

**DETEMINANTS OF INVESTMENT DECISIONS ON FINANCIAL
PERFORMANCE OF MATATU NON DEPOSIT TAKING SACCOs IN NAKURU
CITY COUNTY, KENYA**

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DECLARATION AND APPROVAL

I declare that to the best of my knowledge that, this research project is my original work, and it has not been submitted to any other learning institution for the award of degree or examination purposes.

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Signature



Date: 24th June 2025

Approval

This research project has been submitted for examination with my approval as the University supervisor.

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Signature



Date..24th June 2025

DEDICATION

This research project is a dedication to my wife Irene and my children; Carlton and Lewis.

Thank you so much.



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Mount Kenya

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ABSTRACT

In Kenya, matatu SACCOs are essential from a local and national standpoint. Although it is commonly acknowledged that matatu SACCOs offer numerous advantages to the nation, previous research has shown a contentious dispute over the relationship between financial outlay choices and returns over time. Purposely, this study aimed to test NTSA regulations moderation effect of on the relationship between factors influencing investment decisions and financial productivity in terms of performance of matatu SACCOs in Nakuru City County, Kenya. The specific objectives were ;to determine the influence of replacement decision by matatu owners on financial performance of matatu SACCOs in Nakuru CBD, Kenya, to examine the influence of modernization decision by matatu owners on financial performance of matatu SACCOs in Nakuru CBD, Kenya, to evaluate the influence of diversification decision by matatu owners on financial performance of matatu co-operatives in Nakuru city CBD, Kenya and to assess the NTSA regulations moderation implications on the linkage of investment decisions and of matatu SACCO financial performance with offices in Nakuru city CBD, Kenya. Opportunity cost theory, risk and uncertainty-bearing theory of profit, and contemporary financial theory served as the foundation for the research project. The target population consisted of 625 Matatu SACCOs that are registered with the National Transport and Safety Authority; 206 of them were selected using the stratified sampling approach. For both validity and reliability to be guaranteed in this research prior testing was undertaken at Kisumu city. A structured questionnaire was employed, and data was gathered using the drop and pick technique. The descriptive survey research design was used in this study. The four hypotheses were tested by multiple regression and hierarchical models at a 95% confidence level. The research findings demonstrated that replacement investment decisions had a direct and significant impact on the financial performance of Matatu SACCOs. Again, modernization investment decision influenced financial performance of Matatu SACCOs, which was negative and statistically significant; diversification investment decision caused a significant financial performance of Matatu SACCOs, which was direct; and finally, NTSA regulations exhibited a statistically significant moderation effect on investment decisions to matatu SACCO financial performance conceptual connection. The findings show that the government is capable of establishing regulations that can steer transportation sector operations, thereby improving matatu SACCO financial performance and, as a result, increasing its tax base. The senior management of matatu SACCOs understands the conceptual linkage between investment decisions and the resulting financial performance, which helps them improve their financial sustainability through greater profitability. Academicians can continue to argue parts of investment decisions that have a substantial impact on the financial performance of matatu SACCOs.

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ABBREVIATIONS AND ACRONYMS

ANOVA:	Analysis of Variance
CBD:	Central Business District
CBK:	Central Bank of Kenya
CEOs:	Chief Executive Officer
DT SACCO:	Deposit Taking Savings & Credit Cooperative Societies
FCF:	Free Cash Flows
FOSA:	Front Office Savings Activity
FSD:	Financial Service Deepening
GDI:	geographical diversification and profitability
GDP:	Gross Domestic Product
GMM:	Generalized Method of Moments
GoK:	Government of Kenya
IMF:	International Monetary Fund
KNBS:	Kenya National Bureau of Statistics
KUSCCO:	Kenya Union of Savings and Credit Co- operatives
Matatu SACCO:	Matatu Savings & Credit Cooperative Societies
MMT:	Metro Mass Transit
NACOSTI:	National Commission of Science Technology & Innovation
NPV:	Net Present Value
NTSA:	National Transport & Safety Authority
OLS:	Ordinary Least Square
PSVs:	Public Service Vehicles
R&D:	Research and Development
ROA:	returns of Assets
ROA:	Returns on Assets
ROI:	Returns on Investment
SACCOs:	Savings & Credit Cooperative Societies
SASRA:	SACCOs Regulatory Authority
SMEs:	Small and Medium Enterprises
SPSS:	Statistical Package for Social Sciences

WOCCU:	World Council of Credit Unions recognizing Kenya
VIF:	Variance Inflation Factor
FATO:	Fixed Assets Turn Over
NSE:	Nairobi Securities Exchange
RAO:	Return on Assets



CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Matatu organizations, also known as SACCOs, are self-styled financial associations that unite members to extract savings, provide loans, and address new shareholder demands (KUSCCO, 2019). According to Kiragu (2021), this organization's roots may be found in 1908, when British colonial settlers established the Lumbwa Co-operative Society in the Kericho area. The World Council of Credit Unions has recognized Kenyan SACCOs as the most highly ranked organizations with a remarkable growth rate, according to SASRA (2019), which also states that this movement has a high ranking. According to data gathered from the state department of cooperatives, small, and medium-sized businesses, cooperative societies have experienced a 25% annual growth acceleration over the past six years (GoK, 2020).

According to Mang'ana, Rotich, Hassan, and Orwa (2017), SACCOs are extensively distributed throughout the Kenyan economy, encompassing the civil service, transportation, juakali, housing and construction, consumer services, manufacturing, finance, and banking. The primary goal of the Kenyan cooperative movement, of which Matatu SACCOs are a subset, was to mobilize resources in order to increase members' capacity for self-improvement, strengthen their bargaining power for better markets, particularly in the agricultural sector, increase members' literacy through education, develop their managerial skills, and weaken the influence of creditors by allowing members to borrow from their own resources (IMF, 2017).

The largest factor driving the expansion of public transportation is the matatu sector (Shitanda, Bosire, & Kiveu, 2018 and NTSA, 2018). According to the Economic Survey of Kenya (2017), there were 18,573 registered cooperatives operating in different sectors of the

Kenyan economy as of the end of 2016. It is clear that the primary contributors to the control of more than 80% of public transportation are vehicles used to transport the general public, particularly in Kenya (iePSV), popularly known as "Matatus." Furthermore, it has Questionnaire for Management officials of Matatu SACCOs in Nakuru city CBD, Kenya This questionnaire is for collecting data on: "Investment Decisions and Financial Performance of Matatu SACCOs with Headquarters in Nakuru city CBD, Kenya".

It has been demonstrated that matutu SACCOs contribute 46% of the national income, employ over 500,000 people, and contribute roughly 35% of national savings. In 2017, the asset base of Kenya's matatu SACCOs is reported to have grown from KS 216 billion to KS 248 billion. According to estimates, it makes up 64% of deposits, loans, and the content's asset base, making it the largest sector in Africa (SASRA 2021). The Economic Survey (2016) estimates that deposit-taking SACCOs under SASRA (reg. 177) generate approximately KShs 73 billion in revenue, KShs 4 billion in insurance coverage yearly, and KShs 1 billion in individual and corporate taxes paid to the exchequer annually.

Additionally, it is projected that these SACCOs had more than 3.1 million active members and collected more than Ksh. 272 billion (\$2.6 billion) in member deposits and Ksh. 288 billion, or \$2.79 billion, in credit advancement (Ototo, 2017). Savings increased from 9.2 to 10.6 in 2009 and 2013 as a result of these companies' adoption of financial products, while the ratios for loan absorption were 3.1 and 4.0, respectively, indicating an increase in operational activity (CBK and FSD Kenya, 2019). According to SASRA (2021), matatu SACCOs' financial performance and asset base (investment) are crucial to economic growth.

In the business world, investment choices and financial performance are two different things. However, not every investment choice reacts to financial success in the same way depending on the environment (Esokomi and Mutua, 2018). Investment choices include buying,

growing, replacing, diversifying, and selling an existing company, but each of these options has its own special implications for both internal and external business settings, including SACCOs. According to Santalo and Becerra (2019), investment choices and business operations are not the only factors that affect financial outcomes. However, an investor's operational tactics and the industry they choose have equal importance.

Suzana, Bogdan, and Ivanovic (2019) stressed how crucial it is to evaluate an investment's useful lifetime in terms of profitability. The researchers in this study contend that an investment's residual value is crucial because it influences decisions about replacement, disposal, and total disinvestment. Rajini and Konara (2021) assert that capital outlay is necessary for the cost of any investment decisions made by investors. However, using outdated assets past their usable life results in unaffordable maintenance and repair expenses. Going out of business could be the result. Salawu and Rufai (2019) contended that in order for the company to make cost-effective judgments, replacement decisions must be made at the right time.

1.1.1 Financial Performance

According to Santalo and Becera (2024), the industry's distinct internal and external business environments should be considered in any technique a company uses to gauge its financial performance. This guarantees that the measurement accurately reflects the business uncertainty for which the proprietor is compensated (LeGuin 2023). By emphasizing the cost-benefit analysis, management makes sure that returns on capital outpace costs of capital (Esokomi and Mutua, 2018). Therefore, an evaluation of an organization's ability to use money to create income is known as financial performance. It is also a metric for assessing how effectively the company has used its investment to produce returns (Kiaritha, 2018).

The way an organization has used its resources to create cash flows and keep a healthy liquidity position inside the company is illustrated by this process. Financial performance can be measured using profitability, liquidity, leverage, and efficiency measures, according to Neely (2019). It is recommended that profitability ratios be used. These include earnings after taxes, return capital employed, return on investment, and ratios (Hadi, 2019). Profitability is the component of Matatu SACCOs' financial performance that will be examined in this study. It will be quantified by market share in terms of membership as well as increase in capital and savings. But regardless of the approach, Karanja (2019) states that the following standards might be applied: single period, internal, external, absolute, single period, mean, or growth rate.

According to Santalo and Becera (2024), market share is the most appropriate metric for assessing the financial performance of Matatu SACCOs' operations. Market share was determined to be substantial and positively connected with financial success by Mwendwa (2019). It illustrates how a company can prosper in the face of rivalry and eat into the market share of another company. The operations of Matatu SACCO are highly distinctive. Traditional approaches to evaluating financial performance might not take into account all facets of varied companies to provide an accurate picture of how assets have been used to produce income for the company.

According to Abdullatif (2019), a financial analyst is left with a nagging concern when large public transportation companies like Akamba Bus Service, Eldoret Express Ltd., Stagecoach Ltd., and Nyayo Bus Services close their stores. Their viability is further called into question by the Matatu SACCOs' dispersion into smaller groupings created by splinter groups. Government regulations, operational tactics, and operational culture are some of the factors that affect public transportation's financial success, according to Mwaura (2018).

1.1.2 Investment Decisions

Investment choices involve significant capital expenditures made with the hope of future financial flows. To effectively use retained earnings in fixed assets in anticipation of future cash creation over a number of years, they need thorough planning and a solid feasibility assessment. According to Mweresa and Muturi (2018), fixed assets do have the ability to produce both expenses and income over a duration longer than a fiscal year. Diversification, acquisition, renovation, modernization, expansion, and the purchase and sale of fixed assets are some categories under which capital budgeting decisions may fall.

Disinvestment, or the sale of a portion or the entire company, is regarded as a capital budgeting choice. Because they have long-term effects on the organization's costs and gains, R&D, advertising, and supply chain changes may be taken into account when making capital budgeting decisions. This analysis takes diversity, modernization, and replacement into account. (Evusa, Musau, and Ariemba, 2021).

There are many investment choices, but if a company's revenue depends on its machinery, the most crucial one is how to restock, get the latest technology, and use it to its fullest potential for maximum cash flow (Grobler, Bivona Fuzhuang 2018). According to Manyara, Nkaabu, and Moguche (2020), capital must be used strategically, embracing new financing structures that enable cost reduction, utilizing emerging technologies to enhance customer satisfaction, and maximizing the life cycle of assets to boost revenue production.

The matatu company must use a replacement strategy that guarantees the best financing option for the investor, a modernization strategy that utilizes the most dependable and efficient mode of operation while providing outstanding customer service, and a diversification strategy that ensures the industry's maximum cash flow. Customer needs, the newest and most effective technologies, and optimizing returns on investment are all

important factors to take into account when starting a firm. According to Manyara, Nkaabu, and Moguche (2020), this provides the dynamic capacities combination of replacement, modernization, and diversification as the strongest effect that addresses the needs of the matatu sector.

According to Bennett and Rajlich (2020), replacement decisions involve replacing current assets with new ones that can better handle high input volumes, have a refined and faster production capacity, and have lower production costs. Because of lower maintenance costs and more output capacity, the end result is higher profit margins. In the course of business, assets lose value, and new technology forces a shift in how things are done. To stay in business, the company must sell off its old assets and buy new ones. These are survival strategies that restored a company's productivity and expenses. Accordingly, they are investments that reduce costs (McKay, 2019 ; McKay, Sharma, and Uddin, 2020). In order to increase income and cut expenses, these choices include significant operational adjustments and technical advancements (Pandey, 2018). This study uses capital accumulation to increase or the disposal and acquisition of assets, such as the purchase of big carrying capacity vehicles and cost-effective vehicles, to measure the choice to replace the matatu SACCO (Czerwonka 2021).

Modernization means upgrade, adaptation, assimilation of the most recent innovative changes in the firm's operative procedure. Modernization of firm's assets is an important step toward differentiation of its goods and amenities so as to attain a competitive edge over its peers (Svetlana, and Marina, 2018). Hezron and Muturi (2019) posited that technology as a modern business strategy significantly affect financial returns of SACCOs in Kenya. Thus, corporate modernization strategy becomes important for the firms to have a competitive edge in dynamic surroundings with an aim of increasing profitability (Phung and Mishra 2016). In

resource-based theory firms are assumed to be homogeneous. The firm that breaks away and uses its resources to gain an upper hand over its competitors

breaks way to be unique or heterogeneous. In this study, the aspect of acquisition of Modern Coaches, modification of vehicles, modernization of operations and socially responsible investment which refers to the method applied by entrepreneurs to evaluate business environmental, ethical and social effects on firms governance prior to capital expenditure decisions (Cooper and Weber 2020; Daugaard 2020), will be utilized to gauge modernization decisions for matatu SACCOs with fleets of vehicles plying between Nairobi CBD and other regions in Kenya.

On the other hand, diversification is venturing into other related business which increase both market visibility and revenue turn over to the core business, it may sometimes be something very new totally unrelated to the core business. In other words, these a business which the firm can do without necessarily expanding its capacity requirements. Diversification has become a popular strategy among diverse businesses in various sectors anticipating overtaking competitors (Ulrich and Haugh, 2018). Whether in the same business line or different, it is the way to conquer new markets while improving firms' productivity.

Su and Tsang (2019) argued that risk spreading occurs when a firm develops a new product either dependent on the core business or a product that is totally independent from the core business with an aim of going into new market to offset losses from one product line or basically to conquer new horizons. Oladele (2020) looked at diversification as a power engine to competitive advantage while reducing risk of the business going under and creating market synergy. This success of this business strategy is sensitive to industry, time and regions (Krivokapic, Nladimir and Stogic, 2021). Diversification for matatu SACCOs with vehicles plying between Nairobi CBD where they have offices and the other regions will be measured

investment collaborations with insurance agencies, refilling stations, hotel service providers and parcel delivery service providers. Therefore, it is important to balance between diversification as a strategy and the entire corporate philosophy to make sure that the organizations strategies are the best (Zheng-Feng and Lingyan, 2018).

Past studies on investment and performance from global, regional and local perspectives portray diverse debates. In Pakistan, Mehmood, Hunjra and Chani (2019), assessed the effects of business risk spreading against monetary assembly on the organization's return on investment. Findings of the study were that product variation and investment distribution highly influenced firms' financial returns. Subramaniam and Wasiuzzaman (2019) investigated the relationship between geographical distribution of investment and return on investment. The study showed mixed findings. Tu DQ Le (2021) explored the effects of geographical investment distribution and income risk redistribution on bank stability in Vietnam between 2006 and 2015. The results showed that geographical investment distribution can increase bank stability; alternatively, income risk spreading has no influence on bank stability. In Indonesia, Santoso (2019) assessed the impact of capital outlay decisions applied against appropriate financing options on the expected return of a firm. Results showed that the capital structure affected expected return and firm value.

In Nigeria, Oyedijo (2019) interrogated on the relationship of product-market enlargement strategy on growth and expected return. Yobo, (2018) from Ghana, examined state involvement in public transport delivery. All those research findings indicated dissimilar outcomes. In Kenya, Odhiambo (2019) investigated the effects of portfolio distribution against Financial Sustainability of DT SACCOs. Mutire, Kadima and Juma (2020) investigated the relationship between risk redistribution on credit default rate in non-DT SACCOs, Kakamega area. Also. Ogada, Achoki and Njuguna (2016), assessed the effect of investment distribution against expected returns of merged institutions and Lomuria,

Wanyama, and Mamuli, (2019) wanted to find out the impact of capital expenditure enlargement strategies and expected returns of co-operative societies in Turkana County, Kenya. Results of those studies gave controversial and dissimilar outcomes than expected.

