

FACTORS AFFECTING GROWTH OF RURAL SACCOS IN EMBU COUNTY:

A CASE STUDY OF COUNTY SACCO SOCIETY LIMITED IN EMBU

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DECLARATION

This research project is my original work and has not been presented for a degree in any other University.

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This research project has been submitted for examination with my approval as University Supervisor.

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DEDICATION

I dedicate this project to my lovely husband Reverend Antony Njeru, and to my lovely son Eben and lovely daughter Tabby.

ACKNOWLEDGEMENT

I thank God for granting me His grace and mercy to pursue my studies and the far He has taken me.

I am greatly indebted to the management of the Management University of Africa for granting me admission to the institution to pursue Bachelor of Business Management and Leadership-Business Administration option. The academic exposure I received was overwhelming considering the critical approach to several issues, the group discussions and presentations, the high level of facilities provided and for continuous guidance from the lecturers. I cherish the guidance offered by my supervisor Ms. Maureen Kangu. I also acknowledge the staff of County Sacco for the support they offered in writing the project not forgetting my fellow colleagues at the University.

ABSTRACT

While the Kenya cooperative sector has developed rapidly in the recent past, no one has investigated the slowed growth of SACCOs. Despite all these, the Sacco's in Kenya face challenges which hinder them from attaining economies of scale. They are financially illiterate which result to poor management of resources and business. Study was therefore carried out to examine factors that affect Sacco's growth. The specific objectives of the study were to determine how morale and staff motivation, finances, leadership and management, and competition affected the growth of Saccos. The study was conducted among the Sacco members, directors and the customers of County Sacco Society Limited in Embu County. The study was anchored on the growth and portfolio theory, agency theory, Taylors motivation theory and the social capital theory. The study used a descriptive survey to investigate factors affecting growth of Sacco's. The target population was 200 and the sample size was 40 which were composed of staff, board of directors and Sacco members. Structured questionnaire were self-administered to collect data from sampled and selected enterprises. Inferential and descriptive statistics were used for data analysis. The study results were presented through frequency tables, pie charts and bar graph. The results revealed that management and leadership of the Sacco, staff morale and motivation attributed greatly to the growth of the Sacco. Finances and competition also seem to affect the growth of the Sacco to a great extent. The researcher recommended that the Sacco's management and leadership should be reviewed in terms of knowledge, Sacco's ethics and faithfulness. The staff should also be well trained and have a conducive working environment, they should also be motivated and appreciated in order to ensure smooth delivery of services.

ACRONYMS AND ABBREVIATIONS

AGM	:	Annual General Meeting
FSD	:	Financial Sector Deepening
GDP	:	Gross Domestic Profit
MFI	:	Microfinance Institutions.
PIMS	:	The Profit Impact of Marketing Strategies
SACCO	:	Savings and Credit Cooperative Society
SASRA	:	Sacco Society Regulatory Authority
SBU	:	Strategic Business Units
WOCCU	:	World Council of Credit Unions

OPERATIONAL DEFINATION OF TERMS

Directors: Elected members of the Sacco during an AGM to manage the organization on behalf of other members (Terry, 2012).

Growth: The expansion of Sacco's in terms of customer base and capital base (Nyagah, 2015)

Regulator: A governing body by the government (Muthoni, 2015).

Staff: All employees of the Sacco in her project presented to the Presbyterian University (Muthoni, 2015).

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT.....	v
OPERATIONAL DEFINATION OF TERMS	vii
TABLE OF CONTENTS	viii
CHAPTER ONE	1
Introduction	1
1.1 Background of the Study.....	1
1.2 Problem statement	3
1.3 Objective of the Study.....	4
1.3.1 General Objective of the Study	4
1.3.2 Specific Objectives of the Study were:.....	4
1.4 Research Questions	4
1.5 Significance of the Study	4
1.6 Limitations of the Study	5
1.7 Scope of the Research	6
1.8 Summary	6
LITERATURE REVIEW	7
2.1 Introduction	7
2.2 Theoretical Review	7
2.2.1 Growth and Portfolio Theory	7
2.2.2 Agency Theory	8
2.2.3 Taylor’s Motivational Theory	9
2.2.4 The Social Capital Theory	10
2.3 Empirical Literature Review	11
2.3.1 Relationship between Management Skills and Growth of Saccos in Kenya.	12
2.3.2 Competition as a factor affecting growth of SACCOs.....	16

