

**ASSESSMENT OF CUSTOMER RELATIONSHIP MANAGEMENT ON GROWTH
OF SOUTHERN STAR SACCO IN THARAKA
NITHI COUNTY, KENYA**

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DECLARATION AND APPROVAL

The Research project is my work and has not been presented for any award at any level in any university.

Signature

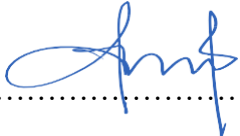


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Supervisor's Approval

The research project presented by the candidate was carried under my supervision.

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DEDICATION

This study is dedicated to my family and mentors, whose unwavering support and encouragement have been the foundation of my academic journey.



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My acknowledgement to my supervisor, Dr. Henry Yatich, for his professional advice, incisive insight, encouragement, and invaluable research expertise, which he willingly shared with me. I wish to express appreciation to my relatives and close friends for their inspiration during the study's project's highs and lows. Their words of encouragement and prayers will always be felt and appreciated. Finally, I simply want to sincerely thank Southern Star Sacco Ltd.'s management, staff, and members who all helped me tremendously in obtaining the data I needed to finish my research paper.



ABSTRACT

This study assessed the impact of Customer Relationship Management (CRM) practices on the growth of Southern Star SACCO in Tharaka Nithi County, Kenya. Southern Star SACCO has exhibited notable growth in membership, assets, and financial performance, making it an ideal case for analyzing the strategic value of CRM. The study specifically examined the effects of member engagement, personalization of services, and feedback mechanisms on SACCO growth, while also exploring the moderating role of SACCO size. The study was anchored on three main theories; Conversion Model Theory, Social Exchange Theory and Holistic Approach Model Theory. A descriptive research design was employed, and data were collected from 355 respondents, representing an 89.42% response rate. Quantitative methods—including descriptive statistics, multiple regression, and diagnostic tests—were used for analysis with the help of SPSS. The findings revealed that CRM practices significantly influence SACCO growth, with personalization of services showing the strongest positive effect ($\beta = 0.655$, $p < 0.001$), while feedback mechanisms had a negative but significant impact ($\beta = -0.412$, $p < 0.001$). Member engagement, although positively correlated in descriptive analysis ($r = 0.952$), did not yield a significant coefficient in the regression model. Diagnostic tests confirmed the model's robustness, with acceptable collinearity statistics and normally distributed residuals. Furthermore, SACCO size was found to significantly moderate the relationship between CRM practices and growth ($\beta = 0.333$, $p < 0.001$), indicating that larger SACCOs benefit more from CRM interventions. The study concludes that Southern Star SACCO should prioritize personalized services and revamp its feedback mechanisms while continuing to nurture member engagement. It recommends the implementation of tailored service delivery, transparent and responsive feedback loops, and CRM capacity-building—especially for smaller SACCOs. These findings offer actionable insights for SACCO management and policymakers seeking to enhance growth through strategic CRM deployment.



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CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

The co-operative movement in Kenya has emerged as a crucial institutional framework catering to diverse segments of society, with its objectives grounded in empowering citizens through locally determined initiatives that leverage available resources. This approach is founded on the premise that individuals within a specific geographical or institutional context share common perceptions about resolving collective challenges they face. According to Barongo et al. (2021) 63% of Kenyans profit from SACCO operations either directly or indirectly. A key component of SACCO operations and essential to their existence is financial success (Shilimi et al., 2021). With assets exceeding 230 billion Ksh and an estimated savings portfolio of 190 billion Ksh, the SACCO movement has grown significantly in prominence in Kenya. These numbers show that SACCOs significantly affect Kenya's economic and social development, accounting for almost 20% of the nation's total savings.

Customer Relationship Management (CRM) is a multifaceted procedure that involves the business to revolve around building and nurturing strong, long-term relationships between a company and its customers. CRM encompasses a wide array of strategies, technologies and practices aimed at understanding, engaging and satisfying customers to ultimately enhance business performance (Otwoko, 2023). At its core, CRM emphasizes a deep understanding of customers. It begins with robust customer data collection and analysis, spanning interactions, transactions and feedback. This thorough knowledge serves as the cornerstone for customized interactions, in which messages, services, and goods are made to match the unique wants and preferences of each client (Bolton et al., 2020). One of the key features of CRM is customization, which makes sure that users feel appreciated and understood (Mithas, 2021).

Member engagement, personalization of services and feedback mechanisms are factors that directly influence customer satisfaction, loyalty and overall business performance. They empower companies to create meaningful and enduring relationships with their customers, resulting in enhanced customer lifetime value and sustained success. Together, they form the core of successful CRM strategies, underlining their importance in the contemporary business landscape.

According to a case study by Ryals and Payne (2021), a business unit in the United States managed to gain a 270 percent rise in company division profits over objective by adopting simple CRM techniques. On the contrary, Frow's (2019) research in Nigeria produced different of findings. According to studies on the impact of CRM in attaining both financial growth and customer satisfaction, when a company utilized CRM, it was able to achieve both goals in 36% and 51% of cases, respectively. Colgate et al. (2022) studied the impact of CRM on commercial bank expansion in Kenya. The study came to the conclusion that CRM tactics helped Kenya's commercial banks expand.

Scholars Langat et al. (2018), Kiaritha (2018), Chombo (2021), Unal et al., (2019), Pollet (2023) Nyoro and Ngugi (2020), and Bhuyan (2020) have studied the financial performance of SACCOs using a variety of variables, such as: rivalry from commercial banks; customer royalties and influential involvement; economic, corporate, and informative factors; affiliation and statutory support; members' fulfillment and engagement; finances; administration board and employees; and efficient representation of SACCOs are among the key factors affecting SACCOs' financial performance and survival.

Kenya has been the subject of several studies on SACCOs in a variety of industries, including

logistics, agriculture, and SACCOs in general. These studies included research done by Muaka et al. (2022), Nyoro and Ngugi (2019), Njagi et al. (2018), Gicheru et al. (2021), and Auka and Mwangi (2018). Based on the examined empirical research, it is clear that a variety of elements, including the operational environment of the particular SACCO, influence a cooperative's success or failure. Furthermore, the research only assessed a small number of variables. Empirical research on the primary factors influencing SACCO expansion is scarce in Kenya.

Customer Relationship Management (CRM) plays a pivotal role in fostering the growth of SACCOs by improving customer satisfaction, retention, and financial performance. In the context of Southern Star SACCO, the implementation of CRM strategies can enhance member engagement through personalized financial services, streamlined communication channels, and efficient service delivery. The integration of technology, such as digital banking platforms and mobile applications, further strengthens CRM efforts by offering members convenient access to financial products and services. According to Wambua and Mwirigi (2022), SACCOs that leverage CRM technologies experience improved operational efficiency, leading to better resource allocation and increased profitability. Effective CRM practices ensure that members feel valued, leading to higher retention rates, increased savings, and greater participation in SACCO activities, ultimately contributing to the overall growth and sustainability of the organization.

The competitive landscape within the financial sector necessitates that SACCOs adopt proactive CRM strategies to maintain and expand their member base. Unlike traditional banks, SACCOs rely heavily on member loyalty and trust, making personalized engagement a critical success factor. Studies by Kinyua et al. (2021) indicate that SACCOs that actively implement customer feedback mechanisms and offer tailored financial solutions witness significant growth in membership and loan uptake. Additionally, fostering strong relationships through

CRM allows SACCOs to mitigate challenges such as loan defaults and inactive membership by identifying member needs and providing timely financial support. By addressing these challenges through targeted CRM initiatives, Southern Star SACCO can strengthen its position in the financial sector and continue to grow despite market fluctuations and economic uncertainties.

According to the World Council of Credit Unions (WOCCU, 2023), SACCOs serve over 393 million members across more than 118 countries, highlighting their widespread impact. Their growth is often attributed to factors such as effective governance, member trust, technological innovation, and robust customer relationship management (CRM) practices. CRM enhances member satisfaction, loyalty, and retention by fostering personalized communication, efficient service delivery, and responsive grievance handling (Boateng, 2020). In countries like Kenya, SACCOs are instrumental in community development and wealth creation, with customer-centric strategies playing a key role in maintaining competitiveness and driving expansion (SASRA, 2023).

Additionally, the role of CRM in financial literacy and member empowerment cannot be overlooked. Effective CRM practices involve educating members on financial management, investment opportunities, and responsible borrowing, which enhances their economic well-being and, in turn, benefits the SACCO. A study by Ndung'u et al. (2023) emphasizes that SACCOs that invest in financial literacy programs for their members experience higher levels of trust and long-term commitment. Southern Star SACCO can leverage CRM to offer financial education workshops, personalized advisory services, and transparent communication on interest rates and savings plans. By strengthening member knowledge and financial discipline, the SACCO not only improves its financial stability but also builds a loyal and informed membership base that actively contributes to its growth and success.

Customer relationship management (CRM) practices emerge as a dominant factor influencing the growth of the SACCOs. CRM encompasses strategies and practices aimed at building and maintaining strong relationships with members, which should align with the SACCO's core mission. Mmari et al. (2019) assert that the significance of member loyalty, engagement and satisfaction in fostering sustainable growth is underscored by the challenges related to loan repayment, weak collection systems and low-interest rates. Additionally, the objective of assessing the influence of customer relationship management policy on Southern Star Sacco's growth highlights the importance of this factor. The competitive landscape, evolving member expectations and the need to enhance operational efficiency through technological integration align with the role of effective

CRM practices (Otwoko et al., 2023). The commitment to providing accessible and affordable financial services for member prosperity necessitates a strong focus on understanding and meeting member needs, which CRM practices addresses (Shilimi, 2021). By concentrating the research on the CRM factor and its impact on Southern Star Sacco's growth, the study can provide targeted insights and recommendations that address the core challenges and objectives.

1.1.1 Sacco's in Tharaka Nithi County

Like other counties surrounding Mount Kenya, Tharaka Nithi County is one of 47 counties in Kenya that are situated in the country's erstwhile eastern region. The county's main industries include dairy, tea, coffee, horticulture, and livestock husbandry, including sheep and goats. Due to its advantageous position in the middle of Kenya, Tharaka Nithi County is frequently used as a hub for the transportation of products and services. According to the Department of Agriculture in Tharakanithi, the area has fertile land used for growing coffee, tea, and other horticulture items. Table 1.1 lists the 24 currently operating, established SACCOS that cater to various demographic groups, including farmers, educators, government employees, and

business associates. The major ones in the county are; Southern star SACCO, Transnation SACCO and Thamani SACCO (min. of co- operatives, tharaka nithi). However, among the three major Sacco's Southern Star Sacco has the largest membership growth, member deposits, asset base and share capital (table 1.1).

1.1.2 Conceptual Perspective

Customer relationship management is broadly conceptualized as a strategic approach focused on maintaining long-term engagement with clients by enhancing communication, trust, and satisfaction (Payne & Frow, 2005). Empirical studies often measure CRM using dimensions such as customer satisfaction, service quality, responsiveness, personalization, and member retention (Nguyen et al., 2007; Boateng, 2020). For instance, Boateng (2020) operationalized CRM in credit unions by assessing how effectively institutions managed client data, communicated proactively, and resolved issues. These indicators help gauge the SACCO's ability to build lasting relationships. In this study, CRM will be measured using these dimensions because they directly influence members' perceptions and loyalty—critical aspects for cooperative institutions that rely heavily on social capital and trust.

On the other hand, the growth of SACCOs is typically measured through indicators such as membership growth, asset base expansion, loan portfolio size, deposit mobilization, and profitability (Kiptoo & Muturi, 2015; SASRA, 2023). Kiptoo and Muturi (2015) emphasize that growth in cooperative societies must be evaluated both quantitatively (e.g., financial indicators) and qualitatively (e.g., member satisfaction and service efficiency). This study adopts a multi-dimensional approach to measure growth by incorporating both financial metrics and member-centric indicators, as this offers a comprehensive view of a SACCO's development and sustainability. The choice of these indicators is justified by the fact that member trust and satisfaction—products of effective CRM—are closely tied to financial performance and organizational expansion.

By integrating these conceptual perspectives, the study establishes a solid framework for exploring how CRM influences SACCO growth. This linkage is supported by relational marketing theory, which posits that consistent and high-quality engagement with customers enhances organizational performance (Morgan & Hunt, 1994). Thus, by applying validated constructs from previous studies and tailoring them to the SACCO context, the research ensures both academic rigor and practical relevance in assessing Southern Star SACCO's performance in Tharaka Nithi County.

1.1.3 Overview of Southern star Sacco

Southern Star Sacco traces its origins back to 1994 when it evolved from the Union Banking Section (UBS) of Meru South Farmers' Co-operative Union (MSFCU). This transformation led to its registration as a co-operative society under The Co-operative Societies ACT cap 490, becoming Meru South Farmers Sacco Society Limited. Originally focused on handling farmers' coffee proceeds, the Sacco expanded its scope, enabling members to contribute shares and access loans against their agricultural produce. Over time, the membership base diversified to include various sectors beyond agriculture.

Initially facing challenges in fostering a culture of consistent share contributions, the Sacco addressed this by broadening its membership base to encompass non-farming members from civil servants, local institution employees, county government workers and traders.

Recognizing the need for rebranding due to historical perceptions, in 2013, the Sacco underwent a comprehensive rebranding exercise. This initiative included a name change to Southern Star Sacco Society Limited, accompanied by a revitalized visual identity, extensive media campaigns and member-centric training. This transformation led to a shift in culture, enhancing the Sacco's reputation and service quality. Southern Star Sacco boasts the highest membership size among the listed active Sacco's in TNC, with a substantial 69,273 members (see table 1.1). This large member base provides a significant sample size for research, ensuring

a comprehensive analysis of CRM strategies. Southern Star Sacco has the largest asset base, standing at approximately KES 1,530,174,713 (table 1.1). This substantial asset base suggests financial stability and potential for robust CRM investments and initiatives.

With the largest members' deposits of KES 1,095,821,725, in TNC Sacco's, Southern Star Sacco demonstrates a high level of trust and financial engagement from its members. This substantial deposit base compared to all Sacco's in TNC indicates a strong foundation for CRM efforts and opportunities to enhance member satisfaction. This is a critical factor in CRM, as it implies numerous interactions related to customer support, providing sample data for analysis. Southern Star SACCO operates the second-largest number of branches within Tharaka Nithi County (11 branches), further enhancing its reach and accessibility to members (see table 1.1). Multiple branches facilitate diverse customer interactions and geographic coverage. Southern Star SACCO's substantial membership base, robust financial resources and extensive branch network position it as an outstanding choice for a case study on CRM strategies within the SACCO industry in TNC.

1.2 Statement of the Problem

Despite Southern Star SACCO's steady upward trajectory in financial metrics and membership growth, the broader SACCO landscape in Tharaka Nithi County reveals uneven performance and raises concerns about sustainability and member-centric growth. For instance, while Southern Star SACCO increased its membership from 59,735 in 2021 to 69,273 in 2022—a 15.9% growth—SASRA (2022) reports that other SACCOs in the region have experienced stagnation or marginal increases in membership, averaging below 5% annually. Additionally, although Southern Star SACCO reported a 9% rise in total assets and maintained a solid capital adequacy ratio of 23%, the county's SACCO sector still grapples with issues such as high

delinquency rates, low member retention, and inconsistent deposit mobilization. A major contributor to these disparities appears to be ineffective customer relationship management (CRM) strategies, which hinder member engagement, loyalty, and service satisfaction across many SACCOs.

Moreover, while Southern Star SACCO's delinquency ratio improved from 20% to 17%, this figure remains above the industry-recommended threshold of 5%, highlighting persistent credit risk and member follow-up challenges (SASRA, 2022). These issues suggest that growth, though present, may not be as inclusive or sustainable as the raw figures imply. This raises a critical question: To what extent does customer relationship management influence the growth of SACCOs, particularly in a semi-rural setting like Tharaka Nithi County? Despite anecdotal claims and isolated initiatives, empirical data on how CRM strategies directly shape SACCO growth in this region remains limited, fragmented, or anecdotal.

This research therefore seeks to bridge this knowledge gap by assessing how CRM practices—such as customer engagement, service quality, feedback mechanisms, and loyalty programs—affect key growth indicators including membership expansion, financial performance, and loan portfolio health at Southern Star SACCO. Understanding these linkages is vital not only for Southern Star's long-term competitiveness but also for guiding other SACCOs in Tharaka Nithi and similar regions toward data-driven, customer-focused growth strategies.

