

DIGITAL FINANCIAL STRATEGY AND COMPETITIVE ADVANTAGE OF DEPOSIT-TAKING SACCOS IN NAKURU COUNTY, KENYA

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ABSTRACT

Statement of the Problem: Increasing competition from financial technology (FinTech) companies has intensified the need for deposit-taking Savings and Credit Cooperative Organizations (DT-SACCOs) to embrace digital transformation to strengthen their competitive advantage. However, many DT-SACCOs continue to experience challenges in digital product innovation, digital channel integration, investment in digital infrastructure, and data analytics utilization, limiting their operational efficiency, service differentiation, customer satisfaction, and market competitiveness.

Purpose of the Study: The study examined the influence of digital financial strategy on the competitive advantage of deposit-taking SACCOs in Nakuru County, Kenya.

Methodology: The study adopted a quantitative approach using an explanatory research design and was anchored on the Resource-Based View Theory and Dynamic Capabilities Theory. The target population comprised 120 respondents drawn from 30 selected deposit-taking SACCOs in Nakuru County, including information and communication technology officers, operations managers, finance managers, and data analytics officers. A census approach was employed to include all targeted respondents. Primary data were collected using structured questionnaires with a five-point Likert scale and analyzed using descriptive statistics and Ordinary Least Squares (OLS) regression analysis.

Findings: The findings revealed that digital product innovation, digital channel integration, digital investment intensity, and data analytics utilization all had positive and statistically significant influences on the competitive advantage of deposit-taking SACCOs. Digital investment intensity emerged as the strongest predictor of competitive advantage, followed by data analytics utilization, digital channel integration, and digital product innovation.

Conclusion: The study concluded that digital financial strategy significantly contributed to the competitive advantage of deposit-taking SACCOs in Nakuru County. The findings supported the Resource-Based View Theory and Dynamic Capabilities Theory by demonstrating the importance of digital capabilities in strengthening sustainable competitive advantage.

Recommendations: The study recommends that SACCO managers should strengthen digital transformation initiatives by prioritizing investment in digital infrastructure, enhancing data analytics capabilities, integrating digital service channels, and promoting digital product innovation. Policymakers and regulators should support digital transformation initiatives to improve the competitiveness and sustainability of deposit-taking SACCOs.

Keywords: *Digital, Financial Strategy, Competitive Advantage, Deposit-Taking SACCOs, Nakuru County, Kenya*

BACKGROUND OF THE STUDY

Digital financial strategy has emerged as one of the key forces driving change in the financial sector – impacting product development, service delivery, cost reduction and competition. It means the integration of digital technologies in financial activities to foster innovation in operations, operational efficiency and customer value (Omar & Inaba, 2022). Digital strategies like Digital Product Innovation, Digital Integration of channels, Digital Investment, and Digital Data analytics can help increase the accessibility of services, minimize transactions costs, and enhance customer experience & competitiveness in SACCOs (World Bank, 2022; Njuguna & Ondigo, 2023). The competitive advantage is said to be the capacity of the institution to attract and retain customers and to increase efficiency and differentiate its services from those of its rivals (Bharadwaj et al., 2021; Verhoef et al., 2021).

The Resource Based View and Dynamic Capabilities perspective describe how digital resources and capabilities may help to create competitive advantage. Through digital product innovation, convenient and member-centric services can be introduced, and digital channel integration can facilitate member access to services via mobile app, online, ATMs and agency networks. Technological investments in infrastructure, information systems, cybersecurity and the skills of employment boost technological capacity; data analytics facilitates decision making, risk management and service innovation (Omar & Inaba, 2022; Njuguna & Ondigo, 2023). These capabilities can help SACCOs become more efficient, customer centric and differentiated in a digital financial world.

Mobile technology and digital financial service innovations have drastically changed financial service delivery in Africa. Mobile money and digital platforms have helped increase access to financial services, lower transaction costs, and brought financial institutions to the market and enabled broader markets (Suri et al., 2021; African Development Bank [AfDB], 2022). Yet, there are numerous obstacles to digital transformation, such as lack of infrastructure, security concerns, digital illiteracy, investment expenses, and regulatory restrictions (GSMA, 2023; Mutuku & Njeru, 2022). These challenges can lead to disparity in financial institutions' uptake and effective use of digital technologies.

Deposit-taking SACCOs are a key component in Kenyan savings mobilization and credit provision to members. The sector has continued to grow, and SASRA has reported that the number of members and financial activities of regulated SACCOs (SASRA) has been increasing (SASRA, 2023). To make SACCOS more accessible, efficient and member friendly, there is a growing trend to introduce mobile banking, agency banking, digital payment systems and automation of the loan processing systems. However, SACCOs' digitalization efforts have been hindered by various factors such as technological infrastructure, digital capabilities, and member adoption (Waweru & Kamau, 2024). The challenge is especially significant in counties like Nakuru where the urban and rural areas are technologically different and have different levels of readiness for SACCOs.

