

**FACTORS AFFECTING THE GROWTH OF TEA SACCOS IN
KENYA**

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DECLARATION

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DEDICATION

This work is dedicated to my family who gave me invaluable moral support throughout the period. It is also dedicated to my parents, who taught me that even the largest task can be accomplished if it is done one step at a time.

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ABBREVIATIONS

ATM	Automated Teller Machines
CBD:	Central Business District
CO-OP:	Co-operative
COSO	Committee of Sponsoring Organisations of the Tread way Commission
ERS:	Economic Recovery Strategy
FOSA:	Front office Service Activity
ICA:	International Co-operative Alliance
IT:	Information Technology
KUSCCO:	Kenya Union of Savings and Credit Co-operatives
MFI	Microfinance Institution
SACCO:	Savings and credit co-operative
SASRA:	Sacco Societies Regulatory Authority
TTF	Task Technology Fit
WOCCU:	World Council of Credit Unions

ABSTRACT

Kenyan Sacco sector constitutes a significant proportion of the country's savings and this has spurred the economy and social development. A Credit union is a co-operative whose main agenda is to collect and pool savings for their members and then provide the members with credit and/or loan facilities (Lari, 2009). It has been established that there are factors that have a great bearing on the growth of Tea SACCOs. The study main objective was to determine the factors that affect the growth of tea SACCOs in Kenya. The specific objectives that guided the study were; determining the effect of internal capital, establishing the effects faced by cooperatives due to competition from other financial institutions such as banks and to establish the effect of managerial abilities of SACCO management personnel. A descriptive research design was incorporated in the study, which mainly describes the current state of affairs. In this study, the population is 34 SACCOs licensed by Sacco Societies Regulatory Authority (SASRA) and that have been in operation in between 2012 and 2016. The study relied on both primary and secondary data as they usually reinforce each other. Primary data, mainly quantitative, which is concerned with the relationship of employee commitment, employee engagement, strategic leadership and firm performance, was collected through questionnaires. Quantitative and qualitative data were collected. In qualitative, questionnaires administered to the employees of Kenya tea SACCOs were used to collect the primary data. Data was analyzed using descriptive statistics and correlation analysis and was presented using tables and bar graphs. Primary data was cleaned and coded before analysis.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

A SACCO is a credit union whose main agenda is collecting and pooling savings for their members and then providing the members with credit and/or loan facilities (Lari, 2009). The SACCO membership is in various cases based on common bond shared by borrowers and savers who tend to belong to different orientations in terms of organization, community or religion. SACCOs pool savings and shares to build their own loan portfolio, without reliance on external capital or funding. The benefits to the members of the SACCO include higher returns on their deposits through interest credited on their accounts and lower rates on loans. It also provides members with much more than financial services, that are they seek to improve the livelihood of members by enabling them to own homes, fund children education and help in business start-up (WCOCU, 2014).

Co-operatives were started by colonial settlers back in the 1900s. Lumbwa Sacco was registered in the year 1908 as the first society bearing a colonial background. In 1946, Co-operative Societies colonial law was repealed to allow Africans to join co-operatives and to participate in Cash Crop farming. Cooperatives are member owned and member controlled enterprises. Cooperatives lead to the formation of markets for people with the same membership bond. Unity for common purpose becomes the strength through which people, more so low income earners get a means out of economic challenges or powerlessness (Kobia, 2011). The current highly dynamic market trends brought about by globalization and rapidly changing technologies has made the world a virtual global

village. It is imperative that this has created diverse pressures, challenges and opportunities for cooperatives in the developing countries. Kenyan cooperatives require realigning themselves to globally compete effectively in the market. Notably, capitalist institutions like Equity bank and to some extent, the telecommunications firm, Safaricom, are borrowing ideas from the cooperative business model in their target markets and have excelled, edging out their competitors. This goes a long way to demonstrate how complicated the market has become for co-operatives. Upon such background, the study is geared on investigating the various factors that affect the growth of Tea Sacco in Kenya.

The study is anchored on agricultural cooperative marketing theory, agency theory, and theory of internal controls and Task-Technology Fit Theory. Agricultural cooperative marketing theory stipulates that farmers can deal with the strong purchasing powers of the market through cooperatives which then disburse their profits back to their members. On the other hand, agency theory emphasises on incentive versus risks sharing contracts that trade off in nature which aim to align interests of the manager to those of the shareholder. Task-Technology Fit Theory hypothesizes that IT will be utilized if the IT functionality is appropriate to the user tasks. IT helps to boost the growth of the Sacco's operations. Finally, the theory of internal controls stipulates that an efficient internal control is an important tool to organization's management and forms a strong basis that the organization uses for its safe, smooth and efficient operation. The theory addresses the Sacco management as a variable which indicates that there should be clarity and guiding rules to avoid mismanagement of the funds which may lead to poor financial status of the SACCO hence enhancing its growth.

1.1.1 Growth of SACCOs

From an organizational context, growth refers to growing bigger in size of an organisation (Crowsby, 1990). He observed that organizations have to grow, if for none other reason than to be able to cater for the operational expenses for the fiscal year. Inflation increases cost of operations of the societies. Crowsby added that as employee gains seniority in an organisation, salaries expenditures and benefits usually goes up. Thus, cost eliminations plus profit margin improvement must be continuous and the cooperatives funds must continually rise for growth to be realised. Therefore, cooperative growth is essential in order to meet the problems the competitors pose in the industry.

Profitability is a major indicator of growth. Eijelly (2004) defines profitability as the potential of a venture to be financially successful although it may be found that one factor or a set of factors are not successful, abandoning the venture may not be optimal solution. Financial ratios which use data from firm's audited accounts and certain market data are often used when using financial performance of a firm.

Myers (2012) ascertains that a negative relationship between borrowings and sales or income in that, successful companies do not need to depend so much on external funding but rather rely on their retained earnings accumulated from past profits. It's expected that most members will join SACCOs which have been profitable due to their going concern basis. In the contrary, Tong & Ning (2012) found out that there was limited evidence to prove that there was a positive relationship between profitability and institutional ownership, that is, it is not guaranteed that investors prefer investing in more profitable firms.

Joetta (2011) studied why ROE is used as a tool to measure growth and profits

generated by the firm's equity. ROE is an indicator of the efficiency of the firm to generate profit from equity. Jensen investment paper 2008 highlights that ROE is a useful measurement tool to measure profit generating efficiency. Return on Equity arrived at by dividing the company net income after tax over shareholder equity. Return on Equity comprises of retained earnings from the previous financial period. It informs the investors on how efficiently the capital is reinvested.

1.1.2 Factors Affecting Growth of SACCOs

An organizational growth is usually determined through the output an organization gets and is measured against its goals and objectives. The growth of Saccos is affected by the factors discussed below.

Cole (2010) argues that management refers to activities that include organising, motivating, planning and controlling. Cooperative societies enhance its growth through well trained management who understand their role effectively. The problem comes up when the people elected by the members are not qualified to properly manage the resources handed to them and thus end up running down the societies, especially the Sacco funds (Mudibo 2009). Most of the cooperatives problems or challenges mainly arise from poor management and governance. Kinicki & Williams (2008), states that leadership development happens primarily on the job. According to Pearce II et al (2007), future leaders can only be equipped with required skills through education and leadership development. This will enable leaders to be global managers and collaborators if the business has a going concern.

Competition and innovation also affects the growth of SACCOs. Competition is the firm's capacity to increase and maintains its industry share for the goods it offers. Saccos

usually compete with other players in the industry. Banks and micro-finance institutions have become stiff competitors offering similar savings services to employees (Mudibo, 2009). Hence, competition results in superior or unique products to attract and gain more savings. As a result of this, banks give unsecured loans while as cooperative societies have enhanced their lending by old loans refinancing and coming up with new types of loans on furniture (household) and equipment (business and household). This has led to new financial products and has also provided new opportunities to its members to hence improving living standards (Mudibo, 2009). Innovation is considered to be anything that is new to a business (Hine & Kapeleris, 2006).

