitive advantage. It should therefore be noted that these variables are able to provide good framework for analyzing how cooperative bank can efficiently navigate the challenging business environment and gain competitive advantage.

Innovation and product development are very important for banks and financial institutions to make profits. Arnaboldi & Rossignoli (2015) said that innovation means creating new products and services, changing how the company works, opening new branches, using technology in operations, and trying out new ideas that help the company.

Because of big changes and strong competition in the banking industry, banks have had to use innovation to remain profitable. Pradhan et al. (2016) said that innovation is important for financial growth. Even though it can be costly, banks in Kenya must adopt modern innovations to succeed. These innovations, especially in technology, have helped banks become more profitable, efficient, and grow. But innovation can also bring problems like fraud, risky behavior, high costs, and business losses when technology fails. In Kenya, banks that use innovation have grown and opened more branches. Those that do not use innovation have lost performance and sometimes closed branches.

Corporate banking is another area that banks have expanded into, where they serve organizations (Dashottar & Srivastava). These banks offer services like managing cash and giving credit to other organizations. They also give loans, which bring in more money because they charge higher interest to organizations than to individual customers. Banks also help organizations manage their finances, support buying of assets, and offer other commercial services. These services are given to small, medium, and large organizations after approval by their boards. The company, not the directors, is responsible for the account. Cooperative Bank of Kenya offers these services to many organizations and Savings and Credit Cooperative Societies (Saccos).

A bank's capital base is the difference between its assets and liabilities. It shows the bank's value to investors or its net worth. Assets include cash, government securities, and loans. Liabilities include debts and loan loss reserves. The Central Bank of Kenya (CBK) requires banks to keep a minimum capital base. A strong capital base gives a bank an advantage over its competitors.

Kenya's banking industry is very competitive. There is a lot of employee poaching and creation of user-friendly technology products (Kimotho, 2016). Kariuki (2017) added that banks keep

making new products to suit different customers. But, since services can be copied easily, the difference comes from service quality and bank fees. CBK (2020) said there are at least 52 banks in Kenya, including global ones like Standard Chartered and Zenith, and African banks like Family Bank and Equity. By mid-2019, Kenya had 1,343 branches and about 2,500 ATMs. Banks also work with organizations like Safaricom to provide strong e-banking services.

Mutuku et al. (2019) said that banks in Kenya face a tough business environment, with many non-banking institutions offering similar services. These include Faulu Kenya, Kenya Women Finance Trust, Mwalimu National Deposit Taking (DT) Sacco, and Wakulima Cooperative Societies. All of them compete for the same customers. Big banks like Cooperative Bank of Kenya, with good market share, strong asset base, skilled staff, and many branches, need to choose the right strategies to stay ahead (Mugambi & Karigi, 2015). Cherotich et al. (2015) found that banks in Kenya have faced growing competition since the banking industry was opened up. This study looks at the strategies banks use to stay competitive, focusing on Cooperative Bank of Kenya in Homa Bay County.

As alluded above, a winning strategy is necessary to succeed and compete in the banking industry. Strategies help direct the bank, ensure it functions well, and meets its customers' needs. Nonetheless, just having strong strategies from the top will not provide the expected results unless those strategies are fully implemented in the branches. How a financial institution organizes its strategy at different tiers is key to its success or failure within the market.

Planners start by setting out long-term plans and then outline the actions needed to achieve them. The banking sector creates strategies for different reasons, such as improving customer service, managing risks, inventing new products, and marketing its services. When strategies match the bank's vision and mission, top management sets a clear path to success. Still, it is

necessary to ensure the strategies can be applied at the branch level since that is where customers receive service.

When properly shared, well-defined strategies help employees at every level. This will help team members know what they are supposed to do to accomplish the bank's expected results. In contrast, if strategies are explained poorly and not communicated well, employees might be lost in completing their jobs. A lack of alignment may result in uncertainty, low efficiency, and an inability to meet customers' expectations.

Creating well-formed strategies is not enough; they must be carried out appropriately to prevent challenges for the bank. A primary key to good strategy execution is ensuring employees work as a team. If people in the organization do not cooperate or unite, their ability to roll out strategies can decline. Often, employees are so involved in their tasks that they ignore overall organizational objectives. Such differences can appear in how the bank handles updates and what customers require.

In addition, poorly defined goals can slow down a bank's strategic work (Mutuku et al., 2019). When employees are unsure of their main goals, it can be tough to organize their work. Because of this unclear direction, employees may no longer be motivated or work efficiently since their contributions may not follow the goals set by the bank. Clarity and focus in their work can be achieved by ensuring the goals are SMART.

Each person within the organization needs to be responsible for strategies to work. The lack of accountability tools may mean employees are not motivated to control their performance or the results of what they do. As a result, individuals may avoid fulfilling their obligations, which reduces the company's overall success. Coming up with defined responsibility roles, checking performance statistics, and regularly reviewing how things are progressing can help staff stay on track with the strategies.

Typically, organizations may lose forward momentum when putting strategies into action. Eventually, the enthusiasm for new strategies can lessen. It can be made worse by factors outside the company, like a weak economy or updates in the rules, causing managers to step back from focusing on strategy. It is therefore important for banks to regularly talk about why the strategies matter and celebrate achievements as they are made. Appreciating and rewarding achievements helps the employees stay motivated and believe in the company's success culture.

According to Kuncoro & Suriani (2018), misalignment among different departments and subsidiaries can make it much harder to implement the company's strategies. When teams in the bank have differing goals, the organization might be unable to give customers a straightforward message. In such cases, customers may find it confusing and unsatisfying, which harms the bank's reputation and competitiveness. Regular collaborative meetings, group projects and training each department in others' areas can encourage departments to work better together.

Successful banks can better turn strategies into effective practices than competitors. Institutions that focus on strategy, open communication, and accountability are more able to face market challenges and meet customers' needs. This advantage is significant when winning over customers, as small service mistakes may cost a lot.

Applying a strategy well increases efficiency at all levels and encourages everyone in the organization to keep improving. If a bank encourages new ideas and the ability to adapt, it does well in times of rapid change. When employees are involved in discussions and decisions, banks take advantage of everyone's ideas and experience.

So, proper strategies and using them well are essential for a bank to succeed among its competitors. Top-level decisions should be made into branch operational plans to guarantee

successful implementation. Not working together, having unclear objectives, missing accountability, slowing down, poor teamwork, and not celebrating achievements can stop a bank from performing well in the market. If banks handle these challenges and focus on teamwork and responsibility, they can more effectively implement their plans and achieve a better position. Those banks that do well in planning and implementing their strategy will be able to deal with the challenges of the market and succeed over the long run.

1.1.1 History of Cooperative Bank of Kenya

According to CBK (2021), Cooperative Bank was officially formed under the Organizations Act and was licensed in 1968 by the Central Bank of Kenya under the Banking Act to carry out banking business. It first began in 1965 as a Cooperative Society and was registered under the Cooperative Societies Act. The government of Kenya directed all Cooperative Societies to move their money (deposits) to the Cooperative Bank of Kenya and to buy shares in the bank. In 1977, the bank opened its first branch company called Cooperative Finance Limited. In 1989, the bank became a full commercial bank and started offering more products. In 1998, it became an agent for the money transfer company called MoneyGram. In December 2008, the bank was listed at the Nairobi Securities Exchange (NSE), and its shares were traded under the name "Coop." The bank was also registered again under the Organizations Act in June 2008 so that it could meet the rules of the NSE. The shares held by 3,805 Cooperative Societies were put together under a company called Coop-Holdings Cooperative Society Limited, which now owns 65% of the bank.

Cooperative Bank of Kenya has three major branch organizations (subsidiaries). The first is Kingdom Securities Limited, where the bank owns 60%. The second is Coop Trust Investment Services Limited, which is fully owned by Coop Bank and manages funds. The third is Coop Consultancy and Insurance Agency Ltd, which is also fully owned by the bank and provides services in corporate finance, financial advice, and training. Other areas of operation include

CIC Insurance Group, South Sudan Cooperative Bank, Cooperative Bank Foundation, Ethiopia Cooperative Bank, and Uganda Cooperative Bank.

Cooperative Bank of Kenya has been doing well in recent years. Its profit before tax grew from KES 16.4 billion in 2017, to KES 18.2 billion in 2018, and KES 20.7 billion in 2019 (CBK, 2021). In 2020, the profit before tax dropped to KES 14.3 billion, which was a 23% decrease. This drop was because of money set aside for loan losses due to the Covid-19 pandemic and losses from currency changes in its South Sudan operations. The bank's balance sheet (a report showing its financial position) has also grown steadily, reaching KES 537 billion by December 31, 2020 (CBK, 2021). To help customers during the Covid-19 pandemic, the bank gave out more loans and helped customers in many ways. It changed the terms of existing loans and supported customers' transaction and funding needs. It approved loans worth KES 49 billion to help customers affected by the pandemic. The bank now has more than 350 branches across Kenya and even in South Sudan. It uses a universal banking model and serves more than 8.8 million account holders. This makes it one of the biggest banks in Kenya and gives it a strong competitive advantage.

There is strong competition in Kenya's financial sector because there are many banks and financial organizations. This has led banks to set up tents in places like bus stops, markets, schools, sports grounds, outside churches, and busy streets to promote their products and services. Nataraj & Rajendran (2018) also said that there is a lot of competition in both the Kenyan and international banking markets because many banks now aim for global recognition. According to Kimotho (2016), Kenya's banking industry is growing very fast even with many challenges. This can be seen by the fact that the number of bank branches across the country almost doubled in the past 10 years. According to CBK statistics, Cooperative Bank is one of the fastest-growing banks and is now the second-largest in Kenya based on number of branches and accounts (CBK, 2020). In 2019, Cooperative Bank Group had a profit before tax of KES

20.7 billion, which increased from KES 18.2 billion in 2018. This was a 12.6% increase (CBK, 2020). Kinyua (2020) said this success came from the bank's move to a universal banking model, focus on digital banking, more community involvement through agents called "Coop Kwa Jirani", and the expansion of branches across East Africa.

1.2 Statement of the Problem

To compete effectively, financial institutions should strive to satisfy the financial needs of the communities that they serve. They must promote a culture of savings, maintain a robust customer bases by employing strategies such as innovation, product development, corporate banking, and large capital base to as to gain competitive advantage in the ever-changing market. Proper crafting and implementation of such strategies would make such banks enjoy sustainable growth and increased customer loyalty thereby contributing positively in the economic development of their regions.

However, in Homa Bay County, some banks came into the market, worked for a while, and then closed because they made losses. Later, they came back again into the County. These banks include Barclays Bank of Kenya (BBK), which later changed its name to Absa Kenya, and Kenya Commercial Bank (KCB). One reason these banks closed their branches in Homa Bay County was because they had a low customer base. Poor marketing strategies also caused the closure of these banks. The branches did not advertise or promote their services well to the people they were targeting. Other poor strategies that these banks used include weak and unprofessional corporate governance, insider lending, poor supervision and regulation systems, not being innovative, weak plans to manage risks, poor internal control systems, and conflicts of interest among the staff (Nataraj & Rajendran, 2018). Because of these weak management strategies, many customers moved to other branches in nearby towns like Kisii.

Unlike others, the Cooperative Bank of Kenya has maintained its performance and expanded in Homa Bay County. After opening its first branch over 25 years ago, the bank has regularly grown its customer base, suggesting that its business approach has worked well. Because the bank has dealt well with political issues and rules that set loan interest rate caps, it has had admirable performances over time. The bank's customer numbers grew dramatically from 20,000 in 2006 to more than 1 million by 2018. The significant growth is due to several strategic benefits that Cooperative Bank has developed compared to its competitors.

Cooperation with many Savings and Credit Cooperative Societies (Saccos) is a key reason the bank has succeeded in Homa Bay County. Several Saccos, including Suba Teachers Sacco, Homa Bay County Women Sacco, Elimu Sacco, and several other self-help groups, have linked up with Cooperative Bank to reach more customers. The alliance between the bank and the brand benefits both by increasing customer numbers and making the bank more recognizable and appreciated in the community.

Cooperative Bank's management strategies have also helped it keep ahead of its main competitors, including Equity Bank. The bank has shown a strong effort to learn about the unique needs of its customers in Homa Bay to create products and services that fit them. Because the bank prioritizes its customers, it has formed lasting bonds with clients, leading to more customers and a lower defection rate.

With such different outcomes for Cooperative Bank and its competitors, the study investigated the strategies that have driven its ongoing success in Homa Bay County. The research therefore aimed to analyze the strategies used by Cooperative Bank of Kenya's branches in Homa Bay County to ensure they gain competitive advantage over their competitors. By researching about these strategies, the study sought to identify what drives the bank's growth and discover ideas that other financial firms in the same market can apply.

This research aimed to inform discussions on successful business strategies in the banking industry, mainly in places like Homa Bay County, where old practices may encounter challenges. Learning from factors that propel Cooperative Bank to prosper, other local banks might introduce improvements that benefit them and the banking network in the region.

1.3 Purpose of the Study

The study aims to analyze the influence of business strategies on the competitive advantage at the Cooperative Bank of Kenya in Homa Bay County.

1.4 Objectives of the Study

- i. To assess the influence of innovation on the Cooperative Bank branches' competitive advantage in Homa Bay County.
- ii. To determine product development's influence on the competitive advantage at the Cooperative Bank branches in Homa Bay County.
- iii. To evaluate corporate banking's contribution to the competitive advantage at the Cooperative Bank branches in Homa Bay County.
- iv. To determine the influence of capital base on the competitive advantage at the Cooperative Bank branches in Homa Bay County.

1.5 Research Questions

The study aimed to answer the following research questions:

- i. What is the influence of innovation on the competitive advantage at the Cooperative Bank of Kenya in Homa Bay County?
- ii. What is product development's influence on the competitive advantage at the Cooperative Bank of Kenya in Homa Bay County?
- iii. What is corporate banking's contribution to the competitive advantage at the Cooperative Bank of Kenya in Homa Bay County?

- iv. What is the influence of a large capital base on the competitive advantage at the Cooperative Bank of Kenya in Homa Bay County?

1.6 Significance of the Study

This research has significant implications for various groups involved in banking, as well as for others stakeholders. This research aimed to examine business strategies employed by Cooperative Bank in Homa Bay County and give meaningful guidance for policy and strategy implementation in the banking sector.

Most importantly, the study results will give policymakers valuable assistance, especially those in banking regulations. Acknowledging how competitors operate will allow policymakers to guide the banking sector towards healthy competition and new ideas. The study's identification of the main obstacles banks encounter will guide policy creation to solve them, resulting in a healthier banking industry. Improving financial firm rules can better support the country's overall economic health.

The Central Bank of Kenya (CBK) will find the study's results especially helpful as the regulator for all financial institutions. The study's finding of common barriers to bank strategies will guide the CBK in developing more effective financial industry regulations. Banks can serve their customers more effectively when regulations match the industry's daily challenges. Creating stronger financial rules can bring more people into the financial system and aid Kenya's economy.

Also, investors, shareholders, managers, and employees involved in banking will find the study's results beneficial. With knowledge of the competition and important strategy factors, these stakeholders can improve their strategic planning, which increases their chances of winning. The knowledge gained can help managers refine their operations to meet market

requirements and customers' expectations. With such changes, banks can please their customers more effectively and gain loyal clients, which is important for a lasting presence in the industry.