1.1.3 Matatu SACCOs in Nakuru city CBD

The meaning of SACCOs is savings and credit co-operative organizations. Their core mandate is resource mobilization and provision of credit to members. To state or imply otherwise negates the motive, intention and spirit of the co-operative movement (James, Gathungu et al 2018). Muraguri (2019) Savings and credit cooperatives exist to meet important human aspects of accumulation and redistribution of capital, spread risks and neutralize the power of commercial credit providers. SACCOs operate through a board of directors who employ the staff that manage them. The board of directors is required by law to report to the members at the AGM or ADM. It is during the AGM that members assess the performance of the SACCOs and pass resolutions.

Investment decisions in matatu SACCOs are done by individual members since SACCOs are user-owned, user-benefit (Musundi, 2015). The SACCOs play the role of resource mobilization and elimination of financiers in the business model of public transport in Kenya. Members can only run public transport under the name of their SACCOs. Taking risk is the investment function borne by the entrepreneur and it is not transferable. That is why the entrepreneur has the rights to profits (Hawley 2017). Matatu SACCOs are about common interest and public transport is what is common with members of matatu SACCOs. It is a requirement within the republic of Kenya to belong to SACCOs in order to obtain a license to run public transport or to belong to a limited company with an exception to taxis.

Matatu SACCOs with offices in Nakuru city CBD and with public transport service vehicles plying between Nakuru city and other regions of Kenya account for 85% of the matatu industry with estimated turnover of KShs 73 billion per annum on average (Kenya Economic Survey, 2019). These SACCOs generate approximately KShs 9 billion insurance sales per annum and pays KShs 1 billion government taxes yearly. Matatu industry is the major stakeholder in public transport system in Kenya (Klopp and Mullah 2021). Matatu SACCO ownership structure in Nakuru city CBD and with vehicles plying to other regions of Kenya is hybrid in nature whereby the SACCO members are the owners of the SACCO and at the same time they invest in the matatu vehicles offering transport services within and without Nakuru zone. Further, they actively participate in the running of the SACCOs in different capacities such as managing directors or CEOs, managers and supervisors (NTSA, 2020). These members save and borrow money so as to invest in matatu SACCO transport opportunities or otherwise (Ototo, 2019). The financial performance of the Matatu transport sector may be assessed in a number of ways such as route percentage control (Market share), its financial return, the lifespan of the Matatus, households supported by the sector (employment contribution), the progressive changes of the Matatu SACCOs (Chepkosgey, 2019).

In the public transport industry government regulations are exercised by the National Transport and Safety Authority (NTSA). This is according to (NTSA ACT 2022) Legal notice no 33. Yobo, (2018) insisted that investment in public transit systems cannot be solely left in the hands of private investors. The government must address market failures and fill the gaps which private firms create in their pursuit for profits (Wagereka 2018) findings were, that the role of government regulatory framework was to moderate the performance of SACCOs..

1.2 Statement of the Problem

While the governments' introduction of Matatu SACCOs was expected to be a game changer to the investors in the industry. This has not been the case. The financial performance of matatu SACCOs has been dogged by divisions into small saccos which cannot breakeven and hence they are uneconomical to run. The possibility of low capital base leading to inability to meet their objective for existence, which is to accumulate resources (Mwendwa 2016). There has been low or no absorption of emerging financial models to cut costs. Low uptake of emerging technologies which are key in improving customer experience. Lack of business knowledge hinders the SACCOs from optimizing on their asset's lifecycle and increased output capacity (Manyara, Nkaabu and Moguche 2020) With the above challenges Matatu SACCOs encounter a limited market.

Matatu SACCOs are not allowed to invest in zero-interest properties which are extra by ten percent of overall properties of which freehold land parcels and real estates cannot go beyond five percent (SACCO Societies Act, 2018). The rate at which members default on their obligations points to issues of performance since these loans are used to fund vehicles on the road. The stability of SACCOs is also jeopardized by the rate of splitting and forming small groups which are not economically viable (Maina, Kinyariro and Muturi, 2020). To defeat and mitigate the imminent risks arising from the challenges highlighted, it is on the grounds of such challenges that the current work endeavor to answer research questions identified by investigating the influence of capital expenditure by matatu owners on return on investments of public transport that operate matatus which ply between Nakurucity CBD and other regions of the country, Kenya.

Matatu cooperative societies make up a major percentage of the transport sector with a huge contribution to both livelihoods and the economy. It is a means to capital accumulation as

savings and credit provision to its members. In the process employment opportunities are created (Klopp and Mitullah 2021). However, matatu SACCO have portrayed undesirable financial performance. For instance, since the matatu SACCO movement was introduced in Kenya 2020, it has encountered diminishing growth. The GDP contribution in 2021 to 2023 was 9.0%, 8.7% in 2021, 11.5% in 2022 and 14.2% in 2023. Further, the sector registered a GDP contribution level of 23.7% percentage in 2019, 24.1% in 2020, 25.9% in 2021, 27.2% in 2022 and 29.2% in 2023 (KNBS, 2024) Competition in the market is also a threat to the survival of matatu SACCOs. Because of weak control and availability of credit in the market banks give unsecured loans to customers and non- customers in order to defeat the cooperative movement which eat into their market (Mugo, Mauthe and Waithaka, 2019; Odhiambo, 2019). Economic Survey Report (2019) shows statistical analysis of a sector witnessing diminishing growth from 2019 - 2023 and a stagnated growth between 2019 and 2023. Therefore this study aims at looking into determinants that influence investment decisions on financial performance in Matatu SACCO in Nakuru City CBD, Kenya.

1.3 Purpose of the Study

This research focused on factors influencing investment decisions on financial performance in Matatu SACCO in Nakuru City CBD, Kenya.

1.3.1 Specific Objectives

- i. To determine the influence of replacement decision by matatu owners on financial performance of matatu SACCOs in Nakuru city CBD, Kenya.
- ii. To examine the influence of modernization decision by matatu owners on financial performance of matatu SACCOs in Nakuru CBD, Kenya.
- iii. To evaluate the influence of diversification decision by matatu owners on financial performance of matatu SACCOs in Nakuru CBD, Kenya.

- iv. To assess the moderating effect of NTSA regulations on the relationship between investment decisions and financial performance of matatu SACCOs in Nakuru CBD, Kenya.

1.4 Research Hypothesis

This research hypothesized as follows

H01: There is no significant influence of replacement decision by matatu owners on financial performance of matatu SACCOs in Nakuru CBD, Kenya.

H02: There is no significant influence of modernization decision by matatu owners on financial performance of matatu SACCOs in Nakuru CBD, Kenya.

H03: There is no significant influence of diversification decision by matatu owners on financial performance of matatu SACCOs in Nakuru CBD, Kenya.

H04: There is no significant moderating effect of NTSA regulations on the relationship of investment decisions and financial performance of matatu SACCOs in Nakuru CBD, Kenya

1.5 Significance of the Study

This paper will be significant to many interested parties: For policy formulators in the government circles, the outcome will provide the big picture on how to establish transportation guidelines to eliminate revenue loss which by extension result to decline in the level of government tax collections. So, this paper will provide a hint of informing their policy formulation and implementation on matatu SACCOs. Therefore, from the research outcome of this paper, policy formulators will be able to appreciate the subtleties touching matatu SACCOs in the country (i.e., Kenya) and dealing with them as supposedly.

The outcome of this research is crucial to the matatu SACCO management team and

operators of matatu. Via these results, the stakeholders and directors of matatu SACCOs are able to extent their information on causes of their matatu SACCO's financial performance and the means in which it distresses their corporate. This informs the formulation of necessary investment policies and operational practices that affect the overall financial return on investments of this nature of business in Kenya.

The outcome herein will be a reference point for future studies and future scholars. Through the results of this work, future scholars find an anchorage as a point of reference as far as Matatu dealings are concerned. The theoretical argument is logical and forms a basis for further investigation to find out other investment decision that can benefit other sectors.

1.6 Scope of the Study

This study was centered on investigations of the impact of capital expenditure over return on capital of matatu transport business in Nakuru. The study focused on effects of replacement, modernization and diversification decisions by matatu owners on expected return of the matatu transport businesses in Kenya. The scope of these investigations also will focus on matatu SACCOs which have offices in Nakuru CBD whether it serves as an operating point or the headquarters for the SACCO and also their vehicles ply between Nakuru City and other regions. Earlier studies about matatu saccos by Mwaura (2019), Mwendwa (2019) & Macharia (2019) were limited the time frame up to 2016. Only Manyara, Nkaabu and Mochuge (2020) was done in recent time. The current study had a timeframe duration of focus of between 2020 up to 2024.

1.7 Limitations of the Study

This study will be confined to matatu SACCOs with matatu vehicles plying between Nakuru city CBD and other regions of the country, Kenya. So, not all categories of public service

vehicles were considered. Reluctancy or unwillingness to fill out the structured questionnaire and even the time to participate in the research posted a limitation anticipated by the researcher. Consequently, written authority by Mount Kenya University graduate school and NACOSTI to make the whole process authentic and acceptable amongst the targeted players was utilized to mitigate that limitation. This will be achieved by giving a commitment to keep confidentiality of the interviewees and the information gathered.

The matter of timeframe within which the study will be undertaken will be short. A duration of five years between 2021 to 2024. The fact is that the matatu SACCOs have been in operation for even more time. This study will not factor in the lifetime of the SACCOs but narrowed to five years. This implies that all data may not have capture. The study will overcome this by focusing on the sample size selected.

There are many investments related factors that influence financial performance of matatu SACCOs. However, this study will incorporate the aspect of replacement, modernization and diversification for they are the most common investment decisions amongst matatu SACCOs. The contextual viewpoint will be the justification to use this approach because there are other transport sectors which use other capital budgeting decisions to grow financially.

1.8 Operational Definition of Terms

Financial return	the measurement of the how an organization exploits its capital to generate revenues during normal trading exercise of a firm in implementing strategies, policies and operations over a given period of time.
Investment Decisions	are capital budgeting policies involving efficient capital outlay of the firm's current funds to acquire fixed assets in anticipation future cash flows benefits for a number of years during the useful life of the fixed asset.
Replacement	is an investment decision where disposal of the old assets is done and new, better or probably larger capacity, assets are acquired.
Modernization	is capital expenditure decision which involve upgrading in terms of either technology or operational change geared towards cost cutting and operational efficiency
Diversification	is an investment decision which entails operational change to spread risks related to the location of business, products or services offered or even line of business operation. Line related business are added in diversification to increase the firm revenue base while enlarging the firm's business
Matatu SACCOS	is SACCOS formed by the matatu owners, be it individuals, partners or collaborations to offer public transport in Kenya and have got operational offices in Nakuru CBD

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Investment decisions and financial performance of matatu SACCOs make a substantial contribution in the transport sector. The correlation of these two variables is anchored in various theories.

2.1 Theoretical Review

The modern financial portfolio theory, opportunity cost theory and risk, uncertainty bearing theory are the mainstream suppositions which underpin this inquiry as discussed below.

2.1.1 Modern Financial Portfolio Theory

Harry Markowitz (1952) demonstrated that investments are either high risk big profit bearing or low risk low profit bearing. Investors have the opportunity to choose an optimal mix of two or more investment combinations based on an assessment of their individual tolerance to risk. In an investment risk and return are involved. Such a risk should be assessed depending on how it affects the entire portfolio. According to this theory, the investor can construct a portfolio several assets resulting to a greater return without increasing the level of risk involved.

The modern financial portfolio theory argues that an investor is risk antagonistic. They therefore have a preference of going for portfolios of lesser risk as compared to those which are more risky ones given a certain level of return. Risk averse means that stakeholders prefer to invest in combination of asset classes in order to diversify risk. The evaluation of a single investment is not given great importance, such as the outcome of the performance of the whole set of investment decisions often referred to as the portfolio. The portfolio performance is a Sum of variance or correlation of each single investment that make up the

portfolio. The weighted sum of each single assets forms the expected return on the portfolio while the collection jeopardy is a determinant of the alteration of each quality and the connection of each couple of properties.

Risk averseness acts to drive investment diversification. This study is using diversification as a variable in the measure of financial performance which is in other words expected return. Hawley (1907) argued that profit is the reward for bearing risk. In investment sometimes it is impossible to mitigate risk with a single investment. Modernization, diversification & replacement of the portfolio that matatu owner needs to mitigate risk.

2.1.2 Risk and Uncertainty-bearing Theory of Profits.

Hawley (1907) developed this theory. It states that profits are a reward for bearing the risk. Approximately jeopardies are intrinsic in the corporation. For instance, in the matatu investments, accidents and unfaithful staff are inherent risk not to mention driving standards. This makes every business almost speculative. The vital meaning of an businessperson is to take jeopardies. This is the investment function. This function is not transferable to any other party in the business.

The level of risk varies in different businesses. Hawley (1907) returns on investments have positive and significant correlated to risk, the higher the risk the greater the probability of profit and smaller the risk, the lower the probability of profit. Hence profits are the gains of taking risks. It is this profit that is the measure of performance in this study. Knight (1921) improved Hawley's risk theory of profit. Risk is estimated using statistical probability of outcome and can be minimized or reduced to zero (Knight 1921). Profit is the reward for bearing uncertainties, which are not insurable, but risk can be insured.

Uncertainties arise from a number of changes in the marketplace which the entrepreneur cannot predict with certainty. Changes in the marketplace on supply and demand,

innovation, economic policies and business cycle. LeGuin (2013) puts it in a decent business language that uncertainty is a broad range of possible outcomes and complex, which makes it impossible to define even after making scenario analysis since it is impossible to determine what future events will be. The argument in this theory coincides with the current work because it measures the uncertainty that an investor has to bear in order to earn the profits generated by their investments.

2.1.3 Opportunity Cost Theory

Gottfried Haberler (1936) argued that resources are always scarce and for every investment choice made there is an equal opportunity forgone. The cost for the forgone opportunity is the opportunity cost for the choice made in capital expenditure. Opportunity cost refers to the expense of an alternative good which has to be forgone to avail adequate resources to generate an additional unit of the first commodity or service. It is not assumed that labor is the only factor of production. This theory argues that labor is not homogeneous. The theory does not expect labor to be the only factor that can be used to estimate the cost or the price of a commodity and not even its ingredients. It advocates for a comparative advantage in production which gives a firm a competitive edge in the market over its peers offering the same commodity or services.

This study focuses on replacement, modernization and diversification decisions and financial returns of matatu cooperatives in public transport. Investment decisions in this sector are many. The choice of the three variables named determines other business strategies in this industry and determines the risk of the investment combination done (Harry Markowitz 1952). (Mwaura 2018) the best business combination model strategic fit, ought to be adopted for maximum return.

By assessing the opportunity cost of a capital expenditure decision, the investor is sure of making the best choice in investment and assured of getting the highest returns.

2.2 Empirical Review

This segment reviews previous work related to current research. It grants detailed highlights of literature on diverse investment decisions and their influence on return on investment of firms cutting across several sectors in the economy.

2.2.1 Replacement and Financial Performance

As an investor considers replacement of depleted assets, their residual value, market value and replacement costs are of great importance (Munoz-Porcar et al., 2019). Replacement decisions need to be based on accurate information about the assets condition diagnosis done over a period of time, Panegossi & Silva (2021). Past studies have endeavored to portray this sense.

In the study of Andreas, Enzo and Fuzuhuang (2019), they examined the relationships between assets replacement strategies and performance in machinery rental business. The main objective was to evaluate performance effects of assets replacement. Written interviews were employed in obtaining primary information and models built to generate different scenarios. Simulation analysis was used to analyze the results. The simulation analysis indicates that natural retirement of machines generates surprisingly good financial performance. A disposal and acquisition business strategy which exploits high discounts in acquisition prices and higher disposal value. This strategy only performs better in large firms while it generates less revenue in small firms.

Panegossi and Silva (2021) from the state of Sao Paulo in Brazil interrogated assets management policy for equipment replacement. Her study variables were asset replacement, asset management and financial performance. In this study, it was asserted that assets

management affects operating costs and management costs which are a direct charge to profits before taxes. The research objectives were: -to ascertain how critical assets are replaced, to verify the accuracy of the information used for decision making during replacement, to assess technological considerations during replacement and to determine the optimonality of the timing of replacement. A case study methodology was adopted by reviewing the records of a family-run medium-sized company. Information was collected through company documents analysed and presented using tables. The results of this paper were that conclusions could not be drawn since data relating to assets replacement was not available. A position that agrees with the findings of Enzo and Fuzuhuang (2019), although the two studies were different in context, data collection and analysis.

Bimantara (2019) from Indonesia assessed the influence of asset management on financial performance on sea transport. The main aim was to determine the extent to which Fixed Assets Turn Over (FATO) affects Return on Assets. Sea transport companies listed on the Indonesian Stock Exchange were identified as the target population for the period between 2013 to 2017. Associative research methodology was used to assess the relationship between two variables. The research constructs were fixed assets and financial performance. Secondary information was gathered for a time series of 5 years and panel data regression analysis employed. Tables and figures were utilized to portray the study outcome. The study established that FATO had a positive effect on ROA, which was significant hence proves asset management leads to increased profits.

