

**RELATIONSHIP BETWEEN FINANCIAL PERFORMANCE AND
GROWTH OF SACCOS IN KENYA**

BY

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DECLARATION

I declare that this research project is my original work and has not been presented in any other university or college for any academic purpose.

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This research project has been submitted for examination with my approval as the student's supervisor.

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DEDICATION

This research work is dedicated to my family members who have been instrumental and inspirational to my Master of Business Administration Degree Programme. I hope this project work will be an inspiration to them too and those around them.

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I wish to acknowledge the following people whose contributions, guidance, encouragement and support both financial and spiritual, which enabled and facilitated my research that has ultimately made me, reach this level. Special thanks go to my supervisor Mr. James Ng'ang'a for his invaluable support.

Special thanks go to my employer, colleagues, college mates and my family members that have ensured I have the necessary environment conducive for learning.

ABSTRACT

This study sought to establish the correlation between financial performance and growth of Savings and Credit Cooperative Societies in Kenya: The research focused on financial performance measures on the growth of Saccos in Kenya. The research established how Saccos grow and can be measured with financial mix such as ROA, ROE, Earning per share and profitability. The researcher mainly looked at growth through strategies of growth of assets, innovation and creativity, productivity and turnover. The study employed descriptive research design. A sample of 42 Saccos was chosen from the total population of 175 Saccos using the sampling framework. The study employed primary data which was gathered by use of semi-structured questionnaires. The refined quantitative data was analyzed using descriptive statistics. The study found that there exists a strong correlation between financial performance and the growth of Saccos in Kenya. The study recommends that Saccos should ensure that they improve their financial ratios since they have a positive effect on the growth of Saccos and formulating policies that enhances financial performance of Saccos.

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ACRONYMS AND ABBREVIATIONS

ATM:	Automated Teller Machines
BOSA:	Back Office Service Activity
FOSA:	Front Office Service Activity
GDP:	Gross Domestic Product
MFIs:	Micro Financial Institutions
ROA:	Return on Assets
ROE:	Return on Equity
SACCOs:	Savings Credit Co-operative Societies
SASRA:	Sacco Society Regulatory Authority
SME:	Small Medium Enterprises
SPSS:	Statistical Package for Social Sciences

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The key objective of all the SACCOs in Kenya is to improve on the welfare of their members through wealth maximization. Sacco's in Kenya help in mobilizing for funds in order to undertake their operations. Many scholars have done several studies in Kenya and found that there is a low growth in SACCOs. The Wealth maximization objective has made it challenging for the SACCO subsector in Kenya to absorb their operational losses, therefore greatly affecting their growth. Instead members are the ones who bear the losses from their share capital and deposits, thus reducing their savings. SACCOs mainly mobilize funds from their members through monthly deposits which are used to grant credit to other members for their individual development (Gadara, D. 1990). In some cases it has been challenging for the SACCOs to achieve their objective of wealth maximization and growth and thus contribute positively to the GDP. The failure by SACCOs to create a strong financial base by way of accumulating member's deposits can mostly be attributed to poor financial management or stewardship by their directors.

This background formed the basis of the study to determine financial performance as one of the factors influencing the growth of SACCOs with an aim of revolutionizing socio and economic growth of individual members (Kamau, M. 2005). The study objective was; to distinguish the correlation between financial performance and growth of Saccos, determine the correlation between institutional productivity and the growth of Saccos, determine the correlation between staff turnover and the growth of

Sacco's, and determine the correlation between the Innovativeness and creativity of Products and the increased growth of Saccos.

Despite a slow growth, the Sacco sector has continued to develop over the years and for this reason several cooperative societies have created very big financial bases and are currently engaging in banking transactions by way of FOSA. In most case, Sacco groups are not only formed to buy land but also to encourage personal development and purchase other material goods such as real estates. Saccos main idea is to cut across every sector of the economy such as finance, manufacturing, housing, agriculture and the general service sectors.

1.1.1 Financial Performance

As a tool in planning, financial performance can be used in determining how well a firm or organization can use its assets to generate revenues for the firm. Financial performance determines how well a Sacco is generating value for its member's deposits and share capital. Financial performance of Sacco's can be determined using various financial mixes such as ROA, ROE, earnings per share and profit after tax. (Alam et al. 2011). Before firms and organization move ahead to make decisions on buyout, mergers and acquisition they ought to consider that with enough financial information. Financial performance creates implies more demands such salaries for the staff, higher payments of dividends, potential firm buyout plans, mergers and firm expansion or diversification.

Financial performance of a Sacco can be calculated using key financial ratios for a certain period. The period can be ranging from the past three to five years. Ratios can

be compared year over year to measure progress and performance. These ratios are a comparison of two or more elements of the data for the set period and are usually presented in percentages (Ahmad et al, 2011). These ratios tell how well the Sacco's are able to generate revenues or income from the available assets, hence, it's important that they be analyzed effectively. The management is guided by the financial performance of a firm in deciding the policies and strategies to be adapted to enhance sustainability of the organization (Almazari, 2011).

1.1.2 Growth of Saccos

Over the past four decades, Sacco's have been especially vibrant in rural areas, as the banks left a gap when they withdraw from service provision to the rural poor. The Sacco sector has experienced some growth. For instance as at the year end 2016 the total assets of the Sacco sector in terms of members deposits stood at Ksh393.5 billions, indicating a growth of 34% from the Ksh 293.5 billion documented as at the yearend of 2012. During this four decades Sacco's were primary closed cooperatives dealing only with active members of specific organizations dealing with a particular line of services or products.

Many Sacco's still continue to offer limited services to members only, but a few others, which are larger, have opened up to non-member clients by establishing FOSA Which provide a wide variety of financial services to both the members and non-members. Larger Sacco's in terms of capital base began offering FOSA's in their head offices during the economic liberation period of 1990's when commercial banks withdrew their services from less profitable areas. Thus the FOSA's attract former bank customers who were left unbanked (Turtiainen, 2008). Sacco in Kenya comprises

of both the deposit taking (FOSA), and non-deposit taking Sacco's. Each category is regulated by a different body, for example the non-deposit taking Sacco's are supervised and regulated by the Commissioner for Co-operatives.

The FOSA's, are licensed, supervised and regulated by SASRA. However SASRA only regulates Saccos which are fully registered under the Cooperative Societies Act CAP 490. All Saccos operate BOSA, but few have gone into FOSA. FOSA offers basic banking services such as deposits, savings, issuance of debit cards, money transfers, loan advances, ATM services, salary processing and so on. Members of Sacco's operating FOSA enjoy semi-banking services unlike BOSA where member's savings are only accessible upon exit from the Sacco. Thus in Sacco FOSA members primarily save enhance their access to loans and earn returns on savings (Gweyi and Karanja, 2014).

The Sacco industry has provided an important model as a majority of world's disadvantaged and poor are subject to social exclusion and lack of access to opportunities. As the negatives effects of globalization has been the rise of unregulated informal economy, people in the informal sector have formed cooperatives to aid them in their self-employment. Thus in rural areas Sacco's s are the means of accessing banking services which are lacking in many local areas and too many classes of people. Sacco's have been able to constantly reach the poor and marginalized. By offering them banking services and helping them form small and micro businesses (Makori, Munene and Muturi, 2013) there has been a transformation of Sacco's to offer 'banking like' services to its customers.

The membership definition has also been expanded to net in traditional nonmembers. This has brought additional risks to an industry that was initially conservative and closed. This transformation has also created the systematic importance of deposit taking organizations. Which now account for over half of the assets and deposits in Sacco Sub-sector. While this is true it is important to investigate the underlying key factors that are driving the FOSA activity among Sacco's (Makori, *et al.*, 2013).

1.1.3 Financial Performance and Growth of Saccos

This theory explains the correlation between the growth of Sacco's and financial performance based on member's deposits and share capital of Sacco's. These occur due to various reasons which may include financial, organizational and technical. Saccos with a strong financial base as a result of large member's deposits lack financial constraints in undertaking its operations. The economy of scale arises due to growth where large firms enjoy better discounts and interest rates for the simple reason that they buy in bulk (Pervan, 2012). Big firms enjoy a higher negotiation power and economies of scale on both their suppliers and clients (Mansfield, 1962) Saccos that have shown huge deposits have easy access to credit for investment and serving their members effectively and efficiently.

A direct relationship is expected between financial performance and growth of a firm. Firms with weak financial base have to put strategic measures in order to counter the disadvantages arising from their growth. Firms with a large or stable financial base faceless agency problems and are more elastic to a varying environment. Nunes and Serrasqueiro (2008) discovered that there exists a positive correlation between the performance and growth in SMEs, but not for large organizations. According to Diaz

and Sanchez (2008) large firms were less efficient as compared to SMEs. Hall et al (1987) discovered that there is an inverse correlation between financial performance and firm growth.

