

**ORGANIZATIONAL STRATEGIES AND FINANCIAL PERFORMANCE OF LARGE
DEPOSIT TAKING SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN
NAIROBI COUNTY, KENYA**

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DECLARATION AND APPROVAL

The research project is an original copy accomplished by me, and has never been presented to any institutions of higher learning or Mount Kenya University (MKU) for purposes of examination.

All borrowed materials have referenced as required.

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DEDICATION

I dedicate this research project to my beloved wife for her unwavering support, love, encouragement, and prayers for me in the development of this project.



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Mount Kenya University

ABSTRACT

This study investigates the organizational strategies affecting the financial performance of large deposit-taking Savings and Credit Cooperative Societies (SACCOs) in Nairobi County, Kenya. Employing a descriptive research design, the study focuses on four independent variables: risk assessment, information technology, membership size, and investment decisions, and their impact on financial performance. The research population comprises employees from all 20 licensed tier 1 SACCOs in Nairobi, with a census approach used to gather data from 80 respondents, ensuring high accuracy and reliability of results. Data collection methods included a mixed approach, utilizing both primary and secondary data. Primary data was collected through structured questionnaires, while secondary data was sourced from financial reports and publications by the Sacco Societies Regulatory Authority (SASRA). The research instruments were validated through expert opinions and a test-retest method, ensuring the reliability of the findings. Data analysis employed SPSS for both descriptive and inferential statistics, including multiple regression analysis to assess the relationships between independent variables and financial performance. Key findings indicated that effective risk assessment, robust information technology systems, optimal membership sizes, and prudent investment decisions significantly enhance the financial performance of SACCOs. The study concludes with recommendations for SACCOs to strengthen their risk management frameworks, invest in technology, engage members actively, and make informed investment choices. Suggestions for further research include exploring the impact of government policies on SACCO performance and the role of digital transformation in member engagement. This research contributes valuable insights into the operational strategies that can improve financial outcomes for SACCOs, thereby supporting their role in enhancing financial inclusion in Kenya.

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LIST OF ABBREVIATIONS AND ACRONYMS

ATM - Automated Teller Machine

CAGR - Compound Annual Growth Rate

CBK - Central Bank of Kenya

CCTV - Closed-Circuit Television

CEO - Chief Executive Officer

COVID-19 - Coronavirus Disease 2019

CRB - Credit Reference Bureau

CSR - Corporate Social Responsibility

DT SACCO - Deposit-Taking Savings and Credit Cooperative Organization

FSDA - Financial Sector Deepening Africa

GDP - Gross Domestic Product

ICT - Information and Communication Technology

IMF - International Monetary Fund

KCB - Kenya Commercial Bank

KUSCCO - Kenya Union of Savings and Credit Cooperatives

KYC - Know Your Customer

MDGs - Millennium Development Goals

MFIs - Microfinance Institutions

NGO - Non-Governmental Organization

NPAs - Non-Performing Assets

NPL - Non-Performing Loan

ROA - Return on Assets

ROE - Return on Equity

ROI - Return on Investment

SACCO - Savings and Credit Co-operative Society

SASRA - SACCO Societies Regulatory Authority

SEO - Search Engine Optimization

SMEs - Small and Medium Enterprises

SMEs - Small and Medium Enterprises

UN - United Nations

US - United States

WTO - World Trade Organization

CHAPTER ONE: INTRODUCTION

1.0 Introduction

Purpose of this chapter is to introduce study's context and rationale. It presents problem that motivated study, goals and questions that guided research, assumptions that underlie study, importance of study for field, boundaries and constraints of study, assumptions that inform study and meanings of key terms used in study.

1.1 Background to the Study

Usually, the economic resource allocation of nations around the globe is mandated by financial institutions or firms (McKillop et al., 2021). These organizations ensure safe channelling of finances from their depositors directly to the investors. However, this can easily be achieved if the financial institutions achieve the required financial position or income to be able to cover all their expenses, and most importantly their operational costs. Simply put, for purposes of sustainable intermediation functions, there is a need for organizations operating in this line of business to be profitable. Kaltwasser and Spelta (2019) on their part, contend that beyond this vital function of intermediation, their financial performance is of great economic importance among nations' economic improvement and growth. When financial performances are good, the firms are also able to reward all their shareholders for the investments made. This also, in turn, ensures increased investment leading to economic growth. Similarly, when the financial performance is poor generally leads to failure of such firms and overall crisis which is a prerequisite of negative economic growth (Carnell et al., 2021).

Firm performance can easily be affected through both external and internal factors. Internal factors are company specific characteristics that affect the financial position of the firm, while macroeconomic factors are often known to be external to the organization (Yamani & Hussainey,

2021). Therefore, financial performance is crucial for the management of any organization as it is the outcome which is achieved by all the shareholders and stakeholders in the organization who are related to its responsibility and authority, who conform to the set ethics and morals and not against the laid down laws. Such performances are a firm's ability to manage and gain economic resources in varied ways leading to increased competitive advantage. When the performance is high, this reflects an organization's efficiency and effectiveness in using the available resource, and this is indicated as turnover, sales growth, stock prices including employment (Wang et al., 2021). Therefore, financial performance is crucial to a SACCO's operations and overall survival.

Positive financial performance in SACCOs is positively associated with the business function wellbeing and capacity to manage all financial operations successfully. Gisemba (2010) offers evidence of a positive association between varied financial operations and activities in firms like financial control and planning, and overall financial performance of SACCOs. Similarly, Okwee (2011) contends that financial performance should be considered as the life blood of small scale firms, and this is because without them, there can be no decision regarding growth. Any failure of SACCOs in regions where they are the dominant operators can negatively impact growth. The reason behind this is that in the event of any bankruptcy a contagion effect will occur and the results will be economic challenges and overall financial crisis.

Credit Unions/SACCOs were first established in Germany in the year 1846, and during this time started to be popular in Canada, Europe, and the US but were not already in operation in Africa. Around the globe, the societies started their operations with a view of ensuring that those riddled with poverty were assisted financially. The establishments were able to reach those who were not banked. All of them were first regulated and registered, and run by individual experts, and while

some of the organizations are open to every individual others have membership forms that are restricted.

When considering their historical context, SACCOs did exist via efficient and effective performance in their financial segments, and this helped them to increase the wealth benefits of the shareholders. This was majorly achieved through adequate profit generation which helped in covering not only their investment projects but also their available immediate expenses. For purposes of enhancing their overall financial performance, SACCOs around the world continually manage their liquidity levels and positions. Operating from a sector that is competitive almost every SACCO around the globe is working towards enhancing their financial performance through enhanced organizational strategies like the use of information technology, wise investment decisions, and aggressive risk management initiatives while working towards increasing their membership size.

In modern economies the financial service industry is very significant (Agnese & Capuano, 2021). Similar to other financial institutions, SACCOs play a major role in economies, and this is achieved by mobilizing individual savings and providing credit that is used for investment purposes, thereby ensuring that individuals' standards of living are improved (Kibui & Moronge, 2014). Cooperatives have always had the opportunity of giving financial services to their members by the use of their varied products, these members are also able to make savings, but this is only possible when their financial positions are sustainable. In this regard, the cooperatives' financial positions are easily measured from the lenses of them being able to support the needs of all their members. The SACCOs are thus expected to provide cheaper and better services and this is when they are

compared with other commercial firms like banks, and this is because the members own them while the institutions understand their needs.

In developed nations, SACCOs that have managed to achieve higher financial performances consider new innovations and strategies so that they can compete effectively with other financial institutions. Commonly referred to credit unions, SACCOs in Europe are taking advantage of technology; work with fintech partners while adopting newer ways of doing business like using real-time payment systems to compete effectively with commercial banks. These credit unions have built member relationships that are of high quality through their financial products which ensure that their products are offered using rates that are better while charging lower interests and fees. Most of these credit unions are based in rural regions, and here they help the locals to access credit, investments and liquidity. They have however reduced in number due to mergers, consolidations and high failure levels. Overall, credit unions' financial performance has improved greatly in the past due to increased technology and innovations.

In the US, Credit Unions provide lending and depository services to people from a particular region or community. This is an industry that oversaw increased growth in the year ending 2022 through more memberships and higher rates of interest. With better microeconomic conditions through the year 2019, these unions were advantages and their financial performances were high because of higher borrowings that were attached with higher interest rates. However, in the year 2020, the demand diminished due to the prevalent causes of Covid-19 which hampered their growth and overall operations. Due to the economic uncertainties during this period, the consumer spending margins were inhibited in the year 2020, while the interest rates went down as the Federal Reserve which decreased the levels of the Federal Funds Rate to a 0% margin bound range. With the

increased interest rates by the Federal Reserve to ensure minimal inflation the revenues in the Credit Union segment has increased, and estimated to increase above the CAGR of 2022 which was at 6.7%. The credit unions in the US financial performance was enhanced through their increased usage of digital marketing, technology which led to better experiences, their increased SEO focus, more initiatives that are geared towards education, direct mail use, sponsorships and community events including brands that are consistent in the market.

Across the African continent, SACCOs have become common formal loan providers, and have become increasingly trusted. Interestingly, other financial services offered using mobiles are also mushrooming hence fighting for the remaining market share in the region. For decades, these financial institutions have managed to provide saving and loan facilities to their members, and such services are offered to millions around the African region. This has however, been more applicable in the rural regions where banking services are not available. In Tanzania approximately more than 10.6 million residents use SACCOs for their financial needs, while in Uganda such SACCOs are currently recognized as essential players in offering various money services to their customers. In Uganda, there are 10,800 different SACCOs with a total membership standing at 6 million. The only challenge with SACCOs in Africa is that they have no lender of last resort when compared to the commercial banks. This has made these institutions report poor financial reports due to minimal usage of up scaled innovative strategies similar to those that have been employed by credit unions in developed nations. Such organization have however, albeit on a lower scale adopted varied strategies like the use of digital services, mobile options, ATMs, CCTVs among others to ensure improved financial performances.

In Kenya, through fund mobilization, Kenyan SACCOs provide loan services, front office services, deposits, and ensure cheques are cleared (Otieno et al., 2015). However, the most common service and products that are offered by these SACCOs relates to loan and credit services. Most institutions lack the institutional capacity or required capital base to provide other relevant services that financial firms provide. Depending on the type of loan required by a member, its size and repayment period, the interest rates of most cooperatives range between 10% and 18% per annum. When a person applies for a particular loan, the time of approval differs because of liquidity challenges, but usually ranges between 14 to 30 days. The loans are also supposed to be approved and screened by a credit committee (Njenga & Jagongo, 2019). A SACCO is ideally said to be financially sustainable if its processes take minimal time and at rates that are appropriate.

While their operations are vital to the economy and its members, SACCOs also experience challenges, mainly because they often target low earners, and this mandates these firms to establish a balance between meeting their operational costs and adequately serving its members. In Kenya, it is mostly understood that financial institutions' financial performance are measured via the lens of dividend rates paid to the members, and this is never the case. There are SACCOs which pay dividends even when they have made no profit, a move that is against the law. All registered SACCOs are required to pay dividends from their profits, and a SACCO is said to be well placed financially when it has the capacity of ensuring its products ranges are easily expanded, with sufficient funds to offer their services and having an increasing clientele base.

The year 1931 saw the start of the cooperative initiative in Kenya, but SACCOs did their first registration in the year 1964. In the year 1973, the KUSCCO started its operations as an umbrella organization and this operated as an urban credit and saving society in the country. However,

SACCOs have faced insurmountable problems over the period they have been operating, and this has made them not to operate to their full capacity. Some of the problems that the SACCOs face include poor asset quality, limited capital, low profits, poor governance, non compliance and limited or poor liquidity levels.

Njeru et al. (2015) contends that SACCOs in Kenya are important as they are intermediaries in the financial sector, and commonly known to focus the development of individuals. Otwoko et al. (2021) also confirms that these SACCOs are moving in an upscale trajectory, and moving toward the growth regime. These financial institutions operate in almost every sector of the Kenyan economy and approximately 80% of the Kenyan people get their incomes through the provisions of SACCOs. These SACCOs face strong competition from other financial operators like micro-finance institutions, commercial banks, venture and investment firms, including shylocks. The increasing failure of these SACCOs frustrates the MDGs and the objectives of Vision 2030 which require financial inclusion. With the high failure rates of SACCOs less than 50% of the SACCO enterprises take part in ensuring better organizational strategies leading to better financial positions. With these facts at hand, the current study will endeavour to examine organizational strategies that influence tier 1 SACCOs' financial performance.

1.2 Statement of the Problem

SACCOs are critical in ensuring increased economic development. Two thirds of the total Kenyan population benefits from these financial institutions directly or indirectly. For these firms to survive, they ought to record positive financial performances. However, this has not been the case with several SACCOs across Kenya as most continually struggle to survive. A major justification of financial institutions advancement relates to their financial sustainability and profitability.

According to Duncan et al. (2015) in their report on the issues that affect SACCOs financial performance found out that they mostly relate to poor asset quality, inadequate capital, poor profitability, poor governance, non compliance and low liquidity levels. Also, Kivuvo & Olweny (2014) in their research discussed the factors that affect Sacco's financial performance, and concluded that they were limited products and services, weak regulations, poor image and low marketing.

According to Gatimu et al. (2018) SACCOs in Kenya register low loan repayment modalities from their members, and this has been occasioned by lack of guarantors that are suitable, management systems that are poor and low interest charges leading to negative financial results. Most of them lack innovative strategies like the use of information technology, leading to poor services. Their challenges are, therefore, surmountable hence face increased competition from banks which offer efficient services with increased benefits like low charges, less paperwork, minimal collateral needs, fast loan disbursements among many others.

The high rates of failure continually frustrate Vision 2030 objectives and the Millennium Development Goals which regards increased financial inclusion. While the Kenyan government is working towards supporting SACCOs most of them still lag behind, for instance, Mwendu and Kalio (2014) contend that due to mismanagement and minimal internal control strategies SASRA was forced to take up the licenses of various SACCOs like Maono Daima, Green Hills, Transcom and Ufundi. Due to unfavorable levels of liquidity leading to low dividends, poor investment decisions, high loan defaults, diversification and gauging of varied risks on investments and loans, and increased withdrawals of members the licenses of other SACCOs like Jitegemee, Goodhope,

Ainabkoi, Kenya Midland, Wevarcity, Stake Kenya, Jumuika Society, Telepost and Nyamira Teachers were withdrawn by SASRA in the year 2023 (SASRA, 2023).

The increased cancellation of licenses clearly indicates the challenges most SACCOs in Kenya face in managing their liquidity and organizational challenges. Without this research it will not be possible to understand how various factors like membership size, investment decisions, and information technology and risk assessment affect large DT Sacco's financial performance. This is because most studies that have been studied found these variables as being crucial to their survival, hence their increasing failures. However, the studies were not conducted in Nairobi County and most of the samples belong to tier 2 and 3 and include both deposit taking and Non-WDT SACCOs in other counties in Kenya. There is therefore a need to undertake this study which will determine the relationship between financial performance and organizational strategies among large or tier 1 SACCOs in Nairobi County.

1.3 Purpose of the Study

The purpose of the current study will be find out the relationship between organizational strategies that affect financial performance of tier 1 SACCOs' in Nairobi County, Kenya.

1.4 Objectives of the Study

The main objective of the current research was to investigate the factors influencing financial performance of savings and credit cooperative societies in Nairobi County. Specifically, the study guided by the following specific objectives:

- i. To investigate the effect of risk assessment on the financial performance of large deposit taking SACCOs in Nairobi County.
- ii. To determine the influence of information technology on financial performance of large deposit taking SACCOs in Nairobi County.
- iii. To examine the effect of membership size on financial performance of large deposit taking SACCOs in Nairobi County.
- iv. To establish the extent to which investment decisions influence financial performance of large deposit taking SACCOs in Nairobi County.

1.5 Research Questions

- i. How does risk assessment affect the financial performance of large deposit taking SACCOs in Nairobi County?
- ii. How does information technology influence financial performance of large deposit taking SACCOs in Nairobi County?
- iii. What is the effect of membership size on financial performance of large deposit taking SACCOs in Nairobi County?
- iv. What is the extent to which investment decisions influence financial performance of large deposit taking SACCOs in Nairobi County?

1.6 Significance of the Study

The rate of economic growth in Kenya is slow, with the nation struggling with high unemployment, poverty and diseases. The nation still relies on small scale farming practices because it is not yet industrialized, while majority of the population relies on microfinance institutions and rural SACCOs to finance their livelihoods. There is a high probability of SACCOs in helping transform SMEs, and this can only be a reality if these SACCOs realize the various challenges that affect their financial performance. SACCOs are required to engage with the policy makers in finding out the challenges and this will enable them address the current problems facing Kenyans like poverty, diseases while working towards the achievement of Vision 2030 objectives (Maina, 2021).