Market share growth and member retention are used as the indicators of competitive advantage in this study. Growth in market share is the extent to which SACCOs can recruit new members, grow their membership and become a popular choice of digital financial services; retention of members is how well the SACCO can keep members by satisfying them, encouraging them to use the services consistently and to continue giving as part of their membership. While the importance of digital transformation to the competitiveness of SACCOs is growing, evidence on the link between the dimensions of digital financial strategy (digital product innovation, digital channel integration, digital investment intensity, and data analytics usage) and competitive advantage is limited. The study thus looks at the impact of these digital financial practices on competitive advantage of deposit-taking SACCOs in Nakuru County, Kenya.

PROBLEM STATEMENT

Deposit-taking Savings and Credit Cooperative Organizations (DT-SACCOs) play a significant role in promoting financial inclusion, savings mobilization, entrepreneurship, and economic development in Kenya, especially among low- and middle-income populations with limited access to conventional banking services. Through savings mobilization, credit provision, and other financial services, these institutions contribute to household welfare and local economic growth (Mutuku & Njeru, 2022). Despite their economic importance, DT-SACCOs face increasing competition from commercial banks, microfinance institutions, and financial technology companies offering faster, more convenient, and customer-centred digital financial services. Consequently, many DT-SACCOs continue to experience slow membership growth, member attrition, rising operational costs, and difficulties differentiating their services from competing

financial institutions (Waweru & Kamau, 2024). These challenges threaten their ability to maintain operational efficiency, retain members, expand market share, and sustain competitive advantage in an increasingly digital financial environment.

Digital financial strategy has emerged as an important mechanism through which financial institutions can strengthen operational efficiency, service innovation, customer satisfaction, and competitive positioning. However, existing empirical studies have largely concentrated on general digital technology adoption without adequately examining the individual contributions of digital product innovation, digital channel integration, digital investment intensity, and data analytics utilization to competitive advantage. Otieno and Were (2023) observed that financial institutions increasingly employ automated systems and mobile technologies to improve service delivery, while Verhoef et al. (2021) emphasized the contribution of digital transformation to innovation and organizational efficiency. Similarly, Akter et al. (2022) highlighted the importance of data-driven capabilities in improving strategic decision-making and sustaining competitive advantage. Nevertheless, limited empirical evidence establishes how these distinct digital financial strategy dimensions contribute to market share growth, member retention, cost leadership, and service differentiation among DT-SACCOs in Kenya.

Furthermore, a methodological and contextual gap remains because previous studies have frequently employed descriptive research designs, limiting the assessment of the independent statistical contributions of digital financial strategies to competitive advantage. Warner and Wäger (2021) emphasized the importance of continuous capability development and empirical evaluation in understanding organizational outcomes associated with digital transformation, while Bharadwaj et al. (2021) highlighted the strategic value of effectively utilizing digital technologies and investments. Despite these contributions, limited research has specifically examined DT-SACCOs operating within Nakuru County, where differences in technological capabilities, digital investment, and organizational readiness may influence competitive positioning. Consequently, insufficient empirical understanding remains regarding the effects of digital product innovation, digital channel integration, digital investment intensity, and data analytics utilization on the competitive advantage of DT-SACCOs in Nakuru County, Kenya. This study therefore sought to address this gap by examining the influence of these four dimensions of digital financial strategy on competitive advantage using an explanatory research design.

GENERAL OBJECTIVE

To examine the effect of digital financial strategy on the competitive advantage of deposit-taking SACCOs in Nakuru County, Kenya.

THEORETICAL REVIEW

This section outlines the theoretical frameworks upon which the study is based that give a systematic explanation of the impact of digital financial strategy on competitive advantage of SACCOs. The paper will be based on the Resource-Based View and will be substantiated by the Competitive Advantage Theory and the Dynamic Capability Theory created by Porter. All these theories elucidate the part played by the internal resources, market positioning and adaptability in ensuring sustained competitiveness.

Resource-Based View (RBV)

In a very competitive and technology intensive business world, organizations are continually being pressured to find and capitalize on internal assets capable of supporting high levels of performance. Resource-Based View (RBV), which was initially developed by Jay B. Barney in 1991, is a theoretical framework of how organizations can attain and sustain competitive advantage. According to the theory, organizations obtain high performance by obtaining and properly utilizing valuable, rare, inimitable, and non-substitutable resources (VRIN). Barney et al. (2021) argue that these strategic resources allow organizations to use specific strategies that are not easy to imitate by the competitors, which leads to better long-term performance and sustainability. In the modern financial institutions, technological abilities and digital infrastructure have become more and more significant strategic resources that determine the competitiveness and operational efficiency. In this research, digital financial strategy is defined as one of the resources that can be used by the deposit-taking SACCOs in order to increase the service delivery, improve the operational efficiency and innovate. Investing in digital technologies and systems will empower SACCOs to be more responsive to the changes in the market, enhance customer experience, and eventually become more competitive in the financial sector.