1.1.4 Saccos in Kenya

The Saccos industry forms a significant part of the financial institutions and co-operative society in Kenya. The Cooperatives society in Kenya is divided into two broad categories which include the non-financial Cooperatives (produce, marketing, housing, investment cooperatives, and transport and financial Co-operatives (Saccos). Saccos are generally formed by likeminded members with a common goal of mobilizing funds that offer savings and credit to members. They receive monthly deposits from members who may then be allowed to borrow an amount which may be twice or thrice their personal savings as long as the other members can guarantee them.

Most Saccos will have membership across all economic zones in both rural and urban areas in order to attract more deposits to enhance their financial base. They offer services to their members such as FOSA and BOSA. Front office Services Activities (FOSA) services are relatively similar to retail banking business operations. In Kenya more than 50% of the population benefits from Saccos through their financial intermediation role mostly on personal development, micro and macro enterprise sectors of the economy.

The Cooperative Societies Acts of Kenya provides a proper legal framework for registration, promotion, and development of Cooperatives in Kenya. Sacco Societies

Regulatory Authority (SASRA) was formed as a result of the Sacco Societies Act (2008) which was established in 2009 and given the authority to supervise, license and regulate the FOSA's in Kenya. Sacco's or financial co-operatives are created by likeminded individuals with the main function of mobilizing funds, encouraging savings and giving credit to members as per the bylaws set by them. Due to the difficult economic times experienced in Kenya in the early 1990s, most commercial banks were demanding higher minimum operating balances for individual accounts to maintain their businesses. This made it difficult for many low and middle income earners unable to run bank accounts. In order to fill the gap, Sacco's responded by offering FOSA and providing relatively near banking services at affordable rates hence opening room for the Sacco business to thrive (Sacco Supervision Annual Report, 2011).

SACCOS have also embraced the use of new technology to be able to improve their efficiency competitiveness, performance, customer service and enhance growth. Use of modern technology has led to many changes in the Sacco sector; since customers are able to cut unnecessary costs, reduce time wastage on long queue due to rebirth of platforms such as mobile banking, paybill numbers and internet banking.

1.2 Research Problem

In Kenya SACCOs play a critical role in the financial landscape through financial inclusion. Sacco's mostly focus on member's economic development and improving individual member's welfare. This is attributable to the easy access to credit, savings mobilization and wealth creation to individuals hence growth in the country's economy. As at December 2016 the total assets of the SACCOs subsector stood at

Sh.393.5 billion with a total deposits of Sh. 272.5 billion and loans to members stood at Kshs. 288.9 billion (SASRA Supervisory Report, 2016).

The introduction of FOSA in the SACCO industry opened new avenues in the Sacco industry, which led to SACCOs offering quasi-banking services at competitive rates. This did not spare the SACCOs, the business risks faced by financial institutions. In order to safeguard members' deposits and creditors against business risks, the Sacco Societies Act (2008) responded by defining what constitutes the capital for the SACCOs and the minimum capital required for deposit taking SACCOs. Richardson (2002) noted that growth in total assets; loans and institutional capital were important determinants of financial performance of a credit union. The Sacco industry to achieve a positive growth each year it requires growth in the members' deposits and significant credit policies.

Sebhatu (2011) studied the outreach and sustainability of Sacco's in Ethiopia and established a positive correlation between the growth and operational efficiency of Sacco's. Capon et al (1990) studied the determinants of performance and found that the firm's growth had a negative correlation with its financial performance. Wincent (2005) carried out an empirical study to develop and test a framework on how growth can affect firm behavior and performance of SMEs and found that growth was a determinant of performance. Belkaoui *et al* (1993) found that ownership structure, diversification strategy and growth affect the performance of a firm.

Various studies have been undertaken in Kenya on the financial performance of firms. Aduda (2011) examined the correlation between firm performance and executive compensation in the banking sector in Kenya. Findings indicated a significant negative correlation between growth and compensation. Mburu(2010)examined the determinants of performance among Sacco's in Kenya and found that the demand for loans was the greatest variable determining performance followed by capital adequacy and infrastructure management. Muthoni (2010) examined the correlation between corporate governance, financial performance and ownership structure. The results showed a positive relationship between growth, non-executive director, leverage and return on asset. Onyango (2012) examined the connection between membership and the financial performance of Sacco's in Kenya. The findings revealed that membership had a significant correlation with the financial performance of Sacco's. Atieno (2012) examined the correlation between financial performance and board monitoring of the companies listed at the NSE and the results showed a strong relationship between board growth and performance.

Review of literature indicates that many studies have been undertaken on financial performance in relation to different variables and in different industries. However, similar studies on the correlation between financial performance and growth of the deposit taking Sacco's in Kenya are lacking. For that reason, the focus of this study will be to establish the relationship between growth and financial performance of deposit taking Sacco's in Kenya. Therefore the research question will be; is there a correlation between financial performance and growth of Saccos in Kenya.

1.3 Objective of the Study

To establish the correlation between financial performance and growth of SACCOs in Kenya.

1.3.1 Specific Objectives of the Research

- i. To assess how return on assets affect growth of Saccos in Kenya.
- ii. To examine the extent to return on equity affect growth of Saccos in Kenya.
- iii. To examine how earning per share affect growth of Saccos in Kenya.
- iv. To assess the impact of innovation on growth of Saccos in Kenya.

1.4 Value of the Study

The Sacco industry has played an important role in contributing to the country's economic growth through the mobilization of funds for developments. The findings of this study will give foundation to the policy creators and regulatory authority that will while formulating policies to enhance the performance of Sacco's in Kenya. Policy makers can hence use the study findings to design policies that will promote financial performance but at the same time institute an effective regulatory environment.

The Saccos will use the study findings as an insight on the effect of financial performance. This will provide management of Sacco's and firms in financial services with more insight on the importance of financial performance not only to the economy but to the growth of Saccos. This study will help in formulating strategies to increase the growth of the variables that affect the performance more positively. Better strategies are implemented to contribute to the growth of the Saccos.

To the academicians, it will give an insight to those who wish to pursue further research on financial performance in the Sacco's industry and in developing countries. This study shall also form an underpinning for future researchers as it will give literature review.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers the theoretical framework, the empirical review, conceptual framework and a summary of the literature review. The chapter will focus on the theory of profitability, firm growth theories and empirical evidences on the correlation between growth and financial performance. It reveals the existing knowledge gap that necessitates this study.

2.2 Theoretical Framework

There are numerous theories that have been put across to explain profitability and firm growth; they include the Pecking Order Theory, Schumpeter's Innovation Theory and Neoclassical Growth Theory.

2.2.1 Pecking Order Theory

Donaldson (1961) suggests that, when financing projects management should follow a preference order and that the cost of issuing risky equity or debt engulfs the factors which establish the optimal leverage in the trade-off model. The pecking order theory is predominantly a behavioral justification of why some companies finance in a particular way. It is coherent with some logical opinions, such as signaling and asymmetric information, as well as with flotation costs. Furthermore, it's also coherent with the view that the most lucrative companies in any given industry are the once that are lowly geared. This theory elucidates the reasons why a considerable amount of external financing emanates from debt, and why most lucrative firms use less debt. The following order can be followed: - The use of internal sources of

finance until they are exhausted, if more funds are still required to fund projects then external sources can be considered in the following order, firms should start with the safest securities such as debt, then move to the likely hybrid securities such as the convertible bonds and finally go to equity as the last resort.

The theory is appropriate for huge profitable firms which have adequate internal reserves in the form of retained earnings. Such firms employ a target dividend payout ratio and a stringent dividend policy. Therefore, this theory elucidates that most lucrative firms choose to employ internal sources of funds in financing their projects and whenever additional funds are needed, the firms will use debt, instead of using their equity. The theory further envisage that high-growth firms, normally with vast financing needs, will finally adopt a high debt ratios due to the reluctance of managers to use equity.

Smith and Watts (1992) also suggested that high-growth companies constantly employ low debt in their capital structures. Most Firms that use equity today will ditch the less costly sources of funding for their projects in the future. However, if they chose to employ debt funding today, then in the future they will only be probable to have more expensive funding accessible to them. This logic made Shapiro, Cornell (1987) to imagine that, the firms with superior levels of net organizational capital are financed primarily by equity, and hold huge cash balances. Most Corporate managers instead of maintain a target debt- equity ratio, tend to follow a financing hierarchy.

2.2.3 Schumpeter's Innovation Theory

Schumpeter (1942) explained the procedure of “creative destruction” where formation of wealth takes place through the disruption of existing market structures owing to the launch of new services and/or goods that trigger the movement of resources away from existing firms to new ones hence creating a favorable environment for the new firms to grow. Schumpeter refers innovation to as the specific tool used by firms or entrepreneurs to exploit change as an opening for another service or another business. Schumpeter (1942) stressed the role of entrepreneurs as primary agents effecting creative destruction, and emphasized to the entrepreneurs the need to explore persistently for other sources of new innovation, changes and their possible symptoms that point out opportunities for prosperous innovation, as well as the desire to identify and to apply the principles of prosperous innovation.