It is hoped that the current research will help underpin critical factors that affect the financial performance of SACCOs, and this will generally be a great step towards eradicating the challenges the people face. The research findings will assist large deposit taking SACCOs from Nairobi County in discovering better strategies that are critical for their operations and financial performance by working towards improving on factors that have not been implemented in their organizations. The thesis will also be of help to policy makers, service providers and other regulators in the industry to come up with various procedures that will ensure efficient services to members who do not access the commercial banks. The research will also be used as a reference point for other researchers who will be researching on the factors that influence Sacco's financial performance.

1.7 Scope of the Study

The conceptual scope of the thesis was on the organizational strategies influencing financial performance of large deposit taking SACCOs from Nairobi County. The study will make use of

all large SASRA licensed SACCOs from Nairobi County in the period ending January 2023. Its tenet was to understand how the 20 licensed SACCOs risk assessment, information technology, membership size and investment decisions influenced their financial performance. Data was collected from their audited financial reports, and staff members. Data was collected between January and April 2024, and final thesis presented in June 2024.

1.8 Study Limitations

The limitations of the study related to respondents reluctance in offering adequate and honest answers and opinions in relation to the questions asked. This was due to the fact that they thought they would be penalized or their organizations' brand might be painted in bad light.

1.9 Delimitations

During the process of collecting data the respondents were offered an introductory letter which indicated that the work was purely academic and utmost confidentiality was to be considered.

1.10 Operational Definition of Key Terms

SACCO: This is an acronym that stands for Savings, and Credit Cooperate. In regards to the research, this is an association of members who join hands or come together with a common goal of improving themselves economically. The SACCO is managed and owned by its members who also share a common bond.

Financial Performance of SACCOS: In the research, it entails the financial operations of the SACCO, and this is measured in monetary terms.

Risk Assessment: In the research this are methods and process that SACCOs make use of in the process of identifying different hazards, with the aim of trying to understand what might happen If they occur in the firms.

Information Technology: these are various innovations and discoveries, improvements and product development in automation, processes, machinery and information technology. Therefore, these are those critical or improved tools that will ensure enhanced operations in the SACCOs.

Membership Size: these are all members registered by the SACCOs at the end of an accounting period.

Investment Decisions: they describe the various parameters put in place for fund investment, and also identifies the objectives of the investment, risk tolerance or preferences, the available constraints on the portfolio invested, including how the particular investment will be monitored and managed.

CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

The second chapter presents discusses the research variables which are risk assessment, information technology, membership size and investment decisions, and how this variables influence the financial performance of SACCOs. It starts with an empirical literature of the variables and their effect on financial performance, then discusses theories that support the study and they include the theory of human motivation, agency theory and shareholder theory. It also provides a conceptual framework that indicates the independent and dependent variables while closing with a recap of literature review.

2.2 Empirical Review

2.2.1 Risk Assessment and Financial Performance of Large Depositing Taking SACCOs

Risk assessment is a procedure that helps in understanding a firm's objectives while pinpointing the available risks for purposes of finding out how they can be directed. The firm management looks at alterations which exist in environments of an organization which might in the end block its goals (Keben et al., 2018). The different procedures found within risk assessment procedures include identification, analysis and responses according to the framework put in place in relation to acceptable and tolerance risk levels, and other extremity issues like persistence and velocity.

During financial reporting procedures a system of internal control is put in place after being designed to detect errors which come up as a result of falsified information in the financial statements. The whole processes of responding and recognizing the hazards in the business

functions is also part of the system in risk assessment and their outcomes. Management is required to evaluate any likelihood of any risks that come as a result of financial statement preparations for purposes of presenting fair and true pictures in regards to the set down frameworks of reporting. This helps in making critical estimates leading to better financial reporting decisions. A firm's strategy can include how it forecasts and categorizes projections in the financial statements or how records of unrecorded transactions are assessed (Barus et al., 2017).

Loan defaulting is often a serious crime and this ought to be avoided always when possible. When there are defaults on payments this is regarded or considered as a temporary occurrence due to job loss by the client, an increase in expenditure because of an emergency or not planned occurrence or illness, and this is commonly a problem that leads to financial challenges and distress. In rare cases people are known to default because of death on persons who had no insurance or with limited resources left for the family as a whole. Such temporary causes can easily be examined and managed through supervision, and evaluation and monitoring of the project that have been financed by the loan (Kibui & Moronge, 2014).

Training of loan applicants is also important before the loans are disbursed. In nations that are developed for instance in Germany the rate of loan default is low because of the mechanisms put in place to control and manage the levels of loan default. This nation provides loan management training and tips to those with many loans from varied service providers. They also counsel and advice the borrowers and this is important as it helps them in remaining committed towards continual loan repayment. In essence, the process of managing default often takes solid plan to be successful in the long-run (Ndiege et al., 2016).

According to Ali & Oudat,(2020) when financial institutions are evaluating the loan application form, they always desire to understand if a particular applicant is able to repay the loan and hence ensure some form of profit for the organization. Before such a loan is approved, there is a need to understand if a business function is in a position of repaying the amount given with interest within the period given to avoid defaults. The ideas of debt collection are generally expensive and this expense is usually meted on the financial institution. In this regard, banks look at the possibility of the person to pay back the money and the risky nature of the borrowers' business operations and this is a clear indicator of whether the bank will get its money or lose it once given as a loan (Gisemba, 2010).

Loan defaults lead to increased nonperforming assets (NPAs) among SACCOs and many other financial institutions in the region of India. Most banks in the public sector have been messed and this is usually because of the non performing assets. The public sector banks have been found to hold 95% of the default loan accounts. In India, the net non performing assets most of the public sector banks which stand at 26 increased to 2.02% between 2019 and 2020 from a margin of 1.53% in the previous year. This clearly indicates that a lot of money is on the verge of being defaulted. Even those who are able to pay back the money they have borrowed default on the same (Tanui et al., 2022). This is a clear indication of poor governance in the region in regards to the operations of the public sector banks.

In a study by Kibui and Moronge (2014) the authors did a research that looked at the effects of credit risk management on financial performance of harambee SACCOs, and specifically concentrated on control and monitoring methods. The findings indicated that credit risk management can be effective by using insurance, guarantors and collaterals which in the end

manages loan defaulters. It also found out that the use of computerized monitoring processes also are vital in detecting any loans that are overdue early and this helps in reducing credit risks which in the end assists in positive financial performance of a firm. This study made use of descriptive research, and aided by random sampling design in the process of choosing the respondents. Primary data was collected from a total of 178 credit managers through the use of semi-structured questionnaires. Having internal control measures that are favourable enables monitoring of loans leading to appropriate limits of loans to individuals and this also boosts SACCO performance. The research also concludes that credit officers ought to be trained so they can be knowledgeable on issues of risk management and this is crucial in helping the SACCOs to succeed in overcoming any credit risk mismanagement via good monitoring approaches.

2.2.2 Information Technology and Financial Performance of Large Depositing Taking SACCOs

Usually, changes in the technology segment more so when dealing with organizations alter processes and production methods including how businesses are done. Information technology is therefore, important as it helps in the achieving of the laid down objectives by the firm, while others easily threaten a firm's existence (Murage et al., 2018). An organization that is not ready to move in the same speed as the technologies available cannot survive in the long-run. There is therefore a need for financial innovation if they are to not only breakeven but continually be in business. To effectively make use of information technology a company should also ensure that it has invested in its human resources segment. The service or production techniques of a firm depends on its level of innovation, and this can only be true if it decides to embrace technology in line with the changes that are being seen in the market. SACCOs similar to other business functions

also require technology for purposes of innovating their services and products and other operational processes leading to efficiency and convenience. It is vital to note that operational convenience is important as it leads to loyalty of members and increased efficiency and this saves on the resources available in the SACCO and overall financial performance (Nyangarika & Bundala, 2020).

According to Sum & Memba (2016) the level of revolutionization among firms in the financial sector has been great, and this has been made possible by information technology consumption. The mostly used technology among SACCOs and other financial institutions relate to the use of internet for electronic transactions. The different e-financing operations are those that are carried out through the use of the internet like electronic trading, online banking and both help in fast delivery of different products and services. The business world has been altered due to the use of the internet where almost every person is able to access services offered at the touch of a button. The physical presence of a financial institution can therefore not help it getting the access it requires but through new technologies. The industry entry barriers are now low due to the new technologies that make use of the internet, and this helps in lowering the initial investments and costs of transactions. Due to this, new innovations like e-financing are making firms to be competitive. With the availability of such innovations, SACCOs are now working towards turning to e-marketing to easily meet the existing demands of clients while establishing lasting relationships with clients (Macharia & Tirimba, 2018).

Also, SACCOs are required to embrace and modernize their management systems and this is only possible if they adopt new information technology tools in their operations which are able to reduce the costs associated with transactions while improving service quality for all the members. When

the computerized systems are not up to standard efficiency is not achieved in the firms. In their absence, SACCOs will not be able to effectively follow up on delinquencies, write offs, provisioning, including loan aging, and can also not be able to ensure that management applies the laid down principles consistently. Further, most SACCOs make use of spreadsheet systems in tracking their accounting information and this is usually achieved manually. Even with SACCOs that are using computerized systems these options are not usually integrated in both their back and front offices. As an exception, however, large SACCOs maintain off the shelf software including systems that are customized to ensure they operate efficiently (Nduati & Wepukhulu, 2020).

The main issue that constraints the adoption and use of computerized systems among SACCOs relate to their limited capacity. Research indicates that most Micro finance firms and SACCOs still lag behind in using modern systems and this slows their operations. Unlike banks, which are working towards embracing new technologies in their operations for instance the use of mobile banking which improving their software systems, SACCOs have been slow in ensuring that new technologies are adopted in their operations. Through the Ministry of Cooperatives, the 2022 policy document shows that most SACCOs are not yet computerized while others are using few computer tools that aid in their operations but not in ensuring better service delivery to the clients. They should, therefore, work towards working together with other ATM service providers, more so those working privately and those that have country-wide network. Both internet banking, telephone banking including the use of ATMs has been known to automate delivery services and these are important in ensuring improved financial performance (Macharia & Tirimba, 2020).

Information technology can easily reduce the costs of transactions, improve communication, ensure timely access to usable data, bring about new information on opportunities in the market

and also ensure better collaboration between parties. The rate at which technology is adopted and its applicability among SACCOs is low and this is generally because of increased conservatism, ignorance and the related costs to put up and maintain (Macharia & Tirimba, 2018). It is vital to note that information technology is an important tool for improving services among financial institutions and ought to be applied among financial institutions like SACCOs. The financial sector has further been revolutionized by the entrance of mobile operations which aid in banking from mobile phones. For instance, in Kenya, Mshwari has become common among clients and led to increased loan applications by 50% by the year 2022. Recently, KCB and Family Banks started using M-Benki a mobile-based banking innovation that is similar to Mshwari and has seen increased member enrollment and better financial performance as a whole.

For purposes of competing in the local arena and other domestic regions, SACCOs and other financial institutions need to start making use of information technology. The SACCOs are also required to start looking for other new ways which will help them in financing their operations and not only rely on the deposits given by the members. Some of the financial innovations that have been adopted in the past by SACCOs include institutional innovation, product innovation, and process innovations (Macharia & Tirimba, 2018). While both are crucial, product innovation has been found to have had the greatest financial performance impact when considering SACCOs.

2.2.3 Membership Size and Financial Performance of Large Deposit Taking SACCOs

A SACCO member is an individual that willingly joins a particular SACCO. This person is usually required to fill some forms that indicate membership and once accepted pay some fee for membership where applicable. The members also have some type of bond and this can either be productional or occupational (Njeru et al., 2015). With this type of characterization, the SACCO

becomes an institution that has people who come from a particular place or those who work towards fulfilling some tasks that are similar hence have a similar agenda which helps them in enhancing their lives in the economical sense. Shares in the SACCO form part of the assets of the members, and the number of shares can dictate the total amount of money they can borrow at a particular time or period. In Kenya, the members are also required to make monthly contributions, and SACCO contributions are generally refundable and this follows after the laws and regulations that govern a particular SACCO. In most cases, shares are only transferable to other members but never refunded, and this helps the SACCO from having any losses while ensuring that dividends are available for the members in an annual basis.

According to Mwangi & Ombui (2018) the ability for SACCOs to generate income fully depends on their progress, and this is achieved from the member deposits. When the members are many, the ability to make financial progress increases. Most Sacco's record increasing number of member withdrawals and this can be due to poor services. They have the mandate of teaching their members how to make more incomes from other business operations and also ensure that they are well educated on the ventures to take to increase their productivity. In most cases shares in the SACCO act as collateral for the various loans that they have taken. The members also get an opportunity of having regular savings and this is the pool that ensures regular borrowing. They are given favorable rates due to their membership than those that are already being offered in other financial institutions.

Membership size is thus a critical factor that impacts financial positions of SACCOs. It is thus true to say that those SACCOs that have many members have the ability of accumulating increased amounts of money as their working capital, and end up offering large loan amounts when compared

to those that have few members at their disposal. Also, large number of members allows for huge loan amount issuance and this is also important as it helps them in getting increased amounts of interests in the long-run leading to better financial positions (lukhanda Shibutse et al., 2019).

In Kenya, SACCOs are required to close their business operations if they do not meet the required threshold of membership. For one to be registered it has to have 30 people and above with a 10 million capital adequacy. Their investments are also not required to exceed 10% of all their assets, while 15% of their assets are required to be liquid for purposes of offsetting the required liquidity needs and requirements. They are also needed to make provisions for any losses from loan defaults, and this is a similar fate for both banks and other financial institutions. Despite their growth, SACCOs in Kenya have been having increasing member withdrawals and this has been due to increased number of financial losses from these SACCOs (SASRA, 2022).

According to SASRA (2023) membership of SACCOs offers a source of business hence their economic stability and viability. However, when the SACCOs begin business, the founders are often interested with people from the same locality or those pursuing similar occupations. This is important as it ensures that all the members have similar goals and interests in relation to the affairs of their organization. Recently, due to the fear of losing their savings, members have had to withdraw from different SACCOs and this has been due to the increased levels of corruption. Further, SACCOs have been facing increased competition because their members are now looking for services from the commercial banks. This has been the case notwithstanding the increasing number of memberships and loan applications. The reason behind this is that most SACCOs have registered low capital base and this hampers their service delivery.

Onsase et al. (2013) studied the impact of performance management practices of SACCOs. The findings indicated that effectiveness and efficiency influenced better practices. The study also found out that performance management easily affected the SACCOs memberships. Mostly, members' concerns relate to how their savings are managed so that they can be guaranteed for future benefits like loan access. However, when management practices are not proactive leading to increased benefits members withdraw from these SACCOs. The member loyalty is therefore determined by the modes of payment, interest rates of the loans taken and product variety. Loyalty is key in ensuring increased number of members and better financial performance of these SACCOs.

2.2.4 Investment Decisions and Financial Performance of Large Deposit Taking SACCOs

Larrain and Stumpner (2017) contend that efficient capital allocation is a critical part of financial functions today. This often involves committing the funds in an organization towards being long-term assets. It is crucial to understand that decisions made in regards to investments in a firm are important because they determine the value of the firm. However, these decisions require more attention as they influence an organizations growth in the long-term, they involve commitment of increased amounts of funds, they often affect company risks, they are among the difficult to make and they are reversible or irreversible during losses.

Cooperatives have failed and this is because they lacked a market-driven technique which was crucial for their competition. They thus need to have a competitive advantage via financial and operational efficiency, professional management, competitive pricing and high quality products. Bernal-Jurado et al. (2021) in a study which incorporated cooperative directors and managers found out that directors and owners usually made various decisions that were personally instigated

as opposed to prudent economic decisions. In the research, participants were of the view that director's occasionally made decisions that were purely for their own benefit and good at the expense of their cooperatives. In the end governance issues are too exaggerated in SACCOs when compared to corporations.

Also, Otwoko and Maina (2021) in their study found out that Saccos are free to undertake any financial investment they desire because the shareholders or members are at liberty to respond to the decisions made by the management proposals through increased access to finance. Shareholders allowed to increase their investment capital and this is possible when they engage with commercial banks.

Chelangat and Mutai (2021) opines that the annual meetings that are held with delegates should be blamed because they are the ones that have the power of approving the varied investment activities. According to Mwanja (2021) non profitable investments ought to be discouraged and this is because even with the massive investments done on such projects there are always no returns and this reduced the total capital base.

There is therefore a need for an amended law to strengthen the ministry acting as a regulatory. There should be prohibition of investments that related to the objectives of the firm (Otwoko et al., 2021). Cooperatives are known to be complex social firms that have varied interests and mostly focusing on inclusive forms of decision making. The shareholders in SACCOs desire more than attending the meetings but get involved in the investment decision making process. In this regard, clarity of purpose, participation by the members and competent forms of leadership is required in ensuring successful operations by these firms (Mursoi et al., 2021).

