

**DETERMINANTS INFLUENCING THE USE OF ACCOUNTING
SERVICES BY INVESTMENT GROUPS IN KAJIADO COUNTY,
KENYA**

**BY
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**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF THE
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DECLARATION

I hereby declare that this research project is my original work and has not presented in any other institution

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D61/69150/2013

This research project has been submitted for presentation with my approval as the university supervisor.

Signature.....

Date.....

Dr. Mirie Mwangi

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DEDICATION

This project is dedicated to my son, mum and brother. Thank you for your patience and understanding.

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ABBREVIATIONS

CPA (K)	-	Certified Public Accountants in Kenya
ICPAK	-	Institute of Certified Public Accountants of Kenya
IFRS	-	International Financial Reporting Standards
KAIG	-	Kenya Association of Investment Groups
RBV	-	Resource Based View
SACCO	-	Savings and Credit Societies
SME	-	Small and Medium Enterprises
TCE	-	Transaction Cost Economics

ABSTRACT

This study will establish the determinants that influence use of accounting services on investment groups in Kajiado County, Kenya. This study analyzed how managers knowledge on accounting services, competence of accountants, trust in professional accountants and size growth of a group influence utilization of accounting services. Resource Based View, Transaction Cost Economics and Agency theories are used to support this study. RBV states that a firm should utilize all the resources it has at its disposal to gain competitive advantage. External accountants are viewed as resources that assist in gaining competitive advantage. TCE states that a firm will prefer to utilize accounting services to reduce its transaction cost if trust exists between the firm and accountants. Agency theory is used to acknowledge that problems will exist between the firm and the accountants and trust will play a major role in resolving conflicts arising. A survey was carried out on investment groups in Kajiado County that are registered with the Ministry of Cooperative and are active. To select sample population, stratified random sampling was applied. Data collection was done by administering questionnaires which had both structured and unstructured questions. Descriptive statistics analysis such as mean and inferential statistics such as regression was used. It was concluded that most of the respondents were conversant with almost all of the accounting services. It was also observed that the managers perceived the accountant to be competent and that they trusted the accountants. This study confirmed what had been observed by Kamyabi and Devi (2011) that knowledge, competence, size growth and trust in professional accountants had a positive and significant relationship on utilization of accounting services. They also observed that use of advisory services had a positive effect on performance of SMEs. This study recommends the Ministry of Cooperative should educate these groups on importance of utilizing accounting services so as to be able to maximize their benefits. The managers of the groups should also be trained on basic accounting techniques and management of the groups. Lastly accounting firms should ensure that these groups are aware of the services they provide and at affordable rate.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Accounting is a financial management tool that allows one to review the efficiency of their business operations so as to make informed decisions and improve the profitability of their business. For any business to be successful, the management of a firm is held liable for financial information reported by the company and the accountants safeguard the integrity of financial reporting. Very few small businesses make use of accounting services. Jayabalan et al. (2009) notes the major stumbling block that makes SME owner-managers not to utilize accounting services is the high costs of hiring the professional accountants.

Access to affordable and reliable financial services is important not only for business growth but also to improve living standards and lead to economic development in the long run. Demircuc-Kunt & Klapper (2012) estimated that in the world, 2.5 billion people can't access to formal banking. To be able to provide financial services to this segment, a variety of services such as microloans, savings groups, various micro insurance products and mobile banking have been developed. Investments saving groups in Kenya play a major role in development and the economy. It is important for them to use accounting services since most of them collapse due to mismanagement.

The RBV and TCE theory have been used to explain the relationship between utilization of accounting services and SMEs. There are various empirical studies that have identified determinants that influence use of accounting services. The concept of investment groups

has really grown in Kenya. It is important for them to utilize accounting services so that they can achieve growth and avoid mismanagement of funds. There are different groups registered with Ministry of Cooperative in Kajiado County. Therefore the study will establish determinants influencing accounting services to be utilized by investments groups in Kajiado County.

1.1.1 Determinants Influencing Use of Accounting Services

Business advice is critical not only for survival but also for competitive advantage of small businesses. Therefore accountants are important in helping businesses gain and sustain competitive advantage. Knowing the conditions which make professional accountant significant source of business advisory services for small firms is important. A number of empirical studies on the determinants influencing SME demand for business advice have been done.

Variance in demand for outsourcing business advice from accountants by small businesses is explained by growth in rate of employment, size and age of firm and type of industry a firm is operating in. (Bennett& Robson, 1999). Carey et al. (2005) concluded that firms experiencing debt and growth rates in high levels were likely to utilize accounting services. By making use of TCE theory, Everaert et al. (2010) described important factors which influence decision to outsource accounting services as asset specificity, opportunism, frequency and trust in professional accountant. The RBV theory provides foundation for the assessing specific factors which lead to demand of professional accountant's services. Factors such as technical competence, competition between firms in the industry and knowledge of the manager lead to demand of professional accounting services. In the long run improved performance is achieved.

1.1.2 Accounting Services

Though accounting practices vary from one country to another, there is a uniform global classification in their scope of work. Accounting services are classified under goods and services in the United Nations Statistical Division (2014) as book keeping services, accounting and auditing (covered under group 862) and group 863 identifies taxation services. Management consulting services is identified in group 865 and 866 where accountants practice financial management consulting services. According to Jayabalan et al. (2009), outsourcing of professional accounting services by majority of the SMEs is on book keeping, tax filling, management and financial reporting. Mendoza (2012) noted that accountants work has expanded to include management consulting on certain areas related to finance.

Accounting practice in Kenya is governed by The Accountants Act 2008 supplement No. 99 (Act No. 15). This law was established in 1978 by the Accountants Act CAP 531 and limits the practice of accountancy to CPAs who have current license to practice (Section 18 (1)). ICPAK is the professional organization that regulates the activities of all the CPA (K).

Various studies have been done on the role of accountants in business growth. Kamyabi (2011) studied the use of professional accountants' advisory services and how it will impact performance of SME in an emerging economy. He concluded that performance of a firm will directly improve to the extent it engages services of an external accountant.

Previously, Berry et al. (2006), in their study had noted that significant positive influence was observed on performance of firms that used advisory services of external accountants. These studies indicate that the utilization of accounting services is important

in growth of the firm and any business will be able to gain competitive advantage amongst many other advantages that abound.

1.1.3 Determinants Influencing the Use of Accounting Services by Investment

Groups

Despite there being numerous benefits achieved by using professional accountants' advice in a firm, very few businesses will use them. Lewis et al. (2005) noted the major source of advice in terms of significance, frequency and usefulness of firms in New Zealand was found from external accountants. Studies undertaken in United Kingdom by Berry et al. (2006) and Kirby et al. (1998) concluded that SMEs utilized support and advisory services by professional accountants. Gooderham et al. (2004) undertook a study in Norway that concluded external professional accountants were perceived to be reliable providers of advisory and support services in small enterprises. In Australia, various studies in the SME sector indicated that professional accountants provided financial management and support services (Carey et al., 2005; Leung et al., 2008).

According to RBV theory some of the factors that have been noted to influence utilization of accounting services are mainly owner/manager lack of knowledge, technical competence, size of business, competitive intensity and complexity of marketing decision (Hafeez, 2014). Inadequate knowledge and unqualified employees hinder SMEs from carrying out internally functions of accounting (Jayabalan et al., 2009; Everaert et al., 2006). Audet and St-Jean (2007) reported in their study that owner/managers of SMEs who knew about external service providers were more likely to utilize their services. It is important to emphasize that if growth of business is to be achieved, expert knowledge needs to be outsourced.