The conclusions can help banking organizations design an organizational setup to succeed in today's market. When banks recognize how to implement sound strategies, they construct functioning systems that set them apart and help them run efficiently. In a rapidly developing financial sector, businesses need to be able to change their strategies quickly as technology and customer needs shift quickly.

This study is expected to be a helpful reference for those conducting academic research. The research results can add to the current understanding of banking strategies and how banks compete. This study will guide further exploration of strategy implementation by showing where there is a lack of knowledge and supporting this with evidence. These findings can lead scholars to study additional issues and promote ongoing discussions on business strategies in the banking industry.

All in all, this research is significant for reasons that go beyond its main findings. By describing the problems and advantages of implementing banking strategies, the research can support better policymaking, guide stronger regulation and shape stronger business methods. The research therefore aims to boost banking knowledge and make Kenya's banking industry more prepared with better strategies so that it can improve the country's overall economy.

1.7 Scope of the Study

This research looked at the role of business strategies on competitive advantage at the Cooperative Bank of Kenya in Homa Bay County. The study focused on branch managers, heads of departments, and junior staff who were given questionnaires to fill. It included all 108 employees of Cooperative Bank in Homa Bay County. The study covered the period between 2018 and 2022.

1.8 Limitations of the Study

While this study aimed to share helpful information on the banking sector, some issues prevented all the findings from being as clear-cut as hoped. Since the general banking principle states customer information should be kept private, that had the potential to affect the responses to the questionnaires. As a result of this demand for ethics, many respondents started reluctantly to respond to the questions. Their reluctance to answer was also because their work responsibilities were so diverse that gathering valuable information about the bank's state and staff was tricky.

Before approaching any respondents, branch managers had to approve the researcher's requests. As a result of this requirement, it was challenging to collect accurate information because the managers also participated in the study. Permitting access to certain workers might have influenced the way data was gathered. Because managers wanted good results for their company, they limited the time the employees were to spend on the questionnaires. Similarly, the managers could have preferred to highlight the positive aspects of their work, and talk of any challenges so as not to sell the bank negatively.

Because of the presence of the management, some workers might have not been objective enough while filling out questionnaires. I suspected some employees were afraid to openly review the bank's strategies out of fear of retribution. Because of this, employees might have chosen not to disclose any information that could be interpreted negatively, which might have weakened the reliability of the information gathered.

To address concerns about confidentiality, the researchers assured the respondents that the research was for academic purposes only, and the information given in the questionnaire could not be used in any way against any respondent. Nevertheless, it could still be possible for some to watch what they disclosed.

Differences in how much employees understood the bank's business strategies also caused a bit of challenge. Many staff members lacked informative efforts, making it hard for everyone to understand the strategies and resulting in poor data recording. Although, most respondents knew the major bank strategies, there might have been cases of those who were not as familiar which might have unintentionally affected the findings. However, most of the experienced respondents provided helpful information for the research. With a leading group of informed participants, the study received much feedback that was relevant in meeting the objectives.

Considering all this, it is clear that researching sensitive issues in banks is somewhat complicated. Challenges in collecting the entire dataset were caused by the rules of confidentiality, department approval, and differences in what employees knew. It is important we considered these limitations in order to understand the results of studies around banking strategy implementation. Future studies that address these issues may increase the accuracy and trustworthiness of the collected data.

1.9 Delimitations of the Study

Special attention was given to defining the particular scope of this study. One of the biggest challenges was getting the bank's management to let me perform the research within a given timeframe. Doing so was necessary to ensure that the bank's operations were followed correctly and that managers supported the study. While following this approach, the researcher tried not to disregard the institution's code of conduct.

From the beginning, the participants were told that the research was being done only as part of an academic study. A clear academic goal was vital for setting up a suitable environment for collecting the data. The researcher aimed to explain the value of respondents' contributions and confirm that their input would be used only for academic purpose. Because the researcher clarified this information, employees were more willing to share their thoughts in the study.

Anonymity of the participants played a key role during the research. The researcher took steps to protect the privacy of every participant. In the banking setting, speaking against an unjust decision could threaten someone's reputation or job, which was why this choice was crucial. The researcher built a safe environment for everyone by promising not to reveal any information people shared. Choosing this strategy helped more people to join and share reliable answers, as respondents felt more comfortable.

The study also concentrated on one bank from Homa Bay County, the Cooperative Bank of Kenya. The direct approach allowed me to explore that institution's distinctive issues and possibilities. However, because of this, the results might not apply to all other banks or the same bank in different regions. The analysis resulting from this study could inform about the bank's strategies, but they do not always address the complexity of banking. Researchers might address this issue by examining numerous regional banks to see common trends.

The study also gathered data from studies on the bank and incorporated their findings. This background information gave more meaning and quality to the findings seen in the current data. The researcher used what was learned from earlier studies to improve and expand the bank's strategic setting analysis.

Strict limits were applied to this work to keep it organized and trustworthy. Wishing to develop a strong analysis of the bank's strategies, the researcher got permission, made it clear the study was for academics, kept data confidential and referred to existing sources. By focusing on the analysis, these boundaries meant that the study gave clearer insight into what the bank experienced as it tried to reach its targets.

1.10 Assumptions of the Study

When conducting this study, the researcher made important assumptions about how the commercial bank system operates, particularly at the Cooperative Bank. At the outset, it was

thought the bank would keep well-organized records about its business strategies. Such documentation should state how these strategies benefit the bank's ability to thrive in the market compared to others. Looking at program records allows us to examine the success of the strategies applied.

Besides, the researcher believed that Cooperative Bank's employees grasp the strategies and their contribution to its performance. Managers assumed that staff would understand how the bank's strategies separate it from its competition and affect its position in the market. This idea matters because workers' insights about the strategies will significantly influence the research results.

The study's analysis and data collection rely on these assumptions as a starting point. Even so, they emphasize that additional research should be carried out to confirm these claims and examine any problems with banking strategy implementation.

1.11 Operational Definitions of Key Terms

Bank: This refers to an organization that gives different financial services. A bank lends money and keeps money for its customers.

Capital Base: This is also called cost basis. It means the capital or money a bank got when it first started. It is the difference between the bank's assets and liabilities.

Corporate Banking: This refers to the services that a bank gives to its corporate (business) customers.

Product: Anything that can be offered in the market to satisfy a want or need.

Strategy: This is a short- or long-term plan by an organization. It includes the actions and how resources are used.

Business Strategy: These are the decisions and actions taken by a company to help it achieve its goals and objectives.

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

This second chapter looks into the role of business strategy in creating a competitive advantage in the banking business. It includes a theoretical review, an empirical review, and a conceptual framework. These are important in helping to understand the area of the research.

2.1 Empirical Literature Review

Porter (2023) said that business organizations all over the world need strong competitive strategies to work well in the competitive market. Because of this, businesses need to create competitive strategies that can help them gain a competitive advantage (Mahdi & Nassar, 2021). A business strategy is the overall plan a company uses to achieve its goals (Abdulwase et al., 2020). A strategy comes from the organization's mission and vision, which guide the business in adjusting to changes and competition in the market (Fathali, 2016).

Kapto & Njeru (2014) explained that strategic decisions affect the whole organization and need a lot of resources. This means a strategy needs skills, knowledge, and mental ability to work well in the always-competitive market. Fathali (2016) also said that business managers should study their strategies and match them with the organization's goals, so that they can give the company something special that helps build competitive advantage. That's why strategies should benefit the organization (Mahdi & Nassar, 2021).

According to El Nemar et al. (2022), using resources in the best way can help create a competitive advantage and show the organization's current position in the market. Also, organizations should always look for new business chances and threats, and they should review their current strengths and weaknesses based on their strategies (Fathali, 2016). This is why business strategies must match the company's mission and vision, to keep the focus on the organization's goals (Mahdi & Nassar, 2021). To do this well, before starting a company, it

should already have a clear mission and vision. This is because besides resources and workers, organizations should have realistic goals (Satybaldiyeva et al., 2023).

Darmawan (2024) said that organizations must have clear goals for strategies to work. All strategies should work together to reach the organization's goals. Organizations must make accurate future plans to create the right business strategy (Fathali, 2016). Based on their strategy, organizations prepare for a long time, expecting future needs and market demand. El Nemar et al. (2022) added that businesses need flexible strategies that can be changed when challenges appear.

Mugu et al. (2022) also said that business strategy is based on what the business expects in the future, including threats and opportunities. So, a good business strategy can help organizations create strong plans that can support the business during tough economic times.

According to Barney (2021), for any resource to give a company a competitive advantage, it must add value, be unique, hard to copy, and not easily replaced by competitors. Mnjala (2014) said that for a company to succeed in the market, it has to be competitive. A company's internal environment should add value to its supply chain strategies and its resources (Christopher et al., 2008). A well-made strategy helps a company gain a competitive advantage.

The studies reviewed here emphasize that a strong competitive strategy supports organizations in handling the complexity of the present business world. Sarpong (2015) and Capon (2008) believe businesses require solid competitive strategies to succeed in tough markets. This basic knowledge matches the main ideas in strategic management, showing that a well-set business strategy directs an organization to organizational goals (Satybaldiyeva et al., 2023).

A link between a company's mission, vision and the way it sets its strategy is a topic frequently discussed in related books and articles. According to Fathali (2016), the organization's lines of action reflect its core mission and vision to help it respond to changes in market and competitive

situations. Satybaldiyeva et al. (2023) believe that a strategy's effectiveness depends on ensuring its value offer is unique and helps a company succeed over rivals. Orienting strategic initiatives to the mission and vision is important as it guarantees that all activities are aimed at the same things, promoting performance and unity among employees. It is therefore crucial for an organization to align the strategic initiatives to the mission and vision so that all the activities are focused and unified and this enhances performance and cohesion among the employees.

From the researcher's perspective, the empirical findings highlight the necessity of developing and executing strategic decisions that make an organization gain competitive to stay afloat in the market. Organizations must have clear vision and spell out practical mission statements that will help it attain the goals. It must evaluate its physical assets, and adapt to the market dynamics. There is need for effective communication and close and continuous monitoring of the environment within which the business operates to inform the strategic management process. In doing this, an integrated approach is needed, so that the strategies to be implemented are more proactive focusing on the broader organizational goals rather than reactive alignments.

2.1.1 Innovation Strategy and Competitive Advantage

Innovation strategy means the plans made in an organization that promote the use of advanced technology and services, leading to better performance in research and development (Siauliai, 2013). This includes using new ways of managing or producing products, and using technology that other competitors have not yet used.

There are different kinds of innovations: services, processes, and products (Torres & Augusto, 2020). Product innovation means launching a new or improved product or service in the market, with better features or usefulness. Process innovation means using new or improved methods

in how the company works. Organizational innovation means using new or better ways of organizing work inside the company or in dealing with people outside the company.

Marketing innovation means using new marketing techniques. This includes major changes in product design, packaging, pricing, and how products are delivered to customers.

2.1.2 Product Development Strategy and Competitive Advantage

The banking industry must always keep creating products and services that keep their current customers and attract new ones. Knowing what customers want is one of the most important parts of creating new products (Torres, 2021). Banks must always remember the mission and vision of the employees, who are the main people to put the plans into action. Each mission should have clear goals that all team members understand. Employees who are involved in product development at the bank must know the reason for changing the product. If they do not understand, they need to be trained. The product development team must agree on a project charter that clearly explains the purpose of the project. Creating a new product should involve deep research, feedback, and reviewing the plan again (Wang & Zhang, 2020). The product development plan should be very simple.

One sure way to increase profits is by influencing customer behavior through offering rewards to customers based on their needs at a specific bank. Many banks offer products that treat all customers the same instead of designing products based on individual customer demand. The banks that perform best listen to customer needs and respond to them. They consider different customer groups and behaviors and offer flexible solutions. Working quickly and keeping plans secret during new product development helps a bank take advantage of good market opportunities. The bank's systems and processes must move fast to take advantage of chances to make more money. It is also very important to keep product development plans secure. This includes keeping information safe, protecting product development plans, and covering all

possible outcomes. Repeating the process and training about the product are important for teamwork and success. The process of creating a new product starts with a good strategic plan that allows all team members to give their ideas as the project goes on. When everyone is involved in product development, the time needed to complete it becomes much shorter (Torres & Augusto, 2020).

2.1.3 Corporate Banking Strategy and Competitive Advantage.

As business trends change, commercial banks have added both retail banking and corporate banking to grow their customer base and make more money. Retail banking is the part that works with individual customers, while corporate banking mainly serves organizations. It is one of the three main parts of wholesale banking, along with investment and treasury banking. The main job of corporate banking is to provide highly organized financing to corporate clients. This financing can be secured or unsecured and is also known as working capital management (Torres, 2021). All services that manage capital include handling receivables, billing, giving discounts, managing cash, foreign exchange, overdrafts, operating finance, selling, and leaseback. Corporate banking is a major source of profit for many banks and provides most of the customer loans (Torres & Augusto, 2020). Corporate banking departments serve small and medium businesses, local businesses, and big organizations with large amounts of money in deposits. The services offered in corporate banking include banking facilities, credit, business projects, loans, real estate services, foreign exchange, and standing orders. Corporate banking helps improve the quality of credit portfolio management for important customers and increases profits (Khalil, 2014).

2.1.4 Capital Base Strategy and Competitive Advantage

Capital Base is understood as the shareholders' fund, which includes paid-up share capital, reserves, and accumulated losses for regulation. This means the basic funding level of a company or institution. For a company that is already public or going public, it refers to the capital received during an Initial Public Offer (IPO).

The capital base is important because it provides a starting point when checking returns, as it shows investors how their investments are doing (Barber et al., 2021). The capital base is also required by the banking regulator to keep a certain funding level. When it is watched closely, it helps improve the bank's profitability (CBK, 2018).

2.2 Theoretical Review

The study looked at three classic theories: Industrial Organization Theory, a Market-Based Theory approach called Structure-Conduct-Performance (SCP), and the Resource-Based View Theory (RBV). Industrial Organization Theory delves into market structures and how they affect the behavior of the firm, whereas SCP brings a connection to structure and performance. The RBV emphasizes the importance that the internal resources and capabilities have, hence bringing into focus the uniqueness in the assets that makes banks different. By combining these theories in the study, the researcher intends to gain a well-rounded understanding of both internal and external factors that influence competitive advantage, especially in the banking sector.

2.2.1 Industrial Organization Theory

According to Kimotho (2016), Industrial Organization Theory studies how markets and industries work, especially how organizations compete. This theory has two parts: theories of markets and market structure, and theories of the firm (Davis & DeWitt, 2021).

Theories of markets and market structure focus on how businesses compete. Here, a firm is not seen as unique, but just one of many in an industry—like banking. Theories of the firm focus on several organizations in the industry and look at the specific things inside individual firms. This part of the theory tries to understand why some business activities happen in the larger market while others happen within the company itself.

In Kenya's competitive banking industry, theories of the firm can be used to look at all the banks registered under the Central Bank of Kenya. This includes things like their size, incentive plans, and boundaries. This theory fits the study because a bank's success mostly depends on how it is organized within the industry.

The theory covers all important aspects of how markets and industries react to different firm behaviors based on their structures. The theory emphasizes firms' strategic choices due to their competition. Here, I looked at how organizations pull ahead of their competition regarding which prices they choose and how they innovate and develop their products.

Its application highlights how market entry and exit barriers impact a firm's behavior and the functioning of the industry. Severe challenges that new businesses face can safeguard today's top brands, keeping them in control of most of the market and their earnings. Low barriers can create intense competition, which leads businesses to try to improve themselves and innovate to keep going. Knowing these trends is very important for banks in Kenya since they can shape decisions on positioning and allocating resources.

