

**STRATEGY DETERMINANTS ON ORGANIZATIONAL GROWTH AMONG  
SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN KISII COUNTY.**

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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF  
THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS  
ADMINISTRATION DEGREE IN STRATEGIC MANAGEMENT OF  
MOUNT KENYA UNIVERSITY**

**JUNE 2024**

### DECLARATION AND APPROVAL

This research project is my original work and has not been presented for Master's degree in any university or any other award.


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### Approval by the Supervisor

I affirm that the candidate completed the work described in this project under my supervision.

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## DEDICATION

I dedicate to my brother Tom, sister-in-law Nancy and niece Kyllie. They have constantly shown support in all situations until completion of my academic studies.



## ACKNOWLEDGEMENT

The almighty God has given me the strength to complete my research study and for that I am eternally grateful. My deepest gratitude goes out to Dr. Martin Kimemia Gathiru, my supervisor, for all of the invaluable help and direction he gave me as I worked to complete my research project in accordance with the examination standards laid out by MKU. I am incredibly grateful to the management of the chosen Kisii Town SACCOS for their cooperation as well as approval in conducting this research. In addition, I want to express my sincere gratitude to two people I know, Nyaboke and Marryanne, for their outstanding work in collaborating on this project.

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## ABSTRACT

Numerous institutions establishments are currently facing the imminent risk of closure as a result of mismanagement, which has placed them in a precarious financial situation. The SACCOS, totaling 2,200 in number, were declared dormant or unknown by

SASRA due to their failure to meet the required criteria. The aforementioned circumstances led to the initiation of a research investigation into strategy determinants on the SACCO growth in Kisii. The main aim in this study was to examine the effect of strategic fund mobilization, strategic investments, strategic information dissemination and evaluate the effect of portfolio loan quality on the growth of SACCOS. The research holds significance for Sacco policy makers, government officials and other scholars. The study was founded on Efficiency Structure Theory, Neoclassical Theory of Investment, Modern Portfolio Theory, and Contingency Theory. This research used descriptive research design. Population of study comprised of SACCOS situated at Kisii County. A total population from staff members in the SACCOS was 342. The sampling methodology was stratified random sampling. The sample size was 68 respondents, which corresponds to 20% of the target population. Data collection was achieved by use of questionnaires. The questionnaire was pilot tested with a sample of six respondents from selected Sacco in Kisii town. Nevertheless, this Saccos were not incorporated into the primary research project. The reliability tests were conducted by assessing its Cronbach alpha value, which was expected to exceed 0.7. The research employed both descriptive analysis and inferential statistical analyses such as regression and correlation analysis. The SPSS software was utilized to compute percentages, frequencies, mean values, and standard deviations. The study's results showed that SACCOS benefited from strategic fund mobilization, and that this benefit was statistically significant as shown by ( $\beta$ ) 0.224,  $t=1.859$ ,  $p$  value 0.05). Based on the findings of the the analysis in

Saccos in Kisii County, a favourable and statistically significant correlation ( $\beta$ )=0.849,  $t=4.438$ ,  $p0.05$ ) was found between Strategic investment and organizational growth. Still, there was negative as well as notable importance amongst Strategic information dissemination and organizational growth ( $\beta$ ) -.161,  $t=.664$ ,  $p$  value 0.05). The results showed that there was a positive and significant relationship between Portfolio loan quality and organizational growth, where the ( $\beta$ ) value was 0.086, the  $t$  value was 0.943, and the  $p$  value was less than 0.05. The study concluded that high member default rates do hurts Sacco growth. Thus, high default rates indicated inadequate financial planning by members, which hampered Sacco expansion. Sacco invests in service diversification to boost SACCO's growth by producing new financial products and entering new markets with stronger growth prospects. The study recommends that authorities should develop mechanisms to help SACCOS access capital for expansion and liquidity management. The authorities should invest in financial literacy and training programs for Sacco members and staff. The service users should participate in Sacco activities and meetings. They should regularly attend general meetings, contribute to discussions and vote during elections. Participating in daily operations of the Sacco promotes transparency as well as accountability. For information dissemination, other stakeholders should consider providing accurate and up-to-date information about Sacco services.

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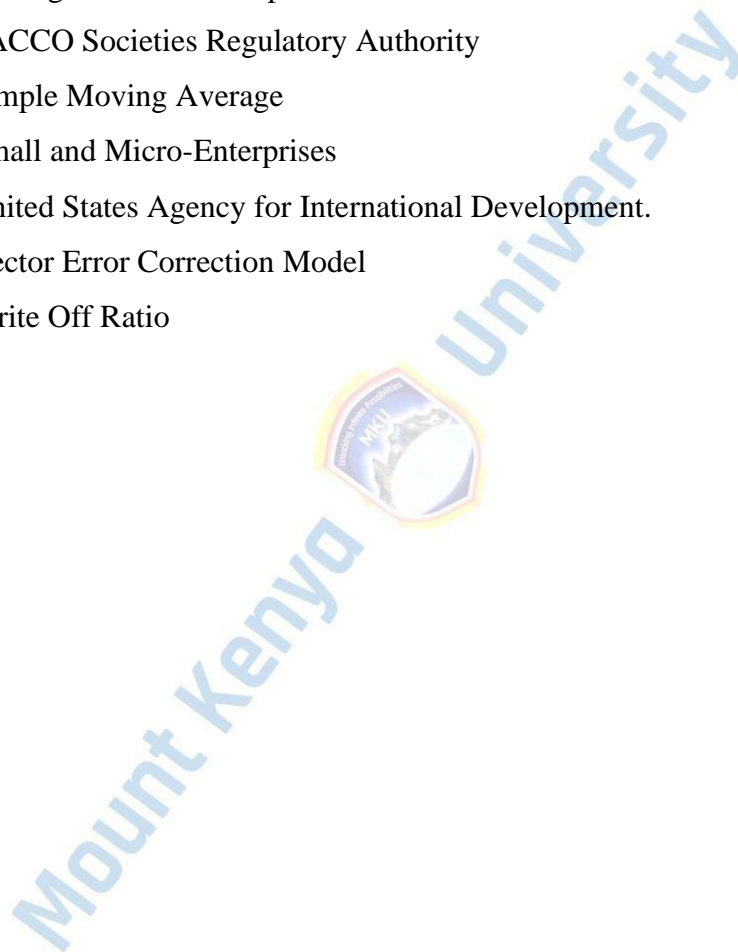
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## ABBREVIATIONS AND ACRONYMS

### FSIPS

<b>GDP</b>	Gross Domestic Products
<b>MFI</b>	Microfinance Institutions
<b>MIX</b>	Microfinance Information Exchange
<b>MTP</b>	Modern Portfolio Theory
<b>OLS</b>	Ordinary Least Squares
<b>SACCO</b>	Saving and Credit Cooperative.
<b>SASRA</b>	SACCO Societies Regulatory Authority
<b>SMA</b>	Simple Moving Average
<b>SMEs</b>	Small and Micro-Enterprises
<b>USAID</b>	United States Agency for International Development.
<b>VECM</b>	Vector Error Correction Model
<b>WOR</b>	Write Off Ratio



# CHAPTER ONE: INTRODUCTION

## 1.0 Introduction

The section offers a comprehensive study background to the research, problem statement, background data, statement of the problem, aim of the research, broad and specific objective, research questions, rationale of the study, assumptions, research scope and potential limitations.

## 1.1 Background to the Study

The Sacco's have been regarded internationally as key channels of economic advancement. According to the membership of the International Cooperative Alliance (ICA), the highest authority on cooperatives in the world, there are close to a billion individuals involved with cooperatives. Numerous nations that have attained a level of economic development each have a thriving and active cooperative sector that has made a significant contribution to the expansion of their respective economies (Barker & Barr, 2018).

Hermalin and Weisbach (2018) assert that the Sacco sector has demonstrated persistent growth, with numerous cooperative societies exhibiting a notably substantial financial foundation. Through their Front Office Operation (FOSA), the cooperative societies presently carry out banking operations. In contrast to land acquisition, a significant number of cooperative organizations were formed in the late 1960s and early 1970s with the primary goal of purchasing properties and supporting individual growth. These cooperatives operate in a number of economic sectors, including as general services, manufacturing, housing, finance, and agriculture.

The fact that Savings and Credit Cooperative Organizations (SACCOS) are owned and operated by their members is one of their main advantages. This suggests that the members themselves make democratic decisions about how the organization will operate and how its revenues were distributed. This democratic control ensures that the interests of the members are at the center of all decision-making processes (Alfaraih, Alanezi & Almujaed, 2021). Another advantage of SACCOS is that they provide financial services to their members at lower costs than traditional financial institutions. This is because SACCOS operate on a not-for-profit basis, with any surplus income generated being distributed back to the members in the form of dividends or used to improve the services provided by the SACCO (Seifert, 2019).

In the year 1849, Herma Schulze and William Raiffersen were the primary individuals responsible for establishing the first cooperative savings and credit institution in Germany. In the midst of the ongoing famine, the SACCO Society was founded with the intention of assisting individuals in overcoming the economic hardships they were confronted with. The year 1850 marked the beginning of the practice of workers in an English textile business storing money and lending it to one another. During the course of the 20th century, the idea was brought to the continent of North America. As a direct result of this reason, Alphonse Desjardins established the very first SACCO association in Canada in the year 1901. In the years that followed, Eileen, who worked at a business in Boston, established the very first SACCO club in the United States for his employees. Because of this, the movement gained a significant amount of momentum in a number of countries, including Ireland, Canada, the United States of America, and Europe. There are SACCOs operating in a great number of nations.

Temeche (2019) conducted a study in which they investigated the difficulties and opportunities that were faced by credit and savings cooperatives that were operating in the South Wolo Zone of the Amhara Region in Ethiopia. There was a particular emphasis placed on the Kalu Woreda credit and savings union throughout the research. According to the findings, the cooperative was facing a number of issues, some of which were a decrease in the level of member engagement, a lack of openness and responsibility, and an inadequate level of knowledge and competence within the management committees.

The World Council of Credit Unions (WOCCU) was IN 1970 founded and its offices are situated in Madison, Wisconsin. The primary objectives of WOCCU include providing assistance to emerging and established credit union movements, offering insurance services, and facilitating training programs on a global level. According to Savings Plus (2010), the global membership of this organization is estimated to be approximately 100 million individuals, distributed across over 60 nations.

In the African country of Ghana, Father John McNulty played a pivotal role in the establishment of the first Savings and Credit Cooperative Society (SACCO) in the region. This significant development took place in the year 1959. Ngombe and Mikwamba (2004) assert that the establishment of the SACCO aimed to facilitate the enhancement of economic conditions within communities. The initial adopters of Savings and Credit Cooperative Organizations (SACCOs) were predominantly English-speaking nations. The founding members of the initial Savings and Credit Cooperative Organizations (SACCOs) included Ghana, Uganda, Nigeria, Tanzania, and Kenya. During the 1960s, a growing number of African countries where English is not the primary language started to recognize the value of Savings and Credit Cooperative Organizations (SACCOs). This recognition led to a

notable increase in the participation and involvement of these countries in the SACCO community during the 1970s (Mwakajumilo, 2018).

The growth of SACCOs in Africa has been substantial, leading to the establishment of a continental association known as the Africa Confederation of Cooperative Society Savings and Credit Association (ACCOSSCA) during the year 1965. ACCOSSCA was established with the primary aim of advancing the adoption of SACCO insurance and providing educational resources to members on matters pertaining to SACCOs. It is worth noting that SACCOs in Africa are relatively nascent, and their performance during crises has shown a tendency towards resilience and improved outcomes.

Based on regional statistical data, it can be ascertained that the Lumbwa Co-operative Society holds the distinction of being the inaugural cooperative society established in Kenya. The organization was established in the year 1908 by European farmers, who aimed to procure fertilizers, chemicals, seeds, and other agricultural inputs in advance of selling their produce (KUSCCO, 2016).

For assuming the role towards providing agricultural inputs, the Kenya Farmers Association established as a cooperative society in 1930, effectively replacing the previous function held by the Lumbwa Co-operative Society (Garrdeklint, 2019). It is noteworthy to acknowledge that the establishment of cooperatives in Kenya was undertaken by the government, which also assumed the responsibility of recognizing and regulating them (KUSCCO, 2016). Since achieving independence, a majority of the cooperatives established have taken the form of co-operative societies, specifically SACCOs. These SACCOs serve as important financial institutions, playing a vital role in facilitating financial intermediation within the broader financial sector. Their primary focus lies in promoting personal financial growth and

development (SACCOs Review, 2012). Approximately 80% of the Kenyan population relies on SACCOS to be main income avenue, with these entities being pervasive across various sectors of the economy. Nevertheless, SACCOs in Kenya encounter intense competition from various entities within the financial services sector, including commercial banks, microfinance institutions, moneylenders, and investment groups. According to the Republic of Kenya (2013), approximately 63% of the population, which amounts to a significant 24.6 million individuals, are engaged in SACCO businesses either directly or indirectly. However, a significant proportion of 3452 SACCOs, accounting for 51% of the total, were found to be non-operational. This finding is noteworthy considering the substantial efforts made by the government to promote cooperative movements through legislative measures. The achievement of the millennium development goals (MDGs) and the vision 2030 objectives, which focus on enhancing financial inclusion, continues to face obstacles due to the significant rate of failure observed in savings and credit cooperative organizations (SACCOs) (Pollet, 2013). Furthermore, it is anticipated that a minority, specifically less than 50%, of the designated SACCO firms possess the capacity to engage in SACCO enterprises, primarily due to the elevated rate of SACCO failures.

The SACCOS in Kenya gave their members loans totaling more than KES 700 billion in 2020, assisting in the support of enterprises, agriculture, and other economic activities. Additionally, SACCOS made a KES 200 billion investment in government bonds, assisting in the growth of the local economy. Multiple variables influence the growth of SACCOS in Kenya (Nyangarika & Bundala, 2020). First, the nation's growing need for accessible and cheap financial services. The second is the SACCOS's democratic control and cooperative ownership principles, which provide members a voice in how the organization is run and

managed. Thirdly, SACCOS place a strong emphasis on financial awareness and education, which helps to empower members and enhance their financial security.

Hundreds of institutions are facing imminent liquidation as a result of mismanagement that has put them into financial hardship. Following the unsuccessful performance on the examination, the SASRA (Savings and Credit Co-operative Societies Regulatory Authority) identified and categorized a total of 2,200 SACCOS to be either dormant or of unknown status. The SASRA report (2020) indicates that there has been unsatisfactory performance of SaCCOS financially. This is evident from the declining average growth rates of deposit-taking Saccos over a three-year period, with the average growth rate reaching 5.23% in 2020. If the current trend persists, it is expected that the market share of Deposit Taking - SACCOs will experience a significant decline. This decline is likely to have negative implications for both their competitive position and their sustainability. The Deposit Taking - SACCOs exhibited most modest growth rates over the course of three consecutive years. Specifically, the growth rates were recorded at 8.69% in the period of 2017-2018, 7.64% in 2018-2019, and reached 7.51% in 2019-2020. Throughout the span of three years, the rates that were reported were consistently at their lowest.

### **1.1.1 Concept of Strategy determinant**

According to Choe (2019), strategy refers to the long-term direction and scope of an organization. It involves leveraging the organization's resources within a dynamic environment in order to gain an advantage and meet the expectations of stakeholders. A strategy can be defined as a carefully formulated and articulated plan of action that outlines the steps an organization intends to take in order to accomplish a predetermined mission. Organizations frequently develop strategies for their company, products, and services, which

subsequently influence operational, support, and managerial processes. The concept of strategy response pertains to the actions undertaken by a company with the objective of attaining a durable competitive advantage (Chepkwei, Wanyoike, & Koima, 2019).

The strategy of a company refers to the strategic plan devised by management to facilitate the growth of the business, establish a prominent position in the market, attract and satisfy customers, effectively compete with rivals, carry out operational activities, and accomplish predetermined objectives (Barker & Barr, 2018). The strategy of a company encompasses the decisions made by its managers regarding customer attraction and satisfaction, adaptation to market dynamics, successful competition, business expansion, functional management, capability development, and achievement of performance objectives. The aforementioned study by Nkonge (2018) highlights the significance of buyer segments, geographic area, and management's intended business approaches in relation to the products.