In the SACCO case, the digital asset of the digital product innovation, integration of digital channel, digital investment intensity and utilization of data analytics are important intangible assets that can be linked with the concept of RBV. These functionalities allow SACCOs to create

customized financial products, combine various digital service platforms, and use data-driven insights in enhancing decision-making and operational efficiency. Organisations that do use digital technologies in their strategic operations are more likely to improve efficiency and offer their customers better value, as noted by Bharadwaj et al. (2021). Similarly, Verhoeff et al. (2021) report that digital transformation drives organizational agility and boosts the ability of institutions to deal with the shift in customer expectations. In the case of SACCOs, the integration of digital capabilities into fundamental operations can greatly enhance accessibility to services, the responsiveness of operations, and competitiveness in the ever-growing digital financial environment.

Digital products represent an innovation that allows SACCOs to innovate financial products that meet the specific financial needs of its members, which will lead to greater differentiation of services and greater positioning in the market. Innovations, such as mobile-based lending, online saving systems and automated financial services, can enhance the financial services that SACCOs can provide to their members, in a convenient and flexible way. Similarly, with the digitization of channels like mobile banking applications, online banking interfaces and agency banking networks, there is an integrated service delivery and availability augmentation for financial services. This integration not only helps to achieve higher customer satisfaction and retention, but also customer convenience. Moreover, the intensity of digital investment, which is shown by investments in the ICT infrastructure and development of digital skills, enhances institutional capacity and allows delivering services efficiently. As pointed out by Warner and Wäger (2021), the use of data analytics helps organizations to improve their risk assessment, credit assessment, and strategic planning by making evidence-based decisions.

The RBV suggests that these digital capabilities go beyond being technology tools, but rather strategic capabilities that can be managed and incorporated into organizational processes, giving them long-term competitive advantages. They facilitate SACCOs to lower the operational expenses, improve the process of providing services and improve the overall quality of financial services provided to members. Also, the digital technologies enhance connections between SACCOs and their customers by enhancing responsiveness and customization of the services. According to Omar and Inaba (2022), financial institutions that are successful in investing in digital transformation are likely to have greater performance levels, such as greater market share,

high operational efficiency, and customer loyalty. Thus, digital financial strategy is a valuable internal asset that SACCOs can capitalize on to become more competitive and sustainably perform in a dynamic financial landscape.

Irrespective of its merits, the Resource-Based View (RBV) has come under a lot of criticism due to its heavy emphasis on the internal organizational resources and little concern with the external environment variables which include technological upheavals, regulatory reforms and competitive market forces. Critics believe that RBV presupposes the relative permanence of resources, however, in the digital world, particularly in the financial sector, everything is quite dynamic and needs a constant adjustment. According to David J. Teece (2021), in order to be relevant in ever-changing technological and market conditions, organizations need to continuously develop, refresh, and redesign their capabilities. This criticism implies that the use of purely internal resources might not be sufficient to understand the sustained competitive advantage in digital changing environments like SACCOs.

Regarding this research, though, RBV is highly applicable because it offers a valuable perspective of how particular internal capabilities, i.e. digital product innovation, digital channel integration, digital investment intensity and the use of data analytics, can be used to create competitive advantage. These aspects of digital financial strategy are strategic and valuable organizational resources that SACCOs can use to grow their market share, increase their ability to retain its members, be cost effective and to differentiate its services. Connecting these variables of the study, RBV assists in explaining the role of the successful implementation of digital capabilities as a key to the high performance results. Also, in combination with the Dynamic Capability Theory, the framework is stronger to explain how SACCOs not only have digital resources, but they constantly adapt and restructure them to maintain competitiveness in an ever-changing financial landscape.

Porter's Competitive Advantage Theory

In the current competitive and technologically driven financial world, organizations have been pressurized to ensure that they assume effective strategic management approaches that will increase their market competitiveness and sustainability in the long run. Competitive Advantage Theory by Michael E. Porter gives a basic explanation of how companies can be able to perform better than others due to their strategic positioning. According to Porter (1985), the only way in

which organizations can achieve competitive advantage is through cost leadership and differentiation strategies whereby the organization becomes the lowest cost producer within the industry or the organization has differentiated products and services that cannot be easily duplicated by the competitors. These strategic decisions help companies to generate high value to the customers, and they also remain profitable and increase their market share.

Performance outcomes are used to measure competitive advantage in the context of SACCOs, including market share growth, retention of member, cost efficiency and differentiation of service. Digital financial strategies are instrumental in the realization of these results because they will allow SACCOs to become more efficient in their operations and increase access to the services. As an illustration, the implementation of online platforms like mobile banking services, online transaction systems, and automated loan processing will enable SACCOs to cut down on the cost of transactions and streamline service delivery. These improvements assist in cost leadership strategies since they cut down the cost of operation but don't decrease the level of service provided. At the same time, the innovation of the Internet (mobile financial products and online member services) enables unique customer experiences that further strengthens the differentiation strategies and competitiveness of a cooperative financial institution.

