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MICROFINANCE INSTITUTIONS AND COOPERATIVES: UNEXPLOITED BLUE OCEAN STRATEGY FOR GROWTH OF MSMES IN KENYA

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ABSTRACT

In Kenya MSMEs employ over 15 million people and contribute about 30% to the national value-added. However, it has been established that on average Kenyan establishments have an average age of 3.8 years at closure with about 80 percent of them shutting down before their 5th year of operation and 46.3 percent closing during their first year of establishment. Mostly this can be attributed to lack of access to finances. However, Microfinance institutions and can be critical to MSMES scale up, since they provide financial services to low cadre people in Kenya. The purpose of this study was to analyze the effect of Microfinance Institutions and Cooperatives as an unexploited Blue Ocean Strategy for growth of Micro and Small Medium Enterprise in Kenya. The study was anchored on; Enterprise Theory, Resource Based Theory, Credit Theory, Game Theory and Value-Added Theory**.** The study based on literature analysis of the available documents. The study found that microfinance and cooperatives affect the MSEMEs development. It also found that microfinance and cooperatives have the friendliest policies in the financial sector for the MSMEs. However, these two institutions remain unexploited blue ocean strategy which can provide the necessary needed finance to foster growth of MSMEs in Kenya. The study recommends that given Microfinance institutions and cooperatives have the friendliest policies in the financial sector MSMEs should take advantage of these and try to access the needed finances for their scaling up. Government should support or guarantee these institutions to increase their capital base from donors and other organizations in order to have more money to advance to the MSMEs.

Keywords: Blue Ocean Strategy, Microfinance Institutions, Cooperatives, MSMEs and Scaling-up.

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1. Introduction

Poverty is a serious issue all around the globe. Poverty alleviation is a prominent priority among the United Nations' seventeen sustainable development goals (SDGs) for 2020. It is estimated that more than 700 million people (or 10%) over the globe are living on less than $ 1.90 a day, making it difficult for them to satisfy even their most basic necessities. People. As a direct result of the COVID-19 epidemic, the worldwide poverty rate jumped from 8.3% in 2019 to 9.2% in 2020.The loss is significantly more significant for low-income nations, amounting to an eight- to nine-year delay in poverty elimination. It implies that an extra 8 million people will be forced into poverty throughout the globe as the percentage of employees whose families fall below the global poverty line rises from 6.7% in 2019 to 7.2 % in 2020 (Sumner, Hoy & Ortiz, 2020).

Micro and small-medium firm finance is seen as a "new paradigm" for bringing forth Development and ending extreme poverty in many developing nations. In the recent decade, there has been an uptick in interest in small businesses on a global scale. National and multilateral organizations and institutions have established a variety of initiatives in various regions of the globe to help the impoverished gain economic independence and safety. The providing of microfinance services to the non-bankable poor is the most crucial of them (Darsono & Darwanto, 2019).

While the original micro-credit experiments have been forgotten, contemporary micro-finance institutions (MFIs) may be traced back to the 1970s in countries like Bolivia and Bangladesh (Gutirrez-Nieto & Serrano-Cinca, 2019). Microfinance gained widespread attention as a means of promoting growth after the 2005 United Nations Year of Microcredit as well as the 2006 Nobel Peace Prize awarded to Mohammad Yunus, including the Grameen Bank (Mersland, 2009) Low-income customers, small and medium-sized enterprises (SMEs), customers who are underserved by the conventional banking sector, and economically disadvantaged individuals are among the primary beneficiaries of microfinance services like loans, savings, deposits, savings, financial insurance (Gutiérrez-Nieto & Serrano-Cinca, 2019). Several methods and resources, like the specialized bank type known as a micro-financial organization, are employed to offer these services (MFI). It is widely believed that this is the most effective strategy for alleviating poverty and stimulating economic development, job creation, and income (Tamanni & Besar, 2019).

Kenya's microfinance organizations provide financial services for the bottom of the socioeconomic pyramid. The first microfinance institutions (MFIs) in Kenya were created in 1990 by the Central Bank of Kenya (CBK), and today they are governed by the Association for Micro-finance Institutions (AMFI), which was founded and certified in 1999 in the Societies Act with the intention of strengthening the Kenyan microfinance sector (Bosire et al., 2014).

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As per Ghosh and Maharjan (2001), the cooperative society's legislation was enacted in British India in 1904, marking the beginning of the contemporary cooperative movement. The original idea of cooperatives was to give low-interest loans to local farmers. It is unclear when exactly cooperatives were first brought to Russia from Germany (Lohlein & Wehrheim, 2003). Nonetheless, 981 cooperatives were reportedly operating in Russia by 1883, as stated by Lohlein and Wehrheim (2003). A credit cooperative is a financial institution common in rural regions; a credit union is more common in metropolitan areas. In 1935, the colonial administration of Nigeria created the Cooperative Registrar in response to the rise of cooperative groups formed to support cocoa production. A further development of these organizations was the provision of financial mediation services to its members (Adesina et al., 2021).