1.3 Purpose of the Study

To examine the influence of customer relationship management on growth of southern star Sacco in Tharaka Nithi County.

The study was guided by the following specific objectives

- i. To assess the effect of member engagement on growth of Southern Star Sacco in Tharaka Nithi County.

- ii. To determine the influence of personalization of services on growth of Southern Star Sacco in Tharaka Nithi County.
- iii. To establish the extent of feedback mechanisms on growth of Southern Star Sacco in Tharaka Nithi County.
- iv. To assess the moderating role of size of SACCOS on the relationship between customer relationship management and growth of southern star Sacco in Tharaka Nithi County.

1.4 Hypotheses of the study

H01: Member Engagement does not have a significant effect on growth of southern star Sacco in Tharaka-Nithi County.

H02: Personalization of Services does not have a significant effect on growth of southern star Sacco in Tharaka-Nithi County.

H03: Feedback Mechanisms do not have a significant effect on growth of southern star Sacco in Tharaka-Nithi County.

1.5 Significance of the Study

At its core, the study offers a tailored understanding of the specific dynamics at play within Southern Star SACCO, enabling the SACCO's management and stakeholders to make informed decisions. By focusing on customer relationship management, the study equips the SACCO with actionable insights to optimize its growth trajectory. Beyond its immediate implications for Southern Star SACCO, the study's findings resonate with the entire SACCO industry. As it scrutinizes universal growth determinants, the study contributes to an enhanced industry-wide comprehension of effective strategies for achieving and sustaining growth. This knowledge becomes invaluable in shaping industry practices, guiding adaptation to technological advancements and navigating regulatory landscapes adeptly. However, the significance of this

study transcends the financial sector. In the context of Tharaka Nithi County, where financial inclusion and economic development are pivotal goals, the study indirectly contributes to the empowerment of underserved populations. By identifying key growth factors, the study strengthens the SACCOs' role in driving local entrepreneurship, encouraging savings and facilitating access to credit, thereby aligning with broader regional economic objectives.

Policymakers and regulatory bodies can leverage the insights gained to design policies that foster SACCO growth. By addressing challenges and promoting conducive environments, these policies can support the resilience of the financial sector, while contributing to sustainable economic growth at the regional level. In the academic sphere, the study serves as a noteworthy addition to the body of knowledge within finance, cooperative management and economic development. It provides a tangible case study that researchers can analyze to deepen their understanding of the intricate interplay between CRM practices.

1.6 Scope of the Study

This study is confined to Southern Star SACCO Limited located in Tharaka Nithi County, Kenya, and focuses on assessing the influence of Customer Relationship Management (CRM) on the SACCO's growth. Geographically, the study is limited to the SACCO's operations within Tharaka Nithi County, where the majority of its clientele—primarily individual and cooperative farmers—are based.

Conceptually, the study explores key dimensions of CRM including member engagement channels, personalization of services, feedback mechanisms, and responsiveness. These components are examined in relation to indicators of SACCO growth such as membership increase, loan portfolio expansion, deposit mobilization, and improved asset base.

The time scope of the study covers the period between 2021 and 2023, during which the SACCO experienced notable changes in membership and financial performance, as reported

by SASRA. The study is limited to this period to enable focused analysis of recent trends and CRM strategies implemented during these years. The insights derived are expected to contribute to practical recommendations for strengthening CRM in SACCOs operating in similar socio-economic settings.

1.7 Limitations of the Study

One key limitation of this study is its restricted geographical scope, as it exclusively focuses on Southern Star SACCO in Tharaka Nithi County. This limitation affects the generalizability of the findings, as SACCOs in other regions may operate under different economic, regulatory, and social conditions. The financial landscape in urban centers, for instance, may differ significantly from that in Tharaka Nithi County, affecting customer behaviors and SACCO growth dynamics. Additionally, external factors such as government policies, inflation, and technological advancements in the broader financial sector may influence SACCO growth, but this study does not extend its analysis beyond the selected case. Consequently, the conclusions drawn may be specific to the operational environment of Southern Star SACCO and may not be fully applicable to SACCOs in different regions or under different economic conditions.

Another limitation is the reliance on historical data and a predefined study timeframe, which may not fully reflect ongoing changes or emerging trends in SACCO operations. The financial sector is highly dynamic, with technological advancements, regulatory changes, and shifts in consumer preferences continuously reshaping the landscape. Because the study primarily relies on past data, it may not capture real-time developments that could impact SACCO growth. Additionally, the quality and availability of historical data may pose challenges, as inconsistencies or gaps in records could affect the accuracy of the study's findings. In some cases, SACCOs may have incomplete records or variations in data collection methods over time, potentially limiting the reliability of trend analysis. These factors may introduce a degree of uncertainty in the interpretation of results, necessitating caution when applying the study's

conclusions to future decision-making.

Moreover, the study focuses on specific CRM-related variables, which may not fully account for all factors influencing SACCO growth. While CRM plays a crucial role in customer retention, satisfaction, and overall financial performance, other significant factors such as economic conditions, competitive pressures from banks and microfinance institutions, and internal management efficiency also contribute to a SACCO's growth. Since the study does not comprehensively analyze all these elements, its findings may provide only a partial view of the factors affecting Southern Star SACCO's success. Additionally, behavioral aspects such as member trust, financial literacy, and socio-cultural influences on saving and borrowing habits are complex and may require further qualitative research to fully understand their impact. These limitations highlight the need for cautious interpretation of results and suggest that further studies incorporating a broader range of variables and methodologies could provide a more comprehensive understanding of SACCO growth dynamics.

1.8 Delimitations

This study deliberately narrows its focus to Southern Star SACCO Limited in Tharaka Nithi County, ensuring a more in-depth and context-specific analysis of the impact of customer relationship management (CRM) on SACCO growth. By concentrating on a single SACCO, the study allows for a detailed exploration of CRM strategies and their effectiveness within a specific operational framework. However, this delimitation also means that the findings may not be readily applicable to SACCOs in different regions, as organizational structures, customer demographics, and market conditions can vary. The study, therefore, provides targeted insights relevant to Southern Star SACCO rather than a generalized assessment of CRM practices across the SACCO industry in Kenya.

Furthermore, the study is constrained by the availability of historical data, which forms the

basis for analyzing CRM's role in SACCO growth. While historical data is valuable for understanding past trends and patterns, it may not fully capture recent technological advancements or shifts in member preferences. This delimitation ensures that the study remains focused on established data sources, reducing the risk of speculation or unreliable projections. Additionally, the study prioritizes quantitative analysis to assess CRM effectiveness, which may exclude qualitative insights into customer experiences, perceptions, and feedback. While quantitative data provides measurable evidence of CRM's impact, a mixed-methods approach incorporating qualitative perspectives could offer a more comprehensive understanding of member relationships and satisfaction levels.

Lastly, the study emphasizes the role of CRM as the primary determinant of SACCO growth, deliberately limiting its scope to avoid extensive discussion of other influencing factors such as government regulations, macroeconomic trends, and competition from commercial banks. While these factors undoubtedly contribute to SACCO success, the study's focus on CRM ensures a concentrated examination of customer engagement strategies, service personalization, and relationship management practices. This focused approach allows for detailed recommendations on CRM implementation while acknowledging that future research could explore the interplay between CRM and other growth determinants.

1.9 Assumptions

The study is based on the fundamental assumption that the data collected from Southern Star SACCO will be accurate, reliable, and reflective of the actual financial and operational realities of the organization. It assumes that respondents, including SACCO members and management, will provide truthful and comprehensive information regarding CRM practices and their impact on SACCO growth. Additionally, it presumes that historical records used for analysis, such as financial statements and customer transaction data, are well-documented and consistent over time. Any discrepancies or gaps in the data could affect the study's conclusions, but for the

purpose of this research, it is assumed that the information obtained is sufficiently reliable for meaningful analysis.

Another key assumption is that customer relationship management plays a significant role in SACCO growth. This study operates under the premise that effective CRM strategies—including personalized member services, enhanced communication, and customer engagement initiatives—positively influence member retention, financial performance, and overall growth. It assumes that CRM is a critical factor in fostering trust, encouraging savings, and enhancing member satisfaction, which in turn strengthens SACCO sustainability. While other factors such as economic conditions and competitive forces may also influence growth, this study prioritizes CRM as a central component in determining SACCO success.

Finally, the study assumes that the findings and recommendations will be applicable and beneficial for improving CRM practices at Southern Star SACCO. It presumes that SACCO management is willing to adopt and implement CRM strategies that align with best practices in the financial sector. Additionally, it assumes that members' preferences and expectations remain relatively stable over the study period, allowing CRM strategies to have a consistent impact. While future changes in technology, policy, or economic conditions could alter CRM effectiveness, this study assumes that its insights will remain relevant in guiding Southern Star SACCO toward sustained growth and member satisfaction.

1.10. Definition of terms

Co-operative Movement: A social and economic movement that promotes the formation and operation of cooperatives, which are organizations owned and operated by their members for their mutual benefit and common goals.

: All the valuable resources owned by an organization, including tangible items like property and money, as well as intangible items like intellectual property and investments.

Savings Portfolio: The total amount of savings deposited by members in a financial institution, representing a pool of funds that can be used for investments and lending.

Credit Needs: The financial requirements of individuals or businesses for borrowing money to finance various purposes.

Capital Adequacy Ratios: Measures that assess a financial institution's ability to cover its potential losses with its available capital, ensuring stability and solvency.



CHAPTER TWO: LITERATURE REVIEW

2.1 Theoretical Approach

2.1.1 Conversion Model Theory

The Conversion Model Theory, developed by Richards (1996), provides valuable insights into the complexities of customer commitment and switching behavior. This theory challenges the traditional assumption that satisfied customers are always loyal, emphasizing that customer commitment is influenced not only by satisfaction but also by the level of involvement a customer has with a brand or service (Ying et al., 2022). It posits that customers who are highly involved with a financial institution, such as a SACCO, may remain committed even if they experience dissatisfaction. This is because their engagement goes beyond immediate satisfaction; they have a vested interest in maintaining the relationship and may actively seek solutions to their grievances rather than switching to competitors. Conversely, customers who are dissatisfied and have low involvement are more likely to explore alternative options and switch to a different provider, especially if they perceive other institutions as offering superior benefits. The theory further explains that the availability and attractiveness of alternatives significantly influence whether dissatisfied customers leave or stay. If a competing financial institution offers better interest rates, enhanced customer service, or more flexible loan terms, dissatisfied but uninvolved SACCO members may be quick to move.

Applying this theory to the growth of Southern Star SACCO, it becomes clear that member involvement plays a crucial role in customer retention and institutional stability. A SACCO that fosters high involvement—through financial education programs, regular communication, personalized financial solutions, and participatory decision-making—can encourage members to remain committed even in the face of occasional dissatisfaction. For instance, a member who has taken multiple loans, attend SACCO meetings, and has savings within the institution is less likely to leave due to a minor service issue, as they are deeply embedded in the SACCO's

ecosystem (Akuku, 2024). However, members who have minimal engagement, such as those who only hold a savings account without active participation, are at higher risk of switching, particularly if commercial banks or microfinance institutions offer more enticing products. The theory also highlights the challenge of ambivalence, where customers are hesitant to commit due to the presence of multiple financial options. In a competitive financial landscape, SACCOs must differentiate themselves by emphasizing their unique advantages, such as lower interest rates, member dividends, or community-based financial support.

For Southern Star SACCO to enhance customer retention and drive growth, it must leverage CRM strategies that foster deeper member involvement and minimize dissatisfaction. Customer engagement initiatives such as loyalty programs, enhanced member communication, and improved service experiences can strengthen members' emotional and financial attachment to the SACCO. Additionally, understanding the factors that lead to ambivalence and addressing them through targeted marketing efforts can reduce the likelihood of members feeling unsure about their commitment. By applying the principles of the Conversion Model Theory, Southern Star SACCO can create a structured approach to customer retention, ensuring that commitment remains strong even in the face of competitive pressures. This will ultimately contribute to sustained SACCO growth, as long-term committed members generate higher financial activity through savings, loan uptake, and referrals.

2.1.2 Social Exchange Theory

Social Exchange Theory, introduced by George C. Homans in 1950, is a sociological framework that explains human relationships in terms of reciprocal interactions, benefits, and costs. The central premise of this theory is that individuals engage in relationships with an expectation of receiving value in return (Zhang et al., 2021). In a financial context, SACCO members form relationships with the institution based on the perceived benefits they gain from their membership. If members feel that they receive favorable financial services, such as

affordable loans, dividend payments, and financial education, they are more likely to remain loyal. Conversely, if the perceived costs of membership—such as high loan interest rates, poor customer service, or lack of transparency—outweigh the benefits, members may seek alternative financial institutions. This theory highlights that loyalty is not purely emotional but rather a calculated decision based on the balance of costs and benefits.

In the case of Southern Star SACCO, CRM practices must be designed to maximize the perceived benefits of membership while minimizing potential costs. Personalized member interactions, responsive customer service, and transparent financial policies help reinforce the idea that the SACCO values its members and is committed to their financial well-being (Felix & Rembulan, 2023). Effective CRM strategies such as targeted financial advice, proactive conflict resolution, and member rewards programs can strengthen the perception of mutual benefit. Additionally, SACCOs must continuously gather feedback from members to understand their evolving needs and adjust services accordingly. When members feel heard and see that their feedback leads to tangible improvements, their sense of trust and commitment deepens. For example, if members express concerns about loan repayment flexibility, introducing customized repayment plans based on income levels could demonstrate that the SACCO prioritizes their financial stability. This, in turn, enhances loyalty and long-term engagement.

Trust is a fundamental pillar of Social Exchange Theory, and without it, member commitment is likely to decline. A SACCO that fails to maintain transparency in financial dealings or does not uphold ethical practices risks losing its members to more trustworthy institutions. Southern Star SACCO must therefore focus on trust-building initiatives such as clear communication on financial policies, fair treatment of all members, and the implementation of secure financial transactions. Furthermore, fostering a sense of community within the SACCO through regular member meetings, educational workshops, and financial literacy campaigns can create a deeper

connection between members and the institution (Singh & Kaunert, 2024). When members see that their SACCO genuinely cares about their financial growth and stability, they are more likely to remain committed, which directly contributes to the SACCO's overall growth. A strong CRM strategy built on Social Exchange Theory ensures that the SACCO-member relationship remains mutually beneficial, increasing retention rates and fostering sustainable expansion.

2.1.3 Holistic Approach Model Theory

The Holistic Approach Model, developed by Ranaweera and Neely (2003), provides a comprehensive framework for understanding customer retention by integrating multiple factors, including service quality, price perceptions, and behavioral inertia. Unlike traditional models that focus solely on satisfaction, this theory argues that customer loyalty is influenced by a combination of rational and emotional factors. One of the key aspects of this model is service quality perception, which plays a significant role in determining whether customers continue their relationship with an organization (Puengwattanapong & Leelasantitham, 2022). High service quality leads to positive customer experiences, increasing the likelihood of retention, while poor service quality pushes customers to seek alternatives. Additionally, the model suggests that price perception is a crucial determinant of repurchase intentions, meaning that customers are more likely to remain with an institution if they believe its pricing is fair and competitive. However, price alone does not dictate loyalty; the overall service experience and customer convenience also play major roles.

For Southern Star SACCO, the Holistic Approach Model underscores the need to prioritize service excellence and transparent pricing to enhance customer retention and drive growth. Offering seamless financial services, ensuring efficient loan processing, and maintaining high customer service standards can significantly improve member satisfaction. If members perceive the SACCO as reliable and responsive to their financial needs, they will be more

inclined to maintain their relationship. Moreover, clear and fair pricing strategies—such as reasonable loan interest rates and transparent fee structures—can enhance trust and member confidence. When members understand how pricing decisions are made and recognize the financial benefits of remaining with the SACCO, they are less likely to switch to competing financial institutions.