2.3 Theoretical Framework

2.3.1 The Theory of Human Motivation

This is Maslow theory whose paper was in the form of a pyramid where basic needs like breathing, sleep and food being placed at the bottom (Maslow, 2019). They are the known physiological needs and simply physical requirements that humans need for their survival. They are usually thought to be the most crucial for humans hence ought to be met or provided first. The need or formation of SACCOs was first due to the needs of human beings, and in this case their basic requirements. Shortage of such basic needs more so among the poor led to the financial institution formation leading to SMEs creation. It is vital to note that empowerment is usually a critical and transformative process when dealing with human existence, and this entails moving from a powerless state towards control over an individual's existence. In this regard, a person takes control of his or her destiny while using the existing environment to achieve sustainable improvement through better living standards. SACCOs thereby, came up as a tool that is vital in ensuring community empowerment through the alleviation of poverty, and this is what that surround the whole empowerment theory.

Empowerment theory is a crucial approach that is used as an alternative due to the collapse of the mainstream development theories, and used to address the issues of poverty more so in developing nations because they usually focus on industrialization, growth and urban bias which holds promises of good living conditions for those that have been excluded in the society (Bernard et al., 2005). This is a situation that led to the poor in the society to have minimal resources and often trapped in vicious poverty life cycle. In this sense, empowerment became the most common word in international and development agencies with most topics lingering on awareness, power

relations, poverty alleviation, control, empowerment and development. The literature contribution of development theory more so on development itself cannot be easily overemphasized taking into account the increased number of microcredit and microfinance initiative that have been started across the globe, and their influence and impact among the locals.

Therefore microfinance organizations or institutions despite their many challenges have become an alternative route towards development. This has allowed motivation theory a good approach of bottom up in regards to development as it easily manifests its power convergence from top to bottom up autonomy. In the end, they better their lives as a whole in manners that are sustainable (Healy, 2016).

The contribution of this theory on performance is clear while taking into account the increased number of microcredit initiatives and microfinance organizations around the globe, and their impact on the local communities. One example of the theories success relates to Grameen Bank in Bangladesh, and its message has been trickled down to other nations that are developing where self help organizations have come up in regions like the Susu's in Ghana, India, SACCOs in Tanzania and all these have been working towards helping the rural poor people. Therefore, microfinance firms have developed despite the many problems. This makes motivation theory an approach that is perfect that ensures bottom-up development for the people in the local communities.

2.3.2 Agency Theory

According to Shapiro (2005) the agency theory is often used to resolve and explain arising issues between agents and business principles. Usually the relationship the two share is between agents,

company executives, and shareholders who are seen as the principals. In the broader sense, an agency is that relationship that has been created between two different individuals or parties, where one, who is the agent has the power of representing another, and in this case the principal who deals in the daily operations. Commonly, the principals or principal have the mandate of hiring the agent who is required to perform various services on their behalf. Principals have power and delegate decision making mandate to the agents. Because agent decisions can impact the principal there can arise differences in interest, opinions or priorities. The agency theory often assumes that principals' interests and those of the agents do not align leading to the problem of the two (Shogren et al., 2017).

An agent makes use of the resources provided by the principal. While the principal offers financial support or provision they are not entrusted with the daily operations input (Lan & Heracleous, 2010). The agent is made to be the sole and major decision maker but often incurs minimal loss or risk and this is because all the losses that have been incurred are borne by the principal. Portfolio managers and financial planners are usually agents that work under and on behalf of their principals hence offered the responsibility of looking at the assets of the principals. Similarly, a lessee can be given the authority to take care of assets that are not theirs even if the lessee is tasked of looking or taking care of these assets they have limited or less interest in protecting the products when compared to the owners.

In the current research agency theory is of great importance as it directs the independent variables of risk assessment, membership size and investment decisions. It ensures controls in the financial institutions as it ensures controls are in place to safeguard both the institutions and their members.

Internal controls are crucial to better services and improved management that relate to the agency problems that exist among firms.

2.3.3 Shareholder Theory

Shareholder theory contends that the responsibility and major duty of any corporation is to ensure maximized profits for all the shareholders involved (How et al., 2019). This is usually the main and conventional view of any corporation that is under operation because individual purchase shares from an organization for purposes of earning maximum profits from such establishments. If a firm would operate and do other things that are not associated with increasing profits, the shareholders will work on ways of doing away with the board of directors or have their shares sold for purposes of using such funds to purchase shares from other organizations are mostly committed towards earning profits.

Shareholder theory holds that organizations work with the aim of maximizing their shareholders' dividends/returns (Mansell, 2013). The management has an ethical duty to the company owners in regards to the generation of revenue and increased value. Also, it should be understood that a corporation is not required to engage in philanthropic operations and this is because that is never its intended purpose. Instead, it ought to ensure dividends are delivered to the shareholders who in turn have the option of donating this money as they wish to other philanthropic ventures when they choose to do so. The only instance where the corporation might be allowed to donate some of its money is when the amount given brings about a benefit that is approximately similar or above the amount that has been donated. When there are few shareholders in existence in a firm, any attempts by the managers to engage in philanthropic operations can easily lead to problems among the shareholders if they are all not in support of such moves. Markets are often regulated by hands that

are not seen, hence invisible, and this assists markets to self-regulate while SACCOs work towards gaining more profits as they benefit the societies they cover. This theory thus anchors financial performance which is the study dependent variable.

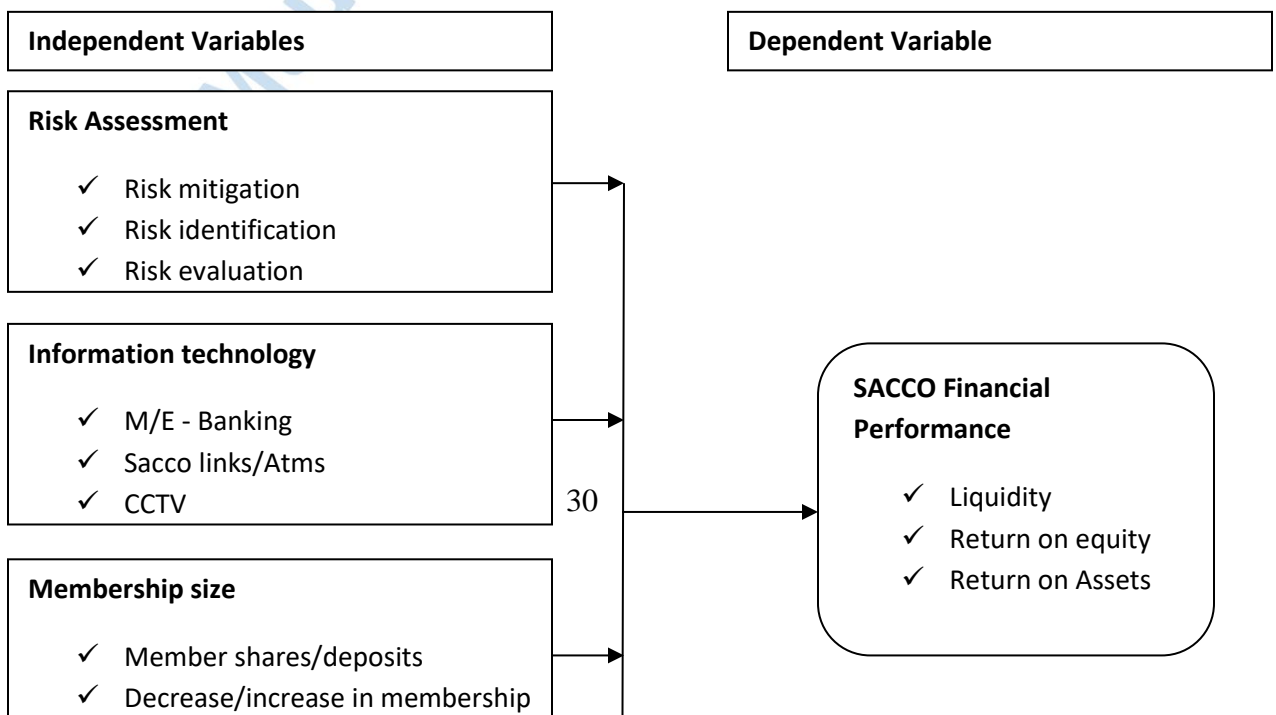
2.4 Conceptual Framework

A SACCO does need an investment committee that is well established, and which has the mandate of participating in investment matters or decisions with the involvement of the stakeholders. Investment decisions that are commonly made are based on risk management, similarly, SACCO's management is required to be insightful in coming up with their own long and short term investments. However, most of these firms do not take seriously the issues of product innovation as part of their investment portfolio.

Further, workplace safety attitudes are those initiatives that are undertaken by employees when negatively or positively responding to an idea, plan, safety goal, situation, prevention or procedure. Safety attitudes often influence the choices of employees and responses to challenges, rewards, and incentives in their workplace. Also, members of Sacco's often gauge its performance by the total number of days that are taken to process loans. This has enabled the firms to have less response times more so when dealing with emergency loans which take even a day to be processed. When there are delays in processing of loans the borrowers grow impatient and this makes such individuals to move to other financial institutions where they are able to receive timely services.

It should also be noted that defaulters of loans are institutions or persons who in the long-run fail to honor their obligation after borrowing money from a financial firm. A loan default in all ways is always an expense to the person lending regardless of its insurance status. When loans are

insured, the insurance premiums become a burden, and when not insured the firm loses the amount loaned. When organization tries to collect debt, this also becomes an expense through the call for a debt collector. If firms are in a position or limited or eliminating default rates or ensure they are reduced by a higher percentage, then they can easily increase their financial performance and financial services easily. For Sacco's they have put in place regular counseling and training sessions for the borrowers to ensure constant payments from them.



Source: (Research 2024)

Figure 1: Conceptual Framework

2.5 Recap of Literature Review

In Kenya, SACCOS are a major source of social and economic development. Those that are operating have in the past experienced several challenges in their operations, and this is partly because they target clients in the low-earning bracket. Increased amounts of research have been undertaken in regards to the challenges and solutions to the problems that are associated with such establishments, while others have looked at factors that influence SACCO financial performance.

The literature review provides information that indicates mixed results and this is in relation to the financial performance of SACCOs. Even if these firms or establishments are regarded as the major tools that are required to eliminate or alleviate poverty from individuals and communities alike, there are several constraints that impact their sustainability and performance. The review has clearly indicated that the loan interest rates usually determine its cost. Most members from the

SACCOs are people who are regarded as low income earners and this makes it hard for them to pay high interest rates on their loans. Also, it is clear that the SACCOs are required to charge interest rates that are affordable if they are to alleviate poverty. The issues of poor loan repayment have become a challenge for SACCOs and this has affected their expansion and growth not only in Kenya but in Africa as a whole. Long term loans are becoming expensive to the borrowers and this makes individuals to go for short term loans so that they can be able to finance recurrent expenditure. It has been reviewed that in the event that borrowers are able to repay back their loans within the time frame given, SACCOs will have the required financial strength to finance their loan applications.

Microfinance institutions and SACCOs alike are usually formed so that they can be able to meet the financial constraints and demands of the poor and marginalized people. SACCOs that have such enrolments have been found to have challenges when it comes to their growth and overall financial sustainability. With the operating regulations currently, SACCOs are to take deposits from all its members, and for them to operate optimally the SACCOs need to have increased number of members who have stable forms of income. Most financial institutions have challenges in processing loan applications and this has usually led to impatience among the borrowers. When processing of loans takes time, this is sometimes due to internal activity coordination like checking files of the applicants while collecting a person's credit history. Loan default has been indicated as the biggest obstacle that affects financial performance of most financial firms more so in developing nations like Kenya. However, there are new systems that have been put in place that are able to manage loan default and this has never achieved the desire to have 100% loan repayments. Finally, the review established that such financial institutions have started giving out

training, counseling and advice to their borrowers so that they can be able to continue with their payments even when they are in distress.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The second chapter discussed studies in relation to the organizational strategies and financial performance of SACCOs. The third chapter considers the methodology that was applied to carry out the research, specifically, it offers the methodological approaches that was be used in the event of undertaking the research. It indicates the research design, methods of collecting data and data analysis.

3.2 Research Methodology

The thesis made use of a descriptive research design as it allowed for increased amounts of data to be collected. In the end, it helped in collecting both qualitative and quantitative data while handling the research objectives. Specifically, it helped the researcher to get answers to various questions and in this regard the what, where, when, and how from the research problem as opposed to the why (Abbott & McKinney, 2013). The method was crucial as it enabled the researcher to get systematic and accurate data.

3.3 Research Design

The independent variables included risk assessment where the researcher considered the samples' risk identification, risk evaluation and risk mitigation. In this regard, the research considered how these variables are handled in the organizations and their influence on financial performance. Secondly, the research considered information technology as the other independent variable where considerations of CCTV usage, atms/sacco links, mobile and e-banking were considered and

evaluated on their impact on financial performance. The third independent variable was membership size where the research considered member shares and deposits, member increase and decrease including their total numbers to understand how they affect or impact financial performance in the SACCOs. Lastly, the research used investment decisions as an independent variable with considerations put on stakeholder involvement, investment committee usage, and involvement of both short and long term investment as parameters to consider in understand how they impact financial performance.

3.4 Location of the Study

The research was conducted in Nairobi County, Kenya. This is the capital of Kenya, and an urban core where most of the large SACCOs have their headquarters. It is among the 47 counties of the nation, known to be the most populous and third smallest, and has an approximate population of 4,397,073 by the year 2019 (Asatsa, 2020).

3.5 Target Population

Target population relates to a whole population or group that a researcher desires to research and analyze. A sampling frame is later drawn from this group (Zhao et al., 2013). Most of the time researchers make use of the words ‘population’ or target population and both have the same meaning. In the current study, the population involved employees of large deposit taking SACCOs from Nairobi County. According to SASRA (2023) licensed tier 1 SACCOs from Nairobi County was only 20 as indicated in appendix VI. There were 4 units of inquiry which included head of departments in finance, audit, credit and administration.

3.6 Sampling Procedures and Techniques

The research made use of all the 20 large deposit taking SACCOs in Nairobi County through the use of a census approach. Mugenda and Mugenda (2013) contend that when the number of a population is below 100 a census approach is appropriate where all the subjects under investigation are considered. This method was used because it provided accurate and exact results in regards to the information collected from the respondents. It is also a technique that has low level chance of an error leading to high accuracy (Kothari, 2004).

3.7 Sample Population

From the 20 large deposit taking SACCOs that were investigated as indicated in appendix VI, 80 respondents were required to fill the questionnaires. Every SACCO had four units of inquiry from different offices which included head of departments in finance, audit, credit and administration.

3.8 Construction of Research Instruments

The researcher presented an introductory letter to the respondents before they accepted to partake in the investigation. This helped in understanding that the research was purely for educational purposes only, and utmost confidentiality was to be adhered. The research tools as indicated in appendix II has four sections and both have open and closed ended questions. The first entails the background information of the respondents. Here they are asked about their personal information like age, gender, education, and their branch membership. The second segment starts with the first objective which is risk assessment and offers statements and uses a likert scale to help the respondents identify with risk assessment information and how it relates to financial performance in their SACCOs. The third segment deals with information technology, while the third looks at

investment decisions. Appendix III considers the dependent variable financial performance and here it denotes various mathematical measures like liquidity, return on asset and return on equity. The independent variable membership size is also denoted in appendix III with measurements of savings and deposits, members and interest charged between the periods of 2017 to 2021.

3.9 Testing for Validity and Reliability

Validity was achieved through expert opinion from the supervisor, and he was able to help in improving the work through giving of corrections. The reliability of the questionnaires, on the other hand, was checked using the test-retest method. Here, the researcher gave 10% of the questionnaires to other SACCO members who are not participating in the research, and these will be from those in tier 2 and 3 at random. After two weeks similar questions will be offered to the same respondents and calculate the scores from the sets through the use of the Pearson product moment correlation coefficient.

3.10 Data Collection Methods and Procedures

The research used a mixed method approach, and this used both secondary and primary data for purposes of answering the research question. Primary data was obtained from the quantitative survey in the process of collecting data from the population. Also, secondary data was collected from content analysis which will involve publications and financial reports from SASRA where Sacco's performances are recorded.

3.11 Proposed Data Analysis Techniques and Procedures

Data analysis made use of SPSS in the process of obtaining both inferential and descriptive statistics for purposes of discussing the study findings. Research data on differential analysis on

Sacco's financial statement was analyzed to identify any dispersions and changes in trends under analysis. Inferential statistics used regression and correlation analysis which indicated the relationships between the independent and dependent variables. The multiple regression model was also used to indicate the relationship between the variables in the study. The model used was:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + i$$

Y = Financial performance

β_0 = the Y intercept

X1 = Risk Assessment

X2 = Information Technology

X3 = Membership Size

X4 = Investment Decisions

i = the error term (normally distributed)

After analysis, the data was presented through the use of tables and later summarized in proportions and percentages.