Majority of business owners/managers don't possess management, professional or other formal qualifications. Engaging professional accountant is a possible way for acquiring competence by smaller firms (Gooderham et al., 2004; Carey et al., 2006). Managers of a firm will rely on external accountants if they perceive professional accountants to be more competent and to provide value for their money. Technical competence of a professional accountant is attributed by specialized skills, appropriate qualification, expertise in technology, industry specialization and experience (Carey et al.2006). Therefore technical competence is an important factor considered to positively influence utilization of accounting services. Another factor considered is competition facing the firm. Firms faced with intense competition require more support and resources than their competitors (Gooderham et al., 2004; Worrall, 2007; Kamyabi & Devi, 2011). Employing a qualified accountant is a possible way in gaining competence and sufficient resources and reduction of competition effects (Kamyabi & Devi, 2011; Gooderham et al., 2004).

Size of a firm or the complexity of marketing decisions is said to be positively related to utilization of accounting services. Unlike larger firms, smaller firms have a need in acquiring external support and advice for them to have competitive advantage since their markets will have broadened (Marriott et al., 2008). Owner/managers of businesses may have expertise in product markets which they have specialized in but not issues in accounting and financial management. It is observed that managers may not have other important skills and expertise (Devi & Samujh, 2010; Marriott & Marriott, 2000). Thus they need to outsource for these specialized services from professional accountants.

Trust in accountant is analyzed using TCE theory. According to this theory, if the owner/manager of a firm has trust in the professional accountant, there will be reduction in transaction cost due to low concern on opportunism and higher likelihood of management outsourcing accounting service (Everaert et al., 2010). Therefore between trust in professional accountant and use of accounting services, there is a positive relationship. Lastly the legislation of a country is also a factor to consider. The Companies Act, CAP 486 148(1) requires presentation of profit and loss account and a balance sheet of all limited companies annually during the annual general meeting.

1.1.4 Investment Groups in Kajiado County, Kenya

Investments groups are community based groups which manage themselves and provide to their members basic financial services. Investments saving groups act as saving and borrowing strategy around the world for the poor, women and those with limited access to formal institutions. This has not been the case since people who are rich and have access to formal finance have adopted this strategy making them popular globally (Lee, 2010). Fsd (2012) supported this by indicating that 30.3% of people who earned less than \$1.25 in a day were in investment groups and 16.4% for those whose income was \$2.5 in a day.

In Kenya the colloquial name for investment groups is chama. The chama began in the late 1980s and 1990s in Kenya. The original chama were structured as rotating savings and credit associations where at each meeting the members would agree to contribute a fixed amount for a fixed period and certain members are paid the entire amount collected on a rotating schedule. Today the chama has expanded their activities in that most of

them are involved in investing their funds in real estates, infrastructure, stock market, agriculture and other sectors. This has led to their growth and some have even become Sacco's while others have expanded to become banks. There are tangible economic benefits as well as intangible social benefits such as disciplined savings and increased strength of social networks achieved by investing in these groups (Wikipedia, 2012). Despite having benefits, Gichane (2012) notes that having different investment strategy, appetite for risk, minimal investment knowledge, lacking managerial skills and dispute resolution mechanisms are challenges faced by investment groups. KAIG (2013) also notes that stringent sources of finance, lack of guidance in investments, trust and commitment issues are rampant.

The Ministry of Cooperative Development in Kenya is charged with the responsibility of registering mainly involved in housing, livestock marketing, dairy marketing, savings and credit, handicraft and multipurpose. Measures were put in place to revitalize the societies. Currently it is estimated that there are 450 society groups that are registered with the ministry. Improvement has also been observed on participation and 50% of these groups are estimated to be active (G.O.K, 2013).

1.2 Research Problem

Accounting is essential for good financial management and for accountability. Jui and Wong (2013) indicate that use of accountancy services in business will assist in achieving corporate strategy, cost reduction, and mitigate risks. They also state that a competency in an accountant is invaluable asset to the business. Though there is a growing demand for professional accountants, their availability is limited. Most accountants do not register with ICPAK although they have completed their professional accounting exams. It is

estimated that there are 14 accountants per 100,000 inhabitants in Kenya. To satisfy the growing demand for accounting services, ICPAK estimates that the country would need between 7,000 and 10,000 qualified accountants. According to World Bank (2010), demand for accounting services remains unsatisfied due to skills shortages, inadequate regulations and quality of the services. High cost charged to offer these services makes them unaffordable. The report states that large companies regardless of their sector show the highest usage of accounting, services thus confirming that the demand for the services is dominated by large firms. Small firms are also said to utilize accounting services in a large proportion. Though their utilization is not frequent like for large companies, at least once a year they will use accounting services due to the mandatory legal requirements such as financial reporting and taxation.

Studies on determinants influencing the demand of accounting services have been done in developed and developing countries. According to Dorasamy et al. (2010), lack of resources or expertise is a major accounting function problem faced by small businesses. Evaraert et al. (2006) supports that under RBV, small businesses do not perform accounting internally due to limited accounting knowledge. Thus lack of managerial capabilities and shortage of financing pushes small businesses to outsource to improve their organization. Evaraert et al. (2010) concluded that outsourcing and a manager's level of trust in the accountant by a manager had a strong positive relationship. Also, higher level of education in a manager was believed to have a positive relation with lower levels of outsourcing. Kamyabi and Devi (2011) suggested that positive relationship existed between utilization advisory services provided by external accountants and other factors such as knowledge and technical competence by owner/manager, level of

competition and complexity involved in making market decisions concerning the business. Blackburn et al (2014) identified factors influencing SME demand for business advice as firm age, intention to grow, firm size, and growth rate or debt of a firm. Hafeez (2014) notes that frequency of performing non-routine tasks, trust in accountant by manager, asset specificity, available opportunity, and difference in level of competition has a major impact on outsourcing accounting services. This study also noted that gender of the manager/owner, level of their education, experience gained, size and age of the firm don't influence decision making on outsourcing of accounting services.

Limited studies on accounting services have been undertaken in Kenya. A study on accounting services in Kenya by World bank (2010) concluded that the external usage of professional services increases with size of a firm up to a certain point; large firms will employ their own accountants thus reduction in outsourcing of professional accountants. In their study, Meliyio and Moronge (2013) indicated that managers' knowledge, competence of external accounting and managers' trust on external accounting significantly influenced outsourcing of accounting services. Busieney (2012) acknowledged that in Kenya, there was a positive and significant relationship between legislation, competence, SME growth in size and knowledge but competition was not positively related with utilization of accounting services.

There is limited literature on investment groups in relation to determinants influencing utilization of accounting services. Previous studies show the importance of investment groups in wealth creation. Investment groups contribute to social and financial empowerment which leads to economic development. Therefore, if investment groups

would utilize accountancy services they would benefit more. Most of the studies have studied the SMEs in manufacturing sector. Studies can be done on other sectors such as the service sector. Studies can also be undertaken to determine the relationship between utilization of accounting services and performance of the business. Lastly one can study on the determinants that influence one not to use accounting services. This study looks at empirical and theoretical studies in an attempt to establish determinants that influence the use of accounting services by investment groups in Kajiado County.

1.3 Research Objective

This study will investigate the determinants influencing the use of accounting services by investment groups in Kajiado County, Kenya.

1.4 Value of the Study

The study aims to give insights into the factors that influence managers of investment groups to use accounting services. It also indicates the services that professional accountants offer and the benefits achieved by using the professional services. Professional accountants should ensure that they are competent so that they gain the trust of managers.