Rajini and Konara (2018) observed that all assets deteriorate over time and their failure will result in maintenance costs. This requires a lot of physical management, which in turn affects profits. Replacement of assets requires a lot of capital outlay. The goal of Rajini and Konara (2016) was to assess the impact of asset management against return capital of an organization. Their work was interested in comparing physical assets management, repairs,

replacements and decision-making. The study exploited secondary data obtained through financial statements. Its findings were that optimal utilization of assets has a positive effect on asset reliability, production and return on investment as well as increased shareholders wealth.

A study by Salawu and Rufai (2017) investigated the effects of machine disposal and acquisition costs against expected return on investments of feed mill industries in Nigeria. They used multistage sampling technique in selection of respondents. Data was collected using questionnaire margin analysis, replacement analysis, & inferential and descriptive statistics were relied upon for data analysis. The research found that the normal life of mills machine is on average six years. The machine acquisition cost was N909, 095.30 and feeds mill average profit of N63, 100,000 per annum. Replacement Coefficient of correlation showed a positive relation to return of investment on feed mills machines. Marital status, academic levels, tribe, membership of association and credit worth are other variables that were found to be significant.

Oghenekohwo, Anastesia and Moses, (2019) from Nigeria considered building and construction companies where by the influence of asset management efficiency on performance of. those firms was assessed. The asset turnover, inventory turnover, working capital turnover and corporate performance were the study constructs focused on. The paper sought to prove the effects of asset turnover on business productivity of building and construction Nigerian organizations. To scrutinize the influence of inventory turnover on corporate performance of Nigerian building and construction organizations. To ascertain the impact of working capital revenue on corporate productivity in terms of financial performance on Nigerian building and construction organization. The research approach utilized was the ex-post facto design which was assimilated for the inquiry. Secondary information was obtained for 12 starting from 2016 to 2023. Data analysis was done by

simple regression method and presented through tables. The research findings portrayed the following, one; corporate performance was not statistically influenced by the aspects of both asset turnover and working capital turnover of the Nigerian building and construction firms. Contrary, corporate performance aspect of those firms located at Nigeria were significantly influenced by inventory turnover.

Musau (2019) examined the influence of capital expenditure decisions on expected returns on capital employed on SACCOs in Kitui Central. This work was triggered by a down sloping trend on low returns of SACCOs in Kenya caused by disinvestment ethos. The researcher aimed at examining the impact of disposal and acquisition decisions against expected return on investment of Kitui Central-based SACCOs in ascertaining the influence of organizational enlargement over return on capital employed, evaluating the influence of technological upgrade and re-engineering over expected gains on investment of the same SACCOs, and ascertaining the influence of market research and development over Kitui Central SACCO capital employed which are located in that Sub-County. Empirical research design was employed over a time series of data of ten years ranging 2006-2015. Both simple and multiple regression models were utilized for the purposes of analyzing data. and also for correlation analysis, Karl Pearson's correlation product moment model was considered for that purpose. Tables were employed for data presentation. Disposal and acquisition decisions, Upgrade and re-engineering decisions and, market research and development decisions were found to positively influence returns on investments measured using dividends. Business enlargement decisions negatively influenced returns on investment. The research concluded market investigation and expansion was the only variable with a positive influence over the return on investment of SACCOs which was significant.

Another study based on the conceptual connection of asset performance management and profitability of deposit taking SACCOs in Nakuru County, Kenya was further investigated by Cheptoo and Kibati (2018). The specific objectives were: to establish the effect of DT-SACCO loan performance management on their profitability. To assess the effects of DT-SACCO fixed assets management on profitability. To establish the effect of DT-SACCO financial investments management on profitability and to ascertain the effects of DT-SACCO accounts receivable management on profitability. The contextual viewpoint was the SACCOs which were located in Nakuru town. Explanatory methodology and stratified proportional sampling were applied for this study. Raw information was obtained from branch and operations managers. Both aspects of data analysis, namely descriptive and inferential were undertaken using the SPSS computer program/ tool. The information was presented using tables, graphs and charts. It was established that; the aforementioned predictor variables had a direct and statistically significant effect on the profitability of these Nakuru based DT-SACCOs.

The empirical studies reviewed under replacement and financial performance conceptual perspective in this study shows that the aspect of replacement decision was treated in diverse ways by different researchers. In some cases, the variable played the role of predictor such as the study of Bimantara, (2019) together with other studies reviewed under replacement decision predicted using other variable as it was in the works of Cheptoo and Kibati (2018) Oghenekohwo, Anastesia and Moses and Kinyugo (2024). Further to this the methods of obtaining data measurement were different and so were their findings. This points to methodological and contextual study gaps which need to be looked at. Panegossi and Silva (2021) was unable to draw conclusions because the tool of measurement was absent in the area of study.

As pointed out in this study, failure to replace machines when they need it could lead to high power consumption, high maintenance costs or even increase the possibilities of injuries and tragedies. Alternatively, there could be substantial losses due to unnecessary replacements. Whether to repair or replace it presents a challenge in which the best option has to be exercised. Where the investment decision variable was incorporated, whether as a dependent or independent variable, the research findings were dissimilar with some cases portraying significant and insignificant association with other variables. This is a conceptual gap that needs to be revisited. Also, the common predictor, the investment decision was used to estimate dependent variables such as financial sustainability, financial performance, firm value and efficiency of some goals. This calls for further investigation to establish whether significant influence exists between investment decision and financial performance of matatu SACCOs putting into consideration the aspect of replacement as measured by purchase of matatu vehicles which are more cost-effective, large carrying capacity (Bimantara, 2019).

2.2.2 Modernization and Financial Performance

Modernization is moving away from an old way of operation to improved, upgraded and sometimes totally new methods of operation in the business environment. It involves cutting down on processes, time wastage and material wastage to achieve high operational efficiency. It goes deeper than just having a face that the customer can admire. This may mean a continuous review of the business plan to counter every day emerging business challenge. (Manyara, Nkaabu and Moguche 2020). The firm therefore must be aware of the external business environment so as to maintain a competitive advantage. During the modernization process risk is reduced or eliminated and transformation is embraced. In order to enhance the existing processes, innovation and transformation are interwoven to give the customer a new experience. The market goes to firms which are able to package for

a unique customer experience. When customers are satisfied or even excited about a given product then they are willing to pay more and act as ambassadors in marketing the product to their mates and relatives. An organization that achieves this must alleviate strain and improve efficiency in the delivery of service. Such is only attainable under continuously improving business environment. The continuously improving business environment has to be all innovative, transformative thus always upgrading. (Dell Boomi IT and Business Report, 2020).

Researchers in several diverse studies have endeavored to portray this fact. For instance, Morwabe and Muturi, (2019) looked at the influence of investment decisions against return on capital employed on DT-SACCOS in Nairobi County, Kenya. Objectively, this work wanted to ascertain the influence of capital expenditure on expected return of DT SACCOS in Nairobi, Kenya. Specifically, the research wanted to: ascertain the impact of Front Office Service Activities, Treasury bills and bonds, Fixed Deposits and Stock Market Share over expected return on investment of DT- SACCOS within Nairobi County. Sequential data for a five-year period ranging from 2014 -2018 was obtained from SASRA and subjected to SSPS. Return on assets was used to evaluate performance. From regression and correlation analysis it was ascertained that FOSA contributed the highest level of influence on performance. Treasury bills and bonds had a positive significant and moderate influence on performance, fixed deposits' level of impact on performance was considered low and finally Stock Market Shares had a substantial positive influence on performance. The research concluded that a model containing Treasury bills and bonds, Front Office Service Activities, Fixed deposits and Stock Market shares strongly influenced changes in DT- SACCOS profitability.

Manyara, Nkaabu and Moguche (2020) explored the impact of business dynamic capabilities on the performance of matatu Saccos in Meru County. A descriptive cross-sectional survey methodology was adopted for this work. They targeted eight matatu Saccos which operate in Meru County with a sample size of 42 board members randomly selected. Raw information was obtained by way of written interviews. Cronbach alpha was used to ascertain reliability of the research instruments while an expert's review was relied upon for validity. SPSS software was utilized together with mean, percentages, frequencies and inferential statistics to analyze data. Frequency distributions were employed to present the research findings. The outcome was that matatu saccos in Meru County are able to identify the emerging external information and assimilate it to increase competitive advantage. Dynamic capabilities portrayed an average mean of 3.7422 and a standard deviation of 1.0566. The R- square showed a value of 0.239 meaning 23.9% variation in performance of matatu saccos in Meru County are due to dynamic capabilities.

Mochoge (2015) aimed at determining how capital budgeting practices, which is a sub-set of investment decision influenced returns in Matatu businesses. The predicting variables were budgeting techniques, cost of financing, and operational costs of Matatu business in Kisii County. Specifically, the paper needed to; ascertain the impact of budgeting techniques on returns of matatu SACCOS in Kisii; to explore the influence of financing cost on the on returns of matatu SACCOS in Kisii and to ascertain the impact of operating cost on the on returns of matatu SACCOS in Kisii area. Survey research methodology was adopted, and written interviews used to obtain primary information. Stratified random methodology was applied in coming up with the interviewees for this paper. It was established that matatu operators lacked budgeting know how, the few who applied the technique used payback method, while most of the operators practiced initiative management. A combination of equity and debt was favored by most respondents.

Kipkorir, Namiinda and Njeje (2016) examined the effects of capital expenditure on expected return of registered SACCOs in Baringo area. Objectively, this work was intended to explore the influence capital expenditure on real estate, front office service activities, loans to members and treasury bills and bonds against returns of registered SACCOs. Decision-making theory and stake holder theory were the bedrock of this paper. The study employed descriptive research methodology. A target population of 316 members from 73 registered SACCOs was subjected to stratified sampling generating a sample size of 177 interviewees. Written interview was used for collected information which was subjected to inferential and descriptive statistical analysis. Front office service activities had 16.6% influence on financial performance, loans to members had 15.3% influence on performance, treasury bills and bonds contributed 10.7% influence on financial performance while 9.8% influence on performance was attributable to capital expenditure related to real estate.

Also, Gathungu, Wasike and Bor (2018) investigated on the effect of public transport SACCO management against return expected by matatu investors in Kenya. This was a study case of matatu SACCOs in Kajiado North area, Kenya. The purpose of this work was to ascertain the impact of public transport SACCO stewardship against return on matatu investments in Kenya. This paper assessed savings, customer care, discipline and professionalism, and assets management against expected return on matatu investments. A descriptive methodology was employed over 700 investors of 17 SACCOs in Kajiado North subcounty were the target population. A written interview was applied to obtain primary information which was then analyzed. Results of research indicated a positive correlation between return on investment in matatus and; customer care, discipline and professionalism, and management of assets.

In the research of Githika (2017), focus was on the financial factors affecting cashflow levels of SACCOs around Kirinyaga area, Kenya. Purposely, this research wanted to

ascertain factors relating to finance which influenced the liquid levels of SACCOs. The research employed a cross-sectional design targeting registered SACCOs out of which a sample of 18 SACCOs was selected through stratified method. Self-administered semi structured questionnaires were a means to obtaining primary data which was collaborated with secondary data from audited statements from the various SACCOs. Descriptive, inferential statistics and multiple regression were performed to analyze variances and establish relationships. While significance levels were established by use of F- tests. Tables, graphs and charts were used to present data. It was established that credit lending, net cashflows, and non-core investments positively affect liquidity.

Mang'ana, Rotich, Hassan and Orwa, (2017) wanted to explore the impact of business positioning plan on return on investment of Matatu SACCOs in Kenya. Precisely, they were interested in; ascertaining the link between the matatu SACCO vision and return on investment, to assess the matatu SACCO Mission and performance and to evaluate SWOT and return on investment of matatu SACCOs. The research adopted both descriptive and qualitative cross section design. A target population of 635 matatu SACCOs was identified out of which 425 were obtained as the study sample through random sampling method.

Written interviews were utilized to obtain primary information. The study hypothesis was applied to the study variables and frequency charts and tables drawn. Business positioning strategy was found to positively influence return on investment in matatu SACCOs.

Past studies (Mochoge, 2019; Morwabe and Muturi, 2019; Kipkorir, Namiinda and Njeje, 2019; Musau, 2016; Gathungu, Wasike and Bor, 2018; Githika, 2017 and Mang'ana, et al. 2017) portray diverse knowledge gaps that need to be filled. The fact that the aforementioned studies undertaken were for Saccos operating in different regions, this represents contextual knowledge gap. In addition, most studies had a common objective of

determining the influence diverse factors had on the performance of Saccos, be it of matatu formation or otherwise, yet the sampling methodology was not the same. Even the methodology of measuring the prediction variables of performance of Sacco was dissimilar. For instance, Morwabe and Muturi (2019) gauged investment decision using investment in fixed deposits, treasury bills and bonds, and front office service activities just to mention but a few whereas Musau (2018) considered investment decision under how much capital expenditure is put under business enlargement, asset management, renewal decision and on Research and Development (R&D) decision.

The aforementioned methodological and contextual disparities would result to diverse research findings as it was witnessed by different researchers. This calls for further interrogation of other perspectives of investment decision making to establish the influence it has on return on capital employed in Matatu Saccos. Therefore, the current research seeks to ascertain the extent to which investment decision in modernization such as; the aspect of acquisition of cost-effective vehicles, acquisition of large carrying capacity and digitization of operations. mediate by NTSA regulations impact on the business market share of matatu SACCOs.

2.2.3 Diversification and Financial Performance

There are various ways in which an organization can portray diversification of business activities. However, according to many study findings, the results have brought controversial debate amongst researchers. For example, in the study of Lomuria, Wanyama, and Mamuli, (2019) intended to ascertain the impact of business enlargement plans and return on investment of SACCOs in Turkana County, Kenya. Purposely, the work was intended: to examine the impact of market entrenchment business enlargement strategies against returns of SACCOs; to ascertain the influence of risk redistribution business enlargement strategies over returns of SACCOs; to examine the impact of market

re-engineering business enlargement strategies over returns of SACCOs and to explore the impacts of product development enlargement plans on returns of SACCOs in Turkana County.

Igor Ansoff 's Theory and Resource Based theory were the basis of the research argument. Descriptive and correlational design were adopted for this study. A population of 35 SACCOs was identified consisting of 234 respondents out of which 199 were interviewed. Primary information was obtained by way of written interview and the study hypothesis applied against the study variables. The outcomes of the aforementioned work were that: market entrenchment strategies, risk redistribution strategies, market re- engineering business enlargement strategies and product quality improvement business enlargement strategies posted a positive, linear and significant ($p\text{-value} < 0.05$) impact on the required rate of return of SACCOs whereby the predictor variable, namely; market penetration expansion strategies had a coefficient of ($B = 0.828$), risk redistribution business enlargement strategies ($B=0.502$), market re-engineering business enlargement strategies ($B = 0.679$) and product quality improvement business enlargement strategies ($B = 0.472$) portrayed different levels of influence on the return on investment of SACCOs.

In the work of Ogada, Achoki and Njuguna (2016), although it did not target SACCOs, it assessed the influence of diversification on expected returns of mergers. A mixed research methodology was employed for this work. 51 merged financial firms were identified using purposeful sampling. Primary information regarding the merged institutions was obtained by way of written interview while secondary information was extracted from audited financial statements. Descriptive, inferential statistics as well as qualitative analysis was done. Pre- and post-merger was used to collaborate the findings of the research. The research findings portrayed different outcomes for diversification was not of any positive effect on merged institutions.

In a paper by Njagi and Munjuri (2017), purposed to identify the impact of business enlargement and redistribution against expected returns of Naivas outlets. This study was concerned with; product and service diversification, internal and external expansion, product market development and promotion, research on diversification and expansion strategies. Data was obtained from heads of departments and managers within the organizations and analyzed via content analysis. Findings were that branches are involved in product and service diversification. Expansion and diversification are continuously done through market research. Product development and promotion results to new customers while retaining older ones within the business. In case of failure in the expansion and diversification, losses are realized while expansion and diversifying successfully influence performance especially where new branches are involved.

Mutire, Kadima and Juma (2020) investigated the impact of risk redistribution on credit default rate of non- DT SACCOs in Kakamega. Descriptive methodology was adopted for the study. A population of 255 respondents was established from 46 non-DT SACCOs within Kakamega County. 144 respondents were sampled through a random stratified method. Structured questionnaires were employed to obtain primary data which was analyzed using inferential statistics, descriptive and multiple regression. It was then presented using tables and regression models. This work found that risk redistribution negatively influenced credit default rate.

In Nigeria, a paper by Oyedijo (2018) interrogated the influence of product – market risk spreading plan against return on investment and growth. Triangular analysis technique was used. Scheffe Ad Hoc test, multiple regression, ANOVA, correlation and independent specimen examination, were employed in this work. A high and positive correlation was witnessed over product market diversification and return on investment. The effect on performance is higher when the diversification is related to the main product than unrelated

diversifiers or mixed diversification. Return on investments and growth of sales was marginally related to mixed and unrelated diversifications. The correlation coefficient of related diversification stood at ($t = 3.380$; $p < 0.05$) signaling a significant effect on return on investment & increase in revenues. The level of association of unrelated diversification was negative and insignificant to return on investment and growth in sales. Firms using related diversification registered a difference in return on investment as compared to firms inclined towards unrelated diversifications (ANOVA) ($F = 3.110$, $p < 0.05$). A position that was affirmed by Scheffe's Test. Operating a specialized business was found to be significantly different in terms of financial performance and growth in sales from firms that operate a related, unrelated or a mixed diversification. A specialized firm was found to perform better in all aspects than diversified firms and to register faster growth. Hence the conclusion that return on investments and growth in revenue are significantly influenced by all mode of risk redistribution in Nigeria.