For the most part, cooperatives and microfinance programs are ways for people with similar needs and problems to band together to help one another, with the eventual goal of ensuring that every member of the group has their needs met, so long as they follow the rules of the microfinance or cooperative initiative (Kang, Zhao, Ma & Li, 2019).

The Fin Access Study (2021) found that the market for MSME funding was expanding in Kenya and that commercial banks, microfinance banks, and cooperatives were all interested in increasing their involvement with MSMEs of all types. It's encouraging to see a 42% growth in the total number of active MSME loan accounts and a 54.25% growth in the cumulative worth of the MSME loan portfolio between 2017 and 2020. Nevertheless, it is offset by a rise in total non-performing loans over the same period—most notably as a result of the COVID-19 worldwide pandemic and by an unequal distribution of credit availability among MSME categories.

1.2 Statement of the Problem

Small and medium-sized businesses create much of the world's employment (Muathe, 2010, PWC, 2020). In the long run, much of the new employment produced by MSMES tends to be concentrated in the hands of a small number of young enterprises that experience fast growth in relatively short spurts (Cruz & Hernandez, 2020). These influential companies span a wide range of industries. They are characterized by a higher propensity toward innovation, more integration with global value chains, and greater potential for economies of scale due to their concentration in a small area (Cruz & Hernandez, 2020). MSMEs employ more than 15 million Kenyans, and they generate around 30 percent of the country's GDP (Muathe, 2010, Muathe, & Muraguri-Makau 2020, Muathe & Otieno, 2022).

The median age of closure for Kenyan businesses has been determined to be 3.8 years, with 80% closing before their fifth year and 46.3 closing in their first year (Gikabu, 2020). Numerous studies have been conducted to determine the various causes of MSMES' failure to mature.

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Common causes include a lack of financial resources, difficulties in the marketplace, intense competition, and restrictive government policies (Kanini, Muathe &Bula, 2022). The availability of credit is crucial for the development of micro, small, and medium-sized enterprises, as stated by Kamau (2021). According to his research, most SMEs are unable to gain access to financing because of high-interest rates and a lack of collateral. Finding financial backing early on is critical to a startup's long-term success, according to research by Itan and Harsono (2022).

Findings from a survey conducted by Fin Access in 2021 indicate that most micro, small, and medium-sized enterprises (MSMEs) do not have access to the kinds of assets acceptable to financial institutions as collateral. Consequently, collateral requirements remain a significant hurdle for micro, small, and medium-sized enterprises (MSMEs) seeking formal credit. Since there isn't much of a market for online marketing and e-commerce among MSMEs, there aren't many options out there that are specifically catered to their needs (Mohan & Ali, 2019).

Several microfinance institutions (MFIs) and cooperatives (co-ops) expend considerable effort to bring their services closer to the general public and to micro, small, and medium-sized enterprises (MSMEs) that lack access to regulated financial schemes. Although these findings are encouraging, MSMEs still have not seen any development as a result of these policies. Notwithstanding the success of MIFs and Cooperatives, many opportunities remain untouched that might greatly benefit the development of MSMEs. With this in mind, the purpose of this research is to examine the results of microfinance banks and cooperatives as an untapped blue ocean method for the development of MSMEs in Kenya.

1.3 Objectives of the study

This study investigated the effect of Microfinance Institutions and Cooperatives as an unexploited Blue Ocean Strategy for the Growth of MSMEs in Kenya.

2. Literature Review

It covers the theoretical literature review and empirical literature review.

2.1 Theoretical Framework

2.1.1 Enterprise Growth Theory

A foundation for the business growth theory was laid in 1959 with British management professor Penrose's publication of Enterprises Growth Theories. After this, academics in economics and management concepts have taken an interest in firm growth. There are now three competing schools of thought among international scholars regarding the theoretical underpinnings of

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business expansion: those that center on the scale boundary concept, those that center on the lifespan, and those that center on the application of genetics (Mao. 2009).

Penrose's enterprise growth concept was developed by Yang Du (1996) in his book "Enterprise Growth Theory," where he began with the idea of a management resource and deduced "the general principle of the enterprise growth irrelative to a nationality" by looking at the size, distribution, and focus of that resource (Yang, 1996). Zhang Lin'ge (1998) built on Yang Du's 2D enterprise growth mode conceptual perspective by incorporating the findings of the modern competitive concept (Zhang, 1998, P.45-49). In other words, Zhang Lin'ge (1998) lengthened Yang Du's 2D enterprise growth mode theoretical model to 3D, allowing for an examination of an organization's development from the perspectives of scale, diversification, and competitive force.

'Enterprise growth force' is a notion proposed by Li Zhicheng and Diao Zhaofeng in 2003. The likelihood and depth of an enterprise's growth were supposed to be determined by its growth force, which was defined as the company's capacity and potential to achieve the expansion of "quantity" and increase the enhancement of "quality" in the future (Li, 2003).

Using a resource-based perspective, Xu Xiaoming and Xu Zhen (2005) examined the findings of various studies on enterprise growth theory from both China and abroad. They then broke down the theory into five key components, discussing topics like the heterogenic supposition, vast information accumulation expansion, the dynamic competitive advantage of resources, the industrial assessment route, and the behavior and learning of the modern enterprise (Xu, 2005, P.92-99).