Member income level is also another factor that affects the Sacco growth. Income is defined as the money or funds that a person is paid, on a monthly or annual method, gained from an investment that the person owns or from offering a service to an organisation or individual. Asharaf and Gons (2009), argues that savings is primarily about making a choice between today's and future consumption. High income levels of the members results in higher contribution hence enhancing the growth of SACCOs.

Business organizations of today have integrated the use of technology to increase efficiency and effectiveness. Information technology also improves society's performance, customer service and boosts its competitiveness. This also leads to Co-operative sector enhanced growth and survival. It is recommendable that credit unions should employ qualified staffs equipped with information technology skills. This will improve Sacco management, storage and retrieval of Sacco documents (Manyara, 2003).

1.1.3 Tea SACCOs in Kenya

Tea SACCOs are tea based rural SACCOs formed mainly by tea growers and its main functions are to keep member's savings in terms of deposit, savings or shares accounts. We have 34 Tea SACCOs in Kenya. Over the years, the net assets growth of tea SACCOs has been on the decline, its loan portfolio being poor and high default rates being experienced. High transaction costs hindered the Kenyan Tea Saccos from their financial sustainability and prevent them from reaching their full potential in outreach (SASRA, 2016).

Tea SACCOs in Kenya require to employ qualified, trained and competent staffs who understand their roles effectively. These staffs will facilitate and enhance the already achieved growth. Management of cooperatives are elected by members for a specific term. The main challenge is that committee elected may not be qualified and may not possess skills from different career specialization. This will limit the ideas brought to the organization. The management committee elected may not be good managers and may end up mismanaging the society's resources (Mudibo, 2009).

The entrance of NGO, Micro-Finance Institutions and commercial banks pose a threat to the growth of Tea SACCOs in both the rural areas and the agricultural sector. Tea Saccos are required to differentiate their products and become innovative in order to ensure continuity of their business. In a bid to remain competitive, Tea SACCOs in Kenya have to align themselves to serve a wider range of clients.

1.2 Research Problem

Saving has been a challenge to a lot of people since time in memorial. Tea farmers have not been spared and yet they belong to a sector that makes considerably good sums of money out of their tea proceeds. Selhausen (2011) stated the tea business is a thriving industry in Kenya considering that the Kenyan tea has a huge market in Europe, Asia and some parts of Africa especially Egypt, this shows that the Tea sector is performing well and making profits hence paying the members well and availing loans to them. Sizya (2011) concluded that SACCOs been established to rescue the problem of poverty, therefore there was a different study according to (Chahayo, 2013) that there's no enough capital in the Kenyan SACCOS that SACCOS do not have enough funds to enable them meet their members requirements therefore their credit needs are not met hence discouraging the members ,also inadequate capital compromises the members ability to pay loans ,also unable to recruit competent employees leading to loss of members share value (Mvula, 2013).

The sector has limited marketing structures, low levels of income, a weak capital base and leadership capacity, and poor management. Due to this, performance has gradually declined and thus many cannot compete effectively. Mudibo (2005) stated that the cooperative societies are mainly used for wealth creation among its SACCO making the member at the tea SACCOS to take small loans at very low interests and also improve the financial performance of the SACCOS ,on a different scenario, Sinani (2007) argued that the developments in the sector found ,that the land buying cooperatives are allegedly defrauding their members nearly all the cotton cooperatives have collapsed and many credit unions have and are experiencing problems arising from favouritism in approval of

loans, making the firms have low income due to poor performance the SACCOs and also poor management hence affecting negatively the growth of tea SACCOS in Kenya (Jones, 2007).

Byrne, Power, McCarthy & Ward (2010), in their study on the potential of credit unionism providing their members with financial capability, concluded that credit unions engage in educating the community financially, but most are low-commitment activities. Few credit unions have come up with innovative schemes targeted at their members. Contrary Smith & Woodbury (2010) carried out a research on withstanding a financial storm: banks vs. credit unions, they concluded that credit unions were more immune than banks on business and economic cycles the credit union lending grows gradually with cyclical unemployment. On different studies (Maina, 2008) argued that Credit unions are more restrained that the SACCOs have not been adequately responsive to the changing external environment hence affecting its growth and making the SACCOS not to perform well according to the expectations of the members.

This study investigates the factors affecting the growth of Tea SACCOS in Kenya, the research question that the study seeks to answer is, what are the factors affecting the growth of Tea SACCOS in Kenya?

1.3 Research Objectives

These include both the general and specific objectives. The general objective of the study will be an in-depth assessment of the factors that are affecting the growth of Tea SACCOs in Kenya.

The specific objectives include:

- i. To examine effect of internal capital on growth of Tea SACCOs in Kenya.
- ii. To evaluate how competition from commercial banks and other financial institutions affects the growth of Tea SACCOs in Kenya.
- iii. To evaluate the effect of managerial abilities on growth of Tea SACCOs in Kenya.

1.4 Value of the Study

The findings of the study will be important to many institutions since the societies will have a bigger role to play as the country struggles to turn around the economy. The study will be beneficial to the management of Tea SACCOs that will utilize the findings to understand the factors that affect growth of SACCOs within the sector in Kenya. It will also help highlight the areas management should dwell on in order to gain competitive advantages. The SACCO members also, will use the report to understand SACCO's abnormalities and changes.

The research will also provide a guide to the members regarding election of board members who will help the society in achieving its mission in future. Other organisations will also use the report findings as a strategic guideline in understanding their role in the development of such societies. The Government through the Commissioner will have an interest in the report for policy making decisions and improving the regulations of societies. The report findings can also be utilized by researchers for reference purposes in future.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The researcher will review appropriate literatures relevant to the objectives of the study. Practical problems and other important issues will be raised, scrutinised, so as to come up with a good account of the existing facts. The chapter is very important because it determine the information that links the current study with past studies. It also outlines what future studies will require in order to explore, regarding improving and increasing knowledge. Any empirical gaps in the literature will also be discussed for the sole purpose of highlighting future areas that need further studies.

2.2 Theories of SACCO Growth

The following are theories that explain the growth of SACCO's.

2.2.1 Agricultural Cooperative Marketing Theory

As indicated by Cotterill (1996), credit unions can act as competitive yardsticks for clients in duopolistic consumer markets. This thus presents these cooperatives as one of the few options available for farming entrepreneurs have to survive the current global agricultural market. Performing vertical integration is the most crucial function of agricultural cooperatives. With a mind to reduce the margin between farm and retail prices, agricultural cooperatives harmonize transactions and by extension reduce the running costs. To accomplish vertical integration, this joint effort is necessary due to the disparities in the minimum efficient scale of operation.

Sexton (1995) purported farmers can deal with the strong purchasing powers of the market through cooperatives which then disburse their profits back to their members. Cooperatives thus can be looked at as a crucial part of the agricultural economic organization which helps farmers operate better by collective action.

Rogers and Petraglia (1999) claimed that credit unions can be seen as pro-competitive market instruments from a public policy view. Members individually determine their production decisions, thus whenever there is an increase in retail prices they also increase their production. Agricultural Cooperative Marketing Theory is crucially to the study since it suggests the importance of having SACCOs disburse their profits back to their members as a way of encouraging membership growth and capital base.

2.2.2 Agency Theory

Agency relationships as per Royer (1999), starts when an agency acts on behalf of the principal. A manager may not be the best to represent the interests of the shareholder, thus principal-agent problems start emerging. Agency relationship terms are determined by the contracts, in which clauses that bind the manager to act in the shareholder's interests exist. Royer, (1999) continues to highlight that agency theory main focus is on incentive problems measurement.