The model also introduces the concept of behavioral inertia, where customers remain with an institution out of habit rather than active loyalty. While this can be beneficial for retention, it also poses a risk if members are not deeply engaged with the SACCO. Competitors can easily attract members who have no strong emotional or financial attachment (Puengwattanapong & Leelasantitham, 2022). To counteract this, Southern Star SACCO must proactively engage with members through CRM initiatives such as personalized financial planning, exclusive member benefits, and educational programs that reinforce the value of membership. Strengthening emotional ties through relationship-building efforts can transform passive retention into active loyalty. By leveraging the principles of the Holistic Approach Model, Southern Star SACCO can develop a well-rounded CRM strategy that enhances service quality, fosters price satisfaction, and ensures long-term member commitment, ultimately driving sustained growth.

2.2 Empirical Review

Studies examining the relationship between CRM strategy and corporate success have produced inconsistent findings. There are studies that, on the one hand, indicate a positive correlation between CRM and improved performance. However, some research has shown no association at all, and a few have even come to the conclusion that CRM actually causes financial losses. Colgate and Danaher (2020) found both positive and negative effects in their study examining the impact of CRM implementation on Customer devotion and fulfillment in New Zealand banks. Positive effects arise when CRM strategy is executed extremely skillfully, increasing customer satisfaction and loyalty, On the other hand, poor plan execution can have

detrimental repercussions that lead to disgruntled and unhappy customers. Thureau (2022) studied the impact of CRM on the long-term relationships that public sector firms have with their clients. According to the study's findings, three factors that either directly or indirectly influence a customer's degree of contentment is reflected in their loyalty. Verhoef (2018) study on the effect on maintaining clients of client loyalty programs (CLRs) and share growth revealed that customers' inclination to deepen their relationship with the company and their dependence on these programs have a positive correlation with these outcomes. Direct mail usage, on the other hand, only has an impact on the increase in the customer share.

According to research by Mithas et al. (2021), using CRM systems both directly and indirectly increases customer happiness. This is because they provide consumers with better customer knowledge. Despite this and the widespread notion that having a deeper understanding of your customers can only be advantageous. The financial payback for substantial CRM technology investments has proven doubtful, despite this fact and the widespread perception that a company and its customers can only gain from more and better customer knowledge. For instance, some convergent validity was found in the research of Reinartz and Hoyer (2019), which showed that about 70% of CRM initiatives either go to losses or no gains to the bottom line. In contrast to these findings, their own empirical analysis shows that organizations who used CRM techniques outperformed others in terms of relationship initiation as well as maintenance.

According to a research by Jayachandran et al. (2020), when a high degree of technology is applied, organizational information procedures improve customer relationship performance for a broad sample of organizations. Put differently, the utilization of technology in customer relationship management serves a purely supporting function by reducing the influence of organizational information processes on customer relationship performance. They demonstrate how the efficiency of CRM technology in attaining corporate success is enhanced by efficient

organizational information processes.

According to Boulding et al. (2018), CRM enhances company performance across a broad range of industrial contexts. Boulding (2018) asserts that the Since data collection for CRM systems does not ensure the existence of pertinent information that will be shared and used efficiently, the deployment of CRM systems or technology on its own is doomed to failure. Boulding (2018) asserts that the effectiveness of CRM operations depends on how CRM is connected with the business's present practices and capabilities, even when the amount of CRM expenditure remains constant. Stated differently, firms with established learning capacities and efficient information management systems stand a better chance of enhancing their expansion through the use of CRM systems. They possess the ability to accurately understand information and take appropriate action based on it to maximize value for the company and the client.

2.2.1 Member Engagement and SACCO Growth

Member engagement is a critical facet of Customer Relationship Management (CRM) strategies that is gaining increasing attention. Engaging customers and maintaining their active participation can have a substantial impact on a company's performance. Gupta and Lehmann (2022) emphasize that organizations need to understand how to keep customers engaged, particularly when discount rates are low. Numerous studies have delved into member engagement within the context of CRM. For instance, in their research on online community engagement, a greater degree of member involvement was associated with more favorable referrals and consumer loyalty, according to research by Malthouse et al. (2018). Similarly, Kim and KO (2023) examined member engagement in social network services and established that it positively influenced customer loyalty.

Member engagement plays a crucial role in fostering long-term relationships between organizations and their customers, particularly in financial institutions like SACCOs. Research suggests that actively engaged members contribute to institutional growth by increasing their

participation in savings, loan uptake, and referrals. A study by Hasanov et al. (2021) highlights that engagement is a multidimensional concept encompassing emotional, cognitive, and behavioral elements. Emotional engagement stems from a sense of belonging and trust, which SACCOs can cultivate through personalized interactions and transparent communication. Cognitive engagement involves members' awareness and understanding of financial products, which can be enhanced through educational programs and financial literacy initiatives. Lastly, behavioral engagement is reflected in members' active participation in SACCO activities, such as meetings, voting, and investment opportunities. By strengthening these engagement dimensions, SACCOs can create a more loyal and committed member base, leading to sustainable growth.

Empirical studies also highlight the impact of digital engagement on customer relationships in financial institutions. For instance, Kumar et al. (2021) found that digital platforms significantly enhance member engagement by providing convenient access to financial services, facilitating two-way communication, and enabling real-time issue resolution. Mobile banking, interactive websites, and social media channels allow SACCOs to maintain continuous engagement with their members, ensuring they feel connected and valued. Additionally, digital tools enable financial institutions to gather valuable data on member preferences and behaviors, allowing for the customization of services to meet individual needs. However, despite the benefits of digital engagement, challenges such as digital literacy gaps and concerns over data privacy must be addressed to ensure inclusivity. SACCOs should implement targeted training programs to help members navigate digital financial services effectively while maintaining robust cybersecurity measures to enhance trust.

Another key factor influencing member engagement is service quality, as noted by Fornell et al. (2020), who found that superior service delivery fosters stronger customer relationships and enhances loyalty. In SACCOs, service quality is not only determined by the efficiency of

financial transactions but also by the overall customer experience. Prompt response to inquiries, fair treatment, and transparency in financial dealings contribute to higher engagement levels. Members who perceive their SACCO as responsive and member-centric are more likely to increase their financial involvement by taking loans, saving consistently, and referring others to join. Furthermore, personalization of services—such as tailored loan packages, flexible repayment plans, and customized financial advice—further enhances engagement by addressing individual member needs. This level of attention strengthens the emotional and psychological bond between members and the SACCO, making them more committed in the long term.

Beyond individual member interactions, community involvement also plays a pivotal role in fostering engagement. Studies by Bagozzi and Dholakia (2021) suggest that financial institutions that integrate community-based initiatives into their engagement strategies tend to achieve higher levels of member participation. SACCOs that organize financial literacy workshops, corporate social responsibility activities, and networking events provide opportunities for members to connect not only with the institution but also with each other. This sense of community strengthens the cooperative principles that SACCOs are built upon, fostering deeper loyalty and commitment. Additionally, when members see their SACCO investing in their well-being and the broader community, they are more inclined to reciprocate by increasing their financial contributions and advocating for the institution. Thus, by prioritizing both digital and community engagement strategies, SACCOs can enhance member involvement, drive growth, and maintain a competitive edge in the financial sector.

2.2.2 Personalization of Services and SACCO Growth

The personalization of services is a pivotal aspect of modern CRM strategies. Tailoring services to individual customer preferences and needs has been recognized as a powerful aspect for enhancing customer satisfaction. Bolton and Lemon (2020) have emphasized the importance

of delivering personalized experiences to customers. Several studies have explored the influence of service personalization on client's relationships. Li et al. (2018) found that personalized services significantly influenced customers' purchase intentions. Similarly, Sinha and Batra (2022) investigated personalization in advertising and discovered that personalized ads led to higher levels of customer engagement and purchase intentions.

Personalization of services plays a crucial role in enhancing customer satisfaction and fostering long-term loyalty, particularly in financial institutions like SACCOs. By tailoring services to individual needs, SACCOs can create a more meaningful and engaging customer experience, strengthening member commitment. According to Rust and Huang (2021), personalized financial services significantly improve customer trust and retention by demonstrating that institutions understand and value their members' unique financial situations. In SACCOs, this can be achieved through customized loan products, flexible repayment options, and personalized financial advisory services. When members feel that their financial institution is catering to their specific needs, they are more likely to remain loyal, contribute actively to the SACCO's growth, and refer others to join. Furthermore, personalization can enhance financial inclusion by addressing the diverse needs of members with varying income levels, financial goals, and risk appetites, ultimately fostering greater engagement and participation.

Technology has played a transformative role in advancing service personalization in the financial sector. With the rise of artificial intelligence and big data analytics, SACCOs can now analyze member behaviors, transaction patterns, and preferences to provide customized financial solutions. Research by Grewal et al. (2020) indicates that financial institutions that leverage data-driven personalization experience higher customer satisfaction and retention rates. Mobile banking applications, personalized email marketing, and AI-driven customer service chatbots enable SACCOs to offer tailored financial recommendations, reminders, and promotions based on individual member profiles. For instance, members with a strong savings

history can receive exclusive offers on investment opportunities, while those with a good loan repayment record can be offered lower interest rates or flexible loan terms. However, while data-driven personalization enhances member experience, SACCOs must ensure ethical data usage and robust cybersecurity measures to maintain trust and prevent privacy concerns that could undermine personalization efforts.

Beyond technological advancements, human interaction remains an essential component of personalized services in SACCOs. Research by Parasuraman et al. (2019) highlights that while automation improves efficiency, members still value personalized human interactions, particularly in financial decision-making. SACCOs that prioritize relationship-based banking by assigning dedicated financial advisors to members can create a stronger emotional connection and trust. Personalized financial counseling sessions, tailored investment advice, and proactive customer support help members feel valued and understood. Additionally, personal interactions allow SACCOs to address unique financial challenges that automated systems may overlook, such as unexpected financial hardships or complex investment decisions. By integrating both technological and human elements in service personalization, SACCOs can create a balanced approach that meets the diverse needs of their members while fostering stronger relationships.

The impact of service personalization on SACCO growth is evident in member retention, increased financial participation, and positive word-of-mouth referrals. Studies by Kumar and Reinartz (2021) suggest that personalized services lead to higher levels of customer advocacy, where satisfied members actively promote the institution to their networks. In the SACCO context, members who receive customized financial solutions are more likely to increase their savings, take advantage of available loan products, and refer new members, contributing to overall growth. Additionally, personalization enhances customer lifetime value (CLV) by encouraging long-term relationships, as members perceive their SACCO as a trusted financial

partner rather than just a service provider. By continuously refining personalization strategies and aligning them with member needs, SACCOs can strengthen customer loyalty, enhance financial stability, and sustain long-term growth in an increasingly competitive financial landscape.

2.2.3 Feedback Mechanisms and SACCO Growth

Effective feedback mechanisms are fundamental for refining CRM strategies and maintaining strong customer relationships. Customer feedback provides valuable insights into areas where improvements are needed. Researchers have highlighted the significance of feedback mechanisms in CRM endeavors. In a study on feedback in online communities, Zhang et al. (2019) concluded that customer feedback has a central role in shaping the quality of services. Furthermore, Dwyer et al. (2023) stressed the importance of feedback mechanisms in supplier-customer relationships in a B2B context, indicating that open communication channels facilitated better understanding and co-operation.

Feedback mechanisms are essential tools in enhancing Customer Relationship Management (CRM) by allowing organizations to assess customer satisfaction, identify service gaps, and implement necessary improvements. In SACCOs, feedback channels such as surveys, suggestion boxes, online reviews, and direct customer interactions help institutions gauge member satisfaction and address concerns proactively. According to Haris et al. (2023), organizations that actively collect and respond to customer feedback tend to experience higher levels of customer loyalty and retention. When SACCOs engage members in continuous dialogue and demonstrate responsiveness to their feedback, they foster a sense of trust and inclusion, reinforcing customer commitment. By systematically analyzing feedback data, SACCOs can refine their financial products, enhance service delivery, and develop more effective engagement strategies to improve overall member experience.

The integration of digital feedback platforms has revolutionized how financial institutions,

including SACCOs, gather and utilize customer insights. Advancements in technology have enabled real-time feedback collection through mobile banking apps, social media platforms, and automated chatbots. Research by Srinivasan et al. (2022) found that organizations leveraging digital feedback tools experienced a faster response to customer concerns, leading to enhanced service satisfaction and customer retention. In SACCOs, digital platforms enable members to voice their concerns, rate services, and provide suggestions conveniently. Automated analytics further help in identifying recurring issues, allowing SACCO management to take proactive measures in addressing service inefficiencies. However, the effectiveness of digital feedback depends on how well SACCOs act on the information received. If members perceive that their feedback is ignored, it could lead to disengagement and dissatisfaction, undermining the effectiveness of CRM initiatives.

Beyond digital tools, direct interpersonal feedback remains a critical component in fostering strong member relationships. Personal interactions, such as member forums, focus group discussions, and face-to-face consultations, create an environment where SACCO members feel heard and valued. According to Homburg et al. (2020), businesses that prioritize human-centric feedback collection methods establish deeper emotional connections with their customers, increasing brand loyalty and trust. In the SACCO context, periodic member meetings where concerns and suggestions are openly discussed can strengthen engagement and improve service delivery. Additionally, frontline staff training on effective customer communication is vital in ensuring that feedback received at service points is documented and used constructively. This hybrid approach—combining technology with human interaction—ensures that SACCOs capture comprehensive and meaningful member insights.

The impact of robust feedback mechanisms on SACCO growth is significant, influencing service innovation, member retention, and institutional reputation. When SACCOs actively respond to member feedback by implementing visible improvements, they create a culture of

continuous improvement, which enhances customer satisfaction. Studies by Oliver and Moorman (2021) indicate that organizations that integrate feedback into their service enhancement strategies experience a higher rate of customer referrals, as satisfied customers are more likely to recommend the institution to others. Additionally, feedback mechanisms provide SACCOs with valuable data for strategic decision-making, allowing them to tailor financial products that meet evolving member needs. By embedding structured feedback processes within their CRM framework, SACCOs can foster long-term member loyalty, enhance operational efficiency, and sustain long-term institutional growth.

2.2.4 Moderating Role of Size of the Saccos

Sacco size, which often correlates with resources, customer base and operational capabilities, introduces variability on how CRM practices affect growth. Larger Saccos tend to have more resources to invest in CRM initiatives, enabling them to execute these practices at a larger scale and potentially leading to more significant growth outcomes (Onjire et al., 2023). Additionally, larger Saccos may benefit from economies of scale, allowing them to allocate resources more efficiently to CRM activities. In contrast, smaller Saccos may face limitations in resources, organizational structure and competitive dynamics, potentially moderating the effect of CRM on their growth.

Furthermore, the competitive environment and regulatory considerations can also vary based on Sacco size, impacting the effectiveness of CRM strategies (Regina, 2021). The moderation effect suggests that researchers should carefully analyze how the interaction between CRM practices and Sacco size influences growth outcomes. This can provide valuable insights into the relationship between CRM and growth in the context of different sized Saccos, helping Southern Star Sacco and similar institutions tailor their CRM strategies more effectively to achieve sustainable growth.

The size of a SACCO plays a crucial role in determining how effectively Customer Relationship Management (CRM) practices contribute to its growth. Larger SACCOs generally have a more extensive customer base, greater financial resources, and a more established organizational structure. These factors provide them with the capacity to invest heavily in CRM systems, allowing them to better analyze customer needs, personalize services, and engage more deeply with their members. As a result, these institutions are more likely to see substantial improvements in customer retention, satisfaction, and overall growth. In contrast, smaller SACCOs often operate with limited resources, which can restrict their ability to implement sophisticated CRM strategies. As a result, while CRM practices may still have a positive impact on growth, the outcomes tend to be less pronounced due to these resource constraints.

The organizational structure and scale of operations also differ significantly between small and large SACCOs, which can influence how CRM is applied. In larger SACCOs, the division of labor and the presence of specialized teams often lead to a more refined approach to CRM. These organizations can afford to segment their customer base more effectively, allowing them to create tailored marketing campaigns, offer personalized financial products, and build stronger relationships with members. Additionally, the ability to invest in advanced technology, such as CRM software and data analytics tools, allows larger SACCOs to track member behavior, predict needs, and customize offerings accordingly. On the other hand, smaller SACCOs may have to rely on more general CRM approaches, with limited capacity to segment or analyze customer data in depth, potentially reducing the impact of CRM on their growth.