2.4 Conceptual Framework	17
2.5 Research Gap.....	17
RESEARCH METHODOLOGY	19
3.0 Introduction	19
3.1 Research Design.....	19
3.2 Target Population	19
3.3 Sample Design.....	20
3.4 Data Collection Procedures and Instruments	21
3.5 Data Analysis	22
3.6 Ethical Issues.....	22
4.2. Response Rate	23
4.3 Gender of the Respondents	24
4.3.1 Level of Education.....	25
4.4 Management and leadership on Sacco growth.....	26
4.4.1 Extent to which management and leadership affects Sacco growth.....	27
4.5 Effects of Staff Morale and Motivation	28
4.6 Effect of finances	29
4.6.1 Extent of effect of competition on Sacco growth.....	32
4.7 Other factors.....	33
4.8 Summary	34
CHAPTER FIVE	36
SUMMARY, CONCLUSIONS AND AREAS FOR FURTHER RESEARCH	36
5.1 Summary	36
5.2 Conclusion.....	36
5.3 Recommendation.....	37
5.4 Areas for Further Research	37
REFERENCES	38
Appendix II: Questionnaire.....	43

LIST OF TABLES

Table 3.1 Target Population.....	20
Table 3.2 Sample Design	21
Table 4.1: Response Rate.....	23
Table 4.2 Gender of Respondents	24
Table 4.3 Level of Education.....	25
Table 4.4 management and leadership on Sacco growth	27
Table 4.5: Extent to which management and leadership affects Sacco growth.....	27
Table 4.6 Effects of staff morale and motivation	29
Table 4.7 effect of finances.....	30
Table 4.8 Effect of competition on Sacco growth	31
Table 4.9 Extent to which competition has on Sacco growth.....	32
Table 4.10: Other factors affecting Sacco growth	33

LIST OF FIGURES

Figure 2.1 Conceptual Framework	17
Figure 4.1 Response Rate	24
Figure 4.2 Gender of the Respondents.....	25
Figure 4.3 Level of Education	26
Figure 4.4 management and leadership on Sacco growth.....	27
Figure 4.5 Extent to which management and leadership affects Sacco growth.....	28
Figure 4.6 Effects of staff morale and motivation	29
Figure 4.7 effect of finances	30
Figure 4.8 Effect of competition on Sacco growth	31
Figure 4.9 Extent to which competition has on Sacco growth	33
Figure 4.10 Other Factors Sacco growth	34

CHAPTER ONE

INTRODUCTION

Introduction

This chapter consists of the background of the study, the statement of the problem, objectives of the study, the research question as well as the significance of the study. The chapter also consists of limitations of the study not leaving behind the scope of the study.

1.1 Background of the Study

In 19th Century, European industrial cities majorly inhabited by working-class have been documented as the pioneers of modern cooperation. In 1840s, pioneers of co-operative developed models to serve their consumers while working-class cooperatives were designed to promote and defend the interest of their members especially in industrialize countries (France and Britain) which was driven by social problems castigated by industrial revolution. Still in 19th Century, certain rural environments from Europe emerged as the pioneers of modern cooperation in second generation. However, in the 1860s, agricultural cooperatives created models of credit and savings which was inspired by the success of the consumer cooperatives.

The livestock raisers and farmers through agricultural cooperatives are able to manage their own supplies and function without primarily depending on the on middlemen and traders for the supply of their farm inputs and marketing their products. Through modernization of agricultural cooperatives through SACCOs, farmers are no longer depending relying on moneylenders such as banks in doing their activities (Mwakajumilo, 2011). The roles of any cooperative both in credit and saving plans is to help its members to pool their resources together (UN-HABITAT, 2010). In addition, welfare and economic sustainability are the key objectives of most SACCOs to their members. According to Bibby and Shaw (2005), self-responsibility, solidarity, equity, equality, self-help and democracy are the values co-operatives hold for the members. Co-operative members are tasked with the responsibility of upholding ethical values of caring for others, honesty, social responsibility and openness Bibby & Shaw,(2005). The products in which various SACCOs serve their members include saving facility, safe custody, credit services, bankers' cheques, cheque clearing, deposit facility and salary advances.