This Schumpeterian vein of thinking has been carried forward by successive scholars (Drucker 1985; Lumpkin & Dess, 1996; Shane, Covered & Westhead, 1991). On his part, Drucker (1985) held out the entrepreneur always searching for change, responding to it, and exploiting it as an opportunity, and engaging by this means in purposeful innovation. Lumpkin & Dess (1996) saw the procedure of creative destruction as started by an entrepreneur, which makes innovation a vital success factor in EO. Moreover, the connection between innovativeness and entrepreneurship is supported by the outcomes of Shane, Westhead and Kolvereid (1991), who establish that innovation is among the key reasons to initiate a business.

Schumpeterian growth theory postulates that technological advancements come from innovations undertaken by firms motivated by the pursuit of profit. To be precise,

each innovation is designed to creating some new product or process that gives its founder a competitive edge over its business rivals, this is done by rendering some previous innovation obsolete, and designing new innovations which will also be rendered obsolete by future innovations (Schumpeter, 1934). In an outer setting that is dynamic, entrepreneurial conduct and innovation are procedures that are vibrant, complementary, holistic, and essential to a firm's success and sustainability Currie, *et al.* (2008). The study therefore recognizes the importance of innovation in the growth of Saccos in Kenya.

2.2.4 Neoclassical Growth Theory

The Neoclassical growth theory is an economic theory that describes how a stable economic growth rate can be achieve with the appropriate levels of capital, labor, and technology. Further, the theory postulates that, an equilibrium position can be achieved by changing the amounts of capital and labor used in production. The theory additionally claims that an economy can highly be influenced by technological changes, and that advancements in technology play a vital role in economic growth.

The theory is centered on the comprehension that the buildup of capital in an economy, and the manner in which citizens utilize that capital, can be vital for economic growth. Additional, the correlation between labor and capital in an economy affects its productivity. Lastly, technology is considered to enhance labor productivity and increases the level of output at a reduced cost.

A rise in any one of these three inputs enables one to observe how the GDP would be influenced, and consequently the balance, of an economy. There is a diminishing

return on an economy in both capital and unskilled labor. That means that there would be an exponentially decreasing return should these two inputs be increased. Contrariwise, Technology is unlimited in growth and output for which it can produce. With technology it's possible to achieve exponentially high equilibrium and high growth.

2.3 The Relationship between Financial Performance and Growth of Firms

Financial performance is how well a firm or business entity is able to generate revenues. This can be shown by financial indicators such as the earning per share, profit after tax, return on assets and return on equity. Profitable firms or organizations will occasionally experience growth due to the fact that they hold excess capital at their reach and can use it for other investment hence leading to growth. To ascertain the financial performance of a firm it requires proper financial statement analysis for the past period and that of similar firms in the same industry. MacMillan and Day (1987) argued that firms with high growth rates enjoy high profits from the new market segments and on the economies of scale. Firms that are able to generate incomes from their primary assets without struggles are more likely to have a growth in size.

Growth is a critical factor in any sector of the economy in a country. It is generally characterized by a continuous percentage increase or a positive change in size of a firm. This is attributable to the level of assets and investments held by a firm. An increase in the size of the firm is only achievable where firms are able to maximize on their financial performances. These arguments imply that there is a positive

relationship between firm growth and its financial performance in terms of profitability.

Stekler (1964) observed that the disparity in average profitability over time for both large and small firms was lower than the average growth of the firms. Baumol (1967) postulates that there exists a positive correlation between the firm's profits and growth. The nature of the correlation between financial performance and firm growth are of great importance as they shed more light on the factors that maximize profits. Studies have shown that growth in size of a firm is dependent on its levels of profitability. Profitability of a firm will arise in the event firm inputs are in excess of its output in terms of expenditure. The excess can be used to make other investment ventures hence change in the firms' size.

2.4 Empirical Studies

Dogan (2013) examined the effect of growth in profitability of listed companies in the Istanbul Stock Exchange (ISE) between the years 2008 and 2011 using a data of 200 companies. ROA was used as an indicator of the profitability of the firm while the number of employees, total sales, and total assets were employed as proxies for growth. The control variables were age, and liquidity of the company, and leverage based on the assumptions that these variables could affect profitability. Multiple regression model and correlation were used for data analysis. The results displayed a positive relationship between the profitability of the companies and growth. Age of the companies and leverage were found to have negative correlation with the ROA, but liquidity rate and ROA had a positive relationship.

The current study adopted the same model but the proxies of growth in the study were deposits/savings, total assets, and turnover of the Sacco's. The financial performance was measured by the return on asset as measured by net income before deposit and tax. Hassan and Halbouni (2013) carried out a study on a sample of 95 united Arab Emirate listed firms to ascertain the effects of corporate governance on financial performance. A cross sectional regression analysis was used to test for the correlation between governance mechanism and financial performance based on ROA and ROI.

The results of the study showed that voluntary disclosure, CEO duality and board growth significantly influenced performance. The findings were supported by another study by Sheik *et al* (2013) on Pakistan firms. The study was carried out on non financial firms listed in Karachi stock exchange between 2004 and 2008. where the findings showed that board growth was certainly related to financial ROA and earnings per share, while ownership by management was negatively related to ROA and earnings per share.

Bisher (2012) examined the correlation between growth and financial performance of commercial banks in Kenya. The study covered 43 banks for the period between 2000 and 2001 using multiple regression and correlation analysis. The findings indicated a weak relationship between the growth and financial performance but the relationship was statistically significant. Odhiambo (2012) explored the affects of financial risk management on financial performance of commercial banks in Kenya. A regression analysis and correlation were used to establish the relationship. The results of the study were that the financial risk management practices have a positive relationship with the financial performance of banks. Many studies were undertaken to establish

the correlation between financial performance and corporate social responsibility on companies quoted in Kenya (Kitonga, 2012). A Sample of 32 companies quoted on the NSE were selected. The study found a strong correlation between growth and corporate social responsibility suggesting that large firms were more viable.

Nichasio (2012) undertook a study to establish the correlation between financial performance and management practice in Nairobi County, he found that key policies on optimal cash utilization and investment had a positive relationship with financial performance.

Koraba (2011) examined the correlation between financial performance and capital structure of MFIs in Kenya. A logistic regression was used in data analysis from MFIs in Kenya for the year 2009. The results showed that outreach and portfolio growth that impacted positively on financial performance of MFIs. Wagio (2010) carried out a study on 30 micro, small and medium growth ventures in Embu town. The objective was to establish the existence of a correlation between access to micro finance service and financial performance using regression analysis. The findings showed a positive but weak correlation between growth of loan disbursed and return on assets.

A comparative study was carried out in the Ceylon banks by Velnampy and Nimalathan (2010) to establish the effect of firm growth on profitability. The main objective was to establish the correlation between the firm growth and profitability of Commercial Bank of Ceylon Ltd (CBC) and Bank of Ceylon (BOC) in Sri Lanka including both the local and foreign branches. The study was carried out in 301 local banks and 3 overseas local branches. The study covered a period of ten years and used

correlation analysis to establish the relationship. Findings indicated a positive correlation between the profitability in Commercial Bank of Ceylon Ltd and growth. However, the study found no correlation between profitability and firm growth in the Bank of Ceylon.

Muthoni (2010) surveyed the correlation between financial performance, corporate governance and ownership structure of the insurance companies listed at the NSE. The results showed a positive correlation between growth, non-executive director, leverage and return on asset. There was a positive correlation between board growth, constitution, return on equity and leverage.

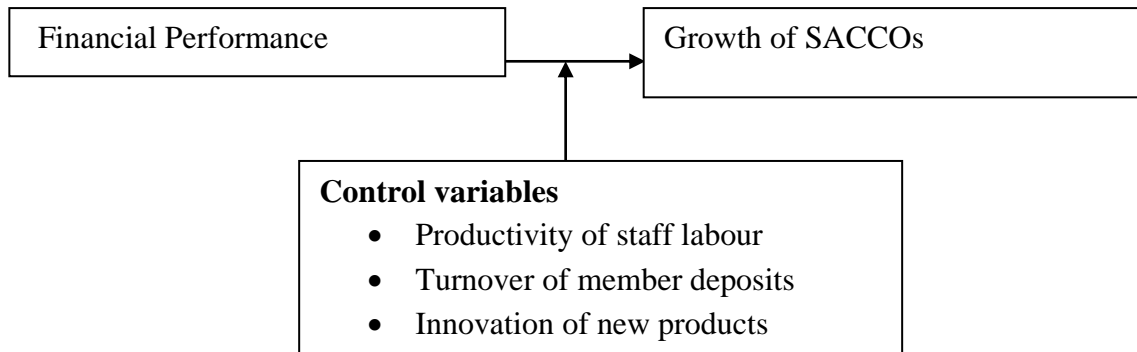
Noella (2010) undertook a study on eight micro finance institutions in Burundi to establish the correlation between outreach and financial performance in MFIs. The results showed that the average loan growth was insignificant in explaining the profitability of the Microfinance institutions. The number of active loan accounts and number of women borrowers was insignificant in explaining the profitability of MFIs in Burundi.