The implementation of a proficient strategy can enable an organization to effectively adapt to alterations in its external surroundings, maintain a competitive advantage, and attain long-term prosperity. This essay aims to investigate the fundamental elements of strategy and their role in fostering organizational achievement. According to Hermalin and Weisbach (2018), The significance of strategies in SACCOS is multifaceted. Strategies play a crucial role in facilitating the identification of target markets coupled with customization of goods and service delivery to effectively cater to the requirements of

SACCOS stakeholders. According to Odero, Egessa, and Oseno (2019), SACCOS can enhance their membership and promote financial inclusion by developing affordable and easily accessible products and offerings that are tailored to meet the requirements of their members.

Furthermore, according to Odero et al. (2019), the implementation of strategies plays a crucial role in enabling SACCOs to effectively mitigate risks and safeguard the deposited funds of their members. Therefore, SACCOs are obligated to comply with regulatory obligations and adopt robust risk management strategies in order to safeguard the financial resources of their members. The maintenance of member trust and confidence in Savings and Credit Cooperative Organisations (SACCOS) is contingent upon the application of risk management techniques and strict adherence to regulatory standards. According to Mutua and Murigi (2019), the implementation of strategies can contribute to the enhancement of operational efficiency and effectiveness within Savings and Credit Cooperative Organizations (SACCOS).

By implementing process optimization, integrating innovative technologies, and allocating resources towards staff development, Savings and Credit Cooperative Societies (SACCOS) can effectively enhance their service delivery and ultimately enhance member satisfaction. Consequently, this phenomenon can result in heightened levels of member loyalty and confer a distinct competitive edge within the market. Strategy determinants refer to the various factors that exert influence on an organization's decision-making process when formulating and executing its strategies. The determinants encompass a range of factors, both internal and external, which exert an influence on the organization's capacity to attain its goals and objectives (Mutua & Murigi, 2019).

### **1.1.2 Growth of SACCOS in Kisii County**

Loan growth rate can be measured in terms of the total value of loans that the SACCO has provided to members each year, as well as the rate at which the value of loans is growing. As the SACCO is able to offer more loans to members, it is able to help them achieve their

financial goals, while also increasing its own profitability (Nyangarika & Bundala, 2020). Measurement of the growth of SACCOs can be accomplished by the utilization of a variety of components. One of the most important measures of the growth of SACCOs is membership. The number of members of a SACCO reflects the popularity of the institution and its ability to attract new customers. The growth of membership can be measured in terms of the number of new members joining the SACCO each year, as well as the total number of members that the SACCO has. As the number of members grows, the SACCO is able to expand its services and increase its profitability (Hezron & Muturi, 2019).

Another important measure of the growth of SACCOs is assets. The assets of a SACCO include its cash reserves, investments, and other holdings. As the SACCO grows, its assets should also increase. This is because the SACCO is able to attract more members, offer more services, and make more investments. Both the total value of the assets held by the SACCO and the pace at which the assets are expanding each year can be used to quantify the growth in assets. This growth can be measured in terms of the total value of the assets.

In addition, loans are an important indicator of the expansion of SACCOs. According to Ekadah and Mboya (2022), one of the most important services that SACCOs offer is the capacity to grant loans to their members.

According to Boen (2019), the minimum growth target that is recommended for the SACCO of the County is 10%. The present expansion rate of the SACCO, on the other hand, is 5%, which is lower than the minimal growth rate that is prescribed and indicates that the growth rate is insufficient. Many Savings and Credit Cooperative Organizations (SACCOs) are burdened with substantial debt, resulting in their inability to efficiently and sufficiently distribute loans to their members in a timely manner. There is a growing concern regarding

the extended duration taken by certain Savings and Credit Cooperative Organizations (SACCOs) to distribute loans to their members, often spanning up to three months. Consequently, this delay compels members to seek alternative sources of quick loans from well-established financial institutions, which typically impose higher interest rates. In instances where the dividend is accessible, it may exhibit a minimum rate of 3.5%. However, there are occasions when the dividend is not provided, leading to a potential inclination among members to cease their contributions and ultimately terminate their membership.

The study used membership size, dividend policy, operational costs, and loan default as major variables and found that loan defaulting was common among the members. The study conducted by Wanyama and Chesigor (2019) aimed to examine the influence of competitive strategies on SACCO growth in Bungoma. The study revealed that the establishment of robust strategic alliances with both financial and non-financial institutions, as well as the allocation of adequate annual funds as institutional capital to mitigate unforeseen risks, were identified as significant challenges.

The cooperative sector in Kenya, encompassing the SACCO industry, has exerted a beneficial impact on the lives of numerous underprivileged individuals in Kenya throughout its duration. Kenyan SACCOs can be categorized into two types: deposit and non-deposit SACCOs. These SACCOs primarily engage in the trade of members' agricultural produce and services, including but not limited to dairy, livestock, coffee, tea, handicrafts, and other similar cooperative ventures. Financial cooperatives encompass various types of organizations, such as the Savings and Credit Cooperative Societies (SACCOS), housing cooperatives, and investment cooperatives. Kisii County is home to a total of seven Savings and Credit Cooperative Organizations (SACCOS) that have undergone registration and are

subject to regulation by the Savings and Credit Cooperative Societies Regulatory Authority (SASRA). The cooperatives in question are as follows: The mentioned entities include Gusii Mwalimu Sacco, Wakenya Pamoja Sacco, Kenya Achieves Sacco, and Afya Sacco. The significance of Sacco such as Kisii branch, Chai Sacco, Mwalimu National Sacco, and Waumini Sacco has been widely acknowledged (Rawal, 2024).

## 1.2 Statement of the Problem

The SACCO's plays a vital role of pooling resources for investment and wealth creation. They stimulate growth of economy by mobilizing savings done domestically. From the SASRA report (2020), SACCOs operations generate 43% of total GDP. Communities typically create SACCOs to mobilize finances and pool resources while the members take advantage of low borrowing rates and savings plans. However, SACCO, like many other economic entities in Kenya, encounter difficulties in their drive for survival and expansion, according to Ademba (2018) enforcement of SASRA were enacted by the Kenyan government in an effort to slow down the causes of slow growth. The regulator discovered that SACCO management lacked adequate knowledge in prudential management and had poor policies, so they developed policy guidelines to address such shortcomings.

According to Olando, Jagongo, and Mbewa (2020), SACCOs have inadequate wealth growth, which poses a threat to their ability to operate. This jeopardizes their viability in the financial market, which could lead to its total closure. The SACCOs have reported significant losses due to poor management and a lack of competitiveness as a result of their insufficient capital bases, low leadership capacities, bad management, and weak marketing structures. Considering that the government has not provided outright solution to the Cooperative

fraternity's poor growth, the issue is still present in Kisii County. According to in their study, Otieno and Okeng'o (2020) conducted an assessment to examine the impact of government financial regulations on the financial performance of Savings and Credit Cooperative Organizations (SACCOs) in Kisii Central, Kenya. An evaluation was carried out by Otieno and Okeng'o (2020) with the purpose of determining the influence that government financial laws have on the financial performance of Savings and Credit Cooperative Organizations (SACCOs) in the region of Kisii Central, Kenya.

The researchers obtained statistical data from SASRA report (2020) which revealed that the Deposit Taking - SACCOs exhibited most modest growth rates over the course of three consecutive years. Specifically, the growth rates were recorded at 8.69% in the period of 2017-2018, 7.64% in 2018-2019, and reached 7.51% in 2019-2020. Throughout the span of three years, the rates that were reported were consistently at their lowest. Further statistical data from the District Cooperative Office in Kisii Central, which revealed that the annual withdrawal rate among SACCO members is approximately 6%. Furthermore, it was observed that approximately 40% of the SACCOs in the region have become inactive. According to the stipulated requirement, individuals who have withdrawn from the membership are ineligible to receive a refund of their share, which is in contrast to the provision mandating that any refunds must be processed within a maximum period of two months. As a consequence, instances have been brought before the cooperative tribunal.

Several research studies were conducted to investigate the SACCOs. Mutua and Murigi (2019) conducted a study based on the impact of corporate growth strategies on the SACCO financial performance in Kitui County. Chepkwei, Wanyoike, and Koima (2023) conducted a study that specifically examined the impact of strategic leadership on the successful

implementation of strategies within savings and Credit Co-Operative Societies in Kenya. In their recent study, Maina and Jagongo (2022) conducted a study in Nairobi County to examine how the capital structure affects the performance of small-tiered deposit-taking SACCOs. The empirical and conceptual gaps observed where some studies did not focus on strategy determinants and variables used were not in relation to strategic fund mobilization, strategic investments, strategic information dissemination and portfolio loan quality. This prompted a study to be carried out to address strategy determinants of growth of SACCOs in Kisii County..

### 1.3 Purpose of the Study

To examine strategy determinants on organizational growth of savings and credit cooperative societies in Kisii County. This is on basis that nations that have attained a level of economic development are considered to having a thriving and active cooperative sector that has made a significant contribution to the expansion of their respective economies.

### 1.4 Objectives of the Study

#### 1.4.1 General Objectives

To establish strategy determinants on organizational growth of SACCOs in Kisii County..

#### 1.4.2 Specific Objectives

The study's main objectives comprised of;

- i. To assess the influence of strategic fund mobilization on organizational growth of savings and credit co-operative societies in Kisii County..
- ii. To establish the influence of

strategic investments on organizational growth of savings and credit co-operative societies in Kisii County..

- iii. To determine the influence of strategic information dissemination on organizational growth of savings and credit co-operative societies in Kisii County...
- iv. To find out the influence of portfolio loan quality on organizational growth of savings and credit co-operative societies in Kisii County..

## 1.5 Research Questions

These research questions served as a guide for the investigation.

- i. How does strategic fund mobilization affect organizational growth of savings and credit co-operative societies in Kisii County.? ii. To what extent does strategic investments affect organizational growth of savings and credit co-operative societies in Kisii County.?
- iii. How does strategic information dissemination affect organizational growth of savings and credit co-operative societies in Kisii County.?
- iv. To what extent does portfolio loan quality affect organizational growth of savings and credit co-operative societies in Kisii County.?

## 1.6 Significance of the Study

The research investigated factors that influence growth of SACCOs. Results from this research hold significance for SACCO movement and its stakeholders, particularly in promoting policy considerations within the sector.

Data obtained in this study hold considerable importance for researchers, as it may serve as a foundation for future investigations about growth of SACCOs. The examination of the effects of strategic fund mobilization, investments, information dissemination, and loan portfolio quality towards SACCOs growth is crucial for implementation of sound management practices for the assets of their members.

The potential outcome of this study for SACCO members is an increase in their satisfaction and trust, which in turn may result in higher levels of contributions. This is due to the members' awareness of the attractive returns and improved management of their savings. Consequently, it may be argued that Savings and Credit Cooperative Organizations (SACCOS) are making progress towards attaining the objectives outlined in their official policy documents.

### 1.7 Scope of the Study

This section first addresses the geographical scope that entails carrying out the study in Kisii County, and more particularly in Kisii Central Sub-County, which has more SACCOS concentrated with the town Centre in Kisii. A close proximity, ease of access, convenience, and the fact that it satisfies the researcher's financial requirements led to the selection of the appropriate location. In accordance with the Content Scope, the research concentrated on four factors that were thought to have an impact towards expansion of SACCOS in Kenya. They comprised of strategic fund mobilization, investments, strategic information dissemination and portfolio loan quality on growth of SACCOS. Regarding time frame, this was conducted within a two-year period, beginning in 2023 and ending in 2024. This time frame was adequate for the purpose of collecting information that was relevant to the objectives of the study. Lastly, theoretical scope, following theories underpin the research: Efficiency Structure Theory, Neoclassical Theory of Investment, Modern Portfolio Theory, and Contingency Theory. The geographical scope, the study was based on SACCOS with administrative offices in Kisii County. The SACCOS was chosen on the basis that they were accessible to the researcher and may increase the ability to maximize data collection exercise.

## 1.8 Study Limitations

The following comprised of possible constraints in this study;

### 1.8.1 Confidentiality of Information

This research was conducted in a place where people place a high value on the confidentiality of confidential information among the SACCOS that were chosen. Therefore, the work of acquiring data was deemed to be a tough assignment due to the fact that the researcher was required to observe certain confidentiality issues. It was said by a few of the people polled that their organization's useful and sensitive materials weren't accessible to unauthorized individuals. This was done with the objective of protecting the confidentiality of the data that could put the organization's internal secrets at risk. The researcher had to provide an introduction letter from Mount Kenya University to get around this restriction. This letter guaranteed that the study was conducted in accordance with academic standards and was intended solely for academic purposes.

### 1.8.2 Cooperation from Respondents

During the process of data collection, there were several respondents who originally expressed reluctance to take part in the study. There were many who believed that the entire exercise was fruitless. Prior to the day that was set for data collection, the researcher made a proactive visit to the Saccos in order to address this issue. In order to start with the process of data gathering, they first told the management about the project and then requested their agreement.

### **1.8.3 Nature of Work**

Due to the nature of the investigation, the researcher had experienced some challenges on nature of work. Respondents in those SACCOs were quite busy at their work place hence, did not find it hard to create adequate time for this research exercise. It was necessary to make certain that the respondents were provided with sufficient time to finish the surveys on their own in order to be successful in overcoming this obstacle.

### **1.9 Delimitations of the Study**

The strategy determinants of SACCOs growth was the study's main focus. however, other researchers had the room or opportunity to pursue any gaps that could arise from this study especially on aspect where sample size was considered smaller. There was a need for other researchers to base on larger sample size that is, by involving additional categories of other SACCOs.

In relations to the availability of respondents, the researcher had to improvise by limiting the data collection to primary data collection tool that would enhance the response and participation rate of the study.

The sensitivity of the strategy determinants of growth had made senior staff to instill fear among other staff when giving relevant information. This would have led to exaggeration or understatement responses. The survey was made to be confidential in order to get the necessary data, and the investigator assured the respondents that any information they submitted would be kept totally private.

Both an introductory letter from Mount Kenya University and a letter granting permission to do study were among the goals that the researcher intended to obtain (NACOSTI) that was used as an official introduction to the respondents. This was an assurance to the respondents that all the

data that was being collected would entirely fulfill academic requirements and not for commercial purposes.

### 1.10 Assumptions of the Study

The research provided assumptions as shown;

- i. The study assumed that all variables chosen were most appropriate in line with the topic.
- ii. The respondents would co-operate and give voluntary and accurate information.
- iii. The responses to the instruments of data collection were objective and truthful.
- iv. The study assumed that the sample selected was representatives of the target group.
- v. The study would be completed within the time frame provided.

### 1.11 Operational Definition of Key Terms

**Growth in SACCOS Wealth:** Growth in the SACCO society's net assets, supported by institutional capital.

**Information Dissemination:** One effective method of sharing information is by ensuring it reaches a wide range of individuals or groups.

**Institutional Capital:** This includes reserves that have been revealed, earnings that have been retained, grants, and donations, all of which are not intended to be increased unless the SACCO society really goes out of business.

**Loan portfolio quality:** A lender-issued mortgage that is retained within the lender's investment portfolio, rather than being sold to a third-party entity, is referred to as a

portfolio mortgage.

**Sacco Growth:** Constitutes amount retained and distributed surpluses depends on a number of variables. Growth can be discerned through various indicators, such as dividends, interest earned on withdrawable deposits, core capital, and institutional capital.

**Strategic fund mobilization:** is any factor that restricts the amount or quality of investment options

**Strategic Investment:** The act of acquiring an asset with the expectation that it will generate income or increase in value over time.



Mount Kenya University

## CHAPTER TWO

### LITERATURE REVIEW

#### 2.1 Introduction

In this study, impact towards Savings and Credit Co-operative Societies (SACCOS) on the lives of numerous members, both within and beyond national borders, is noteworthy.