3.12 Ethical Considerations

There was a need to be cleared by the Ethical Review Committee (ERC), and get an introductory letter so that applications are done for clearance from NACOSTI for purposes of collecting data. This aided in data collection from the SACCOs. There was also a need to get an informed consent from the SACCOs management and this ensured a free environment during the exercise of collecting data. Once the research is complete all the questionnaires were kept for future reference or in case they were needed.



CHAPTER FOUR

DATA ANALYSIS, FINDINGS, AND INTERPRETATION

4.1 Introduction

This chapter presents the analysis, findings, and interpretation of the data collected. The study aims to assess how organizational strategies affect the financial performance of large deposit-taking Savings and Credit Cooperative Societies (SACCOs) within Nairobi County, Kenya. The analysis is structured according to the study's key objectives, which are:

- i. To analyze the impact of risk assessment practices on the financial performance of large deposit-taking SACCOs in Nairobi County.
- ii. To assess the role of information technology in enhancing the financial outcomes of these SACCOs.
- iii. To evaluate the influence of membership size on the financial health of large deposit-taking SACCOs.
- iv. To examine the effect of investment decisions on financial performance.

4.2 Response Rate

A total of 68 questionnaires were distributed to representatives from SACCOs, and 56 were returned, resulting in a response rate of 82.4%. According to Edwards et al. (2002), a response rate under 60% is insufficient, while 60%-80% is acceptable, and anything above 80% is considered excellent. Thus, the achieved response rate was sufficient to ensure robust data collection. Table 1 below summarizes the response rate across departments.

Table 1 Response Rate

Department	Sample Responses		Response Rate
Finance	17	14	82.4%
Credit	17	13	76.5%
Audit	17	15	88.2%
Administration	17	14	82.4%
Total	68	56	82.4%

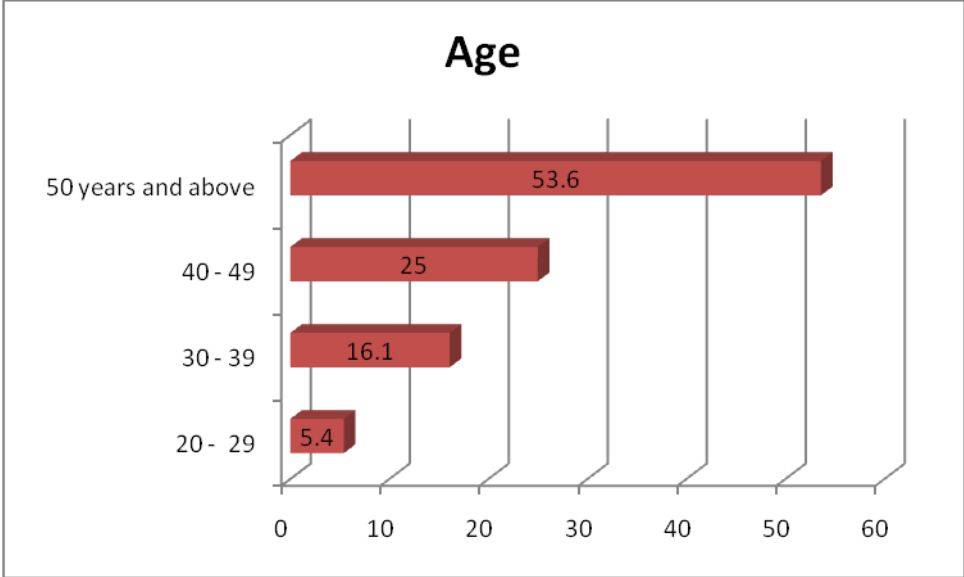
Source: (Research 2024)

4.3 Demographic Information

The demographic information covers the age, gender, years of service within the SACCOs, the current size of membership, the duration the SACCO has been operational, and an approximate loan portfolio of each SACCO for the last 12 months.

4.3.1 Age of Respondents

As shown in Figure 2, the majority (53.6%) of respondents were aged 50 years or older, followed by those aged between 40 and 49 years (25%). A smaller portion fell within the age brackets of 30-39 years (16.1%) and under 30 years (5.4%). This indicates that most department heads at these SACCOs are experienced professionals who have likely accumulated expertise across various sectors, enhancing their ability to address the research questions effectively.

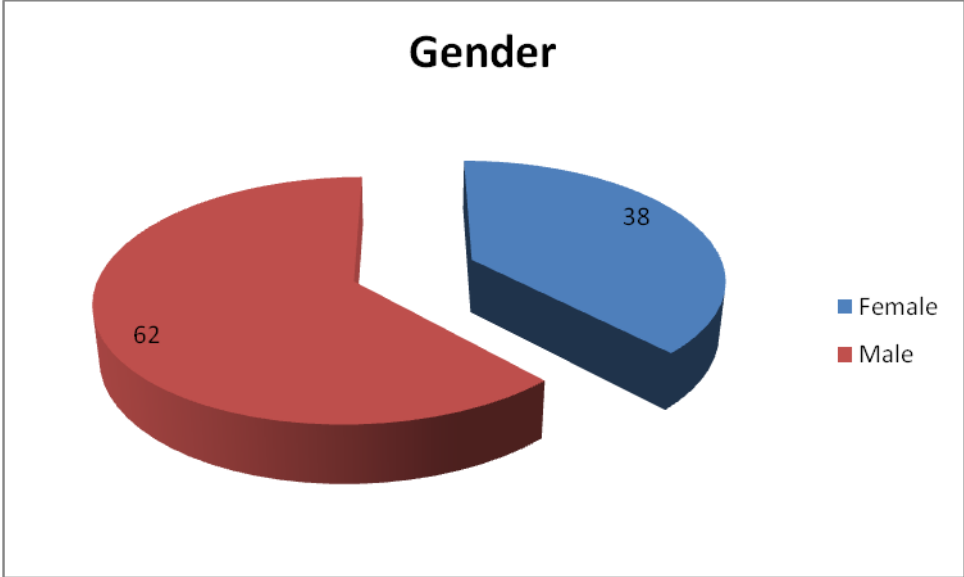


Source: (Research 2024)

Figure 2 Age Bracket of the Respondent

4.3.2 Gender Distribution

Figure 2 displays that 62% of respondents were male, while 38% were female. This reflects a predominance of male leadership among Heads of Departments within the SACCOs surveyed, possibly indicating gender disparities in high-level roles within these organizations.

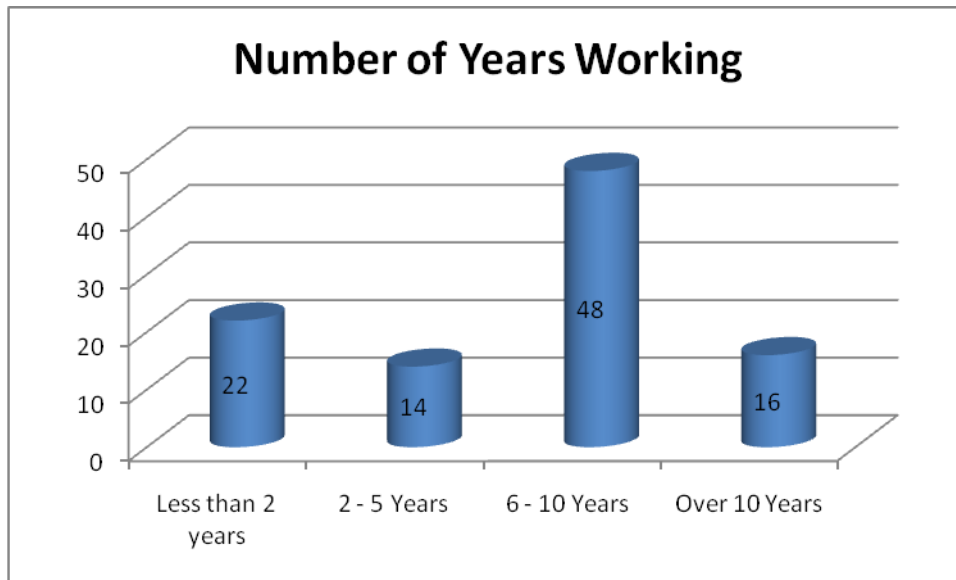


Source: (Research 2024)

Figure 3 Gender of the Respondents

4.3.3 Years of Service

The analysis in Figure 3 shows that 48% of respondents have worked within their SACCO for 6-10 years, while 22% have been employed for less than 2 years. Those with 2-5 years of service comprised 14%, and those with over 10 years constituted 16%. This trend suggests that the majority of department heads have spent considerable time within their SACCOs, thus possessing a comprehensive understanding of the internal control systems and organizational strategies.

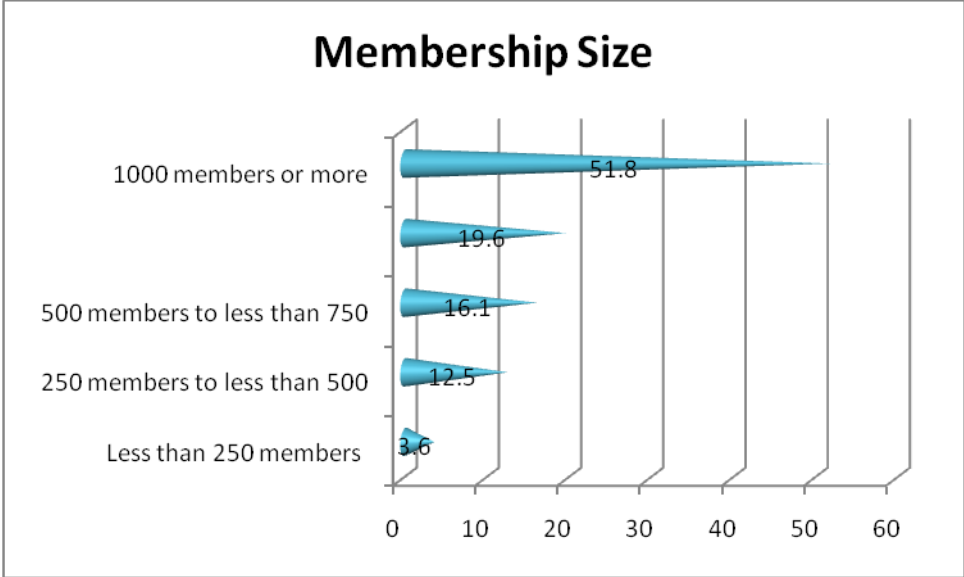


Source: (Research 2024)

Figure 4 Number of Years Respondents Have Worked In Their Respective SACCO

4.3.4 Membership Size

Figure 5 reveals the distribution of membership sizes, with the largest proportion (51.8%) representing SACCOs with 1,000 or more members. The remaining respondents indicated membership sizes as follows: less than 250 members (3.6%), 250-499 members (12.5%), 500-749 members (16.1%), and 750-999 members (19.6%). This data implies that most SACCOs surveyed are large enough to require sophisticated control systems in alignment with their extensive membership.

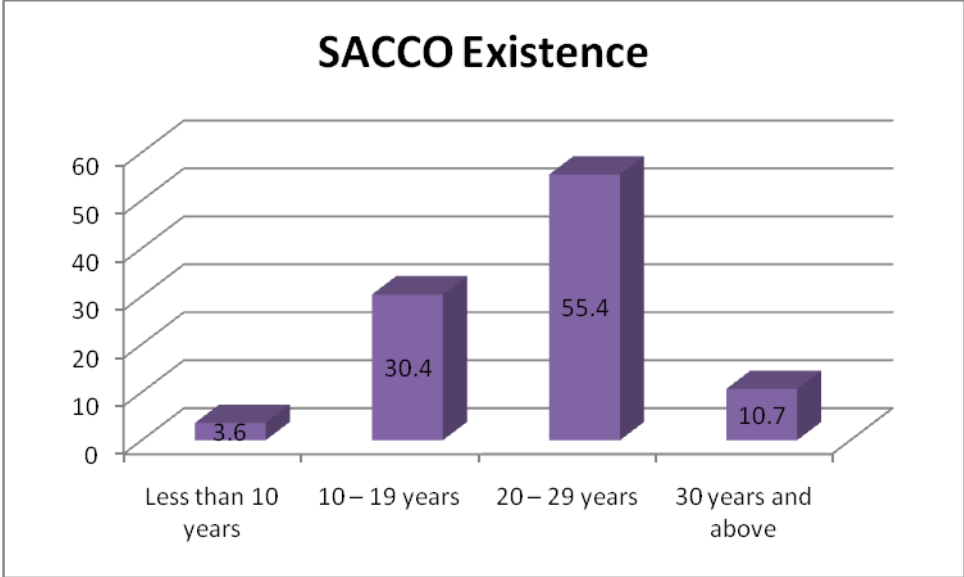


Source: (Research 2024)

Figure 5 Current Size of the Membership at Respondents' Branch

4.3.5 SACCO Duration of Operation

Regarding the duration of SACCO operation (Figure 6), 55.4% of respondents indicated that their SACCO had been operational for 20-29 years, 30.4% reported 10-19 years, 10.7% indicated over 30 years, and only 3.6% stated less than 10 years. This longevity suggests that most SACCOs in Nairobi County have established systems and practices capable of addressing strategic financial challenges.

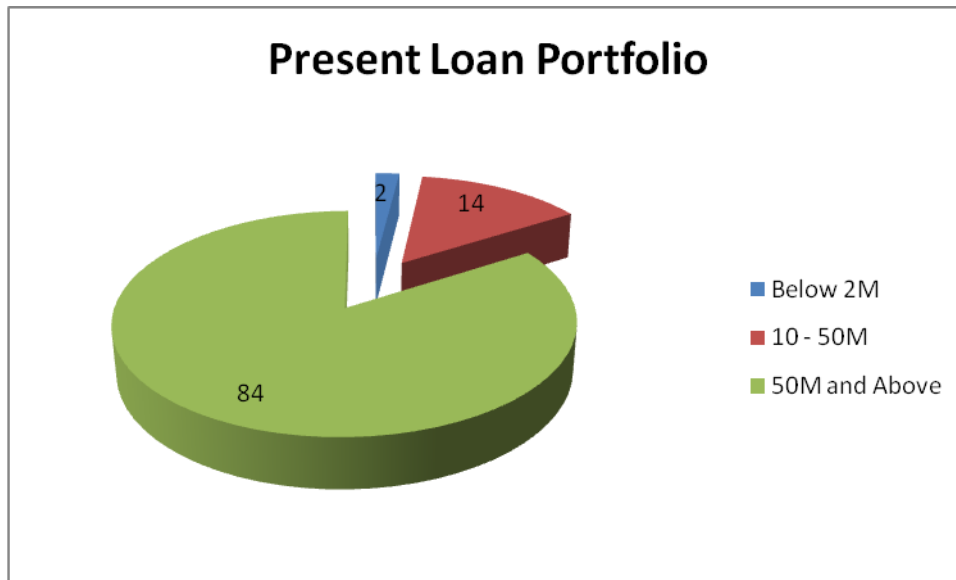


Source: (Research 2024)

Figure 6 Duration the Respondents’ Respective SACCOs have been in Existence

4.3.6 Loan Portfolio in the Past 12 Months

As indicated in Figure 6, 84% of SACCOs reported a loan portfolio exceeding KES 50 million in the past year, 14% had portfolios between KES 10 million and KES 50 million, and only 2% had less than KES 10 million. This substantial loan portfolio size underscores the need for stringent internal control systems to manage financial risks effectively.



Source: (Research 2024)

Figure 7 Approximate Figure of Respondents' Current Loan Portfolio (KES) in the Last 12 Months

4.4 Diagnostic Tests

4.4.1 Test for Normality

Normality tested using the Normal Q-Q plot, Kolmogorov-Smirnov, and Shapiro-Wilk tests. Data points aligning closely with the diagonal line on the Q-Q plot suggest that data distribution is approximately normal (see Figure 8). As per Kolmogorov-Smirnov and Shapiro-Wilk tests, the variables tested showed p-values above 0.05, indicating that the data normally distributed as shown in table 2.

