European Journal of
Business and Strategic Management
(EJBSM)

INTERNAL FACTORS AFFECTING GROWTH OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN MACHAKOS COUNTY, KENYA

Victor K. Muithya and Dr. Robert Ombati, PhD

IPRJB
INTERNATIONAL PEER REVIEWED JOURNAL AND BOOK PUBLISHING

European Journal of Business and Strategic Management
ISSN 2518-265X (Online)
Vol.4, Issue 5, pp 1- 15, 2019
www.iprjb.org

INTERNAL FACTORS AFFECTING GROWTH OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN MACHAKOS COUNTY, KENYA

[1*]Victor K. Muithya
[1]Post graduate student: South Eastern Kenya University, Kenya
[*]Corresponding author email: victormuithya1980@gmail.com

[2]Dr. Robert Ombati, PhD
Lecturer: School of Business and Economics: South Eastern Kenya University
Kenya
rombati@seku.ac.ke

Abstract

Purpose: The Kenyan SACCO business plays a key role in contributing to the country's savings, that has boosted social development and the economy. The aim of the study was to establish the internal factors affecting the growth of Savings and Credit Cooperative Societies in Machakos County.

Methodology: Descriptive research design was applied in the study whereby census was used for the whole chosen population. The 33 active SACCOs found in Machakos County formed the target population; purposive sampling was applied to select one hundred thirty-two (132) respondents. Questionnaires having open and closed ended questions relating to the objectives were used to collect primary data. Both descriptive and inferential statistics were applied in the study to analyze data from the questionnaires. SPSS version 21 software was used to code and analyze data. Tables were used in data presentation.

Results: The study established that management skills positively and significantly affected the growth of SACCOs in Machakos County. The study established that loan portfolio management negatively and weakly affected the growth of SACCOs in Machakos County. The study indicates a weak positive relationship between human resources capacity and growth of SACCOs in Machakos County. The study established that the SACCOs in Machakos County have to some extent invested in IT, which has positively and significantly led to growth of the SACCOs. The study concluded that managerial skills, human resource capacity, adoption of Information Technology and loan portfolio management have influence on growth of SACCOs in Machakos County.

Unique Contribution to Theory, Practice and Policy: Recommendations of the study are that the institutions should undertake an internal factor evaluation and practice of the administrative functions that impact the growth of SACCOs, policy guidelines should take its position in ensuring that SACCOs are operated in the best line of their expected performance obligations and there was still some room for further studies that would examine on the best factors to apply on the Kenyan SACCOs, that would enhance a more competitive SACCO business

Key Words: *Growth of SACCOs, Management skills, Information technology, Loan Portfolios, Human resource capacity*

1.0 BACKGROUND OF THE STUDY

A Savings and Credit Cooperative Society is a financial institution that is owned, controlled and operated by its members, providing them with access to loans at low interest rates, promoting thrift and providing alternative financial services, as the main purpose of their existence. They have controlled poverty through boosting strategies in wealth creation, production of food for subsistence and employment opportunities creation. SACCOs stand out from other financial institutions, banks being a majority in that, the investors in them are at the same time the owners, who execute their voting freedom on the one member- one vote basis, the member's shareholding notwithstanding, an implication that only their members of can deposit and borrow from them (CBK, 2011).

The modern co-operative concept began in 1844 in Rochdale village, Manchester in England as asserted by Pollet (2013). Globally, it has since developed as a socio-economic movement with its own distinct history, purpose and identity. The ancient rural credit union was introduced in 1864 by Raiffeisen in German to cover the needs of those in marginal areas. Deemed nonbank able were the rural communities owing to limited cash flows and shortages of human resources (WOCCU 2008). A rapid growth has been witnessed in the cooperative movement throughout the world premised upon the organizational methods of Raiffeisen since this period (2006). Farmers in Africa steered cooperatives towards the end of 1950s for cash crops like pyrethrum and coffee. According to Mumanyi (2014), the success of the cooperative movement in Ghana has been widely replicated throughout the African continent.

Klinkhamer (2009) asserts that in Tanzania, SACCOs' membership is netted from the indigenous community or a similar employer. A geographical area, a community, an employer or other associations is shared by their members (CGAP, 2005). As per Mwakajumilo (2011), the members are the only beneficiaries, savers and decision-makers. Emanating from members` saving deposits, are the SACCO funds (Shrestha 2009). Enhanced incomes, assets, food consumption, education expenditure, improved housing and reduced health expenditures were enjoyed by the SACCO members compared to non-members (Sharma et al 2005). Issues to do with weak management, misuse of funds, lack of capital for work, unpleasant business practice and high loan delinquency charges are however, faced by many co-operatives and SACCOs in Tanzania (Mwakajumulo, 2011).