According to Sykuta & Chaddad (1999), agency theory in its application focuses on incentive versus risks sharing contracts that trade off in nature which aim to align interests of the manager to those of the shareholder. The main challenge is finding the right ownership and capital structures of lowering agency costs. The most likely cause of member dissatisfaction in cooperatives is principal-agent problems. Cooperatives

experience greater problems due to the lack of clearly outlined profit goals, the transitive nature of ownership and they also lack capital market discipline. Cooperatives have no market for their equity hence less drive and need by members to continually monitor managers actions, thus greater principal-agent problems. Agency theory relates to the present study since it stipulates the importance of SACCOs having a clear mode of leadership and direction.

2.2.3 Task-Technology Fit Theory

As stated by Goodhue & Thompson (1995), the task technology fit basically addresses the suitability of the technology in question and job at hand. This model hypothesizes that IT will be utilized if the IT functionality is appropriate to the user tasks. Rational, knowledgeable users will choose those methods and tools that will aid them in completing the task with the maximum overall benefit. IT that does not offer satisfactory benefits will not be used (Mosoti & Masheka, 2010). Information systems are modeled to assist users carry out tasks more efficiently and competently. SACCOs spend a lot of money on information systems to add value to performance that eventually would translate into society's growth and survival (Wyman, 2012).

IT helps to increase the development of the Sacco's processes. Customers prefer being served efficiently, quickly and sufficiently. Therefore, SACCOs that embrace technology in their daily operations aiming at attaining efficiency usually attract and impress their customers who intern become point of referrals leading to the growth of their customer base hence growth. For efficiency of operations, the IT technology must align itself with the errands that the specific technology is meant to support (Muthui,

2013). Task-Technology Fit Theory relates to the present study through emphasizing the importance of IT in boosting the growth of the Sacco's operations.

2.2.4 Theory of Internal Controls

COSO (1992), defined internal control to be the power exercised by those charged with governance to assure the body's members regarding the achievement of their objectives. The Ruttelman Report (1994) defines internal control as that system established to provide reasonable assurance of operations' effectiveness and efficiency.

An efficient internal control is an important tool to organization's management and forms a strong basis that the organization uses for its safe, smooth and efficient operation. An effective and strong internal control system is essential in ensuring that the organization's goals and objectives are met. It also ensures that long-term targets are achieved, together with maintaining reliable financial and managerial reporting. It also helps ensure that the organization's rules and regulations are adhered to (Barnabas, 2011).

Internal controls are mainly concerned with power of management tools which helps in controlling processes and achieving enterprise goals (COSO, 1992). It's mistake detection and correction system, (Buck & Breuker, 2008). The theory addresses the Sacco management as a variable which indicates that there should be clarity and guiding rules to avoid mismanagement of the funds which may lead to poor financial status of the SACCO hence enhancing its growth. Theory of Internal Controls relates to the present study since it clearly stipulates the effect of managerial abilities of SACCO management personnel.

2.3 Empirical Studies

A study by Mumanyi (2014) in Kenya on the challenges facing SACCOs in Mombasa County indicated that factors hindering the growth of the SACCOs include the high cost of administration, small loans management and high borrowing interest rates so as to lend to members. From the study, it was also noted that the environment under which SACCOs run their operations were inefficient, there were poor infrastructure facilities which led to increased cost of operation, it was also noted that cooperatives faced stiff competition from the banks and Sacco growth was hindered by poor governance, inadequate human resource, weak regulation and inadequate supervision, also that change is important for Sacco growth and it is driven by creative ideas and technology. This study however, failed to look into other categories of challenges facing Tea Saccos in Kenya. These other categories were; financial challenges like loan backlog, legal challenges like the debt to equity ratio that must be adhered to as outlined by the regulator. And economy challenges, the economic situation is so dynamic while the loan interest rates remain constant.

According to Makori, Munene & Muturi (2013), in his study on the challenges facing SACCOs in Gusii region in Kenya, he revealed that high investment in non-earning investments and inadequate managerial competence mainly contributed to failure of the Kenyan SACCOs. Structured questionnaires, interviews and focused discussion were used in the study with selected persons to collect data. The study revealed that managerial flexibility is important especially during harsh economic times, like closing business doors and then reopening when economic conditions improve, investments with high managerial flexibility experience low funds flow and high performance hence high

returns. In relation to this, the study concludes that managerial abilities have a positive impression on financial performance of SACCOs in Kisii County. This study should however be criticized for failing to look into other challenges being faced by Tea Saccos in Kenya like competition from the local commercial banks, the challenge of loan defaulting, the challenge of the volatile interest rates by the regulator and the political situation in the country hence these challenges are major and critical in the Tea Sacco's environment.

Cheruiyot, Kimeli, and Ogendo (2012) researched on the effect of Sacco strategies on members' savings pooling within Nairobi, Kenya. They also researched on the effect of intervening factors (family size, attitude, and income level) on savings mobilization. The study population sample consisted of 30 Sacco's out of 2,500 Saccos inexistence and 180 Sacco members out of 150,000 members in Nairobi area. The samples were selected using simple random sampling. The study found out that training requirement had an average positive influence on savings pooling while investment opportunities and intervening variables (like family size, children in school and income level) had a strong positive influence on 22 saving mobilization. From the findings, it was concluded that members' savings mobilization or pooling were partially affected by Sacco strategies. The study did not link the effect of internal capital and managerial abilities on the growth of Tea SACCOs in Kenya, thus warranting the present study to fill these gaps.

Kinuthia (2007) in his study, he found out that losses reported by SACCOs were attributable to loan defaulting. Loan defaults affect both members' wealth and credit union's growth. He recommended SACCOs to provide members with guidelines on loan policy and credit extension. He also outlined the requirement for incorporation of

SACCOs' information system. Kinuthia also recommended that Ministry of Co-operative Development and Marketing should liaise with Ministry of Immigration and Registration of Persons in order to be able access information on employees who are migrating. He stated that growth of SACCOs is related to reduction in loans default but he couldn't explain how growth of wealth could be achieved. This study, seeks to study the factors affecting the growth of Tea Saccos in Kenya.

Gaita (2007) showed that poor loan disbursement practices inhibit significant growth of the lending institutions. He recommended that financial institutions that lends, should make their products and services readily available, train stakeholders and provide favourable regulatory and legal framework for the institution's growth. Gaita's (2007) in his study, he also showed SACCO failures related to loan disbursement processes. It showed legal framework and stewardship to be imperative for growth and sustainability, but also couldn't show how growth of cooperative wealth would be achieved. The study fell short of explaining that members education and awareness on loan defaulting was critical to lower the rate of defaulting. The study should be criticised for failing to highlight measures to be adopted to discourage loan defaulting like punitive penalties, blacklisting of defaulters and other forms of punishment.

CGAP (2005) in its study recommended that donors needed to invest in building capacity of the SACCO, rather than in injecting funds for lending as this serves only to increase their wealth. The donors should instead encourage same governing policies and maintain high financial standards internally. The study also showed that the donors should support external, independent and competent supervision of SACCOs. Deji (2005) study showed how SACCOs can drive the development of their members, which are their main

objective. However, it never showed the direct role of donors to the Sacco, before and after injecting funds. Donors' role and controls are critical in achieving Saccos' growth. It failed to formulate a plan on how donor funds should be used so as to reduce misappropriation.