This study will equip both policy makers and stakeholders with knowledge in setting guidelines on areas that require intervention for development of accounting services. Ministry of Cooperative will get information that will assist in better management of the cooperative societies such as encouraging use of accounting services. The findings will be useful to investment groups who will use the findings not only to adopt the use of accountancy but also to be aware that by using the services the performance of their groups is improved. Lastly, this study will contribute to the theoretical framework on accounting services and provide knowledge to scholars interested in this area.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter describes the theories used in the study. Review of related literature is very important because it provides the needed support to the rationale for undertaking research. Reviews of studies done on the factors influencing the use of a qualified accountant by investments saving groups and research gap are identified through comparison of studies reviewed.

2.2 Theoretical Review

Accounting services are resources that enable the firm gain competitive advantage over its competitors (Penrose, 1959). The current study leans on three major theories of the firm to explain the determinants that would influence the use of accounting services and their influence on investment groups. The resource based view, transaction cost economics and agency theories explain the importance of resources and the quality that a resource should have to enable a firm to perform better. The better we understand accounting services from a variety of points of view the more effective we can use it in analysis and problem solving.

2.2.1 Resource Based View Theory

Strategic management literature developed this theory to explain how competitive advantage can be achieved and sustained in the long term by a firm. RBV is a popular theory used to examine the relationship between utilization of accounting services and SMEs. There are different authors who have contributed to the theory. In 1959, Penrose

contributed by saying that a firm is considered as a collection of both human and physical resources in an organizational structure. The resources available are physical assets that are tangible and intellectual assets that are intangible. Intellectual assets consist of human resources such as individual skill, individual competencies and knowledge (Hafeez et al., 2007). She stated that growth of a firm both externally and internally depends on how it will employ its resources. She noted that firms compile their productive resources to give a competitive edge. These resources are exploited and their valuable services made available to the firm (Penrose 1959).

In 1984, Wernerfelt also made a contribution to the theory and argued that the resources and products of the firm are similar to two sides of the same coin (Wernerfelt, 1984). This implied that although products have a direct effect on performance of a firm, the resources used in production have an indirect effect. He proposed that firm's resources, especially non-imitable resources are important in assisting a firm to gain competitive advantage and improve its performance. However the contribution made by Barney in 1991 is widely used by scholars.

In Barney (1991) it is stated that a firm must acquire and control inimitable, valuable, rare and non-satiable resources to sustain its competitive advantage. A firm might have many resources at its disposal but it is important to remember that the resources do not contribute to the competitive advantage of the firm equally. Thus a firm should consider the resources with the four characteristics above. Competitive advantage is achieved by a firm if the current strategy which creates value is not being implemented by present or future competitors. According to him, if all firms had equal resources profitability

differences would not be observed among them because any firm in the same industry could implement any strategy. Therefore the competitive advantage to be gained will rely on reduction of cost of resources and utilized capabilities in implementing strategy selected. Resources of a firm such as assets, processes being used, organization characteristics, aptitudes information and knowledge it has are controlled by the company and its employees (Barney, 1991).

Also, the firm should be capable of reconstructing and exploiting all the resources it has at its disposal to enable it achieve competitive advantage. Capability involves firm's routines and knowledge gained by personnel throughout the history of the firm. This theory states that if there is limited firm resources, reliance on external expert by the firm will increase so that it can overcome its weaknesses. the more limited the necessary resources of the firm, the greater the tendency for the firm to rely on external expertise to overcome this weakness (Prahalad & Hamel, 1990).

According to Barney (1991), if a resource is rare, it becomes valuable since its price is a reflection of above average returns in future when discounted. A resource becomes a competitive advantage if it is controlled only by one firm and its competitors are not able to duplicate. He concludes by stating that despite a resource having all the three attributes, competitors of a firm should not substitute value creating strategy of the firm.

This theory aids the firm in understanding the role played by external accountant to gain competitive advantage. Professional accountants use their own knowledge which is difficult to imitate to support SMEs strategies. This is backed by (Kamyabi & Devi, 2011; Hafeez et al., 2007) who state that professional accountants acquire tacit

knowledge through continuous practice making it impossible to transfer. However, SMEs have few qualified personnel to perform accounting functions (Kamyabi & Devi, 2011; Everaert et al., 2006). Many authors have concurred that most SMEs will utilize professional accountants to provide advisory and support services to supplement their internal resources (Kamyabi & Devi, 2011; Everaert et al., 2006; Gooderham et al., 2004; Marriott et al., 2008).

2.2.2 Transaction Cost Economics Theory

Coase in (1937) introduced this theory. According to him, every company expands as long as it is cheaper to perform activities within the company compared to outsourcing them. Williamson (1981), developed the theory and stated that a costs incurred by a firm internally during production is called production cost while if the activity is purchased, it is termed as transaction cost. Transaction cost occurs in transferring goods and services from one stage to another and new technology capabilities are required for production.

When a firms internal production costs are lower than the external transaction costs, growth is experienced since production in the becomes cheaper than if it would be outsourced. Opportunism, risk bounded rationality, environmental uncertainty and firm assets are factors that reflect transaction costs incurred due to exchange of resources with the external environment. While using this theory, Everaert et al. (2010) described decision to outsource accounting services to be influenced by frequency of activities, opportunism by external accountant, trust in professional accountant and asset specificity. When controlling these components becomes expensive for a firm, then external transaction costs tend to rise.

Recurring activities are likely to be produced internally since set up costs incurred will be recovered leading to economies of scale. Low asset specificity leads to outsourcing of activities. If a service provider has self interests in the firm and does not disclose but acts untrustworthy for their own gain then it will have an impact on economic decision. Thus if an external accountant is perceived to be opportunistic, their services are less likely to be outsourced. Lastly TCE theory argues that if trust exists between the firm and external accountants, their relationship will improve and eventually lead to reduction in transaction cost and potential threat of opportunism. Therefore, TCE is an important theoretical framework used to explain why some SMEs will prefer to have accounting tasks performed in-house while others will outsource the service so as to minimize transaction cost (Kamyabi & Devi, 2011; Everaert et al., 2010).

2.2.3 Agency Theory

Jensen (1976) states that when one party who is the principal, hires another party who is the agent, an agency relationship is formed. This theory assumes that each party acts in its own self-interest. When the interests of the principal conflict with those of the agent, there arises an agency problem. This theory assumes that human beings are selfish by nature. Principals and agents are most likely to have different interests which lead to different decision making.

Agency theory will resolve problems occurring in agency relationships. Jensen (1976) noted that agency problems can be solved by monitoring actions of agents or giving them incentives to motivate if they act in accordance with the objectives of the principal. This study uses the rationale of this theory because the professional accountant who is the

agent acts on behalf of the manager who is the principal. For them to have a good relationship there must be trust between them and the accountants must be motivated to act on behalf of the client.

2.3 Empirical Studies

Hafeez (2014) studied factors influencing accounting outsourcing by manufacturing SMEs in Pakistan. Out of the 500 SMEs contacted a sample of 350 interviewed agreed that frequency of non-routine tasks, asset specificity, opportunism by professional accountant, trust in accountant and degree of competition in the industry has a significant impact on accounting outsourcing. It was concluded that trust is an influential factor when deciding accounting outsourcing. He remarked that owner/manager gender, level of education, experience gained by individual, firm size and age did not influence decision making on outsourcing of accounting services. Theoretical frameworks used to support the study were transaction cost economics and resource-based views theories.