Industrial Organization Theory also shows that market power refers to a company's ability to affect the prices and quantities it sells. Banks with strong market power can charge high prices without scaring off customers. If banks understand this, they can create pricing plans that match their spot in the market and what customers are used to.

In addition, the theory focuses on how alliances and strategic partnerships play a key role in building competitive advantage. Partnerships with other financial, technology, or service organizations can improve a bank's offerings and help it run more efficiently. Using their different abilities, banks can benefit customers and make themselves stand out among many competitors.

This theory is valid when businesses try to develop effective strategies. Banks can use their understanding of competition to adapt to market changes and consider what will change for customers and technology. The theory helps banks locate areas for growth and new ideas, directing them in making and improving services that match changing customer needs.

Moreover, the information gained from this theory may boost bank decision-making processes. If managers examine both the structure of the market and the nature of competition, they can make wiser choices about investments, resource use, and risk handling. Correctly aligning strategies can increase an organization's ability to perform well and survive in the long term.

Based on the discussion, Industrial Organization Theory explores why and how firms compete and how they influence each other in the market. Banks can use this theory to build solid strategies that maximize their strengths, deal with industry problems, and improve their place in the banking sector.

However, the theory does not pay much attention to resources, which are also very important for success.

2.2.2 Market-Based Theory (Structure-Conduct-Performance)

This theory includes the Bain Structure-Conduct-Performance (SCP) framework and Porter's Five Forces model of competitive advantage. This view puts the market at the center when explaining and analyzing a company's strategy. It focuses on studying markets and industries

and believes that these are enough to answer all questions about organizations and how they behave (Bourai et al., 2024).

Kung'u et al. (2014) explained that Bain's SCP framework is one of the most well-known theories that shows market-based competitive advantage. Hannagan & Bennett (2008) said that a bank's strategic position is determined by how its products add value and how its service delivery is different. So, how well an organization performs depends only on how the industry it works in behaves. Bourai et al. (2024) added that organizations need to create a competitive strategy that fits the structure of the industry.

This theory has three main parts: Structure, Conduct, and Performance. Structure means the stable factors that affect how consumers and organizations behave - both those providing and receiving the product or service (Kung'u et al., 2014). Conduct means how consumers and sellers act towards each other and among themselves as buyers or sellers. A company can choose its strategy, such as how much to spend on research and development, marketing, and advertising. Performance is measured by comparing results from major industry players in areas like efficiency, customer service, profit levels, and product pricing.

According to Market-Based Theory in the Structure-Conduct-Performance (SCP) framework, how a market is set up greatly influences how firms act. The idea is that industry attributes shape firms' actions, which determine how successfully they perform. The main point of this theory is to emphasize that a firm's strategy is influenced more by the outside market than by its internal strengths or weaknesses.

Much of the SCP framework's value lies in spotting and reviewing external factors that might shape a firm's results. In some cases, how a market is set up - by competitors, diversity of products, and market structure - determines the firm's strategies. In such markets, organizations must increase innovation, use best practices, and make their products distinctive to remain

significant. When the competition is low, businesses can keep higher profits and do not necessarily need to innovate that much.

The idea further points out that organizations must be adaptable in their business activities. A business needs to adapt when preferences, regulations, or technology change. Firms that use market insights to update their strategies are more likely to succeed in catching newly arising opportunities. For example, if a bank observes that more people want to bank online, it may buy new technology and provide training to increase its standing in the market.

In addition, combining SCP with Porter's Five Forces model helps analyze how the competition works in a particular industry. Suppose organizations examine the potential of new competitors, concentrate on how powerful suppliers and buyers are, consider possible replacements and look at the level of competition. In that case, they get a thorough picture of their strategies. This framework allows banks to study their current competition and prepare for changes.

The importance of looking at performance in the SCP framework increases for banks since it lets them check how well they are doing using numbers. Return on Assets (ROA), Return on Equity (ROE), and customer satisfaction scores show whether a bank carries out its strategy better or worse than its rivals. Using industry practices as a basis, banks spot what needs to be addressed and choose the right actions accordingly. Additionally, the market-based theory supports firms in conducting research and analyzing the market at all times. Thanks to this process, organizations are well informed about important changes in the market, competitor behavior, and consumer behavior, helping them devise the best strategies beforehand. As a result, the banking sector could provide elements tailored to different customers or new service ways that improve customer happiness.

The market-based theory, combined with Porter's Five Forces and the structure-conduct-performance framework, helps study competitive advantage. By using external market information and encouraging flexibility, this theory gives banks important knowledge for forming strategies that address the market's current situation and upcoming issues or benefits. It is key for banks to compete well and achieve long-term results.

2.2.3 Resource-Based View Theory

According to the RBV theory, a company's internal resources help it build and hold an edge over competitors. The theory suggests that having uncommon or rare resources sets a company apart and makes it better to outperform competitors. Assensoh-Kodua (2019) mentioned that to give a business an ongoing advantage, these resources must be valuable, rare, inimitable, and non-substitutable (also known as VRIN).

A central point of RBV is that firms have different types of resources. What sets organizations apart in the market is the type of resources they own, including physical items, people, ideas, and abilities. As a result, organizations can make different plans that suit their unique advantages and disadvantages. For example, a bank with cutting-edge technology, Ell, likes to focus on digital services, whereas another may use its many branches to offer better customer service. It also highlights the role of dynamic capabilities, meaning a firm can integrate, develop, and readjust its own and external abilities to adapt to fast-changing situations. It points out that even if a firm possesses desirable resources, it has to keep evolving to stay ahead of competitors. Being able to respond quickly to new laws, tech innovations, and changing consumer preferences is very important for banks looking to succeed.

RBV induces organizations to work on building and enhancing their key skills. Spanish organizations that use skilled workers, creative technologies, or their name to entice customers make it difficult for rivals to enter the industry. This helps the firm maintain its status in the

market and earns customers' loyalty and trust, which are very important for banks. Moreover, it supports the idea that a company's performance depends mainly on effective resource use, which is led by its culture and leadership. Promoting cooperation, creativity, and sharing ideas in an organization can improve the firm's use of resources. Leaders must link available resources with strategic goals so the organization remains on track to its goals and can address immediate concerns. The RBV approach is also highly relevant for planning a company's overall strategy. A resource audit helps banks determine their position compared to others in the industry. The assessment helps build strategies that take advantage of what is currently available and target correcting or improving what is not. In this situation, a bank would invest in gaining digital marketing knowledge or hire professionals to help with their skills in that field.

Overall, the Resource-Based View theory gives us a solid way to see how internal assets can help a company beat others in the market. By looking at what a bank does well and the resources it holds, management can create strategies that address both its strengths and weaknesses. The theory stresses the need for ongoing spending on resources, innovation, and adaptability to maintain a bank's place in the fast-changing market.

The Figure 1 below summarizes the theoretical framework used in the study.

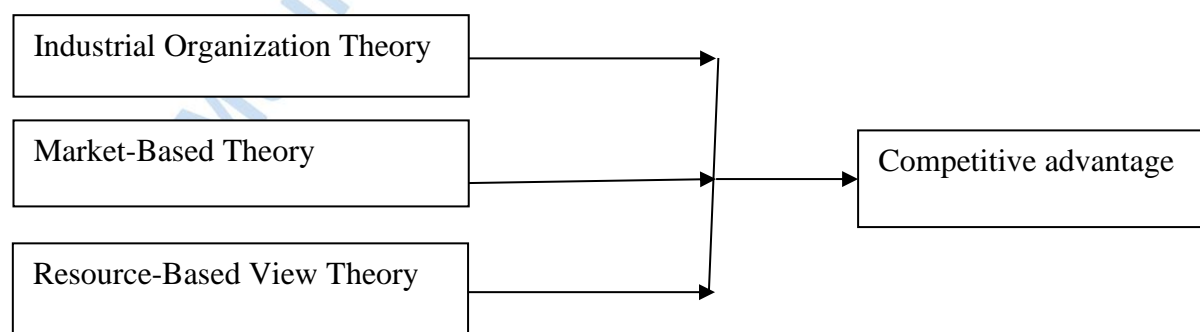


Figure 1: Theoretical Framework

Retrieved from Assensoh-Kodua (2019)

2.3 Conceptual Framework

The conceptual framework helps the researcher to show the variables and their relationship to each other. The variables of the study are shown in figure 2 below.

Independent Variables

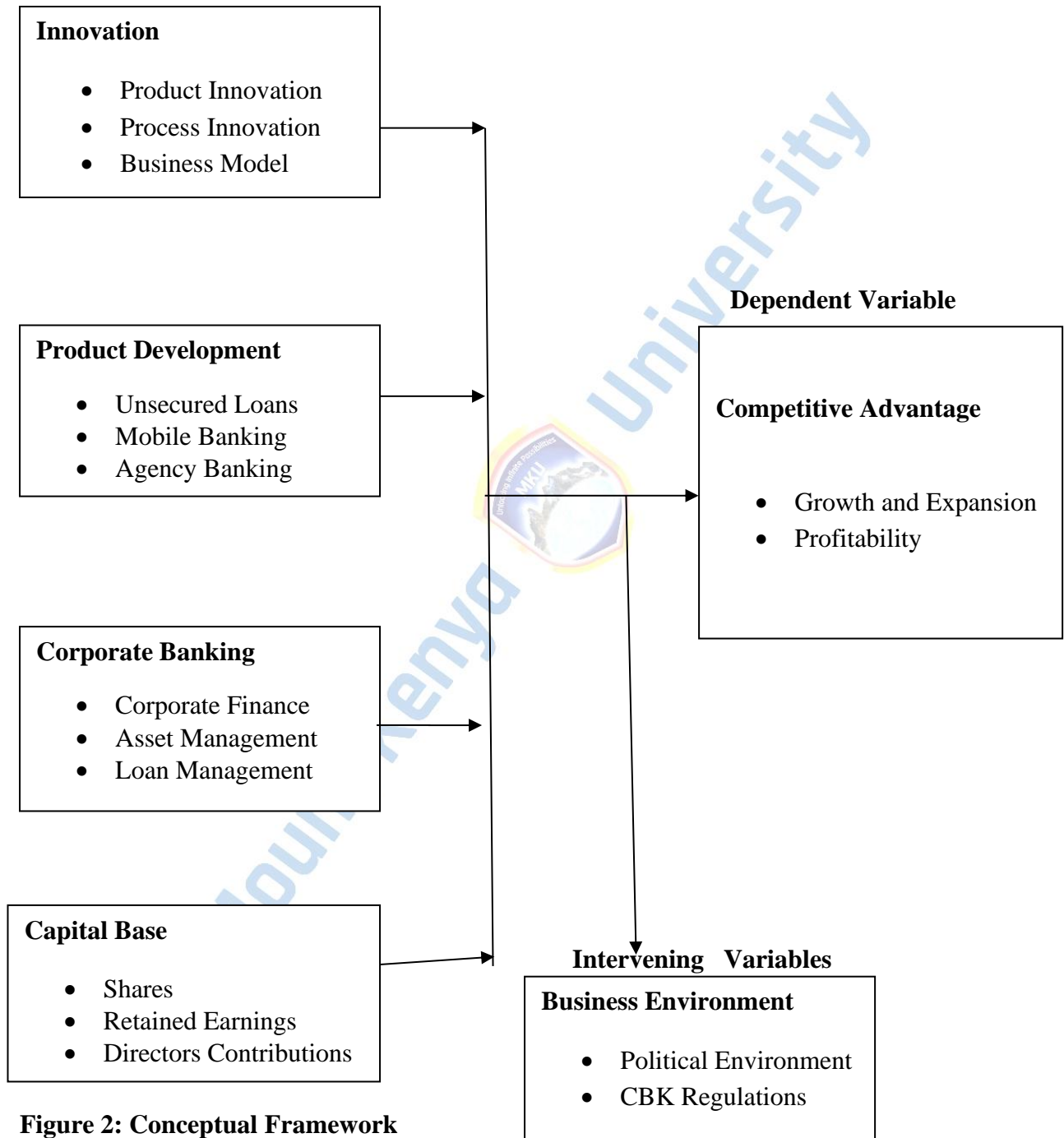


Figure 2: Conceptual Framework

Source: Researcher, 2024

2.4 Summary of the Variables

The independent variables are innovation strategies, product development, corporate banking, and capital base. The dependent variable is the competitive advantage composed of indicators like profitability, growth and expansion, and customer satisfaction.

2.4.1 Innovation Strategy

Innovation strategies consist of implementing new products in suitable or services and improving business practices such as marketing methods, organizational culture, and public relations. Innovations arise from using new technologies, processes, and marketing. No particular innovation process that can be replicated in all organizations. It all depends on the creativity of the innovators. Organizations need to manage innovations to develop the innovation process, define strategy, and create an innovation culture. To remain competitive, organizations across all industries should embrace innovation and be truly and fully involved in the processes. Organizations must come up with strategies to create processes.

2.4.2 Product Development Strategy

Banks have continuously come up with new and better products which help in reaching out to their customers. They have embraced technology and other innovative service delivery platforms, which have reduced operating costs, improving profit margins. Some notable examples of significant products include unsecured loans, ATMs, credit and debit cards, credit scoring, indexed mutual funds, and many more. Product development in financial services can come in a device (such as an ATM) or a new approach to an old method or service.

ATMs are an example of products that have benefitted consumers while simultaneously reducing operating expenses for banks. With cash available at all times at the touch of a button, the days of waiting for the bank to open became a thing of the past. Likewise, credit and debit card usage has overshadowed cash, leading to yet another financial innovation. Unsecured

loans have made many people enjoy the loaning facilities, thereby increasing banking profitability. Others include mobile banking, internet banking, and agency banking.

2.4.3 Corporate Banking Strategy

Many commercial banks bring together their corporate and business financing activities under one umbrella. There are different corporate banking services which include corporate finance, credit, asset, cash, loans, and growth management.

Corporate banking often yields the highest profits for a bank because of the large sums of money involved in corporate loans and the interest rate charged on the loans. That is often why corporate banking salaries and bonuses for the staff are higher than commercial banking salaries.

2.4.4 Capital Base Strategy

The capital base is very important because it provides a picture of the profitability of the company. This makes the investors and organizations know how their investments have performed. It's the first point of evaluating the performance of a company.

A bank must keenly observe the capital base because it is a banking requirement of the Central Bank of Kenya to maintain certain funding levels all the time. Banks can raise capital by floating bonds or taking any other step that will help them raise funds to reduce liabilities or increase assets.

2.5 Competitive Advantage

Competitive advantage creates value for an organization and its shareholders because of certain strengths. It becomes difficult for the competitors to neutralize the advantage if the competitive advantage is sustainable. Therefore, the organization will enjoy this advantage indicated by the barometers of profitability, growth, and expansion, and customer satisfaction.

To be Profitable, an organization should endeavor to generate enough sales revenue to make the organization profitable in its business; hence this can significantly improve its chances of growth. The key strategies that organizations can use to maximize sales revenue and profitability include reducing increasing business turnover, productivity, and efficiency, entering new markets, and developing new products or services. Incremental improvements in these areas can make a great difference in the profit margins.