In different studies, expansion and diversification were treated as the dependent variable contrary to the objective of this study. For instance, in Khanagha and Aalbers, (2018) which investigated the influence of external board capital, i.e., the social capital of external directors serving in the board of a company, on its risk redistribution plan. It is perceived that market barriers can be broken by the use of directors' network and their experiences in business is treated as social capital to be utilized at the times of expansion and diversification. Furthermore, the study advanced a hypothesis that diversification is motivated by firms' current performance. It is the desire to expand the profit base and redistribute business risk that is behind all forms of diversification. And motivation decreases as the firm continues to improve in performance. Diversification involves capital expenditure which should be properly assessed to ensure that the firm strikes on an optimal fit that grantee growth and profits. An analysis done on 199 IT firms using sequential data

for 10 years confirms that capital availability is a major factor in diversification. However, diversification is not linearly related to financial performance. This represents a conceptual knowledge gap that needs to be considered.

Also, in the study of Mehmood, Hunjra and Chani (2019), intermediation aspect was incorporated, and a two-step dynamic panel method applied to test the hypothesis thereof. 520 manufacturing business spread in India, Pakistan, Sri Lanka, & Bangladesh provided primary information for this work. The study utilized a time series considering data for 14 years ranging from 2007 - 2014. A two-step dynamic panel method was applied on the study variables against the hypothesis. It was established that geographical and product re-engineering significantly influence return on capital employed. In addition, financing structure & dividend distribution significantly influence return on investment. This implies that with various aspects of diversification and other probable variables, a more empirical outcome can be arrived at an evidence of various knowledge gaps such as conceptual and methodological views. This calls for further investigations using other aspects of expansion and diversification to find out if predictable influence works on return on investments of matatu SACCOs as advocated by this study.

Odhiambo (2019) in Kenya, incorporated financial sustainability as the dependent variable instead of the common financial performance. In his study, he explored on the effect of diversification of the asset combinations and financial sustainability of those DT firms in Kenya. Specifically, risk management and income optimization Qualitative descriptive design were adopted for this research, purposive sampling was applied, and content analysis employed to give the primary information meaning. The results were that financial sustainability and portfolio diversification are influenced by risk management and income optimization in DT SACCOs in Kenya.

Although from the past reviewed studies it is clear that financial performance variable was being estimated by most studies, the issue of profitability level of each firm size is a factor to consider. The study of Subramaniam and Wasiuzzaman (2019) investigated the impact of geographical diversification over return on assets and the results were conflicting from different geographical areas. Data from the stock market of Malaysia was collected using time series for a five-year period from 2010-2014 and analyzed through quantile regression approach. Data classification was applied in regard to small, medium and large considering value. Empirically, the return on assets was the same in all quantiles for all firms regardless of size. GDI showed a significant positive influence on return on assets in the middle quantile region ranging between 25% to 75% regardless of firm size. The lower quantile region (0.1 - 0.5) was sensitive to small business while the higher quantile region (0.5-0.9) was sensitive to larger firms.

In Vietnam, a similar study to that of Subramaniam and Wasiuzzaman (2019) was undertaken by Tu DQ Le (2021) whereby empirically examining the influence of income risk redistribution and on geographical enlargement on bank stability in Vietnam applying sequential data over a period of ten years being 2006 - 2015 under a system generalized method of moments (GMM). Results were geographical expansions improve bank stability while income diversification doesn't grantee the same. State owned banks are favored by geographical expansion and not income diversification while foreign owned banks are favored by the two business strategies.

Shrestha (2018) investigated creditors' interest in treasury bills and bonds in Nepal. This paper used descriptive, analytical methodology targeting all government creditors in treasury bills and bonds. The study applied judgmental sampling on the creditors and selected a sample size of 200 investors. It was discovered that the poor and the rich had an interest in putting their money into this investment. Income was identified as a major factor to

investing in government securities. Parimalakinthi and Kumar (2019) investigated investment preferences and attitudes in Coimbatore city, India. This study applied factor analysis, Garratt ranking and Friedman test for analyzing primary data. The variables for the study included fixed deposits, corporate bonds, insurance policies, chit funds, stock market shares, real estates, silver and gold and government treasury bills and bonds. Investors were found to prefer bank deposits then silver and gold in that order.

2.2.3 Regulation Requirements and Financial Performance

Government used user friendly customer need to come up with a Transport and Safety Authority (NTSA), with mandate to handle all matters concern public transport. With an exception to the traffic department which was left in the hands of police for enforcement. This has revolutionized the public transport sector in Kenya.

Past studies portray diverse results on the role of regulations on public sector performance. Filippova and Voronina (2021), investigated the role of organizational and legal transport against sustaining economic prosperity. The study variables included; logical laws and rules, modern legal science and research in transport, and legislation governing transport and logistics within Russia. This study applied a modelling research design to analyze logistics, legislation, civil works by scientists in private and specialized fields, norms in logistics legislation, and understanding of logistical services in the Russian context. Both applied and theoretical studies were undertaken in relation to regulation spectrum. The findings were that regulation should take into account economic and traditional norms to ensure an improvement in the transport sector. Legislative amendments to existing laws were proposed out of this research including a change of name of the Russian Federation civil code of regulation. Measures were proposed to ensure effective regulation of institutions offering public transport services.

Yobo, (2018) investigate the role of Ghana's government in provision of public transport services. This study was interested in the ideology behind the invention of Metro Mass Transit (MMT) system irrespective of previous government failures in the same industry. This study relied more on qualitative methodologies utilizing both primary information and secondary information collected for this work. The findings established that the idea behind government investment in the transport system was to address market failures generated by the profit motive of private investors in the transport sector. There was a political motivation by the Ghanaian government to obtain patronage from its citizens through these investments. However, the investment has played a key role in the Ghanaian economy to alleviate transit challenges in both rural and urban set ups. A state-led transport investment with a mix of private equity was found to inject efficiency into the public transport system. In Kenya, Muhoro, (2021) proposed to interrogate the relationship between regulation and strategic sustainable transport of matatu SACCOs in Nairobi, Kenya. Positivism philosophy was used to guide this research. Descriptive methodology was applied for this paper. A population of 177 SACCOs managers was identified, and a census done to obtain raw data. Cronbach's alpha showed high levels of internal inconsistencies meaning the research tools were highly effective. Semi- structured questionnaires were deployed to obtain primary information and analysis done via SPSS version 24. It was revealed that statistically significant positive effects exist between regulation and strategic sustainable transport of matatu sector in Nairobi, Kenya.

2.3 Conceptual Framework

This diagram delivers a metaphorical depiction of association between the constructs in this research. Therefore, it represents the foundation of this study whereby the independent variable is investment decision and return on capital in terms of profitability of matatu SACCOs in Nakuru City CBD, Kenya. Tis conceptual suggestion is represented by Figure

Independent Variables

Investment Decisions

Replacement Decisions;

- Acquisition of Cost-effective Vehicles
- Acquisition of Large carrying Capacity Vehicle
- Acquisition of Engine
- Efficient Vehicles

Modernization Decisions;

- Socially Responsible Investment
- Customer Comfort experience
- Digital ticketing & Registration of Parcels

Diversification Decision

- Investment in Collaborations;
- Insurance agency Providers
- Refilling station Providers
- Hotel Service Providers
- Parcel Delivery service Providers

Moderating Variable

NTSA Regulations

- Improved travelling coordination
- Matatu PSV maintenance cost
- Extra cost through fines, Penalties
- Customer satisfaction

Dependent Variable

Financial Performance

Profitability

- Growth in;
- Member Savings
- SACCO Capital Base
- Market Share

H₀₁

H₀₂

H₀₃

H₀₄

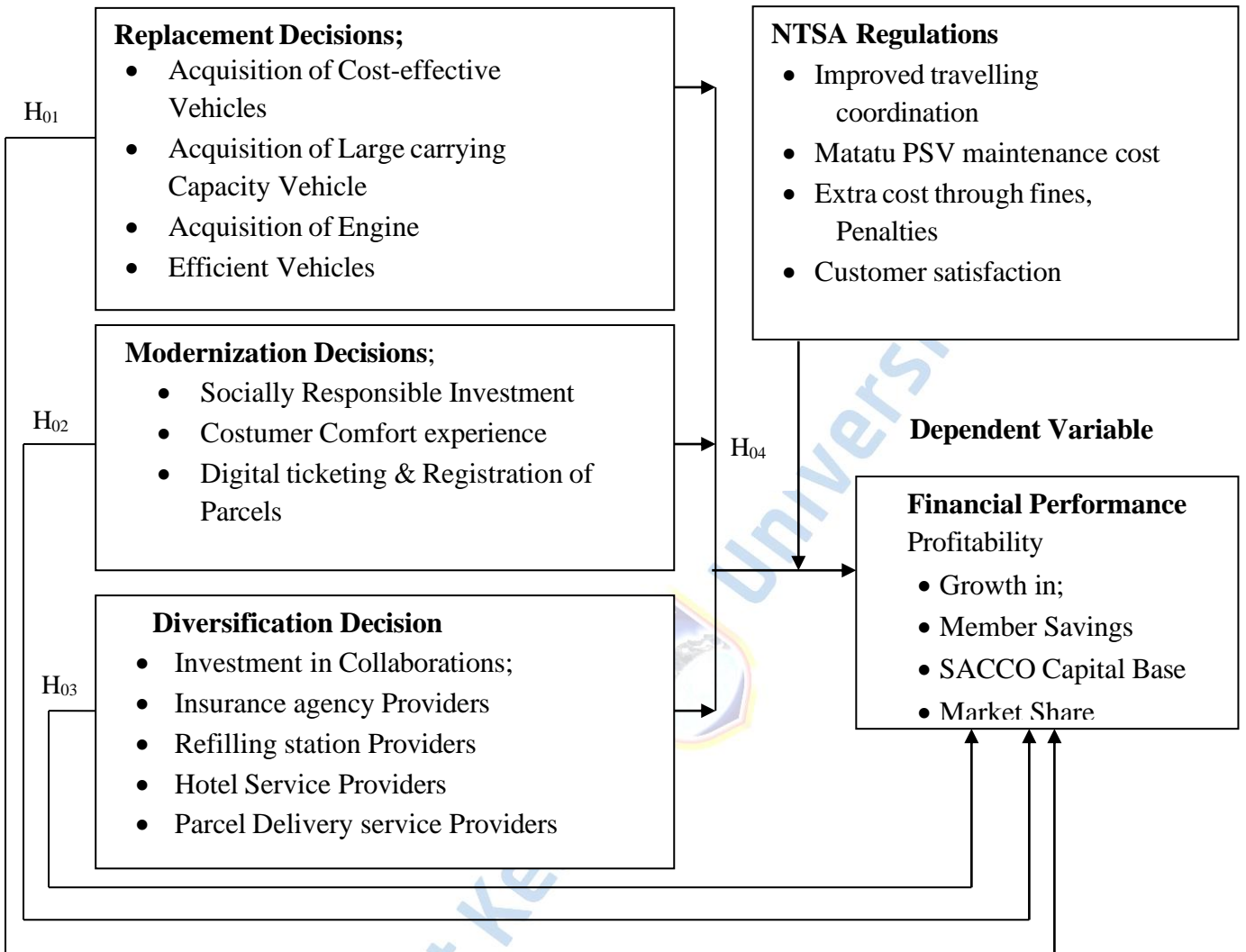


Figure 1: Conceptual Framework

Source: Researcher, 2024

2.4 Recap of Literature review and Research Gaps

Generally, the research considered in this study portrays conceptual, methodological and contextual knowledge gaps that need to be filled. It was proven that the reviewed studies classified the same variable in diverse categories such as financial performance which was predicted using other variables in one study while it the predictor variable in another study. Also, the aspects of replacement, modernization and diversification were gauged in

different ways by several past reviewed studies and the research findings varied. The methodology used even when the main objective was to predict the financial return was subjective depending on the discretion of the researcher. The outcome of the studies ended up being dissimilar, hence conclusive.

Contextually as far as the specific location of the study or the organization studied was concerned, the aspect was not the same hence the outcome for organizations in the developed countries may not be compared with similar ones in the growing economies. These disparities call for further interventions through empirical research to determine whether significant outcome is possible if aspect of replacement, modernization and diversification in predicting financial performance of matatu SACCOs is incorporated in another study.

Review of literature on interlink between investment decision and financial performance resulted to numerous knowledge gaps of conceptual, methodological, theoretical and contextual nature. Having research questions that have not been answered by the materials reviewed warrants the need for this project paper.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The methodology employed in this paper is outlined here. It entails design to be adopted, Population targeted, sampling design, mode to be applied in gathering data and analysis, presentation and how ethical matters were taken into account.

3.1 Research Design

The researcher based the investigation on descriptive survey research design. This is because all the matador SACCOs which were investigated were located in a vast region covering the 47 counties. This type of research design was used since it enabled the researcher to apply the observations on the sample to the target population. This method ensured both breadth of information and accurate descriptive analysis of sample features in order to be able infer traits of the larger study group (Mugenda & Mugenda, 2021).

3.2 Target Population

Matatu SACCOs registered with NTSA formed a population for the research out of which a sample size was selected.

3.3 Sample Size and Sampling Procedure

Sampling procedures and specimen size that were used in conducting the study are described here. In this section, the sample size identified was used for the data collection purposes.

3.2.1 Sample Size

The total number of matatu SACCOs registered with NTSA are 625. Stratified sampling was employed to come up with a sample which is more representative of the study group. Hence, the relevant observation items that enabled achievement of the research objectives were considered and therefore firms with incomplete data were left out (Maniagi *et al.*

2018 and Mbuva, Mirie, Kaijage, and Ochieng, 2017). This implies that matatu SACCOs which do not have full set of data on variables mentioned in the study were excluded. Therefore, a sample size of 206 at 95% confidence level were selected out of the targeted population of 625 matatu SACCOs registered under NTSA estimated to be 70% of the total Saccos with vehicles plying through or terminating in Nakuru city CBD. The following formula were employed

$$SS = \frac{z^2 p(1-p)}{e^2}$$

Where SS= sample size

Z= z- value

P= percentage of population

E = Margin of error

Sample = Total sample size * subgroup population

Entire population

Table .1: Sample Frame

Category of matatu SACCOs	Population	Sample
Nakuru counties	167	55
Nakuru-to Nairobi Counties	92	30
Nakuru to Eastern Counties	68	23
Nakuru to Central Counties	146	48
Nakuru to Western Counties	48	16
Nakuru to Nyanza Counties	83	27
Nakuru to Coastal Counties	21	7
Total	625	206

Source; NTSA, 2024

3.3 Sampling Procedure

This researcher considered 206 respondents from the 206 SACCOs stratified according to the regions their vehicles ply to from the CBD.

3.4 Data Collection Instruments

For purposes of obtaining raw information, a questionnaire was distributed to officials in the sampled SACCOs. It was divided into the following parts, namely; part A which covered general demographic information about the respondent and part B which carries specific questions for every variable incorporated in this study.

3.5 Pilot Study

For both validity and reliability to be guaranteed in this research prior testing was undertaken. Mugenda and Mugenda (2019), insists the pilot work ought to range between 1% and 10% of the sample size. A position that Kothari (2019) and Sekaran (2016) affirms by precisely giving it 1% sample size for piloting reasons. For purposes of this work 8 % of the respondents which translates 22 respondents were picked from the 206 officials of the same matatu SACCOs.

The aim of pre-testing instruments of data collection was to assess particular facets of research in order to ascertain the choice of procedural directives are functioning as planned. In particular, a pre-test was undertaken to get clarification as well as comprehend the set questions to assess whether the questions yielded to the expected outcome.

In view of these suggestions, this study used 22 respondents, which is 10% of the sample size. This size will sufficient according to the recommendations of Mugenda and Mugenda (2019). The pre-test study respondents will be selected purposively outside the main study sample from other matatu SACCOs outside Nakuru city that is Kisumu city which were excluded from the main research. The pre-test questionnaires was furnished to the

respondents through their respective e-mail accounts. The data from the pre-test study was analyzed and adjustments in the questionnaire taken into account through a retest process to ensure internal consistency of the questionnaires was ascertained. Comprehension, relevance, interpretability and usefulness was used to refine the questionnaire in order to enhance the study goals. Finally, all the aspects of reliability were approved.

3.5.1 Validity Test

The level of validity in any study is key in determining how genuine the results gotten are. In this study data analysis factually reflect the matter under scrutiny (Bairagi and Munot of, 2019). Content and face validity was used to ascertain the validity of the questionnaire. Test results were employed to draw conclusions on a vast domain of the items that will be homogeneous to those being experimented. The specimen selected represented all aspects of the population. The abilities and knowledge of test items, as explained by Yin (2017), ought to bear similarities to the entire area of statistics and aptitude.