Kamyabi and Devi (2011) sampled 1750 in a population of 17100 manufacturing SMEs operating in Iran. The objective was identifying the factors that affecting the decisions of managers operating in manufacturing sector SMEs to utilize external accountants' advisory services. Examination of the effect of these advisory services on SME performance was also conducted. Theoretical framework used to support the study was the Resource-Based View (RBV) theory. It was concluded in the analysis that positive relationship existed between knowledge of owner/manager, technical competence, competitive intensity and complexity of market decisions and utilization of external accountant advisory services. It was evident in the study that use of advisory services had a positive effect on performance of SMEs. Also, age and size of the firm is positively related to utilization of advisory services by SMEs.

In another study on impact of accounting outsourcing on SME performance in Iran, Kamyabi and Devi (2011) sampled 770 manufacturing companies in a population of 1750. Transaction cost economics and resource-based theories were used. They found out that trust, degree of competition and asset specificity were key factors influencing outsourcing decisions. They also concurred with other studies that outsourcing or use of accounting services is positively related with trust and will in the long run improve performance of the firm.

Blackburn et al (2014) reviewed business advice by accountants to SMEs relationships and trust between July 2008 and March 2009. A total of thirty eight SME owners and accounting partners were identified but only eight SME owners and twelve accountants in London, England, and in Melbourne, Australia were interviewed. They identified factors that will influence SME demand for business advice by SME as firm size and age, institutional debt and growth rate or intention to grow. This study also uncovered other factors such as economic conditions, environmental turbulence in the industry and business life-cycle. This implies that firms facing difficult economic times, change in regulation and are in the late stages of business cycle are likely to seek business advice from accountants. This study concurred that SME owner/managers who have trusting natures are more likely to purchase business advice. Otherwise, accountants have to clearly demonstrate their competence and empathy to managers before they seek their advice.

Berry et al. (2006) examined the effect of four types of accountant advisory services such as business advice, emergency advice, financial management support and statutory advice on performance growth of SME. They noted that use of various external advices was positively related to the growth rate of SMEs.

Busieney (2012) determined the factors influencing use of accounting services by SMEs in Kenya. This study sampled 85 SMEs in a target population where there was 850 SMEs in total. Knowledge and competence of respondents was low since majority did not have training on financial statements. Very few SMEs had experienced growth in size and usage of accounting services was noted to be very low despite there being intense competition. He concluded that in Kenya, a positive and significant relationship existed between knowledge, competence, legislation and SME growth in size and use of accounting services.

In their study on determinants of outsourcing accounting services on growth of small businesses, Meliyio and Moronge (2013) sampled 206 of the 2061 licensed SMEs in Kiambu County. The study indicated that managers' knowledge, competence of external accounting and managers' trust on external accounting significantly influenced outsourcing of accounting services. This study also found that there was a positive relationship between corporate strategy and outsourcing accounting services.

Icharia (2014) studied factors influencing wealth creation in investment groups in Nairobi County, Kenya. In an estimated target population of 80,000 groups, a sample of 80 investment groups was selected. It was noted that there was inconsistencies in the management practices and lack of comparability for wealth creation, and poor integration of activities of management practices within the investment groups. They concluded that obstacles recognized, poor management and leadership styles affect wealth creation of the investment groups. They recommended that investment groups need to select management team that is competent so that they can grow.

2.4 Conceptual Framework

This section explains the conceptual framework of the study. Use of accounting services by investment groups is the dependent variable. Manager's knowledge on utilization of accounting services, competence of the professional accountant, growth in size of the group and trust that managers have on professional accountants are the independent variables used in this study.

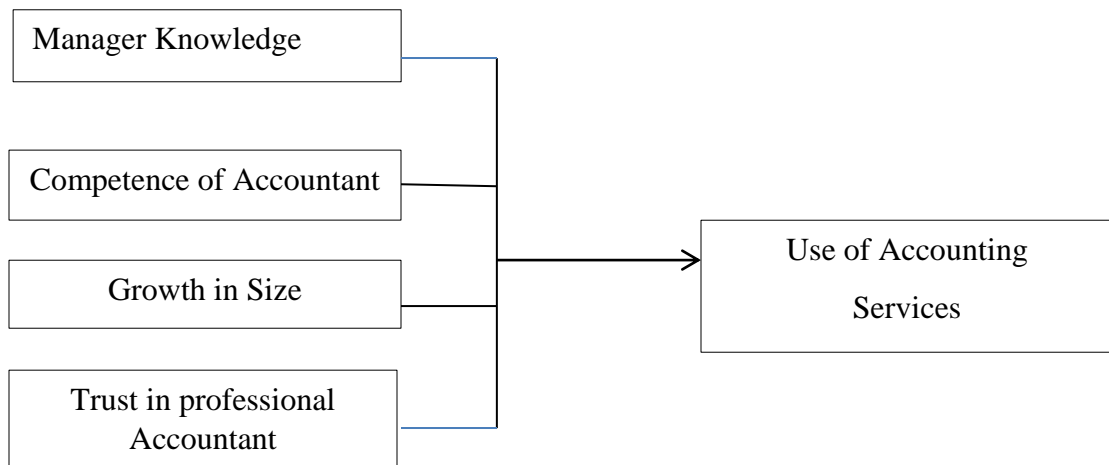


Figure 2.1: Conceptual framework

2.5 Summary of Literature Review

The chapter discussed the relevant theory on factors influencing use of accounting services by investment groups and empirical review discussed the factors that influence utilization of accounting services. Reviewed literature indicated that owner/ manager who had knowledge on accounting services available and are aware of the benefits gained by using the services are likely to use professional accountants. Also there is a positive correlation on utilization of accountancy services and technical competence.

As said earlier, when smaller firms face vulnerable competition they turn to professional accountants for support and advice to attain competitive advantage. Smaller firms require the services of professional accountants but it is noted that they only use these services when needed. Legislation has a positive or negative influence on utilization of accounting services. Overall it is said that the utilization of accountancy service has a positive effect on a firm.

This study notes that the reviewed studies failed to address the reasons that lead to professional accountants not to be utilized despite previous researches showing that the utilization of their services leads to growth of the firm. Studies on investment groups indicate their benefits and the role they play in wealth creation. Despite Investment groups being faced with risks of fraud, dispute and failure; very few of them will seek the help of professional accountants. Studies on importance of utilizing accounting services and factors that influence utilization of these services have not been done. The current study is unique since it attempts to establish the determinants that influence the use of accounting services by investment groups in Kajiado County.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

There is explanation in detail of the various methods used to achieve objectives of this study. Research design, used the population under study, the sample selection process and techniques, data collection methods, validity and reliability of collection instruments, methods and processes of data analysis, and operationalization of variables is explained. This chapter provided the rationale for preferring particular research methods to others.

3.2 Research Design

A descriptive cross-sectional survey research design will be used to establish determinants influencing utilization of accounting services. It was descriptive in the sense that the primary goal was to examine a sample at only one specific point in time. A cross-sectional research is a study in which a researcher analyses data that have been collected from a given population (Babbie, 2007). This kind of a research design is used where a study is focused on a population at one point in time. The preference for a descriptive cross-sectional survey was based on certain reasons. First, a study involving this design is relatively easy and quick to undertake, because there is no long periods with respect to making follow-ups. Second, data about all variables of interests are collected at once, making one of the most time-efficient study designs. Third, a researcher is able to study multiple outcomes and exposures. Last, it is the best for undertaking descriptive analyses and where appropriate generating study hypotheses.