Small and medium enterprises should plan to grow their business and increase sales and profits. However, there are certain methods organizations must use for implementing a growth strategy. A company's method to expand its business is largely contingent upon its financial situation, competition, and even government regulation. Common business growth strategies include market penetration, market expansion, product expansion, diversification, and acquisition. One growth strategy in business is market penetration. A small company uses a market penetration strategy when it decides to market existing products within the same market it has been using. According to small business experts, the only way to grow using existing products and markets is to increase market share. Market share is the percent of unit and dollar sales a company holds within a certain market vs. all other competitors. One way to increase market share is by lowering prices. For example, in markets where there is little differentiation among products, a lower price may help a company increase its market share.

A market expansion growth strategy, often called market development, entails selling current products in a new market. There are several reasons why a company may consider a market expansion strategy. First, the competition may be such that there is no room for growth within the current market. If a business does not find new markets for its products, it cannot increase sales or profits. A small company may also use a market expansion strategy if it finds new uses for its product. For example, a small soap distributor that sells to retail stores may discover that factory workers also use its product.

A small company may also expand its product line or add new features to increase its sales and profits. When small organizations employ a product expansion strategy, also known as product development, they continue selling within the existing market. A product expansion growth strategy often works well when technology starts to change. A small company may also be forced to add new products as older ones become outmoded. Growth strategies also include diversification, where a small company will sell new products to new markets. This type of strategy can be very risky. A small company will need to plan carefully when using a diversification growth strategy. Marketing research is essential because a company will need to determine if consumers in the new market will potentially like the new products. Businesses also improve customer satisfaction by seeking customer feedback as a way of measuring competitive advantage. They have to know what their customers think to meet their needs since businesses that do guesswork tend to miss the profit mark.

2.6 Research Gap

In the past, studies have been conducted on the business strategy adopted in commercial banks to gain competitive advantage in the market. Kiptugen (2016) researched Kenya Commercial bank on strategic response to a changing competitive environment. Koigi (2015) researched implementing a strategic alliance of Kenya Post Office Savings bank and Citibank. Muchiri (2014) researched business growth strategies by Cooperative Bank. Mwangi (2013) researched business strategy by the National bank of Kenya. Indiatsy et al. (2014) censused the application of Porter's five forces model on organizational performance, a case of Cooperative Bank of Kenya. The study underscored the importance of substitutes in the competition, which keeps the management in check to increase efficiency, effectiveness and aids innovation.

Muchiri (2012) researched the growth strategies by the Cooperative Bank of Kenya as an operational orientation. The study realized that the bank adopts both the local and international market approaches for its growth and operational orientation, with the local market dominating.

Such market strategies include branch and agency banking, m-banking, and Diaspora accounts. The study recommends the adoption of product differentiation strategies and marketing of agency banking.

Meri & Nacho (n.d.) sought to unravel the contributions of focus strategy on the performance of Equity Bank, Homa Bay branch. They concluded that suitable strategies affect the performance of the bank, causing competitive advantage. The study recommended the adoption of a focus strategy by commercial banks to gain a competitive advantage.

The studies conducted are so general and fail to lay focus mainly on the strategies adopted by the Cooperative Bank of Kenya in Homa Bay County. Emanating from the findings of the studies conducted, it is evident that there exist several areas concerning strategies adopted by the Cooperative Bank of Kenya to gain the competitive advantage that has not yet been fully addressed. On this premise, the study seeks to establish the strategies adopted by the Cooperative Bank of Kenya in Homa Bay County to gain a competitive advantage in the market. None of the studies, among others, has dealt with business strategies by Cooperative Bank in Homa Bay County branches, with a particular reference to innovation, product development, corporate banking, and capital base. Therefore, based on the previous studies, a gap exists in the literature to warrant research to be conducted in this area.

The researcher, therefore, researched on competitive strategies regarding the Cooperative Bank Homa Bay County branches, namely Homa Bay, Mbita, Ndhiwa, and Oyugis, to achieve competitive business advantage and cut its niche.

2.7 Recap of the Literature Review

The review of literature presented looked into the main strategies businesses, especially in the banking sector should follow. It underlines how, according to scholars, well-designed strategies help organizations deal with the challenges of competition.

Sarpong (2015) points out that businesses need to make strategies that give them a clear edge over others. This idea also comes from Capon (2008), who states that a solid business strategy is based on the mission and vision of the organization. Cardozo (2020) states that strategies are successful when they help reach an organization's main goals and offer competitive benefits.

According to Kapto & Njeru (2014), strategic decisions are known for demanding more resources and a mix of talents and knowledge. It indicates that effective strategy execution depends greatly on human resources. Rothwell (2019) states that a good strategy matches the organization's vision and mission and at the same time changes with the ever-changing market. The flexibility of a company is vital to keep it current and ahead of competitors.

It is the authors' opinion that using resources efficiently serves as a foundation for gaining a competitive edge, an opinion that the researcher agrees with. It is important for organization to keep measuring their strengths and weaknesses as they relate to outside opportunities and threats which is a key aspect of strategic management described by SWOT analysis. It points out that communication helps every member of an organization follow the same strategic direction (Pettigrew et al., 2016).

Also, the research looks into details such as using innovation and developing superior products. In their respective works, Siauliai (2013) points out that developing an innovation strategy is necessary to improve results using advanced technology; while Afuah (2018) defines innovation as focusing on services, processes or products that are new and can create competitive advantage. The review claims that it is necessary for successful banks to keep innovating as the needs of customers and the market change.

In their study, Mugu et al. (2012) state that good product development happens when an organization aligns customer needs with its own targets. For this reason, firms must create a

detailed plan for their products, focus on training employees and ensure that product groups work as a team.

It is also worth pointing out that corporate banking is a key part of many banks' revenue and it offers special services to firms (Zecchini, 2109). Because corporate banking can provide profit, banks should monitor their capital base in line with Kolapo (2016) to ensure good financial and business performance.

These research ideas rely on Industrial Organization Theory, Market-Based Theory and Resource-Based View Theory (RBV). Every theory gives a different way to examine competitors' strategies. Industrial Organization Theory looks at how different market structures affect a company's conduct, whereas Market-Based Theory examines how conditions from outside the market impact the company's choices. RBV stresses that banks' resources from within are key in maintaining their leading position by focusing on what makes them unique.

The literature review highlights that successful strategies in banking involves using multiple strategies such as new ideas, proper use of resources and following the organization's mission. They provide essential information for the market, directing how to put these strategies into action to gain and sustain a competitive edge as the banking sector advances.

The literature review highlighted reveals several gaps, spanning theoretical, methodological, geographical, and conceptual aspects. Many of the studies highlighted have relied heavily on the qualitative analyses, which makes the generalizability of the findings challenging; instead, quantitative analysis would enhance the robustness. In the theoretical aspects, there is lack of integration between the key theories that would increase the holistic understanding of the strategic dynamics in the banking sector. In terms of concepts, the over emphasis on traditional management strategies may overlook the emerging trends in digital transformation and

FinTech technologies that may reshape the sector. Geographically, most of the studies highlighted focused on specific regions. There is need for more geographical diversity to provide a comprehensive understanding of the strategies from diverse environments. When these gaps are addressed, a better understanding will be gained of the competitive strategies within the banking sector.



CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

The third chapter shall deal with the research methodology consisting of a description of research design, population, sample size and sampling technique, research instruments, and how to validate and check the reliability of the instruments used.

3.1 Research Methodology

The study adopted a mixed methods approach in collecting the data. This involved combining both the qualitative and quantitative approaches to give a more detailed understanding of the research problem. The study integrated census methods with interviews and document analysis to gather the required data for the study. This called for the triangulation of the data to make it richer. Quantitative data gave more details about the patterns and trends while the qualitative data gave good insights behind the trends of performance of the bank. This therefore led to a more nuanced data analysis.

3.2 Research Design

The research design used for the study of Cooperative Bank branches in Homa Bay County was descriptive research, a method approved by most social scientists. This design best enables the collection of data and a detailed overview of the cooperative bank's customers and team stakeholders.

Descriptive research design portrays the key characteristics of the study population, phenomenon, or situation without manipulating any of the variables. Mugenda & Mugenda (2010) state that by using this design, researchers can answer research questions by analyzing the data collected. Researchers primarily rely on questionnaires because they provide a well-structured way to get the data straight from the respondents. It helps the researcher obtain numerical values and make sense of the findings.

The research focused on Homa Bay County, which contains eight constituencies and several rural centers, to show how geographic differences impact research outcomes. To achieve this, the researcher censused all branches of Cooperative Bank in the County to ensure that the data gathers information about the whole community. It is always crucial to ensure there is data integrity. Mugenda (2016) notes that descriptive research is best when social scientists want to give a clear picture of the situation under study, ease of data interpretation, and enhance clarity of the research problems.

By using census in the descriptive research, researchers can quickly gather information from the group, which is important for showing a significant result. Because questionnaires have a systematic format, collating and analyzing information is much simpler. This way of conducting research benefits researchers who want to measure attitudes, behaviors, or demographics because the data is easier to organize.

Descriptive research design helped achieve the primary objectives of the research. Using a descriptive research design and questionnaires, the researcher obtained meaningful information from the target population. This method gives better results and helps explain the causes of customer behavior and bank satisfaction.

3.3 Location of the Study

The study was carried out in the Cooperative Bank branches of Homa Bay County, Kenya. These branches are in the town centers of Ndhiwa, Mbita, Oyugis, and Homa Bay. The researcher planned and visited all these branches and collected the appropriate data that aided in the study.

3.4 Target Population

According to Kothari (1999), the target population refers to hypothetical numbers that generalize the study results. The population of this study comprised the 108 employees working in Cooperative Bank of Kenya branches in Homa Bay County, where we have four branches of Mbita, Ndhiwa, Oyugis, and Homa Bay. The population consisted of both males and females working with the bank so to do away with any form of gender disparity. 8 branch managers, 20 heads of departments, and 80 non-managerial staff. Branch managers were included in the sample size because they are always tasked with the role of coming up with business strategies and implement these strategies at their specific branches to achieve a competitive advantage over their competitors. The branch managers formed 7.4% of the sample size. Also, 20 heads of departments were also included among the target population. These individuals are essential in this target population because they would form about 18.5% of the total target population in this research. Lastly, non-managerial staff were the majority in this target population. There were 80 non-managerial staff forming 74.1% of the total population. The reason why they form the majority in this case is because they are the people who these business strategies and leadership skills work on them and would be willing to share these strategies without fear of victimization. The questionnaires were given to the entire population, which will comprise both the management and employees of the banks.

Table 1 below represents the target population of the study.

Table 1: Target Population

Category	Frequency	Percentage
Branch Managers	8	7.4
Heads of Departments	20	18.5
Non-Managerial staff	80	74.1
Total	108	100

Source: Coop Bank HR, 2023

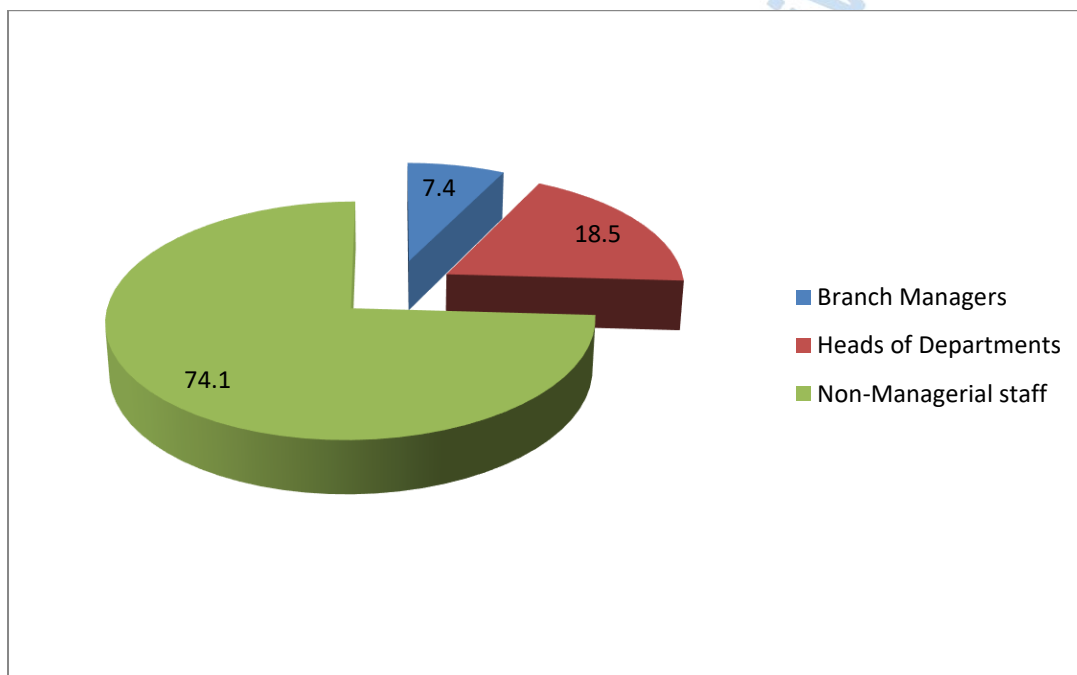


Figure 3: Target Population

3.5 Sampling Procedure and Techniques

Since the research focused on the branches of Cooperative Bank of Kenya in Homa Bay County where the total population of the employees is not very large, the research employed total enumeration or census sampling. This involved gathering data from every individual within the population of study. This had the advantage of eliminating any bias in sampling.

3.6 Sample Population

In research, sample size/population means finding a small group from among a large population from where the data is collected for the study (Schumacher & McMillan, 1993). Census method was used for the study since the entire population was not very large. A population of 108 out of 108 employees was used. This was considered adequate for the study. Because population included every employee of the banks, I was able to address the research questions thoughtfully. It also ensured there were strategies for every element in the population. This helped to make the findings less likely to be biased.

3.7 Research Instruments

Both primary and secondary data were used for the study, i.e., the study employed the use of questionnaires to collect the data, and also document analysis for secondary data. This multifaceted approach incorporating both primary and secondary sources was required to fully understand the research subject since it supports triangulation, improving the results' reliability and validity (Mugenda & Mugenda, 2010).

Questionnaires play a leading role in collecting data. A questionnaire is an instrument used in research to gather statistical data from a population with diverse backgrounds. A questionnaire consists of a series of questions and other information used to gather data from the respondents. The researcher used a questionnaire for the research since it provided detailed information which could easily be analyzed. The questionnaire was also anonymous since it did not involve face-to-face interaction with the researcher (Opie, 2004). Since the census approach was used for the study, the questionnaires were administered to the entire population of the study.

Advantages of questionnaires include their efficiency in collecting a large amount of data that was easy to analyze and made it possible to draw overall conclusions. Using both types of open and closed ended questions made it possible to gather data neatly and gain helpful qualitative

input. The questions were both closed and open ended. This gave the respondents the chance to express their ideas and experiences freely (Schumacher & McMillan, 1993). Additionally, having both kinds of questions allowed for a deeper analysis of the data. Closed-ended questions helped the researcher in getting speedy responses as well as allowing for ease in the data analysis. On the other hand, open ended questions in the questionnaire provided rich qualitative data that the closed ended questions lacked.

Besides the questionnaires, document analysis was also used to collect relevant data from the bank. Document analysis helped in strengthening the study by adding secondary information that could not be collected by the questionnaires. This involved requesting documents like annual financial reports, which gave information about the bank's performance over the years. The secondary data helped to explain and support the outcomes that were got from the primary data. By using existing reports, literature, and bank's strategic plans, the researcher was able to understand the findings within the larger context of how the bank competes.