Consequently, the Co-operative movement has been experiencing significant growth. Based on recent data released by the World Council of Credit Unions (WOCCU) in 2022, it has been observed that the global credit union movement has experienced a substantial growth in membership, with a notable increase of 59% over the course of the past ten years, resulting in a total membership count of 291 million individuals. The Council reports a notable increase of 107 million new members over the past decade, resulting in a current total of 291 million members in 86,055 Saccos across 118 countries. In the year 2019 alone, there were 17 million new members added to the Council. According to the SACCO Times Edition of 2024, there was a significant global increase of over 26% in Credit Union assets in the year 2019. Additionally, there was growth observed in savings, loans, and reserves during the same period.

A report by ACCOSCA (2020) [The African Confederation of Co-operative Savings and Credit Association] empowering on promoting: empowering and promoting Cooperatives in Africa showed that different regions and also different countries have some unique Cooperative development/ matters that might be a bit biased if coupled in one cup. For instance, in the African region, there are different sectors of Co-operative thriving in different countries like Morocco with artisan, Kenya with credit, housing in Egypt, schools in Eswatini and others. Likewise, in other regions, there are other countries thrive in agriculture,

consumer, worker and platform co-operatives. All it can be said is for cooperatives to utilize the competitive advantage they have to grow and enhance long-term supply of security, improve quality and yields, creation of new markets, stronger relationships with partners and greater transparency value chains. Learning from the best within their countries and beyond with the aim of cooperation rather than competition.

## 2.2 Theoretical Framework

This research was grounded on the following theories;

### 2.2.1 Efficiency Structure Theory

The Theory of Efficient Structures was formulated by Demsetz in 1973. Based on the theoretical framework, it is posited that in response to market competition, proficient enterprises prevail over their adversaries and undergo expansion, resulting in increased size, market share, and financial gains. Advocates of the theory contend that greater administrative capability and proficiency in managing scale led to heightened levels of effort and profitability. One of the essential abilities that the Sacco should possess is a set of knowledge skills. These skills encompass the ability to enhance both social and educational systems, as well as the ability to effectively manage costs while striving for cost savings without compromising quality. The ultimate goal of these skills is to promote productivity within the Sacco (Fama, 2015).

According to Mlachila and Chirwa (2015), there is a claim that financial institutions that consistently outperform their counterparts demonstrate higher levels of efficiency. The expansion of loan books is associated with an increased probability of liquidity vulnerability within an institution. Moreover, in order to sustain operations as a viable entity, it is imperative for all Savings and Credit Cooperative Organizations (SACCOS) to endeavor to

uphold minimum capital adequacy ratios. Environment of a firm is denoted as a field that represents the companies, and includes structures for regulation, agencies of government, courts, professional norms, professionals, groups of interest, opinions of the public, rules, laws and social values.

According to Meyer and Rowan (2016), this theory looks at the schemes, norms, rules, and routines that are a powerful guideline to social structure in order to focus on the robust characteristics of social structure. It investigates how social structures are created, diffused into the company, adopted by the firm, and adapted over time and space, as well as how they are declined and decommissioned. The term "firm environment" refers to the area that encompasses the companies and includes regulatory institutions, governmental bodies, courts, professional standards, professional associations, interest groups, public perceptions, rules, laws, and social values.

This theory holds significance in the context of this study as it illustrates the correlation between the efficiency of SACCO institutions and their growth. According to this theory, the successful management of mobilized funds sufficiency, cash management, asset quality, and loan repayments is considered a key factor in achieving financial growth for (SACCOS).

### **2.2.2 Neoclassical Theory of Investment**

The enhancement of a firm's benefit and prosperity over time forms the foundation of the neoclassical theory of investment. The investment process, according to this theory, is a dispersed delayed function of changes in the needed capital. The production quantity, consumer capital expense, and output price all influence the necessary or wanted capital.

According to the theory, businesses spend to increase their earnings and will fund

initiatives that offer the best yields at the lowest costs.

The theory further posits that firm administrators operate in the best interests of the firm's clients and that the cost of capital is constant and irrespective of the amount of expenditure. However, in practice, companies might not have full access to all the necessary data, and their projections might be inaccurate. Additionally, based on the degree of expenditure, the cost of capital may change because when businesses acquire more money, lenders might become more risk-averse. The neoclassical theory of investment can help “SACCOS analyze the success of their investment assets, examine prospective investments, and determine interest rates for their financial goods. Thus, the theory contributes to the explanation of how strategic expenditures affected the expansion of “SACCOS in Kisii County.

### **2.2.3 Modern Portfolio Theory**

Harry Markowitz developed Modern Portfolio Theory, a financial theory, in the 1950s. MPT contends that varying an investor's financial selection will lower risk and boost yield. According to MPT, a shareholder should pay attention to their entire collection of assets rather than just a single one. According to MPT, investors can lower the total risk of their portfolios without losing anticipated profits by spreading their investments across a variety of assets. This is so that the risk can be spread out and the return can be steadied. Different assets have varying degrees of risk and return, and by merging them in a portfolio, the risk can be reduced. According to MPT, a portfolio should be built with the least amount of variation feasible for the degree of anticipated return. The optimal frontier, which denotes the group of stocks that provide the greatest anticipated return for a particular degree of risk, is another idea introduced by MPT. Investors can use the effective horizon to pick the best strategy for their level of risk tolerance.

Modern Portfolio Theory (MPT) has been criticized for its heavy reliance on past data for risk and return estimation, which may not be accurate in forecasting future market circumstances. Furthermore, it's possible that in reality, buyers are not always logical and risk-averse. MPT has been extensively used in financial analysis and portfolio management despite these drawbacks, offering a helpful paradigm for comprehending the connection between risk and yield in investment portfolios (Sabbadini, 2015).

The fact that “SACCOS can use MPT to control their risk exposure makes this theory relevant to the research. By looking at the relationships between different assets, SACCOS can identify assets that have a poor or unfavorable link with other items in their inventory. This means that the success of other assets in the inventory might not be impacted if one of them suffers a bad jolt. This can aid in lowering portfolio risk and improving return consistency. As a result, MPT can help explain how portfolio credit quality has an impact on the expansion of “SACCOS in Kisii County.

#### **2.2.4 Contingency Theory**

According to the contingency theory, which Lawrence and Lorsch (1967) created, an organization's performance is influenced by a variety of elements, such as its structure, management philosophy, and exterior surroundings. It is possible that a variety of different situations will have an impact on the expansion of "SACCOs," which are financial organizations that offer loans and other financial services to their members.

The managerial organization of a Sacco is one factor that may affect its expansion. The effectiveness of a Sacco is contingent upon the efficiency of its administration, encompassing both the directors of the board and its leadership personnel. Leadership system must match

the organization's scale and intricacy, and the executives must possess the knowledge and expertise required to run the Business successfully. A well-run Sacco is more likely to draw new members and hold on to current ones, which can aid in its expansion (Sirajul & Naveed, 2014).

The exterior surroundings of a Sacco is another factor that may have an effect on its development. The Sacco business is highly controlled, and any alterations to those rules may have an impact on how quickly “SACCOS can expand. The Sacco's capacity to provide loans to its members, for instance, may be impacted by shifts in interest rates or banking standards, which may have an impact on the Sacco's development. A recession or other economic decline may also have an effect on the Sacco's capacity to draw new members and expand its membership pool (Mudibo, 2015).

To summarize, a Sacco's expansion is dependent on a lot of elements, including as its managerial structure, external environment, and corporate spirit. SACCOS are more likely to develop and be successful over time if they are well-managed, have a good corporate culture, and can adjust to shifts in the external environment. As a result, the dependent variable of the research, the rise of “SACCOS in Kisii County, is pertinent to contingency theory.

## 2.3 Empirical Literature

### 2.3.1 Strategic Fund Mobilization and Growth of SACCOS

A study by Henock (2019) investigated the financial performance of the organizations as well as sustainability in their efforts to raise funds within the Eastern Ethiopian SACCOS, Using more than three years' worth of audited financial data and a sample size of 46 SACCOS, this study combined a descriptive and causal research design. A secondary source of

information was the 2016 fiscal year's audited financial records. According to the report, SACCOs in eastern Ethiopia are able to retain their financial sustainability and have average financial performance. However, as much as this research was carried out in Ethiopia, there is a geographical gap; hence, it may not be possible to extrapolate the findings to the context of Kenya.

In Nairobi, Kenya, Kimeli, Muganda, and Ogendo (2022) carried out a study to ascertain the effect of finances and the policies of Credit Cooperative Societies on the mobilization of the money of their members. Of the five thousand and two hundred Savings and Credit Cooperative Organizations (SACCOs) in Nairobi, a sample of thirty members was selected at random. In addition, a survey was conducted regarding 180 members of the SACCO, who were chosen from a community that consisted of 150,000 individuals. The selection of these products was carried out in a completely random fashion. The questionnaire being semi-structured was used to collect information from the 210 individuals as sample. The analysis involved multiple linear regressions, According to the results, the amount of savings that are accumulated is significantly influenced by the options for investment as well as the conditions that intervene in the process. At a confidence level of 99%, the data indicated that the two primary factors that stood out as significant were the prospects for investment and the variables that intervened in the process.

For the purpose of looking into how savings mobilization affects Kenyan saccos' financial performance, Omwoyo (2022) focused on ten debt transfer services (DTS) that had been operating for the preceding five years and held a licence issued by the Securities and Exchange Commission of Kenya (SASRA). A study of secondary data obtained from the SASRA website was carried out using SPSS. The study's conclusions indicate that the

process of raising money had little effect on how well Kenyan SACCOs performed financially. According to the report, savings and credit cooperatives, or SACCOs, should offer simple, adaptable, competitive, liquid, and enticing savings options. In order to give employees the knowledge of goods and customer service strategies that would affect the company's financial performance, they should also undergo continuous training or inservice courses.

Chelangat and Namusonge (2018) used a descriptive research approach for their study on the creation of credit cooperative organizations and strategies for mobilizing savings in Nairobi City County, Kenya. The 38 accredited DT SACCOs in Nairobi, were among the study's target participants. For the past five years at least, these societies have existed. Included in population of study are individuals who are members of cooperative societies for savings and credit, members of the board of directors, branch managers, officials from cooperative ministries and regulatory agencies, operations managers, and other stakeholders. Both main and secondary data were descriptively evaluated throughout the investigation. The STATA 15 was adopted for all analyses, and tabulated data were produced. The results of the study indicate that, in terms of contributing to the growth of savings and credit cooperatives, product marketing was the most crucial factor, followed by a customer-focused approach. The cooperatives that had the greatest expansion were those whose product development had the least influence.

An observational analysis of the strategic fund mobilization and financial success of Mwendwa (2018) looked into strategic fund mobilization and how they affected Kenyan microfinance firm's performance. Several analyses were performed, including a summary analysis, an association analysis, and a regression analysis. While main data was obtained

using a questionnaire given to each of the selected MFIs, The organizations' financial records provided secondary data. The research discovered that the local MFIs' reliance on grant funds had an impact on their ability to offer loans to prospective clients, and that this degree of dependence needs to be reduced. The research also discovered that the majority of MFIs had low capital bases, which is why they typically rely primarily on donations. The low capital bases are further exacerbated by lenders' risk sensitivity toward the success of MFIs, which deters them from financing to these tiny organizations.

### **2.3.2 Strategic Investments and Growth of SACCOS**

The research that was carried out by Karanja, Wepukhulu, and Matanda (2024) investigated the kinds of investments that deposit-taking savings societies in Kenya made and the results that they obtained financially. The findings of the study and their conclusions were derived using secondary data that was reachable. The observations that were going to be used covered the time period from 2023 to 2021, and the population consisted of eleven different deposit-taking societies, sometimes known as Saccos. From the information that was acquired, a statistical analysis that was both descriptive and inferential was carried out. Both correlation and regression analysis were carried out as analytical methods in order to facilitate the interpretation of the relationship that exists between the variables that were chosen for the study. Regarding the analysis, STATA 15 was utilized. According to the findings of the study, the management of deposit taking societies Saccos has the ability to reinvigorate their organization's financial capabilities in terms of asset operations and asset returns by making decisions regarding asset renewal. These Saccos in Kenya witnessed a beneficial influence on their financial performance as a result of the decisions they made about investments.

An investigation on the myriad of elements that have an effect on financial performance among Savings and Credit Cooperative Societies in Nairobi, was carried out by Kamotho and Ombui (2018). The theoretical frameworks of agency theory, financial literacy theory, stewardship theory, and current portfolio theory served as the basis for the research that was conducted. The opinions of Sacco's employees were gathered through the use of a descriptive research design in this study. The sample for the study consisted of sixty-four members of management staff from registered Savings and Credit Cooperative Societies (Saccos) in Nairobi County. In total, there were 87 members of management staff who participated in the study's sample. For the purpose of the study, primary data collection methods are utilized, questionnaires being the one that was utilized the most frequently. The Saccos had robust investing committees that actively included interested parties in the decision-making process for each and every transaction, the study's findings indicate. When it comes to making decisions regarding investments, the SACCOs use the concepts in risk management as its foundation. In addition, the management of SACCOs, which stands for Savings and Credit Cooperative Organizations, is extremely forward-thinking when it comes to the development of investment programs that take into consideration both short-term and long-term goals. Additionally, the findings of the study demonstrated how active stakeholder participation in the decision-making process on financial matters could potentially reduce the danger of financial misappropriation inside Saccos.

In order to assess the correlation between private bank assets and the state banks' financial performance in Kenya, Abdikadir (2023) carried the research. Data from secondary data collected from the 42 commercial banks selected for the study as well as data gained through a descriptive study methodology were evaluated using statistical techniques like association,

regression, and descriptive analysis. Return on assets was found to have a slight adverse relationship, building investments, government stock investments, as evidenced by the observed data. A substantial association was also found between the yield on assets, growth, liquidity, and equity investment of commercial banks, as evidenced by the data. Ultimately, it was determined that there exists a feeble and adverse correlation between asset yield and credit risk. The existence of the association was confirmed.

The primary focus of the research conducted by Njiru and Wanja (2022) was on the influence that the diversity of investment portfolios has on the financial performance of DT-SACCOs. During the course of the research, the present portfolio theory was utilized. During the course of the investigation, a descriptive survey was utilized as the research design. The target population consisted of the 135 DT-SACCOs that had been licensed previous to the study period and had been operating for the final five years of the study. Their participation in the study was required. The chief financial officer of each SACCO was required to fill out the surveys of their organization. SPSS version 23 was utilized in order to carry out data analysis of collected data. Statistics were utilized in order to do the analysis on the data. The descriptive statistics, which included the mean, the standard deviation, and the frequency, were included. Within the realm of inferential statistics, the utilization of bivariate correlation and multivariate regression analysis was employed. Based on the findings of the study, investment portfolio posed a notable effect on financial performance of DT' SACCOS in Kenya. Performing regular evaluations and rebalancing of the portfolio is necessary in order to maintain the optimal asset allocation. As a result, the findings of the study indicate that the diversification of investment portfolios has a substantial impact. According in the findings, the survey, the management of deposit-taking saccos ought to

continue expanding the variety of their investment portfolio by including other financial products.

Karlsson (2018) performed research on the assistance in strategic investment choices using both qualitative and quantitative techniques. Semi-structured interviews, corporate papers, and a literature analysis were performed to fulfill the research goals. The research findings showed that the examined organization primarily used an internal and unchanging strategy for evaluating and choosing which expenditures to pursue as current practice. Commercial considerations were most determinative in the end choice, but the knowledge and instincts of important employees played a significant role too.

### **2.3.3 Strategic Information Dissemination and Growth of SACCOS**

The research conducted by Kwamanga (2016) looked at strategic information systems on the success of lending companies in Nairobi County, Kenya. The research questioned 56 microfinance banks using surveys, and found that despite having internet access and remote locations, consumers still encountered lengthy waiting periods due to system inefficiencies. Moreover, many of the clients' information was not properly displayed at the store level due to sporadic system failures. However, the research did demonstrate a favorable link between the use of independent factors such as online banking, mobile banking, and automatic teller machines, and the success of microfinance banks in Nairobi County.