3.3 Population

These refer to a whole group of individuals, events or objects with a common characteristic that can be observed (Mugenda & Mugenda, 1999). The target population of this study was managers of investment groups registered with Ministry of cooperative as cooperative societies in Kajiado County are the target population. According to Kajiado county cooperative office there were 176 cooperative societies in 2013. Currently it is estimated that there are over 450 cooperative societies with almost 50% being dormant. Sampling technique that is appropriate was used in selection of sample population

3.4 Sample Design

A sample is a sub-group obtained from the accessible population and selected carefully to represent the large (Mugenda & Mugenda, 1999). Sampling is a technique of selecting a sub-group from a population representing relevant characteristic. According to Mugenda and Mugenda (2003) a sample size of 10% or more is adequate for a survey study. Using stratified random sampling, a sample size of 45 cooperative societies was selected from the 226 estimated active groups.

3.5 Data Collection

Questionnaires were used as the main data collecting tools with both structured and unstructured questionnaires.

Questionnaire structuring was guided by the nature of data collected, objectives of the study and time available. The questionnaires were designed and delivered to all respondents since the questionnaires were self-administered thus reducing the cost, saving time and avoiding prejudice.

Closed and open ended questions were asked. The advantages of this type of questions are the simplicity in the giving answers. Respondents with busy schedules prefer this kind of questionnaire since it saves much of their time. The other advantage of closed questions is that the answers given will be relevant. A questionnaire whose respondents were managers of the group was prepared. It consists of six sections namely: group characteristics, knowledge, technical competence, manager trust in professional accountant, size growth and use of accounting services by investment groups.

3.6 Validity and Reliability

Validity is the degree to which different measures of a concept will accurately represent the concept Orodho (2009). Validity test conducted ensure content is relevant while reliability test ascertain that the tool can be depended on. In this study, expert judgment of content validity was employed. The decision to use expert judgment to determine validity was guided by principles set by Kothari (2001). Validity of data collected was ensured through administering the questionnaires personally.

Reliability is the degree to which there is consistency of results when trials are repeated severally at different times (Mugenda & Mugenda, 1999). Consistency with individual's scores remains relatively the same despite test –retest method at two different times. Three investment groups were used in testing reliability of questionnaire. Cronbach's coefficient Alpha formula recommends reliability coefficient of 0.7 and above (Cronbach, 1951).

3.7 Data Analysis

Quantitative and qualitative methods were both used in data analysis process. Thus both descriptive and inferential statistics were used. The SPSS (statistical package for social sciences) was used. The particular inferential statistics used are means and regression analysis.

3.7.1 Regression Model

The regression equation used in this study was; $Y = a + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$.

Whereby, Y = Use of accountancy services

X_1 = Manager Knowledge

X_2 = Competence

X_3 = Growth in Size

X_4 = Trust in professional accountant

a = the constant

$\beta_1...n$ = regression coefficient

ε = error term

Utilization of accounting services is the dependent variable. Four independent variables have been used to achieve research objectives. They are derived from those used by Kamyabi and Devi (2011) in their study. In order to measure the use of accounting services, measurement developed by Gooderham et al. (2004) was used. Respondents were asked to indicate to what extent they utilize an accounting service relating to each item using a 6-point Likert type. Not at all was represented by 1 while point 6 represented very large degree. Four independent variables were used in this study.

To measure manager knowledge, five questions were asked. Each point had a 5point Likert scale from 1-no knowledge to 5-extensive knowledge. The higher the mean scores, the higher the managers' knowledge.

Technical competence was measured by asking respondents four questions. They specified the extent to which they perceived external accountant to be technically competent in provision of accounting services. Each question had a 5 point Likert scale where 1-not aware to5- extremely aware. The higher the mean score, the higher is the accountant's competence.

To measure trust in professional accountant, respondents were asked four questions indicating extent of their trust. Measurement was done using a 5 point Likert scale. A high mean score depicted high level of trust in professional accountant by manager.

Growth in size of investment groups was measured by determining increase in number of members, increment of savings and assets. 5 point Likert scale was used. The higher the mean scores, the higher the growth of the firm in size.

The regression coefficients $\beta_1...n$ indicates whether the determinants and use of accounting services have a positive or negative relationship. Significance of the factors was evaluated using p values. P values of less than 0.05 implied that the identified factor had influence on use of accounting services. Data was presented using pie charts and tables.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

Data analysis results of collected data as well as interpretation and discussion of findings are presented in this chapter. This study investigates the determinants influencing the use of accounting services by investment groups in Kajiado County. The received sample became a representation of the study's results and findings. Data analysis was done using descriptive statistics and regression analysis. Tables and pie charts were used to present results.

4.2 Response Rate

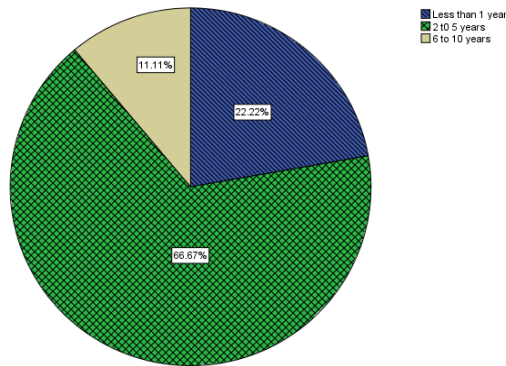
Questionnaires issued out to registered cooperative societies that were active in Kajiado County were 46. A total of 45 questionnaires were completed and received representing a response rate of 97.8%. According to Babbie (2004), maximizing the response rate is important and 50% or more is generally considered an acceptable response rate. The response rate of 97.8% sufficient for analysis since it is greater than 50%.

4.3 Descriptive Statistics

4.3.1 Group Years of Existence

The study sought to establish the number of years that the group has been in existence since registration. The findings were presented in figure 1.

Figure 4.1: How long the group has been in existence



Source: Research Findings

The figure 1 above shows that 66.7% of the groups that were involved in the study have been in existence for 2 to 5 years. 22.2% of the groups had been in existence for less than 1 year while only 11.1% had been in existence for more than 6 years. The findings imply that most of the groups are still young from the time they were registered. This may have an implication on the use of accounting services since it may differ depending on the age of the group.

4.3.2 Number of members in the saving group

The study sought to find out the number of members so as to determine the size of the groups sampled.

Table 4.1: Number of members saving in the group

	Frequency	Percent
Valid		
11-50 members	30	66.7
over 50 members	15	33.3
Total	45	100.0

Source: Research Findings

Table 1 above shows that 66.7% of the groups sampled indicate that they had membership of 11 to 50 members. Only 33.3% of the respondents came from groups with more than 50 members. These findings imply that most of the groups are small in size. This may have an implication on the use of accounting services since it may differ depending on the size of the group.

4.3.3 Manager Highest Level of Education

Respondents highest level of education was sought by the study. According to the findings presented in the table below, generally managers involved in the study had higher than basic education. 55.6% had their highest level of education as secondary education, while 33.3% had gone up to university level. Only 11.1% of the managers had gone into other tertiary institutions for further studies after secondary school education. The findings show that few managers had gone beyond secondary level in their education. This information is important as it indicates whether use of accounting services is influenced by the manager's level of education.

Table 4.2: Highest level of education

		Frequency	Percent
Valid	Secondary	25	55.6
	Tertiary	5	11.1
	University	15	33.3
	Total	45	100.0

Source: Research Findings

4.3.4 Managers Knowledge on Accounting Services

This section sought to check the knowledge of the managers in regard to the accounting services offered by professionals. To determine this, the respondents were directed to use a Likert scale of 1-5point and indicate the extent they agree with the statements.