New empirical literature confirms that digital transformation is linked to the development of competitive positioning because of its quick response to customers and market needs changes. The importance of using digital technologies to integrate data on consumers, personalize services and engage consumers is highlighted by Verhoff et al., (2021). On the same note, Warner and Wäger (2021) posit that digital transformation enables institutions to keep on updating their business processes and strategic capabilities to be competitive. Additionally, digital channels will be introduced into the SACCOs to enhance the access and convenience of services, as members can access financial services through mobile applications, internet channels and other digital channels. This service improves customer satisfaction and customer loyalty and retention. Moreover, digital technologies facilitate customized financial services, and this only increases differentiation strategies, and the overall competitiveness of SACCOs in the financial services market.

Moreover, digital financial strategies will enable SACCOs to reach a wider audience and enter new markets, which will result in a larger market share and enhance the competitive status. With the use of digital platforms, SACCOs can access populations that are geographically remote or

hitherto underserved and whose populations might not have access to conventional financial services. The digital technologies can also help to streamline services, improve communication with members and speed up financial transactions. Through these capabilities, SACCOs are able to enhance operational efficiency and yet be able to offer competitive pricing structures. These strategies are similar to what Porter has called the "process of strategy adjustment" that firms need to undertake to stay competitive given the evolving market needs. The digital financial strategies would enable the SACCOs to expand the availability of their services and reduce their operation constraints and enhance their competitiveness with commercial banks and other financial institutions.

While the theory still holds true, it has come under criticism for being a rather static theory of competition as it assumes the structure of an industry and the state of the market is fixed and predictable. It is argued that the premise is less applicable in the current quickly evolving digital age, in which the market is continuously reshaped by technological disruption, innovation and evolving customer expectations. On this note, David J. Teece (2021) argues that organizations need to design dynamic capabilities that would allow them to sense, seize, and reconfigure resources continuously in reaction to technological and market changes. This criticism points to the shortcomings of the Porters framework to comprehensively address the depth of digital transformation and continued innovation in financial institutions.

However, the framework, offered by Porter, is still very useful in the context of the explanation of competitive results since it offers rather clear and practical criteria according to which organizations can be evaluated in terms of their cost leadership and differentiation. In this research, the theory is directly connected with dependent variable, competitive advantage, which is operationalized by market share increase, retaining members, cost leadership, and service differentiation. The independent variable, digital financial strategy, (including digital product innovation, digital channel integration, digital investment intensity, and data analytics use) correlates well with the strategic dimensions posited by Porter as it allows SACCOs to lower the operational expenses and increase the uniqueness of the service. Thus, in spite of the shortcomings, the theory provides an analytical tool in the comprehension of how SACCOs make use of digital financial strategies to enhance effectiveness, innovation, and service differentiation, which in turn boosts their competitive edge.

Dynamic Capability Theory

The current fast changing and technologically oriented financial world demands dynamism of organizational capabilities in order to keep up with the competition. Dynamic Capability Theory was first developed by David J. Teece, Gary Pisano and Amy Shuen (1997) and later expanded by Teece (2018) as the capacity of the organisation to use internal or external capabilities to respond to the environment. The theory highlights that the mechanisms of obtaining and maintaining competitiveness are not only defined by its resource, but also by its constant renewal, ongoing sensing, seizure and reconfiguration of capabilities based on technological change and market change. This renders the framework especially applicable in the context of a competitive analysis of industries with a high rate of innovation and disruption like the financial services.

The theory also suggests that valuable resources don't equate to sustainable competitive advantage, rather how an organization can if it can adapt, innovate and transform its resources with time. This applies in the SACCO sector whereby merely investing in digital technologies is not enough to attain a long-term success; institutions have to constantly grow to have the skills and processes necessary to make good use of these technologies. Dynamic capabilities will enable SACCOs to develop new digital financial products, engage with new technology to integrate it into the service delivery system and leverage digital tools to respond to financial market changes. This is essential in an environment where there is rapid technological change, and the increasing customer expectations for efficient and readily available financial services.

The digital product innovation, digital channel integration, and the use of data analytics are some of the main aspects of dynamic capabilities in SACCOs. With digital product innovation, SACCOs will be able to develop and launch tailored financial products like mobile based loans, online savings and automated financial services that satisfy the varied needs of their members. Integration of digital channel helps to increase the accessibility and efficiency of the services because members can now communicate with SACCOs by various digital platforms like mobile applications, internet banking platforms, and integrated payment platforms. Moreover, the use of data analytics enables SACCOs to evaluate financial data, credit risk, and predict the future market trends. The capabilities aid evidence-based decision making and strategic planning which eventually enhance performance of institutions and enhance competitiveness of SACCOs in the financial services industry.