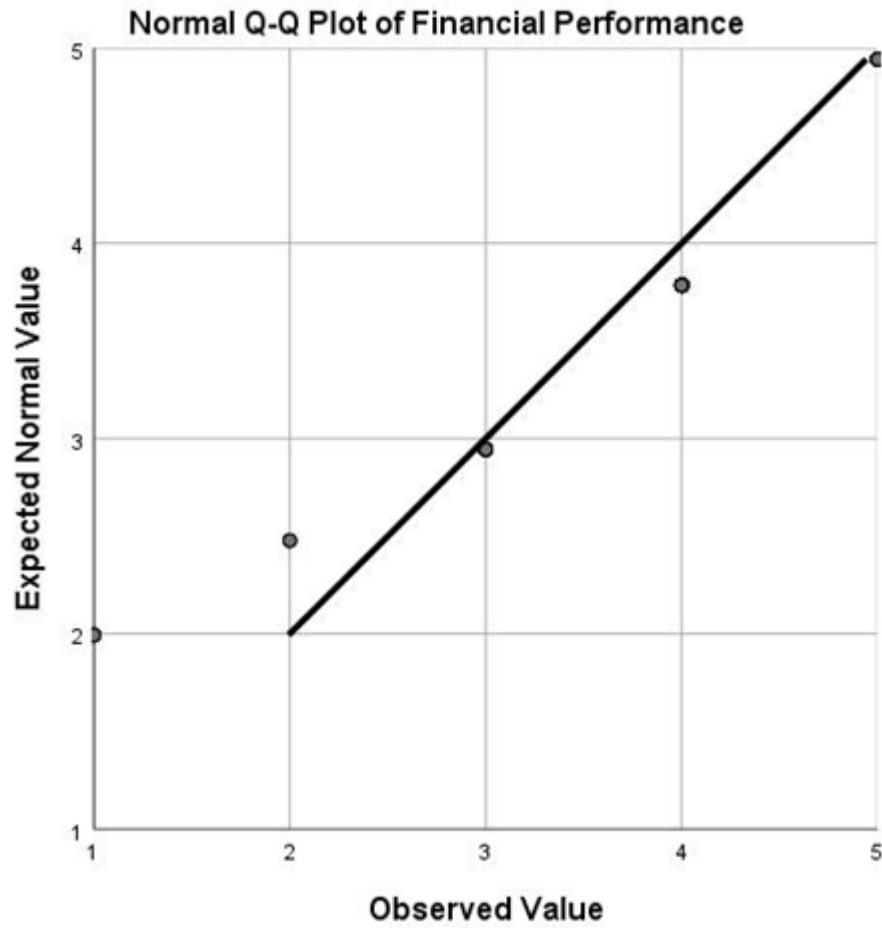


Figure 8 Normal Q-Q plot

Table: 2 Normality Test

Variable	Kolmogorov-Smirnov	Shapiro-Wilk
Investment Decisions	0.143	0.894
Membership Size	0.227	0.781
Control	0.241	0.807
Risk Assessment and Management	0.254	0.797

Variable	Kolmogorov-Smirnov	Shapiro-Wilk
Information Technology	0.167	0.862
Financial Performance	0.266	0.783

Source: (Research 2024)

4.4.2 Test for Multicollinearity

Table 3 illustrates multicollinearity results using Tolerance and VIF values. No VIF exceeded 10, with values ranging from 2.222 to 4.167, indicating minimal risk of multicollinearity. The results suggest that the predictors are independent, providing stability to the regression equation.

Table 3 Test for Multicollinearity

Variable	Tolerance	VIF
Investment Decisions	0.430	2.326
Membership Size	0.250	4.000
Control	0.240	4.167
Risk Management Control	0.390	2.564
Information and Communications System	0.450	2.222

Source: (Research 2024)

4.4.3 Test for Homoscedasticity

Homoscedasticity evaluated through the Breusch-Pagan test, which examines variance consistency across variables. A p-value of 0.567 (Table 4) was obtained, which is greater than the chosen significance level, indicating homoscedasticity. This consistency supports the reliability of the regression model.

Table 4 Breusch - Pagan Test for Homoscedasticity

Statistic	Degrees of Freedom	p-Value
0.567	1	0.742

Source: (Research 2024)

4.5 Risk Assessment and Financial Performance

This section presents a thorough analysis of risk assessment practices within large deposit-taking SACCOs in Nairobi County and their effects on financial performance. Effective risk management is critical for SACCOs, as it helps to mitigate potential losses, maintain financial stability, and promote trust among stakeholders. The analysis here uses descriptive statistics to examine the extent of risk assessment and management control measures implemented across respondent SACCOs.

The data, summarized in Table 4.8, illustrates how each element of risk management contributes to the overall financial performance of SACCOs. Each factor's distribution is presented in percentages, with the mean reflecting the central tendency and the standard deviation showing the variability of responses. A high mean score (closer to 5) on a 5-point Likert scale indicates stronger agreement among respondents on the significance of each risk assessment factor.

Table 5 Risk Management Control and Financial Performance Summary

Factor	Very Good (%)	Good (%)	Likely (%)	Neutral (%)	Not Likely (%)	Mean	Std. Dev.
1) The SACCO is always prepared for risks	41.1	41.1	8.9	0.0	8.9	4.054	1.140
2) There is a risk management team	78.6	10.7	10.7	0.0	0.0	4.679	0.658
3) Risks are identified in time	51.8	32.1	12.5	0.0	3.6	4.286	0.939
4) There are risk evaluation procedures to inform preparedness and decision making	32.1	50.0	10.7	5.4	1.8	4.054	0.895
5) The SACCO has an effective risk mitigation mechanism	46.4	30.4	1.8	8.9	12.5	3.893	1.397
6) Risks are always controlled	44.6	41.1	10.7	0.0	3.6	4.232	0.906
Average	49.1	34.2	9.2	2.4	5.1	4.199	0.989

Source: (Research 2024)

The following key factors were evaluate

The findings reveal that 41.1% of respondents strongly agree, and another 41.1% agree, that their SACCO always prepared for risks, yielding a mean of 4.054 and a standard deviation of 1.140. The high mean suggests a high level of agreement on the importance of risk preparedness as a preventive measure. Effective risk preparedness entails establishing protocols to anticipate and respond to potential financial threats, which in turn strengthens the SACCO's financial health. This readiness allows SACCOs to address unforeseen risks without significant financial disruption, thereby ensuring continuity and stability in their operations.

A notable 78.6% of respondents strongly agreed that their SACCO has a dedicated risk management team, with a mean of 4.679 and a standard deviation of 0.658, reflecting a robust risk management structure. The presence of a specialized team indicates the SACCO's proactive approach in identifying, analyzing, and mitigating risks. The role of this team is instrumental in overseeing risk-related matters, ensuring that potential threats to financial performance effectively managed. This structure allows SACCOs to adopt targeted risk management strategies, aligning with best practices in financial risk governance.

The data shows that 51.8% of respondents strongly agree that risks identified in a timely manner, with a mean score of 4.286 and a standard deviation of 0.939. This high mean demonstrates a strong consensus on the importance of timely risk identification in enhancing financial performance. Identifying risks early allows SACCOs to implement risk-mitigation actions swiftly, reducing the likelihood of financial loss. Timely identification is key to ensuring that all potential risks are addressed before they escalate, protecting the SACCO's financial assets and maintaining stakeholder confidence.

Nearly 50% of respondents agreed that there are established risk evaluation procedures, with a mean of 4.054 and a standard deviation of 0.895. These procedures play a crucial role in financial planning, as they help SACCOs evaluate the potential impact of various risks on their financial statements. Such evaluations provide a framework for decision-making, allowing SACCOs to implement strategies that can buffer against adverse financial outcomes. This proactive approach contributes to financial stability, as SACCOs can make informed decisions based on comprehensive risk assessments.

Among respondents, 46.4% strongly agree that effective risk mitigation mechanisms are in place, with a mean of 3.893 and a standard deviation of 1.397. This indicates a moderate level of effectiveness in risk mitigation efforts. Risk mitigation mechanisms, such as insurance and capital buffers, are essential to safeguarding SACCOs against significant losses. By implementing robust mitigation strategies, SACCOs can navigate financial uncertainties more effectively, thereby enhancing their resilience and capacity to meet financial obligations.

The average score of 4.232 for risk control demonstrates that a high level of control consistently applied across SACCO operations, with a standard deviation of 0.906. Strong control measures prevent risks from disrupting SACCO functions, ensuring that financial performance remains stable despite external or internal challenges. This practice aligns with internal control frameworks, emphasizing continuous oversight and adjustment of risk management practices to address evolving threats.

The average mean score of 4.199 and a standard deviation of 0.989 across these risk assessment measures suggest that SACCOs in Nairobi County have adopted robust risk management practices.

The findings support the importance of a well-structured risk management approach to protect financial assets and sustain operational efficiency.

4.5.1 Theoretical Implications of Risk Management on Financial Performance

Risk management is a fundamental component of internal control systems. By implementing effective risk assessment procedures, SACCOs can anticipate and manage potential disruptions. According to ICPAK (2021), a reliable internal control system aids in detecting errors or fraudulent activities that could affect financial reporting. This proactive stance is essential for SACCOs as it minimizes financial exposure and aligns with best practices in internal audit and financial risk management.

When risk assessment is integrated into routine audit procedures, it allows SACCOs to identify potential issues within transaction classes, account balances, or disclosures. The engagement team may concurrently perform substantive tests or controls with risk assessment procedures, which can efficiently capture a broader spectrum of financial risks.

4.5.2 Risk Assessment as a Strategic Process

A company's risk assessment process encompasses identifying business risks, assessing their potential impact, and implementing responses. For SACCOs, this means evaluating risks associated with loan portfolios, liquidity, and investment portfolios. As Pandey (2012) suggests, risk assessment should be a core part of strategic management, especially in financial institutions. Effective risk assessment not only protects the financial health of SACCOs but also strengthens their competitive position by safeguarding assets and ensuring reliable financial performance.

4.5.3 Risk Assessment and Financial Reporting Quality

High-quality financial reporting directly influenced by robust risk assessment. By evaluating risks associated with asset management, credit risk, and market exposure, SACCOs can prepare financial statements that reflect a true and fair view of their financial position. This accuracy is critical in maintaining investor and member trust. It also helps SACCOs comply with regulatory requirements, as accurate financial reporting ensures transparency and accountability, fostering long-term financial stability.

4.5.4 Practical Implications of Risk Management Control

Effective risk management control within SACCOs has practical benefits for operational performance. By establishing a risk management team, SACCOs can systematically address risks that threaten financial sustainability. The findings from this study indicate that SACCOs with strong risk management practices better positioned to control and mitigate financial risks, thereby enhancing profitability and stability. Additionally, a dedicated team ensures that risk management remains a priority across all departments, integrating risk-aware decision-making into daily operations.

4.5.5 Challenges in Risk Management and Mitigation

While risk management controls are generally effective, SACCOs may face challenges such as limited resources, evolving regulatory requirements, and unforeseen financial disruptions. The dynamic nature of financial markets can complicate risk prediction, necessitating continuous updates to risk assessment protocols. Furthermore, changes in SACCO membership or fluctuations

in loan demand may expose SACCOs to higher credit and liquidity risks, demanding adaptable and robust risk management frameworks.

4.5.6 Summary and Conclusion

The analysis underscores the significance of risk assessment and management controls in shaping the financial performance of SACCOs in Nairobi County. SACCOs with comprehensive risk management practices are better equipped to handle financial uncertainties, demonstrating resilience and improved financial performance. The findings affirm that an effective risk management framework—comprising risk preparedness, dedicated teams, timely identification, evaluation procedures, mitigation mechanisms, and consistent controls—enhances the overall financial stability of SACCOs.

The data indicates that SACCOs with proactive risk management strategies achieve superior financial outcomes, underscoring the link between strategic risk assessment and financial performance. By maintaining an adaptable risk management approach, SACCOs can enhance their capacity to withstand financial challenges and sustain growth.

4.6 Information Technology and Financial Performance

This section delves into the role of information technology (IT) in enhancing the financial performance of large deposit-taking SACCOs in Nairobi County. As technology advances, organizations across industries, including SACCOs, leverage IT to streamline communication, improve operational efficiency, and support data-informed decision-making. Effective IT systems are crucial to ensuring that SACCOs remain competitive, improve customer satisfaction, and

increase their capacity to deliver financial services. This analysis uses descriptive statistics to assess the extent of IT adoption and communication practices within SACCOs, drawing insights on how these influence their financial outcomes.

Each variable in the data presented in terms of its distribution percentages. The mean indicates the central tendency of responses, reflecting the overall level of agreement among respondents regarding each factor, while the standard deviation provides insight into the variation of responses. High mean scores (closer to 5 on a 5-point Likert scale) indicate strong consensus among respondents, implying greater relevance of the factor.

Table 6 Information Technology and Communication Systems Impact on Financial Performance

Factor	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)	Mean	Std. Dev.
1) Open channels of communication are encouraged at all levels in our firm.	17.9	51.8	30.4	0.0	0.0	3.875	0.683
2) Our management practice demands that all necessary	64.3	32.1	0.0	3.6	0.0	4.571	0.678

Factor	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)	Mean	Std. Dev.
information communicated accurately, clearly, and dependably.							
3) We make every effort to guarantee that all pertinent information delivered on time.	58.9	33.9	3.6	1.8	1.8	4.464	0.801
4) Our organization's management is very accessible to everyone.	21.4	50.0	17.9	5.4	5.4	3.768	1.018
5) Our management promotes the collection of information wherever possible for future deliberations.	44.6	44.6	1.8	5.4	3.6	4.214	0.977
6) Cross-departmental information sharing is discouraged in our company.	25.0	58.9	12.5	3.6	0.0	4.054	0.718

Factor	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)	Mean	Std. Dev.
7) For improved communication, we make full use of information and communication technology.	53.6	26.8	8.9	5.4	5.4	4.179	1.136
Average	40.8	42.6	10.7	3.6	2.3	4.161	0.858

Source: (Research 2024)

The findings from Table 6 reveal the following key aspects regarding IT and communication systems and their influence on financial performance:

Findings indicate that 17.9% of respondents strongly agree, and 51.8% agree, that their SACCO encourages open communication channels across all levels, yielding a mean of 3.875 and a standard deviation of 0.683. These open communication channels facilitate the free flow of information, which is essential for aligning departmental objectives with overall SACCO goals. When employees are empowered to communicate openly, there is a higher likelihood of improved collaboration and understanding of financial targets, contributing positively to overall financial performance. With 64.3% of respondents strongly agreeing, and 32.1% agreeing, this factor scored a mean of 4.571 with a low standard deviation of 0.678, indicating high consensus on the importance of accurate and dependable communication. Reliable information transmission is

essential for decision-making processes, as it allows management to base financial and strategic decisions on precise data. By ensuring clarity and dependability, SACCOs reduce the risk of errors or miscommunications that might otherwise impact financial outcomes.

Timely information flow scored a mean of 4.464 with a standard deviation of 0.801, with 58.9% of respondents strongly agreeing and 33.9% agreeing that information delivered promptly. Quick access to relevant information is crucial for SACCOs, as it supports real-time decision-making and responsiveness to market changes. SACCOs that prioritize timely information better positioned to seize new opportunities, avoid financial losses, and respond effectively to market dynamics. Regarding management accessibility, 21.4% of respondents strongly agree, and 50.0% agree, producing a mean of 3.768 with a standard deviation of 1.018. Accessible management fosters a transparent environment, enabling employees to seek guidance, report issues, and offer suggestions. This accessibility is beneficial for financial performance as it encourages a culture of accountability and fosters a shared responsibility for achieving financial objectives.

Findings reveal that 44.6% of respondents strongly agree, and 44.6% agree, on the importance of information capture for future deliberations, achieving a mean score of 4.214 and a standard deviation of 0.977. This practice enhances SACCOs' ability to conduct retrospective analyses, learn from past financial outcomes, and make data-driven decisions, thereby supporting sustainable financial growth. Respondents indicated that sharing information across departments is often discouraged, with a mean of 4.054 and a standard deviation of 0.718. While compartmentalizing information may protect sensitive data, it may also hinder holistic decision-

making. SACCOs could benefit from re-evaluating this approach to encourage cross-department collaboration, which could lead to more coordinated and financially beneficial outcomes.

The use of ICT for enhanced communication had a mean of 4.179 and a standard deviation of 1.136, with 53.6% of respondents strongly agreeing. The integration of ICT within SACCOs enhances communication efficiency and reduces delays, which are critical for maintaining competitive advantage and achieving financial objectives. This technology enables employees to access information more efficiently, reducing the lag in decision-making and fostering a more agile response to financial needs.

The overall mean for this section is 4.161, with an average standard deviation of 0.858, indicating a generally high level of agreement on the importance of information technology and communication systems in driving financial performance.

4.6.1 Role of Information Technology in Financial Control Systems

Information technology serves as a foundational element within SACCOs' financial control systems. Through the integration of digital communication and data management tools, SACCOs can ensure that financial information communicated accurately and promptly across departments. This enhances data reliability, facilitating precise financial reporting and improving strategic decision-making. According to the COSO framework (2004), open communication channels are integral to effective information flow, as they allow critical financial data to reach key stakeholders promptly, which is essential for sound financial management.

4.6.2 Technology-Driven Communication as a Strategic Asset

By investing in information technology, SACCOs enhance their ability to manage and disseminate financial data efficiently. With a robust IT infrastructure, SACCOs can store, analyze, and retrieve financial data with ease, supporting the timely sharing of information across departments. This strategic use of technology empowers SACCOs to address financial discrepancies, forecast market trends, and allocate resources effectively, directly contributing to improved financial outcomes.