Orlitzky (2001) examined whether growth confounds the correlation between corporate social performance and financial performance. He carried out a mega analysis on corporate social performance, growth and financial performance of more than two decades. He used path analytical model and the results indicated a positive relationship between growth and corporate social performance, and also between growth and financial performance.

2.5 Conceptual Frameworks

Independent variables

Dependent variable



Source: Researcher 2017

Figure 2.2: Conceptual Model

2.6 Summary of Literature Review

The organizational theory postulate that firm growth and age affect financial performance. Large firms may contribute to the financial performance or may easily miss out on profitable opportunities due to their highly bureaucratic nature. Agency theory suggests that management may contribute to the negative financial performance if they pursue divergent goals from those of the organization. While the stewardship theory postulate a positive contribution to the performance of the firm by stewards, managers and board of directors.

It is evident researches done in the past indicate that there exists either strong positive or negative correlation between firm growths and financial performance while other studies find a weak relationship. It is clear that there are also other elements that determine the financial performance of a firm rather than its growth.

The identified gap from both the empirical and theories' review is that they do not postulate to the correlation between financial performance and growth of SACCO's in Kenya .This provides the motivation for this research.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The chapter depicts the study methodology embraced in the realization of the objective of the study. It also specifies the research design, the target population, sampling framework of the population, the type of data used, and data collection method, data analysis and presentation.

3.2 Research Design

The study employed a descriptive survey to gather information on the correlation between financial performance and growth of deposit taking SACCOs in Kenya. Borge and Gall (1989) the descriptive survey designs are used in exploratory and preliminary research to enable the researcher collect data, summarize, and interpret for the purposes of clarification. The study objective was to ascertain whether there is a correlation between financial performance and the growth of SACCOs, thus a descriptive survey was an appropriate design for the study. This study focused on all the deposit taking Sacco's in Kenya. The study involved both qualitative and quantitative data.

3.3 Study Population

Ngechu (2004) defines population as a well-defined set of events, services, people households, or group of items being explored. The target population ought to exhibit some visible feature which the researcher seeks to generalize in the study findings (Mugenda, 2003).

The study population was on all the deposit taking SACCOs in Kenya which are regulated and licensed by SASRA. The deposits taking SACCOs are spread across the 47 counties in Kenya and control 79% of the total assets in the Sacco's subsector (Kenya Financial Stability report, 2011).

3.4 Sample Design

The sample was drawn from a target population of 175 deposit taking SACCOs in Kenya which are licensed by SASRA. The study utilized stratified random sampling approach .A stratified random sample technique increases the statistical efficiency and facilitates the use of several research methods and procedures in different stratus. A perfect stratification should ensure that each stratum is heterogeneous with other stratus and homogeneous internally (Cooper and Schidler 2011). Three stratus were constructed based on the growth of the total assets, consisting of big, medium and small SACCOs.

The stratification was done to ensure that all the different SACCOs growths were represented in the sample. After the stratification, a random sample was drawn from each stratum to avoid any biases. A sample of 42 SACCOs was drawn from the target population, which represent about 24% of the target population. The respondents of the questionnaire were drawn from the management (directors) from Saccos without employees. For Saccos with employees, the CEO, the managers or the employees were the respondents. The interview schedule was administered to service recipients present to the Saccos to get insight into responses for the questionnaires.

The table below represents the three stratus based on the growth of the assets. Refer to Appendix IV for the list of the selected Saccos.

Table 3.1: The Three Stratas Based On the Asset Growth

Asset Growth in khs	Growth of SACCOs	No. of SACCOs
5 billion and above	Large	10
Between 1 and 5 billion	Medium	14
Less than 1 billion	Small	18

3.5 Data Collection

The study employed both secondary and primary data. The data was gathered using semi- structured questionnaires and an interview schedules that were filled by the respondents. The data was acquired from the audited financial statements of the selected SACCOs and particularly from the statement of financial position and statement of comprehensive income. Data was gathered with the help of a specially designed data collection sheet to fit the information required. The data collected covered a four years period from 2012 to 2016 which was adequate enough to offer significant insight regarding any correlation between the variables.

3.6 Data Analysis

Both qualitative and quantitative data were used in the study. The data collected was analyzed through a series of operations in eliminating the replications and inconsistency, classification on the basis of response homogeneity and tabulation of results for the purpose of inter-relating the variables.

The financial performance was measured by the profitability ratio. The measure of growth was the total assets, deposits/savings and turnover.

3.6.1 Diagnostic Tests on Raw Data

Most diagnostic tests are aimed at investigate the dependency structure of a time series. If a time series is serially uncorrelated, it means no linear function of the variables in the information set can explain the conduct of the current variable. If a time series is a martingale difference sequence, no function, linear or nonlinear, of the variables in the information set can be describe by the current variable. However, a function of the present variable may still relay on historical information. A serially independent time series suggests that there is totally no correlation between past information and current variables. A diagnostic testing on raw data series therefore gives information on how these data could be molded. Once a model is approximated, one can also use the diagnostic tests to mold residuals and test whether the projected model can be improved further.

3.6.2 Conceptual model

The conceptual model employed was in the form.

$$y = f(X_1, X_2, X_3)$$

where:-

Y=Growth of Saccos measured by size of the assets held.

X₁=Financial Performance measured by profitability

X₂ = Turnover measured by member deposits

X₃ = Innovation measured by no. of products innovated

3.6.3 Analytical Model

A Multivariate regression model was used to determine the correlation between financial performance and growth of Saccos. The multivariate regression model used a simple regression model with several predictor variables as indicated below;

$$Y = a + \beta_1 * X_1 + \beta_2 * X_2 + \beta_3 * X_3 + \varepsilon$$

Where;

Y=growth of SACCOs as measured by size of assets held.

a = is a constant and represents the value of y when X is 0.

β_1 - β_3 = regression coefficients which measures the average change in the value of the independent variable that affect directly affect the financial performance of a Sacco.

X₁= ROA Measured by a ratio of Net income/ Total assets

X₂ = ROE Measured by a ratio of Net income / no of shareholders

X₃= Earnings per Share Measured by

ε = is the error term.

The study used the return on asset (ROA), ROE, Profit after tax and Earning per share as predictor variables for financial performance. Net income before tax and interest on members deposit were expressed as a percentage of average assets. The proxies for growth of SACCOs will be the value of total assets, deposits/savings and turnover expressed as natural logs. Traditionally the degree to which two or more predictor variable are linked to the dependent variable is articulated in the correlation coefficient (R). In multiple regression, correlation co-efficient assumes values in the range of 0 and 1.

Where the coefficient β is positive, then the correlation between this variables is positive with the dependent variable is positive and vice versa. If the β coefficient is equal to 0 then there is no correlation between the variables.

Dogan (2013) used the same model to establish the influence of growth on profitability of firms quoted on Istanbul Security Exchange. Profitability was measured by ROA and the proxies of growth were the total sales, productivity and members deposits / savings.

3.6.4 Reliability Tests

A pilot study was carried out before the actual study was done. The questionnaires were pre-tested using a selected sample. The process employed in pre-testing the questionnaires was like the one applied in the actual study. This was done to ascertain the significance of the items to the study, to obtain knowledge on how to manage the tools, and to test the reliability and validity of the tools, consequently check if there were ambiguities in the tools. The procedure of creating and authenticating a tool is mainly dedicated to lowering the errors in the measurement procedure. Validity shows the magnitude to which the tool measures the concepts under study (Mugenda and Mugenda, 1999).

There are three types of validity tests which include criterion, content, and related construct validity. Content validity refers to the magnitude to which the tool fully assesses the concept of interest. The questionnaires offered a sufficient measure that covered the content areas of the study questions. Reliability is the degree to which a questionnaire or any measurement process produces the same results repeatedly. It is

the stability or uniformity of outcomes over time or cross rates. The reliability was measured to determine the degree to which the measuring items would give comparable outcomes repeatedly. A test-retest method was employed to approximate the magnitude to which similar results could be gotten using a replicated measure of accuracy of a similar concept to establish the reliability of the tool. The choice of the pilot sample was done using purposive sampling.

3.6.5 Test of Significance

The Pearson product moment coefficient (R) was used to establish the association between the variables (Financial performance and Growth) based on the population data. A coefficient of determination (R²) was performed to determine how much of the dependent variable comes about as a result of the independent variable being tested. The study tested R² at 95% significance level. To test the significance of the findings, analysis of variance (ANOVA) was done.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter denotes the findings of the study and the interpretations of the same by the researcher. The main objective of the research was to establish the relationship between financial performance and growth of Saccos. This chapter gives a clear picture of the finding of the field work research that was carried out at Saccos, with the aid of questionnaires.