In addition to the internal capabilities of SACCOs, external factors such as competition and regulatory requirements can further influence the relationship between CRM and growth, with the effect differing based on the size of the institution. Larger SACCOs often have the resources

to navigate competitive pressures and regulatory changes more effectively (Wanjiku & Adollo, 2023). For example, they may be able to invest in lobbying efforts, compliance departments, and competitive intelligence systems to stay ahead of market trends and regulatory shifts. Smaller SACCOs, however, may struggle to meet regulatory demands or to effectively compete with larger, more resourceful institutions. This disparity can affect how well CRM initiatives translate into growth, as smaller SACCOs may lack the tools or flexibility needed to quickly adjust to competitive or regulatory changes.

Ultimately, the size of a SACCO moderates the relationship between CRM practices and growth outcomes, highlighting the importance of tailoring CRM strategies to the specific context of each institution. Larger SACCOs can leverage their size to maximize the effectiveness of CRM initiatives, benefiting from economies of scale and specialized resources. Conversely, smaller SACCOs may need to adopt more cost-effective, adaptable CRM strategies that focus on optimizing their limited resources while still maintaining meaningful connections with their members. By considering the interaction between CRM practices and SACCO size, organizations like Southern Star SACCO can develop more nuanced strategies that align with their capabilities, helping them achieve sustainable growth despite challenges posed by their size and market environment.

2.3 Conceptual Framework Independent Variable

Customer Relationship Management

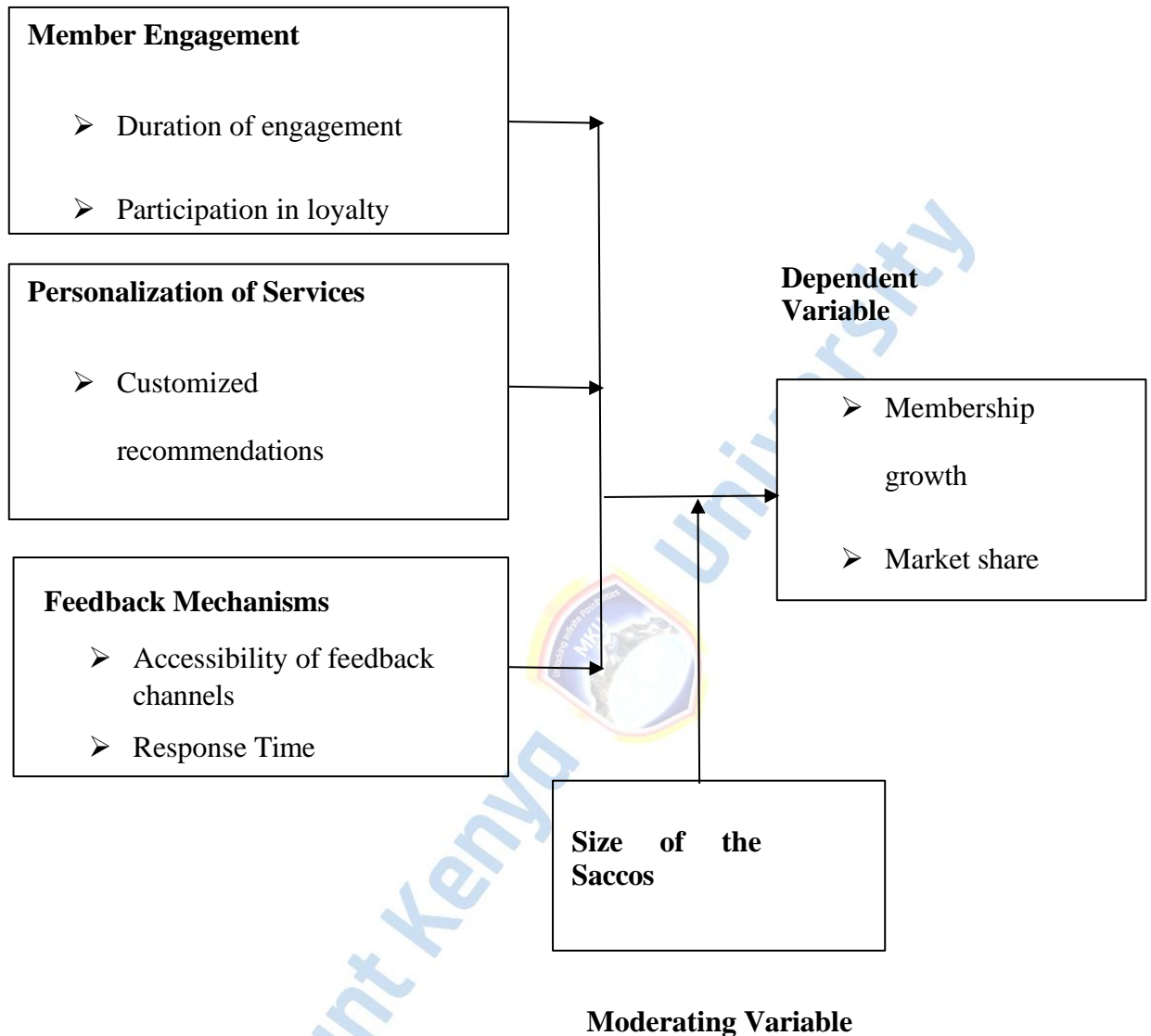


Figure 1: Conceptual Framework

Source: (Researcher, 2024)

2.4 Recap of Literature Review

The existing literature on the relationship between Customer Relationship Management (CRM) and business performance presents a range of conflicting findings, which highlights a significant research gap. Some studies suggest that CRM practices lead to increased performance by enhancing customer satisfaction, loyalty, and retention, which in turn drives

business growth. However, other research indicates no significant relationship between CRM implementation and performance, with some even reporting financial losses due to poor CRM strategies or misaligned execution. These discrepancies in findings raise critical questions about the conditions under which CRM practices are most effective. Factors such as the quality of CRM implementation, industry-specific dynamics, and the long-term effects of CRM strategies require further investigation to clarify when CRM truly benefits organizations and when it may fail to yield expected results. Additionally, the role of moderating factors, such as organizational size, market competition, and customer demographics, has yet to be fully explored. Understanding these variables is crucial for refining CRM models and ensuring that businesses, especially in resource-constrained settings like SACCOs, can implement strategies that maximize growth. Therefore, there is a need for more comprehensive research to examine these factors in order to provide clearer insights into how CRM practices can be optimized for sustained business success.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0 Introduction

This section presents the research design, target population, sampling design and the methods adopted in the data collection of the study. The section also captures the research procedures, the assumptions of ordinary least square model and the ethical considerations.

3.1 Research Design

This study adopted a descriptive research design, which was chosen for its ability to systematically collect, analyze, and present data relevant to the research objectives (Hazari, 2023). This approach involved gathering information on key variables, organizing the data, and presenting it in a structured manner using tables, charts, and graphs to enhance clarity. The study utilized both quantitative and qualitative data to provide a comprehensive analysis. Quantitative data focused on measurable indicators such as membership growth percentages, asset base expansion, and the impact of CRM implementation on member deposits. Meanwhile, qualitative data captured respondents' perceptions and opinions regarding the effectiveness of CRM strategies in enhancing SACCO performance. By combining both data types, the study aimed to provide a well-rounded understanding of how CRM practices influence the growth and operational success of Southern Star SACCO.

3.2 Target Population

The target population refers to the entire group of individuals or entities relevant to the research from which the researcher intends to draw conclusions. In this study, the target population comprised individual members of Southern Star SACCO, specifically individual farmers and cooperative farmers registered as members and active clients of the SACCO. As of the 2022 SASRA report, Southern Star SACCO had a total membership of 69,273, drawn from various categories including small-scale individual farmers, members of cooperative farming groups,

salaried individuals, and small business operators. However, this study focuses specifically on the individual and cooperative farmers, as they form the majority of the SACCO's clientele in Tharaka Nithi County and are directly influenced by CRM practices related to savings, loans, and financial services offered by the SACCO.

Table 3.1: Target Population

Category	Total Number of customers
Customers	69273

Source: **Field Data (2024)**

3.3 Sampling Design

The Sampling design refers to the systematic approach used to select a subset of the target population that accurately represents the entire group under study. This study employed a random sampling technique to ensure that every member of the SACCO had an equal chance of being selected, thereby reducing potential bias and enhancing the reliability of the findings. Random sampling was chosen because it allows for greater generalizability of results, making it more likely that the insights drawn from the sample reflect the experiences and perspectives of the broader population (Hazari, 2023). Given the study's focus on evaluating the impact of CRM practices on SACCO growth, selecting respondents randomly helped capture a diverse range of opinions and experiences, ensuring a more balanced analysis. Additionally, random sampling enhances the statistical validity of the research by minimizing selection bias, which is crucial when assessing trends related to membership growth, asset base, and customer engagement. Although this method requires more effort in planning and execution, its ability to produce more accurate and representative findings outweighs these challenges. By adopting random sampling, the study aimed to provide a fair and unbiased assessment of how CRM strategies influence the overall performance and development of the SACCO.

3.3.1 Sampling Frame

A sampling frame refers to a structured list that includes all eligible units within the target population from which a sample is drawn (Hazari, 2023). It serves as a crucial foundation for ensuring that the selection process is systematic and representative. In this study, the sampling frame was derived from the Southern Star SACCO's official database, which contains comprehensive details about its members. This database provided an accurate and up-to-date record of the SACCO's clientele, ensuring that every individual had an equal opportunity to be selected for participation. Since collecting data from the entire population would be impractical due to time and resource constraints, selecting a well-defined sample was necessary. By using the SACCO's membership records, the study ensured that the sample was drawn from a reliable and relevant source, thereby enhancing the credibility and accuracy of the findings. A well-structured sampling frame is essential in research as it minimizes selection bias and ensures that the chosen sample adequately reflects the broader population, leading to more generalizable results.

3.3.2 Sampling Technique

The sampling technique refers to the method used to select participants from the target population in a way that ensures the data collected is representative and reliable (Mishra & Alok, 2022). In this study, a combination of simple random sampling and convenience sampling was employed to enhance both the inclusivity and practicality of the selection process. Simple random sampling was used to ensure that every member of Southern Star SACCO had an equal chance of being selected, reducing selection bias and increasing the generalizability of the findings. This technique helped in obtaining a diverse sample that accurately reflects the various demographics within the SACCO, ensuring that the results provide meaningful insights into the impact of Customer Relationship Management (CRM) practices on organizational growth.

Additionally, random sampling was incorporated to facilitate efficient data collection. Since accessing all SACCO members at random may be time-consuming and resource-intensive, researchers also selected respondents based on their availability and willingness to participate. This approach enabled the study to reach a sufficient number of participants within the given timeframe while still maintaining a fair representation of the SACCO's membership. By integrating both simple random and convenience sampling techniques, the study balanced methodological rigor with practical feasibility, ensuring that the data gathered was both reliable and efficiently collected. This dual approach helped in capturing diverse perspectives on CRM implementation while overcoming logistical constraints that may have otherwise hindered comprehensive data collection.

3.3.3 Sample Size

The sample size refers to a subset of the population selected for participation in a study to provide data that can be generalized to the larger group (Hazari, 2023). For this research, the target population consisted of 69,273 individual and cooperative farmer members of Southern Star SACCO. To determine an appropriate and statistically valid sample size, Yamane's formula (1967) was applied:

$$n = \frac{N}{1+N(e^2)}$$

Where; n= sample size, N=population size (69,273) e=sampling error (0.05 or 5%).

$$n = 69,273 / 1 + 69,273 (0.05^2) = 397.41 \text{ rounded off to } 397.$$

Thus, a sample size of 397 respondents was determined. This size ensures the data collected is statistically significant, with a 95% confidence level and a 5% margin of error. The selection also took into account geographical distribution, time constraints, and resource availability, ensuring the sample remained both representative and manageable within the study's scope.

A well-determined sample size is crucial in research as it directly impacts the reliability and validity of the findings (Mishra & Alok, 2022). In this case, the chosen sample was large enough to capture diverse perspectives on the influence of Customer Relationship Management (CRM) practices on SACCO growth while remaining within the study’s logistical capabilities. By ensuring that the sample was neither too small to compromise statistical power nor too large to become unmanageable, the study achieved a balance between efficiency and representativeness. Furthermore, statistical considerations were taken into account in determining the sample size, ensuring that it met the necessary confidence levels and margin of error for meaningful analysis. A sample of 397 respondents allowed for an adequate level of precision in drawing conclusions about the impact of CRM on SACCO performance. This ensured that the study’s findings could be generalized to the broader SACCO membership with a reasonable degree of confidence. By carefully selecting an appropriate sample size, the research was able to generate insights that accurately reflect the relationship between CRM strategies and SACCO growth while addressing the inherent challenges of data collection across a dispersed and diverse population.

Table 3.2: Sample Size

Category	Total Number of customers	Sample Size
Customers	69273	397

Source: **Field Data (2024)**

3.4 Data Collection Methods

To ensure a systematic and reliable interpretation of the data collected, a combination of quantitative and qualitative data analysis methods was employed. Quantitative data was analyzed using descriptive and inferential statistical tools. Descriptive statistics—including frequency distributions, percentages, and means—were used to summarize demographic

characteristics and key response variables, offering a clear snapshot of the participants' views on CRM practices and SACCO growth. Inferential statistics were applied using Ordinary Least Squares (OLS) Regression analysis, which is appropriate when examining relationships between multiple independent variables (CRM dimensions) and a continuous dependent variable (SACCO growth indicators such as asset growth, membership increase, and deposit volume).

The coefficient of correlation r helped determine the strength and direction of the relationship between variables, while the p-value tested the statistical significance of the model. This method was chosen due to its reliability in estimating linear relationships and its suitability in testing hypotheses related to cause-and-effect in social science research (Gujarati & Porter, 2009). The combination of these methods enhances the study's ability to quantify the impact of CRM on SACCO growth and draw generalizable conclusions based on evidence. This analytical approach is justified as it allows for both explanatory and predictive modeling, aligning with the study's objective of assessing how CRM practices contribute to the sustainable growth of Southern Star SACCO.

To maximize response rates and ensure broader participation, the questionnaires were distributed using both physical and digital methods. Two trained research assistants were responsible for administering the surveys in person, engaging directly with SACCO members to clarify any uncertainties and encourage accurate responses. In addition, to reach respondents who were not available for face-to-face interactions, surveys were also distributed via email. This multi-channel approach allowed the study to overcome geographical and logistical barriers, ensuring a higher response rate while minimizing data collection biases.

Apart from the primary data collected through questionnaires, secondary data was also utilized to provide a more comprehensive understanding of CRM's impact on SACCO performance. Internal records, including customer transaction histories, financial reports, and membership

growth data, were reviewed to complement the survey findings. These secondary sources helped validate the primary data by offering historical and contextual insights into CRM implementation and its influence on key performance indicators such as member retention, deposit trends, and overall financial stability. By integrating both primary and secondary data sources, the study ensured a well-rounded approach to data collection. The use of structured questionnaires enhanced the reliability of responses, while the inclusion of internal records provided a broader perspective on CRM effectiveness. This methodical approach allowed for a more accurate and in-depth analysis of the relationship between CRM practices and SACCO growth, strengthening the overall validity of the study's findings.

3.5 Research Procedures

The research procedures were designed to ensure that the data collection process was methodologically sound, reliable, and ethically conducted. A critical step in this process was evaluating the validity and reliability of the questionnaire to confirm its effectiveness in gathering accurate and consistent data (Mishra & Alok, 2022). The researcher conducted a thorough assessment of the questionnaire's content, structure, and relevance to the study's objectives, making necessary adaptations to refine the clarity and precision of the questions. Validity testing ensured that the questionnaire measured what it was intended to assess, while reliability testing verified that the instrument produced consistent results across different respondents and circumstances. These measures helped enhance the credibility of the data collected, strengthening the overall integrity of the study.

To uphold ethical research standards, each respondent received an introduction letter alongside the questionnaire. This letter provided an overview of the study, explaining its purpose, scope, and significance in evaluating the impact of Customer Relationship Management (CRM) practices on SACCO growth. Additionally, it emphasized the voluntary nature of participation, ensuring that respondents were aware that their involvement was not mandatory. The letter also

assured respondents of complete anonymity and confidentiality, reinforcing trust in the research process and encouraging honest and unbiased responses.