Kavulya, Muturi, Rotich, and Ogollah (2018) examine the relationship that is between the adoption of technology strategies and effectiveness of information in in Saccos (Savings and Credit Cooperative Organizations) in Kenya. More precisely, their attention is directed towards that particular connection. A descriptive cross-sectional survey was undertaken for the study. There was agreement that the descriptive design was suitable. This research was

conducted with the primary purpose of analyzing the 181 Savings and Credit Cooperative Organizations (SACCOs) in Kenya that have been permitted to accept deposits and have been in operation for a period of at least five years. Questions that were either open-ended or closed-ended were included in the questionnaires. A robust and statistically significant correlation was observed between the success of the Saccos and the specific approach they employed in adopting technology. The findings of a regression analysis suggest that the implementation of a technological adoption plan could be advantageous for Saccos in Kenya. Saccos, which stands for Savings and Credit Cooperative Organizations, have the ability to gain from this plan.

Zhnani and Xiaoyuan (2022) focused their study on whether the spread of risk information impacts risk diffusion in the exchange market. Their results showed that the spread of risk information greatly rises, while the capacity of institutions to obtain information lowers the extent of transmission in the exchange market. Additionally, the research discovered that market noise and favorable information disclosure by banks both reduced the impacts of spread in the interbank market. The pace at which risk knowledge spread, however, had a U-shaped impact on spreading.

In order to examine the crucial roles that invention and information sharing play in deciding competing results, Neirotti and Pesce (2018) performed research. Their study concentrated on the factors that affect expenditures in "SACCOS and associated innovation-related activities and the impact these factors have on the behavior of the industrial and competitive markets. According to the research, there is a favorable and substantial relationship between the amount spent on information distribution and development, with the availability of resources and increased expenditure on this purpose being connected variables.

### **2.3.4 Portfolio Loan Quality and Growth of SACCOS**

A research conducted by Teferi (2019) was to address determinants of credit portfolio quality in Ethiopian microfinance institutions. The study utilized three dependent variables, namely loan loss reserves (LLR), portfolio at risk over 30 days (PAR-30days), and writeoff ratio (WOR), to assess the loan portfolio's health. Based on the findings of the study, it was discovered that the percentage of existing debt had a considerable positive impact on both PAR-30 days and WOR. However, the institution's development had a significant negative impact on LLR and PAR-30 days. The change in the overall loan percentage had a considerable harmful influence on the risk variables in each portfolio of the microfinance enterprises. There was a large and negative association between the proportion of female debtors and LLR.

An analysis by Gichuhi and Omangwa (2020) focused on the loan management and credit. This study investigates the functioning of cooperative societies in Nyandarua County, Kenya, with a specific emphasis on their credit and savings operations. A study design that aims to provide explanations was used. The current study utilized a census methodology to investigate the specific target population of 25 Savings and Credit Cooperative Societies (SACCOs) in Nyandarua County. Questionnaires constituted main means of gathering data. The study instrument was implemented using the drop-off and pick-up approach. The validity was evaluated through the use of both pre-testing and expert opinion. The Cronbach's Alpha reliability test was used as the primary method for conducting the reliability assessment. Both descriptive and inferential analysis methods were utilized in the data analysis phase. The data was analyzed using multiple linear regression, correlation analysis, and descriptive statistics. The statistical analysis shows that the p value for the collections policy variable ( $p=0.034$ ) is

less than preset significance level of 0.05. The discovery implies that there is a statistically significant correlation between the collections policy against loan portfolio's performance.

A research by Ochola (2019) was conducted to address the determinants of loan portfolio quality and firm collaterals at commercial bank branches in the town of Kisumu, Kenya. The research investigated the elements that now have an impact on the quality of a company's loan portfolio. This was accomplished by conducting interviews with 23 participants and carrying out an analysis of relevant literature. The findings indicated that every commercial bank requires collateral prior to approving any loan. The results also demonstrated a notable association between the legal structure, uncertainty in microeconomic factors, characteristics of the company, and attributes of the loan. These factors collectively define the level of business security in a loan portfolio.

According to Agasha, Monametsi, and Feela (2020) whose study was conducted based on comprehensive examination of the effects of loan portfolio quality of microfinance institutions in Uganda. A study conducted interviews with 16 managers using an exploratory research approach, consisting of 10 credit managers and 6 senior managers. With the aid of NVivo software, text analysis techniques were applied to the data. The results show that both external and internal funding were regarded as capital structure elements. The cost of capital was understood to be the pricing of funds. Engagement between clients and lenders was seen as the approach to managing credit risk. Social capital served as a proxy for the calibre of the customer base. Perception of loan portfolio quality was finally found in repayment. According to the research, a number of factors, including financing, fund price, client and borrower engagement, and social capital, have an impact on loan repayment.

Kosztowniak (2020) conducted research on the fluctuations in the quality of the loan portfolio within the Polish financial system. The research employed impulse reaction functions, the Vector Error Correction Model (VECM), and variable decompositions. The empirical findings of the VECM provided support for the importance of metrics such as business revenues, economic development (GDP), investments, and expenses of generating revenues, as well as banks' total own funds.

The analysis by Gatimu (2022) was based on examining how management practices affect non-performing loans in Kenyan SACCOs, with a specific focus on a management-oriented perspective. The study was based on three main theoretical frameworks: stakeholder theory, shareholder theory, and acceleration theory. The utilization of a methodical survey streamlined the procedure of gathering data. Several statistical tools, specifically AMOS, SPSS, and Excel, were used to aid different elements of data analysis. The study utilized regression analysis as the fundamental framework for hypothesis testing. The multiple regression analysis revealed that all four indicators of Management Practices had a statistically significant and advantageous impact on Non-Performing Loans (NPLs). The SACCOs that effectively implement restructuring, monitoring, recovery, and credit guarantee mechanisms experience favorable results in terms of non-performing loans, with a decrease in both the frequency and severity of such loans. Moreover, the magnitude of the Savings and Credit Cooperative (SACCO) has a substantial positive influence on the relationship between management practices and non-performing loans (NPLs), as evidenced by the results of a Moderated Multiple Regression study. Consequently, the study determined that loan restructuring, guarantee policies, credit monitoring, and credit management processes are crucial determinants of non-performing loans (NPLs) in SACCOs, which in

turn impact the growth of Saccos. It is possible to maintain acceptable levels of non-performing loans (NPLs) in order to prevent the decline in asset quality in

Savings and Credit Cooperative Organizations (SACCOs).



## 2.4 Conceptual Framework

Research uses conceptual frameworks to outline potential possibilities or to provide the optimal strategy, which includes defining the problem and objective, doing a literature study, developing a methodology, gathering data, and conducting the final analysis. These take on various shapes depending on the specific study question or issue at hand and are quite similar to empirical inquiry (Peil, 2023).

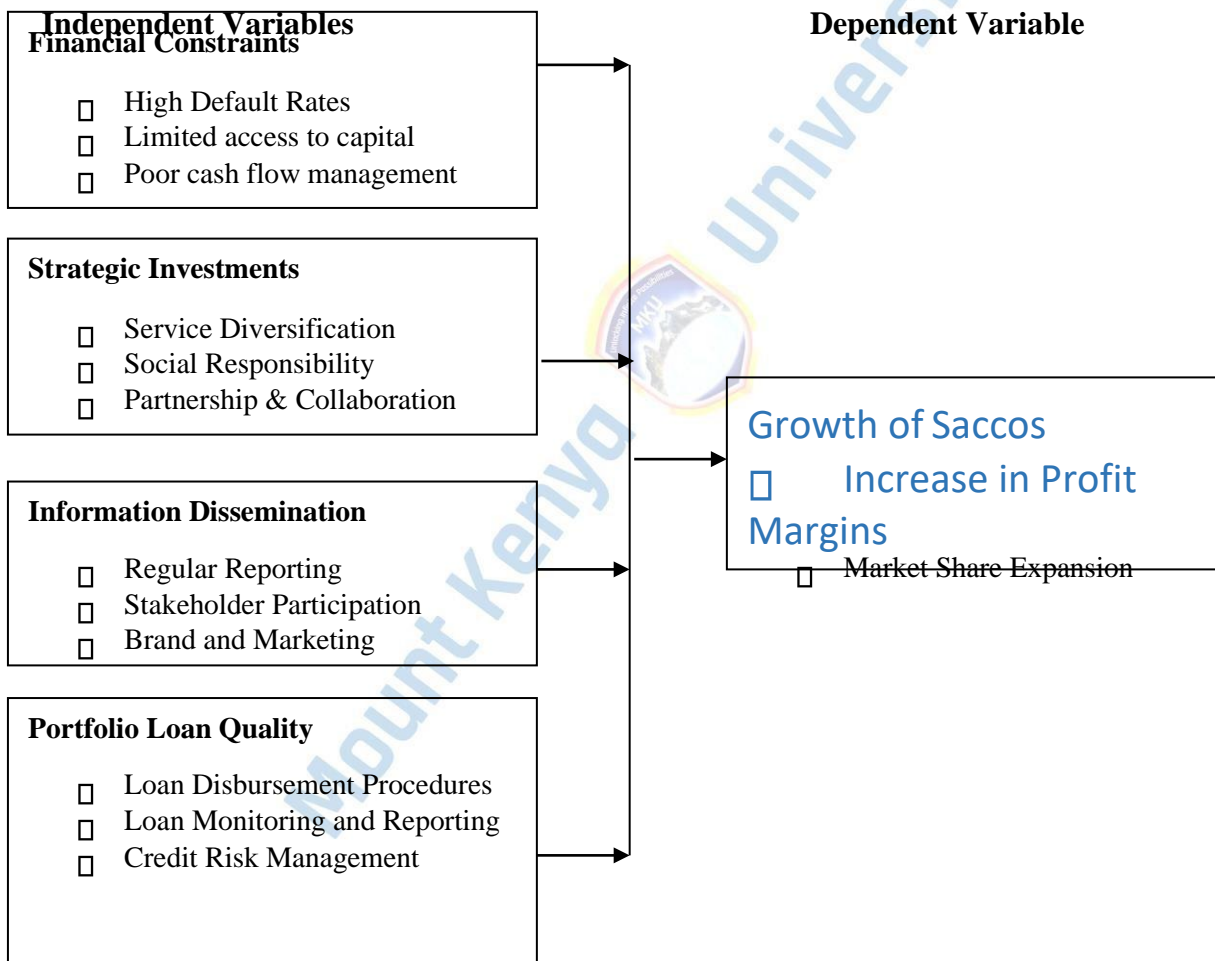


Figure 1: Conceptual Framework

Source: Researcher (2024)

The independent variables are those that stand alone and are not changed by the other variables being measured. The independent variables in this study comprises of financial constraints, strategic investments, information dissemination portfolio loan quality. The parameters of financial Constraints are High default rates, limited access to capital and poor cash flow management. The strategic investments which comprise of service diversification, social responsibility, partnership and collaboration. The information dissemination which constitutes regular reporting, stakeholder participation and brand and marketing. Lastly, portfolio loan quality measured as loan disbursement procedures, loan monitoring and reporting and credit risk management.

The dependent variable is defined as the variable that undergoes changes in response to the manipulation of the independent variable. The researcher is primarily concerned with measuring the outcome, which is contingent upon the independent variables. Dependent variable was based on assessing growth of Saccos, the increase in profit margins, the expansion of market share, and the growth in asset base.

## 2.5 Summary of the Reviewed Literature and Research Gaps

Henock (2019) examined the sustainability of fund mobilization and financial performance of Savings and Credit Cooperative Organizations in Eastern Ethiopia. This research included combination of cross sectional method. The results indicated that SACCOs located in the Eastern region of Ethiopia demonstrated financial viability, with an average level of financial performance. Nevertheless, this study revealed a geographical disparity as it was specifically carried out in Ethiopia. Therefore, attempting to apply the findings universally in the Kenyan setting may not be feasible. Karanja, Wepukhulu, and Matanda (2024) conducted a study that

specifically examined the association of decisions of investment with financial performance among deposit-taking SACCOs in Kenya. This

research utilized existing secondary data for its conclusions. The study revealed that investment selections had a beneficial impact to financial performance of deposit-taking SACCOs. Nevertheless, the present investigation relied on gathering original data. Njiru and Wanja (2022) conducted a study on the impact of investment portfolio diversification. This research adopted cross sectional design. Findings indicate that the investment portfolio had a statistically significant effect to financial performance of deposit-taking SACCOs. Study finds led to establishing, diversifying an investment portfolio has a substantial impact on financial performance. However, the Sacco was generally not involved with Saccos in Kisii.



## CHAPTER THREE: RESEARCH METHODOLOGY

### 3.1 Introduction

The section provides an overview of the research design, the specific population, the methods used to select participants, the size of the sample, the tools used to collect data, the pilot study conducted to test the data collecting process, the steps taken to gather data, the methods used to analyze the data, and the ethical considerations taken into account.

### 3.2 Research Methodology

Methodology refers to the methodical process employed by researchers to carry out a study or investigation. The text describes the methods, processes, and approaches used to collect, analyze, interpret, and derive conclusions from data. An effective research technique is essential for guaranteeing accuracy, consistency, and trustworthiness of research results (Orodho & Kombo, 2016).

### 3.3 Research Design

Descriptive research design constitutes the process of investigating a particular subject by means of a research question (Lyon, 2015). Mugenda and Mugenda (2003) assert that descriptive statistics provide a description of existing phenomena and reveal causal connections. The researcher's choice of inquiry style ultimately dictates the procedure required to conduct a thorough review of the topic under consideration. Because descriptive studies concentrate primarily on answering the question "what is," they are frequently utilized towards investigation of the topics. The major goal of the study was to identify strategy determinants (strategic fund mobilization, strategic investments, strategic

information dissemination and portfolio loan quality) on organizational growth among deposit-taking SACCOs.

### 3.4 Location of the Study

This research was carried out in Kisii County. Kisii is situated in the southwestern region of Kenya, with coordinates of latitude  $0^{\circ} 41' 0''$  S and longitude  $34^{\circ} 46' 0''$  E. The town is situated at a driving distance of 309 km (192 mi) from the capital city of Nairobi. It is positioned in the east-southeast direction, accessible via the Class B3 all-weather road. In 2019, Kisii town, located in Kisii Central, had an estimated population of 13,422, consisting of 6,839 males and 6,583 females. The average population density was 4,011 people per square kilometre on an area of 3.3 square kilometres. It has the second highest number of people in the Nyanza area, following Kisumu (Onchari, 2020).

### 3.5 Target Population



Research population is a subset of the entire population that is the target of scientific investigation. Thus, there are similarities that may be found between the individuals or things that make up the set (Kothari, 2008). These similarities can be described as parallels.

**Table 1: Target Population**

<b>Category</b>	<b>Population</b>	<b>Percentage %</b>
Gusii Mwalimu Sacco	51	15
Wakenya Pamoja Sacco	62	18
Kenya Achieves Sacco	55	16
Afya Sacco Kisii branch	41	12
Chai Sacco	55	16
Mwalimu National Sacco	45	13
Waumini Sacco	33	10
<b>Total</b>	<b>342</b>	<b>100</b>

**Source: SASRA (2024)**

### 3.6 Sampling Procedures and Techniques

Sampling, as defined by Saunders (2003), refers to the act of selecting subsets of individuals or groups from a larger target population for research purposes. The goal is to acquire general results that may be applied to the entire target population.

The study respondents were selected using a stratified random sampling procedure. Kothari (2023) states that stratified random sampling guarantees equitable representation of all organizations in the study and provides equal opportunities for participants to be included in the research. Moreover, the design's error-reducing qualities makes it applicable to

According to Cooper and Schindler (2014), the term "accessible population" refers to the portion of the target population that the researcher is able to reach in a sufficient manner. The population of study was seven SACCOS situated in Kisii Town and they comprised of Gusii Mwalimu Sacco, Wakenya Pamoja Sacco Kenya Achieves Sacco, Afya Sacco Kisii branch, Chai Sacco, Mwalimu National Sacco and Waumini Sacco. The study's target group was staff from the seven selected SACCOS in Kisii Town. Therefore, a total of 342 staff as stratified in the table 1: with their corresponding numbers are provided. populations with a wide range of characteristics. Therefore, the population as a whole must be classified into a single stratum, and each stratum must account for every member of the population. This often improves the sample's representativeness by decreasing sampling error.