4.2 Response Rate

Table 4.1 Response Rate

Response	Frequency	Percentage (%)
Responded	40	67
Did not respond	20	33
Total	60	100

Source: Researcher 2017

Table 4.1 above represents the respondent's rate in terms of frequency and percentages 67% responded while 33% did not respond to the questionnaires. This indicates that a higher percentage of them responded as illustrated in the diagram below.

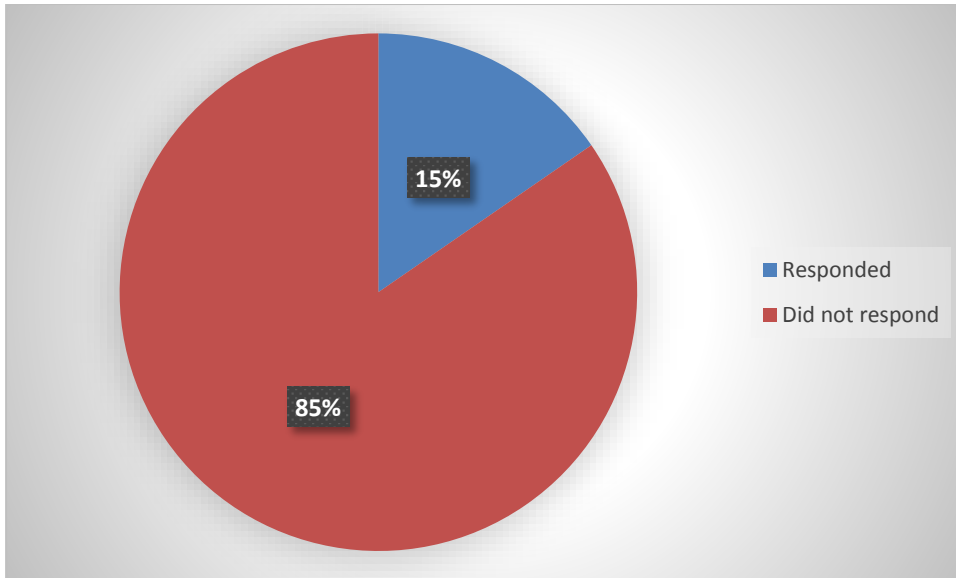


Figure 4.1 Response Rate

Source: Researcher 2017

From the pie chart above, it is evident that the researcher had an opportunity to obtaining feedback from 67% of the respondents which represented 40 respondents,33% which represents 20 respondents were given questionnaires but did not respond to the questions.

4.2.1 Gender of the Respondents

Table 4.2 Gender of the Respondents

Gender	Frequency	Percentage (%)
Male	18	45
Female	22	55
Total	40	100

Source: Researcher 2017

Table 4.2 represents the respondent's age 45% of the respondents was male while 55% were female. This shows that the female respondents had the greatest representation in the filling of the questionnaires.

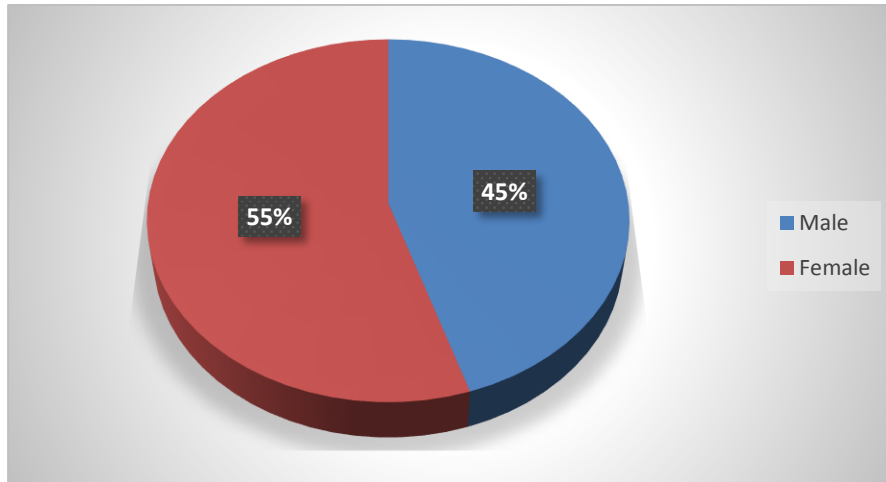


Figure 4.2 Gender of the Respondents

Source: Researcher 2017

From the pie chart above, it shows that the respondents were drawn from both genders which confirmed a balanced gender presentation, since each had a reasonable representation as illustrated in the above pie chart.

4.2.2 Period of Experience at the Sacco

Table 4.3 Period of Experience at the Sacco

Period	Frequency	Percentage (%)
Below 2 years	7	17
Above 2-5 years	9	23
Above 5-10 years	14	35
Above 10 years	10	25
Total	40	100

Source: Researcher 2017

Table 4.3 represents the experience periods that the respondents had worked at a Sacco. Majority of the workers falls in the category of above 5-10 years. This indicates that the respondents had enough experience at the Saccos to enable them to give reasonable judgments on their feedback in the questionnaires. The above frequencies are illustrated in the bar graph shown below.

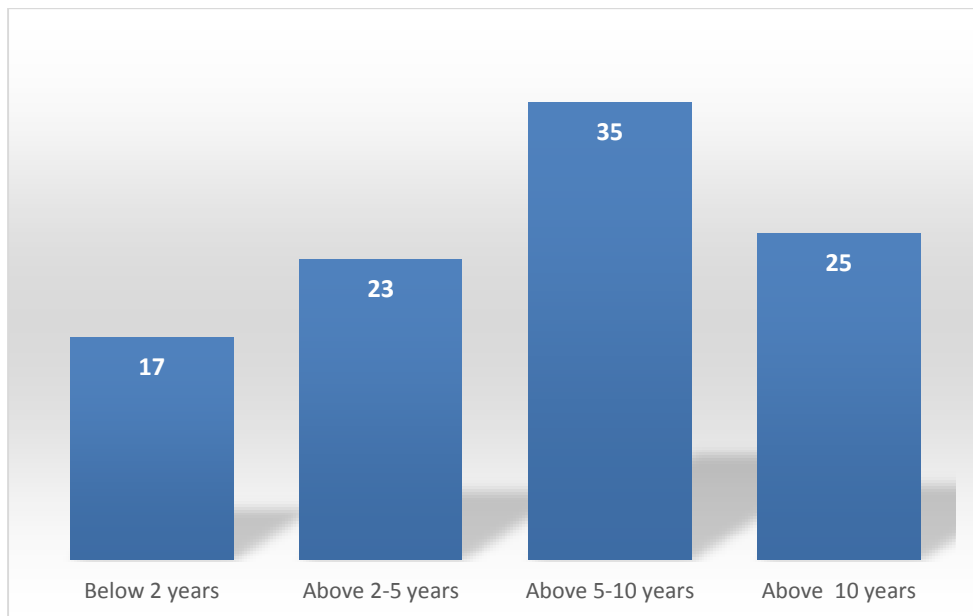


Figure 4.3 Period of Experience at the Sacco

Source: Researcher 2017

Figure 4.3 shows that the mode of respondents is above 5-10 years at Sacco indicating that the majority of the respondents had worked at Sacco for a reasonable time to give relatively accurate assessment in their responses.

4.3 Quantitative Data Analysis

4.3.1 Innovation and Creativity in Growth of Saccos

Table 4.4 Innovation and Creativity (Technology) in Growth of Saccos

Influence level	Frequency	Percentage (%)
Yes	28	70
No	12	30
Total	40	100

Source: Researcher 2017

Table 4.4 represents the influence percentage levels of how innovation and creativity/technology contributed on the growth of Saccos. It shows that 70% of the respondents agreed that innovation and creativity/technology had influenced the growth of while 30% disagree that had not played any role in influencing the growth of Saccos. This is also illustrated in the figure below.

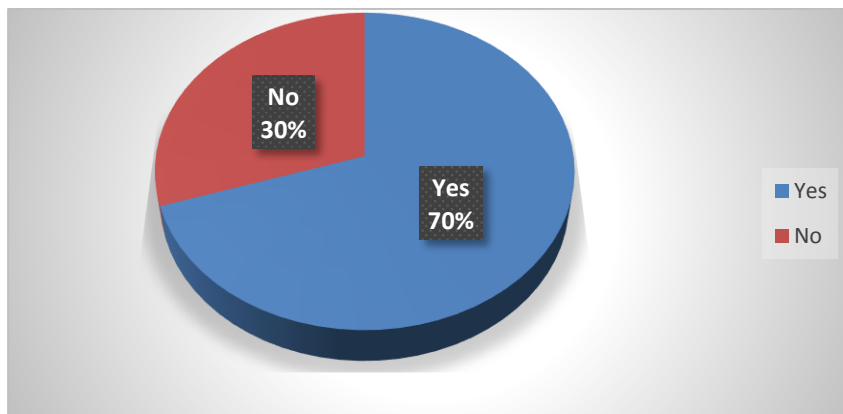


Figure 4.4 Innovation in Growth of Saccos

Source: Researcher 2017

As demonstrated in figure 4.4, 70% of the respondents agree that innovation and creativity/technology has influenced the growth of Sacco while 30% disagreed.