The supervisors and judgement of experts was consulted to ensure content validity is achieved. This fostered so as to improve validity of the collected data. Necessary adjustments and revisions of instruments of research was undertaken to the professional standards of research. Experts' judgement and intensive analysis of the research instruments guaranteed face validity. Each research question was examined and the likely responses which expected from the respondents was enlisted from the respondents noting every adjustment that may be necessary. The study constructs were reviewed to ensure that the questions in the questionnaire captured all study objectives given the questionnaire face soundness.

3.5.2 Reliability Test

Credibility is a question of how relevant and correct the research instruments are. The split half method which evaluates consistency or homogeneous of the questionnaire (Snyder, 2019) used to measure validity in this study. This was done at the piloting stage to be sure of the test instruments. The research supervisory team offered guidance so that the qualitative instruments achieve legitimacy.

A single activity of deployment of the research questionnaire is required when using the split half method. This gave rise to two sets with equal number by use of odds and even to choose respondents in each group. For each group, the results of the administered questionnaires were recorded and the mark for each half will be taken. A Cronbach's Alpha coefficient was then determined in regard to the association of even and odd test outcomes. Reliability coefficient of Cronbach Alpha nature is a value between 0 and 1 and if it cuts across 0.7 and beyond, the instrument is considered suitable for the data collection.

3.6 Data Collection Procedures

Raw information was gathered from owners/CEOs, or managers or well-placed matatu SACCO official such as a supervisor of all the matatu SACCOs through use of self-administered questionnaires whereby drop and pick methodology was applied. The grace period given was two weeks to fill the questionnaire which was good enough. After that duration, the researcher made a follow up for the respondents who had not responded by that time. This was achieved by either sending a reminder e-mail message or making a cell phone call whichever way was convenient for the respondent.

3.7 Data Analysis and Presentation

This is an activity which included classification, editing and coding of data. It was done by use of SPSS (Statistical Package for the Social Scientists). Descriptive statistics was

adopted for the analysis data. Such included mean, percentages and predictable error. Inferential statistics included correlation, multiple and hierarchical regression. For the measurement of relationships between variables and their strengths Pearson product - moment was utilized. While a linear function was employed to explore the influence of the regressor on the experimental variable (2021) and Aiken and West (2019) two stage model. Finally, tables, charts & graphs was used to present the result of data analysis.

3.8 Regression Model

The study relied on two regression models. One was used to test the direct link between the predictor variable and the dependent variable and secondly the one for moderating effect of regulation of the government agency, that is NTSA. The two models are presented as follows;

Model 1

Model one was used to test the hypotheses one to three where the study investigated the influence of the aspect of investment decisions which included and not limited to replacement of assets, modernization of the transport facilities viewpoint and diversification of transport business. The model for multiple regression is as indicated in equation (i) below;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \epsilon \dots \dots \dots (i)$$

Model 2

The second model incorporated the proposed NTSA regulations in the Model one above whereby investment decision (a composite score) effect on the financial performance of matatu SACCOs with offices in Nakuru CBD was first considered then a moderator is introduced. The model for hierarchical multiple regression is as indicated in equation (ii) below;

Model 2^a

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \beta_5 M_{it} + \beta_6 (X_{4it} * M_{it}) + \varepsilon_{it} \dots\dots\dots(ii)$$

Where;

Y =financial performance of ith matatu SACCO in time t

X1 = Replacement of assets of the ith matatu SACCO in time t

X2 = Modernization of the transport facilities of the ith matatu SACCO in time t

X3 = Diversification of transport business of the ith matatu SACCO in time t

X4 =Investment Decision (i.e., it is a composite score) ith matatu SACCO in time t

M = Regulation of the government (i.e., moderating variable) ith matatu SACCO in time t

β0 =constant

β1, β2, β3, β4, β5 and **β6** are the corresponding coefficient of the independent and moderating variables respectively

ε is the error term

In the first step, the predictor variable which was a composite index and the moderator was used to estimate the changes in the dependent variable which is the financial performance. In case the main effect from the predictor variable and the moderator variable which is the government regulation portrays significant results and the general (adjusted R²) is significant too, then moderation has occurred. In the second step model two is formed with introduction of the interaction term in place.

The following moderating conditions applied as follows;

Moderation is said to occur if significant change is observed in the adjusted R² and new interaction term.

Full moderation occurs if both the predictor and the moderator variables are insignificant in the presence of the interaction term. In other words, the interaction term is statistically significant.

Partial moderation will occur if both the predictor and the moderator are significant, and the main effects are still significant (Aiken & West, 2019).

3.9 Ethical Issues

The authority of Graduate School Mount Kenya University was obtained in addition to permission from (NACOSTI) to guarantee that the process of this work complies with rules of ethics required for such exercise. The identity of respondents and information obtained in the response process was protected through coding. Objectivity was ensured through allowing the respondent to give independent opinion, discreteness and personal integrity. Clear explanations were offered before and after the interview allowing the respondent the option to participate, partial participation or complete withdrawal before the response so as to obtain consent. Verbal appreciation or by gesture was offered for participating in the study.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION OF FINDINGS

4.0 Introduction

This section addressed descriptive analysis, which revealed the overall movement of the studied variables. The section also shows an inferential analysis in which the null hypotheses were tested. This chapter also includes the models for each concept, along with their entire interpretations.

4.1 Response Rate

The questionnaires distributed to respondents during the data collection session totaled 206. Of this amount, 183 were filled and returned on time as intended. 69.4 percent of respondents completed such questionnaires. This demographic representation is believed to be satisfactory and sufficient to yield valid results. Levinsen (2017) supports this empirical suggestion, stating that a response rate of 50% is sufficient.

4.2 Demographic Characteristics of Matatu SACCOs with offices in Nakuru CBD

The study aimed to investigate some of the important characteristics that dominate the realm of matatu SACCOs. The integrated features were the operational organization, membership profile, and the zones of operations or routes that the aforementioned SACCO Public Service Vehicles (PSV) travel. The research results are as discussed herein.

4.2.1 Operational Structure of Matatu SACCOs with Offices in Nakuru City County, Kenya

The study focused on how these SACCOs operate on a daily basis. The findings would be critical since the top management team consulted may have ramifications for financial performance beyond the parameters covered in the conceptual framework. The results were as shown in Table 2.

Table 2: Operational Structure of Matatu SACCOs with Offices in Nakuru City County, Kenya

Title of the matatu SACCO officials		Frequency	Valid (%)	Cumulative (%)
	Matatu Owner	3	2.1	2.1
	CEO/Director	68	47.6	49.7
Valid	Manager/Supervisor	30	10.5	60.1
	Other Matatu SACCO Official	57	39.9	100.0
Total		143	100.0	

Table 2 shows that 2.1% (3) of the total matatu senior officials actively operating matatus under the umbrella of the aforementioned matatu SACCOs were also proprietors. This is the fewest number of senior officials in this organization, and it is likely that only a few of them outperform the rest. SACCOs run by CEOs or managing directors, depending on the title, took the lead with 47.6%. (68) This means that because they are top officials, they administer SACCOs in a competent manner, which is why the majority of matatu SACCOs have been in existence for more than a decade. In actuality, it indicates that the owners don't need to actively participate in matatu operations. The second team engaged in matatu activities was referred to as "other officials" and accounted for 39.9%. Finally, managers, often known as supervisors, represented 10.5%.

4.2.2 Membership Size of Matatu SACCOs with Offices in Nakuru City County, Kenya

Another issue that this study raised was the size of the membership. The size of SACCO members has some financial ramifications, because the larger the size or number of members of the SACCO, the greater the likelihood of financial stability for member contributions.

Table 3 summarizes the investigation's findings.

Table 3: Membership of Matatu SACCOs with Offices in Nakuru City County, Kenya

		Frequency	Valid (%)	Cumu. (%)
Valid	Less than 10	16	11.2	11.2
	Between 11-25	24	16.8	28.0
	Between 26-50	68	47.6	75.5
	More than 50	35	24.5	100.0
Total		143	100.0	

Membership in the SACCOs varied in number. In Table 3, 47.6% of members were between the ages of 26 and 50. This was the case for 68 of the 143 matatu SACCOs examined. It means they had a substantial capital foundation derived from their members. Those with 50 or more members were rated second, with 24.5% (35). Other SACCOs had fewer than ten members, while others had between eleven and twenty-five, representing 11.2% and 16.8% respectively.

4.3 Operating Route of Matatu SACCOs with Offices in Nakuru City County, Kenya

The study went on to investigate the route occupancy of different matatu companies. Table 4 describes the outcomes.

Table 4: Operating Route of Matatu SACCOs with Offices in Nakuru City County, Kenya

		Frequency	Valid (%)	Cum. (%)
Valid	From NKR to Nairobi	20	14.0	14.0
	From NKR to N' Eastern Region	10	7.0	21.0
	From NKR to Eastern Region	11	7.7	28.7
	From NKR to Central Region	15	10.5	39.2
	From NKR to Rift Valley Region	20	14.0	53.1
	From NKR to Western Region	22	15.4	68.5
	From NKR to Nyanza Region	30	21.0	89.5
	Within Nakuru Region	15	10.5	100.0
Total		143	100.0	

Table 4 clearly shows that no single matatu SACCO dominated a certain region. This is because 21% (30) of matatu SACCOs served the Nyanza region, which was the most but still low. This was followed by matatu SACCOs with their PSV trucks traversing the Western region, which accounted for 15.4% (22) of all SACCOs. It was closely followed by vehicles travelling from Nakuru City to the Rift Valley regions, which had a 14% (20%) participation and tied with matatu SACCOs with their PSVs travelling from Nakuru to the coast.

PSV vehicles operating in the Nakuru area accounted for 10.5% (15) of those SACCOs with a smaller coverage area, and they were tied with the Nakuru to Central Kenya region route matatus at 10.5% (15). The Eastern and North Eastern Matatu SACCOs have the least amount of route coverage. For instance, of the 143 matatu SACCOs that served the northern part of Kenya, the former was 7.7%, while the latter only accounted for 7%.

In a nutshell, there is an intertwining between those SACCOs with the regions they service, since there were challenges with transversing more than one matatu SACCO inside one region or two or more, making double counting a challenge. Again, such regions are located in larger County tires, so a region may contain multiple counties. This type of distribution means that the issue of over-competition, which leads to a loss of profitability, is properly managed, allowing most SACCOs to survive financially for a longer duration.

4.3 Validity Test

The questionnaires used for data collection were evaluated for validity. This is always important to confirm the extent to which a variable is accurately measured (Cresswell, 2022). In this study, both the content and the construct state of validity of the data collection instrument were examined using the assumption of (Mason and Bramble, 2019). The aforementioned topic matter was achieved by consultation with specialists and the supervisor, who conducted a comprehensive check to ensure that the tool met the validity test. That is, pilot testing was carried out to confirm that the questionnaire measured the variables

correctly for both construct and content. This was clear in the way the research questions contained in the questionnaire were worded.

4.3.1 Reliability Test

In this study, variables such as financial performance, replacement, modernization, diversity, and NTSA requirements were compared to reliability. Reliability coefficients are always between 0 and 1. A reliability Cronbach alpha coefficient of 0.7 or higher is considered satisfactory (Drost, 2021; Orodho, 2019). Table 5 details the outcomes of the test.

Table 5: Test of Reliability Results

	Cronbach's1Alpha	Decision
Replacement	.883	Reliable
Modernization	.881	Reliable
Diversification	.813	Reliable
NTSA regulations	.781	Reliable
Financial Performance	.812	Reliable

As indicated by other authors like Fraser, Fahlman, Arscott, and Guillot (2018), Table 5 shows that all of the reliability coefficients for the study variables—financial performance, replacement, modernization, diversification, and NTSA regulations—were dependable for the corresponding values were greater than 0.70.

4.4 Diagnostic Test

Razali and Wah (2021) recommended that a number of diagnostic tests be conducted because the data gathered is assumed to be normally distributed. For the purpose of drawing trustworthy conclusions following the completion of the inferential data analysis, this first-hand data test is required. Three of the tests were taken into consideration in the current investigation. These are the tests for heteroscedasticity, multicollinearity, and normalcy.

4.4.1 Normality Test

To determine the validity and reliability of the data gathered, the researcher conducted diagnostic tests. A variable is said to be normal when it is thought to be normally distributed. There should be no bias in the methods used to gather data from the field. The findings obtained from the normality plot and histogram tests are shown in Figures 2 and 3.

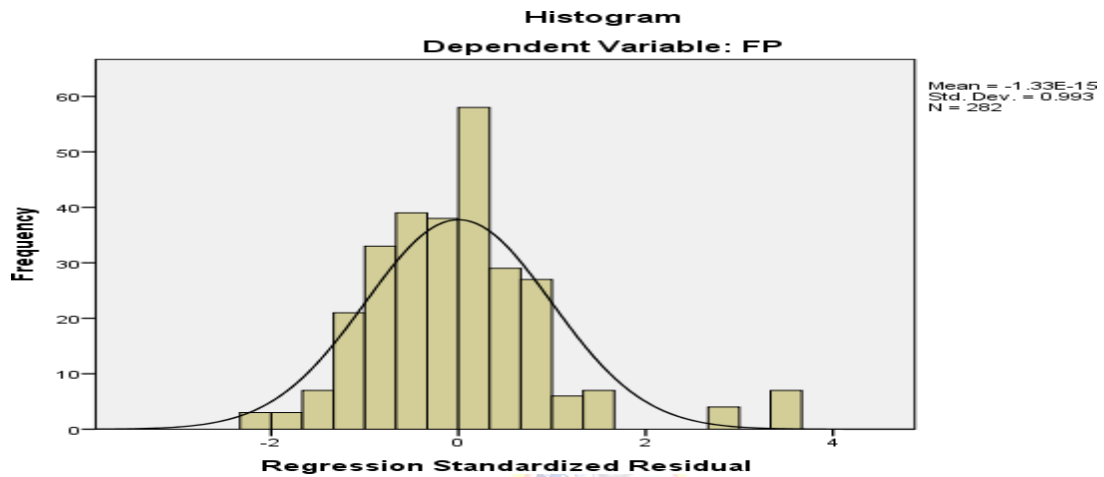


Figure 2: Histogram

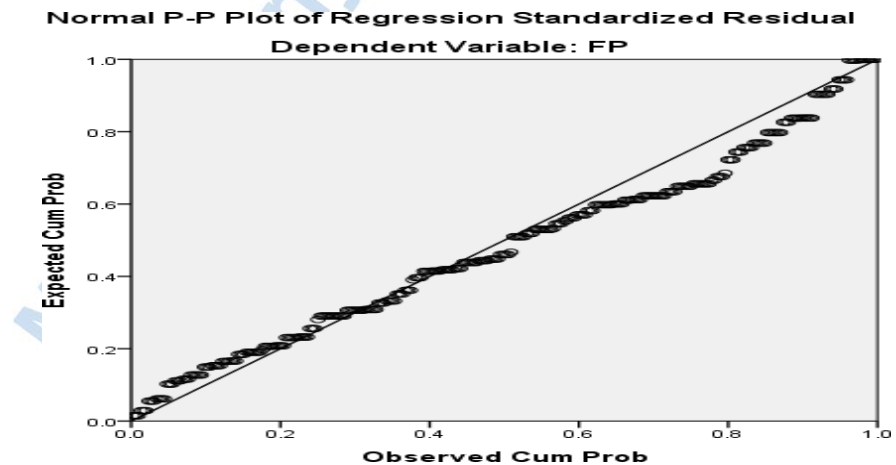


Figure 3: Normality Test for Financial Performance

It is demonstrated that the data used for analysis was regularly distributed in Figures 2 and 3, respectively.

4.4.2 Test of Multicollinearity

Another normality state that must be demonstrated to exist or not is multicollinearity. This phrase describes a situation in which there is a strong correlation between the predictor variables. This typically occurs when data is gathered from a single location or when the researcher has bias. The researcher used the Variance Inflation Factor (VIF) in this investigation. It is believed that a number more than 1 but less than 4 is a reliable indicator that the data is not affected by multicollinearity (Pallant, 2021). Table 6 presents the findings.

Table 6: Results of Multicollinearity Test

Model	Unstandardized		Standardized		t	Sig.	Collinearity Statistics	
	Coefficients		Coefficients				Tolerance	VIF
		BStd. Error		Beta				
	(Constant)	.163	.229		.630	.533		
1	REP	.550	.084	.237	5.738	.000	.957	1.046
	MODER	-.555	.062	-.326	-7.782	.000	.950	1.031
	DIVER	.862	.050	.745	17.525	.000	.948	1.056

The replacement, modernization, and diversification VIF values ranged from 1 to 4, as shown in Table 6. This demonstrates that there was no multicollinearity issue with the independent variables.

4.4.3 Test of Heteroscedasticity

Another diagnostic test was heteroscedasticity, which literally translates to "disparity in variance." In this case, all of the predictor variables have unequal values for the error term (Hair, William, Barry, and Anderson, 2020). To determine the predicted outcomes, a modified Wald test was employed. When this state is absent, homoscedasticity—the opposing necessary state—exists. Table 7 displays the test's findings after it was completed.