Using a combination of both the questionnaire and document analysis, i.e., primary and secondary data, leveraged on the strength of each, thereby creating a more robust and well-informed understanding of the research problem. While the primary data provided up-to-date and specific insights that were tailored to the research questions, the secondary data provided the context and broadened the scope. Such a hybrid approach made it possible to reach important conclusions and guide future strategic choices in the banking sector.

3.8 Testing for Validity and Reliability

3.8.1 Validity

According to Mugenda & Mugenda (2010) validity refers to how accurately the research measures what it intended to measure. It is a way of confirming the meaningfulness and trustworthiness of the research findings. To ensure validity, appropriate research methodology

was used besides using reliable research instruments such as questionnaires and document analysis. Any potential biases and other confounding factors were controlled. In addition, the questionnaires were given to university supervisors to seek expert opinions. This helped to ensure construct validity which assess the extent to which the research findings agree with the theoretical concepts being studied.

3.8.2 Reliability

Reliability measures the extent to which the data represents the variables under study (Mugenda & Mugenda, 2010). It is concerned with the quality and trustworthiness of the research, i.e., it deals with the consistency of the research findings. The researcher used Cronbach's alpha test to test for the reliability of the research instruments. An alpha value of above 0.7 is always accepted and considered reliable. Other ways that were used to test for the reliability included using clear and consistent procedures in collecting and analyzing data, and conducting pilot testing. Also, the questionnaires were pre-tested using a smaller number of respondents outside the target population to ensure reliability. This helped to remove any ambiguities, hence focusing the questionnaires on collecting the relevant data.

Test re-test technique was employed where questionnaires were issued to the employees of Equity Bank in Homa Bay. The questionnaires were then collected back and slight corrections on the wording of some questions were made after assessing the feedback from the pilot study. The final questionnaires that were given to the employees of Cooperative Bank were therefore free from errors that could compromise the feedback. The purpose of the corrections was to ensure everyone in the population sample understood the questions similarly (Kothari, 2011).

3.9 Data Collection Methods and Procedures

Before the data collection, the researcher got an introductory letter from Mount Kenya University together with a research permit issued by the National Commission for Science, Technology, and Innovation (NACOSTI). Prior to visiting the banks, the researcher booked

appointments with the management of the banks on the day to hand out the questionnaires. As a result, the researcher got more familiar with the environment studied and the respondents. All participants were allowed sufficient time to describe their experiences and submit the questionnaires to the researcher as soon as they were completed. Data was collected using questionnaires and relevant documents requested from the bank to conduct document analysis. All of the questionnaires were accompanied by a brief letter to ensure the respondents felt safe while filling the questionnaires. The respondents were given adequate time to fill the questionnaires, hence were not under any undue pressure. It also helped cut costs since the employees were found together during the normal working hours. Since the questionnaires were similar, the responses were standardized with a high percentage of success and less errors. The researcher agreed with the management of the banks on when to collect the questionnaires. After a few days, the researcher collected back the filled questionnaires with appreciation, and obtained relevant documents from the banks.

3.10 Data Analysis and Techniques

In analyzing the data obtained from the questionnaire, certain key steps were followed. They included cleaning and organizing of the data, applying the relevant statistical methods using SPSS that helped in identifying the trends and patterns, then interpreting the results in order to draw meaningful conclusions that were in tandem with the research objectives.

In the data preparation, the data was cleaned to ensure inconsistent and incomplete responses were removed. The data was then organized where the responses were categorized and similar data points were grouped to facilitate easy analysis. Coding was then done where numerical values were assigned to categorical responses to make computation easy.

In the statistical analysis, descriptive statistics were used. Measures of central tendency were used to summarize the data. These included percentages, frequencies, mean, and median.

Variance and standard deviation were also used. Cross tabulation was then done where the relationship between different variables was analyzed. Correlation analysis was done to determine the strengths and direction of the relationship that existed between the both the independent and dependent variables. Inferential statistics techniques such as ANOVA were used to determine the statistical significance of the established relationships.

The choice of descriptive and inferential statistics was deliberate. Descriptive statistics were crucial in helping to summarize and present the data, and this provided the measures of central tendency and variability that were relevant in identifying patterns within the population of study. On the other hand, inferential statistics helped in testing for the hypotheses and making generalizations. This allowed the researcher to make an assessment of the effects of the independent variables and also helping in validation of the research findings via significance testing.

The Pearson's Correlation Coefficient r was used to establish the linear relationship between the independent and dependent variables. The assumptions while using the Pearson's Correlation Coefficient was that the data collected from both variables formed normal distributions, the data did not have any outliers, the data was collected from a representative sample and the relationship expected between the variables was linear. These assumptions included that innovation and competitive advantages were correlated and that product development and competitive advantages had linear correlations at the Cooperative Bank branches in Homa Bay County. Third, corporate banking contributed to the competitive advantage at the Cooperative Bank branches in Homa Bay County. Lastly, capital base influenced the competitive advantage at the Cooperative Bank branches in Homa Bay County. The variables were assumed to be continuous. A linear correlation coefficient of 0.5 to 1 indicated a strong positive correlation between the variables.

Regression analysis was also used to establish the linear relationship between the variables, using the formula, $y = mx + b$, where; Y = the dependent variable of the regression equation; m = slope of the regression equation; x =dependent variable of the regression equation; b = constant of the equation. This was done with the assumption that the measured values were independent of each other. These assumptions were that innovation, capital base, product development, and corporate banking were independent variables. The regression data was tested by plotting the predicted values versus the actual values in the holdout set. In a purely perfect condition, the points should have been linear at 45° to the x-axis. Regression was considered to be better when the points were nearer to the line as much as possible.

The results of the data analysis were then interpreted and reported. Patterns and trends were identified by analyzing the results of the statistical tests so as to identify any meaningful relationships and insights. From the analysis, conclusions were then drawn that helped to answer the research questions. The findings were presented in form of graphs, charts, and tables that easily helped to communicate the results.

3.11 Research Ethical Considerations

The researcher made all efforts to get mutual consent from the respondents before data collection. The respondents' confidentiality was maintained since they were not asked to identify themselves in the research instruments. The researcher made formal requests to obtain data through questionnaires and documents within the study's objectives. Legal requirements and prior appointments were sought before carrying out the census.

CHAPTER FOUR: RESEARCH FINDINGS, ANALYSIS AND PRESENTATION

4.0 Introduction

This chapter presents the findings of the study through both descriptive and inferential analyses that will enable the research objectives to be fully addressed.

4.1 Response Rate

Table 2: Response Rate

Category	Questionnaires	Questionnaires	Percentage
	Given	Returned	
Branch Managers	8	8	100
Heads of Departments	20	20	100
Non-Managerial staff	80	80	100
Total	108	108	100

Source: Researcher, 2024.

All the 108 questionnaires that were given out to the staff of Cooperative Bank of Kenya branches in Homa Bay County were filled and returned. This led to a response rate of 100%. Such a high response rate could be attributed to some factors. Effective communications and strategies of engagement between the researcher and the management of the banks played a pivotal role. This ensured that the respondents understood well the importance of their input to the research and the significance that the research had to their operations in the banking sector. In addition, including all the staff - Branch Managers, Heads of Departments, and Non-Managerial staff – in the study encouraged their full participation.

The high response rate was crucial to the research as it increased the reliability and validity of the research findings. This ensured the data collected represented an accurate view of all the staff within the bank under study. It also ensured variety of input was got from the diverse team comprising of more and less experienced staff, as well as employees of diverse age brackets. Such results could better help improve decision making and strategic planning in the bank for better competitive advantage.

4.1.1 Test for Reliability

To make the data collecting tool reliable, Cronbach's Alpha test was done. This is a measure of internal consistency because we wanted to determine whether the items in the questionnaire were measuring the same underlying construct. Cronbach's Alpha did this. The purpose of this was to assess the extent to which all the questions in the questionnaire measured the same concept or idea that was intended.

The Cronbach's Alpha value found in the study (0.9483) exceeded the normally accepted threshold of 0.7 to 0.8. This indicated good internal consistency, showing that the items of the data had high correlation and effectively measured the same construct. The internal consistency of the questionnaire for this research was demonstrated by this indication. In simpler terms, the high value 0.9483 means the items on the questionnaire are highly correlated to each other and could effectively measure the construct that we wanted to measure, namely, the competitive advantage of the bank.

The Cronbach's Alpha values of greater than 0.7 are usually thought to be valid for most research applications, with higher values closer to 1.0 indicating higher reliability; though very high values closer to 1.0 could also imply some redundancy of the values collected. In this study, the value of 0.9483 means that, nearly 95% of the responses (that is, the variance) can

be attributed to the construct upon which the items were measuring, and only about 5% of that variance can be attributed to random error or inconsistencies.

This high reliability of the questionnaire was a contradiction to earlier concerns about the validity and consistency of the data collection tool. Though there were concerns with potential issues of the census design, the Cronbach's Alpha of 0.9483 matched well with the data collected being highly consistent and reliable. Therefore, this reliability guaranteed the researcher that the data produced results, which could be relied upon to support the hypotheses drawn from the data about the relationship between competitive advantage and the independent variables in the study.

Table 3: Reliability Statistics (Cronbach's Alpha)

Reliability Statistics	Value
Cronbach's Alpha	0.9483019351531461
Number of Items	4.0

4.2 Demographic Data

The first demographic data presented is gender, critical in establishing diversity and non-bias nature in the study results. The demographic information of the respondents is given in Table 4 below.

Table 4: Frequency Results for Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Female	51.00	47.20	47.20	47.20
Male	57.00	52.80	52.80	100.00
Total	108.00	100.00	100.00	

More males (n = 57; 52.80%) were recruited for the study than females (n = 51; 47.20%). The two, however, had good representation; hence bias could be assumed not to exist.

The second demographic characteristic was age, which came with experience in the banking sector. For instance, older people are assumed to have much interaction with the banking services and knowledge of the bank's strategies, hence a higher probability of giving informed answers. On the other hand, the middle-aged and the young also have divergent views, hence the importance of inclusivity based on age groups in the study. This is shown in the pie chart below.

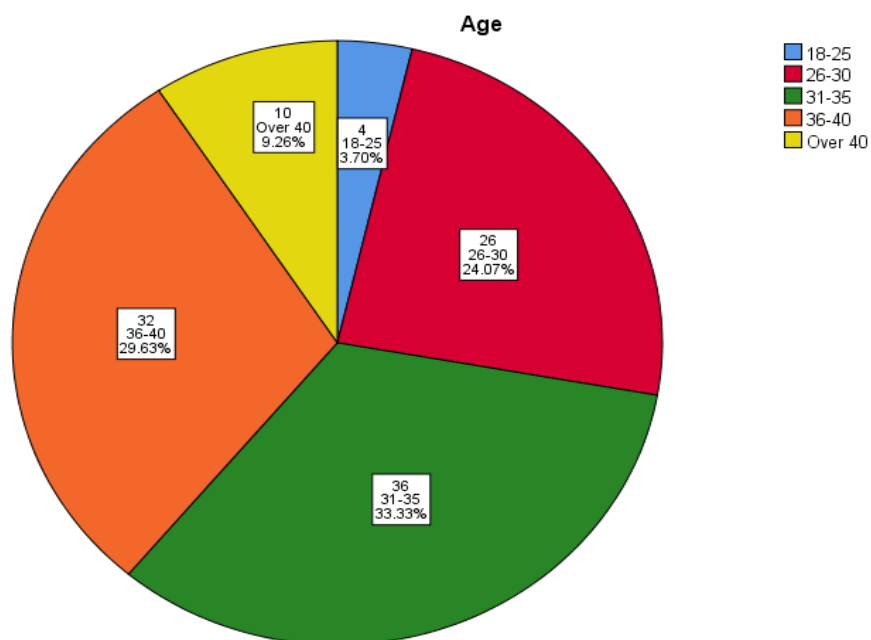


Figure 4: Pie Chart Showing the Age Distribution

From the sample, most people were between the ages 31 and 35 years ($n = 36$; 33.33%), followed by 36-40 years ($n = 32$; 29.63%), 26-30 years ($n = 26$; 24.07%), over 40 years ($n = 10$; 9.26%) and only 4 at 18-25 years ($n = 4$; 3.70%). This shows that the sample was good as there is a diversified age distribution; hence answers were recorded based on this diversity.

The other demographic characteristic was on the period taken by the respondents working at the bank, which is displayed in the table below.

Table 5: Frequency Table for Experience

	Frequency	Percentage	Valid Percent	Cumulative Percent
Below 2	3	2.8	2.8	2.8
2-5	30	27.8	27.8	30.6
6-10	31	28.7	28.7	59.3
Over 10	44	40.7	40.7	100
Total	108	100	100	

The majority of respondents ($n = 44$; 40.70%) had over ten years of experience in banking, followed by those that had 6-10 years ($n = 31$; 28.70%) and 2-5 years ($n = 30$; 27.80%). This suggests that the right respondents were selected as they knew about the banking industry, including the strategies employed and the associated competitive advantage.

The final demographic characteristic was the educational level, which is critical in establishing the knowledge in banking a person has, so as to give the required responses for the study. This is displayed in the figure below.

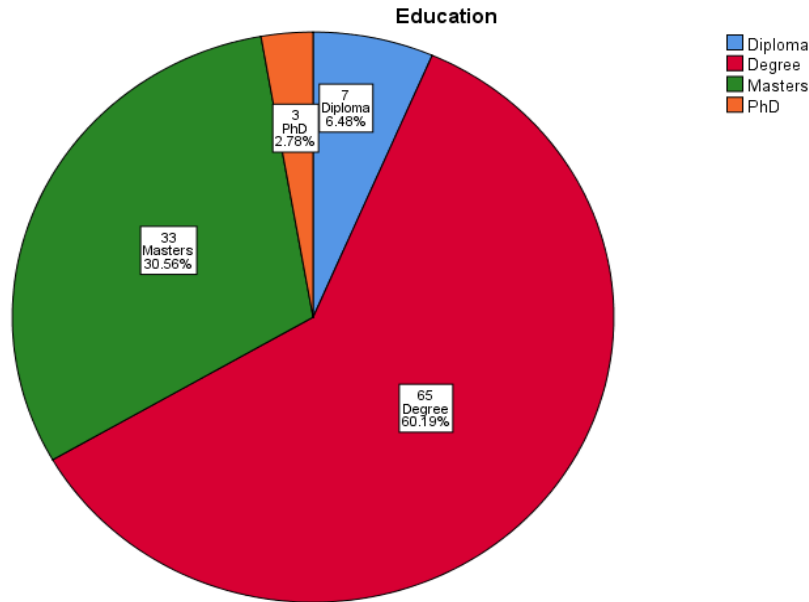


Figure 5: Pie Chart for Education Distribution

All the respondents were learned and hence well-informed. The majority had Bachelor's degree (n = 65; 60.19%), followed by those that had a Master's degree (n = 33; 30.56%), Diploma (n = 7; 6.48%), and Ph.D. (n = 3; 2.78%) which shows that they were knowledgeable to give well informed answers.

4.3 Descriptive Statistics

The dependent variable in this study was competitive advantage, which was rated out of 100%, while the independent variables were product development, innovation, corporate banking, and capital base. These independent variables were analyzed by aggregating responses to their respective category-specific questions in order to comprehensively represent each construct.

Descriptive statistics included the mean, median, mode, standard deviation, skewness, and kurtosis in summarizing and offering insight into the distribution of responses on each variable. Besides, a number of tests were carried out to determine whether the data met the assumptions required for robust analysis: tests of normality, multicollinearity, and linearity. These tests enhanced not only the strength of the results but also the reliability of the regression models

applied. The findings that follow point to the relationships between competitive advantage and its predictors and thus yield some insight into the strategic approaches that have brought about success to the bank.