### 3.7 Sample Population

According to Cooper and Schindler (2013), population for sampling is defined as a comprehensive list of all individuals in a population from whom a sample is selected. They comprised of Gusii Mwalimu Sacco with a population of (51), Wakenya Pamoja Sacco (62), Kenya Achieves Sacco (55), Afya Sacco Kisii branch (41), Chai Sacco (55), Mwalimu National Sacco (45) and Waumini Sacco (33).

As part of the sampling procedure, the population was segmented into the SACCOS that have been described in Kisii Town. According to Glass and Hopkins (2013), an appropriate sample size was one that is at least 20% representative of the population that is being studied. As a result, for the purpose of this investigation, a sample of 68 individuals were selected at

random from each stratum in target population to take part in collection of data by use of questionnaires.

**Table 2: Sample Size**

Category	Population	Sample Ratio	Sample Size
Gusii Mwalimu Sacco	51	0.2	10
Wakenya Pamoja Sacco	62	0.2	12
Kenya Achieves Sacco	55	0.2	11
Afya Sacco Kisii branch	41	0.2	8
Chai Sacco	55	0.2	11
Mwalimu National Sacco	45	0.2	9
Waumini Sacco	33	0.2	7
<b>Total</b>	<b>342</b>	<b>0.2</b>	<b>68</b>

Source: Researcher (2024)

### 3.8 Construction of Research Instrument

Data for this research was gathered via a questionnaire. It is defined by Mugenda and Mugenda (2003), is a set of queries presented to individuals in order to get statistically meaningful data relevant to a specific issue. The purpose of this research aimed to determine the strategy that influences the SACCO growth in Kisii. Data obtained directly for the purpose of the study is referred to as primary data. Lyon (2015) defines questionnaires as instruments used for gathering data on intangible phenomena such as personal opinions, values, and ideas. Furthermore, they are easier to implement compared to direct observation. Questionnaires have several advantages, such as the ability to reach a wide audience and answer questions quickly. Mugenda & Mugenda (2003) state that structured questions are commonly employed because to their time and cost efficiency, as well as their facilitation of data analysis immediately after data collection.

The criteria of the Likert scale were utilized in the formulation of questions that asked participants showing the level at which they would agree or disagree to the statements. This was done in order to improve the accuracy of the data. The Likert scale as ranging from highest is strongly agree and lowest range strongly disagreeing.

### 3.9 Testing Validity and Reliability of Research Instruments

A pretest was undertaken to gather key information required for computation of sample size, with the purpose of lowering the amount of time and energy invested needlessly by both the researchers and the participants, in addition to the waste of research resources (Glass & Hopkins (2013).

In order to carry out a pilot study, a total of 10 %, which is equivalent to 6 respondents, were drawn from the sample size of 68 respondents. As a result, the pilot study involved a group of 6 individuals selected from SACCOS situated in outskirts of Kisii Town. The results were used to modify the questionnaire so that it is able to collect any and all information that would have been overlooked. The pilot study results were however, not used in the final analysis.

#### 3.9.1 Validity of Research Instrument

Mugenda & Mugenda (2003) define validity as the degree to which inferences made from the examination of primary data collected during research appropriately reflect the subject under investigation. Validity, as defined by Veal and Darcy (2018), refers to the extent to which the information gathered by the researcher accurately depicts the subject matter that is being considered. Validity of the questionnaire, both in terms of its appearance and its content, was evaluated by the supervisor and the research professionals. This involved looking over the text, the sequence, the form, and the structure, as well as determining how

simple it is to ask questions and get instructions. Before the questionnaires were sent out to the remaining respondents, they were recorded for responses of those who filled them out and then made any necessary adjustments to reflect those responses in the questionnaires.

### **3.9.2 Reliability of Research Instruments**

The instruments' reliability constitutes the underlying structure of the instrument to ensure that it measures the intended construct accurately and consistently. Reliability needs to be evaluated because excellent instruments typically yield consistent findings when gathered repeatedly (Lyon, 2013). To test reliability, a total of 10%, or 6 responders, was drawn from this study's sample size of 68. They were utilized to conduct a pilot study among other SACCOS. Their responses were used to determine if the questions were well-crafted. The researcher used the instruments' internal consistency to assess the reliability of the instruments. As per the research conducted by Ary, Razavieh, and Soorensen (2020), the presence of a good internal consistency instrument is indicated by a Cronbach alpha value that is greater than three point seven. Using the information obtained from the pilot study, the researcher determined the Cronbach's Alpha Coefficient and included a confidence interval of 95% in the calculation. Following the completion of the pilot study, the results were entered into a computer, and then SPSS version 26 was utilized in order to compute the Cronbach's alpha. If the Cronbach's alpha value of the questionnaire was greater than 0.7, then it was considered reliable enough to be used with the sample without any modifications.

## **3.10 Data Collection Procedures**

An MKU University letter was utilized to introduce researcher to the respondents, and a study permit from NACOSTI was applicable to acquire authorization in order for collect data. Both

of these documents were utilized to gather data. The questionnaire was distributed directly to respondents of the 7 selected SACCOS in Kisii Town. This entailed using a drop and pick approach, in which the researcher hand delivered questionnaires to respondents while being assisted by a research assistant. Respondents were given four days to complete questionnaires before they were collected back for analysis.

### 3.11 Data Analysis Techniques and Procedure

This constitutes the process of analyzing, organizing, interpreting, and producing conclusions based on the information that was gathered during a study. It is an essential stage in the research process, and it involves a wide range of approaches and procedures, which vary according to the characteristics of the data and the goals of the research to be conducted (Glass & Hopkins, 2012).

In this research, both descriptive and inferential statistical methods were utilized. The generation of percentages, frequencies mean, and standard deviation was accomplished through the utilization of the SPSS system for the statistical analysis. For the purpose of identifying effect of the variables, regression analysis was adopted, while Pearson correlation was adopted in order to assess relationship existing among the numerous independent variables and the dependent variable. Presentation of major findings was accomplished by use of tables.

The following multiple linear regressions model was used.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Thus,

Y= is the Growth of SACCOS  $\beta_0$

= is the Constant Term

$\beta_1, \beta_2, \beta_3$  and  $\beta_4$  are Beta coefficients

$X_1$  is the Strategic fund mobilization

$X_2$  is the Strategic Investments

$X_3$  is the Strategic Information Dissemination

$X_4$  is the Portfolio Loan Quality



$\varepsilon$  = Error Terms

**Table 3: Sample Size**

<b>Objectives</b>	<b>Parameters</b>	<b>Methods of Analysis</b>	<b>Presentation</b>
<b>1<sup>st</sup> Objective</b> To assess the influence of strategic fund mobilization on organizational growth	<b>Financial Constraints</b> <input type="checkbox"/> High Default Rates <input type="checkbox"/> Limited access to capital <input type="checkbox"/> Poor cash flow management	Descriptive statistics (mean & Std. Dev) Inferential Statistics (regression & Correlation)	Tables
<b>2<sup>nd</sup> Objective</b> To establish the influence of strategic investments on organizational growth	<b>Strategic Investments</b> <input type="checkbox"/> Service Diversification <input type="checkbox"/> Social Responsibility <input type="checkbox"/> Partnership & Collaboration	Descriptive statistics (mean & Std. Dev) Inferential Statistics (regression & Correlation)	Tables
<b>3<sup>rd</sup> Objective</b> To determine the influence of strategic information organizational	<b>Information Dissemination</b> <input type="checkbox"/> Regular Reporting <input type="checkbox"/> Stakeholder Participation <input type="checkbox"/> Brand and	Descriptive statistics (mean & Std. Dev) Inferential Statistics (regression & Correlation)	Tables

dissemination on growth      Marketing

<b>4<sup>th</sup> Objective</b>	<b>Portfolio Quality</b>	<b>Loan</b>	Descriptive statistics Tables (mean & Std. Dev)
To find out the influence of portfolio loan quality on organizational growth	<input type="checkbox"/> Loan Disbursement Procedures	<input type="checkbox"/> Loan Monitoring and Reporting	Inferential Statistics & Correlation
	<input type="checkbox"/> Credit Management	<input type="checkbox"/> Risk Management	

Source: Research Data (2024)



### 3.12 Ethical Consideration

This requires obtaining approval from both management of SACCOS and the administrators of the university. To ensure that the data acquired in subsequent stages would not violate the rules and regulations put in place during the time this research was being conducted, it would have been wise to obtain their consent before proceeding with the study. All participants were required to give their consent before they could voluntarily participate in the research. Employees would not be prevented from exercising their right to opt out, and doing so may not have an adverse effect on the program or their future participation. As a direct consequence of this, it is entirely appropriate for the participants to provide responses to the questions that were asked. The researcher as well as any other parties that were relevant must have access to the information, but it must be kept secret at all times. All of the information that were provided

to employees would be kept strictly confidential at all times. In this way, would be able to contribute to an increase in the response rate among respondents. When they were taking part in research, participants had a right to have their personal information to be kept private. Respondents' identities were not requested on the research questionnaire in order to preserve the confidentiality of their answers. All individuals who took part in the study were guaranteed the right to privacy with respect to their individual information. A decision was made that respondents were not expected to give their personal identity on questionnaire so that their comments would remain anonymous.

## CHAPTER FOUR: RESEARCH FINDINGS AND DISCUSSIONS

### 4.1 Introduction

The chapter provides the research presentations, interpretation and discussions. Further addresses the discussion of individual's objectives and research questions.

### 4.2 Research Presentations

The presentations addressed background information about respondents comprising of response rate, gender, age, work experience and level of education lastly the reliability tests.

#### **4.2.1 Response Rate**

The presented findings were based on response rate as shown.

### Table 4. Response Rate

Category	Frequency	Percentage%
Response	57	84
Non-Response	11	16
<b>Total Distributed</b>	<b>68</b>	<b>100</b>

**Source: Research Data (2024)**

A representation of returned and none returned questionnaires was provided in table 4. Therefore, out of the distributed 68 questionnaires, it was noted that 57 was returned and was equivalent to 84%. However, a total of 11 questionnaires were not returned and they were equivalent to 16%. From the majority of questionnaires returned, it was found that the response rate was excellent to carry out final results.

#### 4.2.2 Reliability Results

The presentations provided were based on reliability test results.

### Table 5: Reliability Test Results

Variables	Number of Items	Cronbach's Alpha Values $\alpha > 0.7$	Resolution
<b>Organizational Growth</b>	5		Reliable
Strategic Fund Mobilization	6	0.975	Reliable
Strategic Investments	6	0.982	Reliable
Strategic Information Dissemination	6	0.947	Reliable
Portfolio Loan Quality	6	0.974	Reliable

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**Source: Research Data (2024)**

To evaluate the internal consistency or reliability of a scale or a group of survey items, statisticians use Cronbach's alpha ( $\alpha$ ). Correlation analysis determines how well a set of scale or test items measure the same underlying notion or construct by examining the degree to which they are related with one another. Higher values of Cronbach's alpha suggest greater internal consistency; the value can vary from 0 to 1. The general consensus is that when Cronbach's alpha is 0.7 or higher, it means that the internal consistency is good. Put differently, the items in the scale are seen as consistently assessing the same construct and the scale is deemed internally consistent if  $\alpha > 0.7$  (Glass & Hopkins, 2023). In this study, all variables; strategic fund mobilization, strategic investments, strategic information dissemination and portfolio loan quality passed the reliability tests considering that they all had over  $\alpha > 0.7$ .

#### 4.2.3 Gender of Respondents

The gender response was presented as shown.

**Table 6: Gender**

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Category	Frequency	Percent	Valid Percent	Cumulative Percent
Male	29	50.9	50.9	50.9
Female	28	49.1	49.1	100.0
<b>Total</b>	<b>57</b>	<b>100.0</b>	<b>100.0</b>	

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**Source: Research Data (2024)**

Table 6 displays the data considered while making this presentation, taking into account the participants' gender make up. This research study found that percentage among male

participants was 51% while the percentage of female respondents was 49%. This research exercise had a very balanced gender response; consequently, the response on gender was not skewed, as assessed by the percentage of respondents.

#### 4.2.4 Age of Respondents

Presentations addresses respondent's age.

**Table 7: Age of Respondents**

Category	Frequency	Percent	Valid Percent	Cumulative Percent
18-25 years	6	10.5	10.5	10.5
26-33 years	7	12.3	12.3	22.8
34-41 years	19	33.3	33.3	56.1
42-47 years	9	15.8	15.8	71.9
Over 48 years	16	28.1	28.1	100.0
	<b>57</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Research Data (2024)**

Table 7 displays the data on the age distribution of respondents, indicating that 10% of the respondents fell between the age range of 18-25 years. While 12% of the individuals were between the age range of 26-33 years, while 33% fell within the age range of 34-41 years. Furthermore, a further 15% of the respondents fell within the age range of 42-47 years, while the remaining 28% were above the age of 48 years. The data revealed that the bulk of responses fell within the age range of 34-41 years and over 48 years. This indicates that they were of sufficient age to take part in a study and offer independent answers.

#### 4.2.5 Work Experience

The presentations provided were based on the analysis addressing period of service.

**Table 8: Work Experience**

Category	Frequency	Percent	Valid Percent	Cumulative Percent
Below 1 year	4	7.0	7.0	7.0

1-5 years	12	21.1	21.1	28.1
5-10 years	9	15.8	15.8	43.9
11-15 years	21	36.8	36.8	80.7
Over 15 years	11	19.3	19.3	100.0
<b>Total</b>	<b>57</b>	<b>100.0</b>	<b>100.0</b>	<b>Source: Research Data (2024)</b>

Table 8 presents the survey findings about the employment experiences of those who took part. The investigation revealed that 7% of the respondents had a work experience of less than 1 year. 21% of the individuals had a work experience ranging from 1 to 5 years, while 15% had a work experience ranging from 5 to 10 years. Another 19% of the people who responded had a job experience exceeding 15 years. According to the majority of responders. According to the findings, the majority of respondents had been employed for a period of time with duration of either 11-15 years or more than 15 years. This duration was deemed sufficient to facilitate the expansion of their Savings and Credit Cooperative Organizations (Saccos).

#### 4.2.6 Education Level of Respondents

An overview of the educational achievement was provided as demonstrated.

**Table 9: Education Level of Respondents**

Category	Frequency	Percent	Valid Percent	Cumulative Percent
O-Level	2	3.5	3.5	3.5
Diploma Level	19	33.3	33.3	36.8
Bachelor's degree	28	49.1	49.1	86.0

	4	7.0	7.0	93.0
Other certifications	4	7.0	7.0	100.0
<b>Total</b>	<b>57</b>	<b>100.0</b>	<b>100.0</b>	

**Source: Research Data (2024)**

Table 9 presented results categorized based on respondents' educational levels who took part in this research. It was revealed that 3% of respondents involved in the study were those who had 0-level of education. A total of 33% had diploma level whereas 49% of respondents had bachelor's degree. In the analysis, it was also found that 7% of respondents had postgraduate qualification similar to other 7% of respondents with other certification in financial practices. Going by the majority of responses, the analysis revealed that those with bachelor's degree were the majority. An indication that they were in position to relate well the current study addressing aspects of strategy determinants of growth.

#### 4.2.7 Strategic Fund Mobilization and Organizational Growth

The aim of the research was to analyze strategic fund mobilization on growth of the organization. The presentations on table 4.8 show the study results.

