

**Title: EXAMINING THE EFFECT OF PRODUCT INNOVATION  
ON FINANCIAL RISK MANAGEMENT IN SACCOS:  
EVIDENCE FROM KENYA**

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**ABSTRACT**

This purpose of this study was to identify the effect of product innovations on risk management in SACCOs. The study relied on data collected from SACCO staff through questionnaires, company websites and publications. 34 SACCOs in Nairobi County were chosen to represent Kenya deposit taking SACCOs. The study was purely qualitative. The main data collected included the types of product innovations adopted, the risks arising from them and the risk mitigation techniques in response. The findings indicated that product innovations had a positive correlation with credit risk and default risk. Risk management techniques had changed and increased in response to this with SACCOs becoming more concerned with their risk management.

The main conclusions were that although effort has been made towards improving risk management in SACCOs, a lot of gaps remain. In most SACCOs, risk management is still a new concept and skills are inadequate. The researcher recommends more robust risk management techniques and policies from both the authority and the SACCOs. Additionally, the growth and contribution of SACCOs requires higher accounting standards to be put in place. The researcher recommends for further research in SACCOs specifically in formulating a risk index to provide a robust measurement of various risks.