4.3.2 Corporate Financial Performance role in influencing Growth of Saccos

Table 4.5 Corporate Financial Performance role in influencing Growth of Saccos

Level of relevance	Frequency	Percentage (%)
Strongly agree	16	40
Agree	14	35
Disagree	6	15
Strongly disagree	4	10
Total	40	100

Source: Researcher 2017

Table 4.5 represents the respondent's level of whether corporate financial performance had influenced the growth of Sacco. 75 % of the respondents agreed that corporate financial performance had greatly influenced the growth of Sacco and is relevant while the rest 25% disagreed.

4.3.3 Saccos Growth

Table 4.6 Trend of Sacco growth in the business for the last four years

Trend	Mean	Std Deviation
No. of Members	3.886	0.941
Turnover	4.329	0.959
Deposits/Savings	4.271	0.985
ROA	3.829	0.943
Share Capital	4.257	0.652

Source: Researcher 2017

The study sought to find out the trend of Sacco growth in the business for the last four years. A five point like scale was used where 5.000- 4.500 = Greatly Improved, 4.499 – 3.500 = Improved; 3.499-2.500 = Constant; 2.499- 1.500 = Decreasing and 1.499 – 1.000 = greatly decreased. Based on the outcomes, the trend of turnover, deposits and share capital had enhanced for the last five years as shown by a mean of 4.329, 4.271

and 4.257 respectively. Moreover, the trend of number of members and return on assets had improved for the last four years as shown by a mean of 3.886 and 3.829 respectively.

4.4 Descriptive Statistics

Table 4.7 gives the summary statistics of the main variables that have been included in the model including the maximum, minimum, standard deviation, mean, kurtosis and skewness.

Table 4.7: Descriptive Statistics

Statistic		Growth of Saccos	ROA	ROE	Earnings per Share
N		168	168	168	168
Minimum		-210,520	.0740	.1440	.7669
Maximum		19,507,610	.2800	2.5840	2.9326
Mean		2,262,720	.21847	.39026	1.1485
Std. deviation		.17588	.03769	.41068	.4824
Skewness	Statistic	4.685	-1.614	5.043	2.158
	Std Error	.409	.409	.409	.409
Kurtosis	Statistic	25.556	5.682	27.421	5.032
	Std Error	.798	.798	.798	.798

Source: Research Findings

The results showed that growth of Saccos had a mean of 2,262,720 with a minimum of -210,520, a maximum of 19,507,610 and standard deviation of 0.17588. This depicts that on average, the Saccos have been making profits within the five year period. However, some Saccos made huge losses given a minimum value of -210,520. This is also shown by standard deviation value, which was higher than the mean value, which depicts a high variability in performance.

Maximum value of 0.950 show that some Saccos experienced very high profitability that almost equaled their asset value. This owes to the fact that financial sector is not capital intensive. Growth of Saccos had skewness of 4.685 and kurtosis of 25.556. This depicts a positively skewed and highly peaked distribution.

ROA had a mean of 0.218, minimum of 0.074, maximum of 0.280 and standard deviation value of 0.0377. This shows that on average, the Saccos had a return on assets of 21.8%, some high as 28% while others charged as low as 7.4%. There was less variability in ROA charged from one Sacco or from one period to the next given a standard deviation value of 3.8%. ROA had skewness of -1.614 and kurtosis of 5.682. This points to a negatively skewed and moderately highly peaked distribution. That is, most of the data were lower than the mean value of 21.8%.

ROE had a mean of 0.390, minimum of 0.144, maximum of 2.584 and standard deviation value of 0.411. Thus, the Sacco generally incurred an expense of Ksh0.39 on every shilling invested in assets irrespective of its class. However, while some Saccos incurred as low as Ksh0.144 others incurred as high as Ksh2.584 on every shilling invested in assets. As depicted by the variance between minimum and maximum values, standard deviation value of 0.411 which is higher than the mean shows that there was high variance in ROE; while some Saccos are efficient, some were not efficient in any sense as also depicted by the kurtosis. Management efficiency had skewness of 5.043 and kurtosis of 27.421. This depicts a positively skewed and very highly peaked distribution.

Earnings per share had a mean of 1.1485, minimum of 0.7669 and maximum of 2.932. The descriptive statistics shows that on average, every shilling of income attracted Ksh1.1485 in earning per share. However, this figure was as low as Ksh0.7669 or as high as Ksh2.932. This is true to the low performance of the Saccos. Standard deviation value of Ksh0.4824 show high variability in the Saccos' earnings per share. Skewness of 2.158 and kurtosis of 5.0321 depict positively skewed and moderately peaked distribution.

4.5 Pearson Correlation Analysis

Table 4.8: Correlation Matrix

Variable	Statistics	Growth of saccos(assets)	ROA	ROE
ROA	Pearson Correlation	.602*	1	
	Sig. (2-tailed)	.026		
ROE	Pearson Correlation	-.453*	-.017	1
	Sig. (2-tailed)	.016	.924	
Earnings per share	Pearson Correlation	-.494**	-0.369	0.399
	Sig. (2-tailed)	.009	.135	.607
	N	168	168	168

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

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

Source: Research Findings

From the Table 4.8, indicates that there is a good, positive and significant Correlation between financial performance and growth of Saccos given correlation value (R) of 0.602 at $p = .026$. There was a good, significant but negative correlation between Growth of Saccos and: ROE (R) = $-.453$; $p = .016$); and, Earnings per share (R) = $-.494$; $p = .009$).

4.6 Regression Analysis

Table 4.9 Results of multiple regression analysis between growth of Saccos (dependent variable) and combined effects of the selected predictors.

Model	R	R Square	Adjust square	Std Error of the estimate
1	.793	.726	.678	.2076
Predictors	ROA	ROE	Earnings per Share	Profit After Tax

a. Dependent Variable: Growth of Saccos

b. Predictors: Productivity of staff labour, Turnover of member deposits, Innovation of new products.

The **P** value of 0.001 shows that the regression correlation was very significant in predicting how ROA, ROE, Earning per Share and profit after tax influenced growth of Saccos. The F critical at 5% level of significance was 3.971 since F calculated is greater than the F critical (value = 2.830), this shows that the overall model was significant.

Table 4.10 Regression co-efficients of the relationship between growth of saccos and the predictor variables

Model	B	Unstandardized coefficients		Standardized coefficients		
		Std Error	Beta	t	sig	
1	constant	2.770	0.451	4.307	0.000	
	ROA	+0.332	0.121	0.146	3.333	0.025
	ROE	+0.433	0.079	0.126	3.214	0.032
	Earnings per Share	+ 0.248	0.073	0.045	3.329	0.032
	Profit After Tax	+0.142	0.073	0.142	3.425	0.021

a. Dependent Variable: Growth of Saccos

The regression equation above has recognized that taking all factors into account (ROA, ROE, Earnings per share, and profit after tax) constant at zero growth of Saccos will be 2.770. The findings presented also indicate that taking all other independent variables at zero, a unit increase in ROE would lead to a 0.433 increase in the growth of Saccos. The findings also indicate that a unit increases in ROA would lead to a 0.332 increase in growth of Saccos. Additionally, the findings indicate that a unit increase in Earnings per share would lead to a 0.248 increase in growth of Saccos. The study also found that a unit increase in the profit after tax would lead to a 0.142 increase in growth of Saccos.

Table 4.11: Model Summary

R	R Square	Adjusted R Square	Std. of the Estimate
.630 ^a	.397	.316	.1744325

a. Predictors: (Constant), ROA, ROE, Earning per Share

b. Dependent Variable: growth of Saccos

Source: Research Findings

The model had a Correlation value of 0.630 which depicts good linear relationship between predicted and explanatory variables. The model was also moderately strong owing to R-square values of 0.397 which was adjusted for errors to 0.316. This depicts that the independent variables explains only 31.6% of the changes in financial performance as measured by ROA.

Table 4.12: Analysis of Variance (ANOVA)

	Sum of Squares	df	Mean square	F	Sig
Regression	.107	35	.036	4.178	.035b
Residual	.882	133	.030		
Total	.992	167			

a. Dependent Variable: Growth of Saccos

b. Predictors: (Constant), ROA, ROE, Earnings per share and profit after tax

Source: Research Findings

Table 4.4 shows that the model was significant owing to F-test value of 4.178 at significance value of 0.035 ($p < .05$). Belle (2008) stated that insignificant F-significance indicates weak regression model as means of the groups (independent and dependent variables) are equal. Thus, the study's regression model was good.