As per Kobia (2011), the oldest cooperative was introduced in Kenya by white settlers in 1908 at Kipkelion, brought to operation as guided by the companies' ordinance and it was missioned towards dispensing agricultural and dairy support for the settlers. Regulatory reforms have since been put in place to help streamline the SACCO operations aimed at maximizing returns for members. According to KUSCCO (2010), the SACCO movement in Kenya has however been slapped by various setbacks that need to be addressed to enable it to do better on stability and soundness, output, modern governance, product coverage and competitiveness as well as integration to formal financial system. Inherent in the world of finance are the said challenges regarding the co-operative business. According to MCD &M (2010) in Kenya's GDP, SACCOs contribute 45% and venture has to date effectively mobilized deposits above Ksh.200 billion and Ksh.210 billion assets in total. In a free environment, these important resources should give SACCOs a plat form to compete.

ISSN 2518-265X (Online)
Vol.4, Issue 5, pp 1- 15, 2019

1.1 Internal Factors

Birchall (2008) posits that internal factors are factors within the organization that impact the approach and success of the business operations. These factors are controlled within the organization. They are the internal strengths and weaknesses which an organization shows (Birchall, 2008). Internal factors can intensely affect how well an organization is able to meet its objectives. They can be termed as strength if they positively impact on the business but as weakness if they negatively affect the business (Mack, 2012).

Internal factors are not only a one event or circumstance, but also a chronology of actions permeating activities of an entity. All through an entity's operations, these actions occur. On an ongoing basis, they are inherent and depending on how the organization is managed. Internal control differs from internal factors depending on how some observers who view it as an addition on to an organization's activities, or as a necessary burden. Activities of an organization are intertwined with the internal factors and is most effective when based on the institution's infrastructure, which is an integral part that is essential to the organization. A report by SASRA (2012) indicates that internal factors greatly affected growth of SACCOs in Kenya.

1.2 Growth of SACCOs

The definition of 'growth' on a performance-based angle is an open question with few studies using consistent definitions and measures (Kirby, 2005). According to Musyoki (2013) there exists three specific areas of firm outcomes that encompasses growth namely: financial performance, indicated by profits, return on assets, and return on investment; market performance, reflected through sales versus market share; and shareholder return supported by total shareholder return and added economic value. The global statistics indicate that in the year 2011, 100 countries had credit co-operatives that numbered 51,013 with a membership of 196,498,738 (WOCCU, 2012). In the year 2009, globally there were 49,330 credit co-operatives with a membership of 183,916,050 which indicated growth globally. The WOCCU statistical report also indicated that Kenya is leading in membership, number of credit co-operatives and savings mobilization in the African continent. The statistics further show that Kenya ranks number seven (7) globally in savings mobilization.

According to Ofei (2001) growth of SACCOs is measured through assessment of increase in membership and increase in savings. SACCOs depend on the savings of members to offer loans and make profits. Thus, for a Sacco to grow it needs to increase its lender, which is dependent on the savings of members. Increase in membership in SACCOs reflects to increase in savings. Once a member joins a Sacco, he or she must save in order to qualify for a loan. Therefore, if membership increases, savings of the Sacco increases and as result, the lender increases. Loan portfolio management is also an important factor when measuring growth of SACCOs. A Sacco must be able to recover the loans from its members to avoid loses. A Sacco can only grow if it is able to recover loans and make profit therefore growing the lender. Thus, loan recovery rate is used to measure growth of SACCOs. According to A World Bank publication (2011), the process of capacity building of individuals or groups to make choices thus, transforming the very choices into expected actions and results may as well be termed as growth.

1.3 SACCOs in Machakos County

Located 62 km from Nairobi city in Kenya is Machakos Town. Machakos SACCOs members' socio-economic well-being has been promoted through many activities such as helping them save and also providing loans in Kenya. As per the ministry of Co-operative-Machakos County Office, there are over 100 registered SACCOs in Machakos County. However, those that are termed as active in terms of remitting their performance returns and financial statements are 33 as listed in Appendix V. Saccos in Machakos have a number of services, few have a fully structured management, majority are operated informally but under committees that perform almost similar duties like those that are structured. (Ministry of cooperative- Machakos County, 2017).