Mwakajumilo (2011) in his study has stressed the need of members to be trained to equip them with entrepreneurial skills to enable them utilize well loans they receive from SACCOs. For these economic activities to be run properly and deliver enough money to repay back loans entrepreneurial training to members is of paramount importance. It study also reveals that lack of adequate and appropriate managerial skills, lack of business, strategic and succession plan, adequate organizational set up, transparency and operational systems hinders growth of SACCOs. The study, however, specifically failed to explain the method and approach a Sacco can adopt to enlighten the members who are loan consumers, on loan management skills and factors to consider before taking a loan. These factors directly affect future borrowing powers and affinity among members.

Kifle, (2011) in his study explains that SACCO's sustainability requires that they cover all transaction costs (administration costs, loan losses and financial costs) with return on equity and consequently function without low prices being incurred. SACCOs can increase or maintain its flows of benefits or services through internally generated incomes. For them to be able to achieve this, most of SACCOs are charging exorbitant interest rate to members who discourage people from joining SACCOs and also members from applying for large loans for their investments hence hindering its growth. This study failed to show how a Sacco could exploit other potential secondary avenues of generating income to cover for the costs. Such avenues include, engaging in real estate activities and

investing the idle cash to on call deposits. This can save and help lower the cost of operation. The study did not clearly bring out effect of internal capital on the growth of Tea SACCOs in Kenya hence leaving out a gap that this present study will address.

Olando et al (2012), undertook a study to determine the effects of financial expertise as a determinant of growth of credit unions' wealth in Kenya. They used primary data from 44 SACCOs in Meru County in Kenya. They pointed out that maximizing wealth over the years has been the main objective of co-operative societies in Kenya. Sacco's main objective is wealth maximization for any chosen investment avenue. They also found out that the SACCOs' going concern was threatened by lack of sufficient growth of SACCO's wealth, hence could not cater for their operational losses. The society operational losses are then absorbed by members' savings and share capital, these operational losses results in members losing their savings.

They further found that SACCO's wealth depended on capital structure re-organization, financial stewardship and their funds allocation strategy (Olando, 2012). The growth of SACCOs also depended on whether by-laws were adequately complied with and also whether incomes gotten from investments adequately cover their running costs. They recommended that SACCOs should continuously review credit or loan policies, develop sound staff recruitment policies, irrecoverable loan or bad debt provision policies. The government also should provide legal framework that will ensure that institutional capital is used to grow SACCOs. The study though did not put into consideration the effects of technology, managerial abilities and product innovations. These factors are going to be evaluated under this study. The study further left out the issue of interest rates which is a great contributor to Saccos' economic growth. Interest rate encourages more borrowing

or reduces the consumer's affinity to loans. This effect is positively related to sacco's growth, Consumers' confidence, a critical contributor to Sacco's wealth creation and creation, is not clearly explained in this study.

Gweyii and Karana (2014), the study investigated how financial leverage affects financial performance of deposit taking Sacco's in Kenya. The sample space included 40 Saccos registered by SASRA and operational through 2010 and 2012. Karana then analysed secondary data obtained through financial statements of the various deposit taking Sacco's by using both descriptive methods and analytical design.

The findings showed that debt equity ratio is positively correlated to returns on equity and profit after tax at 99% confidence interval but it also showed it to have a weak positive correlation on return on assets and income growth. The study contributed to the debate on capital structure determinants by evaluating the effects of financial leverage on financial performance of Saccos. The study clearly earmarked on internal capital and growth of SACCOS but failed to link managerial abilities of SACCO management personnel and IT on growth of Tea SACCOS thus warranting the present to fill the gaps. It further fell short of explaining how the financial leverage lowered or increased the level of risk of a Sacco. Growth of a firm cannot be explained to completion without considering the risk levels which emanate from the firm's capital structure. The study was further not clear on how it dealt with volatility of a firm's EBIT.

2.4 Conceptual Framework

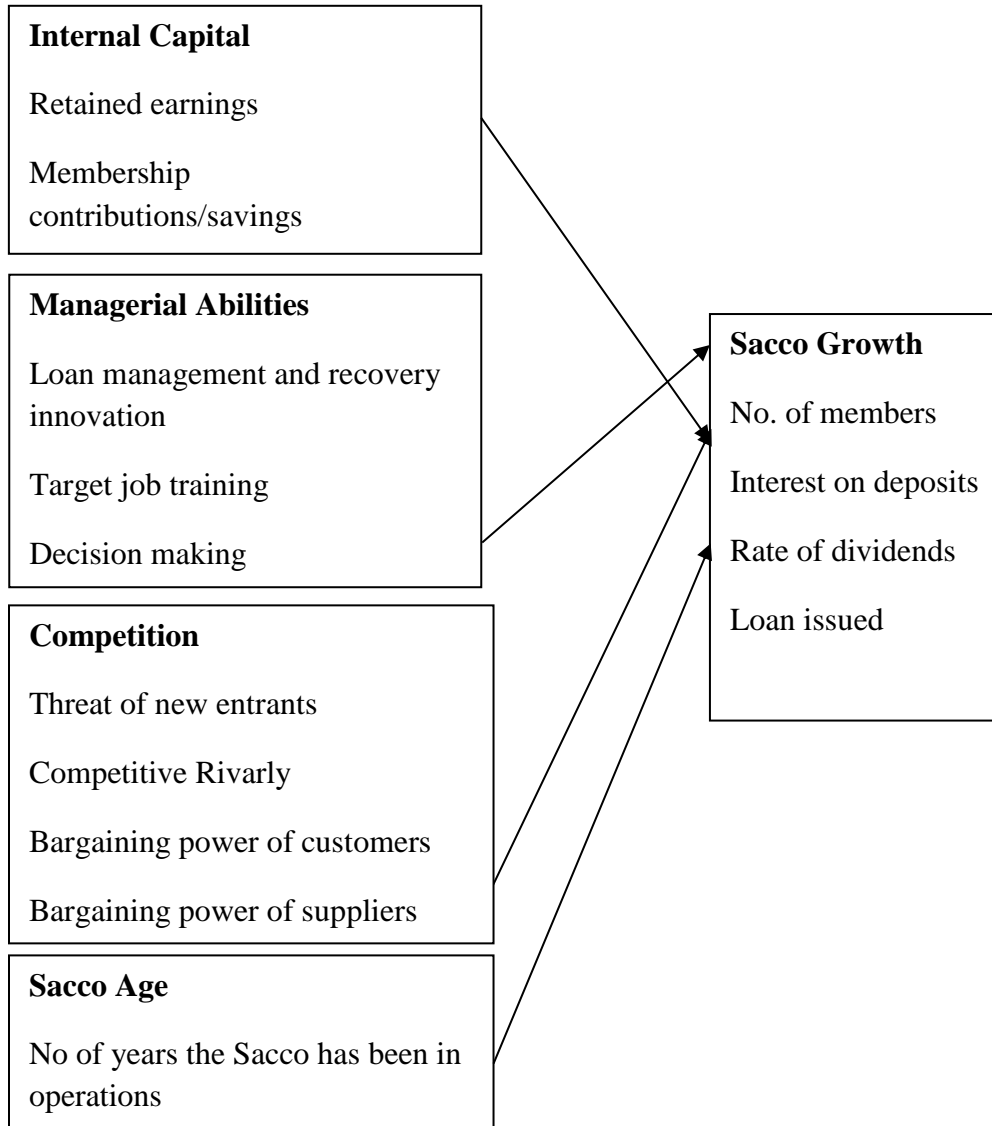


Figure 1: Conceptual Framework

Independent Variables

Dependent Variable

Source: Author (2016)

Figure 1: Conceptual Framework

The expansion of the common bond for membership leads to more and more members joining the cooperative, which in turn increase resources and opportunities for members

due to higher savings. Technological improvements will help in delivering services faster and improve communication, while as development and officials' capacity building will enable improved growth. Innovation will help to provide members with better products according to their changing tastes, and with satisfied customers will come more repeat operations, thus growth.