4.6.3 Importance of Data Accuracy and Reliability in Financial Performance

Accurate and reliable data is the backbone of effective financial management. SACCOs that prioritize the precision of data transmitted within their operations can avoid the misinterpretations and financial misstatements that can result from erroneous information. By ensuring data integrity, SACCOs not only maintain compliance with financial regulations but also protect their reputation, fostering trust among members and investors. This accuracy in data handling supports informed decision-making and contributes to the SACCO's long-term financial stability.

4.6.4 Timeliness in Information Flow and Financial Decision-Making

Timely information flow is essential for SACCOs to respond effectively to dynamic financial environments. By ensuring that relevant financial data reaches decision-makers promptly, SACCOs can make swift and informed decisions to optimize performance. Timeliness also enables SACCOs to quickly identify and address financial anomalies, preventing potential financial setbacks. In a competitive financial sector, this responsiveness translates into stronger risk management, higher customer satisfaction, and ultimately, better financial outcomes.

4.6.5 Managerial Accessibility and Financial Oversight

Management accessibility plays a pivotal role in shaping the communication culture within SACCOs. Accessible management not only fosters transparency but also encourages team members to proactively address financial concerns, discuss performance issues, and share innovative ideas. This open-door policy enhances financial oversight, as employees are more likely to report potential risks or inefficiencies. By fostering an environment of openness, SACCOs can enhance accountability, promote collaborative problem-solving, and ensure alignment with financial goals.

4.6.6 Challenges in Information Technology Adoption within SACCOs

While IT adoption enhances communication and financial performance, SACCOs may face challenges in implementation, such as high costs, cybersecurity risks, and resistance to change. The initial cost of setting up a comprehensive IT system can be substantial, particularly for SACCOs with limited financial resources. Furthermore, safeguarding financial data against cyber threats is a critical concern, as breaches could compromise sensitive information and undermine financial stability. Training staff to adapt to new IT systems also requires resources, underscoring the need for a balanced approach to IT integration.

4.6.7 Information Technology and Cross-Departmental Communication Barriers

Although the data indicates a reluctance to share information across departments, SACCOs could benefit from a more collaborative approach. Limiting cross-departmental communication can create information silos, which may hinder comprehensive financial analysis and strategic

alignment. SACCOs might consider establishing controlled, secure channels for cross-departmental communication, allowing for shared insights while maintaining data confidentiality. This integration can support a holistic approach to financial performance, enabling departments to work toward common objectives.

4.6.8 Summary and Conclusion

The analysis highlights the significant role of information technology and communication systems in enhancing the financial performance of SACCOs in Nairobi County. The findings indicate that SACCOs with strong IT infrastructure and open communication practices are better equipped to meet their financial goals, as these systems enable efficient data handling, timely decision-making, and improved internal communication.

By adopting advanced IT systems, SACCOs can streamline information flow, reduce operational inefficiencies, and improve data accuracy. However, challenges such as implementation costs, cybersecurity, and potential barriers to interdepartmental communication need to be addressed to fully realize IT's potential. Overall, the integration of IT and effective communication systems within SACCOs promotes financial stability, operational resilience, and enhanced service delivery, contributing positively to their financial performance.

4.7 Membership Size and Financial Performance of SACCOs

The study's first objective was to assess the impact of membership size on the financial performance of SACCOs operating within Nairobi County. Specifically, the study evaluated the

period from 2017 to 2021, examining how the size of SACCO membership may directly influence financial success and stability.

4.7.1 Descriptive Analysis of Membership Size Impact

This analysis involved descriptive statistical methods, primarily utilizing mean values to explore the correlation between SACCO membership size and financial performance. In investigating the influence of member count, the study collected data on the membership size of various SACCOs, and these findings analyzed to provide insights into membership trends over the years. The data's averages computed to reveal the extent to which changes in member count may correlate with the SACCOs' financial outcomes.

4.7.2 Membership Size Trends in Nairobi County SACCOs (2017-2021)

Table 7 below provides a snapshot of SACCO membership size trends in Nairobi County across five years. The data indicate the varying membership distribution among SACCOs, with groups categorized based on the number of members—ranging from those with fewer than 200 members to those with more than 600 members. Over the observed period, the study showed a noticeable increase in SACCOs with membership sizes above 600, suggesting a trend toward growth in larger SACCOs.

Table 7 Distribution of SACCO Membership Size (2017-2021)

Year	<200 Members (%)	201-400 Members (%)	401-600 Members (%)	>600 Members (%)
2017	82.3	5.9	0	11.8
2018	82.3	0	5.9	11.8
2019	76.5	5.9	5.9	11.8
2020	70.6	5.9	11.8	11.8
2021	64.7	11.8	11.8	11.8

Source: (Research 2024)

Over the five-year span, SACCOs with fewer than 200 members remained the most prevalent group, averaging 73.5% across the years. SACCOs with over 600 members represented approximately 11.8% of the total, indicating that while large SACCOs were fewer, they may exert considerable influence on market dynamics. A smaller percentage of SACCOs had between 401 and 600 members (around 7.8%), and the least common group consisted of SACCOs with 201 to 400 members, accounting for just 6.9%.

4.7.3 Average Membership Over Time

To provide a broader perspective, the average membership size across all SACCOs in Nairobi County from 2017 to 2022 was calculated and presented in Table 8. The results reveal a steady

increase in average membership size each year, suggesting progressive growth in SACCO member enrollment.

Table 8 Average Membership Size (2017-2022)

Year	Total Membership	No. of SACCOs	Average Membership per SACCO
2017	4394	20	258
2018	4728	20	278
2019	5186	20	305
2020	6205	20	365
2021	6521	20	384
2022	6523	20	384

Source: (Research 2024)

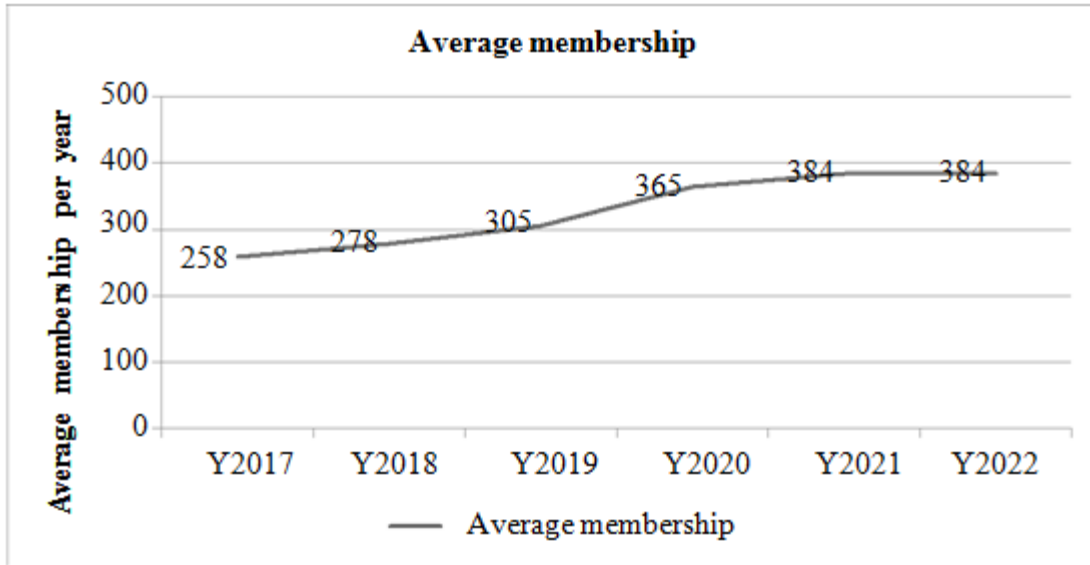


Figure 9 Average Membership of SACCOs over the Study Period

Figure 9 visually represents this trend, highlighting the increase in average SACCO membership over time. As demonstrated in both the table and figure, membership grew consistently, from an average of 258 members per SACCO in 2017 to 384 in 2022. This steady rise points toward an increasing interest in SACCO memberships and the potential for enhanced financial capacity due to higher contributions and participation rates.

4.7.4 Implications of Membership Size on Financial Viability

SASRA (2017) emphasizes that a SACCO’s membership size is integral to its economic viability. Larger memberships not only provide a more stable source of funds through member contributions but also increase the SACCO’s ability to diversify and expand its services. Membership size, therefore, not only facilitates growth but is also a reflection of SACCOs’ economic resilience. By

attracting members from similar occupational or geographical backgrounds, SACCOs can foster a unified purpose, leading to higher levels of commitment and engagement in SACCO activities.

4.7.5 Financial Performance Indicators: Return on Equity (ROE)

The study utilized Return on Equity (ROE) as a key metric for assessing the financial impact of membership size on SACCOs. ROE, calculated as net income divided by shareholder equity, provides a straightforward measure of profitability relative to the investment made by members. Regression analysis conducted to examine the effect of membership size on ROE, with the results summarized in Table 9 below.

Table 9 Regression Results of Membership Size on ROE

Metric	Coefficient	Standard Error	t-value	p-value	95% Confidence Interval
Ln(Membership Size)	1.82037	1.4529027	4.02	0.000	2.708044
Constant	-7.622535	2.353524	-3.24	0.001	-3.009713

Source: (Research 2024)

The results show a positive and significant relationship between membership size and financial performance (ROE), with a t-value of 4.02 and a p-value of 0.000. This suggests that an increase in membership size, reflected in the natural logarithm of membership, is associated with a 1.82 increase in ROE. This finding confirms that membership growth plays a crucial role in enhancing

SACCOs' profitability, underscoring the importance of initiatives that boost membership as part of financial performance strategies.

4.7.6 Comparative Analysis with Other Studies

This study aligns with prior research by Motompa (2016), which investigated SACCO growth determinants in Kajiado East Sub-County. Motompa found that member participation significantly influenced SACCO growth, recommending that SACCOs invest in member education to improve engagement and understanding of SACCO benefits. Educated members tend to participate more actively in governance, thereby contributing to the SACCO's overall success. Similarly, Kivivo and Olweny (2014) concluded that a SACCO's revenue generation capacity closely linked to membership size. A larger membership base enables higher income through member contributions and service fees, fostering a solid foundation for sustained financial performance.

Research by Bwana and Mwakujonga (2013) further supports these findings, emphasizing that SACCOs with larger memberships have greater revenue potential, as contributions and service fees rise with member numbers. This financial boost enables the SACCOs to broaden their lending capacity, introduce new products, and strengthen their competitive edge in the market.

4.7.7 Strategic Recommendations Based on Membership Size Findings

Given the importance of membership size, SACCOs in Nairobi County should consider strategies aimed at expanding their member base. Approaches could include targeted recruitment within specific occupations or communities, offering incentives for referrals, and strengthening member education programs to emphasize the benefits of SACCO membership. Additionally, promoting

awareness of SACCO services through digital platforms and partnerships with employers could attract younger, tech-savvy individuals who can bring innovative ideas to the organization.

To conclude, membership size is a pivotal determinant of SACCOs' financial performance, with a direct impact on revenue-generating capabilities and overall economic stability. The study's findings indicate that a larger, more engaged membership base contributes to improved ROE, underscoring the critical role of membership expansion in organizational strategies aimed at enhancing financial performance. This research advocates for policies that foster membership growth, as it is essential to the financial sustainability and operational resilience of SACCOs in Nairobi County.

4.8 Investment Decisions on Financial Performance of SACCOs

4.8.1 Introduction to Investment Decisions in SACCOs

The last objective of this study aims to assess how investment decisions impact the financial performance of large, deposit-taking SACCOs in Nairobi County. Investment choices in SACCOs—both in terms of the amount and strategic allocation—play a crucial role in shaping the profitability and sustainability of these institutions. Since SACCOs serve both as financial institutions and cooperatives, they have a unique investment dynamic where member needs, risk levels, and the desire for growth must be balanced effectively. This analysis draws on data from 2017 to 2022, extracted directly from SACCO financial records, providing insights into investment amounts and their associated ratios over the years.

4.8.2 Investment Amounts and Distribution

In exploring the role of investment in SACCO performance, data on annual investment amounts reveal a range of allocations, with most SACCOs maintaining investments at relatively modest levels. Table 10 presents the distribution of investment amounts, showing a clear dominance in the lower investment brackets:

Table 10 Summary of Investment Amounts per Year

Amount ('000' Ksh)	Year No. of SACCOs		Mean
	2017	2018	
Below 501	15 (82.2%)	15 (88.2%)	
	0	0	
501 - 1,000	0	0	
1,001 - 1,500	0	0	
1,501 - 2,000	0	0	
Over 2,000	2 (11.8%)	2 (11.8%)	
Total	17 (100%)	17 (100%)	

Source: (Research 2024)

*Percentages are shown in parentheses.

Below Ksh 501,000: This category encompasses the majority of SACCOs, with an average of 83.3% of SACCOs maintaining investment levels at Ksh 500,000 or below throughout the study period. Such conservative investments indicate a cautious approach, likely driven by limited resources and a need to balance liquidity with investment returns.

Ksh 1,501,000 - 2,000,000: A small segment of SACCOs (11.8%) pursued more aggressive investment strategies, surpassing the Ksh 2,000,000 mark. These SACCOs represent a minority but indicate a possible trend toward higher risk tolerance and growth-focused strategies.

The relatively high percentage of SACCOs in the lowest investment category suggests a predominant tendency to avoid high-risk investments. This aligns with SACCOs' overall mission to offer financial stability to members, where excessive risk may conflict with members' expectations for stability and predictable returns.

4.8.3 Investment Ratios and Their Implications

To further analyze the impact of investment on SACCO performance, the study calculated an investment ratio, representing the proportion of total investment to post-tax income. Table 11 details these ratios over the years, showing a general upward trend, implying an increase in SACCOs' willingness to allocate a larger proportion of income toward investment:

Table 11 Yearly Investment Ratios

Item	2017	2018	2019	2020	2021	2022	MEAN
Total Investment (000 Ksh)	5,347	14,828	20,827	22,361	28,776	29,386	20,254
Mean Investment (000 Ksh)	315	989	1,388	1,315	1,693	1,729	1,238
Total Income After Tax (000 Ksh)	80,393	91,219	94,737	100,337	94,588	89,626	91,817
Investment Ratio	0.067	0.163	0.220	0.220	0.300	0.330	0.221

Source: (Research 2024)

Trend Analysis: The mean investment ratio climbed from 6.7% in 2017 to 33.0% in 2022, averaging 22.1% across the six-year period. This steady growth reflects a maturing investment strategy, where SACCOs gradually increase their exposure to investments as they accumulate assets and build confidence in their financial stability.

Comparative Context: The observed trend aligns well with guidelines from the World Council of Credit Unions (WOCCU), which recommends that SACCOs maintain a balanced investment structure, with approximately 30% of total assets allocated to long- and short-term investments. By 2022, SACCOs in Nairobi County appear to approach this benchmark, signaling positive alignment with international best practices.

The upward trend in investment ratio underscores a strategic shift among SACCOs towards more robust capital utilization. Such a shift not only drives profitability but also allows SACCOs to

remain competitive in the face of economic challenges, thereby supporting growth and sustainability.

4.8.4 Visual Representation of Investment Ratios

The trend of investment ratios over time illustrated in Figure 10 which depicts a steady increase in the investment ratio from 0.067 to 0.33. This visual underscores the incremental approach SACCOs have taken in enhancing their investment base over time, likely spurred by a combination of organizational growth and evolving risk management capabilities.

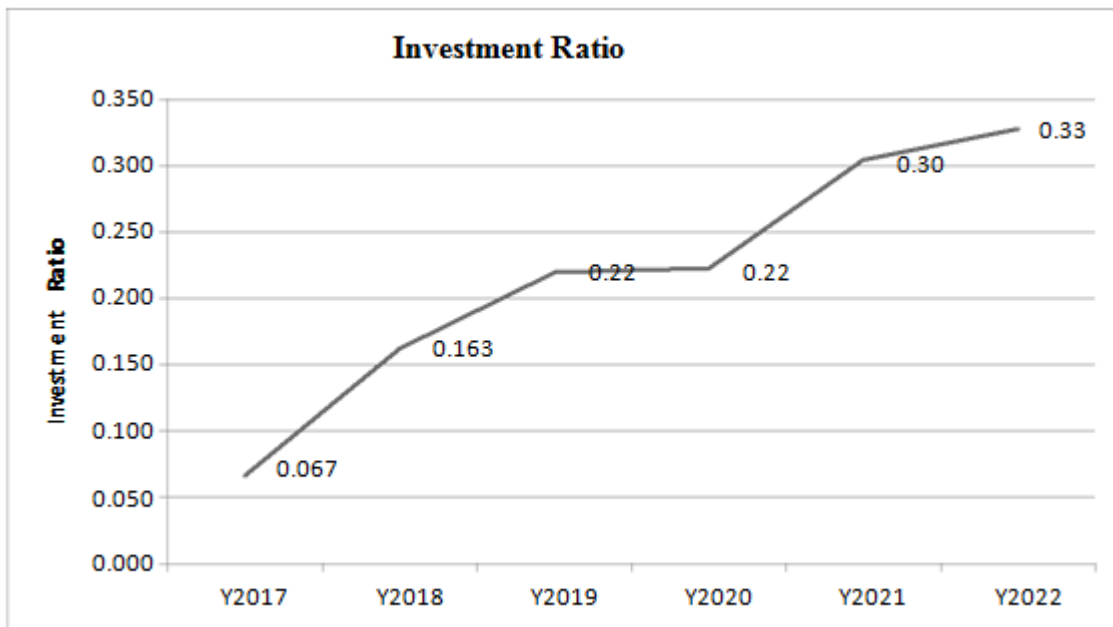


Figure 10 Trend of SACCO Investment Ratios from 2017-2022

In Figure 10, the line graph demonstrates the SACCOs' growing investment capacity. As these institutions mature, they allocate progressively higher percentages of their income to investments,

strengthening their financial base. This trend supports the notion that SACCOs are increasingly prioritizing investments as a core component of their financial strategy.