**Table 10: Strategic Fund Mobilization**

<b>Statement</b>	<b>SD F (%)</b>	<b>D F (%)</b>	<b>N F (%)</b>	<b>A F (%)</b>	<b>SA F (%)</b>	<b>Mean</b>	<b>Std. Dev.</b>
Postgraduate degree							

The Sacco records 9(15.8)	14(24.6)	4(7.0)	17(29.8)	13(22.8)	3.19	
1.44 high default rates from the members						
High default rates 5(8.8)	6(10.5)	20(35.1)	7(12.3)	19(33.3)		
3.50 1.29 indicates that members have poor financial planning						
SACCOS charge 19(33.3)	22(38.6)	5(8.8)	4(7.0)	7(12.3)	2.26	
1.32 high interest rates to manage strategic fund mobilization which affects its growth						
High interest rates 9(15.8)	16(28.1)	8(14.0)	8(14.0)	16(28.1)		
3.10 1.48 indicates that the Sacco has a low saving mobilization which affects its growth						
Low loan 5(8.8)	8(14.0)	3(5.3)	25(43.9)	16(28.1)	3.68	1.26
disbarment is a sign of strategic fund mobilization						
Sacco members 3(5.3)	10(17.5)	4(7.0)	19(33.3)	21(36.8)	3.78	1.26
have low creditworthiness which negatively affects the growth of the SACCOS						

**Source: Research Data (2024)**

Presentation shown on table 10 showed that the Sacco records high default rates from the members which has negative impact on the growth of the Sacco. This was supported by 29.8% of respondents whereas those who disagreed were 24.6% and neutral was 7.0%. There was a consensus among the majority of respondents as depicted by mean of 3.19 and std. dev. 1.44. The study found that High default rates indicates that members have poor financial planning skills which affects growth of the Sacco as supported by majority of respondents that were 33.3% and 10.5% who disagreed. Those depicted a mean of 3.50 and Std. dev. of 1.29. It was also established that SACCOS charge high interest rates to manage strategic fund mobilization which affects its growth as shown by a mean of 33.3 for those who disagreed and 12.3% for those who strongly agreed. Majority who disagreed was depicted by a mean of 2.26 and Std. dev. of 1.32. The analysis revealed that high interest rates indicate that the Sacco has a low saving mobilization which affects its growth. This was supported by

28.1% that were equally not supported by 28.1%. This was represented by a mean of 3.10 and Std dev. of 1.48. The study found that low loan disbursement is a sign of strategic fund mobilization among members which affects the growth of the Sacco. This was supported by 43.9% who agreed while 14.0 disagreed and was depicted by mean of 3.68 and Std. dev. of 1.26. Respondents were tasked to show whether Sacco members have low creditworthiness which negatively affects the growth of the SACCOS. From the analysis majority being 36.8% were in total support whereas

17.5% did not agree. That in support was depicted by a mean of 3.78 and std. dev. of 1.26. It was shown from the results, which had an average mean of 3.25 and std. dev. of 1.35 that strategic fund mobilization had influence on Sacco growth. The analysis revealed that Sacco records high default rates from the members which has negative impact on the growth of the Sacco. Therefore, the high default rates were an indication of members had poor financial planning skills which affected growth of the Sacco. This is despite the SACCOS not charging high interest rates to manage strategic fund mobilization which was required to enhance growth. On the other hand, the findings contradicted the findings of Omwoyo (2022), who conducted a study on the effects of savings mobilization but found that mobilization of savings did not have a substantial impact on the financial performance of deposit-taking SACCOs.

Thus, it was confirmed that the high interest rates indicates that the Sacco had a low saving mobilization although other respondents also disagreed implying that rates were charged based on the riskiness of the borrowers where riskier ones could have been subjected to higher rates compared to less risk ones with low rates. It was also revealed that low loan disbursement is a sign of strategic fund mobilization among members with which the aim of

retaining funds meant for other investment opportunities on behalf of members. The finding was considered similar to Kimeli, Muganda, and Ogendo (2022) who addressed mobilization of members' savings in Saccos in Nairobi and found that savings mobilization is influenced to a large extent by both investment opportunities and intervening factors. It was also revealed that some of the Sacco members had low creditworthiness which negatively affected the growth of the SACCOS resulting disbursement of fewer loans to selected creditworthiness members. Due to low funds, the analysis was related to findings by Mwendwa (2018) who looked into strategic fund mobilization and how they affected Kenyan microfinance firm's performance. It was found that the low capital bases are further exacerbated by lenders' risk sensitivity toward the success of MFIs, which deters them from financing to these tiny organizations.



#### 4.2.8 Strategic Investments and Organizational Growth

The presentations on table 4.8 show the study results.

**Table 11: Strategic Investments**

Statement	SD	D	N	A	SA	Mean	Std. Dev
	F (%)	F (%)	F (%)	F (%)	F (%)		
							.

The Sacco invests in service diversification which enhances the growth of SACCOS	5(8.8)	5(8.8)	3(3.53)	12(21.1)	32(56.1)	4.07	1.33
Service diversification such as developing new financial products and expanding into new markets enhances	6(10.5)	7(12.3)	4(7.0)	14(24.6)	26(45.6)	3.82	1.40
The Sacco has invested in expanding branch network	3(5.3)	8(14.0)	3(5.3)	11(19.3)	32(56.1)	4.07	1.29
The Sacco invests in community development programs	0(00.0)	11(19.3)	2(3.5)	12(21.1)	32(56.1)	4.14	1.17
The Sacco promotes environmental sustainability initiatives	0(00.0)	5(8.8)	5(8.8)	13(22.8)	34(59.6)	4.33	0.96
The Sacco has formed partnership with private investors	0(00.0)	0(00.0)	7(12.3)	18(31.6)	32(56.1)	4.43	0.70

**Source: Research Data (2024)**

The study established that the Sacco do invests in service diversification which enhances the growth of SACCOS. This was evidenced by 56.1% of respondents who strongly agreed whereas 8.8% did not agree with the statement. Majority agreed and was shown by mean of 4.0 and std. dev. of 1.33. It was established that service diversification such as developing new financial products and expanding into new markets enhances the growth of the Sacco.

This was supported by 45.6% and rejected by 12.3% and evidenced by mean of 3.82 and std. dev. of 1.40 for majority who supported. The analysis revealed that the Sacco has invested in expanding branch network which enhances its growth as shown by 56.1% who strongly agreed and evidenced by mean of 4.07 and std. dev. of 1.29. However, 14 % disagreed. The study found that a total of 56% strongly agreed that the Sacco invests in community development programs such as promoting financial literacy as shown by mean of 4.14 and std. dev. of 1.17. However, 19.3% strongly disagreed. From the analysis, it was found that 59.6% strongly agreed that the Sacco promotes environmental sustainability initiatives which positively affects its growth and shown by mean of 4.33 and Std. dev. of 0.96. However, 8.8% disagreed with the statement. It was established that 56.1% strongly agreed that the Sacco has formed partnership with private investors which positively affects its growth. This was represented by a mean of 4.43 and std. dev. 0.70. However, minority representing 12.3% disagreed with the statement.

From the results, that had an average mean of 4.14 and std. dev. of 1.14 revealed that strategic investment had influence on Sacco growth. The study found that since Sacco do invest in service diversification that enhances the growth of SACCOS and this was found to involve developing new financial products and expanding into new markets with better opportunities for growth. Some of other approaches included identifying strategies to expanding branch network that was ultimately found to promote growth. The findings were also in agreement with those provided by Kamotho and Ombui (2018) who looked into the various elements that affect Deposit Taking Saccos' financial performance and found that the Savings and Credit Cooperative Organizations (Saccos) had strong investment committees that actively included interested parties in the process of making decisions regarding all investments.

The analysis brought out the understanding that the Saccos have been investing in community development programs such as promoting financial literacy and still focusing on promoting environmental sustainability initiatives which positively affects their growth. Nonetheless, these results were at odds with those reported by Abdika dir (2023), who discovered a positive correlation between financial institutions' return on assets, building investments, and government stock investments. Still analysis revealed that Sacco have been forming partnership with private investors which positively affects their growth. However, others who failed to support could imply that some of the partnerships may not be bringing the expected returns. These findings were considered closely related to Njiru and Wanja (2022) who focused on the effect of investment portfolio diversification and established that regularly review and rebalance the portfolio to maintain the desired growth of asset allocation.

#### **4.2.9 Strategic Information Dissemination and Organizational Growth**

The presentations on table 4.12 show the study findings.

#### **Table 12. Strategic Information Dissemination**

Statement	SD	D	N	A	SA	Mean	Std. Dev.
	F (%)	F (%)	F (%)	F (%)	F (%)		
The Sacco provide financial reports	1(1.8)	7(12.3)	4(7.0)	13(22.8)	32(56.1)	4.19	1.12
The Sacco provide reports to the employees	4(7.0)	3(5.3)	5(8.8)	43(75.4)	2(3.5)	3.63	0.91
The Sacco solicits feedback from the stakeholders which enhances performance	10(17.5)	4(7.0)	7(12.3)	27(47.4)	9(15.8)	3.36	1.33
The Sacco responds to customer inquiries and concerns which positively affects the growth of the Sacco	25(43.9)	23(40.4)	2(3.5)	3(5.3)	4(7.0)	1.91	1.15
The Sacco involves stakeholder in decision making which enhances performance	6(10.5)	5(8.8)	4(7.0)	10(17.5)	32(56.1)	1.40	4.00
		8(14.0)					2.80
The Sacco has invested in brand and marketing initiatives to promote their services	25(43.9)	3(5.3)	12(21.1)		9(15.8)		1.35

**Source: Research Data (2024)**

The presentation shown revealed that 56.1% strongly agreed that the Sacco provide regular and timely financial reports to the stakeholders which enhances performance. This was confirmed by a mean of 4.19 and std. dev. of 1.12. However, only 1.8% strongly disagreed. The analysis revealed that the Sacco provide regular operational reports to the employees and customers which enhances performance. This was confirmed by 75.4% show agreed and had a mean of 3.63 and std. dev of 0.91. A total of 47% were in agreement that the Sacco solicits feedback from the stakeholders which enhances performance. This was shown by a mean of 3.36 and std. dev. of 1.33. It was established that 43.9% disagreed that the Sacco responds to customer inquiries and concerns which positively affects the growth of the Sacco while 7.0% agreed. Majority disagreed to the statement and was represented by a mean of 1.91 and std. dev. of 1.40. The presentation revealed from 56.1% who strongly agreed that the Sacco involves stakeholder in decision making which enhances performance

of the Sacco and evidenced by mean of 4.00 and std. dev. of 1.40. However, only 8.8% disagreed. It was found that 43.9% disagreed that Sacco has invested in brand and marketing initiatives to promote their services and products which leads to growth as confirmed by a mean of 2.80 and std. dev. of 1.35. However, only 15.8% disagreed. The study findings with an aggregate mean of 3.15 and std. dev. of 1.21 confirmed that strategic information dissemination had influence on Sacco growth. The analysis revealed that some of the saccos involved in the study were able to provide regular and timely financial reports to the stakeholders an indication that some efforts are being made by the Sacco management to have all the financial consumed by the relevant stakeholders. These findings were not related Kavulya *et al.* (2018) who noted from regression analysis that the implementation of a technological adoption strategy is advantageous for Saccos regarding provision of information by use of technology systems.

Findings further revealed that Sacco have been seeking feedback from the stakeholders, this was found to imply that using customer feedback may be useful in using the information to make informed decision on how well to use utilize Sacco funds for investment purposes. The responses based on those who did not support revealed that Saccos do not respond to customer inquiries and concerns on timely basis, this imply that they could be missing out on possible suggestions from clients that would help promote the growth of the such Saccos in Kisii County. However, there was no close relationship with findings provided by other researcher for instance, a study by Kwamanga (2016)



investigated the effect of strategic information systems on the success of lending companies in Nairobi County, Kenya and noted that despite having internet access and remote locations, consumers still encountered lengthy waiting periods due to system inefficiencies.



#### **4.2.10 Portfolio Loan Quality and Organizational Growth**

The presentations on table 13 shows the study findings.

#### **Table 13: Portfolio Loan Quality**

Statement	SD F (%)	D F (%)	N F (%)	A F (%)	SA F (%)	Mean	Std. Dev
				6(10.5)	3(5.3)	2.05	
				22(38.6)	10(17.5)	3.28	1.29
				25(43.9)	13(22.8)	3.56	1.22
				21(36.8)	11(19.3)	3.38	1.25
				20(35.1)	20(35.1)	3.82	1.18
				4(7.0)	6(10.5)	2.22	1.26
The Sacco has a thorough loan application process	21(36.8)	24(42.1)	3(5.3)				
The Sacco adherence to loan approval criteria	5(8.0)	16(28.1)	4(7.0)				
The Sacco has loan monitoring and reporting systems	3(5.3)	13(22.8)	3(5.3)				
The Sacco tracks loan performance which lowers cases of loan default	5(8.8)	11(19.3)	9(15.8)				
The Sacco conduct regular loan reviews	2(3.5)	9(15.8)	6(10.5)				

The Sacco has 18(31.6) 24(42.1) 5(8.8)  
credit policies to manage the

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loan **Source: Research Data  
(2024)**

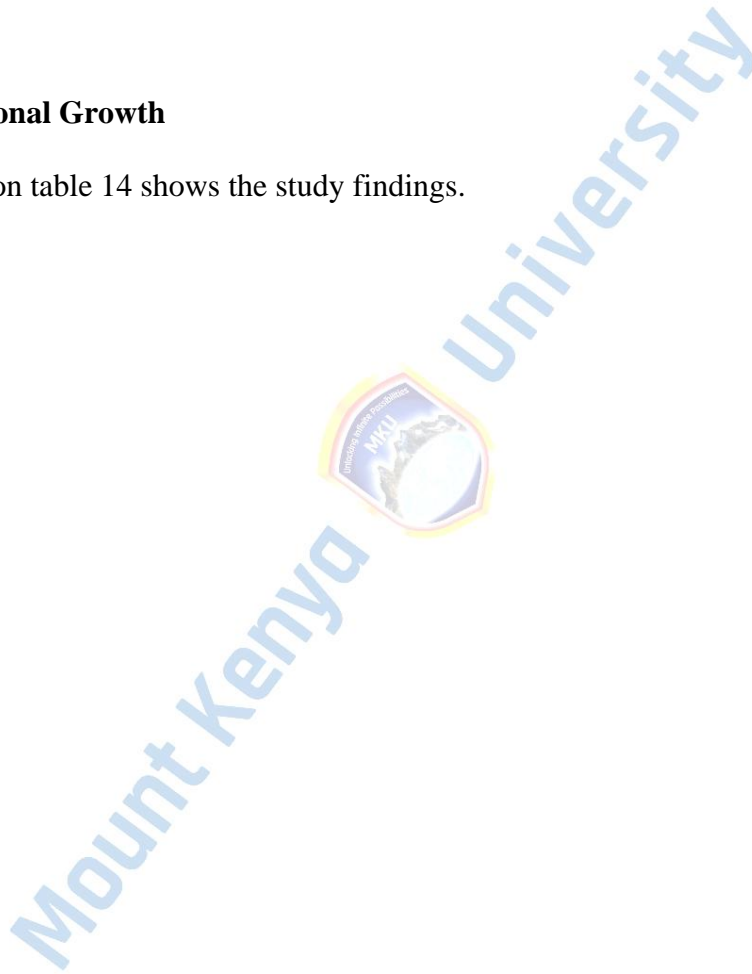
The presentations showed that 42.1% disagreed that the Sacco has a thorough loan application process which ensures that only eligible clients get the loan as shown by a mean of 2.05 and Std. dev. of 1.15. However, only 5.3% agreed to the statement. From the responses, 38.6% agreed that the Sacco adheres to loan approval criteria which lowers the risks of loan defaults and was supported by mean of 3.28 and std. dev. of 1.29. However, minority being 28.1% strongly agreed. From the responses, it was noted that 43.9% agreed that the Sacco has loan monitoring and reporting systems which helps in maintaining loan quality hence growth of the Sacco and this was provided by a mean of 3.56 and std. dev. 1.22. The analysis further showed that 22.8% disagreed. The study found that 36.8% agreed that the Sacco tracks loan performance which lowers cases of loan default hence promoting growth as evidenced by mean of 3.38 and std. dev. of 1.25. However, 19.3% were in disagreement to the idea. The analysis revealed that 35.1% strongly agreed that the Sacco conduct regular loan reviews to identify loans at risk and take appropriate action hence promoting growth of the Sacco and was provided by a mean of 3.82 and std. 1.18. This was contrary to 15.8% who disagreed. From the analysis, it was confirmed that 42.1% of respondents disagreed to the idea that the Sacco has credit policies to manage the loan which promotes growth of the Sacco and depicted by a mean of 2.22 and std. dev. of 1.26. However, only 10.5% strongly agreed.