2.5 Summary of Literature Review

Cooperatives whose members are its employees, normally keep their membership limited to the employees of the mother company. Leaders and officials' capacity should be built upon and developed, to enhance their efficiency and effectiveness, which thus translates to enhanced performance of the society. This enhancement of their managerial skills can be achieved through training. Technology enhances the effectiveness of the society and the communication within the society. With this, the researcher assessed the differences between societies that have already embraced and integrated technology within themselves and those that have not. The research also endeavoured to determine the effect innovation has on the growth of Kenyan tea SACCOs.

The researcher also deduced the existence a gap between the changing needs of co-operative members and the co-operative legislations in the country. The implication therefore was that research into the effect of co-operative legislation on decision making in the country's dynamic economic environment needs to be carried out. This however, should be done in a way to retain cooperative societies' uniqueness in terms of being member owned and run. The researcher also observed that there exist a gap in Tea Saccos' infrastructure and their growth. The factors affecting growth of Tea Saccos in Kenya's changing economic environment should thus be extensively researched on.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

It highlights the research design and methodology used in this chapter. It also presents the population under consideration, sample size, sampling methods, data collection and data analysis methods that are used.

3.2 Research Design

The study employed a descriptive research design that is used to describe the current state of affairs. Mugenda & Mugenda (1999), states that descriptive research is the process of collecting data with a mind to gain knowledge and answer queries about the study subjects. Quantitative and qualitative data was used.

3.3 Population

Population is a collection of subjects who a researcher wishes to make inference (Cooper & Schindler, 2006; Mugenda & Mugenda, 2012). A set of events, people or subjects to which a researcher wishes to infer his results, is called the target population (Ngechu, 2004).

In this study, the population is 34 Tea SACCOs licensed by Sacco Societies Regulatory Authority (SASRA) and that have been in operation in between 2012 and 2016.

3.4 Data Collection

This study was based on both primary and secondary data as they usually reinforce each other (Stiles & Taylor, 2001). Primary data, mainly quantitative, which is concerned with the relationship of employee commitment, employee engagement, strategic leadership and firm performance, was collected through questionnaires (Appendix 1). Questionnaire as data collection instrument is preferred because it enables the researcher to collect data from all the respondents within the limited time frame. The responses which the respondent could have felt shy to give in face-to-face interviews can also be collected (Kerlinger, 1992). Questionnaires advantages are: they are cheaper, bias error level is low, consider answers and consultations and finally accessibility to a wide geographical contact at minimal cost (Nachmias & Nachmias, 2005). The questionnaire method was selected because it allows the researcher to collect data in an organized manner and it dealt with the research problems in a standardized manner and economically. Questionnaire method provides consultation means which may be required under this study. A well-structured questionnaire has been developed and was used during primary data collection phase to gather information from the senior management staff of the state corporations identified by the researcher.

3.5 Diagnostic test

The secondary data collected was subjected to normality test to ensure that it's normally distributed. To make sure that the data within the given period of time has some correlation, that is a relationship between the current and the past variables, lagging test was done.

3.6 Data Analysis

The researcher collected both qualitative and quantitative data. In qualitative, the primary data was collected using questionnaires administered to employees of the Kenya tea SACCOs. Primary data was cleaned and coded before analysis. The data was then analysed at univariate analysis and bivariate analysis. The analyses methods are arranged into successive stages with increasing complexity.

Growth in this study was measured by income. The determinants to be considered are membership size, technology, capacity building of the officials, and product innovation.

The model takes the form of: $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \epsilon$

Where:

Y = Growth as measured in terms of membership

X1 = Internal capital (Measured by retained earnings and membership contributions or savings)

X2 = Managerial abilities (Measured by loan management and recovery)

X3 = Competition (Measured by advertising cost spent by Sacco)

X4 = Sacco's Age (Measured by number of years it has been in operations)

ϵ = Error term

$\beta_1, \beta_2, \beta_3 \dots$ = slope of the regression equation

3.7 Significant test

R^2 (coefficient of determination) is employed to quantify the extent to which the variation in interest rate spread is explained by the determinants of growth variables. F-statistic and t-statistics was computed at 95% confidence level to test whether there was any significant relationship between internal capital, management skills of Sacco officials and competition from other financial institutions on the growth of SACCOs registered by SASRA in Kenya.

Analysis of Variance (F-test) was conducted to test the significance and reliability of the developed model.

T-test was used to test the hypothesis of this study whether there exist a positive relationship between factors affecting growth and growth of Saccos in Kenya.

In the model, β_0 = the constant term while the coefficient $\beta_i= 1 \dots 4$ was used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables X1, X2, X3 and X4. ϵ is the error term which captures the unexplained variations in the model.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter gives details on research results, discussion of findings and data analysis, which include data processing and coding.

4.2 Response Rate

The target sample size was 34 participants which comprised of Tea SACCOs licensed by Sacco Societies Regulatory Authority (SASRA) and that have been in operation in between 2012 and 2016. The respondents who filled the questionnaires and returned were 30 out of 34 respondents giving a response rate of 0.89. As per Mugenda & Mugenda (1999), 0.5 response rate is adequate for analysis and reporting, 0.6 is good and 0.7 and over is excellent. The response rate for this study is therefore good for data analysis and interpretation as it is in an excellent rating.

Table 4.2: Response rate

Questionnaires	Frequency	Percent (%)
Response	30	88.89%
Non-response	4	11.11%
Total	34	100.00%

Source: Author, 2017

4.3 Pilot Test Results

To evaluate validity and relevance, the research instrument was given to two experts who were experienced in the determining the factors affecting the growth of tea SACCOs in

Kenya. The experts evaluated the relevance of each item in the instrument relating to the study objectives. The scaling was rated on the scale of 1 (very relevant) to 4 (not very relevant). Validity was established by using content validity index. Content validity index was obtained by adding up the items rated 3 and 4 by the experts and dividing the sum by the total number of items in the questionnaire. A content validity index of 0.747 was arrived at. Oso and Onen (2009), stated that a validity coefficient of at least 0.70 is acceptable as a valid research. The research instrument for this study was valid as the content validity index was above 0.7.

Table 4.3: Reliability Results

Variable	Cronbach's Alpha	Items
Internal capital	.71	2
Managerial abilities	.73	1
Competition	.75	2
Sacco age	.77	1

Source: Author, 2017

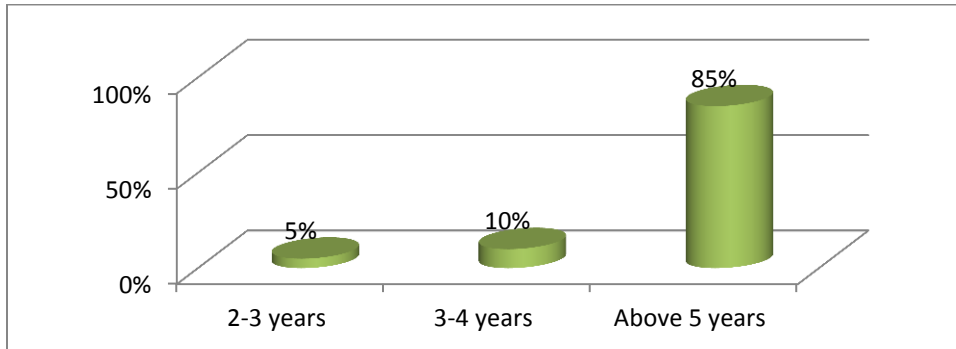
4.4 Descriptive Statistics.

This section captures the respondent Sacco's bio data information and activity variables including: age of the Saccos, Saccos growth, internal capital, managerial abilities and competition.

4.4.1 Number of years it has been in operations

The preceding section entails the results regarding the number of years the SACCOs have been in operations. The findings would show the span of experience among Tea SACCOS under the study. Results are as shown in table 4.4.1 below.