According to the literature on business development, enterprise growth is the process by which businesses go from being tiny and vulnerable to being sizable and powerful enough to compete successfully on a global scale. Expansion of all of these factors—output, input, profits, and values—makes up the scale expansion. Business growth indicators, particularly for micro, small, and medium-sized firms, include profit, development, and solvency (Gerber et al., 2020). The idea of microfinancing, which involves providing capital to small and medium-sized enterprises (SMEs) with strong development potential, and the technical expertise of fund managers all work hand in hand with this theory to help the SMEs supported by the funds flourish. The results of an empirical article by Gima (2014) on the effects of microfinance banks and cooperatives on the development of micro, small, and medium-sized enterprises (MSMEs) in Kenya found that these institutions had a statistically significant beneficial influence on MSMEs' rate of expansion.

2.1.2 Resource-Dependency Theory

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In their book "The External Control of Organizations," authors Jeffrey Pfeffer and Gerald Salancik brought the "Resource Dependency Perspective" (1978) to the general audience. It was "A Resource Dependency Viewpoint," which quickly gained traction in the Anglo-American debate. This 2003 edition of the book by Pfeffer/Salancik (1978) is a reprint without revisions or updates, except for a new preface. The resource dependence theory (RDT) was developed by Pfeffer and Salancik (2003) to shed light on the part played by managers in lessening reliance on the environment and more effectively exercising command over crucial resources (Hillman et al., 2009). The essential premise of RDT is that if company B is younger and smaller than firm A, then firm B's dependency on firm A's resources should be proportional. Thus, there is a positive correlation between power and reliance on resources. Because of the difficulty in obtaining or the fact that they are under the control of manipulative players, this hypothesis is particularly pertinent when considering the availability of resources for small enterprises.

While Donaldson (1995), a proponent of contingency theory, criticized RDT for its emphasis on power processes and structures and the ensuing ignorance of economics, costs, and efficiency players, the theory remains popular (similar to Williamson 1995: 235). As Donaldson (1995: 135f.) points out, Pfeffer and Salancik are criticized for failing to provide enough justification for why institutions should be seen primarily as political structures and not or only marginally as technical and economic ones. Notably, economic considerations were overlooked as an explanation for mergers. Rather than relying only on RDT, Donaldson (1995: 152) suggests looking to economic theories that put a premium on cost and effectiveness rather than uncertainties or power to account for a wide range of phenomena.

To obtain resources without becoming reliant, RDT necessitates that tiny enterprises enter into negotiations with external environmental actors, walking a delicate line of advantages. Smaller businesses can't afford to be without vital resources like raw materials, land, labor, or even location if they want to expand. As a result, Zehir et al. (2019) argue that when uncertainties arise, smaller enterprises should prioritize relationships of dependency on power' via embeddedness, formal contracts, and strategic alliances like joint ventures or M andA rather than offering a power advantage. According to Salam et al. (2017), this reliance will allow them to gain an advantage in negotiations, strategic alliances, and exchange strategy selection with respect to the enterprises' resources. Elking et al. (2017) found that the financial dependency of focus enterprises and their suppliers has a direct influence on the financial performance of both parties. According to research by Chen et al. (2014), a more significant purchase may reduce inventory by moving stock upstream from weaker suppliers.

2.1.3 Credit Access Theory

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In 1981, Stiglitz and Weiss created a framework to analyze informational or market insufficiencies. They said SMEs might expand their operations by gaining access to the financing they need. According to the theory, small and medium-sized enterprises (SMEs) in developing nations often have trouble gaining access to capital because they lack the necessary data and statistics (Cheong, Lee & Weissmann, 2020). Most SMEs are unaware of the services offered by MFIs, and MFIs themselves do not conform to the standards set by most SMEs. The impact of this idea is that the owner of a micro, small, or medium-sized enterprise (MSE) may have access to a lending facility, but the owner's performance or use of the credit will be contingent on the owner's knowledge and exposure (Das, 2019). Based on the theory's findings, the only way for MFIs and SMEs to reap the benefits of working together is if both parties can access complete and accurate data.

2.1.4 Games Theory

Based on the Grameen model of microfinance, which distributes loans to groups of four to seven people based on social pressure inside the group, this concept employs a similar mechanism. Similarly, the procedures of group lending amongst microfinance institutions are supported by the microfinance games concept. The authors (Brihaye, Pril, Labie, & Perilleux, 2019) found that. Many of these new laws rely on borrower pools to police themselves and make sure agreements are being kept. Each group member is responsible for repaying the loan, and the group's ability to borrow more money is contingent on each member's ability to do so. It is a standard weekly paycheck (Morris & Shin, 2001).