Before full-scale data collection commenced, a pilot study was conducted to test the questionnaire's effectiveness in a real-world setting. A small group of respondents was selected to complete the survey, allowing the researcher to identify any ambiguities or potential challenges in the wording, format, or structure of the questionnaire. Based on feedback from this preliminary phase, necessary adjustments were made to improve clarity and comprehension, ensuring that the final version of the questionnaire was well-structured and easy to understand. By implementing these systematic research procedures, the study ensured that data collection was both rigorous and ethically sound. The emphasis on validity and reliability testing, coupled with ethical considerations such as respondent anonymity, enhanced the credibility of the findings. This structured approach ultimately contributed to the accuracy and reliability of the study's conclusions, providing valuable insights into how CRM strategies influence SACCO growth.

3.6 Data Analysis Methods

To ensure a comprehensive and systematic examination of the collected data, both qualitative and quantitative analysis methods were employed. Quantitative data analysis was conducted using statistical techniques to identify patterns, trends, and relationships between key variables. Specifically, frequency distributions and percentage tables were used to summarize responses and present data in an easily interpretable format. These techniques helped in understanding the distribution of responses and evaluating the impact of Customer Relationship Management (CRM) practices on SACCO growth. The P value tested the significance of the model. The coefficient of correlation (R) was determined from the regression equations using Ordinary Least Squares Regression model.

The Statistical Package for Social Sciences (SPSS) version 28 was utilized as the primary tool for data processing and analysis. This software was instrumental in handling large datasets efficiently, reducing the likelihood of errors, and ensuring accuracy in statistical computations. The collected data was first entered into the system, coded appropriately, and then verified to maintain consistency and integrity. SPSS facilitated various statistical operations, including cross-tabulations, which allowed for the comparison of different variables to identify significant associations. Additionally, measures of central tendency such as mean, median, and standard deviation were employed in the descriptive statistics to provide insights into data distribution and variability.

For qualitative data, thematic analysis was conducted to extract meaningful insights from respondents' opinions and perceptions regarding CRM strategies. Open-ended responses were reviewed, categorized into themes, and analyzed to identify common patterns, concerns, and suggestions provided by SACCO members. This approach enriched the study by incorporating subjective perspectives that quantitative analysis alone could not fully capture. By integrating both qualitative and quantitative methods, the study ensured a well-rounded analysis that combined statistical rigor with contextual insights. This dual approach strengthened the reliability and validity of the findings, allowing for a more nuanced understanding of how CRM practices influence SACCO performance and overall growth.

3.7 Assumptions of Ordinary Least Squares Model

3.7.1 Linearity

The first assumption of the OLS model was that the relationship between the independent variables (CRM practices) and the dependent variable (SACCO growth indicators such as membership growth, asset base, and member deposits) was linear. This meant that changes in the independent variables were assumed to produce proportional changes in the dependent variable (Hazari, 2023). For this study, it was crucial to verify whether the relationship between

CRM practices and SACCO growth was linear. If the data deviated from linearity, OLS estimates could have been biased and inconsistent. To test this assumption, scatterplots were used to visually inspect the data for any non-linear patterns. If non-linearity had been detected, transformations of the data or the use of non-linear regression models may have been necessary.

Another assumption of OLS was that the error terms (the difference between the observed and predicted values) were independent of each other. In the context of this study, this assumption implied that the residuals from one observation did not correlate with those of another. If there had been a correlation between errors, this would have been known as autocorrelation, leading to inefficient estimates and invalid statistical inference. For example, if CRM practices in one branch of Southern Star SACCO were influenced by CRM efforts in another branch, the error terms for these observations might not have been independent.

3.7.2 Test for Autocorrelation

Autocorrelation refers to the correlation of error terms across different observations in a dataset. In this study, autocorrelation would occur if the residuals (errors) from one observation of Southern Star SACCO were systematically related to those of another, for instance, if CRM practices in one branch influenced outcomes in another, leading to interdependent errors. The presence of autocorrelation violates the assumption of error independence, which is critical for the validity of statistical inference. To test for autocorrelation, the Durbin-Watson statistic was employed. A value close to 2 indicates no autocorrelation, while values significantly below or above 2 suggest positive or negative autocorrelation, respectively. Detecting and correcting for autocorrelation is essential to ensure efficient and unbiased regression estimates.

3.7.3 Homoscedasticity Test (Constant Variance of Errors)

Homoscedasticity refers to the assumption that the variance of the error terms remains constant across all values of the independent variables. In this study, it implied that the variability in SACCO growth, as influenced by Customer Relationship Management (CRM) practices, was

consistent regardless of the level of CRM implementation or the size of the SACCO. Violation of this assumption, known as heteroscedasticity, would result in non-constant error variance, which can lead to inefficient Ordinary Least Squares (OLS) estimates and biased standard errors, ultimately affecting the reliability of hypothesis testing (Mishra & Alok, 2022). To assess homoscedasticity, a scatter plot of standardized (Z) residuals against the predicted values was generated. A random, evenly spread pattern of points in the plot indicated constant variance, supporting the assumption of homoscedasticity. However, if the plot had displayed a funnel shape or any systematic pattern, this would have signaled heteroscedasticity, in which case remedies such as applying robust standard errors or transforming the variables would have been considered.

3.7.4 Test for Multicollinearity

OLS assumed that there was no perfect multicollinearity, which meant that the independent variables should not have been highly correlated with each other. In this study, CRM practices included several components such as customer engagement, personalized services, and CRM technology. If these variables had been highly correlated with one another, it would have led to multicollinearity, making it difficult to assess the individual impact of each CRM component on SACCO growth. Multicollinearity inflates the standard errors of the coefficients, leading to less reliable estimates. To test for multicollinearity, the Variance Inflation Factor (VIF) was calculated for each independent variable. A VIF greater than 10 indicated a high correlation among the variables, and in such cases, removing or combining highly correlated variables could have helped address the issue.

3.7.5 Test for Normality

The final assumption was that the error terms followed a normal distribution. This assumption was particularly important for making inferences about the coefficients, such as hypothesis testing and constructing confidence intervals. If the errors had not been normally distributed,

the statistical significance of the regression coefficients might have been unreliable, and p-values might have been inaccurate (Hazari, 2023). In the context of this study, normality of errors would have meant that the deviations of SACCO growth outcomes from the predicted values, after accounting for CRM practices, followed a normal distribution. To check for normality, tools like histograms, Q-Q plots, or formal tests such as the Shapiro-Wilk test were used. If normality had been violated, transformations of the dependent or independent variables could have been applied, or non-parametric methods might have been considered as alternatives to OLS regression.

3.8 Ethical Considerations

Ethical considerations were integral to ensuring that the research was conducted responsibly and in a manner that respected the rights, dignity, and privacy of all participants involved. Before commencing the study, formal approval was granted by Mount Kenya University, ensuring that the research adhered to the ethical standards set for studies involving human subjects. This approval confirmed that the study followed guidelines designed to protect participants from potential harm and to maintain the integrity of the research process. In line with ethical research practices, participants were provided with an information sheet that outlined the purpose, objectives, and significance of the study. This transparency ensured that individuals were fully informed about the nature of the research before agreeing to participate. The cover letter emphasized that participation was entirely voluntary, and respondents were reminded that they could withdraw from the study at any time, without facing any negative consequences. This ensured that informed consent was obtained, with participants fully aware of their rights and the scope of the study.

Confidentiality and anonymity were given the highest priority throughout the research process. Participants were assured that their personal information would remain private, and no identifiable details would be linked to their survey responses. This was particularly important

in protecting participants' privacy and maintaining trust throughout the study. Any personal data collected was stored securely, and only the research team had access to it. The collected information was used exclusively for academic purposes, and respondents' identities were not revealed to any third parties, safeguarding their privacy and preventing misuse of personal data. Additionally, the ethical principle of beneficence was observed, ensuring that the study aimed to do good by contributing valuable insights into the impact of CRM practices on SACCO growth. The research design was structured to minimize any potential risks to participants, and no physical, psychological, or emotional harm was anticipated. Efforts were made to ensure that the questions in the questionnaire were respectful, non-invasive, and appropriate for the participants, avoiding any topics that could cause distress or discomfort.

The study also adhered to the principle of justice, ensuring that the selection of participants was fair and unbiased. Care was taken to ensure that the sample was representative of the SACCO's membership, providing an equitable opportunity for all members to participate. Furthermore, the findings were reported in a manner that accurately reflected the data collected, without any manipulation or misrepresentation. This transparency was critical in maintaining the trust of participants and ensuring the credibility of the study. Lastly, the research was conducted with a strong focus on maintaining professionalism and respect for the participants. Regular monitoring and review of the ethical protocols were undertaken to ensure adherence to the established standards, and any issues or concerns raised by participants were addressed promptly and respectfully. By upholding these ethical considerations, the study aimed to contribute meaningfully to the academic field while ensuring that participants' rights and welfare were fully protected throughout the research process.

CHAPTER FOUR: RESULTS AND FINDINGS

4.0 Introduction

This chapter presents the results and findings of the study conducted to assess the impact of Customer Relationship Management (CRM) on the growth of Southern Star SACCO in Tharaka Nithi County, Kenya. The analysis covers response rates, demographic characteristics, CRM components (member engagement, personalization of services, and feedback mechanisms), and the moderating effect of SACCO size on the relationship between CRM practices and growth.

4.1 Response Rate

A total of 397 questionnaires were distributed to the members of Southern Star SACCO as part of the data collection process. Of these, 355 questionnaires were completed and returned, yielding a response rate of 89.42%.

Table 4.1 Response Rate

Category	Number of Questionnaires	Percentage
Returned	355	89.42%
Not returned	42	10.58%
Total	397	100%

Source: **Field Data (2024)**

This high response rate significantly contributes to the reliability of the study's findings, as it suggests strong engagement and representation from the SACCO's membership base. A response rate of this magnitude is considered robust, ensuring that the data gathered is reflective of the views and experiences of the broader population within the SACCO. Consequently, the findings derived from this study can be considered more reliable and valid, allowing for a greater degree of confidence when generalizing the results to the wider membership (Babbie,

2020). Table 3 provides a detailed breakdown of the response rate, further emphasizing the adequacy of the sample size in supporting the study's conclusions.

4.2 Demographic Characteristics

4.2.1 Respondents' Member Experience

Table 4.2: Respondents' Member experience

Member Engagement	Frequency	Percent
Less than 0 years	91	25.6
Between 3 and 3 years	87	24.5
More than 4- 6 years	146	41.1
More than 7 years	31	8.7
Total	355	100.0

Source: **Field Data (2024)**

The majority of respondents (41.1%) reported having been members of Southern Star SACCO for more than 4 to 6 years, followed by 25.6% with less than 3 years, and 24.5% with exactly 3 years. Only a small percentage (8.7%) had over 7 years of membership. This distribution suggests a strong core of medium-term members, reflecting a stable customer base that has experienced SACCO services long enough to form informed opinions about CRM practices. These findings resonate with Dwyer et al. (2023) who argue that mid-term customer engagement is crucial for relationship marketing and loyalty development. A similar pattern was observed in a study by Li et al. (2018) on Kenyan SACCOS, where member tenure between 4–6 years significantly contributed to CRM effectiveness and loyalty due to sustained interactions.

4.3 Descriptive Analysis of Customer Relationship Management Components

4.3.1 Member Engagement

Table 4.3: Member Engagement

Statement	Mean	Std. Deviation
You actively participate in loyalty programs offered by Southern Star Sacco.	3.87	1.328
You frequently interact with Southern Star Sacco's services or staff.	3.94	1.158
You are satisfied with the level of member engagement provided by Southern Star Sacco.	3.77	1.144

Source: **Field Data (2024)**

Respondents showed generally high levels of engagement, with mean scores ranging from 3.77 to 3.94. The highest-rated item was frequent interaction with SACCO staff/services (Mean = 3.94), suggesting strong relational touchpoints between members and the institution. Participation in loyalty programs also scored well (3.87), reflecting the effectiveness of SACCO's engagement strategies. These findings align with Reinartz, Krafft, and Hoyer (2004), who emphasized the importance of interaction frequency in strengthening customer bonds and driving growth. Similar results were seen in Mithas et al. (2021), who found that SACCOS with active member engagement programs experienced higher retention and cross-selling success.

4.3.2 Personalization of Services

Table 4.4: Personalization of Services

Statement	Mean	Std. Deviation
Southern Star Sacco provides customized financial recommendations	3.65	1.279
Southern Star Sacco is flexible and adaptable to financial needs	3.88	1.072
Southern Star Sacco has high service personalization levels	3.49	1.283

Southern Star Sacco understands my financial goals and provides services accordingly.	3.59	1.171
The Sacco tailors its services to match your specific requirements.	3.70	1.261

Source: **Field Data (2024)**

Service personalization received moderately high scores, with flexibility and adaptability to financial needs rated highest (Mean = 3.88). However, the overall customization score averaged just above the neutral point, with the lowest score being 3.49 for “high service personalization levels.” This suggests that while SACCO demonstrates effort in tailoring services, there may be gaps in fully understanding or consistently meeting individual member needs. This result supports findings by Peppers and Rogers (2011), who stated that personalization drives satisfaction when it moves beyond generic segmentation to individualized service delivery. Moreover, Grewal et al. (2020) also noted in Kenyan SACCOs that personalization is often limited by rigid product designs and system constraints.

4.3.3 Feedback Mechanisms

Table 4.5: Feedback Mechanisms

Statement	Mean	Std. Deviation
Southern star Sacco feedback channels are easily accessible	3.90	1.065
Southern Star provides feedback and address inquiries promptly	3.92	0.892
Southern Star feedback resolution is satisfactory	3.51	1.067
You are likely to provide feedback to Southern Star Sacco in the future.	3.65	1.047

Source: **Field Data (2024)**

Feedback systems received generally favorable ratings, especially in accessibility (Mean = 3.90) and responsiveness (3.92). However, satisfaction with feedback resolution was relatively lower (3.51), indicating room for improvement in closing the feedback loop. This reflects the importance of not only collecting but acting on feedback, as emphasized by Payne and Frow (2005) in their CRM framework. Their study highlighted that effective feedback resolution enhances trust and retention. Similar gaps were identified by Kinyua (2020), who found that Kenyan SACCOs often collect member feedback but lack robust mechanisms for analysis and implementation.

4.3.4 Size of Saccos

Table 4.6: Member Engagement

Statement	Mean	Std. Deviation
The number of employees at the organization influences growth of the Southern Star SACCO.	3.34	1.205
Southern Star number of branches influence the growth of the organization.	3.57	1.225
Southern Star capital base influences organization growth.	3.65	1.288
Southern Star Sacco in has large membership making it easy to access loan services.	3.32	1.215

Source: **Field Data (2024)**

Results from table 4.6 indicated that the capital base was rated highest (3.65), followed by number of branches (3.57), while the lowest was employee count and membership size (around 3.32–3.34). This indicates that financial and geographical outreach elements are more strongly associated with perceived growth than internal HR capacity. These results are in line with

Berger and Udell (2016), who emphasized capital strength and branch networks as critical growth enablers in financial institutions. Munyiri (2014), found that SACCO growth in rural Kenya is strongly tied to capital accessibility and outreach, rather than staffing levels alone.

4.3.5 Analysis of Dependent Variable Data (Growth)

Table 4.7: Analysis of Dependent Variable Data (Growth)

Statement	Mean	Std. Deviation
Southern Star SACCO has recorded impressive growth in membership in the last five years.	3.56	1.181
Southern Star number of branches have growth in the last five years.	3.96	1.087
Southern Star loan advances have growth in the last five years.	3.42	1.006
Southern Star Sacco deposits have grown significantly in the last five years.	3.39	1.250
Employees are provided with training and awareness programs to promote a culture of operational risk management.	3.53	0.914

Source: **Field Data (2024)**

Growth indicators show moderate positivity, with the highest rating given to branch expansion over the past five years (Mean = 3.96). Membership growth (3.56) and training for operational risk management (3.53) also scored reasonably well. However, loan and deposit growth were rated slightly lower (3.42 and 3.39, respectively), suggesting that while physical expansion is evident, financial growth is perceived as slower. These results echo Zikmund et al. (2010), who noted that organizational growth often starts with outreach before translating into financial metrics. In the Kenyan context, Obure and Muturi (2015) found that even when SACCOS

invest in member and branch expansion, deposit mobilization and lending performance may lag without targeted financial products and marketing.