Figure 4.4.1 Number of years it has been in operations



The results shows that 5% of the respondents were in operations for between 2 to 3 years, 10% were for 3 to 4 years while the majority 85% were in operation for 5 years and above.

4.4.2 SACCO growth

The study sought to establish the movements of the below in the respondents' business for the last five years (2012-2016). The results are as shown in table 4.4.2 below

Table 4.4.2 Credit administration

Trend	Greatly Improved	Improved	Constant	Decreasing	Greatly Decreased
No. of members	16%	49%	26%	7%	2%
Gross Income	19%	49%	18%	9%	4%
Share Capital	35%	32%	9.3%	9%	9%
FOSA Deposits	19%	40%	28%	3%	7%
Loan Issued	28%	42%	16%	4%	9%
Interest on deposits	19%	35%	28%	8%	7%
Rate of Dividend	27%	37%	20%	8%	5%

Source: Author 2017

The study above shows that 49% of the respondents agreed that it had the number of members had improved, 26% was for constant while 7% were for the idea that the number of members had decreased. On the other hand, 49% agreed that the gross income had improved, 18% were for constant, 9% were for the idea that the gross income had decreased. Further, the study revealed that 32% agreed that the share capital had improved, 9.3% were for constant, 9% were for the idea that the share capital had decreased. Moreover, 40% agreed that the FOSA deposits had improved, 28% were for constant while 3% were for the idea that the FOSA deposits had decreased. Moreover, 42% agreed that the loan issued had improved, 16% were for constant while 4% were for the idea that loan issued had decreased. In addition, 54% of the respondents were for the idea that Interest on deposits had improved, 28% were for constant, 15% indicated that Interest on deposits had decreased. Finally, 64% were for the idea that rate of dividend had improved, 20% were for constant while 13% indicated that rate of dividend had decreased.

4.4.3 Internal capital

The researcher sought to determine effects of internal capital on the growth of Tea Sacco. The results were recorded in the table below.

Table 4.4.3 Internal Capital

Statements	Mean	Std. Dev.
Capital adequacy is a challenge to our SACCO	4.206	.541
Retained earnings helps to improve SACCO wealth	4.214	.674
The SACCO has enough funds to recruit qualified and competent employees	4.654	.652
Members savings have improved the SACCO wealth	4.358	.574
The SACCO has sufficient funds for members withdrawals	3.974	.974

Source: Author 2017

On the whether the present credit policy manages accounts receivables, the respondents agreed with a mean of 4.206. The credit policy has reduced high default risk had a mean of 4.214. Qualified and competent employees takes less time when making decision, this had a mean of 4.654. Members' savings has improved the Saccos wealth and this had a mean of 4.358. Availability of funds for members' withdrawal had a mean of 3.974. The policies have ensured operation's consistency and adherence to uniform sound practices with a mean of 3.784. The credit policy involved effective initiation analysis, credit monitoring and evaluation with a mean of 4.251. Credit policy has maximized the value of the Sacco with a mean of 4.411. There is increase in market share and retention of existing customers with a mean of 4.354. The credit policy of the Sacco has affected the capital adequacy, asset quality, management quality, with a mean of 4.621.

From the study above, it is clear that credit policies influence financial performance of Saccos as indicated by a mean of 4.621. These results were in line with Khandkar &

Khan, (1998) indicated that qualified and competent staff takes less time in decision making.

4.4.4 Managerial Abilities

The study would like to evaluate the effects of managerial abilities on the growth of Tea SACCOs. The results were recorded in table 4.4.4 below.

Table 4.4.4 managerial abilities

Statements	Mean	Std. Dev.
Target job training helps improve growth of Tea SACCOs	4.106	.531
The budget allocation in our society is adequate to cater for training expenses for management committee	4.114	.574
We often introduce product innovation and process innovation as members' demands change to ensure growth and member retention.	4.552	.552
Loan management and recovery has improved our Sacco's growth.	3.354	.474
Decisions must be made fast to enable the Tea SACCO to tap opportunities in the market	3.574	.674

Source: Author 2017

The study shows that target job training help improve growth of Tea SACCOs had a mean of 4.106. Further, the budget allocation in our society is adequate to cater for training expenses for management committee had a mean of 4.114. We often introduce product innovation and process innovation as members' demands change to ensure growth and member retention had a mean of 4.552. Loan management and recovery has improved our Sacco's growth had a mean of 3.354. Decisions must be made fast to

enable the Tea SACCO to tap opportunities in the market had a mean of 3.574. The findings show that credit risk monitoring influences financial performance of SACCOs as shown by 4.552.

4.4.5 Competition

Table 4.4.5 Competition

Statements	Mean	Std. Dev.
Advertising spend by SACCOs	4.358	.574
Product quality of the Sacco products	3.974	.974
Price competitiveness of the Sacco's products	3.784	.554
Customer loyalty of the Sacco's members	4.251	.5421
Bargaining power of Sacco members	4.411	.5451

Source: Author 2017

The study indicates that Advertising cost spent by SACCOs had a mean of 4.358 and a standard deviation of 0.574. The product quality of Sacco products had a mean of 3.974 and a standard deviation of 0.974. Further, price competitiveness of the Sacco's products had a mean of 3.784 and a standard deviation of 0.554. Customer loyalty of the Sacco's members had a mean of 4.251 and a standard deviation of 0.5421. Finally, bargaining power of Sacco members had a mean of 4.411 and a standard deviation of 0.5451.

4.4.6 Diagnostic Tests of Independence

Durbin-Watson test was used to assess the independence of error terms. Durbin Watson test checks and ensures that the residuals of the models were not auto correlated. Diagnostic tests of independence ranges from zero to four and the ratings between 1.5

and 2.5 indicates independent observations (Garson, 2012). According to the Durbin Watson statistics it showed that they were close to the prescribed value of 2.0: Internal capital (1.875), Managerial abilities (1.074) and competition (2.121), thus, it can be concluded that there was no autocorrelation and the residuals were independent. This means that the variables under the study were independent.

Table 4.4.6 Durbin Watson Test

Variables	Durbin Watson
Internal capital	1.875
Managerial abilities	1.074
Competition	2.121
Saccos age	1.324

Source: Data (2017)

4.5 Inferential Statistics

The inferential statistics were obtained by carrying correlation and regression analysis.

4.6 Correlations Analysis

The study would like to determine whether there was any relationship between the variables under the study. The variables defining the independent variable were correlated against the dependent variable. Correlation analysis assists the researcher to establish the nature of the relationship in order to make a valid conclusion and recommendation about the variables. Normally a correlation coefficient lies between +1 and -1. A positive correlation means the two items under test affect each other in a way that when one improves the other also improves and a negative correlation means that

when one factor increases the other reduces. The test of significance in the relationship is done at either a significant value of 5% or 1%. The results are as shown in the Table 4.6 below.

Table 4.6: Pearson's Correlations

		Internal capital	Managerial abilities	Competition
Internal capital	Pearson Correlation			
	Sig. (2-tailed)			
Managerial abilities	Pearson Correlation	.615**		
	Sig. (2-tailed)	0.000		
Competition	Pearson Correlation	.621**	.592**	
	Sig. (2-tailed)	0.000	.000	

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

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

From table 4.6, it is evident that there is a moderately strong positive correlation of 0.615 which is very significant at a value of 0.00 between internal capital and managerial abilities in SACCOs. This indicates that by improving on internal capital the SACCOs are also able to improve on the managerial abilities. This shows that there is a great relationship between internal capital and managerial abilities and growth of SACCOs.

4.7 Regression Analysis

The study would like to establish the factors affecting the growth of tea SACCOs in Kenya. These factors include: internal capital, managerial abilities and competition on growth of SACCOs. The regression analysis results are shown in Table 4.7 below.