Table 7: Test of Heteroskedasticity Results

Modified Wald test for groupwise heteroscedasticity in fixed effect regression model

H0: $\sigma(i)^2 = \sigma^2$ for all i

chi2 (287) = 1.4e+09

Prob>chi2 = 0.077

According to Table 7, the H0 asserts that the variance of the error terms is constant, meaning that they ought to be homoscedastic. Table 7 showed that the H0 was approved because the p value was greater than the crucial threshold, or 0.05. With a p-value of 0.077, the error terms were shown to be homoscedastic.

4.5 Descriptive Analysis

The descriptive implications of the study variables utilized to examine the unit of analysis—the Matatu SACCOs with offices in Kenya's Nakuru City County—were also taken into consideration in this study. The following is how the research findings were presented.

4.5.1 Matatu SACCOs with Offices in Nakuru City County, Kenya financial Performance

Regarding their matatu SACCO financial performance, the respondents were asked what they thought. Table 8 provides a summary of their responses using a Likert scale with 1 denoting Strongly Agree (SA), 2 denoting Agree (A), 3 denoting Neutral (N), 4 denoting Disagree (d), and 5 denoting Strongly Disagree (SD).

Table 8: Financial Performance Descriptive Results of Matatu SACCOs with Offices in Nakuru City County, Kenya

Expression of Views	n.	SA	A	N	D	SD	Dev.	Mean
For the past five years, members of our Matatu SACCO have been actively saving with the SACCO.	143	21	83	3	1	35	1.422	2.61
	100%	14.7%	58%	2.1%	0.7%	24.5%		
Our SACCO credit and savings accounts have been expanding rapidly.	143	24	13	82	24	0	0.931	2.75
	100%	16.8%	9.1%	57.3%	16.8%	0.0%		
The SACCO has been steadily gaining new members.	143	33	75	0	0	35	1.483	2.51
	100%	23.1%	52.4%	0.0%	0.0%	24.5%		
New members have been joining the SACCO on a consistent basis.	143	69	39	0	0	35	1.624	2.24
	100%	48.3%	27.2%	0.0%	0.0%	24.5%		
The capital basis is equal to the total assets of our SACCO.	143	32	32	11	1	67	1.715	3.26
	100%	22.4%	22.4%	7.7%	0.7%	46.8%		
The SACCO capital base has been increasing over the past five years.	143	56	53	8	1	25	1.423	2.21
	100%	39.2%	37.1%	5.6%	0.7%	17.4%		
Composite for Mean and Standard Deviation							1.433	2.60

Source: Field Data (2024)

The respondent's perspective on the Matatu SACCOs' financial performance in relation to profitability. Numerous factors were taken into account. The researcher wanted to know, for example, if members of the Matatu SACCO had been actively saving with the SACCO for

the previous five years. According to Table 8, 104 respondents, or 72%, concurred that Matatu SACCO members were genuinely actively using the organization's methods to save money.

Only three (2.1%) of the 143 officials questioned expressed neutrality, while another 36 (25.2%) disagreed with that assumption. Above the composite mean of 2.60, the equivalent line mean was 2.62, and the standard deviation was 1.433. This suggests that members' saving actions greatly improved the SACCOs' financial results. Furthermore, a significant rate of growth in SACCO savings and credit accounts was examined. 24 (16.8%) disagreed and 37 (24.9%) agreed in this instance. On this point, the majority, however, were ambivalent. That argument was thus not supported by the 82 (57.3%). The growth rate was not as high as thought, as indicated by the mean of 2.74 (SD=0.932).

New members were stated to be joining SACCOs every other time, and 108 (75.5%) agreed that this was the situation. In contrast to this statement, 35 respondents (24.5%) disagreed. The line average value was 2.50, which was lower than the composite score of 2.60. This signifies that the argument was not strongly supported. The respondents were questioned further about the current capital basis, which they believe is higher than when the SACCO was founded.

The reaction was completely two-way. The majority, 108 (75.5%) of the 143, supported this topic of capital base, while the minority, 35 (24.5%), opposed. The mean score was lower than the composite score, indicating that the element did not significantly contribute to greater profitability for matatu SACCOs. In the same breath, matatu officials responded to the question of capital base being similar to SACCO total assets. 64 (44.8%) agreed that this was the stance.

On the other hand, 68 (47.5%) disagreed, while only 11 (7.7%) had no suggestions. This reaction was characterized by a mean score of 3.27, which exceeded the composite score of

2.60. As a result, the capital base supported the monetary worth of the SACCOs' assets. In such a circumstance, it indicates that this component improved financial performance empirically.

According to Table 8, respondents expressed their views on the claim that SACCO capital base has grown during the last five years. This argument was supported by 109 (76.1%) of the respondents. Those that disagreed There were 26 (18.1%) and 6 (5.6%) neutrals, with a line mean of 2.20 lower than the aggregate mean of 2.60. This means that the aspect of capital base growth was not as significant, and it most likely contributed insignificantly.

4.5.2 Replacement of Matatu SACCOs with Offices in Nakuru City County, Kenya

The respondents were asked what they thought of Matatu SACCO's replacement investment decision in terms of acquiring cost-effective cars and large carrying capacity vehicles. A Likert scale of 1=strongly agree (SA), 2=agree (A), 3=neutral (N), 4=disagree (d), and 5=strongly disagree (SD) was used, and their responses were presented in Table 9.

Table 9: Replacement Results of Matatu SACCOs with Offices in Nakuru City County, Kenya

Expression of Views	n.	SA	A	N	D	SD	Dev.	Mean
For the last five years, members have been acquiring vehicles with a bigger capacity as compared to what they had before	143	56	53	8	1	25	1.422	2.20
	100%	39.2%	37.1%	5.6%	0.6%	17.5%		
The higher carrying capacity vehicles has proven to be more economical as compared to the less carrying capacity ones-e.g., 19 vs 14 seaters	143	101	41	1	0	0	0.475	1.30
	100%	70.6%	28.7%	0.7%	0.0%	0.0%		
As management, we advocate for the larger capacity seaters due to cost efficiency reasons	143	78	58	7	0	0	0.592	1.50
	100%	54.5%	40.6%	4.9%	0.0%	0.0%		
Vehicles with new engine model consume less fuel as compared to old models	143	98	16	26	0	3	0.932	1.56
	100%	68.5%	11.2%	18.2%	0.0%	2.1%		
There is high tendency of members of our SACCO to upgrade new vehicle models instead of second hand	143	81	18	37	7	0	0.992	1.79
	100%	56.6%	12.6%	25.9%	4.9%	0.0%		
Composite for Mean and Standard Deviation							0.883	1.67

Source: Field Data (2024)

The study also addressed investment decisions in terms of acquiring cost-effective cars and acquiring vehicles with substantial carrying capacities. According to Table 9, the majority of respondents, 109 (76.3%), believed that the choice was significant to financial performance. The minority of 26 (18.1%) were opposed to that opinion. The remaining eight (5.6%) had no information of the situation and hence remained mute. The matching line average was

2.20, which was higher than the composite average of 1.67 and (SD of 0.883). This response revealed that the procurement of new cars had a substantial impact on the matatu SACCOs' financial situation.

Again, according to Table 9, bigger carrying capacity vehicles have proven to be more inexpensive than lower carrying capacity ones--for example, 19-seaters against 14-seaters. The results show that 142 respondents (99.3%) supported the narrative, with only one neutral. This was related with an average of 1.30 (SD=0.475).

The respondents also expressed their views on the management's perceived advocacy for bigger capacity seating due to cost savings. The results were as follows: 136(95.1%) agreed with that assessment, while 7(4.9%) had no notion how this feature affected the profitability of SACCOs. The line mean score was 1.50, which was below the composite average of 1.67. This suggests that management's lobbying was insufficient to influence the profitability of SACCOs.

It was suggested that vehicles with new engine models utilize less fuel than older models. According to Table 9, the majority of the four respondents, 114 (79.7%), agreed with the narrative, while three (2.1%) disagreed. Another group of 26 (18.2%) were neutral on the subject. The line mean was 1.56 (DS = 0.992). The point is that the new engine demonstrated higher efficiency, but not significantly.

According to Table 4.8, 99 (69.2%) of SACCO members supported upgrading to new car models over second-hand vehicles, while 7 (4.9%) disagreed. Finally, 37 (25.9%) were ambivalent on the proposal. The line mean was 1.79 higher than the composite mean of 1.67. This provided empirical proof that the tendency has a positive impact on financial performance modifications.

4.5.3 Modernization of Matatu SACCOs with Offices in Nakuru City County, Kenya

The respondents were asked about their perspective on their matatu SACCO's socially responsible modernization investment decision of boosting customer travel. Experiences include digital ticketing and parcel registration. A Likert scale of 1=strongly agree (SA), 2=agree (A), 3=neutral (N), 4=disagree (d), and 5=strongly disagree (SD) was used, and their responses were presented in Table 10.

Table 10: Modernization Descriptive Results of Matatu SACCOs with Offices in Nakuru City County, Kenya

Statement	n.	SA	A	N	D	SD	Dev.	Mean
SACCO members typically equip their vehicles with additional amenities to enhance client experience. comfortable	143	91	29	4	9	10	1.217	1.73
	100%	63.6%	20.3%	2.8%	6.3%	7.0%		
SACCO ticketing and payments can be done online without visiting their offices.	143	96	36	6	0	5	0.871	1.48
	100%	67.1%	25.2%	4.2%	0.0%	3.5%		
Parcels are registered, paid for, and delivered online.	143	56	12	36	1	38	1.622	2.67
	100%	39.2%	8.4%	25.2%	0.7%	26.5%		
Our SACCO vehicles have modified seats for client comfort, including 11 seaters in the first, second, and economy classes.	143	78	10	6	7	42	1.795	2.48
	100%	54.5%	7.0%	4.2%	4.9%	29.4%		
Management prepares for some religious rituals to be done at some time as customer care--for example, praying before the journey begins or ends.	143	86	26	3	20	8	1.296	1.87
	100%	60.1%	18.2%	2.1%	14.0%	5.6%		
Composite for Mean and Standard Deviation							1.3602	2.046

(source, field data 2024)

This study investigated several factors of PSV modernization. According to Table 10, the topic of concern in terms of respondents noting that most SACCO members have their vehicles fitted with extra facilities to make customers more comfortable showed that the majority of respondents, 120 (83.9%), supported this. On the other hand, 19 (13.3%) of the 143 probed respondents disagreed with such theory, with only 4 (2.8%) remaining indifferent.

The corresponding line mean was 1.73, which was lower than the composite mean of 2.046. According to Table 4.9, modernized PSVs improved travel comfort, which increased financial performance. In addition, the aspect of SACCO implementing digital ticketing, in which payment may be made online without visiting the SACCO offices, was investigated. In this example, 132 (92.3%) agreed and 5 (3.5%) disagreed. Another 6(4.25) respondents have no idea about the topic. The matching line mean was 1.48 (SD=0.871), indicating that its impact on profitability was not substantial.

The other issue was online parcel registration, payment, and dispatch at the delivery location. Regarding this topic, 68 respondents (47.5%) agreed that it was increasing the SACCO's returns. 39 people, or 27.2%, disagreed with this response. The composite score of 2.046 was significantly below the matching line average value of 2.67. This indicates that there was substantial support for the argument. The topic of PSVs offering adjusted seats to accommodate passenger comfort—for example, offering 11 seats in first, second, and economy classes—was another question posed to the respondents.

There were four responses. Out of the 143, 88 (61.5%) were in favor of this issue, while 49 (34.3%) were against it. Finally, 6 (4.2%) had no opinion. Since the mean score was higher than the composite score, that factor strongly contributed to the Matatu SACCOs' enhanced profitability. Similarly, 112 people (78.3%) agreed that management should arrange for

various religious rites to be done as part of customer care, including praying before the trip begins or concludes.

However, only 3 (2.1%) had no suggestions, and 28 (19.6%) were against. Compared to the composite score of 2.046, this response's mean score was 1.87 lower. Thus, it was implied that this component improved financial success empirically.

4.5.4 Diversification of Matatu SACCOs with Offices in Nakuru City County, Kenya

Regarding their matatu SACCO's investment choice to work with insurance companies, refueling stations, hotel service providers, and enhance parcel delivery services, the respondents were asked what they thought. Table 11 provides a summary of their responses using a Likert scale with 1 denoting Strongly Agree (SA), 2 denoting Agree (A), 3 denoting Neutral (N), 4 denoting Disagree (d), and 5 denoting Strongly Disagree (SD).



Table 11: Diversification Descriptive Results of Matatu SACCOs with Offices in Nakuru City County, Kenya

Expression of views	n.	SA	A	N	D	SD	SD	Mean
For the sake of our clients, the administration and members of our SACCO have decided to work together and establish connections.	143 100%	50 35%	40 28%	26 18.2%	24 16.8%	3 2.0%	1.161	2.23
Apart from transportation services, we also have our own insurance company.	143 100%	28 28.7%	46 19.6%	9 32.2%	35 6.2%	25 24.5%	1.431 17.5%	2.88
In order to reduce price volatility, our SACCO owns or works with refilling stations.	143 100%	41 28.7%	9 6.3%	24 16.7%	34 23.8%	35 24.5%	1.561	3.09
By setting up discounted hotel services, we take into account the luxury of our clients.	143 100%	59 41.22%	18 12.6%	1 0.7%	30 21.0%	35 24.5%	1.709	2.75
We offer safe package delivery services in addition to transportation services.	143 100%	84 58.7%	28.0% 40%	6.3% 9	3.5% 5	3.5% 5	0.995	1.65
The SACCO has created designated fuelling stations or its own fuel stations.	143 100%	34 23.8%	18 12.6%	11 7.6%	10 7.0%	70 49.0%	1.710	3.45
Composite for Mean and Standard Deviation							1.428	2.675

Source: Field Data (2024)

Table 11 shows that respondents shared their thoughts on the assertion that members and the administration had joined forces for the benefit of Matatu SACCO clients, which had an impact on financial performance. Ninety-three (63%) of the 143 nodded on it. Subsequently, 27 people (18.8%) disagreed. On this point of view, the remaining 26 (18.2%) remained mute. In comparison to the composite score of 2.675, the line mean was lower at 2.23. Thus, the factor had an effect on Matatu SACCO performance, although a minor one.

The problem of additional customized insurance agencies among Matatu SACCOs outside of their primary business of providing transport services was also examined in the study. The majority, 74 (51.8%), were shown to be in agreement on the issue. However, 60 (42%) did not support that theory. Nine (6.2%) of the remaining respondents did not support either of the two viewpoints.

The line mean was 3.09, which exceeded the composite value of 2.675. This demonstrates how important the topic at hand was in driving good changes in matatu SACCO profitability. Again, according to Table 4.10, the consideration of customers' luxury by planning for subsidized hotel services by the matatu SACCO obtained a majority of 77 (53.8%), while 65 (45.5%) had an opposing opinion.

There was no indication that this factor had an impact on the SACCOs' profitability for the remaining 1 (0.7%). In contrast to the composite mean of 2.75, the line mean was 2.75. Performance was reduced by this factor because the SD was 1.709. According to Table 11, 124 respondents (86.7%) agreed that the provision of secure parcel delivery services in addition to transport services was improving financial performance, while 10 respondents (7%) disagreed with the majority and 9 respondents (6.3%) remained silent about the effect of these additional services provided by the Matatu SACCOs.

Additionally, the question of whether SACCO has its own fuel stations or organized designated fueling stations was asked. Of those who responded, 52 (36.4%) agreed with that statement, while the majority, 80 (56%), disagreed. The remaining eleven, or 7.6%, were neutral. The composite score of 2.675 was less than the line mean of 3.45. It was implied that the concept had not made a substantial contribution to the overall performance of Matatu SACCOs.

4.5.5 NTSA Regulation of Matatu SACCOs with Offices in Nakuru City County, Kenya

Regarding their matatu SACCO's acceptance or adherence to NTSA requirements for better travel coordination, which address matatu PSV maintenance costs, additional costs through fines and penalties, and customer satisfaction, the respondents were asked what they thought. Their responses were compiled in Table 12 using a Likert scale with 1 denoting Strongly Agree (SA), 2 denoting Agree (A), 3 denoting Neutral (N), 4 denoting Disagree (d), and 5 denoting Strongly Disagree (SD).

Table 12: NTSA Regulation Descriptive Results of Matatu SACCOs with Offices in Nakuru City County, Kenya

Expression of views	n.	SA	A	N	D	SD	Dev.	Mean
In general, NTSA policies and guidelines have improved the coordination of transportation-related activities across all Matatu. SACCOs	143 100%	50 35%	56 39.2%	4 2.8%	18 12.6%	15 10.4%	1.333	2.24
Overloading and other needless behaviors have been banned by NTSA laws, which has decreased our Cost of auto maintenance	143 100%	51 35.7%	32 22.4%	3 2.1%	39 27.3%	18 12.5%	1.507	2.59
Due to NTSA laws, there have been very few instances of punitive offenses that deduct our daily revenue in the form of penalties	143 100%	47 32.9%	56 39.1%	6 4.2%	16 11.2%	18 12.6%	1.366	2.31
Accidents on the road that cost us a lot of money to compensate the injured person or property have decreased as a result of NTSA regulations.	143 100%	50 35.0%	57 39.9%	13 9.1%	15 10.5%	8 5.5%	1.166	2.12
NTSA rules are essential because they have disciplined our employees, which has raised customer satisfaction.	143 100%	45 31.5%	61 42.6%	3 2.1%	16 11.2%	18 12.6%	1.354	2.31
Composite for Mean and Standard Deviation							1.3452	2.312

Source: Field Data (2024)

The study also looked at how the aforementioned SACCOs incorporated NTSA regulations into their matatu operations. Regarding whether or not NTSA rules and regulations have improved the coordination of transportation activities among all Matatu SACCOs, Table 12 reveals that the majority of respondents—106, or 74.2%—thought the decision had a substantial impact on financial performance. There were 33 minority members, or 23% of the total, who disagreed with that viewpoint.