2.1.5 Value-Added Theory

It was in 1962 when Neil Smelser published the Theory of Collective Behavior, the seminal work from which value-added theory emerged. The theory takes a structural functionalist stance, which means that "things" in social systems exist for the greater good of that system. Inspired by Georg Simmel and Talcott Parsons, Smelser saw societies as complex adaptive systems governed by a balance of stable and unstable processes. Collaborative efforts may help stabilize a society that internal and external tensions have shaken (Smelser, 1962). Discord arises from a state of tension caused by a contradiction. Collective actions (more precisely, "collective seizures") serve as the methods for releasing stresses or tensions. "non-institutionalized mobilization for action to change one or more forms of strain on the grounds of a generalized reconstruction of an element of action" (Smelser, 1962). As a result, social movements emerge whenever people feel the need to relieve pressure and advance the goals of individuals who want to alter the social system's values, roles, norms, or situational facilities.

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According to value-added theory, group behavior occurs when a system is under stress. The theoretical foundation centers on the idea of strain. Even the term "strain theory" is used to describe it by some. Unlike other collective action theories, which focus on quantifying causes of stress using variables like people's socioeconomic position, the value-added theory is interested in how people make sense of the world around them (Crossley, 2002). According to Smelser (1962), strain develops when a group experiences stress, anxiety, or tension as a result of a circumstance that goes against their norms.

There has been some criticism of the theory, with the most common complaint being that it cannot be falsified (Crossley, 2002). It is because the theory relies on the intersubjectivity of persons' interpretations. As such, there is no tangible way to prove these interpretations are incorrect or do not exist. Furthermore, scholars have relied on the theory's stipulation that certain conditions must be met before a collective action may be taken as evidence that these conditions exist. Yet, most assessments of the theory highlight Smelser's breadth and eloquence in composing such a sophisticated framework, notwithstanding these objections. The notion has a bearing on the investigation since using the rudimentary components of venture development is one technique to come up with Blue Ocean tactics (Crossley, 2002).

2.2 Empirical Review

2.2.1 Micro Finance Institution

Loans for small amounts of money, known as "microfinance," first appeared in Ireland in the 1700s. As the government discovered that infusing money via commercial banks was a treatment for poverty and would allow the institution to maintain its performance, the growth rate accelerated in 1970 (Seibel, 2005).

In Kenya, microfinance institutions are regulated by the Central Bank (CBK), established in 1990. AMFI is a member-based organization founded in 1999 and recognized under the Societies Act. One of the goals of the organization was to strengthen the microfinance sector in Kenya. There are sixty active members of AMFI, and they fall into three categories: microfinance institutions, credit-only MFIs, and Savings and Credit cooperatives (Bosire et al., 2014).

To help the poor increase their income and improve their quality of life, microfinance is the provision of credit, thrift, and other financial services and goods in minimal quantities (Eluhaiwe, 2005). Deposits, payment, loan services, insurance, and money transfers are all part of microfinance, which is the practice of making a wide variety of financial services available to low-income individuals and small businesses. Microfinance provides relatively modest loans over relatively short periods to people who would not otherwise be able to start their own businesses or engage in other forms of income generation (Oyedokun, 2015).

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Data from a Kenyan microfinance institution reveals a correlation between positive company culture and improved productivity (Joseph & Francis 2019). Nonmarket performance was shown to be significantly impacted by organizational culture, which was found to have a negative correlation with the debt/equity ratio. The research found that the market culture encourages long-term financial independence and sustainability and that organizational culture is a crucial source of sustained competitive advantage in the microfinance business.

According to Babajide, Taiwo, and Adetiloye (2017), the rapid growth of microfinance institutions (MFIs) in Africa may be attributed to the continent's high demand for but the inadequate supply of financial services. Micro and small and medium-sized enterprise (SME) financial markets were a primary emphasis of the Economic Forecast for 2017. Due to the current climate, experts projected that growth in Sub-Saharan Africa would be between 5 and 10%. Risk assessment, environmental adaptation, methodological individualization, guarantee, and service provision are among the most pressing issues for microfinance organizations.

Repayment default, government rules, and financial sustainability guidelines and financing have contributed to a decline in microfinance organizations' performance, claim Muithya and Muathe (2020). Due to a lack of knowledge of MFIS, only a tiny percentage of the population can make use of MFIs' financial services, according to Mohamed and Wobe (2019). Mission drift is a problem for microfinance institutions since they may easily stray from their primary goal of fighting poverty.

Microfinance institutions (MFIs) in Kenya have benefited from financial innovation, according to research by Omwanza and Jagongo (2019). Numerous recent developments in the field of finance have been found to improve MFIs' bottom lines. Product innovations, process innovations, and institutional innovations are all part of the financial industry. Our research confirms that these financial innovations are linked to improved financial outcomes at microfinance organizations. MFS relies heavily on constant product development and improvement to maintain its position as a market leader. Rather than resting on their laurels, MFIs should actively pursue the development of innovative products to serve their clientele better. Microfinance organizations may improve their operations by capitalizing on the opportunities presented by technological advancements.