Empirical evidence indicates that organizations that have established dynamic capabilities are sturdier and in a better position to maintain a competitive edge in unpredictable and fast-evolving environments. According to Warner and Wäger (2021), organizations and companies with constantly renewed digital capabilities can be more adaptable in their strategies and business models to technological disruption. Equally, Verhoeff et al. (2021) point out that digital transformation helps organizations to boost customer experience, enhance operational responsiveness, and act in accordance with the changing market conditions. In the case of SACCOs, configurability of the digital resources and being able to embrace new technological development promotes the quality of service, efficiency of operations and satisfaction among members. Such upgrades enhance the competitiveness over the long term and allow SACCOs to remain relevant in a more digital financial environment.

Although it is important, Dynamic Capability Theory has been criticized as being abstract and the difficulties of measuring dynamic capabilities empirically in an organizational context. According to some scholars, the concept may be challenging to operationalize since it deals with complex processes, which include learning, innovation, and strategic adaptation and can be not easy to measure in research studies. Also, the theory is not necessarily specific on how organizations may develop these capabilities in practice in a systematic manner. Teece (2021) admits that despite the fact that the theory suggests a solid conceptual framework, scholars are generally challenged when trying to implicate its concepts in the form of measurable variables in empirical studies.

However, as developed by David J. Teece, Gary Pisano, and Amy Shuen (1997), and refined subsequently by Teece (2018), Dynamic Capability Theory is very applicable in the current research, although it has been criticized as being conceptually too broad and immeasurable using empirical methods. The fact that the theory can be applicable in explaining how people adapt to turbulent environments, scholars argue that it has failed to provide specific measurement frameworks to determine capabilities within organizations. Nevertheless, its power is that it explains how firms are constantly changing as opposed to being based on fixed resource advantages.

Regarding this study, the theory is directly related to the independent variable, digital financial strategy, which comprise the innovation of digital products, integration of digital channels, intensity of digital investment, and the use of data analytics. These aspects suggest that the ability

of SACCOs is dynamic and they are able to perceive technological opportunities, absorb digital innovations and restructure their internal processes for better service delivery and operational efficiency. Also dependent variable (CA) is correlated with the theory which is based on the increase of market share, the members remained, cost leadership and differentiation of the services. Thus, the Dynamic Capability Theory offers a sound analytical basis of how SACCOs can remain competitive over the long term by learning continuously, innovating and renewing their strategies in a swiftly changing digital financial landscape.

CONCEPTUAL FRAMEWORK

This study aims at proposing a conceptual framework between digital financial strategy and competitive advantage of deposit-taking SACCOs.

Independent Variable

(Digital financial Strategy)