Table 4.3: Managers Knowledge on Accounting Services

	Mean	Std. Deviation	Minimum	Maximum
Conversant with business management practice	4.22	.420	4	5
Conversant with financial accounting techniques and book keeping	3.89	.885	2	5
Conversant with tax computations, calculations and returns	3.33	1.168	2	5
Conversant with computer packages	3.89	1.210	2	5
Conversant with computer accounting applications	3.78	1.146	2	5

Source: Research Findings

According to the table above, business management practice had a mean of 4.22 and a standard deviation of 0.422. This means all of the managers interviewed agreed that they were conversant with business management practices. The standard deviation was also very low meaning that most responses were similar and the deviation from the mean was very minimal. Financial accounting techniques and book keeping had a mean of 3.89 and a standard deviation of 0.885, Computer packages had a mean of 3.89 and a standard deviation of 1.210, tax computations, calculations and returns had a mean of 3.33 and a

standard deviation of 1.168 and those conversant with computer accounting application scored a mean of 3.78 and a standard deviation of 1.148. These responses here were quite spread owing to the fact that the standard deviations a quite high. It is however clear from the means that most of the respondents are conversant with almost all of the accounting services. This is shown by the fact that the figures tend to skew towards the higher side of the Likert scale which tends to agree with the statements in question. However, most of the mangers were not conversant with tax computations. This information is important as it indicates whether manager’s knowledge on accounting services has an influence on use of accounting services.

4.3.5 Competence

This section assessed the degree to which respondent perceived the accountant to have technical competence in accounting services.

Table 4.4: Accountant competence

	Mean	Std. Deviation	Minimum	Maximum
The accountant has industry wide knowledge	4.00	1.430	1	5
The accountant understands our group in depth	4.22	1.241	1	5
The accountant has expertise in internal control	4.33	1.261	1	5
The accountant has relevant qualification and expertise	4.44	1.271	1	5

Source: Research Findings

The respondents showed satisfaction with the competences of accountants as shown in table above where the means are above 4. The values are not so spread out away from the mean with recordings of 1.430 for industry wide knowledge, 1.241 for understanding of the group in depth, 1.261 for expertise in internal control and 1.271 for relevant qualification and expertise. Other areas that respondents felt that the accountants were competent included; Analysis of savings and interests, financial control, marketing, research, training, and investment. This information is important as it indicates whether manager's perception regarding competence of accountants has an influence on use of accounting services.

4.3.6 Trust in Professional Accountants

The section sought to assess the level of trust by managers in accountants to act honestly while they discharge their duties. A 5 point Likert scale was also used from strongly disagree which was presented by 1 to strongly agree presented by 5.

Table 4.5: Trust in Professional Accountants

	Mean	Std. Deviation	Minimum	Maximum
Group has experienced an increase in members over last 3 years	3.67	.953	2	5
Group has experienced an increase in savings over last 3 years	4.11	.573	3	5
Group has experienced an increase in assets over last 3 years	4.33	.674	3	5

Source: Research Findings

The managers generally are in agreement that the professional accountants will treat the group fairly and they will charge fairly for services offered to them. This is supported by a mean of 4.11 as shown in Table 4.5. The standard deviation of 1.005 shows some spread in the responses but not so far away from the mean. We can therefore conclude that there is confidence in the services offered and the way they are offered to the group by professional accountants. Confidence in information shared scored 4.33 in the mean and 0.674 standard deviation, while confidence in accurate performance of duties; mean of 4.22 and standard deviation of 0.636 and finally if the relationship between the firm manager and the accountant is based on trust had a score of 4.44 as mean and 0.693 as standard deviation.

In addition to these, the respondents suggested that communication and frequent dialogue, transparency, education and training, team building, fair job appraisal and remuneration could enhance the trust between the managers of the groups and professional accountants. This information is important as it indicates whether manager's level of trust in professional accountants has an influence on use of accounting services.

4.3.7 Growth in Size of Investment Group

The study sought to assess the growth in size of the groups in question. This was done by checking if the group had experienced increase in membership, savings and or assets in the past 3 years.

Table 4.6: Growth in size of group

	Mean	Std. Deviation	Minimum	Maximum
Group has experienced an increase in members over last 3 years	3.67	.953	2	5
Group has experienced an increase in savings over last 3 years	4.11	.573	3	5
Group has experienced an increase in assets over last 3 years	4.33	.674	3	5

Source: Research Findings

All the values for growth of groups in terms of membership were quite spread out through the responses which shows that some of the groups had increased membership while others did not. This is shown by a mean of 3.67 and a standard deviation of 0.953. Most of the groups however recorded growth in savings and assets though some were neutral on the issue. The means for increase in savings and assets showed 4.11 and 4.33 respectively, showing some skewness to positive growth. This information is important as it indicates whether growth of group in terms of size influences use of accounting services.

4.3.8 Use of Accounting Services

This section looks at the degree in utilization of accounting services by investment groups in Kajiado County.

Table 4.7: Degree of utilization of accounting services

	Mean	Std. Deviation	Minimum	Maximum
To what extent have you used book keeping services	3.56	.693	3	5
To what extent have you used financial accounting services	3.67	.826	3	5
To what extent have you used Auditing services	3.33	1.066	1	5
To what extent have you used Taxation services	3.00	1.508	1	5
To what extent have you used management consulting services	2.44	1.271	1	5

Source: Research Findings

According to the table above, means of 3.56, 3.57 and 3.33 for book keeping services, financial account services and auditing services respectively are quite high and tend towards the upper side of the Likert scale. This implies that most of the groups have used these services moderately to great extent. The standard deviations also show that the responses are not very much spread out. Taxation services and management consulting services scored means of 3.00 and 2.44 respectively which tend to be on the lower scale of the Likert. The groups thus used these services moderately to a very small extent. The findings imply that accounting services were used moderately by investment savings groups.

4.4Regression Analysis

The study used a multivariate regression to establish whether the use of accounting services had a relationship with knowledge, competence of accountants, trust between the accountants and group managers and the growth in size of the groups. The significance of the factors was evaluated using p values. P values of less than the conventional value of 0.05 implied that the identified factor influences the use of accounting services.

Table 4.8: Coefficients

Coefficients a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-.178	.237		-.752	.456
Manager knowledge	.178	.059	.314	3.031	.004
Competence	-.087	.040	-.219	-2.157	.037
Trust in professional accountants	.347	.049	.695	7.039	.000
Size growth	.242	.054	.459	4.466	.000

a. Dependent Variable: Use of Accounting services

Source: Research Findings

The study tested for significance of regression coefficients at $\alpha=0.05$. Significance occurs at p-values less than 0.05. p values of less than 0.05 implied that the identified factor influences the use of accounting services. From the table above, the study shows that the independent variables are statistically significant hence there was a significant relationship between use of accounting services and manager Knowledge ($p=0.04 < 0.05$), Competence ($p=0.037 < 0.05$), Trust in professional accountants ($p=0.000 < 0.05$) and growth in size ($p=0.000 < 0.05$). Hence it is concluded that use of accounting services is positively related to manager knowledge, competence of accountants, trust in professional accountants and growth in size of the group.

4.5 Regression Analysis and Hypotheses Testing

Table 4.9: Analytical Model

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.873 ^a	.763	.739	.257

a. Predictors: (Constant), Manager knowledge, Competence, Trust in professional accountants, Size growth

Source: Research Findings

Using the table above, the regression model summary indicates variation in predictor variables for 76.3 % variation in the use of accounting services (R Square = 0.763). It is observed that goodness of fit for the regression between independent variables and use of accounting services is satisfactory. The remaining 26.7% variation in the use of accounting services is as a result of other factors not considered in the model.