The remaining four (2.8%), who had no knowledge of the issue, remained mute. The matching line average was 2.24, which was higher than the composite average of 2.312 with a standard deviation of 0.883. According to this reaction, the financial concerns of the Matatu SACCOs were significantly altered by the NTSA regulations.

The elimination of needless behaviors like overloading by NTSA standards has decreased the cost of vehicle maintenance, as seen in Table 12. The results showed that 83 people, or 58.1%, agreed with such narrative. Regarding the same issue, 3 (2.1%) of the remaining respondents were unsure, while 57 (30.8%) disagreed.

The mean of 2.59 (SD=0.1.507) for this response suggested that the expenses were affected by the legislation. The respondents also shared their thoughts on the fact that NTSA regulations had led to few instances of punitive offenses that used to result in fines deducting their daily revenue. The results showed that 103 people (72%), agreed with such assessment, whereas 34 people (23.8%) disagreed with the majority opinion.

Six (4.2%) of the remaining respondents were unaware of the impact this factor had on SACCO profitability. The composite average was 2.312, while the line mean score was 2.31. This indicates that the SACCOs' profitability was somewhat impacted by the NTSA's regulation.

Regarding the issue of NTSA regulations lowering the number of traffic accidents, which results in lower compensation costs for the injured party or property, Table 12 showed that 107 respondents (74.9%) agreed that these regulations improved financial performance, while 23 respondents (16%) disagreed with the majority and 13 respondents (9.1%) remained silent regarding how NTSA regulations affected Matatu SACCOs. Additionally, when asked if they believed that NTSA laws were essential because they had disciplined employees, which led to higher customer satisfaction, 106 people (74.1%) agreed with that statement, while 34 people (23.8%) disagreed.

The remaining three (2.1%) were neutral. The composite score of 2.312, which was identical to the line mean of 2.31, suggested that the concept had not substantially improved the performance of Matatu SACCOs in general.

4.6 Correlation Analysis Results

The Pearson Product-Moment correlation coefficient, a correlation coefficient measure, was employed in this study to evaluate the direction and strength of the different study variables. R is a representation of the linearity correlation of the primary study variables. Financial performance, NTSA restrictions, and replacement modernization diversification were the four study variables taken into consideration.

In this investigation, financial performance was the outcome variable, NTSA regulations were the moderator, and the first three were the predictor factors. Table 13 summarizes the results of the study using the correlation matrix that follows.

Table 13: Correlation Analysis Results

		FP	REP	MODER	DIVER	NTSA
FP	Pearson Correlation	1.000	.423**	-.243**	.762**	-.649**
	Sig. (2-tailed)		.000	.002	.000	.000
REP	Pearson Correlation		1.000	-.107	.185*	-.359**
	Sig. (2-tailed)			.202	.027	.000
MODER	Pearson Correlation			1.000	.145	.430**
	Sig. (2-tailed)				.084	.000
DIVER	Pearson Correlation				1.000	-.279**
	Sig. (2-tailed)					.001
NTSA	Pearson Correlation					1.000
	Sig. (2-tailed)					

** . Correlation is significant at the 0.01 level (2-tailed).
* . Correlation is significant at the 0.05 level (2-tailed).

According to Table 13, there was a considerable correlation between replacement investment decisions and financial performance ($r=0.423$ and $p=.000$), which was immediately apparent. Thus, a one-unit change in the choice to make a replacement investment resulted in a 0.423-unit change in the financial performance of Matatu SACCOs.

Furthermore, there was a substantial correlation between the modernization investment decision and financial performance productivity level ($r=-0.253$ and $p<.002$). In this way, a one-unit change in the modernization investment decision led to an indirect change in financial performance of 0.253 units.

Diversification and matatu SACCO productivity in terms of financial performance were likewise strongly and significantly correlated. In this way, a user-friendly unit change in diversification led to a 0.752 direct unit change in the financial performance level with a p-value of less than .05. Last but not least, a unit change in NTSA regulations led to a 0.649 unit change in SACCO financial performance productivity, with $r=-0.727$ and $p<.01$.

Modernization and replacement had an indirect and statistically negligible relationship ($r=-.107$, $p=.202$). Additionally, there was a direct and substantial correlation between diversification and replacement decision ($r=-.185$, $p<.05$). Finally, there was a substantial indirect relationship ($r=-0.359$, $p=.000$) between the replacement decision and NTSA rules and regulations.

Additionally, the modernization to diversion linkage was integrated. The two research variables were shown to have a weak direct connection. That's $r=0.145$ with $p=0.084$. Once more, the linkage to NTSA rules was modernized. The two study variables were shown to have a substantial direct connection. That's $r=0.430$ with $p=0.00$. The relationship between diversification and NTSA policies and procedures was another issue. With $r=0.279$ and $p=0.001$, the result was significant.

4.7 Regression Analysis Results

Following the appropriate specified objectives, the researcher examined the corresponding null hypotheses. The researcher used the regression analysis model to evaluate the corresponding hypothesis in order to accomplish this goal.

The study tested the impact of replacement, moderation, and diversification factors (investment decisions-composite score) on the financial performance of Matatu SACCOs in Nakuru City County using both multiple regression and hierarchical multiple models. Then another moderation test. The results were displayed in tables with corresponding interpretations.

4.7.1 Investment Decisions and Financial Performance of Matatu SACCOs with Offices in Nakuru City County, Kenya

To evaluate the corresponding three hypotheses, the first three specific objectives—which constitute investment decisions—were taken into consideration.

The corresponding hypotheses were stated as follows;

H01: There is no significant influence of replacement decision by matatu owners on financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya.

H02: There is no significant influence of modernization decision by matatu owners on financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya.

H03: There is no significant influence of diversification decision by matatu owners on financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya.

Table 14 : Investment Decisions and Financial Performance of Matatu SACCOs with Offices in Nakuru City County, Kenya

Model Summary^b						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.870 ^a	.758	.752	.50879		
Predictors: (Constant), DIVER, MODER, REP						
Dependent Variable: FP						
ANOVA						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	112.408	3	37.469	144.741	.000 ^b
	Residual	35.983	139	.259		
	Total	148.391	142			
Dependent Variable: FP						
Coefficients						
Model		Unstandardized Coefficients		Standardized	T	Sig.
		B	Std. Error	Coefficients		
1	(Constant)	.153	.239		.640	.523
	REP	.540	.094	.247	5.748	.000
	MODER	-.565	.072	-.336	-7.882	.000
	DIVER	.872	.050	.755	17.515	.000

Table 14 showed that the F statistic of model 1 indicated how much an investment decision affected the financial performance of SACCOs having offices in Nakuru's central business district. Based on the obtained results, the F assumed value was 144.741 ($p=0.000$), which indicates that the financial performance model and investment selections were statistically significant at the 95% confidence level.

The aforementioned 95% confidence level results demonstrate that the model in question was suitable for estimating the financial performance of Matatu SACCOs that have offices in Kenya's Nakuru City County.

The researcher also examined additional components of the best fit tests of the slope (β) and coefficient explained of determination. The following is an explanation of each case's outcome:

According to model 1's coefficient of determination (Adjusted R² = 0.752) from Table 4.13 above, the combined investment choices of diversification, modernization, and replacement accounted for 75.2% of the variations in the financial performance of Matatu SACCOs with offices in Kenya's Nakuru City County. However, other factors not included in this model were able to predict 24.8% of the changes in the financial performance of those SACCOs.

Similarly, a unit change in the decision to make a replacement investment translated into a 0.247 unit change in the financial performance of Matatu SACCOs, which was direct and significant ($p=0.000$), according to the goodness of best fit test for the slope or coefficient. Once more, a unit change in the modernization investment decision resulted in a negative and statistically significant ($p=0.000$) change in the financial performance of Matatu SACCOs of roughly 0.336 units. Finally, there was a direct and substantial ($p=0.000$) change in the financial performance of Matatu SACCOs of 0.755 units for every unit change in the diversification investment decision.

The following is the empirical model that illustrates the previously mentioned relationship:

$$\mathbf{FP = 0.239 + 0.247REP - 0.336MODER + 0.755DIVER}$$

Where;

FP is Financial Performance

REP is Replacement Decision

MODER is Moderation Decision

DIVER is Diversification Decision

Other investigations support the empirical result of this investigation. Musau (2019), for example, looked at how capital spending choices affected the expected returns on capital used by SACCOs in Kitui Central. Decisions about market research and development, upgrades and re-engineering, and disposal and acquisition were proven to have a beneficial impact on dividend returns on investments.

Decisions on business expansion had a detrimental impact on ROI. Additionally, Salawu & Rufai (2021) looked into how the expected return on investments for Nigeria's feed mill sectors was affected by the price of purchasing and disposing of machinery. Substitution The return on investment for feed mill machinery was positively correlated with the coefficient of correlation.

Mochoge (2019) sought to ascertain how returns in Matatu enterprises were impacted by capital budgeting techniques, which are a subset of investment decisions. The majority of Matatu operators employed initiative management, while the handful who used the payback method demonstrated a lack of budgeting expertise. Ogada, Achoki, and Njuguna (2018) evaluated the impact of diversity on anticipated merger returns, despite not specifically focusing on SACCOs. The results were consistent with the findings of the present investigation.

4.7.2 Investment Decisions, NTSA regulations and Financial Performance of Matatu

SACCOs with Offices in Nakuru City County, Kenya

The fifth particular goal is to moderate the NTSA regulations on the connection between investment choices and the financial performance of Matatu SACCOs located in Kenya's Nakuru City County.

The following were the matching hypotheses:

iv) To assess the moderating effect of NTSA regulations on the relationship between investment decisions and financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya.

The guidelines developed by Baron and Kenny (1986) and Aiken and West (1991) were used to test for moderation and identify the type of moderation that took place. In other words, if there is a noticeable shift in the adjusted R² and new interaction term, moderation is said to be taking place.

If there is an interaction term and both the moderator and the predictor factor are statistically insignificant, full moderation is presumed to have taken place. It is a statistically significant interaction term. It is controlling the partnership. If both the moderator and the predictor factor are significant and the main effects remain significant, it is assumed that partial moderating has taken place (Aiken and West, 2021).

As shown in Table 15, the results of the empirical study were summarized.

Table 15: Moderating Results of NTSA regulations on the Relationship between Investment Decisions and Financial Performance of Matatu SACCOs

Model Summary						
Model	R Square	Adjusted R Square	Std. Error	Change Statistics		
Estimate		R Square of the	R Square Change	F Change	df1	df2 Sig. F Change
1	.809 ^a	.655	.60470	.655	132.905	2 140.000
2	.839 ^b	.704	.56240	.049	22.854	1 139.000

a. Predictors: (Constant), NTSA, INVESTMENT DECISION

b. Predictors: (Constant), NTSA, INVESTMENT DECISION

ANOVA^a						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	97.198	2	48.599	132.905	.000 ^b
	Residual	51.193	140	.366		
	Total	148.391	142			
2	Regression	104.426	3	34.809	110.052	.000 ^c
	Residual	43.965	139	.316		
	Total	148.391	142			

Dependent Variable: FP						
Predictors: (Constant), NTSA, INVESTMENT DECISION						
Predictors: (Constant), NTSA, INVESTMENT, NTSA*INVESTMENT_						
Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.821	.287		2.857	.005
	INVEST	1.173	.120	.487	9.735	.000
	NTSA	-.470	.040	-.591	-11.811	.000
2	(Constant)	-1.104	.483		-2.285	.024
	INVEST	2.122	.228	.881	9.309	.000
	NTSA	.645	.236	.811	2.732	.007
	INVEST*NTSA	-.550	.115	-1.426	-4.781	.000

Dependent Variable: FP

The indirect model with the NTSA regulations as the moderating variable is shown in Table 15. The following represents the first model's result:

Model 1: To explain the financial performance, the predictor and moderator were added to the model.

$$FP = 0.821 + 0.487INVEST - 0.591NTSA$$

Model 2: To explain the financial performance, the predictor, moderator, and interaction term were included to the model.

$$FP = -1.104 + 0.881INVEST - .811NTSA - 1.426INVEST*NTSA$$

The results show that the new interaction term had a significant change and that moderation had occurred for adjusted R². With p=0.00, the adjusted R² changed from 0.665 to 0.049. According to the proposal of (Aiken and West, 1991), the main effects were still significant despite the partial moderation that had occurred for both the predictor component and the moderator.

Previous research with comparable findings was conducted all across the world. For example, the study by Filippova and Voronina (2021) examined how legal and

organizational transportation contributes to or detracts from maintaining economic success. Proposals were made to guarantee that organizations providing public transportation services are effectively regulated. Yobo (2018) looks into how the Ghanaian government provides public transportation services. The philosophy underlying the development of the Metro Mass Transit (MMT) system was the focus of this study, regardless of prior government failures in the same sector. The efficiency of the public transportation system was shown to be increased by a state-led transportation investment that included a combination of private equity.



CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section highlights the research findings after all analysis is completed. The section component is a summary of findings based on the specific objectives and hypotheses. The study conclusions are then drawn based on the findings, recommendations, and suggested areas of study.

5.2 Summary of Research Findings

The current study's thematic focus was on matatu SACCOs in Nakuru City County, which served as the unit of analysis. The study focused on the relationship between investing decisions and variability in financial success. As a result, the study's primary objective was to investigate the moderating influence of NTSA laws on the relationship between investment decisions and financial performance of matatu SACCOs in Nakuru City County, Kenya.

The specific objectives were to determine the impact of matatu owners' replacement decisions on the financial performance of matatu co-operatives with offices in Nakuru CBD, Kenya, as well as to investigate the impact of matatu owners' modernization decisions on the financial returns of matatu co-operatives with offices in Nakuru CBD, Kenya. To assess the moderating effect of NTSA regulations on the relationship between investment decisions and financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya, as well as the influence of diversification decisions by matatu owners on financial returns of matatu co-operatives.

The study has matching theories that support the current specified objectives. Furthermore, there was an emphasis on similar empirical and theoretical evaluations, which were intended

to cover the research gaps that this study sought to address. The empirical review focused on the relationships between the various parts of investment decisions, specifically replacement, modernization, and diversification, and the dependent variable, financial success. The specific shortcomings discovered were philosophical, methodological, and contextual in character. Furthermore, the theoretical review focuses on the suppositions that justify this study, which are; Modern financial theory, risk and uncertainty carrying theory.

The profit and opportunity cost theory. The study filled the observed gaps as a result of analyzing the study's findings.

To determine the research problem, the study used a descriptive survey research approach. The population consisted of 625 matatu SACCOs registered with NTSA and based in Nakuru City County, Kenya. Stratified sampling was used to provide a sample that is more representative of the research group. As a result, only relevant observation items that supported the attainment of the research objectives were evaluated, and firms with missing data were excluded (Maniagi et al. 2018; Mbuva, Mirie, Kaijage, and Ochieng 2019).

As a result, a sample size of 206 was selected. Data was gathered utilizing structured questionnaires. Raw data was acquired from owners/CEOs, managers, or high-ranking matatu SACCO officials, such as a supervisor of all matatu SACCOs. Following data collection, it underwent preliminary tests such as diagnostic and descriptive analysis. The next step was to test the null hypotheses.

The first null hypothesis stated, "There is no significant influence of matatu owners' replacement decisions on the financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya." Following multiple regression analysis, the findings revealed that the feature of replacement had a direct and statistically significant impact on the financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya. As a result, the study rejected the first null hypothesis and accepted the alternative null hypothesis, which asserts

that "there is no significant influence of replacement decision by matatu owners on the financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya."

The first null hypothesis stated, "There is no significant influence of matatu owners' replacement decisions on the financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya." Following multiple regression analysis, the findings revealed that the feature of replacement had a direct and statistically significant impact on the financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya. The study rejected the first null hypothesis and accepted the alternative null hypothesis: "There is significant influence of replacement decision by matatu owners on financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya."

The second null hypothesis stated that "modernization decisions by matatu owners have no significant influence on the financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya." After doing multiple regression, the findings revealed that the feature of modernization had a negative statistically significant impact on the financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya. As a result, the study rejected the second null hypothesis and accepted the alternative null hypothesis, which asserts that "There is a significant influence of modernization decisions by matatu owners on financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya."