4.8.5 Investment Ratios and Return on Equity (ROE)

One of the core metrics used to measure the effect of investment on financial performance is the Return on Equity (ROE). ROE serves as a primary gauge of profitability, illustrating how well SACCOs leverage their investments to generate returns. Table 12 reveals the regression coefficients indicating the relationship between investment ratios and ROE:

Table 12 Regression Analysis of SACCO Investment on ROE

ROE	Coef	std. err.	t	P> t	[95% CI]
INVSTMT	21.30976	2.101615	10.14	0.000	25.42885
_cons	10.16116	5.354433	1.90	0.058	20.65565

Source: (Research 2024)

Statistical Significance: The coefficient for investment is substantial (21.31), with a t-value of 10.14, and a p-value of 0.000, underscoring a significant relationship between investment ratios and ROE. The implication is that each unit increase in investment ratio yields a notable increase in ROE by approximately 21.31 units, affirming the value of well-managed investment strategies.

Implications for Financial Performance: With higher investment ratios contributing positively to ROE, it is clear that SACCOs can enhance their profitability by strategically growing their investment base. This relationship underscores the importance of investment in driving financial health, as returns on equity improve in tandem with investment growth.

4.8.6 Theoretical Perspectives on Investment Decisions in SACCOs

This study's findings align with the **Trade-Off Theory**, which posits that firms balance the benefits of tax shields associated with debt financing against the costs of potential financial distress. SACCOs that utilize investment effectively reap the benefits of tax advantages, offsetting the expenses tied to investment risks. In this sense, SACCOs in Nairobi County seem to engage in calculated risk-taking, balancing revenue-generating potential with the need to safeguard members' equity.

4.8.7 Comparative Literature on Investment Strategies in SACCOs

Past research supports the link between investment decisions and financial performance in SACCOs. Studies by Makori, Munene, and Muturi (2013) affirm that SACCO performance improves with well-implemented investment strategies. Similarly, Makena (2014) found a positive correlation between investment levels and SACCO growth, underscoring that increased investments lead to better financial outcomes, provided they align with strategic objectives. Olao's (2014) study on front-office operations highlights that sustained investments are essential for SACCO stability, particularly in dynamic economic environments.

4.8.8 Practical Implications and Recommendations

Findings from this study suggest several actionable insights for SACCO managers and policy-makers:

Enhanced Investment Allocation: SACCOs should strive to meet or exceed the WOCCU's 30% benchmark in investment ratios. By prioritizing investments in high-return areas such as government bonds, real estate, or diversified equity, SACCOs can significantly boost their financial health.

Investment Diversification: Limiting investments solely to low-risk assets may limit profitability. SACCOs should explore a diversified portfolio, balancing safe assets with higher-yield options to optimize returns.

Policy and Regulation Support: Regulatory bodies should consider frameworks that incentivize prudent investments while protecting SACCO members' funds. Policies that support investment in sectors aligned with SACCO missions—such as housing, education, or community projects—would benefit both SACCOs and their members.

4.8.9 Conclusion

Investment decisions play a critical role in shaping the financial performance of SACCOs in Nairobi County. This study illustrates that SACCOs with higher investment ratios experience improved ROE, highlighting the importance of robust investment strategies. By aligning with international standards and prioritizing sustainable growth, SACCOs can strengthen their financial

foundations, ensuring long-term stability and member satisfaction. Moving forward, SACCOs should embrace diversified investments and strategically manage their portfolios to maintain competitive advantages in Kenya's financial landscape.

4.9 Financial Performance of SACCOs in Nairobi County

4.9.1 Introduction

The financial performance of SACCOs (Savings and Credit Cooperative Organizations) plays a vital role in understanding the viability and resilience of cooperative movements within Nairobi County's economic landscape. In this study, performance was primarily measured through Return on Equity (ROE) based on SACCO data regarding total equity and post-tax income over a six-year period (2017-2022). By examining trends in equity distribution and income levels, this analysis provides a nuanced view of SACCOs' financial health and their role in fostering economic empowerment.

4.9.2 Measurement of Financial Performance Using Return on Equity (ROE)

ROE is widely accepted as a reliable indicator of financial performance because it measures a SACCO's ability to generate returns on shareholders' investments. To analyze the financial performance of SACCOs in Nairobi County, the study utilized data on total equity and net income after tax. Table 13 summarizes the distribution of SACCOs based on total equity for each year within the period. The majority of SACCOs reported equity levels below Ksh 10,000,000, with only a few reporting figures above Ksh 40,000,000, highlighting potential disparities in capital strength among SACCOs.

Table 13 Total Equity of SACCOs in Nairobi County

Amount (000 Ksh) No. of SACCOs* Year Mean

		2017
Below 10,001	15 (88.2)	2018
	15 (88.2)	2019
	15 (88.2)	2020
	15 (88.2)	2021
	15 (88.2)	2022
10,001 - 20,000	0	
20,001 - 30,000	0	
30,001 - 40,000	0	
More Than 40,000	2 (11.8)	2017
	2 (11.8)	2018
	2 (11.8)	2019
	2 (11.8)	2020



Mount Kenya University

Amount (000 Ksh)	No. of SACCOs*	Year Mean
	2 (11.8)	2021
	2 (11.8)	2022
Total	17 (100)	

Source: (Research 2024)

The data presented in Table 13 indicate that approximately 88.2% of SACCOs maintained an average equity below Ksh 10,000,000, while 11.8% exceeded Ksh 40,000,000. This distribution suggests that smaller SACCOs dominate Nairobi County, raising questions about their capacity to scale up operations and remain competitive within the financial sector.

4.9.3 Financial Analysis of Total Income after Tax

Table 14 illustrates the distribution of SACCOs based on net income after tax over six years, with the majority showing post-tax earnings below Ksh 500,000. The progression across years indicates a slow but observable income growth among SACCOs, though a significant portion remains in the lower income bracket.

Table 14 Total Income after Tax**Amount ('000' Ksh) No. of SACCOs* Year Mean**

		2017
Below 500	15 (88.2)	2018
	13 (76.5)	2019
	14 (82.4)	2020
	13 (76.5)	2021
	11 (64.7)	2022
	0	2017
501 - 1,000	1 (5.9)	2018
	0	2019
	1 (5.9)	2020
	2 (11.8)	2021
	2 (11.2)	2022
	0	2017
1,001 - 1,500	0	2017

Amount ('000' Ksh) No. of SACCOs* Year Mean

	1 (5.9)	2018
	0	2019
	0	2020
	1 (5.9)	2021
	0	2022
1,501 - 2,000	0	2017
	0	2018
	1 (5.9)	2019
	1 (5.9)	2020
	0	2021
	0	2022
Over 2,000	2 (11.8)	2017
	2 (11.8)	2018
	2 (11.8)	2019

Amount ('000' Ksh) No. of SACCOs* Year Mean

	2 (11.8)	2020
	3 (17.6)	2021
	4 (23.5)	2022
Total	17 (100)	

Source: (Research 2024)

From 2017 to 2022, the percentage of SACCOs earning below Ksh 500,000 dropped from 88.2% to 75.5%, indicating moderate progress in income growth. Yet, the income gap remains stark, with only a minority reporting earnings above Ksh 2,000,000, pointing to possible operational limitations or challenges in expanding their revenue base.

4.9.4 ROE Trends from 2017-2022

A graphical representation (Figure 11) of the Return on Equity (ROE) over time reveals fluctuating trends, with the highest ROE recorded in 2020 (0.925) and the lowest in 2017 (0.784). These fluctuations might be attributed to external economic conditions, SACCOs' operational efficiency, or shifts in management strategies within these cooperatives.

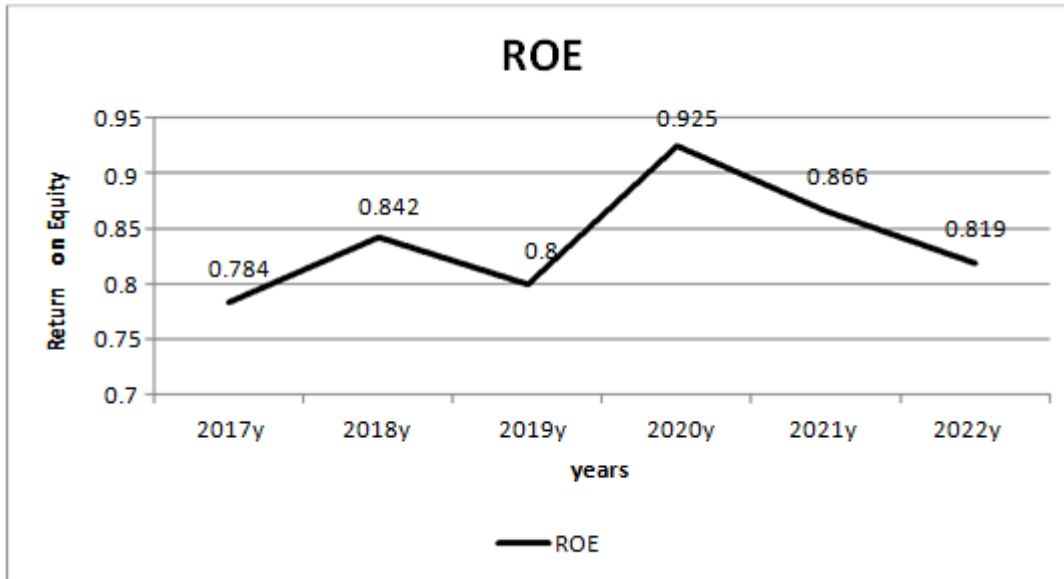


Figure 11 Return on Equity

4.9.5 Correlation Analysis of Financial Performance Variables

The correlation between ROE and several independent variables, including membership size (log-transformed), dividend payouts, and investment ratios, analyzed. Table 15 displays these correlations, revealing strong positive relationships between ROE and both membership size and dividend payout. However, the investment ratio showed no statistically significant correlation, indicating that investment decisions may not have directly influenced the ROE outcomes.

Table 15 Correlation Coefficients

Variable	ROE	Ln Membership	Dividend	Investment
ROE	1.0000			

Variable	ROE	Ln Membership	Dividend	Investment
Ln Membership	0.3938**	1.0000		
Dividend	0.9957***	0.3790**	1.0000	
Investment	0.1849	0.2254**	0.1849	1.0000

Note:

*** Significant at 1%

** Significant at 5%

4.9.6 Regression Analysis: Impact of Key Variables on ROE

To further explore how each factor individually impacts ROE, a multiple regression model was fitted. Table 16 outlines the regression coefficients for each variable, with the model confirming dividend payout as the only significant predictor of ROE. At a 95% confidence level, dividends had a positive and statistically significant effect on ROE, aligning with dividend theories suggesting that members value immediate returns over reinvestment.

Table 16 Significance Test

Variable	Coefficient	Standard Error	t Statistic	P Value
Ln Membership	0.0861	0.0503	1.71	0.091

Variable	Coefficient	Standard Error	t Statistic	P Value
Dividend	1.5643	0.1486	10.53	<0.001
Investment	-0.0059	0.0270	-0.22	0.826

Source: (Research 2024)

Regression Model Equation:

$$ROE = -0.435 + 1.398 \times \text{Dividend} + 0.091 \times \ln(\text{Membership}) - 0.006 \times \text{Investment}$$

4.9.7 Diagnostic Tests: Model Adequacy and Assumptions

Several diagnostic tests conducted to verify the model's assumptions, including the Variance Inflation Factor (VIF) to detect multicollinearity and the Breusch-Pagan test for homoscedasticity. Results indicated that, while multicollinearity was present in the initial model, adjustments allowed for a more robust model. Additionally, the Breusch-Pagan test confirmed homoscedasticity, supporting the model's reliability.

4.9.8 Effect Size Analysis of Independent Variables on ROE

Using eta-squared effect sizes, the study found that dividend payouts had the most substantial influence on ROE, accounting for 99.01% of the effect. Membership size contributed a marginal

3.7%, and the investment ratio had a negligible effect. This finding aligns with the "bird-in-hand" theory by Gordon (1959), emphasizing stakeholders' preference for dividends over reinvestments.

4.9.9 Comparative Analysis with Related Studies

Kimberly's Organizational Theory (1976): This theory postulates that organizational size influences performance, yet our study found no significant effect of membership size on ROE, challenging Kimberly's claims and suggesting that SACCO performance may be less dependent on size and more influenced by governance and payout structures.

Motompa's (2016) Study: Contradicting our findings, Motompa observed a positive relationship between member participation and SACCO growth. These contrasting results highlight the need for SACCOs to explore strategies that encourage member involvement beyond financial contributions.

The Bird-in-Hand Theory: This theory, posited by Gordon (1959) and Lintner (1962), supports our conclusion that SACCO members prefer consistent dividends over capital gains. Dividend policies, therefore, emerge as critical to improving member satisfaction and financial performance.

4.9.10 Recommendations for SACCOs Based on Findings

Enhancing Dividend Policies: Since dividends are positively correlated with financial performance, SACCOs should prioritize consistent dividend payouts. Members are likely to value regular returns, which could boost engagement and member retention.

Investing in Operational Efficiency: Given the limited impact of current investment strategies on ROE, SACCOs may benefit from reevaluating their investment approaches, focusing instead on efficiency and cost-reduction initiatives that can directly enhance profitability.

Membership Growth and Engagement: Although membership size showed a weak correlation with ROE, SACCOs could leverage member participation in governance to drive growth, especially if supported by educational programs on the benefits of SACCO engagement.

4.9.11 Conclusion

The study underscores the crucial role that dividend payouts play in driving the financial performance of SACCOs in Nairobi County, while investment decisions showed limited impact. The findings advocate for SACCOs to adopt policies that align with member expectations, particularly concerning dividend distribution. Additionally, while membership size may not directly affect ROE, fostering active participation and member education remains essential for sustainable growth.

Future research should explore the impact of external economic variables, such as inflation or regulatory changes, on SACCO performance. By continuously refining strategies based on empirical evidence, SACCOs can better navigate competitive financial landscapes and enhance their contributions to Nairobi's socio-economic development.

CHAPTER FIVE

SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents a comprehensive summary of findings, conclusions, and recommendations derived from the study. Each objective is addressed, highlighting the core findings related to the influence of risk assessment, information technology, membership size, and investment decisions on the financial performance of large deposit-taking SACCOs in Nairobi County. The chapter concludes with recommendations for SACCOs to enhance their financial performance and suggests areas for further research.

5.2 Summary of Findings

5.2.1 The Effect of Risk Assessment on Financial Performance

The study found that risk assessment significantly influences financial performance among large deposit-taking SACCOs. Effective risk assessment procedures, including credit and operational risk evaluations, play a critical role in identifying and mitigating potential financial threats. SACCOs with robust risk assessment protocols generally demonstrate higher financial stability and sustained performance.

5.2.2 The Influence of Information Technology on Financial Performance

Information technology has proven essential in modernizing SACCO operations, particularly in service delivery and data management. The study indicated that SACCOs that invest in advanced

IT systems experience improved efficiency, member satisfaction, and financial performance. IT adoption enables more accurate financial reporting, real-time data processing, and enhanced member interaction, all of which contribute to better financial outcomes.

5.2.3 The Effect of Membership Size on Financial Performance

Membership size emerged as a variable with a moderate impact on financial performance. SACCOs with larger memberships benefit from increased capital inflows and more diversified risk profiles. However, without effective member engagement strategies, increased membership may not directly translate into higher financial returns, as the SACCO must also ensure strong participation in governance and decision-making.

5.2.4 The Influence of Investment Decisions on Financial Performance

The study revealed that sound investment decisions positively impact SACCO financial performance. SACCOs that prioritize diversified, low-risk investments yield better financial results and have a more consistent growth trajectory. However, high-risk investments tend to have a less favorable impact on financial stability, particularly during economic downturns, indicating that prudent, strategically aligned investment choices are crucial.