4.7 Interpretation of the Findings

The research sought to establish the correlation between financial performance and growth of Saccos in Kenya. The correlation matrix for the three variables shows that there are good correlations between individual independent variables and growth of Saccos as measured by total assets held. However, only the correlation coefficient between ROE and ROA was positive. There was negative correlation between Earnings per share and profit after tax independent variables and growth of Saccos. That is, increase in ROE would yield positive results on growth of Saccos, while Earnings per share and profit after tax would decrease growth of Saccos.

From the regression results, ROE ($p = .024$) was found to be significant in explaining Growth of Saccos better than Earning per share ($p = .036$) and profit after tax ($p = .016$). Earnings per share and profit after tax led to negative growth of Saccos. The explanatory variables explain 31.6% of the variation in the dependent variable. Jointly, all the variables were found to be significant as depicted from the F-statistic ($p = .035$).

To test the significance of the regression model, analysis of variance (ANOVA) was performed. A **p** value of 0.035 was registered indicating that the relationship was significant since the value is below the recommended value of 0.05 or less. An F-value of 4.178 also confirms the same findings since it's above the recommended value of 1 or below.

Pearson correlation analysis established that growth of Saccos was positively related to ROA while Earning per share and profit after tax had a negative relation.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the study summary, discussions, conclusions, major limitations of the study and recommendations for further research. The study sought to establish the relationship between financial performance and growth of Saccos in Kenya.

5.2 Summaries of Findings

The study employed annual secondary data on growth of Saccos, Saccos' ROE, earning per share, profit after tax and ROA which were obtained Saccos' financial performance from the SASRA and Saccos' offices. The study regression model expressed Growth of Saccos as a function of ROA, ROE and Earnings per Share. The study covered a period from January 2012 to December 2016 and data was analyzed using a multiple linear regression model.

The correlation matrix for the three variables shows that there are good correlations between individual independent variables and growth of Saccos as measured by total assets. However, only the correlation coefficient between ROA and Growth of Saccos was positive. There was negative correlation between Earning per share and profit after tax as independent variables and Growth of Saccos. That is, increase in ROE would yield positive results on Growth of saccos, while Earnings per share and profit after tax would decrease growth in saccos.

From the regression results, ROE ($p = .024$) was found to be significant in explaining growth of Saccos better than Earnings per share ($p = .036$) and profit after tax ($p = .016$). Earnings per share and profit after tax led to negative growth of Saccos. The explanatory variables explain 31.6% of the variation in the dependent variable. Jointly, all the variables were found to be significant as depicted from the F-statistic ($p = .035$).

Research findings have indicated that government roles had also a significant impact in the growth of Sacco through formation of a regulatory body SASRA. Secure systems had significantly contributed to the Sacco's growth. This was through adoption of new technology by the Sacco where its information is stored in computers to avoid loss of important data of the Sacco as it could affect its growth as well.

5.4 Conclusions

From the entire research findings, the study provided information that financial performance had a positive impact on the growth of Saccos. Innovation and creativity through mobile banking has simplified the daily routine processes in Saccos as customers no longer need to queue at the hall but only withdraw their money either using their phones or ATM services, which is a convenient option and available to the user. Government roles also played a vital role in enhancing growth of Saccos by setting rules, regulations through SASRA and standard interest rates to ensure the Sacco does not go losses but profits, this has really contributed to the growth of the Saccos. Provision of security systems such as CCTVs had also counted on growth of this Sacco. This has led to provision of information to the Sacco as well to the finance professionals.

5.5 Recommendations

The researcher recommends that Saccos should put more emphasis on the use and adoption of the current modern technology as it allows most of their customers to interact more with the Saccos staff when carrying out their daily transactions which include savings and transfers. This would reduce the cost of banking services and also provide Saccos services to the unbanked population. Still the use of technology will enable the Sacco's to come up with new innovations and products as well which will attract more customers hence facilitating the growth of the Saccos.

5.6 Limitation of the Study

To begin with, the descriptive and correlation analysis depended on secondary data which had previously been collected by SASRA on Saccos in Kenya. Data was used as gathered from the sources and hence the researcher had no means of authenticating the data and therefore it was assumed to be correct and fit for purpose in the study. The findings were consequently subject to the authenticity of the data employed. Secondly, the study was conducted on Saccos and its results may not be generally applicable in other financial firms such as DTMS, commercial banks and other MFIs that are not deposit taking.

5.7 Suggestions for Further Research

This study centered largely on financial performance as the main factor influencing growth of Saccos. Due to the wide scope of this study, the researcher would suggest that in future studies may focus on other factors that accrue to other sectors of the economy which may include agriculture, education and also social networks.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

Background Information

The researcher is a Master of Business Administration student at The University of Nairobi carrying out research on assessment on the relationship between financial performance and growth of Saccos in Kenya.

Kindly consider each of the following questions and answer by ticking or by writing in the space provided as best and as honestly as you can. The information provided will be treated in confidence and only used for the purpose of academic.

PART 1: ORGANIZATIONAL DETAILS

1) a) Name of your Society

b) Name of Respondent (Optional).....

Position held:

Executive official () Employee/Staff ()

c) Gender: Male Female

d) What is your highest level of education?

Secondary () college () university ()

e) How long have you worked in the Sacco?

1-2 years () 3-5 years () 6-10 years () 10 and above ()

f) Size of Society (in terms of Assets)

Above Ksh5billion () Ksh 1-5 billion () below Ksh 1billion ()

g) Number of members

PART II

2) To determine the relationship between financial performance and growth of Saccos in Kenya.

a) Does Saccos have ways to influence their growth?

Yes () No ()

If yes, explain

.....

.....

b) State some of the factors influencing growth of Saccos in Kenya.

.....

.....

PART III

3) To determine how financial performance has influenced growth

a) Has Saccos in Kenya adopted the financial performance measures?

Yes () no ()

If yes, explain

b) Are you able to cope up with some the financial performance measures adapted in the Saccos?

Yes () No ()

c) How has financial performance measures affected the Saccos growth?

Explain

.....

.....

d) What new financial performance tools can be introduced to ensure that the Saccos keep on advancing?

.....

.....

Other questions

e) Does the government play any role in influencing the growth of Saccos?

Yes () no ()

if yes, explain

.....

.....

f) Is there a secure system to ensure that the Saccos growth is not affected?

Yes () no ()

PART III: Saccos Growth

4) What is trend for the following in your society for the last four years? Please tick as appropriate.

TREND	Greatly improved	Improved	Constant	Decreasing	Greatly Decreased
No. of Members					
Turnover					
Deposits/Savings					
ROA					

PART III: Creativity and Innovation in the society

5) Tick appropriately were 1 means strongly agree, 2 agree, 3 neutral, 4 disagree and 5 means strongly disagree with the statement.

	Statement	Rates				
1.	My society introduces new products as the members need change.	1	2	3	4	5
2.	Our Sacco offers unique and attractive products compared to others.	1	2	3	4	3
3.	We often introduce new methods of service delivery as members demand change to ensure growth and members retention	1	2	3	4	5
4.	Our Sacco survival depends on what service we offer and how differently from others	1	2	3	4	5
5.	Our members at times leaves our society to join other Saccos	1	2	3	4	5

Thank you for taking your time to fill this questionnaire.