The third null hypothesis was as follows: "There is no significant influence of diversification decision by matatu owners on financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya" . Following multiple regression analysis, the findings revealed that the feature of replacement had a direct and statistically significant impact on the financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya. As a result, the study rejected the third null hypothesis and accepted the alternative null hypothesis, which asserts

that "there is significant influence of diversification decision by matatu owners on the financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya."

The fourth null hypothesis was as follows: "there is no significant moderating effect of NTSA regulations on the relationship between investment decisions and financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya." After conducting hierarchical multiple regression, the results revealed that NTSA regulations had a statistically significant moderating effect on the link between investment decisions and financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya. As a result, the study rejected the fourth null hypothesis and accepted the alternative null hypothesis, which states: "There is a significant moderating effect of NTSA regulations on the relationship between investment decisions and financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya."

5.3 Conclusions and Recommendations

Following the research findings, the goal is to draw conclusions and focus on recommendations and topics for additional investigation of the conceptual concerns under examination.

5.3.1 Conclusions

The alternative hypothesis, "There is significant influence of replacement decision by matatu owners on financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya," was accepted as a result of the null hypothesis (H01) being rejected. This shows that the financial performance of these SACCOs improved as a result of replacement decisions, such as purchasing large carrying capacity trucks and cost-effective cars.

The alternative hypothesis, which asserts that matatu owners' decisions to modernize have a major impact on the financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya, was accepted as a result of the null hypothesis two (H02) being rejected. This

suggests that customers were drawn to Matatu SACCO's services when its owners made socially conscious modernization investment decisions, like digital ticketing and parcel registration. Consequently, using those matatu PSVs for transportation is preferred. Profitability rose as a result of the larger market share.

The alternative hypothesis, "There is significant influence of diversification decision by matatu owners on financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya," was accepted as a result of the null hypothesis three (H03) being rejected. This suggests that the owners of the Matatu SACCOs increased customer satisfaction and decreased operating costs by diversifying their product offerings, such as by introducing partnerships with insurance agency providers, refilling station providers, hotel services providers, and parcel delivery services, all of which improved profitability levels. This suggests that financial performance was favorably and statistically influenced by the matatus's owners.

The alternative hypothesis, "There is significant influence of diversification decision by matatu owners on financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya," was accepted as a result of the null hypothesis three (H03) being rejected. This suggests that the owners of the Matatu SACCOs increased customer satisfaction and decreased operating costs by diversifying their product offerings, such as by introducing partnerships with insurance agency providers, refilling station providers, hotel services providers, and parcel delivery services, all of which improved profitability levels. This suggests that financial performance was favorably and statistically influenced by the matatus's owners.

The alternative hypothesis, "There is significant moderating effect of NTSA regulations on the relationship between investment decisions and financial performance of matatu SACCOs with offices in Nakuru CBD, Kenya," was accepted as a result of the null hypothesis four

(H04) being rejected. This suggests that the adoption of NTSA regulations by the owners of Matatu SACCOs, including transport coordination services, resulted in lower maintenance costs for Matatu PSVs, a reduction in additional expenses through fines and penalties, and an increase in customer satisfaction because of the increased assurance of transport safety. Consequently, the financial performance of the Matatu SACCOs significantly improved.

5.3.2 Recommendations

Management of matatu SACCOs benefits greatly. One, the adoption of the NTSA norms and regulations improves management efficiency for less financial resources, which equates to higher profitability. Second, the lower cost of operations as a result of making the optimal investment selection increases the viability of matatu projects since revenues exceed operating costs.

Policymakers will also profit from the research findings. The empirical results provide greater insight into how the NTSA laws influence investment decisions and financial success. This will improve existing transportation policies and increase government revenue through tax collections. Road safety policies are also simple to design because the moderating effect effectively guides the involved parties.

Academicians are properly directed by the study findings since they serve as a foundation for identifying other areas of progress to help the transportation industry as a whole become an economic driver in the country. This is because the conceptual, contextual, and methodological limitations are clearly identified in this work.

5.4 Suggestion for further Areas of Research

Since there are other forms of transportation, like rail, air, and sea transportation, this contextual gap gives researchers the chance to further examine the connection between the financial performance of the corresponding modes of transportation—air, water, and sea—

and the same investment choices that have been covered under matatu SACCOs. One contextual gap that hasn't been effectively utilized is this one. This would enhance the nation's overall performance in the transportation sector.

Since capital budgeting, which includes investment decisions, is a broad discipline, it is necessary to take into account other investment decisions depending on the preferred transportation sector in order to determine whether comparable government regulations could moderately benefit the corresponding transportation sector. By increasing national income, creating jobs, and eliminating poverty, this will support overall economic growth.

Other government rules can be taken into consideration for further transportation-related studies. Road transportation is subject to NTSA regulations. To determine whether this type of moderation can promote sanity and order among the small-scale carriers, the government should consider enacting comparable rules for other modes of transportation, such as the usage of hand carts in major cities. Better transportation coordination and increased revenue for all parties involved will result from this. In addition, the government can pinpoint a location where taxes can be collected from those transporters.

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APPENDICES

Appendix I: Informed Consent

Consent Form for Participation In Research

Dear Participant,

I invite you to participate in a research study entitled at Mount Kenya University and am in the process of writing my Master's project The purpose of the research is to determine: **(DETERMINANTS INFLUENCING INVESTMENT DECISIONS ON FINANCIAL PERFORMANCE OF MATATU NON DEPOSITING SACCOs IN NAKURU CITY CBD, KENYA)**

is the subject of the enclosed questionnaire. It is entirely voluntary for you to participate in this study. You have the option to completely decline or to leave any questions you don't want to answer blank. Participation carries no known dangers beyond those found in daily life. Your answers will be kept private and anonymous.

The information gathered for this study will be kept confidential and will only be reported as a total. Only the researchers will be aware of your specific responses to this survey. You will not directly profit from taking part in this study. Talking about the problems the study tackles, however, might be interesting to you and helpful to the field as well as to future customers or those who have had comparable situations.

Please provide your best response to the questionnaire's questions if you consent to take part in this experiment. It should take about forty minutes to finish. In order for me to finish the project report, kindly return the questionnaire as soon as possible.

If you have any inquiries concerning this project, please get in touch with the

Stephen Mbatia Njogu, MBA/2024/38430, 0701713805

If you have questions about your rights as a research participant, please be in touch with the Chairman, Mount Kenya University, Ethical Review Committee, P.O Box 342-01000, Thika..

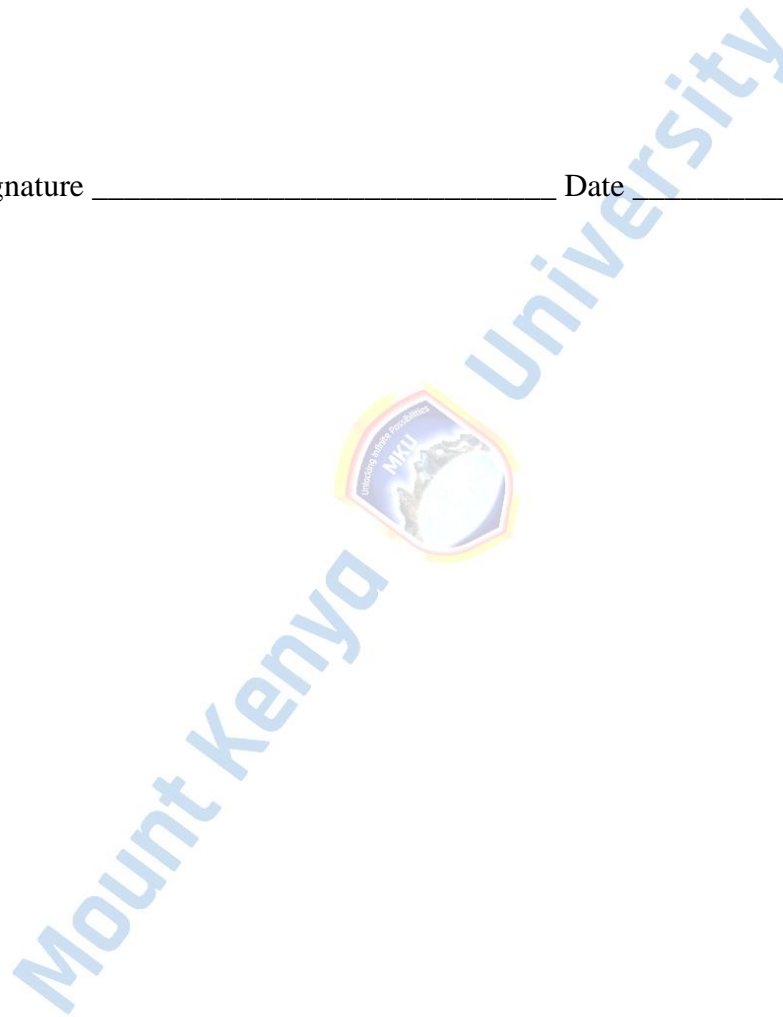
Thank you for your assistance in this important endeavor.

CONSENT

I've read the information, I understand it, and I've had a chance to ask questions. I am aware that this is entirely optional and that I can stop participating at any moment, for any reason, and for no fee. I am aware that this permission form will be provided to me in copy form. My participation in this study is voluntary.

Participant's Signature _____ Date _____

Investigator's Signature _____ Date _____



Appendix II: Questionnaire for Management officials of Matatu SACCOs in Nakuru city CBD, Kenya

This questionnaire is for collecting data on: “Investment Decisions and Financial Performance of Matatu SACCOs with Headquarters in Nakuru city CBD, Kenya”

Instructions: Please tick where appropriate.

Section A: Demographic Data

1. Tick (✓) in either of the Boxes provided to indicate your position in the matatu SACCO

- i. Matatu Owner.....
- ii. CEO/Director or Deputy.....
- iii. Manager/Supervisor.....
- iv. Other SACCO official Position

2. How many members are members are in your matatu SACCO? (Tick as per your case)

- i. Less than 10 ()
- ii. Between 11-25 ()
- iii. Between 26-50 ()
- iv. More than 50 ()

3. Which route does your matatus ply? Indicate the final destination you matatus reach in terms of county

From Nakuru to.....

4. What period in years has your matatu SACCO been operating in this route you have stated in no-3 above?

- a. Between 1-5 years: ()
- b. 5--10: ()
- c. 11-20: ()
- d. Above 20: ()

SECTION B: Financial Performance of Matatu SACCOs

Please indicate your opinion or otherwise in regard to Financial Performance of Matatu SACCOs. Use the scale: 1=Strongly Agree (SA), 2=Agree (A), 3=Neutral (N), 4=Disagree (d), and 5=Strongly Disagree (SD).

opinions	SA [1]	A [2]	N [3]	D [4]	SD [5]
Members of our Matatu SACCO have been actively saving with the SACCO for the last 5years					
Our SACCO savings and credit accounts have been growing at a high rate					
New members have continuously been joining the SACCO					
Current capital base is more than when the SACCO was started					
Capital base is equivalent to our SACCO total assets					
For the last five years, SACCO capital base has been having an upward growth					

SECTION C: Replacement

Kindly indicate your opinion or otherwise in regards to Replacement statements below. Use the scale: 1=Strongly Agree (SA), 2=Agree (A), 3=Neutral (N), 4=Disagree (d), and 5=Strongly Disagree (SD).

Expression of views	SA [1]	A [2]	N [3]	D [4]	SD [5]
For the last five years, members have been acquiring vehicles with a bigger capacity as compared to what they had before					
The higher carrying capacity vehicles has proven to be more economical as compared to the less carrying capacity ones-e.g., 19 vs 14 seaters					
As management, we advocate for the larger capacity seaters due to cost efficiency reasons					
Vehicles with new engine model consume less fuel as compared to old models					
There is high tendency of members of our SACCO to upgrade new vehicle models instead of second hand					

SECTION D: Modernization

kindly indicate your opinion or otherwise in regard to Modernization statements below.
Use the scale: 1=Strongly Agree (SA), 2=Agree (A), 3=Neutral (N), 4=Disagree (d), and 5=Strongly Disagree (SD).

opinion	SA [1]	A [2]	N [3]	D [4]	SD [5]
Most of the Members of the SACCO have their vehicles fitted extra facilities to make customer more comfortable					
Most SACCO ticketing and payment can be done online without visiting the SACCO offices					
Registration of parcels, payment and dispatch at the point of delivery is done online.					
Some of our SACCO vehicles have modified seats to cater for customer comfort-e.g., 11 seaters/ 1 st , 2 nd and Economy classes					
Management arranges for some religious rituals to be performed at some point as customer care-e.g., praying before the journey starts/ends					

SECTION E: Diversification

Please indicate your opinion or otherwise in regard to the Diversification Statements below. Use the scale: 1=Strongly Agree (SA), 2=Agree (A), 3=Neutral (N), 4=Disagree (d), and 5=Strongly Disagree (SD).

Opinion	SA [1]	A [2]	N [3]	D [4]	SD [5]
Both the administration and the members of our SACCO are in agreement to go collaboration/linkage way for the sake of our customers					
In addition to transport services, we have our own insurance agency					
Our SACCO owns/collaborates with refilling stations to curb price fluctuations					
We consider our customer luxury by organizing for subsidized hotel services					
In addition to transport services, we also provide parcel delivery services					
The SACCO has its own fuel stations or has an organized designated fueling stations					

SECTION F: NTSA Regulations

kindly indicate your opinion or otherwise in regard to NTSA Regulations statements below. Use the scale: 1=Strongly Agree (SA), 2=Agree (A), 3=Neutral (N), 4=Disagree (d), and 5=Strongly Disagree (SD).

Opinion	SA [1]	A [2]	N [3]	D [4]	SD [5]
NTSA rules and regulations have generally created better coordination of transport activities in all matatu SACCOs					
NTSA regulations have eliminated unnecessary practices such as overloading which has reduced our vehicle maintenance cost					
NTSA regulations has resulted to minimal cases of punitive offences which take away our daily income in form of fines					
NTSA regulations have reduced the number of accidents on the road which cost us a lot when compensating the damaged party or property					
NTSA regulations are necessary for it has instilled discipline to our workers hence increased customer satisfaction					

Appendix III: ERC Authorization Letter



REF: MKU/ISERC/4763

Date: 17 February 2025

TO: STEPHEN MBATIA NJOGU

REG: MBA/2024/38430

Dear Sir/Madam,

RE: DETERMINANTS OF INVESTMENT DECISIONS ON FINANCIAL PERFORMANCE OF MATATU NON DEPOSIT TAKING SACCOs IN NAKURU CITY COUNTY, KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3485**. The approval period is **17/02/2025 - 16/02/2026**.

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**

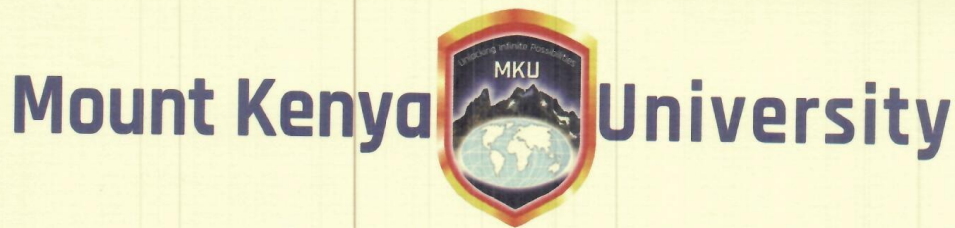
Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC



Appendix IV: MKU Authorization Letter



DIRECTORATE OF GRADUATE STUDIES

MBA/2024/38430

18th February, 2025

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

Dear Sir/Madam,

RE: STEPHEN MBATIA NJOGU - REGISTRATION NO. MBA/2024/38430


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 "**Determinants of Investment Decisions on Financial Performance of Matatu Non-Deposit Taking Saccos in Nakuru City 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 **March, 2025 and May, 2025**.

Any assistance accorded to the student will be highly appreciated.

Thank you.

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


Dr. Samuel M. Karenga, PhD
Director, Graduate Studies
Enc.

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Tel: +254 20 287 8000, Cell: +254 709 153 000


Appendix V: NACOSTI Research Permit

Republic of Kenya
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 704431

Date of Issue: 20/March/2025

RESEARCH LICENSE




This is to Certify that Mr. **STEPHEN MBATIA NJOGU** 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 Nakuru on the topic: **DETEMINANTS OF INVESTMENT DECISIONS ON FINANCIAL PERFORMANCE OF MATATU NON DEPOSIT TAKING SACCOs IN NAKURU CITY COUNTY, KENYA** for the period ending : 20/March/2026.

License No: NACOSTI/P/25/416972

Applicant Identification Number: 704431

Director General
NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION

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See overleaf for conditions

Plagiarism Report

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by Stephen Njogu

Submission date: 13-Apr-2025 01:59PM (UTC+0300)

Submission ID: 2568161257

File name: STEVE_project_1_1.doc (839K)

Word count: 27397

Character count: 154913

DETERMINANTS OF INVESTMENT DECISIONS ON FINANCIAL PERFORMANCE OF MATATU NON DEPOSIT TAKING SACCOs IN NAKURU CITY COUNTY, KENYA

ORIGINALITY REPORT



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