Table 4.7 Model's Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
.733 ^a	.540	.503	.1752	1.421

a. Predictors: (Constant), internal capital, managerial abilities and competition

Table 4.7 indicates a linear relationship between the dependent and independent variables used in the study. This is clearly indicated by a correlation (R) coefficient of 0.733. The determination coefficient is measured by the adjusted R-square. From the findings it gives a moderately strong relationship between dependent and independent variables given by a value of 0.503. The regression model accounts for 0.503 of the total observations while 0.497 remains unexplained.

Table 4.7.1: Analysis of Variance (ANOVA)

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.764	4	4.441	14.822	.000 ^a
	Residual	11.386	30	.300		
	Total	29.150	34			

The ANOVA statistics shown in Table 4.7.1 was used to show the regression model significance. An F-significance value of $p = 0.000$ was determined, hence, the model is significant.

The regression coefficients are presented in Table 4.7.2

Table 4.7.2: Regression Coefficients

Model	Unstandardized		Standardized		Sig.
	B	Std. Error	Beta	T	
(Constant)	0.340	0.290		1.172	.248
Internal capital	0.337	0.144	0.299	2.331	.025
Managerial abilities	0.173	0.152	0.161	1.134	.264
Competition	0.356	0.202	0.429	1.759	.087

a. Dependent Variable: Growth of SACCOs

4.8 Discussion of Findings

Out of the targeted 34 participants who comprised of tea SACCOs licensed by Sacco Societies Regulatory Authority (SASRA), those who filled and submitted questionnaires back were 30 respondents. 30 respondents out of 34 resulted in a response rate of 0.89

From the study above, it is clear that internal capital influences financial performance of Saccos, as indicated by a mean of 4.621. This means that through efficient management of internal capital Tea SACCOs profitability and performance is increased. These

findings are in line with previous studies, which state that there is a relationship between working capital and firm profitability Deji, (2005).

These results were in line with Khandkar & Khan, (1998) who indicated that qualified and competent staff and management take a short period of time when making the decisions. Members share capital contributions ensures that the Saccos growth is achieved.

The findings show that competition influences financial performance of SACCOs as shown by 4.552. The findings are in line with Hubbard, (1997) who stated that maintaining good loan customers and also by use of credit-risk analysis will ensure that borrowers are credit worthy. This is key to cooperative's long term profitability. The results confirm that there is a moderately strong positive correlation of 0.615 which is very significant at a value of 0.00 between internal capital and managerial abilities in SACCOs. This indicates that by improving on internal capital the SACCOs are also able to improve on the managerial abilities. This shows that there is a great relationship between internal capital and managerial abilities and growth of SACCOs.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter entails the summary of the study, conclusions and recommendations from the research findings.

5.2 Summary

Growth of a firm is very vital as it shows the results attained over a time period. Growth can be influenced by factors that can be controlled by the firm, as well as by factors that are not under the control of such firms. Controllable factors include everything related to management of inputs and outputs or transforming inputs into outputs.

The study sought to bring to the forth the factors affecting the growth of Tea SACCOs in Kenya. The study used a descriptive research design. Its population consisted of 34 Tea SACCOs licensed by SASRA which have been in operation during the period 2012 to 2016. The study used secondary data as extracted from financial reports as published by the SACCOs, articles and papers five-year period commencing 2012 up to 2016. The data gathered was cleaned and coded, analytically arranged in a method that facilitates analysis using SPSS. Regression analysis was used to test for relationships amongst variables.

Education and training is an important key issue within the management the cooperative sector. Management committee of SACCOs should possess good management skills in

order to boost the going concern and growth of the society. This will also ensure the society survives in the long run as supported by some of the respondents. From the respondents' responses, it was noted that some staffs were lacking proper trainings, some lacked relevant skills hence making them unable to make good loan decision makings. Lack of adequate capital and lack of good management skills lead to poor staff building through trainings. Accumulation of internal capital helps the society to run its operations and helps the society to develop their staffs through regular trainings.

From the study, above, it is clear that credit policies influence financial performance of Saccos as indicated by a mean of 4.621. From this analysis, it is clear that efficient management of internal capital is key in order increase tea Sacco's profitability and performance.

The findings show that competition influences financial performance of Tea Sacco's as shown by average mean of 4.552. Competition has been rising rapidly among tea SACCOs as the industry comes of age. From the findings, increased competition in the sector leads to lower costs and enhanced efficiency. The competitiveness of tea SACCOs systems relate positively to the number of branches (networks) established in the country. Competition is of great essence in the tea Sacco's system. The findings then proved that competition contributes to greater productivity in the tea Sacco's system.

From the findings, managerial abilities affect the growth of SACCOs. The study shows that target job training help improve growth of Tea SACCOs and had a mean of 4.106. Further, the budget allocations in the societies were adequate to cater for training expenses for management committee as indicated by mean of 4.114. Introduction of product innovation and process innovation as per members' demands boost the society's

growth and member retention and had a mean of 4.552. It was also noted that loan management and recovery improved Sacco's growth with a mean of 3.354. From the findings it was noted that decisions of societies must be faster in order to enable the Tea SACCO to tap opportunities in the market and had a mean of 3.574.

From the findings it was also noted that the age of the SACCOs affect the growth. It was noted that SACCOs that have been in operations for over five years are well established unlike those will less than five years in operations.

5.3 Conclusion

Kenyan Tea SACCOs' faces stiff competition from other financial institutions especially in savings pooling and mobilization. From the findings, we can conclude that constant advertising and Sacco products innovations helps boost the growth of the societies.

From the findings, conclusions are made that education and training is an important key issue within the management of the cooperative sector. Management committee of SACCOs should possess good management skills in order to boost the going concern and growth of the society. This will also ensure the society survives in the long run as supported by some of the respondents. From the respondents' responses, it was noted that some staffs were lacking proper trainings, some lacked relevant skills hence making them unable to make good loan decision makings. Lack of adequate capital and lack of good management skills lead to poor staff building through trainings. Accumulation of internal capital helps the society to run its operations and helps the society to develop their staffs through regular trainings.

From the findings, conclusion is made that credit worth customers and use of credit-risk analysis ensure that borrowers are credit worthy. This will ensure that there is long term

profitability within the societies. Loan recovery and management department is the major department that generate society's profitability. Lending is the most important in cooperatives as it generates the largest share of the total revenue from earning assets.

The study indicates that credit policies influence financial performance of the Saccos. From the findings, conclusion is made that good management skills, proper trainings and good policies reduces the amount of time spent in decision making. Also member share contribution ensures that the Saccos growth is achieved and also ensures that there are adequate funds for running the operations and lending to its members.

From the study above, the researcher concludes that internal capital influence financial performance of Sacco's hence efficient management of internal capital is crucial in order to increase tea Sacco's profitability and performance.

Further conclusions are made that competition influences financial performance of Sacco's. Competition has been rising rapidly among Tea SACCOs as the industry comes of age.

Also further conclusions are made that the longer a Sacco has been in operations, this contributes much to its growth. Age helps in confirming the going concern of the Sacco. Saccos that have been in operations for more than five years, are well established and have proper organizational structures, website development and experienced staff, hence boosting the growth of Tea Saccos.

5.4 Recommendations

Products differentiation is one of the main challenges of SACCOs. For a society to grow, it will be required to provide unique products and services to its clients and they should

also be able to understand the financial needs of the existing members and potential members. This will enable the cooperatives to develop and match the services and products and delivery methods to the diverse needs of these clients. Cooperatives should avoid homogenous products.

All efforts should be made to strengthen the management competency of Tea SACCOS because it is significantly and positively associated with financial performance. For example board members should be transparent, should have good performance and the board should have all the relevant skills for various sectors in order to strengthen the skills and knowledge of the SACCO managers.