Bito, Cheboi, and Kemboi's (2020) research shows that high-quality portfolios favor and statistically significant impact on long-term financial health. The long-term viability of MFIs is directly tied to the quality of their portfolios. It is suggested in the report that MFI management create effective collection procedures to boost portfolio quality and decrease default rates on loans. Increased profitability and investor trust in long-term strategy are both benefits of a higher-quality portfolio. Njue (2020) claims that neither the asset quality nor the age difference

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significantly impacted the MFIs' bottom lines. According to the research, microfinance institutions (MFIs) would benefit from better control over their loan portfolios if they had fewer overdue loans. Banks would do well to ensure that client advances were greater than deposits.

2.2.2 Cooperatives

These are businesses owned by members or co-op members. In their simplest form, these organizations help the poor and disadvantaged by pooling the purchasing power of those who would accomplish very little, acting alone. "An independent affiliation of persons united willfully to satisfy their common economic, cultural, and social aspirations and needs, through a collectively owned and democratically run enterprise" is how the International Cooperative Alliance (ICA), the umbrella organization for cooperatives, defines a cooperative (Coccorese & Shaffer, 2021).

The turmoil that accompanied the emergence of the modern industrial economy in Britain between 1750 and 1850 sparked the growth of cooperative groups in the United States. At this time, many family-run businesses went out of business, driving people into the cities where they found themselves subjected to poor salaries and rugged working conditions. Many small farmers were forced to leave their farms as a result of the enclosure drive and shifts in land tenure patterns, and many eventually moved to urban centers in search of employment (Normark, 1996). Yet, cooperatives' most significant economic influence in the United States has been in the agricultural sector. A mutual fire insurance company was the first officially authorized cooperative enterprise in the United States. Ben Franklin started it in 1752, and is still strong (Pitman, 2018).

Cooperatives have been around in Kenya since at least 1908, and their popularity has only increased since then. The Kenyan dairy cooperative that served as the country's first Cooperative Society was founded in 1908. Sessional Paper No. 4 of 1987, titled "Renewed Development via the Cooperative Movement," reaffirmed the government's dedication to increasing Kenyans' involvement in the economy via co-ops. Members and management committees of co-ops were given the authority to organize and run the businesses, with the government just providing guidance. The five requirements for a private sector-driven economy to achieve fast and sustained growth were underlined in the 1994 Sessional Paper No. 1 entitled "Recovery and Sustainable Development to the Year 2010. The government reevaluated its role in the administration of co-ops with Sessional Paper No. 6 of 1997, titled "Cooperatives in a Liberalized Economic Environment," which laid out the legal parameters within which co-ops may operate successfully in a more open and competitive economic climate (Kinyuira, 2014).

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Kenya is home to Africa's most robust cooperative movement, which is alive and well. Agriculture plays a vital role in Kenya's economy, accounting for 43% of the country's GDP (GDP). More than 300,000 individuals are directly employed in Kenya, and many more have access to self-employment options via the country's Cooperative Societies. Over Kshs 230 billion ($2.3 billion) in deposits have been mobilized by Savings and Credit Societies (SACCOs), the fastest-growing sub-sector of the movement (Cooperative, 2011/2012 Yearbook). Up by 7.3% from 13,256 in 2010 to 14,228 in 2011, the overall number of societies and unions saw strong growth in 2011. Over eight million Kenyans are members of one of the 972 newly established cooperative organizations or unions. Over half of them are savings and credit societies. There are over 15,000 cooperatives in Kenya, which serve a total of 12 million people. There are over 320,000 individuals employed in the cooperative loan sector, while another 1.5 million people are involved in small-scale and informal businesses. As a result of the movement, two million people are employed, and 70% of Kenyans rely on cooperatives for their livelihoods (FinAccess, 2020).

Cooperatives in Kenya may be broken down into two categories: those that provide services and those that produce goods. The producer cooperatives aim to advance technological innovation and boost economic growth throughout the country. The service cooperatives handle procurement, marketing, growth services, loan distribution, consumer product sales, and member training(Wanyama, 2016). Cooperatives have been very successful in many fields, including farming, banking, finance, agro-processing, marketing, storage, fishing, dairy, and even building. When it comes to providing a service to the local community, service cooperatives are the most decentralized and democratic option. Example: sugar cane growers' cooperatives provide a central hub for farmers to sell their goods and negotiate a fair price per ton for their crop (Muthava & Kiweru, 2016).

The government has taken many steps to ensure the movement is run according to international best practices to preserve the progress made thus far. For example, the Sacco Societies Regulatory Authority (SASRA) was set up as a result of the Sacco Societies Act of 2008, which imposed prudential laws covering all deposit-accepting Saccos with the goal of increasing transparency and responsibility in this rapidly expanding industry. The measure is expected to boost economic development by encouraging the use of domestic savings. Just two African nations, Kenya and South Africa's Sacco Societies Act and Cooperative Banking Act, have independent regulators and particular legislation for Saccos. Kenya's cooperative sector is often considered the finest in East Africa and among the most strictly regulated in Africa (KNBS, 2020).