5.3 Conclusions

5.3.1 Conclusion on the Effect of Risk Assessment on Financial Performance

The findings underscore the importance of risk assessment as a foundational aspect of SACCO financial management. SACCOs with well-established risk assessment practices are better

positioned to handle uncertainties in the financial environment, reducing the likelihood of defaults and improving long-term performance. Therefore, robust risk assessment is vital for financial sustainability and operational resilience.

5.3.2 Conclusion on the Influence of Information Technology on Financial Performance

The study concludes that information technology is a pivotal driver of financial performance for SACCOs. By implementing advanced IT systems, SACCOs can achieve significant improvements in operational efficiency, transparency, and customer service, all of which enhance their overall financial outcomes. Consequently, IT adoption is essential for SACCOs aiming to remain competitive and achieve sustainable growth.

5.3.3 Conclusion on the Effect of Membership Size on Financial Performance

While membership size positively correlates with financial performance, its impact is indirect, contingent on the SACCO's ability to foster active member participation and engagement. Large membership bases can provide a strong capital foundation but require effective governance structures to convert this potential into financial gains. Thus, growing membership size alone is insufficient; SACCOs must also ensure effective member involvement.

5.3.4 Conclusion on the Influence of Investment Decisions on Financial Performance

Investment decisions were found to directly influence SACCO financial performance, particularly in terms of revenue generation and risk management. SACCOs that adhere to strategic, low-risk investments demonstrate more stable financial performance. This highlights the need for SACCOs

to develop prudent investment strategies that align with their financial objectives and risk tolerance levels.

5.4 Recommendations

5.4.1 Recommendations on Risk Assessment Practices

SACCOs should adopt holistic risk assessment frameworks that include regular financial, operational, and market risk evaluations. Continuous training for SACCO employees on risk management is crucial to equip them with the knowledge needed to identify and mitigate potential risks effectively. SACCOs are encouraged to utilize risk assessment software to improve accuracy and speed in evaluating financial risks.

5.4.2 Recommendations on Information Technology Adoption

SACCOs should allocate resources toward developing robust IT systems that improve data accuracy, processing speed, and member satisfaction. As SACCOs increasingly rely on digital systems, it is essential to invest in cybersecurity measures to safeguard member data and maintain trust. Adopting mobile and online platforms can increase accessibility for members, enabling SACCOs to expand their services to a broader audience and improve financial performance.

5.4.2 Recommendations on Membership Engagement Strategies

SACCOs should implement programs that encourage members to take active roles in decision-making processes, fostering a sense of ownership and responsibility. Providing training on SACCO operations and financial literacy can empower members, leading to more informed

decision-making and potentially greater financial contributions. Introducing loyalty programs or dividend bonuses for long-standing members can improve retention and attract new members.

5.4.3 Recommendations on Investment Decision-making

SACCOs should focus on low-risk, diversified investments to ensure steady growth and financial stability. Forming a committee dedicated to overseeing investment policies and evaluating opportunities can enhance decision-making quality and align investments with SACCO goals. Keeping abreast of economic trends enables SACCOs to make informed investment choices that minimize exposure to market volatility.

5.5 Suggestions for Further Study

Future studies could investigate how regulatory policies affect SACCO operations, particularly in relation to financial performance and investment decisions. Given the increasing importance of IT, research could examine how digital tools affect SACCO member involvement and loyalty. Conducting comparative studies of SACCOs in different counties or regions can provide insights into geographical factors influencing financial performance and help tailor strategies to diverse contexts. A longitudinal analysis on the financial returns of various SACCO investments could provide valuable insights into which investment approaches yield the most consistent results over time.

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APPENDICES

Consent Form

Dear Participant,

I kindly request your participation in a research study conducted by **Benjamin Njuguna Mwangi**, a student pursuing a Master of **Master of Business Administration** at Mount Kenya University. The purpose of this study is to find out organizational strategies and financial performance of large deposit taking savings and credit co-operative societies in Nairobi County, Kenya” as part of my degree requirements. Your involvement in this study is entirely voluntary, and you have the right to withdraw at any time without any negative consequences. Your decision to participate or withdraw will not impact your relationship with Mount Kenya University or any other entity involved.

I want to assure you that your privacy and confidentiality will be strictly maintained throughout the study. Your personal information and responses will be treated with utmost care and will only be accessible to the researcher and, if necessary, the research supervisor(s). Your identity will remain anonymous unless you choose to disclose it willingly.

Your participation in this study will not provide you with any immediate benefits. It is important to note that your viewpoints and opinions may not necessarily align with those of other parties involved in the study. However, we encourage you to freely express your own viewpoint. If at any point you feel that a particular subject is sensitive and may pose a risk to your personal or

professional safety, please let the researcher know, and appropriate measures will be taken to ensure your anonymity and well-being.

Should you require any additional assistance or information, please feel free to contact the researcher, via **benjaminnjuguna788@gmail.com/+254725585890** who will be more than willing to address your concerns and provide any necessary clarification.

By signing this consent form, you indicate your understanding of the purpose and nature of this study and your voluntary participation. You also confirm that you have had the opportunity to ask questions and have received satisfactory answers.



Participant Information:

Signature: _____

Date: _____

Researcher's Statement:

I, **Benjamin Njuguga Mwangi**, as the researcher, affirm that I believe the participant has provided informed consent to participate in this study.

Researcher Information:

Name: Benjamin Njuguga Mwangi

Signature: _____

Date: 30/11/2023

For further information or inquiries, please contact:

Chairman,

MKU ERC,

P.O Box 342-01000, Thika.

APPENDIX II: QUESTIONNAIRE

All the research data will only be used to accomplish this thesis, and treated with the highest level of confidentiality. Your contribution is highly appreciated. Kindly indicate with a tick or write when it is appropriate.

Thank you.

Section A: Background Information

1. What is your gender?

a) Female [] b) Male []

2. Indicate your age group

a) 18–24 [] b) 25–35 [] c) 46–55 [] d) 56 and above []

3. Tick your highest level of education

a) High School [] b) Diploma [] c) University Degree [] d) Post Graduate []

4. Indicate how long you have worked in the Sacco?.....

5. How many branches do you have?.....

6. What is the current membership in your branch?

Less than 500 [] 501 to 1000 [] 1001 to 1500 [] 1501 to 2000 [] 2000 and above []

Section B, C, D and E will make use of a scale of 1-5, (where 1=strongly disagree, 2= disagree, 3=neutral 4= agree and 5= strongly agree)

SECTION B: Risk Assessment and Financial Performance

On the scale above please tick your extent of agreement on the following aspects towards which your organization has embraced risk management and assessment controls and how this contributes towards financial performance.

Statement	1	2	3	4	5
The Sacco has a risk management team in place					
There organization is always ready for any risks that may emerge					
Timeliness in identifying and mitigating risks is key in the organization					
A risk mitigation mechanism is effective in the organization					
All the risks are always controlled					
The available risk evaluation procedures are put in place to inform decision making and preparedness					
Risk exposure in the Sacco is minimal					
Risk assessments in the Sacco is conducted regularly					

The Sacco tracks different data points like loan defaults, loan applications, rates of repayment and demographics of members to assess the different available risk factors					
---	--	--	--	--	--

SECTION C: Information Technology and Financial Performance

1. Tick the type of IT utilized in your organization

a) CCTV [] b) ATM/SACCO Link [] c) Phone banking via mpesa [] d) E-banking []

e) Other (specify).....

2. Indicate the attribute towards IT usage in your Sacco

a) For purposes of competition [] b) To offer efficient and cheaper services [] c) To embrace technological innovation []

3. Is there any network interconnection between all your branches?

a) Yes []

b) No []

If no, what might be the reason?

.....

.....

4. How will the use of mobile money banking improve organizational performance in your Sacco?

.....

.....

.....

.....

Using the scale above please tick your extent of agreement on the following aspects towards which your organization has embraced information technology and how this contributes towards financial performance.

Statement	1	2	3	4	5
All the reports that are reproduced by the SACCOs information system are always reliable and accurate					
Through the adoption of information technology the organization has seen increased number of members					
There have been improvements in regards to loan disbursement and recovery since the introduction of information technology in the firm					
Reconciliations are now timely, while errors and record differences are altered easily					
All requests made by clients in regards to statements are now timely, while there issues are sorted promptly					

There has been increased convenience when the Sacco services are being accessed					
The running costs of the Sacco have reduced since the introduction and usage of information technology					
The Sacco records more revenues and profits					
There has been overall improved service delivery in the Sacco					

SECTION D: Investment Decisions and Financial Performance

1. What is your organization’s most preferred source of funding for investment activities?

- a) Savings [] b) Profits [] c) Retained earnings [] d) Sacco loans []

What other sources do you consider for funding investment activities?

(Specify) -----

2. What is the average amount of investment expenditure that your firm has incurred per annum?

Kshs-----

3. What is the average change in your firm’s overall financial position in the last 3 years?

- a) Increase in overall performance [] b) Decrease in overall performance [] c) No change in overall financial performance []

From your answer above what can you attribute this to?

4. What is the main form of investment decision that your firm usually takes

a) New property acquisition [] b) New plant and equipment acquisition [] c) Old asset replacement (production capacity retained) [] d) Existing equipment upgrading []

e) Business portfolio diversification []

5. Investment decisions in a firm are influenced by various factors. Please rate the below factors in regard to the level that they do influence the undertaking of investment decisions in the case of your firm. Use the key provided below.

1-No extent, 2-Mild extent, 3-Fairly high extent, 4-High extent, 5-Extremely high extent

Statement	1	2	3	4	5
Need to meet the firm's target output					
Need to improve internal efficiency					
Need to diversity portfolio investment					
Information availability regarding the investment opportunity					
Funds availability for the firm					

Others specify factors (specify).....

Using the scale provided please tick your extent of agreement on the following aspects of investment decisions on financial performance of your Sacco.

Statement	1	2	3	4	5
The Sacco has a well established investment committee, which guides on investment decisions.					
The investment decisions made by the SACCOs are based on risk management.					
Stakeholders are involved in all investment projects undertaken by the SACCOs.					
Investment projects are undertaken with integrity and accountability.					
Management in the SACCOs is insightful in creating both short and long term investments.					

APPENDIX III: FINANCIAL PERFORMANCE

Provide the following information regarding your SACCO

Performance Measurement	2017	2018	2019	2020	2021
Liquidity					
Current Assets					
Current Liabilities					
Cash					
Accounts receivable					
Market securities					
Return on equity					
Net income					
Shareholders' equity					
Return on Assets					

Net income					
Total assets					
Membership size					
Total savings/deposits					
Interest on members deposits					



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


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

CONDITIONS OF THE RESEARCH LICENSE

1. The License is granted subject to provisions of the Constitution of Kenya, the Science, Technology and Innovation Act, and other relevant laws, policies and regulations. Accordingly, the licensee shall adhere to such procedures, standards, code of ethics and guidelines as may be prescribed by regulations made under the Act, or prescribed by provisions of International treaties of which Kenya is a signatory to
2. The research and its related activities as well as outcomes shall be beneficial to the country and shall not in any way;
 - i. Endanger national security
 - ii. Adversely affect the lives of Kenyans
 - iii. Be in contravention of Kenya's international obligations including Biological Weapons Convention (BWC), Comprehensive Nuclear-Test-Ban Treaty Organization (CTBTO), Chemical, Biological, Radiological and Nuclear (CBRN).
 - iv. Result in exploitation of intellectual property rights of communities in Kenya
 - v. Adversely affect the environment
 - vi. Adversely affect the rights of communities
 - vii. Endanger public safety and national cohesion
 - viii. Plagiarize someone else's work
3. The License is valid for the proposed research, location and specified period.
4. The license any rights thereunder are non-transferable
5. The Commission reserves the right to cancel the research at any time during the research period if in the opinion of the Commission the research is not implemented in conformity with the provisions of the Act or any other written law.
6. The Licensee shall inform the relevant County Director of Education, County Commissioner and County Governor before commencement of the research.
7. Excavation, filming, movement, and collection of specimens are subject to further necessary clearance from relevant Government Agencies.
8. The License does not give authority to transfer research materials.
9. The Commission may monitor and evaluate the licensed research project for the purpose of assessing and evaluating compliance with the conditions of the License.
10. The Licensee shall submit one hard copy, and upload a soft copy of their final report (thesis) onto a platform designated by the Commission within one year of completion of the research.
11. The Commission reserves the right to modify the conditions of the License including cancellation without prior notice.
12. Research, findings and information regarding research systems shall be stored or disseminated, utilized or applied in such a manner as may be prescribed by the Commission from time to time.
13. The Licensee shall disclose to the Commission, the relevant Institutional Scientific and Ethical Review Committee, and the relevant national agencies any inventions and discoveries that are of National strategic importance.
14. The Commission shall have powers to acquire from any person the right in, or to, any scientific innovation, invention or patent of strategic importance to the country.
15. Relevant Institutional Scientific and Ethical Review Committee shall monitor and evaluate the research periodically, and make a report of its findings to the Commission for necessary action.

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

APPENDIX V: FIELD ENTRY AUTHORIZATION



Mount Kenya University

DIRECTORATE OF GRADUATE STUDIES

MBA/2019/50954

7th December, 2023

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

Dear Sir/Madam,

RE: BENJAMIN NJUGUNA MWANGI - REGISTRATION NO. MBA/2019/50954

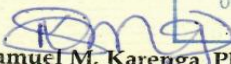
The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**

The title of the research is **“Organizational Strategies and Financial Performance of Large Deposit Taking Savings and Credit Co-operative Societies in Nairobi County, Kenya.”** It has been cleared by the University’s Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **December, 2023 and February, 2024.**

Any assistance accorded to the student will be highly appreciated.

Thank you.

Mount Kenya University
P. O. Box 342 - 01000, THIKA
Office of the Director,
Graduate Studies


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

THE SACCO SOCIETY REGULATORY AUTHORITY
RECEIVED
21 DEC 2023
(SASHA)
P. O. Box 25089-00100, NAIROBI

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Tel: 020-2878 000, Cell: +254 709 153 000
Email: info@mku.ac.ke, Web: www.mku.ac.ke
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Unlocking Infinite Possibilities



APPENDIX VI: LICENSED TIER 1 SACCOS IN NAIROBI COUNTY IN THE YEAR

2024

	Sacco	Total Assets (Billions)	Location
1	Mwalimu National Sacco Society Ltd	64.06	Mwalimu Towers, Upper Hill, Nairobi
2	Stima DT Sacco Society Ltd	53.78	Stima SACCO Plaza, Mushembi Road, Parklands, Nairobi
3	Kenya National Police DT Sacco Society Ltd	48.98	Kenya Police Sacco Plaza, Ngara Rd, Ngara, Nairobi
4	Harambee Sacco Society Ltd	37.01	Harambee Sacco Plaza, Nairobi City Centre
5	Afya Sacco Society Ltd	20.94	Afya Centre, Tom Mboya Street, Nairobi CBD
6	Unaitas Sacco Society Ltd	20.40	Cardinal Otunga Plaza, Kaunda Street, Nairobi
7	United Nations Sacco Society Ltd	16.70	UN-Complex Bldg, Gigiri Area, Nairobi
8	Ukulima Sacco Society Ltd	14.66	Ukulima Co-operative House, Haile Selassie Avenue, Nairobi City Centre
9	Hazina Sacco Society Ltd	12.76	Hazina SACCO Bldg. Kibera Rd, Off Ngong Rd. Nairobi

10	Safaricom Sacco Society Ltd	10.05	Safaricom Care Centre, Waiyaki Way, Westlands, Nairobi
11	Metropolitan National Sacco Society Ltd	10.02	Chai House, Koinange Street, Nairobi City Centre
12	Kenya Bankers Sacco Society Ltd	9.56	Kenya Bankers Sacco Centre, 3rd Ngong Avenue, Nairobi City.
13	Kimisitu Sacco Society Ltd	9.54	AEA Plaza, Valley Road. Nairobi City
14	Sheria Sacco Society Ltd	8.51	Sheria SACCO Hse, Off-Matumbato Street, Upper-Hill, Nairobi
15	Magereza Sacco Society Ltd	7.05	Mageso Chambers, Moi Avenue, Nairobi City Centre
16	Waumini Sacco Society Ltd	6.34	Applewood Adams Bldg, 2nd Floor, Ngon'g Rd, Adams Arcade, Nairobi
17	Ushuru Sacco Society Ltd	6.12	Ushuru SACCO Centre, Wood Avenue, Kilimani, Nairobi City
18	Nacico Sacco Society Ltd	5.51	NACICO Plaza, Landhies Road, Nairobi City
19	Jamii Sacco Society Ltd	5.44	Jamii Sacco Court, Mukenia Rd, South B, Nairobi
20	Maisha Bora Sacco Society Ltd	5.18	Unilever Kenya Office, Commercial Street, Industrial Area, Nairobi