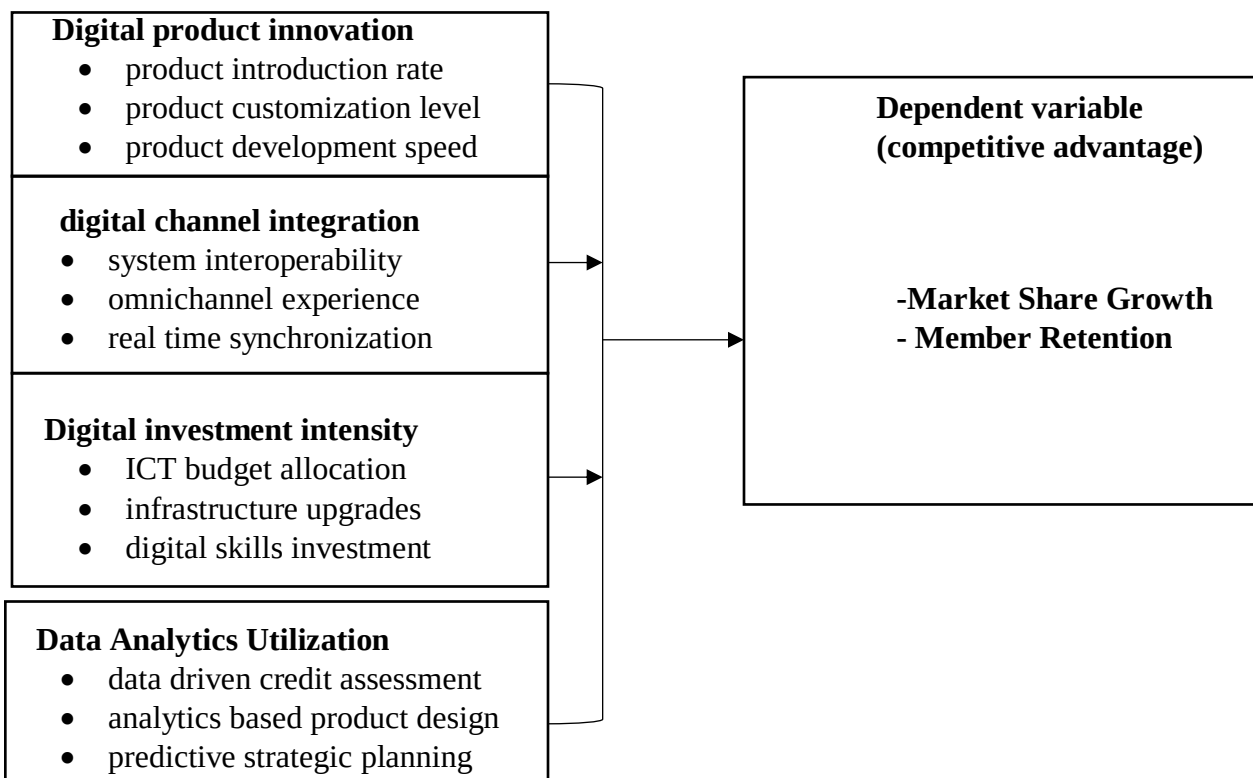


Figure 1: Conceptual Framework

METHODOLOGY

The study adopted a quantitative approach and an explanatory research design to examine the influence of digital financial strategy on the competitive advantage of deposit-taking Savings and Credit Cooperative Organizations (SACCOs) in Nakuru County, Kenya. A census approach was used to target 120 respondents drawn from 30 SACCOs, comprising information and communication technology officers, operations managers, finance managers, and data analytics officers. Primary data were collected through structured questionnaires administered physically and electronically using a five-point Likert scale. Digital financial strategy was measured through digital product innovation, digital channel integration, digital investment intensity, and data analytics utilization, while competitive advantage was assessed using market share growth and member retention. Data were coded, cleaned, and analyzed using IBM SPSS Statistics. Descriptive statistics included frequencies, percentages, means, and standard deviations, while inferential analysis involved Pearson correlation and Ordinary Least Squares multiple regression. The regression model was specified as $CA = \beta_0 + \beta_1DPI + \beta_2DCI + \beta_3DII + \beta_4DAU + \epsilon$. Model assumptions were assessed using normality, multicollinearity, and heteroscedasticity tests. Reliability was evaluated using Cronbach's alpha, with a minimum acceptable threshold of 0.70, while content and construct validity were assessed. Ethical requirements, including informed consent, confidentiality, anonymity, voluntary participation, and the right to withdraw, were observed. The study also obtained the necessary university approval, research authorization from the National Commission for Science, Technology and Innovation, and permission from the participating SACCOs.

FINDINGS AND DISCUSSION

This chapter gives the analysis and interpretation of data relating to the effect of digital financial strategy on the competitive advantage of the deposit takers SACCOs in Nakuru County, Kenya. It explores the significant relationship of digital product innovation, digital channel integration, digital investment intensity and data analytics utilization on the growth of market share and member retention. This chapter provides the response rates to questionnaires, reliability statistics, demographic information, institutional profiles, and descriptive statistics. The assumptions of multiple linear regression are tested and the relationships between variables in the study are determined by correlation analysis. Finally, multiple linear regression analysis and hypothesis

testing are conducted to examine the effects of the digital financial strategy dimensions on competitive advantage; and the results are compared with those of previous empirical studies.

DESCRIPTIVE STATISTICS

The level of digital financial strategy and competitive advantage of the deposit taking SACCOs in Nakuru County, Kenya was summarised using descriptive statistics. The central tendency and variation of respondents' perceptions were determined by the use of mean and standard deviation. Digital financial strategy was evaluated based on digital product innovation, digital channel integration, digital investment intensity and data analytics utilization, and competitive advantage was assessed based on market share growth and member retention. The findings were used to give an overview of the respondents' perceptions about the implementation of digital financial strategies, and how they are helping the competitive advantage of deposit taking SACCOs.

Table 1: Descriptive Statistics for Study Variables

Variable	Mean	SD
Digital Product Innovation	3.63	0.95
Digital Channel Integration	3.60	0.98
Digital Investment Intensity	3.69	0.93
Data Analytics Utilization	3.68	0.91
Competitive Advantage	3.65	0.95

The descriptive statistics reveal that the mean scores of all the study variables were above the midpoint of the five-point Likert scale, implying that the perceptions on digital financial strategy and competitive advantage of the deposit-taking SACCOs in Nakuru County were generally positive. Digital Investment Intensity had the highest mean score ($M = 3.69$, $SD = 0.93$), followed by Data Analytics Utilization ($M = 3.68$, $SD = 0.91$), Digital Product Innovation ($M = 3.63$, $SD = 0.95$), and Digital Channel Integration ($M = 3.60$, $SD = 0.98$). Overall, the results suggest low to medium levels of implementation of digital financial strategies, with a high level of investment in digital technologies, employee training, data analytics and digital product development.