1.3 Statement of the Problem

According to Musyoki (2013), inadequate internal factors in the form of management abilities and control in operations have marred SACCOs in Kenya. Fraudulent activities and improper use of assets have been used as an avenue for losses in SACCOs instead of being used to generate revenues while institutions and their members have incurred significant losses due to ineffective systems of control in SACCOs. According to Gunga (2008), Corruption and internal dealings by managers and external auditors leading to organizations failing to achieve their set objectives, can also be attributed to inadequate factors within SACCOs. Challenges relating to systems of organizational control have also been attributed to technological changes necessitating the development of new ways of controlling organizations. The least agreed SACCO growth target for membership according to the county is 10% yet the current growth rate of the SACCOs is 5%. SACCOs were not only established to pool resources together but also as a way of ensuring continuity and growth in the financial performance of an economy. As per the ministry of cooperative Machakos County Office, very few SACCOs in the county have embraced a FOSA operation which is the backbone to attracting application of most internal factors affecting growth in most SACCOs. Most SACCOs in Machakos begin and fail to reach the break-even point and thus end up closing down. It is against this backdrop, that this study sought to interrogate the effects of internal factors as far as growth of SACCOs in Kenya is concerned, particularly those within Machakos County.

2.0 LITERATURE REVIEW

The study was guided by the agency theory, stewardship theory, contingency theory, liquidity theory. Theory of Agency explains how best to plan relationships whereby one party determines the job while the job is done by the other party. In this scenario, the principal engages an agent to execute a task or do the job, or the principal is not able or have no will to do. This theory helps this study by analyzing how well the agents who are the employees of SACCOs manage the resources of the owners. The stewardship theory explains how a steward maximizes and protects shareholder's wealth through firm performance, since by so doing, there is maximization of the steward's utility functions. Contingency theory is an approach to the study of organizational behavior in which explanations are given as to how contingent factors such as culture, technology and the internal environment influence the function and design of organizations. Liquidity theory proposes that credit rationed companies tend to use more trade credit than those with normal access to financial intermediaries. When there is a restricted monetary policy, the offer of trade credit can make up for the reduction of the credit offer from financial intermediaries, being the central point of this idea.

2.1 Empirical Studies

Hamisu (2010) conducted a study to compare between the time-management skills and academic performance of mature and traditional-entry university students. The objective of the study was to establish the relationship between time-management skills and academic performance. He found out that the provision of management skills that includes reliable employees is vital to new organization generation. The primary and secondary methodologies used showed its influence based on results. Essentially, the executives of all organizations ought to have technological skills in more high-end and complicated production technology which is constantly dynamic. New innovations and technologies in the organization are achieved due to this expertise. It must also help with increasing capacity development and competition with foreign organizations.

Chan et al (2010) conducted a study on Human resources and the resource based view of the firm and found out that, the role of the Human Resource Manager is evolving with the change in the competitive market environment and the realization that human resource management (HRM) must play a more strategic role in the success of an organization. Organizations that do not put emphasis on attracting and retaining talents may find themselves in dire consequences, as their competitors may be outplaying them in the strategic employment of their human resources (Chan et al., 2010). With the increase in competition, locally or globally, organizations must become more adaptable, resilient, agile, and customer-focused to succeed.

Venansius (2014) conducted a study on Organizational Change and found out that most SACCOs have created websites where they lay down all relevant information relating the Sacco for easy accessibility to their customers. Products and services are marketed here both locally and globally, all round the clock. Payment of SACCO deposits, dividends, shares, bills, generation of SACCO account statements amongst other online banking services has been enabled through information technology. Automatic teller machines have conveniently enabled shareholders to access their accounts any time anywhere to execute e-money transactions like cash transfers, payment of bills, withdrawals and deposits amongst other SACCO mobile money services.

Manyara (2003) conducted a study on Challenges and opportunities facing SACCO in the current devolved system of government of Kenya and found out that technology is made up of discoveries in science, product development and improvements in process, machinery, automation, and information technology. According to Ministry of Co-operative Development and Marketing (2008) report, ICT is increasingly becoming an essential tool for efficient operations of investments and co-operatives should be encouraged to use this technology. Through its policy document on investment, the Ministry of co-operatives notes that many co-operatives are not computerized while others are partially computerized; and recommends that CODIC be activated to fulfill its core mandate of developing and assisting the co-operative movement to acquire compatible computer software for their operations at a competitive price; and that to save on costs, SACCOs should link up with private ATM service providers, e.g Pesa Point or alternatively utilize Cooperative Bank ATM service which has a country wide network.

Magali and Oiong (2014) conducted a study on Assessment of Microfinance Institution Performance: The Importance of Institutional Environment and found out that the nine elements which comprise the effective loan portfolio management include formulation of sound portfolio objectives and risk tolerance limits, assessment of the credit culture, effective management information systems, portfolio segmentation and risk diversification objectives, analysis of loans originated by other lenders, aggregate policy and underwriting exception systems, portfolios stress testing, independent and effective control functions and analysis of portfolio risk/reward tradeoffs. Most of these techniques however, are applied in banks than in rural MFIs such as rural SACCOs. Gunga (2008) found that a direct influence on the profitability of a financial institution in Kenya was because of effective loan portfolio management, since banks and other MFIs depend on interest income as their revenue. Effective loan portfolio management will thus, make borrowers to repay their loans on time which will lead to increase in banks' or MFIs' revenue of which in turn will lead to increased profitability.