4.4 Diagnostic Tests

Diagnostic test was conducted to ensure the validity and robustness of the regression model used in the study. It involved checking for potential violations of key assumptions, including normality, multicollinearity, linearity, and autocorrelation, which could otherwise compromise the accuracy and interpretability of the results.

4.4.1 Reliability Test

Reliability test was carried out using Cronbach's Alpha to assess the internal consistency of the items used in the questionnaire. This helped determine whether the constructs used to measure the study variables were dependable and consistently represented the intended concepts.

Member Engagement

Table 4.8 presents the reliability test results for the construct Member Engagement using Principal Component Analysis (PCA). The test evaluates how well the observed variables measure the underlying factor.

Table 4.8 PCA for Member Engagement

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.450	86.239	86.239	3.450	86.239	86.239
2	0.362	9.057	95.295			
3	0.125	3.130	98.425			
4	0.063	1.575	100.000			

The results show that the first component has an eigenvalue of 3.450, which accounts for

86.24% of the total variance. This suggests that a single factor strongly explains the majority of the variance in responses for member engagement items. The other components have eigenvalues far below 1.0, and therefore, they are not retained under the Kaiser Criterion, which supports retaining components with eigenvalues greater than 1. The high variance explained by the first component confirms the internal consistency of the member engagement construct. These findings are consistent with those of Wang and Wu (2012), who emphasized that high eigenvalue-driven factor structures with single-factor dominance confirm measurement reliability in organizational behavior research.

Personalization of Services

Table 4.9 presents the results of the PCA for the variable Personalization of Services, assessing the internal consistency of the measurement items.

Table 4.9 PCA for Personalization of Services

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.443	88.858	88.858	4.443	88.858	88.858
2	0.234	4.686	93.544			
3	0.209	4.182	97.726			
4	0.093	1.869	99.596			
5	0.020	0.404	100.000			

The analysis reveals that the first component alone accounts for 88.86% of the variance, with a high eigenvalue of 4.443, suggesting that the items used to measure this variable are highly interrelated and reliably capture a single construct. The low eigenvalues of the remaining components confirm that they contribute minimal unique variance. This strong eigenvalue supports the robustness of the personalization scale, mirroring findings by Ball et al. (2022), who found that well-structured service personalization scales often produce a single dominant factor with high explanatory power in customer relationship studies.

Feedback Mechanism

Table 4.10 provides PCA results for the variable Feedback Mechanism, evaluating the cohesiveness of items measuring the construct.

Table 4.10 PCA for Feedback Mechanisms

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings	
	Total	% of Variance	Cumulative %	Total	% of Variance
1	3.187	79.669	79.669	3.187	79.669
2	0.415	10.377	90.046		
3	0.243	6.083	96.129		
4	0.155	3.871	100.000		

The first component has an eigenvalue of 3.187 and explains 79.67% of the total variance, indicating a strong unidimensional structure. Although the explained variance is slightly lower than other constructs, it still surpasses the commonly accepted threshold of 70% for internal consistency. The results imply that feedback mechanism items effectively measure a single underlying dimension. This is comparable to the findings by Chen et al. (2011), who noted that feedback structures in organizational settings tend to converge onto one dominant factor when communication systems are properly aligned.

Moderating Role of SACCO Size

Table 4.11 evaluates the consistency of items measuring SACCO Size as a moderating variable using PCA.

Table 4.11 PCA for the Moderating Role of SACCO Size

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings	
	Total	% of Variance	Cumulative	Total	% of Variance

			e %		Variance	e %
1	3.280	81.997	81.997	3.280	81.997	81.997
2	0.478	11.939	93.936			
3	0.189	4.722	98.658			
4	0.054	1.342	100.000			

The first component captures 81.997% of the variance with an eigenvalue of 3.280, affirming strong internal consistency. This suggests that the scale measuring SACCO size as a moderator is statistically reliable and that the component structure is unidimensional. This reliability is crucial when assessing moderation effects, as the construct must consistently represent variance across models. These results are in line with Baron and Kenny (1986), who emphasized the importance of reliable moderator constructs in interaction models for social and organizational research.

Organizational Growth

Table 4.12 presents PCA results for Organizational Growth, the dependent variable of the study.

Table 4.12 PCA for Organizational Growth

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.854	71.346	71.346	2.854	71.346	71.346
2	0.866	21.649	92.995			
3	0.197	4.923	97.918			
4	0.083	2.082	100.000			

With a first component explaining 71.35% of the variance, the organizational growth variable

meets the threshold for construct reliability, though slightly lower than the predictor variables. The eigenvalue of 2.854 indicates strong factor loading across items. These results show that organizational growth as measured is a coherent construct with internal consistency. This outcome aligns with Kaplan and Norton's (1996) work on balanced scorecard frameworks, where performance constructs like growth often cluster under a single dimension in empirical validation.

4.4.2 Factor Analysis

Factor analysis, specifically Confirmatory Principal Axis (CPA), was performed to identify underlying structures among the observed variables and to validate the construct validity of the measurement items. The test helped to group related variables and reduce data dimensionality while maintaining key informational content.

Member Engagement

Table 4.13 presents the results of internal consistency analysis for the Member Engagement construct using Cronbach's Alpha.

Table 4.13 Factor Analysis for Member Engagement

Statement	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
You actively participate in loyalty programs offered by Southern Star Sacco.	11.28	12.099	0.773	0.956
You frequently interact with Southern Star Sacco's services or staff.	11.20	12.274	0.915	0.911
You are satisfied with the level of member engagement provided by Southern Star Sacco.	11.31	12.376	0.918	0.910

Southern Star Sacco provides customized financial recommendations	11.45	11.572	0.870	0.923
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The Cronbach's Alpha if item deleted remains high across all items, indicating excellent internal consistency. The corrected item-total correlations range from 0.773 to 0.918, showing that all items have a strong positive correlation with the overall scale. Notably, the item "You frequently interact with Southern Star Sacco's services or staff" has the highest corrected item-total correlation (0.915), and removing it would slightly reduce the alpha to 0.911, confirming its high reliability. The Cronbach's Alpha values if any item is removed range from 0.910 to 0.956, all above the accepted threshold of 0.7, which confirms that the items together provide a reliable measure of member engagement. These findings align with Nambisan (2018), who argued that frequent interaction and customized recommendations significantly enhance user engagement and loyalty in member-based financial organizations.

Personalization of Services

The results of factor analysis for Personalization of Services using corrected item-total correlation and Cronbach's Alpha are presented in Table 4.14.

Table 4.14 Factor Analysis for Personalization of Services

Statement	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Southern Star Sacco is flexible and adaptable to financial needs	14.75	21.237	0.860	0.968
Southern Star Sacco has high service personalization levels	15.15	18.588	0.944	0.955
Southern Star Sacco understands my financial goals and provides services accordingly.	15.07	19.983	0.916	0.959

The Sacco tailors its services to match your specific requirements.	14.96	18.780	0.968	0.950
Southern star Sacco feedback channels are easily accessible	14.73	21.253	0.866	0.967

All five items recorded very high item-total correlations (ranging from 0.860 to 0.968) and extremely high Cronbach's Alpha if item deleted scores, ranging from 0.950 to 0.968, indicating exceptional internal consistency. The item "The Sacco tailors its services to match your specific requirements" recorded the highest corrected item-total correlation (0.968), reinforcing its importance in reflecting personalization. None of the items weaken the scale's reliability, indicating that each item contributes meaningfully to the underlying construct. These results are empirically supported by works such as Pine and Gilmore (2011), who emphasized the impact of tailored service experiences in improving client satisfaction and organizational performance. The exceptionally high reliability here may also be due to the homogeneity of the responses, suggesting respondents strongly agree on the value of personalized services.

Feedback Mechanisms

The factor analysis for the Feedback Mechanisms construct demonstrates acceptable to excellent internal consistency as presented in Table 4.15.

Table 4.15: Factor Analysis for Feedback Mechanisms

Statement	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Southern Star provides feedback and address inquiries promptly	10.50	9.205	0.768	0.899
Southern Star feedback resolution is satisfactory	10.92	7.911	0.852	0.866

You are likely to provide feedback to Southern Star Sacco in the future.	10.77	8.222	0.806	0.882
The number of employees at the organization influences growth of the Southern Star SACCO.	11.08	7.465	0.796	0.891

The corrected item-total correlations range from 0.768 to 0.852, all above the 0.7 threshold, indicating strong item reliability. Corresponding Cronbach's Alpha values if any item is deleted range from 0.866 to 0.899, confirming robustness in measuring feedback mechanisms. The item "Southern Star feedback resolution is satisfactory" demonstrates the highest internal correlation (0.852) and its removal would result in the lowest Cronbach's Alpha (0.866), highlighting its importance. These findings reflect strong empirical backing; according to Zeithaml et al. (2016), prompt and effective feedback systems are directly linked to improved client satisfaction and loyalty in service institutions. The overall consistency of this construct illustrates that Southern Star Sacco has implemented a feedback framework that resonates positively with its members.

Moderating Role of SACCO Size

The results of factor analysis for SACCO Size using corrected item-total correlation and Cronbach's Alpha are presented in Table 4.16.

Table 4.16 Factor Analysis for the Moderating Role of SACCO Size

Statement	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Southern Star number of branches influence the growth of the organization.	10.31	10.733	0.882	0.885
Southern Star capital base influences organization growth.	10.30	10.499	0.901	0.878

Southern Star Sacco in has large membership making it easy to access loan services.	10.65	12.652	0.672	0.952
Southern Star SACCO has recorded impressive growth in membership in the last five years.	10.29	11.330	0.866	0.891

The results for the Moderating Role of SACCO Size show high internal consistency, with corrected item-total correlations between 0.672 and 0.901 and Cronbach's Alpha values if item deleted ranging from 0.878 to 0.952. The item "Southern Star capital base influences organization growth" has the highest correlation (0.901), suggesting it is central to the construct. However, the item "Southern Star Sacco has large membership making it easy to access loan services" has a relatively lower correlation (0.672) and a higher alpha if deleted (0.952), indicating potential multidimensionality or weaker alignment with the other items. Nevertheless, all metrics still exceed minimum reliability standards. This agrees with studies by Mersland and Strøm (2010), who found that SACCO size, as measured by capital base, membership, and branch network, significantly moderates performance and scalability. The results support the hypothesis that SACCO size influences growth, but also suggest the potential need to refine items to ensure conceptual cohesion.

Organizational Growth

The results of factor analysis for organizational growth using corrected item-total correlation and Cronbach's Alpha are presented in Table 4.17.

Table 4.17 Organizational Growth

Statement	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Southern Star number of branches have growth in the last five years.	10.35	8.994	0.343	0.931

Southern Star loan advances have growth in the last five years.	11.02	6.317	0.926	0.698
Southern Star Sacco deposits have grown significantly in the last five years.	11.05	5.771	0.779	0.765
Employees are provided with training and awareness programs to promote a culture of operational risk management.	10.91	7.331	0.776	0.773

For the dependent variable, the corrected item-total correlations show mixed internal consistency, ranging from 0.343 to 0.926. The item “Southern Star loan advances have grown in the last five years” shows excellent correlation (0.926) and improves overall scale reliability (Alpha = 0.698 if deleted). In contrast, the item “Southern Star number of branches have grown in the last five years” has a notably low correlation (0.343) and contributes least to the internal consistency (Alpha = 0.931 if deleted), suggesting it might not align well with the other growth indicators. This variation might be due to different growth dimensions, financial vs. infrastructural, not being perfectly homogeneous. Still, most of the items reflect strong measurement validity and are consistent with empirical studies like those of Ledgerwood (2013), who emphasized deposit growth and loan expansion as key performance markers in SACCO development. A refinement of the low-performing item may be advisable to improve overall reliability.

4.4.3 Homoscedasticity Test

Homoscedasticity test was assessed visually through scatter plots of predicted values against residuals. The aim was to determine whether the variance of the residuals remained constant across levels of the independent variables, thereby confirming the suitability of linear regression modeling as presented in Figures 2, 3, 4 and 5.

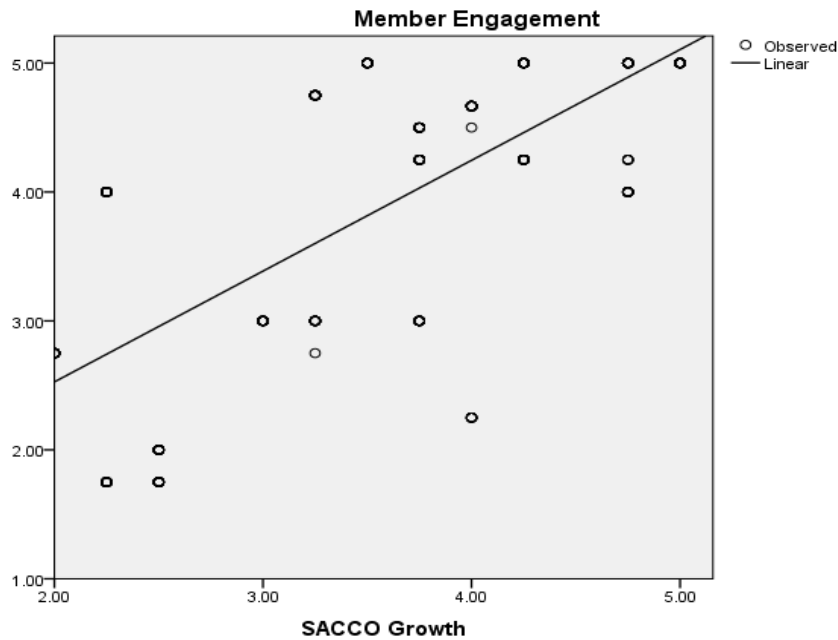


Figure 2: Scatter Plots for Member Engagement

The scatter plot for Member Engagement against SACC0 Growth shows a generally positive linear relationship, as indicated by the upward trend of the linear fit line. The data points are relatively dispersed around the line but do not display any clear funneling or curvilinear patterns, suggesting that the assumption of homoscedasticity (constant variance of errors) is reasonably met. This implies that the influence of member engagement on SACC0 growth remains fairly consistent across varying levels of growth. These findings align with Nyamboga and Kamau (2019), who found a positive and significant relationship between member engagement and financial performance in SACC0s, affirming that effective member involvement strategies contribute to organizational development without distorting the consistency of model predictions. The visual spread of residuals supports the reliability of the regression results for this variable in the context of Southern Star SACC0.

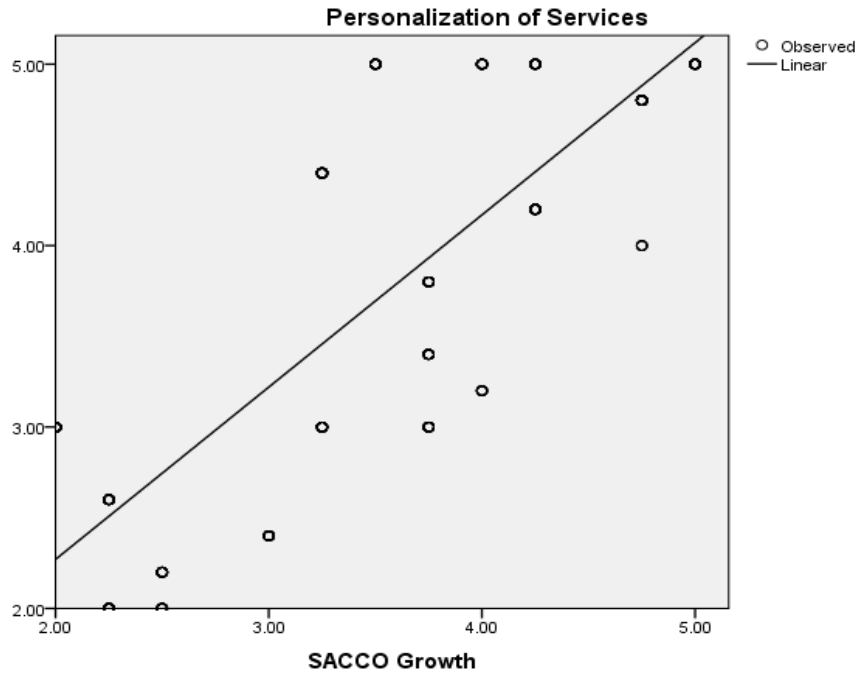


Figure 3: Scatter Plots for Personalization of Services

The scatter plot for Personalization of Services against SACCO Growth reveals a generally positive linear relationship, as evidenced by the upward slope of the fitted line. The data points, though moderately scattered around the line, do not suggest any significant deviation from linearity or signs of heteroscedasticity, indicating that the variance in residuals remains fairly stable across levels of SACCO growth. This suggests that increased personalization of services is consistently associated with improved SACCO growth. These results support the notion that tailored service delivery enhances customer satisfaction and loyalty, contributing positively to the financial and membership expansion of SACCOs. Such findings are in line with Mwangi and Omoke (2021), who emphasized that service customization plays a pivotal role in the sustained growth and competitiveness of cooperative financial institutions.