According to Moon & Lee (2020), cooperatives have attracted the attention of many global aid organizations, which have been trying to employ them as strategic tools for alleviating poverty

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and fostering the growth of rural populations in developing nations. The research aims to suggest tactics that assistance organizations and locals might use to boost the effectiveness of cooperatives in third-world nations. The research concluded that for cooperatives to accomplish their long-term goals of independence and sustainability, they must instill a strong feeling of ownership amongst members by identifying specific, attainable, and time-bound objectives and then working together to achieve each one.

There is a pressing need for cooperatives to rally support for their efforts to reduce poverty and enhance the lives of the disadvantaged via participatory development projects. Together with the members' paid-in capital, the government will need to contribute to cover the cost of operations (Wanyama, 2016). The government should invest in cooperatives so that its members can compete successfully in global markets. If we want to provide opportunities for small investors who cannot participate in stocks, we need to make the cooperatives more like publicly listed firms (Velmonte, 2020).

As reported by Nufus, Supratikta, Muchtar, and Sunarsi (2020), financial inclusions via cooperatives have a clear and considerable influence on rural development. The research concluded that financial incorporation is a tactic for inclusive growth and that inclusive growth is only a part of the broader concept of inclusive development, which requires that the benefits of growth be shared by all members of society, not just the wealthy few. It is especially true for women and children, members of marginalized groups, the extremely poor, and those who have been forced below the poverty line as a result of natural or man-made catastrophes. To better understand the impact of intangible assets on sustainable development, Castilla-Polo and Sanchez (2020) conducted an in-depth study. Given their financial and social orientation, cooperatives are businesses that are fully invested in sustainable growth. Intangible assets were shown to have a role in regional competitiveness, which was seen most clearly when looking at cooperatives.

2.2.3 Blue Ocean Strategy

The Blue Ocean Strategy (BOS) is a management theory that suggests businesses should avoid direct competition with rivals in favor of exploring and capitalizing on uncontested market niches. Since its introduction in the middle of the 2000s, BOS has become one of the most widely-known terms in the study of strategy and a widely-used buzzword in the corporate world. Our research confirmed that the BOS idea has various features that make it desirable to businesses and their managers. The zeitgeist provided a conducive environment for the development of the notion in the area of strategy throughout the 2000s, which had switched to a significant emphasis on theories and concepts concerning disruptive innovation and business model innovation. A number of influential players on the supply side, like KIM and Mauborgne,

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had a role in propelling the BOS idea to prominence (Kim & Mauborgne, 2005). While there has been a lot of talk about BOS recently in the realm of public management, suggesting that it is now trendy, there is little evidence to show that consumers are using it. According to most studies, there seems to be less demand for the notion than would be predicted from the level of discussion around it (Denning, 2017).

The Blue Ocean Strategy, as outlined by Kim and Mauborgne (2005), represents a significant departure from the status quo and established practices in the area of strategic management during the last several decades. Denning (2017) claims that Kim Mauborgne initiated a "revolution" in the study of strategy. According to BOS, businesses should not waste time attempting to dominate a competitive market (the "Red Ocean," where fierce rivals swarm like sharks) but rather should go for untapped opportunities in the "Blue Ocean," an area with few or no established competitors.

A hypothesis proposed by Kim and Mauborgne (2005) suggests that companies would try to eliminate competition by establishing their market. The term "Blue Ocean Strategy" describes this way of thinking. Every sector of the economy now consists solely of red seas. The "blue seas" approach aims to alter a product or service to attract a whole new set of consumers and create an entirely new market. Because the competition in this market is irrelevant, you'll have a leg up. With the help of the blue ocean approach, a company might find itself with a second opportunity. Outdoing the competition is essential for success. To succeed, you must adopt a broader perspective, leave the "red ocean" of intense competition, and "swim" instead in the "blue ocean" with low or no barriers to entry.

Burke, Van and Thurik (2009), in their study on Blue Ocean versus competitive strategy: theory and evidence. The study found that the managers can use either Blue Ocean or competitive strategies. The optimal strategic approach appears to involve adopting a blend of both strategies with different temporal emphasis. The study from the Dutch retail industry indicated that blue ocean strategy has prevailed as a dominant long term variable strategy. Kabukin (2014), in his study reviewing the validity and reliability of the Blue Ocean Strategy by first testing the framework on a theoretical basis via a literature review and then examining its practical adaptability. The theoretical analysis reviews the core basics of the Blue Ocean Strategy distinguishing between red and Blue Ocean. The study found Blue Ocean Strategy could be assessed to a set amount as valid and reliable.

Allan and Islam (2017), in his study on the impact of Blue Ocean Strategy on Organizational Performance. He found that Blue Ocean Strategy positively affects the organization performance if applied in organizations.Yang and Yang (2011), in his study on an integrated model of value creation based on the refined Kano's model and blue ocean strategy. The study came up with an

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integrated model of value creation and explains how this model can be used to select appropriate practical actions to enhance customer value, and by implication, it also enhances customer acquisition, customer retention, customer margin and customer retention all of which make significant contributions to company profits.