Table 6: Descriptive Statistics

N	Mean	Std Deviation	Minimum	Maximum
108.0	75.50925925925925	11.237866038133529	55.0	96.0
108.0	35.138888888888886	1.6991385026213561	31.0	39.0
108.0	30.84259259259259	1.4735172305506523	27.0	34.0
108.0	35.379629629629626	2.054025419095745	29.0	40.0
108.0	35.416666666666664	1.929238869819502	31.0	40.0

4.3.1 Variable Description

In this section, summary statistics were carried out for the five variables of interest (competitive advantage, innovation, corporate banking, product development, and capital base), displayed in Table 5 below.

Table 7: Summary of Statistical Results

		Competitive Advantage	Product Development	Innovation	Corporate Banking	Capital Base
N	Valid	10	108	108	108	108
	Missing	0	0	0	0	0
Mean		75.51	35.14	30.84	35.14	35.14
Median		75.00	35.00	31.00	35.00	35.00
Mode		60.00a	36.00	30.00	36.00	36.00
Std. Deviation		11.24	1.70	1.47	1.70	1.70
Skewness		0.00	-0.02	-0.12	-0.02	-0.02
Minimum		55.00	31.00	27.00	31.00	31.00
Maximum		96.00	39.00	34.00	39.00	39.00

From the questionnaire, the possible maximum result was 40 for the independent variables.

From the results, the averages were all above 30, suggesting that most responses were positive.

Respondents remarkably accepted responses regarding product development ($M = 35.14$, $SD = 1.70$). The same applied to responses corresponding to corporate banking ($M = 35.14$, $SD = 1.70$) and capital base ($M = 35.14$, $SD = 1.70$). The high positivity in responses is also observed in the median, which was 35 for product development, corporate banking, and capital base, and 31 for innovation. This was the same with mode 36 for product development, corporate banking, and capital base and 31 for innovation. Finally, the minimum and maximum values expressed a high level of positivity, all having recorded a minimum of 31 except for innovation (27); and a maximum of 39 except for innovation with 34.

Regarding distribution, the four variables (product development, innovation, corporate banking, and capital base) were normally distributed with skewness values of close to 0. For competitive advantage, the respondents rated Cooperative Bank at 75.51% ($SD = 11.24$) with

a median of 75% and mode of 60%, suggesting that the bank is rated high among the locals. The skewness value is 0.000, which shows perfect symmetry (normality). The minimum rating was 55, with the maximum being 96 suggesting a high rating. It can be concluded insightfully that respondents highly rated the bank and its associated innovativeness, corporate banking, capital base, and product development.

4.3.2 Tests for Assumptions

Test for Normality

The data was tested for normality to determine whether it exhibited an average distribution since non-normally distributed data could lead to inaccurate conclusions. Thus, checking for normality could help confirm the accuracy of analyses based on statistics and the assumptions of models. A test to determine the normality revealed it was evenly distributed. Therefore, the assumption for a variety of statistical tests were satisfied which boosted the reliability of parametric analysis.

The normality test results based on skewness and kurtosis are as follows:

Table 8: Skewness and Kurtosis

Variable	Skewness	Kurtosis
Product Development	-0.022	-0.657
Innovation	-0.114	-0.439
Corporate Banking	-0.266	0.257
Capital Base	-0.085	-0.198
Competitive Advantage Ranking	0.002	-1.166

Skewness values near 0 indicate symmetry, suggesting a normal distribution. Similarly, kurtosis values close to 0 also indicate a normal distribution (no extreme outliers). Hence, the variables exhibit approximately normal distributions based on these results.

Multicollinearity Test

Multicollinearity tests were used to identify the correlations between independent variables. This is crucial since the presence of high levels of multicollinearity may alter the coefficient estimates and make it difficult to determine the real relationships between variables. According to Dormann et al. (2013), this method of dealing with multicollinearity is essential to ensure that the model is correctly interpreted and preventing inaccurate predictions as well as increasing the reliability of the regression results. The tolerance was found to be 0.2 that is generally considered to be a good value. Therefore, there was a good correlation between the independent variables.

Table 9: VIF

Variable	Variance Inflation Factor (VIF)
Gender	-0.022
Age	-0.114
Banking Experience	-0.266
Education	-0.085
PD1 – PD8	All below 2.5
I1 - I7	All below 2.5
CB1 – CB8	All below 2.5
CBA1, CBB2 - CBB8	All below 2.5

Test for Linearity

The data was further assessed for linearity, a critical step in regression analysis, as it confirms whether the relationships between the dependent and independent variables are linear. Validating linearity ensures the chosen model is appropriate for the data. The analysis revealed a strong linear relationship, represented by a straight line passing through the origin. This relationship follows the linear equation:

$$y = mx + c \quad \text{where:}$$

y = dependent variable; x = independent variable; m = slope of the line; c = y-intercept

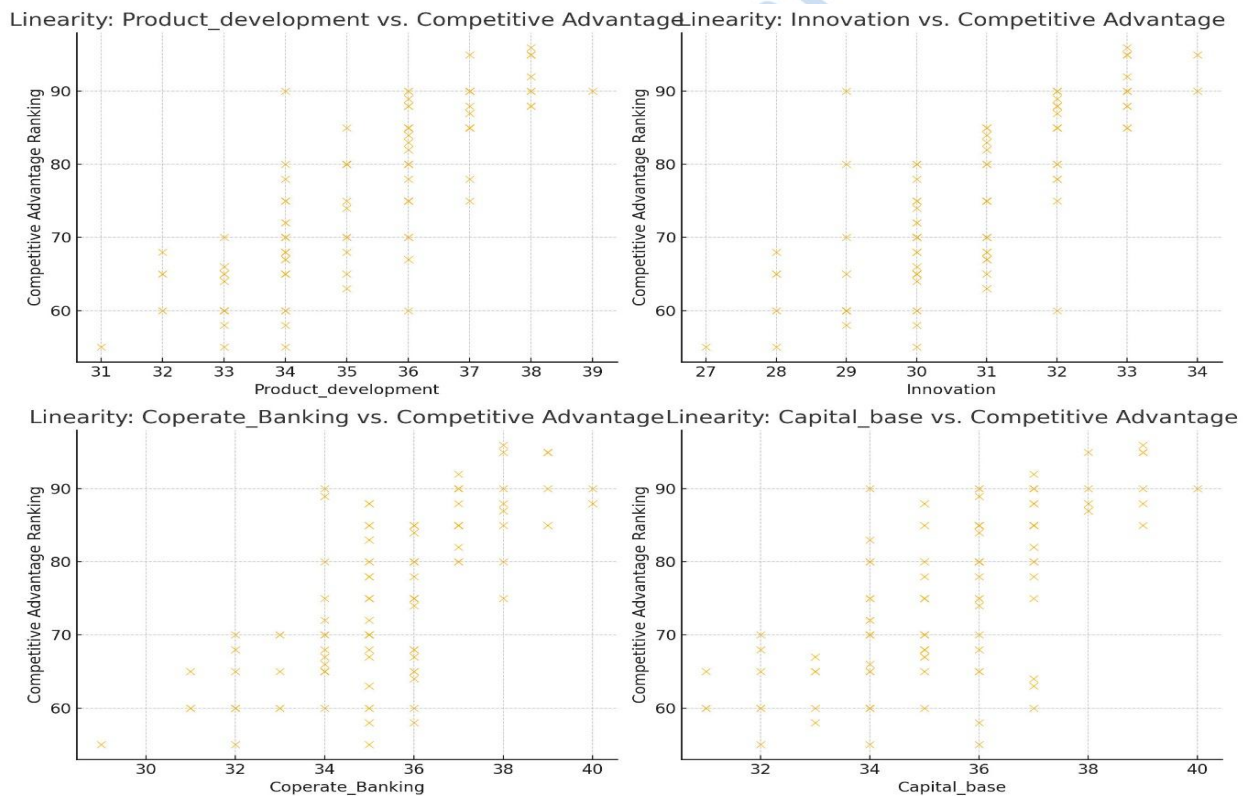


Figure 6: Linearity

Test of Homogeneity

The test for homogeneity was conducted as a crucial part of statistical analysis to ensure that the variances are equally distributed across populations or groups. This ensured the validity of hypothesis tests and comparisons between groups and the proper application of techniques such as ANOVA and regression in order to prevent inaccurate results and insecure conclusions.

4.4 Correlation Analysis

A Pearson correlation test was conducted to establish the bivariate relationship between competitive advantage and the independent variables and between the independent variables.

The result is displayed in Table 9 below.

Table 10: Pearson Correlation Matrix

Competitive Advantage Ranking	Product development	Innovation	Corporate Banking	Capital base
1.0	0.823	0.786	0.721	0.6992
0.823	1.0	0.938	0.799	0.783
0.786	0.938	1.0	0.826	0.822
0.721	0.799	0.826	1.0	0.875
0.699	0.783	0.822	0.875	1.0

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

The results showed a strong significant positive correlation between competitive advantage and product development ($r = .82$, $p = <.001$), showing that competitive advantage rating was higher among those who rated high product development. This was the same between

competitive advantage and innovation ($r = .79, p < .001$), corporate banking ($r = .72, p < .001$), and capital base ($r = .70, p < .001$). It shows that respondents who rated highly competitive advantage also rated high innovation, corporate banking, and capital base.

For the independent variables, all variables expressed a solid positive significant correlation with each other, where the highest correlation was recorded for innovation and corporate banking ($r = .94, p < .001$) and the lowest recorded between capital base and innovation ($r = .78, p < .001$).

4.5 Regression Analysis

A multiple linear regression test was carried out to establish the causal effect of capital base, product development, corporate banking, and innovation on the competitive advantage of Cooperative Bank. This was done under the hypotheses that there is a joint significant impact of the independent variables on the competitive advantage; and that there is an individual substantial effect of the independent variables on the dependent variable. The study results are displayed below:

Table 11: Model Summary

Model Summary	Value
R	0.797
R Square	0.635
Adjusted R Square	0.632
Std. Error of the Estimate	46.469
Durbin-Watson	1.483

a Predictors: (Constant), Capital Base, Product Development, Corporate Banking, Innovation.

b Dependent Variable: Rank out of 100% the bank's Competitive Advantage.

Table 12: ANOVA

Sum of Squares	df	Mean Square	F	Sig.
8587.307	1.0	8587.307	184.798	0.000
4925.684	106.0	46.469	nan	nan
13512.991	107.0	nan	nan	nan

a Dependent Variable: Rank out of 100% the competitive advantage of the bank.

b Predictors: (Constant), Capital Base, Product Development, Corporate Banking, Innovation.

Table 13: Coefficient Results

Variable	B	Std. Error	Standardized Coefficient Beta	t	Sig.	Tolerance	VIF
Constant	-117.909	13.181	N/A	-8.945	0.000	N/A	N/A
Product Development	4.5	1.059	0.68	4.250	0.000	0.118	8.489
Innovation	-0.103	1.339	-0.013	-0.077	0.939	0.098	10.21
Corporate Banking	0.784	0.677	0.143	1.158	0.250	0.197	5.068
Capital Base	0.303	0.71	0.052	0.427	0.670	0.203	4.916

Table 14: Regression Coefficients

B	Std. Error	Beta	t	Sig.
75.509	0.656	115.115	115.115	0.000
-2.649	0.195	-13.594	-13.594	0.000

From the study results, product development, corporate banking, capital base, and innovation were joint significant predictors of the competitive advantage of Cooperative Bank at a 5% significance level ($F(4, 103) = 57.05, p = <.001$). Therefore, the null hypothetical statement

regarding the joint impact of the four independent variables on the competitive advantage was rejected as false in favor of the alternative hypothesis. The effect is also evident from the coefficient of determination value, which is .689, suggesting that the independent variables explained 68.90% of the variation of the bank's competitive advantage, which is significant. From the coefficient table, only one variable (product development) significantly predicted the Cooperative bank's competitive advantage at a 5% level of significance ($t(4.25), p < .001$). This led to the rejection of the corresponding null hypothesis that the variable has no evident impact on the competitive advantage of Cooperative Bank.

In contrast, innovation ($t(-.08), p = .94$), corporate banking ($t(1.16), p = .25$), and capital base ($t(.43), p = .67$) did not display significance, having recorded p-values greater than 0.05 alpha. This led to the failure to reject their corresponding null hypothesis, which stated that each of the three variables did not substantially influence the bank's competitive advantage. The presence of insignificance of the three variables despite the high value of the coefficient of determination or the corresponding F p-value suggests the possibility influence of confounding factors such as demographic statistics. Such factors are usually crucial when getting an opinion on the banking industry. Another cause may be influential variables such as the bank's general report regarding customer handling and service delivery.

The resulting model equation therefore is:

$$\text{Competitive Advantage (Y)} = -117.909 + 4.5 (\text{Product Development}) - .103 (\text{Innovation}) + .784 (\text{Corporate banking}) + .303 (\text{Capital Base}).$$

The equation shows that all variables except innovation contributed positively to the bank's competitive advantage. The coefficient of product development is 4.5, showing that a unit rise in the level of product development acceptance by respondents resulted in a 4.5 rise in the competitive advantage value. The value of innovation, which is .103, suggests a unit rise in

response to innovation resulting in a .103 decline in the rating of competitive advantage. The coefficient of corporate banking is .784, suggesting that a unit rise in the response to this variable resulted in a .784 rise in competitive advantage. Finally, the coefficient of the capital base is .303, suggesting that a unit rise in the value of the capital base resulted in a .303 rise in the competitive advantage value.

It is worth concluding from the results that the respondents who highly rated product development, innovation, capital base, and corporate banking also rated the bank's competitive advantage high. As such, the four variables are vital in establishing the high rating of a bank in its competitive sphere which answers the four research objectives. In other words, for the Cooperative Bank of Kenya to continue having a solid bargain and competitive advantage over other banks, it must consider the action to improve product development, capital base, corporate banking, and innovation.

4.6 Conclusion of the Study Findings

This research on competitive advantage strategies at the Cooperative Bank yielded beneficial results and suggested new avenues that merit further study. Analysis of these results helps show how a bank's position in the market depends on relationships between product development, innovation, banking strategies and the capital base. Although initial analysis is important, the study underlines that fragility dynamics are better understood through stronger empirical and theoretical work.

Product development plays a key role in determining a bank's competitiveness. This agrees with what Ngumi (2013) stated that putting products at the heart of a strategy can help change financial institutions. Since banks are encouraged to innovate strategically, they must update their services as customers and the market change over time. Since tastes and preferences in finance can change swiftly, organizations find that being able to innovate is extremely

necessary. Researchers noted that Cooperative Bank's efforts to innovate products give it a competitive advantage, proving once more that differentiating products plays a significant role in winning over competitors.

Innovation, such as adapting technology also remains a central area of focus in the research. By launching the MCo-op Cash mobile banking application, the Cooperative Bank reflects an important strategy to use digital channels more widely in banking. Odhiambo (2014) emphasized that technological progress supports a company's competitiveness. The analysis pointed out that while cutting-edge technology helps banks be different, it also means they must constantly respond to new trends and what customers prefer. There is need for a new and improved framework to analyze the relationship between innovation and a strong market position.