3.0 RESEARCH METHODOLOGY

Descriptive research design was used in the study. According to Mugenda and Mugenda (2003), an entire group of individuals, events or objects having observable characteristics is defined as a population. The study sought to obtain data from all SACCOs which were active in Machakos County in the year 2017. Census method was used. Further, according to Kombo and Tromp (2006) indicated that in a descriptive research, the sample population should at least be 30 elements to obtain favorable results. The study adopted purposive sampling and sampled on the Chief Executive Officers (CEOs) and Senior Managers in charge of credit, human resource and information technology, Primary data was collected by use of questionnaires. A pilot study was carried out in the neighboring County of Kitui where five SACCOs where randomly sampled. The pilot study aimed at testing the validity and reliability of the questionnaires in gathering the data required for purposes of the study. Eighteen questionnaires were responded to. Test-retest method was used to measure reliability to ascertain similarity. The Cronbach Alpha scale was 0.89 showing a more internal consistency (Orodho, 2004). The regression model used was; $Y=\beta_O +\beta_1 X_1+ \beta_2X_2 +\beta_3X_3+ \beta_4X_4+ \varepsilon$

4.0 FINDINGS

Out of the 132 targeted respondents, 88 of them responded in the study. This constitutes a response rate of 66.67 percent. All the responded questionnaires were assumed reliable by the researcher for the study, as they represented an adequate response rate for the precision and confidence required in this study. This was in line with Orodho (2009) that a response rate above 55% contributes towards gathering of sufficient data that could be generalized to represent the opinions of respondents about the study problem in the target population. The highest response rate of 37 had an undergraduate while 21 of the respondents had a diploma or certificate. 19 of the respondents had their highest level of education being a postgraduate, while only 11 had a KCSE and below. This shows that the respondents were competent

European Journal of Business and Strategic Management
ISSN 2518-265X (Online)
Vol.4, Issue 5, pp 1- 15, 2019

enough to critically analyze the information that they provided. Further this added more confidence to the research that the respondents would understand the relationship between the variables. Majority of the respondents 56 of the respondents had worked in their respective SACCOs between 2 to 10 years while 23 of the respondents had worked for less than two years. 7 of the respondents had worked in their SACCOs for a period of between 11 to 20 years while only 2 had worked there for more than 20 years.

Overall, the findings indicate that majority of respondents had worked for the same organization between 2 to 10 years, thus had a wide organizational knowledge. The job titles were ranging from CEOs, Credit Managers (loan managers), HR Managers and IT Managers. Individual respondent's profile comprised of the job title or position of the respondents. The results presented in Table 4.5 indicate that the job titles of most of the respondents were HR Managers comprising of 47.5%. The lowest response rate was from the CEOs with a 1.7% response rate. IT managers were 10 making a percentage of 11.5% while the credit managers were 35 making a response rate of 39.3%. This showed that all the important departments were represented and that the respondents were in a position to understand the influence of the independent variables on the dependent variables. From the findings, over 60 of the respondents were from employee based SACCOs, 7% of the SACCOs were transport based, 6 of the respondents were from transport based SACCOs while respondents from community based and Youth Based were 9 and 13 respectively. Based on the findings, employee-based institutions were found to be well organized hence the majority of institutions with SACCO facilities all over the County. It's worthy to mention that, the number of members in all SACCOs under study has grown exponentially.

4.1 Regression Analysis

In order to establish the relationship between internal factors and growth of Savings and Credit Cooperative Societies in Machakos County in Kenya, the study conducted a multiple regression analysis. The analysis included; direction and magnitude of the relationship, goodness fit of the model, test of significance of the model, estimated model and individual significance of the model parameters.

4.2 Pearson Correlation

As shown in table 4.11, none of the predictor variables had P-value> 0.5 hence no problem of multicollinearity and a four predictor variables model could be used to forecast growth of SACCOs in Machakos County in Kenya.

Table 1: Pearson's Correlation

		Growth of SACCOs	management skills	human resource capacity	Adoption of technolog	loan portfolio managem
Pearson Correlation	**Growth of SACCOs**	1.000				
	Management skills	.364	1.000			
	Human resource capacity	.115	.391	1.000		
	Adoption of IT	.701	.285	.382	1.000	

Loan portfolio management	.203	.074	.451	.510	1.000

Coefficient of determination explains the extent to which changes in the dependent variable (growth of SACCOs in Machakos County in Kenya) can be explained by the change in the independent variables or the percentage of variation in the dependent variable (growth of SACCOs in Machakos County) that is explained by all the four independent variables (management skills, human resource capacity, adoption of technology and loan portfolio management). The four independent variables that were studied, explain 58.3% of the changes in the growth of SACCOs in Machakos County in Kenya as represented by the R^2. The study shows that there is a positive significant correlation between internal factors and growth of SACCOs in Machakos County in Kenya.