According to Rahman and Choudhury (2019), in his study the influence of blue ocean strategy on organization performance. The study found that Blue Ocean Strategy has a significant effect on organizational performance. The study recommends the policy makers to do analysis of Blue Ocean Strategy before implementation to see its appropriateness in the chosen organization. Randall (2015), found that Blue Ocean strategy is about being first to get the customer offering right by connecting innovation to value.

According to Leavy's (2018) research, the essential components of value creation may be used as a springboard for the development of Blue Ocean initiatives. Significant work with value creation rationales leads to the conclusion that businesses can provide their clients with three distinct forms of value: reduced costs through industrial efficiency logic, improved user connectivity through network services logic, and improved offering-user need fit through knowledge-intensive logic. Managers may create new sets of characteristics by blending elements from many value generation logics. Potential Real-World Effects Businesses in the decline phase of the product life cycle, when diminishing revenues and customer loyalty are common, might benefit significantly from adopting a blue ocean strategy.

2.2.4 Microfinance Institution, Cooperation, and Blue Ocean Strategy for Growth of MSMES

Across the globe, a sizable number of jobs are provided by MSMEs. The vast majority of MSME-created employment is held by a very small number of startups and new companies that experience fast growth for short periods of time. These influential companies span a wide range of industries, and they are characterized by a higher propensity toward innovation, more integration with global value chains, and more significant potential for economies of scale as a result of their concentration in a small area (Cruz & Hernandez, 2020).

The Institute for Economic Co-operation and Development estimates that MSMEs comprise more than 95% of all firms worldwide. It is estimated that in major economies like the United States of America, India, China, Malaysia, and Taiwan, among others, MSMEs create between 60 and 70 percent of new jobs and contribute well over 50 percent to GDP. Micro, small, and medium-sized enterprises (MSMEs) provide up to 45 percent of all jobs in developing countries and contribute 33 percent to GDP. SMBs in Ghana and Nigeria both contribute between 49 and 48 percentage points to their countries' GDP (PWC, 2020).

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Around 46% of Kenyan workers are employed by the country's micro, small, and medium-sized enterprises (MSMEs), while 82% are employed by locally licensed (some of which may be legally registered) and unlicensed businesses (households with entrepreneurial activities). The number of new formal enterprises entering the Kenyan economy each year is about average compared to other countries, but they lack dynamism in terms of growth and innovation in technology, according to research by Cruz and Hernandez (2022).

The Fin Access Survey (2021) reports a rising demand for funding from small and medium-sized businesses in Kenya, and financial institutions across the board are eager to increase their involvement with this sector. Between 2017 and 2020, the value of the MSME loan portfolio as a whole increased by 54.2 percent, and the number of active MSME loan accounts increased by 42 percent. A rise in total non-performing loans during this time period, especially in light of the COVID-19 worldwide epidemic, and inequitable access to credit within MSME categories mitigate this positive trend.

Microfinance provides modest savings, loans, and other financial products and services to low-income individuals to increase their economic independence and quality of life (Eluhaiwe, 2005). Deposits, loans, money transfers, payment services, and insurance are all part of microfinance, which is the practice of providing these services to low-income individuals and small businesses. Microfinance provides modest, short-term loans to people who would not otherwise be able to afford them to set up a company or engage in other means of income generation (Oyedokun, 2015).

Small and medium-sized enterprises (SMEs) in South West Nigeria benefit significantly from the advisory services, financial services, and conditions for obtaining credit offered by microfinance banks and cooperative societies, according to research by (Adesina et al., 2021). Loan applications from small and medium-sized business owners were found to need little if any, collateral. The research urged microfinance institutions and cooperatives to sell their financial services to SMEs with an emphasis on how such improvements would ultimately benefit society as a whole.

There were 915,115 operational MSME loan facilities in the banking sector in Kenya as of December 2020, with a combined worth of Ksh.638.3 billion, 42 percent higher from the 646,018 operational loan accounts estimated at Ksh.413.9 billion as of the latest MSME lending assessment in December 2017. Ksh.605 billion (or 95% of the total) was loaned out by commercial and mortgage finance firms, while Ksh.33.3 billion was loaned out by microfinance institutions (5 percent). Financial institutions still relied heavily on deposits from micro, small, and medium-sized enterprises (14% of overall customer deposits held by commercial banks and 57% of overall customer deposits held by microfinance banks).

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Regarding microloans, the trade industry received 45.4% of all loans from microfinance institutions, followed by the real estate industry with 13.7% and the agriculture industry with 12.6%. Energy and mining received the smallest shares (0.5 and 0.2 percent, respectively). The average interest rate for micro, small, and medium-sized enterprise loans from microlenders was 12.3 percent in 2018, down from 19.0 to 19.9 percent the previous year. At 33%, the percentage was most significant for small businesses, while the rate for medium-sized businesses was just 15%. (FinAccess, 2020).

Edelia and Aslami's (2022) research indicated that cooperatives in Medan City have contributed to the growth of SMEs by raising product quality, expanding product variety, increasing output, and maximizing profitability. Mostly, this progress came about because of the liberation of product promotion and the simplicity of licensing. A Sharia-based cooperative is a financial entity that operates in accordance with the tenets of the Islamic economic system, as described by Mazidah and Hidayatin (2023). Sharia cooperatives are a kind of business that contribute to Indonesia's growing creative economy. The cooperative health calculation may be used to evaluate the efficiency of business operations, leading to better management and customer service. It is another step in the direction of cooperative growth.