CORRELATION ANALYSIS

To determine the existence of linear relationships between the variables of the study, Pearson correlation analysis was performed before the regression analysis. This was crucial to establish the relationship between the independent variables; Digital Product Innovation (DPI), Digital Channel Integration (DCI), Digital Investment Intensity (DAI), and Data Analytics Utilization (DAU) and the dependent variable Competitive Advantage (CA) among the deposit-taking SACCOs in Nakuru County. Furthermore, an analysis of the correlations helped to determine if there were any potential multicollinearity problems among the predictor variables which would allow reliable and interpretable results in subsequent regression analysis. The correlation analysis was used as a preliminary indicator to see if there is an association between the use of digital financial strategies and improved competitive advantage. Table 11 shows the Pearson correlation matrix of the main study variables.

Table 2: Pearson Correlation Matrix

Variable	DPI	DCI	DII	DAU	CA
Digital Product Innovation (DPI)	1				
Digital Channel Integration (DCI)	.252*	1			
Digital Investment Intensity (DII)	.059	.385**	1		
Data Analytics Utilization (DAU)	.189	.434**	.463**	1	
Competitive Advantage (CA)	.278**	.595**	.725**	.650**	1

Table 2 shows the Pearson correlation among the study variables with positive and statistically significant correlation between all dimensions of digital strategy and competitive advantage of the deposit-taking SACCOs in Nakuru County. Competitive Advantage was positively and significantly correlated with Digital Product Innovation ($r = .278$, $p = .005$): This implies that DPI is a factor that can boost competitive advantage of SACCOs. The correlation between digital

product innovation and organizational competitiveness were relatively weak but positive, suggesting that digital product innovation is positively related to organizational competitiveness.

For Competitive Advantage, Digital Channel Integration (DCI) had a moderate positive and statistically significant relationship ($r = .595, p < .001$), showing that good integration of the digital platform, effective service delivery and interoperability of the system contributes to the effectiveness of SACCOs in terms of competitive advantage. The results indicate that in order to deliver improved service efficiency and customer experience, coordination and connectivity have to be enhanced across the digital channels.

Digital Investment Intensity (DII) had the highest positive correlation with Competitive Advantage ($r = .725, p < .001$) when compared to all the independent variables. This is a key reason why continuous investments in digital technologies, ICT infrastructure and digital transformation projects are essential to enhance the competitiveness of the organization. The data analytics utilization (DAU) also showed a strong positive and statistically significant correlation with Competitive Advantage ($r = .650, p < .001$) meaning that the use of data analytics for decision making, customer insights and operational improvements is likely to enhance the competitive performance of SACCOs.

In general, the findings show that the adoption of digital strategy is significantly related to competitive advantage of deposit taking SACCOs with higher scores. The positive and significant correlations indicate preliminary support of the study hypotheses and the reason for using multiple regression analysis to assess the unique contribution of the dimensions of digital strategies to competitive advantage.

REGRESSION ANALYSIS RESULTS

A multiple linear regression analysis was performed in this subsection, to investigate the effect of all three variables (mobile money services, digital credit access, and agency banking) on financial inclusion outcomes. The goal of the analysis was to measure the contribution of each predictor variable, while excluding the influence of the other variables in the model. The statistical significance and direction of the relationships was determined by the regression coefficients, the standard errors, the t-statistics and the corresponding p-values. Along with that, the model was checked for its explanatory power and overall significance through various model fit indices such

as coefficient of determination (R^2), adjusted R^2 , F statistic and standard error of estimate. Table 3 gives the results.

Table 3: Multiple Linear Regression

Predictor	B	SE	β	T	P	95% CI
Constant	-0.862	0.302		-2.850	.005	[-1.462, -0.262]
Digital Product Innovation (DPI)	0.141	0.059	0.131	2.374	.020	[0.023, 0.258]
Digital Channel Integration (DCI)	0.249	0.062	0.248	4.006	.000	[0.125, 0.372]
Digital Investment Intensity (DII)	0.517	0.066	0.486	7.871	.000	[0.387, 0.648]
Data Analytics Utilization (DAU)	0.313	0.068	0.292	4.601	.000	[0.178, 0.448]

Table 4: Model Fit Summary

Statistic	Value
R	0.852
R^2	0.726
Adjusted R^2	0.715
F-statistic (df = 4, 97)	64.381
p-value (F)	.000
Standard Error of Estimate	0.557

Table 3 shows the results of the multiple linear regression which was undertaken to determine the effect of digital product innovation, digital channel integration, digital investment intensity and use of data analytics on competitive advantage of deposit taking SACCOs in Nakuru County. The regression model was statistically significant, $F(4, 97) = 64.381$, $p < .001$, and accounted for a significant amount of the variance in competitive advantage. The R value was .852 and R^2 was .726, which means that the four dimensions of digital strategy accounted for about 72.6% of the variance in competitive advantage. The adjusted R^2 is .715, which shows that the model had a large amount of predictive power even after accounting for the number of predictors. The standard error of estimate was 0.557, indicating that the model was a good fit for the data.