From the findings with an average mean of 3.05 and std. dev. of 1.22 was a confirmation that portfolio loan quality had a significant role on Sacco growth. The study showed that the Saccos involved in this study may not be having a thorough loan application process that

only ensures eligible clients get the loan. This implied that some of the members could be securing loans without thorough creditworthy assessment. However, the findings provided by Gichuhi and Omangwa (2020) found a significant correlation among collection procedure and the profitability of a loan portfolio, suggesting that debts were efficiently managed. This was evidenced by some respondents equally agreeing and disagreeing their Saccos was adhering to loan approval criteria that were meant to lower the risks of loan. Hence, these findings corroborated with those provided by Ochola (2019) who revealed that there was a significant correlation between the legal framework, microeconomic ambiguity, company, and loan traits, which determine the value of business security in a loan portfolio. The results revealed that the Saccos were having loan monitoring and reporting systems that were aimed at helping in maintaining loan quality. From these established findings, the analysis implied that some efforts were put in place to ensure that all loans advanced to borrowers are able to be recovered. This was evidenced by responses showing that Sacco tracks loan performance which lowers cases of loan default; therefore, this required that the Sacco had to conduct regular loan reviews to identify loans at risk and take appropriate action in order to promote consistent growth. However, some of the responses revealed that the Sacco did not have thorough credit policies to manage; as a result, it could pave way to cases of default resulting to low growth. These findings were therefore found to relate with Gatimu (2022) who focused on the influence of management practices on non-performing loans in Kenyan deposit-taking savings and credit cooperatives and found that loan restructuring, guarantee policies, credit monitoring, and credit management procedures are significant factors influencing non-performing loans (NPLs) in (SACCOs) which affects growth of Saccos.

#### **4.2.11 Organizational Growth**

The presentations on table 14 shows the study findings.



**Table 14: Organizational Growth**

Statement	SD F (%)	D F (%)	N F (%)	A F (%)	SA F (%)	Mean	Std. Dev.
The Sacco has recorded higher profit margins	31(54.4)	15(26.3)	3(5.3)	4(7.0)	4(7.0)	1.85	1.23
The Sacco has improved in dividend payout ratio	25(43.9)	16(28.1)	6(10.5)	5(8.8)	5(8.8)	2.10	1.30
The Sacco has gained new market shares	7(12.3)	5(8.8)	8(14.0)	25(43.9)	12(21.1)	3.52	1.26
The Sacco has opened new branches	6(10.5)	7(12.3)	4(7.0)	7(12.3)	33(57.9)	3.94	1.45
The Sacco has recorded an increase in asset base	7(12.3)	4(7.0)	3(5.3)	20(35.1)	23(40.4)	3.84	1.36

**Source: Research Data (2024)**

The presentation shown revealed that 54.4% strongly disagreed that the Sacco has recorded higher profit margins for the past two years as revealed by a mean of 1.85 and std. dev. of 1.23. However, 7.0% did not support. It was found that 43.9% strongly disagreed that the Sacco has improved in dividend payout ratio for the past two years as shown by mean of 2.10 and std. dev. 1.30. Although only 8.8% strongly agreed. The study established from 43.9% that the Sacco has gained new market shares for the past two years. This was proven by mean of 3.52 and std. dev. of 1.26. However, 12.3% did not agree to the idea. The responses

showed from 57.9% that the Sacco has opened new branches in the past two years. This was supported by mean of 3.94 and std. dev. 1.45. Only 12.5% disagreed with the statement. From the responses, 40.4% strongly agreed that the Sacco has recorded an increase in asset base for the past two years. This was supported by mean of 3.84 and std. dev. of 1.36. The results were however not supported by 12.3%.

The aggregate mean of 3.05 and std dev. of 1.32 suggests that Sacco growth is influenced to some extent. The study established that the state of Sacco growth is determined by various strategic aspects. Although, it was established from the selected responses that some of respondents disagreed that some Saccos in Kisii County have recorded higher profit margins for the past two years. This implied there could cases of strategic management issues affecting growth of the Saccos. This was related to Ekadah and Mboya (2022) who noted that loans are another key measure of the growth of SACCOS, thus, the ability to offer loans to members is a key service that SACCOS provide. This was also supported by Hezron and Muturi (2019) who found that the growth of membership can be measured in terms of the number of new members joining the SACCO each year, as well as the total number of members that the SACCO has.

It was also noted that there was no improvement in dividend payout ratio for the past years, this could be attributed to cases of loan management techniques that give room to defaults. It was however established that there was growth on aspects of new markets where the Saccos have managed to open some new branches in the past years which could be signifying growth. This was however, not related to Wanyama and Chesigor (2019), who found that many Savings and Credit Cooperative Organizations (SACCOS) are burdened with substantial debt, resulting in their inability to efficiently and sufficiently distribute loans to

their members in a timely manner. It was also established that some of the Saccos had recorded an increase in asset base for the past years implying that notable growth is being experienced.

### 4.3 Discussion of Findings

In the context of strategic fund mobilization, the presence of high member default rates significantly hampers the expansion of Sacco. Hence, the presence of elevated default rates suggests a deficiency in the financial planning undertaken by the members, thereby impeding the expansion of the Sacco. Despite the fact that Savings and Credit Cooperative Organizations (SACCOS) do not impose high lending rates in order to gather strategic money for the purpose of enhancing growth. The research revealed that the Sacco exhibited limited success in mobilizing savings, which was attributed to the presence of elevated interest rates. However, alternative viewpoints were expressed by certain participants, suggesting that the interest rates were determined in accordance with the level of risk associated with borrowers. Consequently, borrowers with greater risk profiles were subject to comparatively higher interest rates, while those with lower risk profiles faced lower rates.

In order to enhance the growth of the Sacco, strategic investments are made in service diversification, which involves the development of new financial products and expansion into regions that offer more growth potential. The inquiry uncovered that the Saccos have made investments in community development initiatives, such as financial literacy and environmental sustainability, which have contributed to their growth and success.

Nevertheless, others who had a contrary viewpoint may argue that such collaborations have failed to provide the anticipated outcomes.

With respect to the strategic dissemination of information, it was observed that certain Saccos in the study demonstrated the ability to provide regular and prompt financial reports to stakeholders, suggesting a proactive effort by management to ensure comprehensive financial transparency. The remarks made by those who do not support Saccos indicate that there may be a delay in the response time to customer inquiries and complaints. This delay potentially hinders the Saccos from receiving valuable client recommendations that could contribute to their development.

The success of Savings and Credit Cooperative Organizations (Saccos) is contingent upon the quality of their portfolio loans. It has been observed that Savings and Credit Cooperatives (Saccos) has loan monitoring and reporting processes in place to uphold the quality of loans. Based on the available evidence, the research indicates that concerted attempts were undertaken to recover all outstanding debts owed by debtors. However, it was evident from other comments that the Sacco lacked comprehensive credit procedures for effective control, potentially resulting in defaults and impeding its expansion prospects.

#### 4.4 Inferential Analysis

Inferential analysis is a critical tool for making data-driven decisions and drawing meaningful insights from data. It provides a framework for quantifying uncertainty and generalizing findings from samples to populations, which is essential in scientific research, business analytics and policy-making (Krishnaswami, 2016).

#### 4.4.1 Correlation Analysis

The Pearson product-moment correlation coefficient, often denoted as "r," is a statistic that quantifies the strength with linear association among two continuous study variables. It measures extent to which the variables tend to move together in a linear fashion. This coefficient ranges from -1 to 1, with specific interpretations for different values. Thus, the coefficient can range from -1 to 1, with values closer to -1 or 1 indicating stronger correlations and values closer to 0 indicating weaker or no correlation.

**Table 15: Correlation Analysis**

Inferential analysis covers the regression and correlation analysis;

		Growth of saccos	Strategic fund mobilization	Strategic investment and growth	Strategic information dissemination	Portfolio loan quality
Growth of SACCOS	Pearson Correlation Sig. (2-tailed) N		1			
Strategic fund	Pearson Sig. (2-tailed) N	.758** .000 57	1	mobilization	Correlation	
Strategic	Pearson Sig. (2-tailed) N	.495** .000 57	.864**	1	investment	Correlation
Strategic dissemination	Pearson Sig. (2-tailed) N	.510** .000 57	.878**	.978**	1	information Correlation
Portfolio loan	Pearson Sig. (2-tailed) N	.934** .000 57	.828**	.599**	.610**	1 quality Correlation
						57

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

Inferential analysis covers the regression and correlation analysis.

The results of the correlation analysis as shown in Table 15, indicated that the relationship between strategic fund mobilization and organizational growth among SACCOs was positive, strong and statistically significant at 0.05 level of significance ( $r=0.758$ ;  $p<0.05$ ). The results meant that enhancing the strategic fund mobilization approaches had significant likelihood of

resulting in better organizational growth among SACCOs. Similarly, it was revealed that the correlation between strategic investments and organizational growth among SACCOs, was positive, strong and statistically significant ( $r = 0.495$ ,  $p < 0.05$ ). This meant that increased push for strategic investments was bound to enhance growth of SACCOs.

The relationship between strategic information dissemination and organizational growth among SACCOs was established to be positive, strong and statistically significant ( $r = 0.510$ ;  $p < 0.05$ ). The results were interpreted to mean that increased application of strategic information dissemination was likely to substantially improve organizational growth among SACCOs. It was revealed that the correlation between portfolio loan quality and organizational growth among SACCOs, was positive, strong and statistically significant ( $r = 0.934$ ;  $p < 0.05$ ). This meant that increased focus on building portfolio loan quality was bound to enhance organizational growth among SACCOs. Therefore, each of the components of strategic determinant (strategic fund mobilization, strategic investments, strategic information dissemination and portfolio loan quality) was observed to be significantly correlated with organizational growth among SACCOs at 0.05 level of significance. Therefore, it was imperative to infer that there was a great likelihood that the aforementioned strategic determinants, would result in substantial improvement of growth of Saccos.

The results concurred with Gatimu (2022) who conducted a study on the influence of strategic management practices on non-performing loans in Kenyan deposit-taking savings and credit cooperatives where the study concluded that loan restructuring, guarantee policies, credit monitoring, and credit management procedures are significant factors influencing non-performing loans (NPLs) in (SACCOs) which affects growth of Saccos. This revealed that

some of the Saccos had recorded an increase in asset base for the past years implying that notable growth is being experienced.

#### 4.4.2 Regression Analysis

Regression analysis is a statistical method used to examine the relationship between one or more independent variables (predictors) and a dependent variable (the outcome or response). Regression analysis helps quantify the strength and direction of relationships between variables. It provides a numerical measure of how one or more independent variables are related to a dependent variable. This is essential for understanding the impact of factors on an outcome (Holborn & Langley, 2018).

**Table 16: Regression Analysis Model**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.960 <sup>a</sup>	.922	.916	.39707

a. Predictors: (Constant), Portfolio loan quality, Strategic investment and growth, Strategic fund mobilization, Strategic information dissemination.

The adjusted R-square is a statistical measure known as the coefficient of determination, which quantifies the proportion of variation in this case growth of Saccos and can be attributed to changes in strategy determinants. According to the results presented in Table 16 the adjusted R-square value was found to be 0.922, indicating that approximately 92.2% of the variation in organizational growth of Saccos can be attributed to factors comprising of strategic fund mobilization, strategic investments, strategic information dissemination and portfolio loan quality. These findings were obtained with a 95% confidence interval.

Moreover, it can be inferred from this study that other variables account for 7.8% of organizational growth, indicating the need for future investigation to address this knowledge gap.

#### 4.4.3 Analysis of Variance

Analyzing variance (ANOVA) is a statistical technique used to analyse and compare the means of two or more groups or treatments to determine if there are statistically significant differences among them. One of the primary purposes of ANOVA is to compare the means of three or more groups or treatments simultaneously. It allows researchers to determine if there are any significant differences among these groups, which is particularly useful when you want to analyze the impact of different factors or conditions on a response variable (Gujarati, 2023).

**Table 17: Analysis of Variance**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	96.679	4	24.170	153.298	.000 <sup>b</sup>
	Residual	8.199	52	.158		
	Total	104.877	56			

a. Dependent Variable: Growth of saccos

b. Predictors: (Constant), Portfolio loan quality, Strategic investment, Strategic fund mobilization, Strategic information dissemination.

In the study shown in table 17, it was discovered through analysis that each of the factors listed below strategic fund mobilization, strategic investments, strategic information dissemination and portfolio loan quality —had a significant impact on organizational growth. As a result in the analysis, it was discovered that the regression model had indicated a

significance level of 0.000%, proving that the data used in this study were appropriate for inferring information about population parameters because the level of significance was less than 0.005, the minimum point at which inferences can be considered valid. The value of F (153.298), which remains constant, is obtained by dividing the regression's mean by the residue's mean. The data was significant for drawing the conclusion that the predictor variables, which are e strategic fund mobilization, strategic investments, strategic information dissemination and portfolio loan quality, show variation in the dependent variable, which is organizational growth. The significance value indicated by this value, 0.000, is considered to be lower than the approximated value of 0.005.

#### 4.4.4 The Regression Coefficient Results

A regression coefficient, often denoted as  $\beta$  (beta), is a key parameter in regression analysis, particularly in linear regression. The regression coefficient quantifies how a change in the independent variable is associated with a change in the dependent variable, assuming all other variables are held constant (Cooper & Schindler, 2018).

**Table 18: The Regression Coefficient Results**

	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta			
(Constant)	.134	.290			.461	.647
Strategic fund mobilization	.224	.120	.236		1.859	.069
Strategic investment	.849	.191	.828		4.438	.000
Strategic information dissemination	-.161	.242	-.132	-.664	.510	
Portfolio loan quality	.086	.091	.072	.943	.350	

a. Dependent Variable: Growth of saccos

The following multiple linear regressions model was used.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \text{ Where:}$$

$Y$  = is the Growth of SACCOS  $\beta_0$   
= is the Constant Term  $\beta_1, \beta_2, \beta_3$  and  
 $\beta_4$  are Beta coefficients  
 $X_1$  is the Strategic fund mobilization  
 $X_2$  is the Strategic Investments  
 $X_3$  is the Strategic Information Dissemination  
 $X_4$  is the Portfolio Loan Quality  
 $\varepsilon$  = Error Term

The analysis revealed that there exist a positive and still statistically significant relationship between Strategic fund mobilization against organizational growth of Saccos ( $\beta$ ) 0.224,  $t=1.859$ ,  $p$  value 0.05). The findings of the analysis suggested that a unit adjustment in Strategic fund mobilization would influence organizational growth of Saccos by 0.224 units, provided that all other factors were held constant.

Based on the findings of the the analysis in Saccos in Kisii County, a favourable and statistically substantial correlation ( $\beta$ )=0.849,  $t=4.438$ ,  $p0.05$ ) was found between Strategic investment and organizational growth of Saccos. When controlling other factors or keeping other variables constant, the analysis suggested that a one-unit increase in Strategic investment may contribute towards 0.849 unit change in organizational growth of Saccos.

It was further established that there was negative and substantial relationship between the Strategic information dissemination and organizational growth of savings and credit cooperative societies ( $\beta$ ) -.161,  $t=-.664$ ,  $p$  value 0.05). According to the findings of the investigation, suggested that a one-unit increase in Strategic information dissemination would lead to a -.161 unit change in organizational growth of Saccos.