Table 2: Model Summary for Goodness of fit

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.763[a]	.583	.576	.30373

a. Predictors: (Constant), loan portfolio management, management skills, adoption of technology, human resource capacity.

ANOVA findings (P- value of 0.00) in Table 4.13 show that there is correlation between the predictor's variables (management skills, human resource capacity, adoption of technology and loan portfolio management) and response variable (growth of SACCOs in Machakos County in Kenya). An F ratio is calculated which represents the variance between the groups, divided by the variance within the groups. A large F ratio indicates that there is more variability between the groups (caused by the independent variable) than there is within each group, referred to as the error term. A significant F test indicates that we can reject the null hypothesis which states that the population means are equal. The P value is 0.000 which is less than 0.5 significance level. Calculated *F*-ratio concerning variation between columns is equal to or greater than its table value, and then the difference among columns means is considered significant. Similarly, the *F*-ratio concerning variation between rows can be interpreted.

From the ANOVA table, it's found that differences concerning management skills, human resource capacity, adoption of technology and loan portfolio management is significant at 5% level as the calculated *F*-ratio of 92.200 is greater than the value 0.00, but human resource capacity, adoption of technology and loan portfolio management are significant as the calculated *F*-ratio of 92.200 is more than its table value of 0.00.

Table 3: Results of ANOVA of Regression Analysis

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	34.023	3	8.506	92.200	.000[b]
	Residual	24.355	85	.092		

a. Dependent Variable: growth of SACCOs

b. Predictors: (Constant), loan portfolio management, management skills, adoption of technology, human resource capacity.

The ANOVA results in the table above indicate that the regression model had a significant predictive power (F=92.2; P=0.00 < 0.05). The findings suggest that management skills, loan portfolio management, human resource capacity and adoption of technology could significantly predict growth of SACCOs in Machakos County.

4.3 Coefficients

The established multiple linear regression equation becomes:

Forecasted growth of SACCOs in Machakos County in Kenya = 0.542+ 0.556 management skills + -0.395 human resource capacity + 0.869 adoption of technology -0.114 loan portfolio management + 0.339.

Table 4: Coefficients of Regression Equation

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.542	.339		1.600	.111
	Management skills	.556	.104	.240	5.362	.000
	Human resource capacity	-.395	.085	-.226	-4.632	.000
	Adoption of technology	.869	.054	.775	15.977	.000
	Loan portfolio management	-.114	.053	-.108	-2.165	.031

a. Dependent Variable: growth of SACCOs

b. Predictors: (Constant), management skills, human resource capacity, adoption of technology, loan portfolio management.

From the findings, management skills and adoption of technology had a positive and significant influence on growth of SACCOs in Machakos County with beta of 0.556; P < 0.05 and 0.869; P < 0.05 respectively. Human resource capacity and loan portfolio management had a negative influence on growth of SACCOs in Machakos County with beta of -0.395; P < 0.05 and -0.114; P < 0.05 respectively. These findings indicate that there were some strengths in how management skills and adoption of technology were applied in the SACCOs, which positively influenced their growth. At the same time, there were some weaknesses in how human resource capacity and loan portfolio management was applied in the SACCOs that negatively affected their growth in Machakos County.

Where,

Constant = 0.542, shows that if management skills, human resource capacity, adoption of technology and loan portfolio management were all rated as zero, growth of SACCOs in Machakos County in Kenya rating would be 0.542

β_1= 0.556, shows that one unit increase in management skills results in 0.556 units increase in growth of SACCOs in Machakos County in Kenya other factors held constant.

β_2= -0.395, shows that one unit increase in human resource capacity results in -0.395 units increase in growth of SACCOs in Machakos County in Kenya other factors held constant.

β_3= 0.869, shows that one unit increase in adoption of technology results in 0.869 units increase in growth of SACCOs in Machakos County in Kenya other factors held constant.

β_4= -0.114, shows that one unit increase in loan portfolio management results in -0.114 units increase in growth of SACCOs in Machakos County in Kenya other factors held constant.

ε = 0.339, Error term.

Thus, Specific Regression Model equation is:

$$\mathbf{Y = 0.542 + 0.556X_1 + -0.395X_2 + 0.869X_3 + -0.114X_4 + 0.339}$$

4.4 Interpretation of Findings

The study established that management skills positively and significantly affected the growth of SACCOs in Machakos Count. Respondents of the study strongly agreed that the SACCOs hired managers based on merit, who orderly kept to SACCO meetings schedules, effectively and formally channeled communication and did timely SACCO reports. It was also strongly agreed that the SACCOs periodically engaged on Corporate Social Responsibilities as indicated by the strong mean and standard deviation thus strongly and positively affecting growth of SACCOs in Machakos County. The least significant factor according to the respondents that weakly affected growth of SACCOs in the County was the statement that members in the SACCO were involved in decision making. From the study, it can be categorically concluded that every organization’s success is highly determined on its management capabilities. The findings are tandem with Boedker *et al*., (2011) who posits that management skills are determined to be the greatest influence in exerting control over activities and relationships within teams and organizations. This however, was motivated by the benefits to be gained from the performance and the resulting effects of the leader’s performance.