Tea SACCOS should identify areas where there is a gap of skills and knowledge among the managers. Proper trainings and development programs should be administered after the identification in order to bridge these gaps. Hence this will help to improve the financial performance of these SACCOs.

Competition is a main challenge being faced by the cooperatives in the area of pooling and mobilization of savings. It is recommended that commercial banks should establish a franchise system because they are well established with and use them as their agents at an agreed fee structure. This will help in the expansion of both in their network and outreach. It will also improve the market service delivery as the Tea SACCOs.

The study recommends that Sacco's should consider all important issues before issuing dividends. Members always expect a return on investment in the form of dividend however the payment of dividend should not undermine a firm's investment policy. The study also recommends the Sacco towards on boarding more members from different membership bond. This is because increase in membership size also increases the

members saving and thus increasing borrowing funds. Also the Sacco should expand their investments in order to increase their revenue; therefore, this will reduce the external borrowing.

The study recommends that Cooperatives should elect qualified board members and staff who will ensure efficiency and productivity of the Sacco. Board members from various career specializations should be employed. This will bring diverse ideas to the society. Educated staff also helps in ensuring that there is rapid decision making.

5.5 Limitations of the Study

The major limitation of this study is related to data availability, the data was tedious to collect and compute as it was in its very raw form. Due to lack of standardization of financial statements from various Saving and Credit Cooperatives in Kenya, data computation was made even harder. In addition, time and resources allocated to this study could not allow the study to be conducted as deeply as possible in terms of other predictor variables for growth of SACCOs in Kenya.

The study had a draw back from most SACCOs which lacked proper reports that showed records of the benefits directly accrued from the central bank monetary policy instruments. This posed a challenge on data collection process.

Another limitation is limited data availability and the uncertain quality of the data used in addition to the fact that the study considered the period between 2012 and 2016, a period of 5 years. Within this period many changes occurred in the money market that the study did not account for such as share splits for some of the SACCOS considered in the study. These unaccounted for issues may have in one way or another affected the

outcomes of the study. However, this effect was not expected for the study since the occurrence of such cases is rare and none was recorded throughout the span of the study, though one share split was observed in the market for a firm not involved in the study. Therefore, the study was limited to the study factors only.

Finally, there was a limitation in model development which would enable a researcher to study the relationship between the various variables. Further, the model may not be reliable due to some shortcoming of the regression models. Due to the shortcomings of regression models, other models can be used to explain the various relationships between the variables.

5.6 Recommendations for Further Research

The study hereby suggests that based on the present study scope, further studies can be undertaken to establish how Savings and Co-operative Societies are able to cope with competition from banks and other financial institutions. It is also important to use a different research method like the interview schedule, when pursuing further research as this might give more information on this field of study.

Based on the findings of the study, there is need for further future research to be carried out in growth of SACCOs' wealth. The recommended sub-topics are : study to be done on effects of board members decisions on Growth of SACCOs wealth; study on capital structure methods and Growth of SACCOs wealth; and study to investigate methods of funds allocation strategy and Growth of SACCOs wealth to be studied also.

Based on the conclusions above, there is also a need for further research on the impact of Technology adoption on the growth of SACCOs' in Kenya. For generalization purposes, further research should be done on the generally all the SACCOs in Kenya.

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APPENDICES

Appendix I: Questionnaires

SACCO'S AGE

Name of the Sacco	
Year of establishment	
Number of years it has been in operations	

SACCO GROWTH

What is the trend of the following in your business for the last five years? Please tick as appropriate.

Trend	Greatly Improved	Improved	Constant	Decreasing	Greatly Decreased
No. of members					
Gross Income					
Share Capital					
FOSA Deposits					
Loan Issued					
Interest on deposits					
Rate of Dividend					

Internal Capital

Please answer the following questions regarding effect of internal capital at the growth of Tea Sacco. Kindly tick in the appropriate space where Strongly Agreed = 5; Agreed = 4; Neutral = 3; Disagreed = 2; Strongly Disagreed = 1.

Statement	SA	A	N	DA	SDA
Capital adequacy is a challenge to our SACCO					
Retained earnings helps to improve SACCO wealth					
The SACCO has enough funds to recruit qualified and competent employees					
Members savings have improved the SACCO wealth					
The SACCO has sufficient funds for members withdrawals					

Managerial Abilities

Statement	SA	A	N	DA	SDA
Target job training helps improve growth of Tea SACCOs					
The budget allocation in our society is adequate to cater for training expenses for management committee					
We often introduce product innovation and process innovation as members' demands change to ensure growth and member retention.					
Loan management and recovery has improved our Sacco's growth.					
Decisions must be made fast to enable the Tea SACCO to tap opportunities in the market					

Competition

Statement	SA	A	N	DA	SDA
Advertising spend by Saccos					
Product quality of the Sacco products					
Price competitiveness of the Sacco's products					
Customer loyalty of the Sacco's members					
Bargaining power of Sacco members					

Appendix II: List of Tea Sacco Societies registered with SASRA as at 31st December 2016

1.	BINGWA SACCO SOCIETY LTD
2.	CHAI SACCO SOCIETY LTD
3.	SOUTH IMENTI TEA GROWERS SACCO SOCIETY LTD
4.	KENYA HIGHLANDS SACCO SOCIETY LTD
5.	KENYA MIDLAND SACCO SOCIETY LTD BOMET.
6.	KONAIN SACCO SOCIETY LTD MOGOGOSIEK.
7.	KOLENGE TEA SACCO SOCIETY LTD NANDI HILLS.
8.	MUDETE TEA GROWERS SACCO SOCIETY LTD KHAYEGA.
9.	NANDI FARMERS SACCO SOCIETY LTD NANDI HILLS
10.	NDEGE CHAI SACCO SOCIETY LTD KERICHO.
11.	SIMBA CHAI SACCO SOCIETY LTD KERICHO.
12.	TENHOS SACCO SOCIETY LTD BOMET.
13.	AINABKOI SACCO SOCIETY LTD AINABKOI.
14.	TAI SACCO SOCIETY LTD (FORMERLY KIAMBU TEA GROWERS SACCO)
15.	NYAMIRA TEA FARMERS SACCO SOCIETY LIMITED
16.	FINTEA TEA GROWERS CO-OPERATIVE UNION LTD
17.	BORABU SACCO SOCIETY LIMITED
18.	IRIANYI TEA SACCO SOCIETY LTD KISII
19.	SOT TEA GROWERS SACCO SOCIETY LTD

20.	NITHI TEA GROWERS SACCO SOCIETY LTD
21.	KENYA ACHIEVAS SACCO SOCIETY LTD
22.	BURETI TEA GROWERS SACCO SOCIETY LTD
23.	KIMBILIO DAIMA SACCO SOCIETY LTD (FORMERLY CHEPSOL TEA GROWERS SACCO)
24.	KENYA TEA SACCO SOCIETY LTD KERENGA
25.	KAIMOSI TEA SACCO SOCIETY LTD
26.	VIHIGA COUNTY FARMERS SACCO SOCIETY LTD
27.	MURAMATI TEA SACCO SOCIETY LTD
28.	KIAMOKAMA TEA GROWERS SACCO SOCIETY LTD
29.	NYAMBENE ARIMI SACCO SOCIETY LTD
30.	RUKURIRI TEA SACCO SOCIETY LTD
31.	MAU TEA MULTI PURPOSE COOPERATIVE SOCIETY LTD
32.	NYERI DISTRICT TEA GROWERS SACCO SOCIETY LTD
33.	THIKA TEA GROWERS SACCO SOCIETY LTD
34.	MUNGANIA TEA GROWERS SACCO SOCIETY LTD