To learn about a bank's strategy in corporate banking is to understand its efforts to tailor finance offerings. The research proved that Cooperative Bank creates customized solutions for its diverse clients, including private sector firms and public organizations. This proves Njoroge's (2015) claim that tailor-made financial services are necessary for corporations to succeed in banking. When banks focus on clients and care about their individual needs, they can separate themselves from others and get clients to remain loyal. The approach points out that there should be a strong link between corporate banking practices and the organization's larger goals.

The bank's capital base allows us to judge its financial soundness and current strategy. It indicates how the bank approaches capital adequacy to support sustainable development and effective risk control. Mutua's (2014) research points out that building strong capital structures helps a bank maintain its competitiveness in the sector. A solid capital position supports a bank during difficult times and allows it to take advantage of future business growth. The results

highlight that Cooperative Bank's capital management approach helps preserve daily business operations in various market conditions.

This research provided valuable findings since the methodology used was carefully considered. The present research checked the assumptions by testing for normality, detecting linearity, and testing for potential multicollinearity among variables. Statistical analysis was necessary to ensure the findings remain robust and the conclusions are truthful. The data collected and the conclusions made from them were both valid and reliable. However, reviewing multiple banks would allow for assessing how widely the findings can be applied. Comparisons of this kind can give a better idea of banks' different competitive strategies.

The research gains strength by examining various aspects of strategy simultaneously. With this approach, we can better understand what helps banks succeed nowadays. Using knowledge from product development, innovation, corporate banking, and capital base management, the study examined the factors affecting competitive advantage. For this reason, future studies should create more advanced frameworks that could explain the subtle relationships between these strategic factors.

Continued research is needed because competitive advantage constantly develops in the banking sector. The conclusions point out that, as innovation grows, banks should frequently design new products and change their financial management methods. Businesses must be flexible to compete in an era of fast tech and changing preferences. Consequently, more research is needed to understand how banks can develop an encouraging culture for innovation and adaptability to handle coming changes and benefits.

According to the findings, competitive advantage strategies at the Cooperative Bank are not simple. Results reveal that competitive positioning depends on careful product development, original innovations, suitable corporate banking methods, and the provision of sufficient

capital. While the results are helpful, they indicate that better strategies are required to improve our understanding of these factors. When they tackle the found challenges and continue researching, scholars and practitioners help financial businesses navigate the shifting world of the banking sector and develop stronger strategic skills.



CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter gives a summary of the findings of the research while considering the objectives that guided the study and the literature review. From the findings, a conclusion is drawn and recommendations given for practice of the bank. The chapter concludes by giving suggestions for further research on the same subject.

5.1 Summary of the Result Findings

The research that was conducted in the branches of Cooperative Bank of Kenya in Homa Bay County revealed a response rate of 100% considering that all the 108 questionnaires that were given out were filled and collected back. Data was collected from the branch managers, heads of departments, and non-managerial staff. Cronbach's alpha test was used to confirm the reliability of the data collection tool. It gave a value of 0.9843 which indicated high internal consistency.

The demographics of the data collected indicated gender distribution of 52.8% male and 47.2% female representing $n = 57$ and $n = 51$ respectively. In terms of age, a larger percentage of the respondents were between 31 and 35 years (33.33%). Experienced employees had the higher percentage with 40.7% having worked in the banking sector for over ten years.

In the data analysis, descriptive statistics gave a rating for competitive advantage of 75.51% (having a $SD = 11.24$). In terms of the variables, positive perceptions were realized with product development ($M = 35.14$), innovation ($M = 30.84$), corporate banking ($M = 35.14$), and capital base ($M = 35.14$). Correlation analysis showed a strong positive relationship where competitive advantage was highly correlated with the variables of the study; product development ($r = 0.823$), innovation ($r = 0.786$), corporate banking ($r = 0.721$), and capital base ($r = 0.699$).

Multiple linear regression analysis that was done also showed that product development predicted to a significant level the competitive advantage ($\beta = 4.5$, $p < 0.001$). on the other hand, corporate banking, innovation and capital base did not portray statistical significance, implying that some confounding factors might have influenced the relationship. The model showed 68.90% of the variance in competitive advantage.

Overall, the study has clearly demonstrated the critical roles that product development, innovation, corporate banking, and capital base play in enhancing the competitive advantage of Cooperative Bank in Homa Bay County. It has also underscored the need for continuous innovation and adapting strategically in order to remain afloat in the competitive market.

Results from the research identified that product development, innovation, corporate banking and capital base are significantly related to the Cooperative Bank's competitive advantage. Because of this correlation, each factor is important for the bank's success in the market.

The study found that people working in all the four bank branches in Homa Bay County were generally aware of the strategies the bank uses to be competitive. This knowledge matters a lot because many employees at the bank are involved in marketing and implementing new strategies and products. Because of their roles, they can participate in such efforts, which gives them an idea of how well the bank meets its strategic goals.

According to the research, the Cooperative Bank's strategies are uniform across branches because centralized decision-making is in place. A consistent strategy at all branches suggests that the bank cares about keeping its competitive edge tied to the bigger goals set by the corporate team. A central strategy is needed to ensure the brand's identity stays the same and service is consistent in all locations.

Additionally, the study highlights the importance of product development as a significant component of achieving competitive advantage. Because the bank develops new services to suit customers' demands, it competes more effectively with other financial institutions. Since what customers want can shift rapidly in banking, being able to innovate and adapt is crucial for keeping up.

Technological progress helps explain why innovation is another power behind competitive advantage of the bank. According to the research, the Cooperative Bank puts significant effort into developing digital solutions, which are now crucial for banks. By adopting modern technology, the bank improves service and responds promptly to the market's demands. Emphasizing its primary strategy allows the bank to provide services suited for tech-savvy clients.

The bank's capital base is crucial for financial stability and implementing important programs. Because of a well-developed capital base, the bank has the resources to process risks and engage in growth activities that help it remain competitive. The observations underline how the bank should keep enough capital to handle difficult times.

This research shows that the Cooperative Bank's strengths are closely related to its methods of developing products, pursuing innovations, providing banking services to firms and managing its capital. Actively engaging staff in implementing these strategies increases their use and value. When formulating and executing strategy centrally, the bank keeps all its branch operations consistent. The Cooperative Bank is ready to respond to market changes by using its strengths and keeping its edge. They show that a blend of different strategies is necessary for a bank to succeed.

5.1.1 Product Development

The bank has managed to create modern innovative transaction banking and E-commerce arrangements and improve the existing ones as per customers' needs. The bank is keen to effectively determine the transaction banking and e-commerce product strategies and pricing methodologies that have the capacity to increase the market share and create better Return on Investment (ROI). In so doing, the bank always adapts to the market evolution, recognizing and examining the potential opportunities to come up with new products and creating adaptations among the existing ones. The bank works with ICT personnel and other partners to ensure that the functionality of the products is in accordance with the information that were recently released to the market. The bank has recently established and maintained critical and mutually beneficial relationships with important industry actors such as FinTech, customers and regulators, as well as lead in contract transactions. In addition, it has been collaborating with the marketing team and other partners to develop clear product GTM and commercialization strategies for new and redesigned products.

The research also established that the bank conducts and participates in the client introductions with sales teams, and conducts need analysis for complicated customer requirements. It helps in examining competition product capabilities and develops more responsive product offers. This helps in assisting the sales team by establishing preparations for multi-product transactions and developing estimated alternatives for suggestions in order to ensure benefit levels are maintained.

The management provides the yearly transaction banking and e-commerce product income targets and deliverables in collaboration with the sales department, and ensures all current and new bargains have positive income commitments to the organization. In addition, it works with the sales team to provide pre-sales consulting to boost the exchange banking and e-commerce esteem advice to targeted divisions, ensuring that all pertinent information on product changes

is delivered to customers within allotted portfolios on time and is preserved. There is also the auditing, analysis, and management of product risks to ensure strict adherence to the bank's risk system and broader industry standards, as well as conducting market research and customer insights on the emerging trends on digital transformation and how it affects the banking industry.

5.1.2 Innovation

The Co-operative Bank of Kenya, the third most profitable bank after Equity and KCB, increased its earnings by 30% in 2022 (Machengo, 2024). As of the end of 2022, the bank recorded a pretax profit of KES 29.4 billion, up from KES 22.6 billion in 2021. The post-tax profit in 2022 was KES 22 billion, up from KES 16.5 billion in 2021.

From the findings, the bank actively involves in the innovation of its products and services. Innovation helps the bank increase its profitability and market penetration. In 2021, the bank was named the most innovative bank of the year in the Global SME Finance Award (Achieng, 2021). The bank also improved its Environmental, Social, and Governance (ESG) practices, achieving significant milestones along the way such as the approval of an ESG approach system, the formation of an ESG Champions Committee, and the establishment of a specialist ESG Unit. The Cooperative Bank group is still pursuing strategic initiatives targeted at resilience and expansion in a variety of financial sectors. This is made possible by an efficient, comprehensive, and innovative banking operation supported by a technologically sophisticated proximity, a wide physical impact, and the unique synergies of Africa's largest cooperative development, with over 15 million members. Prior to 2022, the bank was rated "Best Overall in Satisfactory Customer Experience" based on a census of 33,000 customers from all 38 Kenya Bankers' Association members (KBA, 2022).

The bank has also boosted their transactions via alternative channels, with 94% of their transactions taking place through such channels, offering the firm greater opportunity to reach

out to numerous clients. Internet banking, mobile banking, enhanced ATM access, and agency banking are some of these outlets. Customers may utilize MCo-op Cash, an all-Telco, all-product mobile banking solution, to access a variety of services such as payment and cash transfers. It is a mobile account with a basic menu that can be viewed and handled entirely via the phone, removing the need to visit the banking halls. The account number in such a case is the client's telephone number. Mco-op Cash has provided access to many customers who would otherwise be unbanked or under banked.

Access to all other market wallets, affordability, direct routing of goods and services to a mobile pay bill or till number, and card- less withdrawals which are authorized at the bank's operator and ATM networks, are some of the fundamental characteristics and benefits of the Mco-op cash. It also supports external and internal cash transfers, as well as e-credit, which lets consumers to access the bank's mobile-based loans. By merging accessibility and customer experience, the bank successfully shifted its customers to the Omni-channel. The Omni channel account management system allows for online account management through personal computers, mobile phones, and USSD, enabling the bank to give services to all clients via their preferred channel while maintaining a uniform user experience regardless of location. The e-credit lending service is a popular offering among many consumers and a substantial income stream for the bank.

5.1.3 Corporate Banking

The research has revealed that Cooperative Bank of Kenya undertakes corporate banking that is focused with fulfilling the ongoing operational and financial demands of businesses, organizations, and educational institutions. As a result, it provides services that other commercial banks, for example, do not provide. Among the services offered by corporate banking include cash management, organizational financial management techniques, management of exchange rates, which majorly deals with international trade. It also engages

in short-term management methods for other corporations' working capital and liquidity, securities management, and management of financial resources. The corporate banking transactions are regulated by an individual financial advisor.

Cooperative Bank of Kenya undertakes corporate banking for private and public sector organizations, diplomatic missions and NGOs. They help such organizations to grow their businesses. They are given special attention in order to reduce long lines and wait times.

The business model of corporate banking is founded on a tight and substantial connection with customers, giving them services adapted to their requirements, taking into consideration the details of their division of financial movement as well as the market in which they operate.

Cooperative Bank of Kenya bases their valued commitment on the tenets of collaboration between geographically diverse organizations focusing on certain areas of financial action, and cooperation amongst professionals in domains such as financial planning, treasury, etc.

With all of its specializations, corporate banking is a viable option for Cooperative Bank of Kenya. The bank has experienced growth by being involved in corporate banking. When it comes to time to pay the employees, the bank may use one's account to collaborate with other organizations or make bulk payments. They provide more detailed information for measuring the progress of the business. It also encourages credit applications. A corporate bank account provides potential investors with information about the company's financial health, helping them to make more informed business choices. By opening a corporate account, a company increases its chances of obtaining financing from a financial institution or venture capitalists, or from a single financial expert.

It also enhances a company's overall image. Having a corporate account is important since it is seen as a show of trustworthiness. Another benefit of having a corporate account is that an organization may manage all its financial resources under one name rather than many. How well one manages the company's financial difficulties has a direct influence on how others see

it. Corporate banks also give extensive explanations of how businesses operate, helping them to evaluate which expenses may be cut and which areas need further investment. As such, the involvement of the bank in corporate banking has had a positive impact on its growth and profitability.

5.1.4 Capital Base

Most commercial banks around the world are concerned about capital adequacy, which if not maintained, has a detrimental effect on financial performance. A capital ratio equal to loss or risk-weighted credit exposure is typically used to measure capital adequacy. Bank depositors and lenders frequently use the capital-weighted asset ratio to implement an appropriate capital structure. Additionally, it is used to assess the efficiency and stability of lenders across banks in the global economy. By incorporating lending determinants into financial performance measures, Cooperative Bank of Kenya discourage lending to numerous lenders. In times of personal financial crisis, it may be difficult for financial regulators to achieve or evaluate bankruptcy on the basis of capital sufficiency and debt. By safeguarding depositor funds and establishing borrowing limits, Cooperative Bank of Kenya makes the best lending decisions possible with regard to lending terms and requirements. Commercial banks, particularly Kenya Co-operative Banks, must adopt a proper mechanism to enhance their financial performance in order to reduce losses. Additionally, banks are required to always keep their capital reserves at the recommended levels.

5.2 Conclusions

The growth of the banking sector has had a considerable influence on industry trends. Banks compete intensely for survival not just in Kenya. Kenya's banking industry is aiming to position itself as a global participant with equivalent privileges in international markets. As a result, banks have to innovate in order to retain and increase their present customer base while also improving their service delivery. They also needed to increase their consumer base in order to

become more profitable. Because it develops and builds value, a strategy's long-term benefit from implementation is referred to as a competitive advantage. These strategies may use both internal and external resources, including human resources. The goal of this research was to look at the strategies that the Co-operative Bank of Kenya uses to gain a competitive advantage. The impact of its four strategies—product development, innovation, corporate banking, and capital base—on bank financial performance was studied. The Cooperative Bank of Kenya is conscious of the tremendous rivalry in the banking market and understands that in order to continue in business, they must innovate. As a result, the bank has executed these four strategies that they believed would give the bank a competitive edge. Finally, the research revealed that the banking industry utilizes a broad variety of strategies all aimed at the same goal; to create assets, boost profitability, acquire a competitive advantage, and provide effective services. The study findings may benefit all industry stakeholders.

5.3 Recommendations

5.3.1 Authorities for Implementation

From the research, we recommend that authorities need to come up with robust frameworks that will enhance product development and innovation within the Cooperative Bank of Kenya. The regression analysis conducted showed that product development predicted to a significant level the competitive advantage ($\beta = 4.5, p < 0.001$). This finding supports the need for banks to prioritize and invest in the initiatives for product development. Such measures may include having incentives for investing in technology and digital solutions necessary for maintaining competitive advantage. Regulatory bodies such as CBK can facilitate relevant partnerships between commercial banks and FinTech companies to enable the banks to adapt to the customers' changing preferences and market demands. The regulatory authorities should also

ensure that the law on required capital adequacy is strictly enforced for financial stability and to protect depositors' funds.

5.3.2 Service Users/Beneficiaries

We further recommend that service users that include both corporate and individual clients should engage with the commercial banks to comprehend the range of services and products that they offer. Their feedback is crucial since sharing their experiences helps the banks to tailor their services to meet the expectations of the clients. For better accessibility to the financial services, users should take advantage of the technological advances that include e-commerce and m-banking solutions.