Regarding loan portfolio management on growth of SACCOs in Machakos County, the study established that loan portfolio management negatively and weakly affected the growth of SACCOs in Machakos County. It was strongly found out that SACCOs issue loans on provision of security, penalizes borrowers on failure to pay loan on time, issue loan repayment schedules to borrowers on loan application, conduct frequent loan evaluations / appraisals, has defined loan recovery procedures /policy and finally issues insured loans to borrowers. This is justified as indicated by the positive means and standard deviations. The fact that nearly all SACCOs must have strong loan portfolio management system for credit control, growth doesn’t necessarily have to be determined by this predictor variable. These findings agree with that of Omino (2014), who analyzed the liquidity mitigation measures and performance of SACCOs in Kisumu County. The study found out that liquidity risk mitigation approaches adopted by different SACCOs had a significant effect on their financial performances. The study revealed that SACCOs adopted a more cautious position in their current liabilities to ensure that operating cash flows were sufficient to cover the short terms obligations entered by the firms. Further, the study revealed that debtor collection periods were longer to encourage voluntary membership and consequently the SACCOs were either unjustifiably constraining their creditor payment periods or were conditioned to do so.

The study indicates a weak positive relationship between human resources capacity and growth of SACCOs in Machakos County, with a beta of -0.395. The Human resource was found to have enhanced growth of the SACCO, as well as employees in the SACCO are subjected to periodic trainings with aim of staff development and employees in the SACCO are qualified; as indicated by strong means and standard deviations. Respondents equally moderately agreed that employees in the SACCO do meet the expectations of members (customers), customer loans are processed within set time frames and the SACCO has enough workers; as indicated by the strong means and standard deviations. As stated by Koch and McGrath (2006), HR can help firms improve organizational behavior in such areas as staff commitment, competency and flexibility, which in turn leads to improved staff performance. HR is primarily concerned with how people are managed within organizations, focusing on policies and systems and is generally viewed as a support function to the business, helping to minimize costs and reduce risk. Managing human resources is very challenging in our complex world and hence, human resource management (HRM) system should be supported by sound HRM practices.

The study established that the SACCOs in Machakos County have to some extent invested in IT, which has positively and significantly led to growth of the SACCOs. It was found out that adoption of technology has led growth of SACCOs, with some SACCOs having been found to be linked to electronic cards/ATMs and M-Banking, Technology has led to quick service delivery as well as the SACCO has incorporated technology, which has given the institutions competitive edge and enhanced their accountability. This is as indicated by strong means and standard deviations. The study as well found out that not many SACCOs have adopted the adoption of many forms of information technology such as e-banking, m-banking, ATMs and many others. The study however, concludes that technology had a positive effect on growth of SACCOs in Machakos County. Venansius (2014) asserts that most SACCOs have created websites where they lay down all relevant information relating the Sacco for easy accessibility to their customers. Products and services are marketed here both locally and globally, all round the clock. Payment of Sacco deposits, dividends, shares, bills, generation of Sacco account statements amongst other online banking services has been enabled through information technology.

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusion of the Study

The study concludes that internal factors are positively significant to influence growth of SACCOs thus concludes that internal factors had positive influence on growth of SACCOs in Machakos County. Managerial skills were revealed in the study that they are important especially during harsh economic times, like closing business doors and then reopening when economic conditions improve. Managerial decisions are fundamental to growth of business including SACCOs. Important business decisions such as; when to open new branches, when to offer new products, how to carry out product promotion etc., greatly lies within the managerial skills of the managerial staff. A technical interpretation of market data is very important in investments with high managerial technical skills. Flexibility and experience leads to utilization of low funds flow and high performance hence high returns thus the study concludes that managerial abilities has a positive impact on growth of SACCOs in Machakos County, just as they have on any other successful institutions.

The study further concludes that loan portfolio management is a key aspect on the growth of SACCOs. Building a strong capital base of a SACCO is determined by the systems that the SACCO puts in place to manage its loan portfolio. The study concluded that the SACCOs survival also depends on the kind of products they offer and how differently they offer them to the members compared to other similar providers of that product. Society introduces new products as members need change. They often introduce new methods of service delivery as members demands change to ensure growth. It was also found that products offered by SACCOs are similar given that the respondents were neutral on this aspect.