APPENDIX II. DEPOSIT TAKING SACCO IN KENYA 2016

	NAMES		NAMES
1.	AIRPORTS SACCO SOCIETY LTD	2.	AFYA SACCO SOCIETY LTD
3.	ASILI SACCO SOCIETY LTD	4.	BANDARI SACCO SOCIETY LTD
5.	BARAKA SACCO SOCIETY LTD	6.	SKYLINE SACCO SOCIETY LTD
7.	BORESHA SACCO SOCIETY LTD	8.	BIASHARA SACCO SOCIETY LTD
9.	BINGWA SACCO SOCIETY LTD	10.	VISION POINT SACCO SOCIETY LTD
11.	NGARISHA SACCO SOCIETY LTD	12.	PATNA SACCO SOCIETY LTD
13.	CHAI SACCO SOCIETY LTD	14.	JUMUIKA SACCO SOCIETY LTD
15.	KIMBILIODAIMA SACCO LTD	16.	CHUNA SACCO SOCIETY LTD
17.	COMOCO SACCO SOCIETY LTD	18.	CENTENARY SACCO SOCIETY LTD
19.	WINAS SACCO SOCIETY LTD	20.	FARIJI SACCO SOCIETY LTD
21.	FORTUNE SACCO SOCIETY LTD	22.	GITHUNGURI DAIRY SACCO SOCIETY LTD
23.	GUSIIMWALIMU SACCO SOCIETY LTD	24.	HARAMBEE SACCO SOCIETY LTD
25.	HAZINA SACCO SOCIETY LTD	26.	IMENTI SACCO SOCIETY LTD
27.	KENYA ACHIEVERS SACCO LTD	28.	JAMII SACCO SOCIETY LTD
29.	JITEGEMEE SACCO SOCIETY LTD	30.	INVEST & GROW (IG) SACCO SOCIETY LTD
31.	PRIME TIME SACCO SOCIETY LTD	32.	KENPIPE SACCO SOCIETY LTD
33.	KENYA BANKERS SACCO SOCIETY LTD	34.	AZIMA SACCO SOCIETY LTD
35.	KENYA POLICE SACCO SOCIETY LTD	36.	KENYA HIGHLANDS SACCO SOCIETY LTD
37.	JOINAS SACCO SOCIETY LTD	38.	K- UNITY SACCO SOCIETY LTD
39.	IMARIKA SACCO SOCIETY LTD	40.	KINGDOM SACCO SOCIETY LTD
41.	IMARISHA SACCO SOCIETY LTD	42.	KITE SACCO SOCIETY LTD
43.	KITUI TEACHERS SACCO SOCIETY LTD	44.	KMFRI SACCO SOCIETY LTD
45.	K- PILLAR SACCO SOCIETY LTD	46.	STAKE KENYA SACCO SOCIETY LTD
47.	LENGO SACCO SOCIETY LTD	48.	MAGADI SACCO SOCIETY LTD
49.	SMART LIFE SACCO SOCIETY LTD	50.	BI-HIGH SACCO SOCIETY LTD
51.	ENEA SACCO SOCIETY LTD	52.	MMH[MAUA METHODIST] SACCO SOCIETY LTD
53.	SOLUTION SACCO SOCIETY LTD	54.	DHABITI SACCO SOCIETY LTD
55.	SOUTHERN STAR SACCO SOCIETY LTD	56.	METROPOLITAN SACCO SOCIETY LTD
57.	MOMBASA PORT SACCO SOCIETY LTD	58.	MAFANIKIO SACCO SOCIETY LTD
59.	OLLIN SACCO SOCIETY LTD	60.	MWINGIMWALIMU SOCIETY LTD
61.	DAIMA SACCO SOCIETY LTD	62.	UNAITAS SACCO SOCIETY LTD
63.	MENTOR SACCO SOCIETY LTD	64.	AMICA SACCO SOCIETY LTD
65.	MWALIMU NATIONAL SACCO SOCIETY LTD	66.	MWITO SACCO SOCIETY LTD
67.	NACICO SACCO SOCIETY LTD	68.	SHOPPERS SACCO SOCIETY LTD
69.	COSMOPOLITAN TEACHERS SACCO	70.	NANDI HEKIMA SACCO SOCIETY

	SOCIETY LTD		LTD
71.	GOOD HOPE SACCO SOCIETY LTD	72.	NATION SACCO SOCIETY LTD
73.	NDEGE CHAI SACCO SOCIETY LTD	74.	NDOSHA SACCO SOCIETY LTD
75.	THAMANI GROWERS SACCO SOCIETY LTD	76.	NITUNZE SACCO SOCIETY LTD
77.	NYAMBENARIMI SACCO SOCIETY LTD	78.	NYAMIRA TEA FARMERS SACCO SOCIETY LTD
79.	TOWER TEACHERS SACCO SOCIETY LTD	80.	NEW FORTIS SACCO SOCIETY LTD
81.	MILIKI SACCO SOCIETY LTD	82.	SAFARICOM SACCO SOCIETY LTD
83.	SHERIA SACCO SOCIETY LTD	84.	TARAJI SACCO SOCIETY LTD
85.	SIMBA CHAI SACCO SOCIETY LTD	86.	SIRAJI SACCO SOCIETY LTD
87.	STEGRO SACCO SOCIETY LTD	88.	SOTICO SACCO SOCIETY LTD
89.	YETU SACCO SOCIETY LTD	90.	STIMA SACCO SOCIETY LTD
91.	SUKARI SACCO SOCIETY LTD	92.	TAI SACCO SOCIETY LTD
93.	TAIFA SACCO SOCIETY LTD	94.	QWETU SACCO SOCIETY LTD
95.	TEMBO SACCO SOCIETY LTD	96.	TENHOS SACCO SOCIETY LTD
97.	NDETIKA SACCO SOCIETY LTD	98.	ORIENT SACCO SOCIETY LTD
99.	TRANS-NATIONAL TIMES TEACHERS SACCO SOCIETY LTD	100.	UKULIMA SACCO SOCIETY LTD
101.	UN SACCO SOCIETY LTD	102.	UNIVERSAL TRADERS SACCO SOCIETY LTD
103.	WAKENYAPAMOJA SACCO SOCIETY	104.	WAKULIMA COMMERCIAL SACCO SOCIETY LTD
105.	WANAANGA SACCO SOCIETY LTD	106.	WANANCHI SACCO SOCIETY LTD
107.	WANANDEGE SACCO SOCIETY LTD	108.	THE NOBLE SACCO SOCIETY LTD
109.	WASHA SACCO SOCIETY LTD	110.	WAUMINI SACCO SOCIETY LTD
111.	NASSEFU SACCO SOCIETY LTD	112.	FUNDILIMA SACCO SOCIETY LTD
113.	MAISHA BORA SACCO SOCIETY LTD	114.	COUNTY SACCO SOCIETY LTD
115.	MUDETE TEA GROWERS SACCO SOCIETY LTD	116.	SUPA SACCO SOCIETY LTD
117.	NAFAKA SACCO SOCIETY LTD	118.	FARIDI SACCO SOCIETY LTD
119.	KENVERSITY SACCO SOCIETY LTD	120.	EGERTON SACCO SOCIETY LTD
121.	DIMKES SACCO SOCIETY LTD	122.	MAGEREZA SACCO SOCIETY LTD
123.	TIMES- U SACCO SOCIETY LTD	124.	MUKI SACCO SOCIETY LTD
125.	TELEPOST SACCO SACCO SOCIETY LTD	126.	UKRISTO NA UFANISI SACCO SOCIETY LTD
127.	TRANS-ELITE COUNTY SACCO SOCIETY LTD	128.	ARDHI SACCO SOCIETY LTD
129.	ECO -PILLAR SACCO SOCIETY LTD	130.	ELIMU SACCO SOCIETY LTD
131.	2NK SACCO SOCIETY LTD	132.	NAWIRI SACCO SOCIETY LTD
133.	MOI UNIVERSITY SACCO SOCIETY LTD	134.	NYATI SACCO SOCIETY LTD
135.	SHIRIKA SACCO SOCIETY LTD	136.	TRANS NATION SACCO SOCIETY LTD
137.	UNISON SACCO SOCIETY LTD	138.	KWETU SACCO SOCIETY LTD
139.	CATIPAL SACCO SOCIETY LTD	140.	LAINISHA SACCO SOCIETY LTD
141.	NYALA VISION SACCO SOCIETY LTD	142.	PUAN SACCO SOCIETY LTD
143.	WEVARSITY SACCO SOCIETY LTD	144.	UFANISI SACCO SOCIETY LTD

145.	LAMU TEACHERS SACCO SOCIETY LTD	146.	VISION AFRIKA SACCO SOCIETY LTD
147.	DUMISHA SACCO SOCIETY LTD	148.	ELGON TEACHERS SACCO SOCIETY LTD
149.	SMART CHAMPIONS SACCO SOCIETY LTD	150.	KENYA MIDLAND SACCO SOCIETY LTD
151.	VIKTAS SACCO SOCIETY LTD	152.	TRANS-COUNTIES SACCO SOCIETY LTD
153.	RACHUONYO TEACHERS SACCO SOCIETY LTD	154.	JACARANDA SACCO SOCIETY LTD
155.	SUBA TEACHERS SACCO SOCIETY LTD	156.	NUFAIKA SACCO SOCIETY LTD
157.	AGROCHEM SACCO SOCIETY LTD	158.	NANDI FARMERS SACCO SOCIETY LTD
159.	KOLENGE SACCO SOCIETY LTD	160.	KIPSIGISEDIS SACCO SOCIETY LTD
161.	BARATON SACCO SOCIETY LTD	162.	ILKISONKO SACCO SOCIETY LTD
163.	NANYUKI EQUATOR SACCO SOCIETY LTD	164.	AINABKOI RURAL SACCO SOCIETY LTD
165.	UNI-COUNTY SACCO SOCIETY LTD	166.	MWIETHERI SACCO SOCIETY LTD
167.	KATHERA SACCO SOCIETY LTD	168.	ALL CHURCHES SACCO SOCIETY LTD
169.	KORU SACCO SOCIETY LTD	170.	GOOD FAITH SACCO SOCIETY LTD
171.	UCHONGAJI SACCO SOCIETY LTD	172.	KAIMOSI SACCO SOCIETY LTD
173.	GOODWAY SACCO SOCIETY LTD	174.	VIHIGA COUNTY SACCO SOCIETY LTD
175.	BIASHARATOSHA SACCO SOCIETY LTD		

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