The study by Ampah (2017), on microfinance interventions and poverty reduction among entrepreneurs of SMEs. The study found that microfinance (MFIs) have a positive outcome on poverty reduction. It also found that the moderator controlling structure has a positive effect on the connection between microfinance involvements and reduction of poverty and for it being included in the model increased the analytical growth in income and attainment of business assets (Ampah, 2017).

Ouma(2022), on his study on Competitive Intelligence Strategy and Performance of Regulated Microfinance Banks. He found that competitive intelligence strategies have an influence on performance of microfinance banks. Competitor intelligence and market intelligence strategy were found to be statistically significant to the performance of Microfinance banks. Technological intelligence has no significance. Competitive advantage was established to partly intervene the connection between competitive intelligence strategy and performance of microfinance Banks.

The study by Maulidia and Nur (2022), stated that poverty is one of the big problems in society. The way it can be reduced is empowering MSMEs through Microfinance institutions because they are able to reach to the grass root. Qualitative research method was used. The study found that Islamic Microfinance institutions empower women in the following ways; providing access to assistance, providing access to capital, and empowering women. The study by Nakabugo, Muathe and Mwasiaji (2022), on Microfinance services and government regulations. The study

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found that government rules negatively moderate the link between microfinance services and the advancement of smallholder coffee entrepreneurs.

The study by Bongomin, Woldie and Wakibi (2020), on the microfinance availability, social cohesion and existence of women Micro, small and medium enterprises (MSMEs) in post-war communities in sub-Saharan African a lesson from North Uganda. The study found social cohesion significantly mediates the association between microfinance availability and existence of women MSMES in Northern Uganda. It also found that the existence of social cohesion as a social surety encourages microfinance availability by 14.6% to increase the existence of women MSMEs in post-war societies where physical security documents were damaged by war. The accessibility of Microfinance and social cohesion has a greater impact towards the existence of women MSMEs in post war societies in Northern Uganda.

According to Oktaria and Sari (2021), to enhance economic development the government must come up with ways to empower the MSMEs. Some of the main challenges faced by MSMEs include lack of capital which hinder their development. The government has come up with various financing alternatives for MSMEs so that they can access finances. One of the financing sector that can be the answer to financing problems of MSMEs is the participation of cooperatives. The study found that cooperatives have a significant effect on the growth of MSMEs.

Nugraha, Hanafie and Huda (2021), stated that most MSMES are faced with problem of lack of finance and that cooperative are expected to solve these problems. The study used qualitative research design, the data was collected using interviews, observations and documents review. The study found that development of cooperatives by the Tasikmalaya City Government was the best idea. The cooperatives had played a significant role in establishment of MSMEs. The study recommends that the Tasikmalaya City Government needs to implement a partnership model with state owned enterprises and regional-owned enterprises to contribute in developing cooperatives collaboratively.

3. Research Methodology

The study used literature analysis of the published materials, comprising discussion papers, articles in academic journals, as well as textbooks. According to Karitu et al. (2022), Mugenda and Mugenda (2003) this is a qualitative data collection method which provide a more genuine, unfiltered perspective of the world.

4.0 Findings and Discussion

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Results indicated that microfinance and cooperatives have a positive effect on MSMEs' ability to grow and prosper. Micro, small and medium-sized enterprises (MSMEs) have benefited from high increase in number of cooperatives and microfinance institutions, especially due to the services that they provide, which are mostly aimed at promoting business growth. However, many MSMEs are not aware of the services and products that are offered by cooperatives and microfinance institutions or how they may favorably influence their businesses. This remains unexploited blue Ocean strategy which need to be exploited for the benefits of MSMEs; hence it is essential to provide them with proper financial literacy training.

4. Conclusion and Policy Implications

Based on the findings the following recommendations were made; Cooperatives and MFIs should come up with a good strategy of marketing their financial services towards MSMEs so that to create awareness and charter them towards the blue ocean. By doing so Cooperatives and MFIs will be able to reach their potential since their products and services will be used efficiently by MSMEs to scale up. The government should support microfinance and cooperatives financially to enhance their capacity to support small business growth and expansion. Because of the high default rate and portfolio risk, microfinance and cooperatives should lengthen their customers' asset loan payback time and employ the collective group-based loan distribution technique. The MSMEs should join the microfinance institutions and cooperatives since they have best policies that can support their businesses hence enhancing growth of their businesses. Finally, Microfinance institutions and cooperatives should investigate and modify their policies on loans and credit received to make them more accessible. Microfinance and cooperatives are two areas where the government might benefit from creating targeted policies.

5. Limitation and Future Research

This study was based on desktop analysis, whose original data might have been collected for a different purpose. In addition, it was qualitative in nature and thus future research should consider using primary data for validation of the research findings and adopt a more robust research such as an explanatory or descriptive design.

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