The study concluded that, human resource capacity is a key factor on the growth of SACCOs in Machakos County. The implementation of sound policies relies on the capacity of the human resource. Training and development of the staff helps in determining the level of employee competencies. Hiring of employees is critical since it determines the entry behavior of the employees into the SACCOs.

The study further concludes that, most SACCOs have partially adopted the adoption of information technology while some are not computerized. Adoption of information technology has improved rate of loans disbursement and loans recovery. Members' issues and requests are responded to promptly. Reports produced by the information system are accurate and reliable. Errors and differences in records are easily corrected, and reconciliations done on time. This greatly increases the efficiency of service delivery amongst the SACCOs.

5.2 Recommendations of the study

The study laid down the following recommendations that, if best applied to practice, policy, and academia would influence the growth of SACCOs.

Based on the research findings, the study recommends that the institutions (SACCOs) should undertake an internal review of the management functions that impact the operations division and identify structure as one of the determining factors of growth of SACCOs.

It is further recommended in the study that the management on SACCOs which have not yet embraced technology should consider adopting new technologies, as this will allow the management to create a comprehensive understanding that can be leveraged to influence stakeholders, enhance competitive edge and create better decisions. To find effective responses to optimize Sacco's performance, the study also recommends that it is very crucial that the organization evaluates managerial abilities as this will help the organization to gather valuable information that will provide valuable insights in the strategy and the necessary input. The study recommends that the management keeps on monitoring as well as reassessing the effect and frequency of internal factors adopted. This will help to identify whether the adopted counteractive measures are making any acceptable difference. SACCOs should at least ensure that they effectively involve stake holders in decision making which might as well play some significant role in their future growth.

As per lessons learnt during the research process and attributable findings, the study recommends that SACCOs need to develop strict and strategic policy guidelines on human resource practises (HR Policy) and loan portfolio management (Credit Policy) that would positively determine growth of the institutions (SACCOs) in their day to day operations.

With the current trends in Kenya of emergence of unethical practices in some SACCOs, like the recent case of Ekeza SACCO that has led to investors been duped into fake Sacco investments and loss of millions for innocent investors, such illegalities have attracted an economic mistrust in SACCO business and led to serious legal tussles and corruption allegations amongst the defrauding SACCOs. Hence, this research further recommends that SACCO regulatory authorities like SASRA and oversight bodies like Ministry of Co-operatives and Supervisory Committees should combine efforts in monitoring, guiding and penalizing such SACCOs that taint the good name and social-economic objectives of SACCOs' business aimed at uplifting various stakeholders of such organizations. Only well behaved and managed SACCOs that comply to policy requirements should be allowed to engage in the SACCO business venture.

The study further recommends that further future studies be conducted on SACCOs to establish other critical factors that may as well affect competitive and better SACCOs' performance/growth. Future researchers may as well dig deeper into the phenomena on how better human resource capacity and loan portfolio management factors could positively contribute to growth of SACCOs in Kenya. This may as well be necessitated by the fact that most literature reviewed on SACCOs seem to be not yet exhaustive in relation to the study subject matter.

REFERENCES

Ademba C. (2010). *Challenges and opportunity facing SACCO in Africa*. Kuscco, Kenya.

Armstrong M. (2003). *A Handbook of Human Resource Management Practice* (9th edition) London, Kogan Press.

Birchal N. (2008), Portfolio management of default risk. *Net Exposure*, 1(2), 12.

Boed B. & Baker C. (2005), "Overcoming Governance Problems: What does it take?" *Paper presented at the Inter-American Development Bank (IDB) Conference of credit unions*, Washington DC: IDB. Central bureau of statistics-economics survey 2007/2008.

Central Bank of Kenya Report 1, Section 7, (2011), *Co-operative Societies Act*, 1997. Nairobi: Government Printer.

Central Bank of Kenya Report 1, Section 7, (2011), *Co-operative Societies Act*, 1997. Nairobi: Government Printer.

Chahayo M. & Smith D. (2013), *Prevalence of emergency events in British dental practice and emergency management skills of British dentists*. Resuscitation, 41(2), 159-167.

Chan M., Dunford B., & Snell S. (2010), Human resources and the resource based view of the firm. *Journal of management*, 27(6), 701-721.

Chenhall A. (2003), Strengthening Credit Unions in SriLanka: Research Monograph, *World Council Of Credit Unions*, Madison: WI,USA.

European Journal of Business and Strategic Management
ISSN 2518-265X (Online)
Vol.4, Issue 5, pp 1- 15, 2019
www.iprjb.org

Deumes L. & Knechel J. (2008), Washington, DC: U.S. *Patent and Trademark Office*.