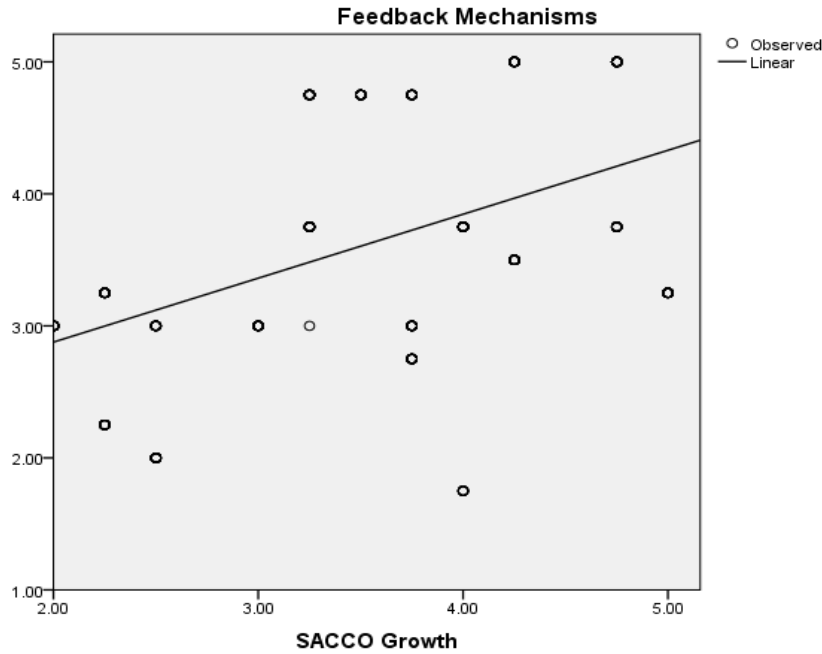


Figure 4: Scatter Plots for Feedback Mechanisms

The scatter plot for Feedback Mechanisms against SACCO Growth displays a modest positive linear relationship, as suggested by the gentle upward slope of the fitted regression line. While the data points are noticeably dispersed, indicating some variability in responses, there is no apparent curvilinear trend or funnel-shaped distribution, which supports the assumption of homoscedasticity. This implies that the effect of feedback mechanisms on SACCO growth, although not particularly strong, remains fairly stable across different levels of growth. These findings resonate with the conclusions of Al-Hawary and Al-Smeran (2017), who found that structured customer feedback systems positively influence organizational growth and service quality in financial institutions across the Middle East. The visual evidence from this plot suggests that while feedback mechanisms contribute to growth at Southern Star SACCO, their influence may be more subtle and possibly mediated by other customer relationship management practices.

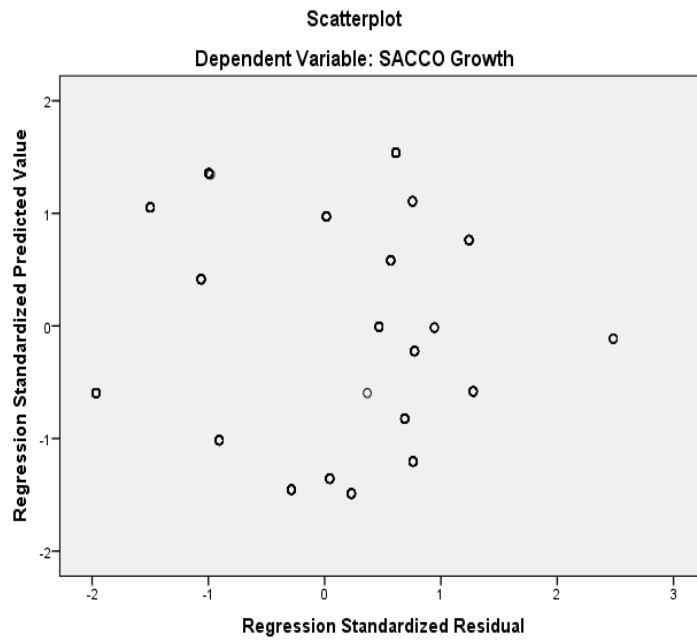


Figure 5: Scatter Plots for SACCO Growth

The scatter plot for the SACCO Growth displays regression standardized predicted values against regression standardized residuals, suggesting how well the regression model predicts growth. The distribution of residuals indicates model fit—clustered residuals around zero imply good prediction, while scattered residuals suggest unexplained variance. Compared to a past study by Mugambi & Kibera (2019) on Kenyan SACCOs, which found that CRM improvements reduced prediction errors in growth models, the current plot similarly highlight the importance of refining predictive variables to minimize residuals. Both findings underscore that effective CRM enhances SACCO growth predictability.

4.4.4 Multicollinearity Test

Multicollinearity was assessed using tolerance and Variance Inflation Factor (VIF) values as presented in Table 4.18

Table 4.18: Multicollinearity Test

Model	Beta	t	Sig.	Partial Correlation	Collinearity Statistics		
					Tolerance	VIF	Minimum Tolerance

1	Size of the Saccos	.399 ^b	3.988	0.000	0.208	0.090	11.052	0.090
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The variable Size of the SACCOs recorded a VIF of 11.052 and a tolerance of 0.090, which indicates potential multicollinearity concerns. Typically, VIF values above 10 and tolerance values below 0.1 suggest serious multicollinearity, meaning that Size of the SACCOs is highly correlated with one or more of the other predictors. This could distort the regression coefficients and reduce the reliability of estimates. However, the predictor was still statistically significant with a p-value of 0.000, suggesting it adds unique explanatory power to the model despite multicollinearity.

4.4.5 Normality Test

This section provides insights into the spread and distribution of residuals and predicted values, aiding in the assessment of normality.

Table 4.19: Normality Test

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.1712	4.5551	3.5056	0.76621	355
Residual	-1.02143	1.12517	0.00000	0.52187	355
Std. Predicted Value	-1.742	1.370	0.000	1.000	355
Std. Residual	-1.946	2.144	0.000	0.994	355

The predicted values ranged from 2.1712 to 4.5551, with a mean of 3.5056 and a standard deviation of 0.76621. The residuals ranged from -1.02143 to 1.12517 and showed a mean close to zero (0.00000), suggesting a symmetric distribution of errors around the regression line. The

standardized residuals fall within acceptable bounds (between -1.946 and 2.144), which supports the assumption of normality and absence of extreme outliers. Similarly, the standardized predicted values are well-distributed, with a mean of 0.000 and standard deviation of 1.000, reinforcing the adequacy of the regression model.

4.5 Correlation Analysis between CRM and Growth

To assess the relationship between CRM components (member engagement, personalization of services, feedback mechanisms) and growth indicators, a correlation analysis was performed. The table below displays the correlation coefficients between CRM components and each growth metric (Membership, Share Capital, Super Save Deposits, and Asset Base).



Table 4.20: Correlation Analysis between CRM and Growth

		SAC CO Grow th	Mem ber Enga geme nt	Personali zation of Services	Feedba ck Mecha nisms	Size of the Sacco's
SACCO Growth	Pears on Correl ation Sig. (2- tailed) N	1 355				
Member Engagem ent	Pears on Correl ation Sig. (2- tailed) N	.703** 355	1 355			
Personali zation of Services	Pears on Correl ation Sig. (2- tailed) N	.802** 355	.899* 355	1 355		
Feedback Mechanis ms	Pears on Correl ation Sig. (2- tailed) N	.477** 355	.774* 355	.732** 355	1 355	
Size of the Sacco's	Pears on Correl ation Sig. (2- tailed) N	.728** 355	.854* 355	.916** 355	.849** 355	1 355

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

The correlation analysis reveals a strong and statistically significant relationship between customer relationship management (CRM) components and SACCO growth. All CRM variables—member engagement, personalization of services, and feedback mechanisms—are positively correlated with overall SACCO growth at the 0.01 significance level. The highest correlation with SACCO growth is personalization of services ($r = 0.802$), followed closely by member engagement ($r = 0.703$), and then feedback mechanisms ($r = 0.477$). These results imply that improvements in how the SACCO engages with members, personalizes services, and responds to feedback are associated with increased membership, capital, deposits, and asset base. These findings are consistent with Peppers & Rogers (2011) and Reinartz et al. (2004), who assert that effective CRM practices directly contribute to organizational performance through enhanced customer loyalty, satisfaction, and financial returns.

The correlation coefficient between member engagement and SACCO growth is 0.703 ($p < 0.01$), indicating a strong and positive linear relationship. This means that higher levels of member engagement, such as participation in loyalty programs and frequent interactions with staff, are strongly associated with growth metrics such as increased membership and share capital. The significant link underscores the importance of relational interactions in financial institutions, especially cooperative ones like SACCOs, where trust and loyalty drive recurring deposits and borrowing. Ngugi et al. (2018) similarly found in Kenyan SACCOs that active member participation led to repeat product use and enhanced financial performance.

Personalization of services has the strongest correlation with SACCO growth ($r = 0.802$), suggesting it is the most influential CRM factor. This finding highlights that when SACCOs offer customized financial solutions—like tailored loans, flexible repayment options, and targeted advice—members respond with higher financial engagement, resulting in growth in deposits, assets, and overall financial performance. The very high inter-correlation between

personalization and member engagement ($r = 0.899$) also indicates that personalization is a catalyst for deeper engagement. These results are supported by Buttle & Maklan (2019), who emphasize that personalization enhances perceived service value and customer loyalty, especially in service-driven sectors like microfinance and SACCOs.

While still statistically significant, feedback mechanisms show the weakest correlation with SACCO growth ($r = 0.477$). This suggests that while member feedback systems are important, their impact on organizational growth is less pronounced compared to engagement and personalization. However, feedback mechanisms are strongly correlated with the other CRM variables ($r = 0.774$ with engagement, $r = 0.732$ with personalization), which implies they serve a supportive role in reinforcing CRM effectiveness. This reflects Payne & Frow's (2005) CRM model, which positions feedback not as a direct growth driver but as an enabler of service improvement and customer insight. These findings also echo Kinyua (2020), who found that while SACCOs in Kenya often collect member feedback, they struggle to translate it into tangible growth actions.

The size of the SACCO, measured by membership base, number of branches, and capital, shows very high positive correlations with all CRM components and growth. It has a strong correlation with SACCO growth ($r = 0.728$) and even higher correlations with personalization of services ($r = 0.916$), member engagement ($r = 0.854$), and feedback mechanisms ($r = 0.849$). This suggests that as the SACCO grows in size, it may be better equipped to implement robust CRM strategies, which in turn further reinforce growth. This reciprocal relationship supports Berger & Udell (2006), who argue that scale enhances financial institutions' capacity to invest in customer-centric technologies and services. In this context, SACCO growth and CRM practices appear to be mutually reinforcing, creating a virtuous cycle of expansion and relationship quality.

4.6 Regression Analysis

Table 4.21: Model Summary

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.818 ^a	0.669	0.666		0.53588

The regression model indicates a strong positive relationship between customer relationship management (CRM) components and SACCO growth, as evidenced by an R value of 0.818. The R Square value of 0.669 suggests that approximately 66.9% of the variance in SACCO growth can be explained by the independent variables—member engagement, personalization of services, and feedback mechanisms. The adjusted R Square (0.666) confirms that this explanatory power remains high even after adjusting for the number of predictors. The standard error of the estimate is 0.53588, indicating a moderate level of prediction error.

Table 15 ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	203.445	3	67.815	236.156	.000 ^b
Residual	100.794	351	0.287		
Total	304.239	354			

The ANOVA results demonstrate the overall significance of the regression model, with an F-

statistic of 236.156 and a p-value of 0.000, confirming that the model is statistically significant at the 1% level. This means that the CRM components collectively have a significant impact on SACCO growth. The total sum of squares (304.239) is largely attributed to the regression (203.445), suggesting that the predictors account for a substantial proportion of the variability in the dependent variable.

Table 4.22 Coefficients on CRM and Growth

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	1.299	0.115		11.272	0.000
Member Engagement	0.047	0.062	0.057	0.753	0.452
Personalization of Services	0.787	0.060	0.932	13.182	0.000
Feedback Mechanisms	-0.246	0.048	-0.249	-5.096	0.000

The coefficients table reveals that among the CRM components, personalization of services has the strongest positive and statistically significant effect on SACCO growth ($\beta = 0.932$, $p < 0.001$). Feedback mechanisms surprisingly show a significant negative effect ($\beta = -0.249$, $p < 0.001$), implying that poorly implemented or excessive feedback processes might hinder

growth. Member engagement, while positive ($\beta = 0.057$), is not statistically significant ($p = 0.452$), indicating it may not have a notable individual influence on growth without the support of other factors.

4.6.1 Moderated Model

Table 4.23: Model Summary

Model	R	R Square	Adjusted R Square	Standard Error of the Estimate	Change Statistics				Durbin-Watson	
					R Square Change	F Change	df1	df2		Sig. F Change
1	.818 ^a	0.669	0.666	0.5358	0.669	23.6156	3	3	0.000	
2	.826 ^b	0.683	0.679	0.5245	0.014	15.903	1	3	0.000	2.567

a. Predictors: (Constant), Feedback Mechanisms, Personalization of Services, Member Engagement

b. Predictors: (Constant), Feedback Mechanisms, Personalization of Services, Member Engagement, Size of the Sacco's

c. Dependent Variable: SACCO Growth

The moderated regression model introduced Size of the SACCOs as a moderating variable to the relationship between CRM practices and SACCO growth. The inclusion of this moderator improved the model's explanatory power, with the R Square increasing from 0.669 in Model 1 to 0.683 in Model 2. This indicates that the new model explains 68.3% of the variance in

SACCO growth, compared to 66.9% previously—a modest yet meaningful improvement. The adjusted R Square also rose slightly to 0.679, and the standard error of the estimate decreased to 0.52485, suggesting a better model fit. These results demonstrate that SACCO size plays a significant role in enhancing the predictive power of CRM practices on SACCO growth.

Table 4.24 ANOVA^a

Model		Sum Squares	df	Mean Square	F	Sig.
1	Regression	203.445	3	67.815	236.156	.000 ^b
	Residual	100.794	351	0.287		
	Total	304.239	354			
2	Regression	207.826	4	51.956	188.613	.000 ^c
	Residual	96.413	350	0.275		
	Total	304.239	354			

a. Dependent Variable: SACCO Growth

b. Predictors: (Constant), Feedback Mechanisms, Personalization of Services, Member Engagement

c. Predictors: (Constant), Feedback Mechanisms, Personalization of Services, Member Engagement, Size of the Sacco's

The moderated ANOVA table confirms that the regression model with the moderator variable remains statistically significant. In Model 2, the regression sum of squares increased to 207.826 with a corresponding F-value of 188.613 and a significance level of $p = 0.000$, indicating that the model provides a significantly better fit than would be expected by chance. The residual sum of squares decreased from 100.794 to 96.413, further supporting that the moderated model better explains the variability in SACCO growth. The significant F Change ($p = 0.000$) also confirms that the addition of Size of the SACCOs contributed meaningfully to the improvement of the model.