The results also indicated that Digital Product Innovation positively and significantly influenced the competitive advantage ($\beta = .131$, $t = 2.374$, $p = .020$). Digital Channel Integration also had a strong positive effect on competitive advantage, $\beta = .248$, $t = 4.006$, $p < .001$. Digital Investment Intensity was the strongest predictor of competitive advantage ($\beta = .486$, $t = 7.871$, $p < .001$),

suggesting that greater investments in digital technologies and infrastructure significantly improve competitiveness. Likewise, the utilization of Data Analytics was positively and significantly related to Competitive Advantage ($\beta = .292$, $t = 4.601$, $p < .001$) which implies that a successful utilization of Data Analytics enhances the company performance and market positioning. Overall findings indicate that all four dimensions of digital strategy significantly impact the competitive advantage of the deposit-taking SACCOs, with digital investment intensity having the greatest influence, followed by data analytics use, digital channel integration and digital product innovation.

HYPOTHESIS TESTING

The results of the hypothesis tests used to investigate the effect of the digital product innovation, digital channel integration, digital investment intensity and data analytics utilization on competitive advantage of the deposit taking SACCOs in Nakuru County are presented. The results of the multiple linear regression model were used to test each of the hypotheses at the 5% significance level. The statistical significance (p-values) of the corresponding regression coefficients were used to decide whether the null hypotheses should be rejected or failed to reject, as presented in Table 5.

Table 1: Summary Of Hypothesis Testing Result

Hypothesis	Predictor Variable	B	P	Decision on H_0	Conclusion
H ₀₁	Digital Product Innovation (DPI)	0.131	0.020	Reject Null Hypothesis	Digital product innovation has a significant positive effect on competitive advantage.
H ₀₂	Digital Channel Integration (DCI)	0.248	0.000	Reject Null Hypothesis	Digital channel integration significantly enhances competitive advantage.
H ₀₃	Digital Investment Intensity (DII)	0.486	0.000	Reject Null Hypothesis	Digital investment intensity is the strongest predictor and has a significant positive effect on competitive advantage.
H ₀₄	Data Analytics Utilization (DAU)	0.292	0.000	Reject Null Hypothesis	Data analytics utilization significantly contributes to competitive advantage.

The outcome of the hypothesis testing shows that all the four dimensions of digital strategy have a significantly positive influence on competitive advantage of the deposit taking SACCOs in Nakuru County. All the P values were below the 0.05 level of significance, with all the null hypotheses being rejected by the study. The results showed that the highest significance in predicting competitive advantage was given to digital investment intensity ($\beta = 0.486$), followed by data analytics utilization ($\beta = 0.292$), digital channel integration ($\beta = 0.248$) and digital product innovation ($\beta = 0.131$). The results indicate that digitization strategy initiatives have a positive relationship with the competitive advantage of deposit-taking SACCOs.

CONCLUSION

The study concludes that digital financial strategy was positively and significantly associated with the competitive advantage of deposit-taking SACCOs in Nakuru County, Kenya. The descriptive findings revealed moderately positive perceptions of digital product innovation, digital channel integration, digital investment intensity, and data analytics utilization, with digital investment intensity recording the highest mean score. The correlation analysis further established that all four dimensions had positive and statistically significant relationships with competitive advantage, with digital investment intensity exhibiting the strongest association. These findings demonstrate that the adoption and development of digital capabilities are important elements of the competitive positioning of deposit-taking SACCOs. The study therefore concludes that digital financial strategy represents an important strategic capability associated with improved service delivery, operational efficiency, market positioning, and member retention.

The study further concludes that digital financial strategy was a statistically significant predictor of competitive advantage, with the regression model explaining 72.6% of the observed variation in competitive advantage ($R^2 = 0.726$). Digital investment intensity emerged as the strongest independent predictor ($\beta = 0.486$), followed by data analytics utilization ($\beta = 0.292$), digital channel integration ($\beta = 0.248$), and digital product innovation ($\beta = 0.131$). All four regression coefficients were positive and statistically significant, demonstrating that each dimension contributed unique explanatory information about competitive advantage. These findings support the Resource-Based View and Dynamic Capability Theory by illustrating the importance of developing, integrating, and utilizing organizational digital capabilities. The study concludes that SACCOs can strengthen their competitive positioning by adopting an integrated digital financial

strategy that combines technological investment, data-driven decision-making, effective digital service integration, and continuous product innovation.

RECOMMENDATIONS

The study recommends that managers of deposit-taking SACCOs in Nakuru County should prioritize investment in digital infrastructure, cybersecurity systems, and employee digital skills to strengthen their technological capabilities and competitive positioning. SACCOs should also enhance data analytics utilization to support strategic decision-making, improve service delivery, and identify emerging market opportunities. Furthermore, management should strengthen digital channel integration and promote innovative, member-centred financial products to improve service accessibility, market share growth, and member retention. Policymakers and regulators should support digital transformation through appropriate regulatory frameworks, digital skills development, system interoperability, and strengthened data governance to promote the competitiveness and sustainability of deposit-taking SACCOs.

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