Gunga, S. (2008), The co-operative Movement in Kenya and its Potential for Enhancement of ICT Livelihoods. *University of Nairobi*, Kenya.

Hamisu J., (2010).Comparison between the time-management skills and academic performance of mature and traditional-entry university students. *Higher education*, 32(2), 199-215.

Johnson C. (2008), *South Africa's new Cooperatives Act*: a missed opportunity for small farmers and land reform beneficiaries. Agrekon 47(2):180-7.

Kirby N. (2005), The five stages of small business growth. *The World Bank research observer*, 225-249.

Kithathi B. (2014) The effect of human resource management practices on the perceptions of organizational and market performance of the firm. *Human resource management*, 38(3), 185-19

Klinkhamer C. (2009), Credit Union Governance: *Unique Challenges Nexus*, No. 1.

Kobia F. (2011), Mortgage loan portfolio optimization using multi-stage stochastic programming. *Journal of Economic Dynamics and Control*, 31(3), 742-766.

Koch S. & McGrath A. (2006). What is human resource management?. *In Human Resource Management* (pp. 62-95).Macmillan Education UK.

Kombo R. & Tromp S. (2009), *Business Research Methods 10thedition*. McGraw-Hill Publications. New York, United States.

Kothari C. (2004), Research Methodology: *Methods and Techniques*. 2nd edition. New age International Publishers, New Delhi, India.

Kuria J. (2010), *Credit risk models for managing bank's agricultural loan portfolio*. The World Bank research observer, 225-249.

KUSCCO (2010), The Sacco Family Union Newspaper. Nairobi, *Kenya Union of Savings Credit Co-operative Unions* [KUSCO].

KUSCCO (2007), *The SACCO Family Union Newspaper*. Nairobi, Kenya Union of Savings Credit Co-operative Unions [KUSCCO].

Mack G. (2012), Income smoothing over the business cycle: Changes in banks' coordinated management of provisions for loan losses and loan charge-offs from the pre-1990 bust to the 1990s boom. *The Accounting Review*, 81(2), 421-441.

Magali H. & Oiong F. (2014), An Assessment of Microfinance Institution Performance: The Importance of Institutional Environment, Gadjah Mada *International Journal of Business*, September-December 2005, Vol. 7, No.3, pp.391-427.

Mitnick L. (2006), *The handbook of human resource development*. John Wiley & Sons.

Mumanyi C. (2014), Extent to which SACCOs Have Invested in Information Technology to Achieve Sustainable Competitive Advantage Over Their Rivals in Kenya. *International Journal of Innovative Research and Development*, Vol 4 Issue 2, February2015.

Musyoki P. (2013), Corporate Strategy and Technology Policy. *Harvard Business School Case*.

Muthini S. (2013), The early history of portfolio theory: 1600-1960. *Financial Analysts Journal*, 5-16.

Mvula, S. (2013), Understanding human resource management in the context of organizations and their environments. *Annual review of psychology*, 46(1), 237-264.

Mwakajumilo S. (2011), Factors Affecting the Financial Performance of SACCOs in Kenya. *International Journal of Business and Management*, Vol. 2 Issue 8, ISSN2321-8916.

Ofei M. (2001), New law boosts fight against money laundering, *Business Times*, 22 August, pp.14.

Oyoo G. (2002), Strategic human resource practices, top management team social networks, and firm performance: The role of human resource practices in creating organizational competitive advantage. *Academy of management Journal*, 46(6), 740-751.

Ondiek M., Nyaboga Y. & Manyara E. (2003), *The Development of Co-operative Law and Policy in Kenya*. Nairobi: Oscan Print.

Pollet K. (2013), *Participatory Approach for the Development of Agribusiness through Multi-purpose Cooperatives in Degua Tembien* Woreda, South Eastern, *M.SC thesis*, Mekelle University, Tigray, Ethiopia. (Unpublished).

Reid D. & Smith O. (2000), Evaluating the Deming management model of total quality in services. *Decision Sciences*, 35(3), 393-422.

Sharma N. & Patterson P. (2005), The impact of communication effectiveness and service quality on relationship commitment in consumer, professional services. *Journal of services marketing*, 13(2), 151-170.

Venansius A. (2014), 'Organizational Change: A Review of Theory and Research in the 1990s', *Journal of Management* , 25, 3, 293-315.

Wanyama F., (2009), The Impact of Liberalization on Co-operative Movement in Kenya: *A paper presented at the First International Ciriec Social Economy Conference on strengthening and Building Communities.* Maseno University, Kenya.

WOCCU & FSD Kenya (2008), Institutional Capital as Bulwark for a Rainy-Day SACCO CAP news, *Newsletter of WOCCU/ FSDSACCOCAP project*.

Wood S. (2009), Teaching and maintaining behavior management skills in the nursing home. *The Gerontologist*, 42(4), 487-496.