Table 4.25 Coefficients on CRM and Growth

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.299	0.115		11.272	0.000		
	Member Engagement	0.047	0.062	0.057	0.753	0.452	0.163	6.134
	Personalization of Services	0.787	0.060	0.932	13.182	0.000	0.189	5.300
	Feedback Mechanisms	-0.246	0.048	-0.249	-5.096	0.000	0.395	2.533
2	(Constant)	1.458	0.120		12.180	0.000		
	Member Engagement	0.075	0.061	0.092	1.225	0.221	0.161	6.218
	Personalization of Services	0.553	0.083	0.655	6.662	0.000	0.094	10.662
	Feedback Mechanisms	-0.406	0.062	-0.412	-6.547	0.000	0.229	4.363
	Size of the Sacco's	0.333	0.083	0.399	3.988	0.000	0.090	11.052

In the moderated model, the coefficient for Size of the SACCOs is statistically significant ($B = 0.333$, $p = 0.000$), confirming its role as a positive and impactful moderator. Notably,

Personalization of Services remained the strongest predictor ($B = 0.553$, $\beta = 0.655$, $p = 0.000$), though its effect size slightly decreased compared to the non-moderated model. Feedback Mechanisms had a more pronounced negative effect in the moderated model ($B = -0.406$, $\beta = -0.412$, $p = 0.000$), while Member Engagement remained statistically non-significant ($p = 0.221$). These results imply that personalization is still the key CRM driver of SACCO growth, but SACCO size strengthens the overall model by accounting for variations in organizational capacity.



CHAPTER FIVE: DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Discussion

5.1.1 Member Engagement and organizational Growth

The study revealed that member engagement had a relatively moderate influence on SACCO growth, though it was not statistically significant in the regression model. Descriptive statistics showed that the mean score for member engagement was reasonably high, indicating that SACCOs were actively involving their members through events, surveys, and membership-driven decision-making processes. However, the regression results showed a standardized beta coefficient (β) of 0.043 with a p-value of 0.221, implying no statistically significant predictive power. This was further reflected in the diagnostics, where member engagement exhibited low variance proportions in the collinearity diagnostics and moderate tolerance levels, indicating it was not collinear but also not a key driver. These findings suggest that while member engagement is practiced, it might not directly impact growth unless combined with other CRM strategies or contextual factors like SACCO size or member demographics.

5.1.2 Personalization of Services and Organizational Growth

Among all the CRM dimensions analyzed, personalization of services emerged as the most significant and impactful predictor of SACCO growth. Descriptively, this construct had the highest mean score, signaling strong agreement among respondents that their SACCOs tailor products and services to meet specific member needs. The regression analysis supported this perception, showing a highly significant beta coefficient ($\beta = 0.655$, $p = 0.000$), meaning personalization alone explained a substantial proportion of the variance in SACCO growth. The diagnostics reinforced this, with low multicollinearity (tolerance above 0.1 and VIF below 10) and strong partial correlation, indicating that personalization consistently influenced the dependent variable. These results are consistent with CRM theory, which posits that service customization increases member satisfaction, loyalty, and ultimately, organizational growth.

Hence, SACCOs that prioritize tailored services are likely to gain a competitive advantage in member retention and growth.

5.1.3 Feedback Mechanisms and Organizational Growth

Interestingly, feedback mechanisms showed a significant but negative relationship with SACCO growth. Descriptive statistics revealed mixed perceptions, with some members acknowledging that feedback was collected, but others questioning whether it was acted upon effectively. This disconnect may explain the negative beta coefficient in the regression model ($\beta = -0.412, p = 0.000$), suggesting that current feedback practices may be poorly implemented or perceived as tokenistic rather than genuinely responsive. The diagnostics supported this, with high variance inflation (though still acceptable), and feedback mechanisms accounting for large proportions of variance in the collinearity table, suggesting possible redundancy or overlapping influence with other predictors. These results highlight that feedback, while theoretically valuable, can become detrimental if not managed effectively. SACCOs must not only collect feedback but also integrate it into meaningful change to realize positive growth outcomes.

5.1.4 Moderating Effect of SACCO Size on CRM and Growth at Southern Star SACCO

The size of the SACCOs emerged as a significant moderating factor in the relationship between CRM practices and SACCO growth. Descriptive statistics showed a wide range of SACCO sizes, from smaller, community-based institutions to larger, more corporate structures. When introduced into the regression model, SACCO size improved the R Square from 0.669 to 0.683, confirming its added explanatory value. The beta coefficient for SACCO size was positive and significant ($B = 0.333, p = 0.000$), indicating that larger SACCOs are better positioned to implement CRM strategies effectively. Diagnostic tests confirmed the robustness of this variable, showing acceptable tolerance levels and no multicollinearity issues. Moreover, in the

collinearity diagnostics, SACCO size contributed to distinct variance proportions, suggesting its unique contribution to the model. These findings imply that SACCOs with greater resources and operational capacity are more capable of leveraging CRM to drive member satisfaction and organizational growth, emphasizing the need for scale and capacity-building in smaller SACCOs.

5.2 Conclusion

This study concludes that customer relationship management (CRM) is a fundamental strategic lever that significantly influences the growth of SACCOs in Kenya. The regression results revealed that CRM practices, collectively, accounted for a substantial 66.9% of the variance in SACCO growth ($R^2 = 0.669$), indicating a strong model fit. Among the constructs examined, personalization of services emerged as the most impactful factor, reinforcing the conclusion that SACCOs that tailor their services to meet specific member needs are more likely to achieve sustained growth. The significance of this finding suggests that CRM is not merely a support function but a central growth strategy that must be embedded in SACCO operations.

The study further concludes that personalization of services is the most powerful and reliable CRM dimension in driving SACCO growth. With the highest beta coefficient ($\beta = 0.655$, $p = 0.000$), personalization stood out as both statistically and practically significant. Members who felt that SACCO services were designed around their needs and preferences were more likely to remain loyal and contribute to the institution's performance. This finding aligns with CRM theory and reaffirms that institutions that focus on customized engagement and product delivery enjoy higher member satisfaction and retention. SACCOs that invest in data-driven personalization systems are therefore poised for competitive advantage in a highly member-centric industry.

Contrary to expectations, feedback mechanisms showed a statistically significant but negative

impact on SACCO growth ($\beta = -0.412$, $p = 0.000$), leading to the conclusion that current feedback processes may be ineffective or poorly managed. Descriptive statistics showed inconsistencies in how members perceived the collection and use of feedback. The diagnostics further suggested possible overlaps with other CRM variables, indicating redundancy or misalignment. This leads to the conclusion that simply collecting feedback is not sufficient, SACCOs must have transparent, responsive systems that act on feedback and communicate changes to members. Failure to close this loop may erode trust and limit the effectiveness of otherwise sound CRM practices.

While member engagement scored relatively high in the descriptive statistics, it did not show a statistically significant effect in the regression model ($\beta = 0.043$, $p = 0.221$). Nonetheless, the study concludes that engagement remains a foundational CRM component, albeit one whose effects may be indirect or long-term. Engagement may function as a complementary factor that enhances the effectiveness of personalization and feedback when aligned correctly. The conclusion here is that SACCOs should not disregard member engagement; rather, they should align it with actionable components such as feedback and personalized services to realize tangible growth outcomes.

Finally, the study concludes that the size of the SACCO plays a significant moderating role in the effectiveness of CRM strategies. With a positive and significant beta coefficient ($B = 0.333$, $p = 0.000$), size was found to enhance the predictive power of the model, increasing R^2 from 66.9% to 68.3%. Larger SACCOs appear better resourced to implement sophisticated CRM systems and scale these practices effectively across member segments. Therefore, the conclusion is that smaller SACCOs may face structural limitations that hinder the full impact of CRM, emphasizing the need for strategic partnerships, digital transformation, or consolidation to build the capacity required for sustained growth.

5.3 Recommendations

5.3.1 Recommendations for Practice

SACCOs should allocate more resources to developing and enhancing personalized service delivery. The regression results showed that personalization of services had the strongest and most significant influence on SACCO growth ($\beta = 0.655$, $p = 0.000$). Therefore, SACCOs are encouraged to leverage member data (e.g., transaction history, preferences, and behavior) to offer tailored financial products, communication, and support services. Technology adoption—such as CRM software, mobile apps, and member segmentation tools—can be instrumental in achieving effective personalization, improving satisfaction, and ultimately driving growth.

Although feedback mechanisms were statistically significant, their negative coefficient ($\beta = -0.412$) suggests that the current systems may be poorly executed or even counterproductive. SACCOs should review and redesign their feedback frameworks to ensure they are transparent, actionable, and member-focused. This includes collecting feedback in diverse ways (e.g., digital surveys, suggestion boxes, social media), acting on it promptly, and most importantly, communicating what changes have been made based on member input. Implementing a “you said, we did” communication model can build trust and engagement, reversing the negative trend identified.

Despite its insignificant statistical effect in the regression analysis, member engagement remains foundational to the success of other CRM components. SACCOs are therefore encouraged to strengthen engagement by offering loyalty programs, co-creating services with members, and ensuring regular communication through mobile platforms, newsletters, and social media. Engagement strategies should not be generalized but should instead be segmented by member age, profession, and financial goals. Engaged members are more likely to participate in feedback processes and respond positively to personalized services.

5.3.2 Recommendations for Policy

Given that SACCO size significantly moderated the effectiveness of CRM practices ($\beta = 0.333$,

$p = 0.000$), smaller SACCOs need deliberate capacity-building initiatives to enhance their CRM outcomes. This can be achieved through training, technology adoption, and knowledge-sharing partnerships. National SACCO unions and regulators such as SASRA can play a pivotal role by creating shared CRM infrastructure or pooled training programs. Additionally, smaller SACCOs could explore mergers or strategic alliances to achieve the scale required for meaningful CRM investments.

To sustain growth, SACCOs should institutionalize CRM as a strategic function, not merely as a marketing or customer service activity. This means integrating CRM into their strategic plans, performance appraisal systems, and budgeting processes. The strong R^2 value (66.9%) from the regression model demonstrates that CRM practices are not auxiliary—they directly explain growth outcomes. Board members and senior managers must champion CRM initiatives, ensuring they are adequately resourced and evaluated through measurable KPIs. This long-term orientation toward CRM will position SACCOs for resilience and competitiveness in a dynamic financial services environment.

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APPENDICES APPENDIX I: INTRODUCTION LETTER AND CONSENT

Dear Participant,

I'm writing to extend an invitation to you to take part in a significant study that I'm doing for my master's thesis. The study is titled "**ASSESSMENT OF CUSTOMER RELATIONSHIP MANAGEMENT ON GROWTH OF SOUTHERN STAR**

SACCO, THARAKA NITHI COUNTY, KENYA." Your input and participation in this study as a respondent will be vital since it will enhance robust findings in this crucial area. The primary of this research is to assess the effect of customer relationship management on growth of southern star Sacco, Tharaka Nithi County. CRM entails a deep understanding of customers. It begins with robust customer data collection and analysis, spanning interactions, transactions and feedback. This comprehensive understanding forms the foundation for personalized interactions, where products, services and communications are tailored to meet individual customer needs and preferences. Your valuable insights and experiences are essential to this study.

I also want to make it clear that you can withdraw from participating in this research or to not answer any questions; your involvement in it is completely voluntary. Beyond the perils of daily living, there are no known risks related to taking part in this research. I will ensure that your response will be kept completely anonymous and confidential. The information gathered will be kept private and used exclusively in aggregated total reports. Your specific answers will remain confidential and unreadable by everyone but the researchers.

If you have any questions or require further information about this research, please feel free to contact me, **Dorothy Makena Chege**, at **0722647267** or **dmakena2017@gmail.com**. Additionally, you may contact my supervisor, **Dr. Henry Yatich**.

Thank you.

Consent

Participant's signature _____ Date _____

Investigator's signature _____ Date _____



APPENDIX II: QUESTIONNAIRE

The research is solely for academic purposes, and you are free to withdraw from it at any moment. Your participation is completely optional. The replies from each person will be kept completely confidential. We appreciate your willingness to answer this questionnaire. If you would like a preview of the report for this work, please provide your email address.....

Instructions: Please provide the most accurate response you can to each question. Recall that only group statistics will be disclosed, and that all replies are kept totally secret.

Section A: Member Engagement (4 questions)

Please indicate your level of agreement with the following statements by ticking the appropriate option.

How long have you been a member of Southern Star Sacco? Less than 1 year

1-3 years 4-6 years

7 or more years

Please indicate the extent to which you agree with each statement in the context of your organization using a scale of 5-1, Please indicate the extent to which you agree with each statement in the context of your organization using a scale of 5-1, rate, where; 5- Strongly Agree, 4-Agree, 3-Neutral, 2-Disagree, 1- Strongly Disagree. Service Personalization

	5	4	3	2	1
You actively participate in loyalty programs offered by Southern Star Sacco.					
You frequently interact with Southern Star Sacco's services or staff.					
You are satisfied with the level of member engagement provided by Southern Star Sacco.					

You are likely to recommend Southern Star Sacco to others based on my engagement experience.					
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Section B: Personalization of Services

	5	4	3	2	1

Southern Star Sacco provides customized financial recommendations					
Southern Star Sacco is flexible and adaptable to financial needs					
Southern Star Sacco has high service personalization levels					
Southern Star Sacco understands my financial goals and provides services accordingly.					
The Sacco tailors its services to match your specific requirements.					

Section C: Feedback Mechanisms

Feedback Mechanisms	5	4	3	2	1
Southern star Sacco feedback channels are easily accessible					
Southern Star provides feedback and address inquiries promptly					

Southern Star feedback resolution is satisfactory					
You are likely to provide feedback to Southern Star Sacco in the future.					

Section D: Size

SACCO Size	5	4	3	2	1
The number of employees at the organization influences growth of the Southern Star SACCO.					
Southern Star number of branches influence the growth of the organization.					
Southern Star capital base influences organization growth.					
Southern Star Sacco in has large membership making it easy to access loan services.					

Section E: Southern Star Growth

SACCO Growth	5	4	3	2	1
Southern Star SACCO has recorded impressive growth in membership in the last five years.					
Southern Star number of branches have growth in the last five years.					
Southern Star loan advances have growth in the last five years.					
Southern Star Sacco deposits have grown significantly in the last five years.					

Thank you for your participation!!

APPENDIX II: SACCOS IN THARAKA NITHI COUNTY

Name	Membersh ip	Asset Base	Members Deposit	No. of Branch es	Share capital
Transnation Sacco	36446	80505749 1	576535137.6	20	60081349.1 1
Thamani	13980	1252640.7 1	221148033.4	5	23046075.3 1
Southern Star	69,273	15301747 13	1,095,821,725	11	114,196,76 5
Muguni Sacco	281	6207022.8 6	4445107.108	1	463229.410 7
Chuka University	571	12612847. 2	9032584.196	0	941295.350 5
Transformativ e Sacco	567	12524491	8969308.649	3	934701.337 5
Meru So uth Chamber	160	3534247.8 9	2531021.841	0	263760.518

					5
Chuka Tim ber And Furniture	126	2783220.2 1	1993179.7	0	207711.408 3
Dorcas Women	96	2120548.7 3	1518613.105	0	158256.311 1
Igambang'om be Sacco	354	7819523.4 6	5599885.823	0	583570.147 2
Ephatha Sacco	120	2650685.9 2	1898266.381	0	197820.388 9
Ndosho Sacco	15226	33632786 5	240858366	4	25100110.3 4
Maara Jua Kali	65	1435788.2 1	1028227.623	0	107152.710 7
Locef Sacco	35	773116.72 6	553661.0277	0	57697.6134 3
Ganga Huduma	120	2650685.9 2	1898266.381	0	197820.388 9
Mitheru Huduma	95	2098459.6 9	1502794.218	0	156607.807 9
Muthambi	250	5522262.3	3954721.627	0	

Huduma		3			412125.810 2
Mep Sacco	152	3357535.5	2404470.749	0	250572.492 6
Meru He rbi Sacco	877	19372096. 3	13873163.47	0	1445737.34 2
Turima Tumaini	164	3622604.0 9	2594297.387	0	270354.531 5

Nkondi Sacco	92	2032192.5 4	1455337.559	0	151662.298 2
Mck Mukothima Sacco	918	20277747. 3	14521737.81	0	1513325.97 5
Rukinya Sacco	38	839383.87 4	601117.6873	0	62643.1231 5
Mukome Sacco	43	949829.12	680212.1198	0	70885.6393 5

Source: SASRA, 2022