Table 4.10: ANOVA

ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	8.476	4	2.119	32.160	.000 ^a
Residual	2.635	40	.066		
Total	11.111	44			

Source: Research Findings

So as to estimate significance of regression model, ANOVA was used from which an f-significance value of $p=0.000$ was established. This indicated that the overall model was significant since the reported probability was less than the conventional probability of 5%

significance level. Thus using the findings in this study it can be concluded that manager knowledge, competence of accountants, trust in professional accountants and growth in size of group influence the use of accounting services by saving groups.

4.6 Discussion of Research Findings

The RBV theory argues that internal and external growth of a firm will depend on how it employs resources. The resources available are physical assets that are tangible and intellectual assets that are intangible. For a firm to grow, expert knowledge must be obtained and utilized. RBV theory helps us understand the potential role of accountants as intellectual assets in helping the firm to achieve its competitive advantage (Hafeez et al., 2007). This theory postulates that managers must understand importance of competence as a valuable resource to improve performance of the firm. Thus firms can get the competence they need by relying on professional accountants. In their study, Kamyabi and Devi (2011) concluded that owner/manager knowledge and technical competence had had a positive influence on utilization of external accounting services. This study has established that different investment groups have mostly used accounting services such as book keeping, financial accounting and auditing services.

These groups have also been able to expand in terms of assets, savings and membership. Most of the managers had general business management knowledge but majority were not competent in book keeping and preparing financial statements. This inadequacy has enabled the groups to source for the services of accountants for them to achieve competitive advantage. RBV theory states that smaller firms will seek accounting services as it expands its market.

The findings indicate that the majority of the groups had less than 50 members thus resulting to moderate use of accounting services. Prahalad and Ahmed (1990) stated that if a firm has limited firm resources, reliance on external expertise will increase so that it is able to overcome its weaknesses and gain competitive advantage. Gooderham et al.,(2004) concur that most small firms will supplement their internal resources that they do not have at their disposal by outsourcing professional services since that have qualified personnel. Everaert et al., (2010) used TCE theory and noted that outsourcing of accounting services is influenced by frequency of activities. Thus this study finds that there is moderate utilization of accounting services since there is minimal need of the services by investment groups.

In agency theory, Jensen (1976) indicates that trust between agent and principal is necessary for them to have a good relationship. Professional accountant is said to be the agent since they act on behalf of the manager who is the principal. TCE theory states that trust is developed between the two parties to minimize transaction and opportunity costs. In this study, findings indicate that the respondents believed that accountants had the necessary qualifications and experience. Also, they are believed to be knowledgeable about the industry the groups operate in and internal controls. Thus respondents had trust on professional accountants therefore utilizing accounting services.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study investigated the determinants influencing use of accounting services by investment groups in Kajiado County. A summary of the discussions, conclusion and recommendations drawn after analyzing the data collected is presented.

5.2 Summary of Findings

This study investigated whether determinants such as manager knowledge, competence of accountants, trust in professional accountants and growth in size of group would influence use of accounting services by saving groups in Kajiado County. A sample population of 45 groups was drawn and data collected from them was analyzed. The findings are summarized for each objective. In determining whether manager knowledge had an effect on use of accounting services, this study found out that 55.6% of the respondents interviewed had secondary education while those with tertiary and university were 11.1% and 33.3%. Thus few had gone beyond the secondary level of education. Most managers were conversant with business management practice with a mean of 4.22. Managers conversant with financial accounting techniques and knowledge on basic computer packages had a mean of 3.89 each. Very few managers were conversant with accounting applications at a mean of 3.78 and tax computations at a mean of 3.33.

Another objective of the study was to find out if accountant's competence had an effect on use of accounting services. The study findings indicated that majority of the manager's perceived accountant to have the relevant qualification and expertise. The

accountants were also said to have industry wide knowledge and understand the groups in depth. They all had a mean of 4. The third objective was to determine whether manager's trust in professional accountants influenced utilization of accounting services. The findings indicated that managers believed that they will be correctly charged for the services rendered, information will be confidential between them, accountants will perform their duties accurately and that their relationship will be based on trust. It was concluded that managers trusted that accountants would act truthfully in discharging their duties which is shown by a mean of 4.

Lastly, the study undertook to determine whether size of a group had influence on accounting services utilization. The findings concluded that 66.7% of the groups sampled indicate that they had membership of 11 to 50 members. It was further noted that the groups had assets, savings and membership increasing in that order over the last three years. The study findings indicated that significant relationship existed between use of accounting services and manager Knowledge, Competence, Trust in professional accountants and growth in size. Managers in the saving groups sampled utilized accounting services to a moderate extent. The regression model used in the study shows that the variation in independent variables combined accounts for 76.3 % variation in the use of accounting services.

5.3 Conclusion

The findings indicate that most managers had not gone beyond the secondary level in their education. This could have also led to the fact that few managers were conversant with financial accounting techniques, basic computer packages tax computation and use

of accounting application. The managers sampled believed that the accountants were qualified and had necessary experience. It was also perceived that they would correctly charge for their services, be confidential and act honestly while discharging their duties it was therefore concluded that managers had high trust in accountants.

The sampled groups had membership of less than fifty; this may have contributed to the moderate utilization of accounting services. It was therefore concluded that utilization of accounting services by investment saving group was moderate. In addition, managers' knowledge, accountant's competence, trusts in accountants and growth in size had a positive and significant relationship with use of accounting services. Therefore this study corroborates previous study by Kamyabi and Devi (2011).

5.4 Recommendations

Based on the findings of this study the investment groups need to embrace utilization of accounting services. It is important that the group managers undertake basic training in computer packages, financial accounting and book keeping in running the affairs of the society efficiently. The Government through Ministry of Co-operative should sensitize the managers of the groups on importance of utilizing accounting services. They should also make it mandatory that saving groups prepare financial statements and have their books audited. This will ensure that the groups are able to maximize the benefits achieved by utilizing accounting services and that they will make prudent investment decisions.

The accounting firms should ensure that they employ accountants who are qualified and have skills required to carry out their work effectively. The professional accountants should be trusted since they act on behalf of their principal. These firms should ensure that they are easily available and that their services are affordable.

5.5 Limitations of the Study

This study was undertaken in Kajiado County, Kenya and focused on registered investment groups only. Findings may differ if unregistered investment groups are included and also the geographic scope expanded. This study should have investigated whether use of accounting services had effect on performance of investment groups.

Quantitative methods of research were used in this study. Use of qualitative methods may also be used in assisting to understand use of accounting services by saving groups.

Data collection was on a restrict sample size of 46 registered investment groups. In future this size can be increased by including unregistered groups and other forms of saving groups.

5.6 Suggestions for Further Research

The study was on registered saving groups in Kajiado County. Studies can be conducted in other counties and also include unregistered groups. The study focused on the perspective of the managers of the groups. A different perspective can be obtained by seeking the views of policy makers in Ministry of Co-operative and professional accountants. Other than focusing on saving groups only, other sectors can be also reviewed especially the informal sector. Lastly a study on the relationship between use of accounting services and performance can be conducted.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER



UNIVERSITY OF NAIROBI SCHOOL OF BUSINESS MBA PROGRAMME

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE... 21.10.2015.

TO WHOM IT MAY CONCERN

The bearer of this letter ... RUIRE.....PURIT.....AJERI.....

Registration No... D.O. 10.91.501.2013.....

is a bona fide continuing student in the Master of Business Administration (MBA) degree program in this University.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate your assistance to enable him/her collect data in your organization.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

**PATRICK NYABUTO
MBA ADMINISTRATOR
SCHOOL OF BUSINESS**



APPENDIX II: Questionnaire

This questionnaire will assess the determinants influencing use of accounting services by investment groups in Kajiado County.