5.3.3 Other Stakeholders

For other stakeholders that include industry associations, community organizations, and investors, we recommend collaboration with Cooperative Bank so as to support initiatives that will promote customer engagement and innovation. By coming together to share resources and insights, banks can come up with products and services that will address specific needs of the communities that will also lead to satisfaction and customer loyalty. Such fostered relationships can also lead to more effective risk management and superior service delivery.

5.4 Suggestions for Further Research

Further research can be done to explore the impact of the emerging technologies within the banking sector especially relating to operational efficiency and customer relations. More studies can be done on how the Cooperative Bank of Kenya can leverage on Artificial Intelligence and Big Analytics to promote product offerings and decision-making processes. Similarly, an examination of the long-term benefits of corporate banking in the financial health of the commercial banks would inform strategies that can make banks gain more competitive advantage. Another suggestion for further research would be to compare the performance of

two separate banks operating within the same locality to establish why one bank performs well and the other one poorly. Future research may also strive to explain why certain banks have opted to keep fewer branches while others have continued to open more branches locally, as well as what competitive benefits might be gained from these unique choices.



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APPENDICES

Appendix I: Questionnaire

Analysis of Business Strategies on Competitive Advantage: Case of Cooperative Bank of Kenya, Homa Bay.

Introduction: This study intends to collect information on business strategy adopted by the Cooperative Bank of Kenya for competitive advantage. Please answer by ticking (✓) against the most appropriate/applicable response in the questionnaire items or statement. Please tick appropriately as provided.

5 (Strongly Agree), 4 (Agree), 3 (Neutral), 2 (Disagree), 1 (Strongly Disagree).

SECTION A: PERSONAL INFORMATION

1. What is your gender? Male Female
2. What is your age? 18 to 25 26 to 30 31 to 35 36 to 40 Over 40
3. What is your highest education level?
 O level/A level Diploma Degree masters PHD Other _____
4. What is your work experience with the bank?
 Below 2 2 to 5 6 to 10 Over 10

SECTION B: PRODUCT DEVELOPMENT

PRODUCT DEVELOPMENT	5	4	3	2	1
The bank always comes up with new products into the market.					
The new products in the market are always well received by the customers.					
Customers are fully conversant with the new products offered by the bank.					
The bank has a well worked out program for coming up with new products.					

The bank has a team mandated with identifying market gaps and coming up with new innovative products to fill the gap.					
The bank uses innovative methods in marketing its new products.					
Many customers take on the bank's new products after being adequately informed about them.					
The bank makes more profits from the new products it introduces.					

SECTION C: INNOVATION

INNOVATION	5	4	3	2	1
Each coop bank branch has an automated teller machine (ATM)					
Many Customers prefer to withdraw money from an ATM as opposed to counter withdrawals					
Many customers use internet banking					
The branch has many Coop bank agents (Coop Kwa Jirani)					
A suitable number of customers use agency banking to do their transactions					
The bank employs adequate security measures to safeguard internet and agency banking					
The bank has credit cards to help serve more customers					

SECTION D: CORPORATE BANKING

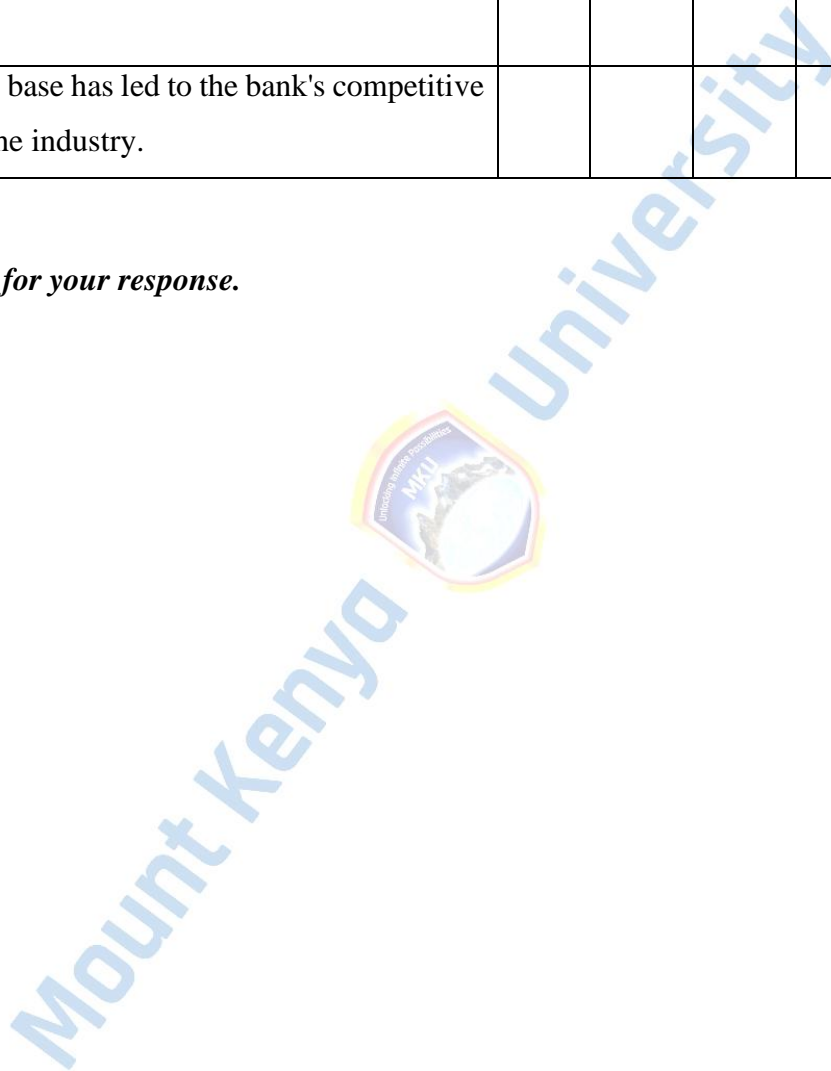
CORPORATE BANKING	5	4	3	2	1
The Cooperative Bank of Kenya serves both retail and corporate customers.					
Many corporate customers prefer coop banks to other competitors.					
The bank provides credit facilities to many corporate customers.					
The bank provides treasury and cash management services to corporate customers.					
The bank supports business ventures by corporate customers.					
Coop bank has invested in real estate management.					
A suitable percentage of the bank's profit margins comes from corporate banking.					
Corporate banking has led to a competitive advantage of the bank over other competitors.					

SECTION E: CAPITAL BASE

CAPITAL BASE	5	4	3	2	1
The bank has a large capital base that greatly contributes to its profitability.					
The bank acquired part of its large capital base from an Initial Public Offer (IPO)					
The bank keeps part of its net profit as retained earnings.					

Shareholders are given dividends every financial year.					
The bank sells bonds to improve its capital base.					
The bank always ensures that its assets are more than its liabilities.					
A large capital base improves the profitability of the bank.					
A large capital base has led to the bank's competitive advantage in the industry.					

Thanks for your response.



Appendix II: Letter of Introduction



DIRECTORATE OF GRADUATE STUDIES

MBA/2013/46766

23rd June, 2023

National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA

Dear Sir/Madam,


RE: NYABINDA JOSHUA KONDIEK- REGISTRATION NO. MBA/2013/46766

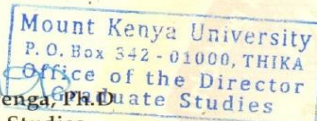
The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**

The title of the research is **"Influence of Business Strategies on Competitive Advantage: Case of Cooperative Bank of Kenya, Homabay County, Kenya."** It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **June, 2023 and August, 2023.**

Any assistance accorded to the student will be highly appreciated.

Thank you.


Dr. Samuel M. Karenga, Ph.D
Director, Graduate Studies
Enc.



Appendix III: Informed Consent

Researcher:

My name is Joshua Nyabinda Kondiek, and I am a Postgraduate student undertaking Master of Business Administration degree specializing in Strategic Management at Mount Kenya University. I am inviting you to participate in a research study. Involvement in the study is voluntary, so you may choose to participate or not. A brief explanation of the study is given below. Please feel free to ask any questions that you may have about the research; I will be happy to explain anything in greater detail.

I am interested in learning more about the Strategies adopted by Cooperative Bank of Kenya to gain competitive advantage in Homa Bay County. You will be asked to fill a questionnaire with short questions about the same. This will take approximately 7 minutes of your time. All information will be kept anonymous and confidential. This means that your name will not appear anywhere and no one except me will know about your specific answers.

The benefit of this research is that you will be helping us to understand the Strategies adopted by Cooperative Bank of Kenya to gain competitive advantage in Homa Bay County. This information should help us in policy formulation and increase general knowledge on the use of business strategy. It will also help stabilize the Kenyan economy by assisting various players in recognizing the competitive nature of banking and, in return, help reduce the challenges that derail strategy implementation. The risks to you for participating in this study are nil. If you do not wish to continue, you have the right to withdraw from the study, without any liability, at any time.

Participant:

All of my questions and concerns about this study have been addressed. I choose, voluntarily, to participate in this research project. I certify that I am at least 18 years of age.

Name of Participant (Optional)

Signature of Participant **Date**

(Student)

Name of Researcher

Signature of Researcher **Date**

Appendix IV: Ethical Clearance



REF: MKU/ISERC/2704

Date: 23 June 2023

TO: NYABINDA JOSHUA KONDIEK

REG: MBA/2013/46766

Dear Sir/Madam,

RE: INFLUENCE OF BUSINESS STRATEGIES ON COMPETITIVE ADVANTAGE: CASE OF COOPERATIVE BANK OF KENYA, HOMA BAY COUNTY, KENYA

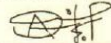
This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **1748**. The approval period is **23/06/2023 - 22/06/2024**.

This approval is subject to compliance with the following requirements;

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.


Yours sincerely,



The Chairman
Mount Kenya University
Ethics Review Committee
P. O. Box 342 - 0100, Thika

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC

Appendix V: Research Permit



REPUBLIC OF KENYA

Ref No: 418148

NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Date of Issue: 17/July/2023

RESEARCH LICENSE



This is to Certify that Mr. Joshua Nyabinda Kondiek of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Homabay on the topic: INFLUENCE OF BUSINESS STRATEGIES ON COMPETITIVE ADVANTAGE: CASE OF COOPERATIVE BANK OF KENYA, HOMA BAY COUNTY, KENYA for the period ending : 17/July/2024.

License No: NACOSTI/P/23/27470

418148
Applicant Identification Number

Walton
Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

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See overleaf for conditions

THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013 (Rev. 2014)
Legal Notice No. 108: The Science, Technology and Innovation (Research Licensing) Regulations, 2014

The National Commission for Science, Technology and Innovation, hereafter referred to as the Commission, was established under the Science, Technology and Innovation Act 2013 (Revised 2014) herein after referred to as the Act. The objective of the Commission shall be to regulate and assure quality in the science, technology and innovation sector and advise the Government in matters related thereto.

CONDITIONS OF THE RESEARCH LICENSE

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to
2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way:
 - i. Endanger national security
 - ii. Adversely affect the lives of Kenyans
 - iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
 - iv. Result in exploitation of intellectual property rights of communities in Kenya
 - v. Adversely affect the environment
 - vi. Adversely affect the rights of communities
 - vii. Endanger public safety and national cohesion
 - viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. The license any rights thereunder are non-transferable
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6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
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12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
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14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

National Commission for Science, Technology and
Innovation(NACOSTI),
Off Waiyaki Way, Upper Kabete,
P. O. Box 30623 - 00100 Nairobi, KENYA
Telephone: 020 4007000, 0713788787, 0735404245
E-mail: dg@nacosti.go.ke
Website: www.nacosti.go.ke

Appendix VI: Plagiarism Report

FINAL FINAL PROJECT JUNE 2025 (1).docx

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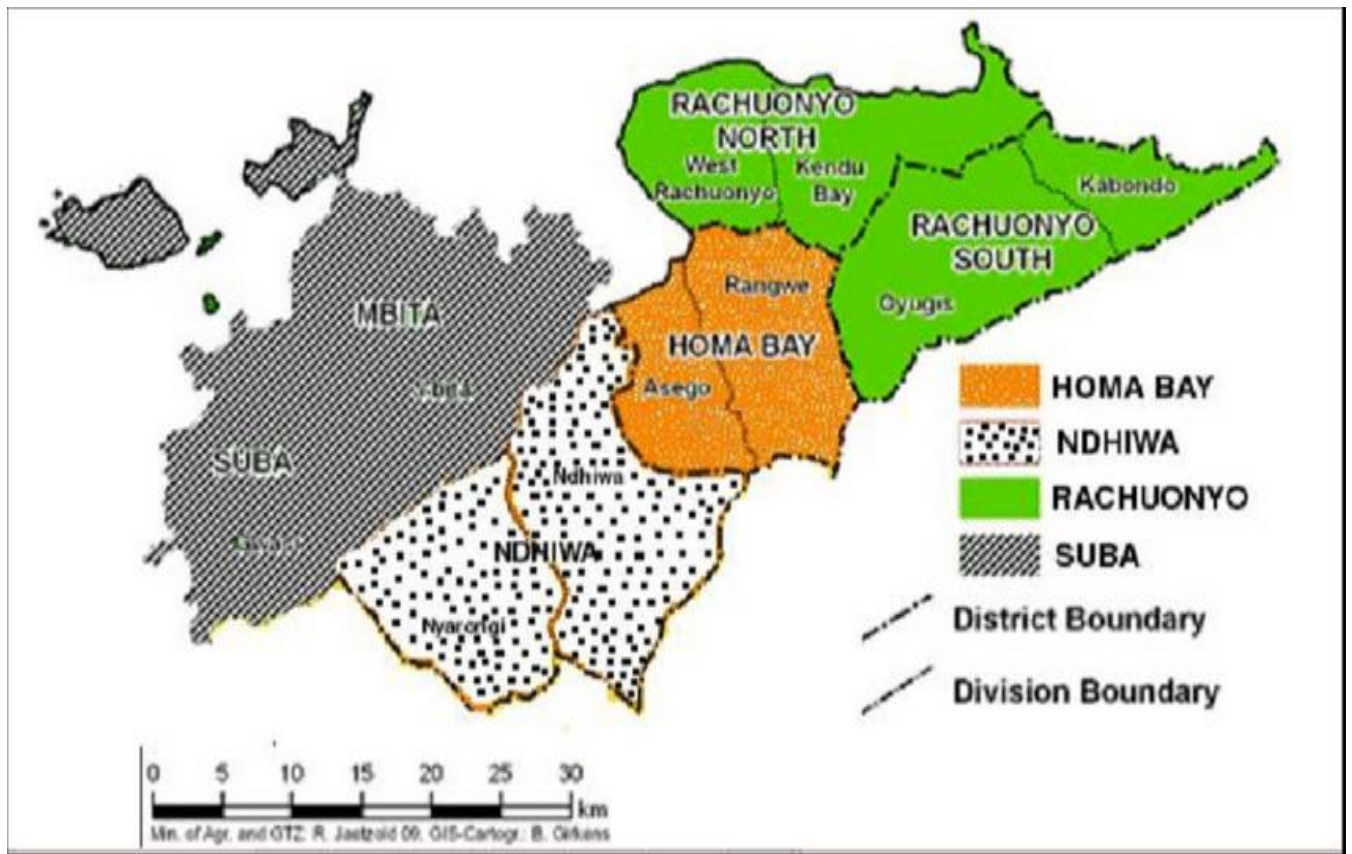
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Appendix VI: Research Site Map



Mount Kenya