Other analysis showed that positive and substantial relationship between Portfolio loan quality and organizational growth of Saccos, where the ( $\beta$ ) value was .086, the t value was 0.943, and the p value was less than 0.05. Based on the findings of the investigation, it was deduced that a change of one unit in Portfolio loan quality results in a .086 unit rise in the level of organizational growth of Saccos when all other parameters remain unchanged.



## CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

### 5.1 Introduction

This section covers chapter summary on study findings, the conclusion, recommendations as per study findings based on the authorities for implementations, Service user/beneficiaries and other stakeholders. Lastly, recommendations for further research.

### 5.2 Summary of Result Findings

#### 5.2.1 Strategic Fund Mobilization

From analysis, it was revealed that Sacco records high default rates from the members which has negative impact on the growth of the Sacco. Therefore, the high default rates were an indication of members had poor financial planning skills which affected growth of the Sacco. This is despite the SACCOS not charging high interest rates to manage strategic fund mobilization which was required to enhance growth. From the study, it was confirmed that the high interest rates indicates that the Sacco had a low saving mobilization although other respondents also disagreed implying that rates were charged based on the riskiness of the borrowers where riskier ones could have been subjected to higher rates compared to less risk ones with low rates. It was also revealed that low loan disbursement is a sign of strategic fund mobilization among members with which the aim of retaining funds meant for other investment opportunities on behalf of members. It was also revealed that some of the Sacco members had low creditworthiness which negatively affected the growth of the SACCOS resulting disbursement of fewer loans to selected creditworthiness members.

### **5.2.2 Strategic Investments**

The study found that since Sacco do invest in service diversification that enhances the growth of SACCOS and this was found to involve developing new financial products and expanding into new markets with better opportunities for growth. Some of other approaches included identifying strategies to expanding branch network that was ultimately found to promote growth. The analysis brought out the understanding that the Saccos have been investing in community development programs such as promoting financial literacy and still focusing on promoting environmental sustainability initiatives which positively affects their growth. The analysis revealed that Sacco have been forming partnership with private investors which positively affects their growth. However, others who failed to support could imply that some of the partnerships may not be bringing the expected returns.

### **5.2.3 Strategic Information Dissemination**

The analysis revealed that some of the saccos involved in the study were able to provide regular and timely financial reports to the stakeholders an indication that some efforts are being made by the Sacco management to have all the financial consumed by the relevant stakeholders. Findings further revealed that Sacco have been seeking feedback from the stakeholders, this was found to imply that using customer feedback may be useful in using the information to make informed decision on how well to use utilize Sacco funds for investment purposes. The responses based on those who did not support revealed that Saccos do not respond to customer inquiries and concerns on timely basis, this imply that they could be missing out on possible suggestions from clients that would help promote the growth of the such Saccos in Kisii County.

#### **5.2.4 Portfolio Loan Quality**

The study showed that the Saccos involved in this study may not be having a thorough loan application process that only ensures eligible clients get the loan. This implied that some of the members could be securing loans without thorough creditworthy assessment. This was evidenced by some respondents equally agreeing and disagreeing their Saccos were adhering to loan approval criteria that were meant to lower the risks of loan. The results revealed that the Saccos were having loan monitoring and reporting systems that were aimed at helping in maintaining loan quality. From these established findings, the analysis implied that some efforts were put in place to ensure that all loans advanced to borrowers are able to be recovered. This was evidenced by responses showing that Sacco tracks loan performance which lowers cases of loan default; therefore, this required that the Sacco had to conduct regular loan reviews to identify loans at risk and take appropriate action in order to promote consistent growth. However, some of the responses revealed that the Sacco did not have thorough credit policies to manage; as a result, it could pave way to cases of default resulting to low growth.

### **5.3 Conclusion**

In strategic fund mobilization, the study concluded that high member default rates do hurts Sacco growth. Thus, high default rates indicated inadequate financial planning by members, which hampered Sacco expansion. This is despite SACCOS not charging high lending rates to mobilize strategic funds to boost growth. The study found that the Sacco had low saving mobilization due to high interest rates, but other respondents disagreed, implying that rates were charged based on borrower risk, with riskier borrowers paying higher rates than less risky ones. It was also found that limited loan disbursement indicates intentional fund

mobilization among members to retain funds for subsequent investment opportunities. Some Sacco members had low creditworthiness, which hurt SACCO's expansion and reduced loan disbursement to selected members.

The study concluded that Sacco invests in service diversification to boost SACCO's growth by producing new financial products and entering new markets with stronger growth prospects. Another method was identifying branch network expansion techniques that promoted growth. The investigation revealed that the Saccos have invested in community development programs including financial literacy and environmental sustainability, which has helped them flourish. The investigation showed that Sacco has partnered with private investors, which boosts growth. However, those who did not support may suggest that some partnerships are not yielding expected results.

Some of the Saccos in the study were able to offer frequent and timely financial reports to stakeholders, indicating that the management is trying to get all the financial information to the stakeholders. Sacco has been soliciting stakeholder opinion, suggesting that client comments may help make educated investment decisions using Sacco funds. The nonsupporters' comments showed that Saccos do not reply to consumer enquiries and complaints quickly, which could mean they are missing out on client suggestions that could help them develop in Kisii County.

The study concluded that the Saccos may not have a robust loan application process that only approves suitable clients. This suggested some members were getting loans without proper credit checks. Some respondents agreed and disagreed that their Saccos followed loan approval criteria to reduce loan risks. The results showed that Saccos have loan monitoring

and reporting mechanisms to maintain loan quality. Based on these facts, the research suggested efforts were made to reclaim all debts issued to debtors. Responses showed that Sacco watches loan performance, which minimizes loan default, so it had to conduct regular loan reviews to identify loans at risk and take action to ensure steady growth. However, other responses showed that the Sacco did not have thorough credit policies to control, which could lead to defaults and limited growth.

## 5.4 Recommendations

### **(a). The Authorities for Implementations**

The authorities should develop mechanisms to help Sacco's access capital for expansion and liquidity management. This may include partnerships with financial institutions or the creation of specialized funds for Sacco capitalization. Facilitate collaboration among Saccos and with other financial institutions. Encourage the formation of Sacco networks or associations to share best practices and promote collective growth.

The authorities should invest in financial literacy and training programs for Sacco members and staff. Educated members are more likely to use Sacco services effectively and understand the benefits of saving and borrowing through Saccos.

### **(b). Service User/Beneficiaries**

The service users should actively participate in Sacco activities and meetings. They should regularly attend general meetings, contribute to discussions, and vote during elections. Engaging in the day-to-day of the Sacco helps ensure transparency and accountability.

The service users should share feedback and suggestions about strategic fund mobilization, strategic investments or portfolio loan quality with the Sacco's management and board of directors. Constructive feedback can help improve services and operations. This can be enhanced by taking advantage of financial literacy and training programs offered by the Sacco. Education can help users make informed financial decisions and maximize the benefits of Sacco membership.

### **(c) Other Stakeholders**

For information dissemination, other stakeholders should consider providing accurate and up-to-date information about Sacco services, products, and opportunities through various media channels

Other stakeholders should enforce partnerships where there is collaborate with Saccos to offer financial products and services, such as access to credit facilities, which can support Sacco members and promote financial stability from healthy investment avenues. Other stakeholders should consider providing technical assistance and training to Saccos to help them improve their financial operations, risk management, and product offerings when striving to attain improved growth.

### **d) Practical Recommendations**

Savings and Credit Cooperative Organizations (SACCOs) play a significant role in Kenya's financial sector and have a substantial impact on economic development. To foster the growth of SACCOs in Kenya, the following are practical recommendations: The Sacco management should invest in digital solutions such as mobile banking, online account access, and digital loan processing to improve member convenience and operational efficiency.

There is need to explore partnerships with mobile money providers and fintech companies to expand the digital offerings.

The Sacco members should approve and expand the product and service offerings to include savings accounts, fixed deposits, insurance products, and investment options. There is also need to develop specialized products for specific member segments, such as youth,



women, and farmers. Consider implementing effective credit scoring models to assess the creditworthiness of members and reduce default rates. Appoint skilled and competent leaders who can guide the SACCO's growth. Lastly, encourage transparency, accountability, and good governance practices among board members and management.

**e). Recommendation to Academia**

From the results presented about the adjusted  $r^2$ -square value, it was found to be 0.922, indicating that approximately 92.2% of the variation on growth of SACCOS can be attributed to factors comprising of strategic fund mobilization, strategic investments, strategic information dissemination and portfolio loan quality. These findings were obtained with a 95% confidence interval. Moreover, it can be inferred from this study that other variables account for 7.8% of organizational growth. This implied that there was need to carry further research and fill the gaps left by other variables that were possibly not involved in the present study in order to have a wider coverage on aspects of growth or Saccos.

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## LIST OF APPENDICES

### Appendix I: Research Questionnaire

I am student at the Mount Kenya University Nairobi branch, pursuing a degree of master of business administration (strategic management). I am carrying out research on **The Strategy det erminants of Growth of Savings and Credit Co -Operative Societies in Kisii County..** I kindly request you to fill the following questionnaire to the best of your knowledge. This shall be used for research only and therefore confidentiality is assured.

**INSTRUCTIONS:** Answer by filling provided spaces or simply **tick** where necessary.

#### **Section A: Background Information**

**1. Gender**

Male [ ]

Female [ ]

**2. Your age bracket**

18-30 years

31-40 years

41-50 years

50 Years and above

[ ]

[ ]

[ ]

[ ]

3. Years of Service in your Sacco

Less than 5 Years [ ]

5-10 Years [ ]

11-15 Years [ ]

More than 15 Years [ ]

4. Indicate your Highest Education Level Professional Certificate

[ ]

Bachelor's Degree [ ]

Master's Degree [ ]

Postgraduate Degree [ ]

**KEY: 5 = strongly agree; 4 = agree; 3 = not sure; 2 = disagree; 1 = strongly disagree)**

**SECTION B: STRATEGIC FACTORS (i). Strategic fund mobilization and Growth of SACCOS**

Indicate your level of agreement or disagreement concerning effect of strategic fund mobilization and growth among SACCOS in Kisii County.

<b>Strategic fund mobilization</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
The Sacco records high default rates from the members which has negative impact on the growth of the Sacco					
High default rates indicates that members have poor financial planning skills which affects growth of the Sacco					
SACCOS charge high interest rates to manage strategic fund mobilization which affects its growth					
High interest rates indicates that the Sacco has a low saving mobilization which affects its growth					
Low loan disbarment is a sign of strategic fund mobilization among members which affects the growth of the Sacco					
Sacco members have low creditworthiness which negatively affects the growth of the SACCOS					

**(ii): Strategic Investments and Growth of SACCOS**

Indicate your level of agreement or disagreement concerning effect of strategic investment and growth among SACCOS in Kisii County.	5	4	3	2	1
<b>Strategic Investments</b>					
The Sacco invests in service diversification which enhances the growth of SACCOS					
Service diversification such as developing new financial products and expanding into new markets enhances the growth of the Sacco					
The Sacco has invested in expanding branch network which enhances its growth					
The Sacco invests in community development programs such as promoting financial literacy					
The Sacco promotes environmental sustainability initiatives which positively affects its growth					
The Sacco has formed partnership with private investors which positively affects its growth					
The Sacco has collaborated with other SACCOS and financial institutions which affects its growth					

**(iii): Strategic Information Dissemination and Growth of SACCOS**

Indicate your level of agreement or disagreement concerning effect of Strategic Information Dissemination and growth among SACCOS in Kisii County.

<b>Strategic Information Dissemination</b>	5	4	3	2	1
The Sacco provide regular and timely financial reports to the stakeholders which enhances performance					
The Sacco provide regular operational reports to the employees and customers which enhances performance					
The Sacco solicits feedback from the stakeholders which enhances performance					
The Sacco responds to customer inquiries and concerns which positively affects the growth of the Sacco					

The Sacco involves stakeholder in decision making which enhances performance of the Sacco					
The Sacco has invested in brand and marketing initiatives to promote their services and products which leads to growth					

**(iv) E: Portfolio Loan Quality and Growth of SACCOS**

Indicate your level of agreement or disagreement concerning effect of portfolio loan quality and growth among SACCOS in Kisii County.

<b>Portfolio Loan Quality</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
<b>Strategic Investments</b>					
The Sacco has a thorough loan application process which ensures that only eligible clients get the loan.					
The Sacco adherence to loan approval criteria which lowers the risks of loan defaults					
The Sacco has loan monitoring and reporting systems which helps in maintaining loan quality hence growth of the Sacco					
The Sacco tracks loan performance which lowers cases of loan default hence promoting growth					
The Sacco conduct regular loan reviews to identify loans at risk and take appropriate action hence promoting growth of the Sacco					
The Sacco has credit policies to manage the loan which promotes growth of the Sacco					

**SECTION C: GROWTH OF SACCOS**


Indicate your level of agreement on the following statements concerning growth of SACCOS in Kisii County.

<b>Growth of SACCOS</b>	<b>5</b>	<b>4</b>	<b>3</b>	<b>2</b>	<b>1</b>
The Sacco has recorded higher profit margins for the past two years					
The Sacco has improved in dividend payout ratio for the past two years					
The Sacco has gained new market shares for the past two years					
The Sacco has opened new branches in the past two years					
The Sacco has recorded an increase in asset base for the past two years					

**Thank You for Your Participation**



## Appendix II: Ethical Clearance Certificate



# Mount Kenya University

REF: MKU/ISERC/3037  
TO: AMORO M. FLORENCE  
Date: 22 August 2023

REG: MBA/2021/40494

Dear Sir/Madam,

**RE: STRATEGY DETERMINANT ON ORGANIZATIONAL GROWTH AMONG SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN KISII COUNTY, KENYA**


This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **2081**. The approval period is **22/08/2023 - 21/08/2024**.

This approval is subject to compliance with the following requirements;


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

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

- The Chairman  
**Mount Kenya University**  
Ethics Review Committee  
P. O. Box 302 - 0100, Thika

Yours sincerely,  
  
**Dr. Alfred Owino, PhD**  
Chairman, Mount Kenya University ISERC

## Appendix III: Introduction Letter

  
**Mount Kenya University**

**DIRECTORATE OF GRADUATE STUDIES**

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**MBA/2021/40494**

22<sup>nd</sup> August, 2023

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

Dear Sir/Madam,


**RE: AMORO M. FLORENCE – REGISTRATION NO. MBA/2021/40494**


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 **“Strategy Determinant on Organizational Growth among Savings and Credit Cooperative Societies in Kisii 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 **August, 2023 and October, 2023.**

Any assistance accorded to the student will be highly appreciated.

Thank you.






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

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

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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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# Appendix IV: Permit Letter-NACOSTI

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 972575	Date of Issue: 17/September/2023
<b>RESEARCH LICENSE</b>	
	
<p>This is to Certify that Miss. Florence Mwangi Amoro of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Kisii on the topic: Strategy Determinant On Organization Growth Among Savings and Credit Co-operative Societies in Kisii County Kenya for the period ending : 17/September/2024.</p>	
License No: NACOSTI/P/23/29090	
972575 Applicant Identification Number	 Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code 
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See overleaf for conditions	

## Appendix V: List of SACCOS in Kisii County

1. Gusii Mwalimu Sacco
2. Wakenya Pamoja Sacco
3. Kenya Achieves Sacco
4. Afya Sacco Kisii branch
5. Chai Sacco
6. Mwalimu National Sacco
7. Waumini Sacco



Appendix VI: Similarity Index Report

STRATEGY DETERMINANT ON  
ORGANIZATIONAL GROWTH  
AMONG SAVINGS AND CREDIT  
CO-OPERATIVE SOCIETIES IN  
KISII COUNTY, KENYA

*by Florence Amoro*

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**Submission date:** 26-Apr-2024 12:17PM (UTC+0300)

**Submission ID:** 2362459386

**File name:** AMORO\_PROJECT\_25TH\_APRIL\_2024-Signed\_1.doc (7.16M)

**Word count:** 23992

**Character count:** 135999

## STRATEGY DETERMINANT ON ORGANIZATIONAL GROWTH AMONG SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN KISII COUNTY, KENYA

### ORIGINALITY REPORT

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