SECTION A: Group Characteristics

1. How long has your investment group been in existence? (Tick appropriately)

- a. Less than 1 year
- b. 2 to 5 years
- c. 6 to 10 years
- d. Over 10 years

2. How many members are there in this saving group?

- a. 11 to 50 members
- b. Over 50 members

Section B: Manager Knowledge

3. What is your Highest Level of education? (Tick appropriately)

- a. Primary
- b. Secondary
- c. Tertiary
- d. University

4. In relation to your everyday experience of management, rate the following by ticking the most appropriate response choice to the statement made in the table below;

Where 5=strongly agree; 4=Agree; 3=Neutral; 2=Disagree and 1=strongly disagree.

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	2	3	4	5
I am conversant with general business management practice.					
I am conversant with financial accounting techniques and book keeping matters.					
I am conversant with tax computations, calculations and submission of returns.					
I am conversant with computer packages(word, excel and internet).					
I am conversant with computer accounting applications.					

In what other areas have you acquired training (explain).....

.....

.....

SECTION C: Competence

5. This Section assesses the degree to which respondents perceive the accountant as a technical competent source of accounting services. Please tick in the box which best describes your agreement or disagreement on each of the following statements.

Statement	Not Aware	Slightly Aware	Somewhat Aware	Moderately Aware	Extremely Aware
	1	2	3	4	5
The accountant has industry wide knowledge.					
The accountant understands our group in depth.					
The accountant has expertise in internal control.					
The accountant has relevant qualification and experience.					

What other areas do you perceive the accountant have competence?

.....

.....

SECTION D: Trust in Professional Accountants

6. This Section will assess the level of trust by managers in accountants to act honestly while they discharge their duties. Please tick where appropriate.

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	2	3	4	5
The firm owner/manager has confidence that the professional accountant will treat us fairly by correctly charging for the performed duties					
The firm owner/manager has confidence that the professional accountant will inform us correctly					
The firm owner/manager has confidence that the professional accountant will accurately perform their duties.					
The relationship between the firm owner-manager and the professional accountant is based on trust					

Suggest what can be done to encourage trust between the two parties.

.....

SCTION E: Size Growth

7. This Section will assess the growth in size of the group. Please tick where appropriate.

Statement	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	2	3	4	5
This group has experienced an increase in members over the last three years					
This group has experienced an increase in savings over the last three years					
This group has experienced an increase in assets over the last three years					

SECTION F: Use of Accounting Services

8. This Section will assess the degree in utilization of accounting services by investment groups. Please tick where appropriate.

Statement	Not at all	Very Small extent	Moderate extent	Great extent	Very great extent
	1	2	3	4	5
To what extent have you used book keeping services over the last three years?					
To what extent have you used financial accounting services over the last three years?					
To what extent have you used auditing services over the last three years?					
To what extent have you used taxation services over the last three years?					
To what extent have you used management consulting services over the last three years?					

APPENDIX II: List of respondents

S/NO.	NAME OF INVESTMENT GROUP	S/NO	NAME OF INVESTMENT GROUP
1.	Ngong Butchers CS	76.	Kibiko Women Housing CS
2.	Keekonyokie FCS	77.	Nyangusu Housing CS
3.	Oloolaiser FCS	78.	Monnacy Housing CS
4.	Magadi SACCO	79.	MunyuaMbugu Housing CS
5.	Maris SACCO	80.	Rifowa Housing CS
6.	Prime junior SACCO	81.	Richford SACCO
7.	WakajiadoTegemeao	82.	Acumen Housing CS
8.	Lemelepo Fcs	83.	Maris Housing CS
9.	Acumen SACCO	84.	Martuk Multipurpose CS
10.	Martuk SACCO	85.	Gichega Housing CS
11.	Ngong Travellers SACCO	86.	Kilom Housing CS
12.	Agape Community SACCO	87.	Matengenezo SACCO
13.	Serian SACCO	88.	VIMEP Housing CS
14.	Nkikan SACCO	89.	Isra faith SACCO
15.	Matumaini PEFA SACCO	90.	Mosica Housing CS
16.	Rongao SACCO	91.	Mayo SACCO
17.	Jitihada Africa	92.	NWA Housing CS
18.	Luminous SACCO	93.	Kajiado Multi-transporters SACCO
19.	Across county SACCO	94.	Nikama SACCO
20.	Greats Housing	95.	Kareholo SACCO
21.	Kajiado Upendo	96.	Kiserian Unity
22.	Nefeso SACCO	97.	Picred
23.	Ngong Bodaboda SACCO	98.	2k2N SACCO
24.	Mintokiina housing	99.	Nasaru SACCO
25.	MintoKiina	100.	Jisida
26.	Ngong riders SACCO	101.	Nyikwaoliech
27.	Double Five	102.	Emerald Housing
28.	Ngong Market	103.	Banamirebe Housing
29.	KwareMkt SACCO	104.	Zayuni SACCO
30.	Anagkazo	105.	Shikamana
31.	Vision Believers	106.	Shikama SACCO
32.	Everything Rabbits	107.	Progress ventures Housing
33.	OngataRongaiMuungano	108.	Greatland Housing
34.	Generation Sixty Housing	109.	Great Eastern SACCO
35.	OngataRongaai	110.	Kenya land SACCO
36.	Msafara	111.	Upu Alumni
37.	Vine	112.	Kenland Winners

38.	Oololaiser Dairy	113.	Romao
39.	MTM SACCO	114.	Akili SACCO
40.	Aromats SACCO	115.	Evolution
41.	Oololua SACCO	116.	Efatha Ministry
42.	BulBodaBoda	117.	Oololaiser
43.	Kiserian Market	118.	MugimaUstawi
44.	Ngong Tired	119.	Rununu
45.	Kajiado Matatu Transporters	120.	Sue Wesley
46.	World Restoration Jawbone	121.	Ngong Uwezo
47.	Serian SACCO	122.	OngataRongai Open Air Market
48.	Ngong Coffee Growers CS	123.	Bestine
49.	Ngong Savings SACCO	124.	Rimpata
50.	RongaiKwale S.S.BA	125.	Shine Star Vision SACCO
51.	Kiserian CS	126.	Shine Vision
52.	Faith Love Sacco	127.	Sacred Group
53.	NMOA SACCO	128.	Alternative Women
54.	Laro SACCO	129.	Sigs SACCO
55.	NRDF SACCO	130.	Ongatarongai one Sacco
56.	Magadi Multipurpose CS	131.	Deca Premium
57.	Magadi Housing CS	132.	Vet Bodaboda SACCO
58.	Harmony SACCO	133.	Ark Group
59.	MUFA Marketing	134.	Great Friends
60.	Magadi Travellers SACCO	135.	Great Captains
61.	Bridging SACCO	136.	M-Asca
62.	Mifugo SACCO	137.	Soaring Eagles
63.	Porecsacco	138.	Eagle Capital
64.	Macwan SACCO	139.	Digital Travellers
65.	Hadassa Housing CS	140.	Astrabel
66.	Abame SACCO	141.	Shumata
67.	Kajiado North T. SACCO	142.	Boma Riders
68.	Ngokana SACCO	143.	Kiserian M/bike
69.	Ronaki SACCO	144.	Lower Kandisi
70.	Agano La Wateule SACCO	145.	Joskamafundi
71.	Ngong Muslim SACCO	146.	Thamp
72.	Nkoroi SACCO	147.	Pcea-kiserian
73.	Nangkis SACCO	148.	Help Kenya
74.	Hekima SACCO	149.	Mombo