World Council of Credit Unions in their 2011 statistical reported over 51,013 credit unions across the globe with members exceeding 196 million (WOCCU, 2011). They also reported that the penetration rate stood at 7.8% which was determined by calculating the ratio of economically active population and total union members reported (World Council of Credit Unions (WOCCU), 2012). In Africa, the largest numbers of members in the markets as of 31st December 2011 are 1,597,233 (Benin), 1,705,712 (Ivory Coast), 2,231,117 (Senegal) and 4,183,220 (Kenya).

According to Alila and Obado (2010), the SACCOs are the leading sources of credit in relation to social economic development in Kenya. Initial cooperatives membership in Kenya were limited only to the white European settlers especially in 1908 when they started. However, in 1944 Africans were allowed to join or form cooperatives by colonial officers according to Gamba and Komo (2012). The 'Swynnerton Plan' of 1953 recommendations initiated the need for Africans to form cooperatives which targeted the farmers to improve their bargaining power specifically the cash crop farmers which triggered the growth and progress of cooperatives in Africa (Alila & Obado, 2013). The recommendations also had the provision of the appointment of the registrar for cooperatives. In 1945, Africans were allowed to participate in movements of cooperatives through the enacted Cooperative Societies Ordinance. This followed the establishment of department of cooperatives in 1946 and the appointment of registrar of cooperatives.

Cooperatives currently are considered as integral parts for creating opportunities to generate income and especially in the rural areas as part of Governments economic strategies. In Kenya, cooperatives are recognized and honoured by the government in the aim of material and resources mobilization and therefore improving the livelihood of the members. Kenya's GDP is largely supported by cooperatives which are estimated to contribute up 45 % hence becoming important component of her economy. Initially, the cooperatives majored in agricultural and related activities which dominated over a long period. However, currently there is diversification of cooperative activities including investments apart from saving and credits services. The diverse cooperatives that have emerged and are experiencing significant growth include transport, real estate, handicrafts, small scale industries housing and construction (Alila & Obado, 2010).

Residents and communities in the rural areas have diverted to SACCOs to help them pool resources together where some of the individuals entirely depends on SACCOs. Kenya is approximated said to have 4, 000 to 5,000 SACCOs ranging from urban setting to rural areas (Financial Sector Deepening (FSD), 2010). Among the leading counties in Kenya with SACCOs offering financial services to their members is Embu County. The Embu County has eighteen registered SACCOs which are registered by SASRA (Sacco Society Regulatory Authority) both in urban and in rural areas where the transport industry has the largest membership. County SACCO Society Limited was started in 1992 with the aim of improving the economic livelihood of its members, and is governed by SACCO Societies Act of 2008 and its by-laws. The growth of the Sacco has been high since its inception a fact attributed to good governance and leadership, staff motivation, mobilised finances and effective service delivery to our members hence becoming relevant in this stiff competitive environment.

1.2 Problem statement

SACCOs primarily are formed by communities to mobilize funds and pool resources together while the members enjoy low borrowing rates and saving plans. However, in Kenya SACCOs are faced by various challenges which include lack of innovation, poor leadership, lack of confidence and trust especially from the members, competition, and embezzlement of funds among others (Ndung'u, 2010). In addition, poor decision making in investments and mismanagement are part of problems facing SACCOs. The leaders happen to focus more on mobilizing finances rather than quality management to foster economic stability (Gunga, 2008).

According to Olando, Jagongo & Mbewa, (2013), SACCOs experience insufficient growth in wealth which is a threat to their operation due to poor management. This compromises their sustainability in financial market which may result to complete closure. Weak capital base, poor management, poor leadership capacity and weak marketing structures have been cited among the leading challenges facing the SACCOs. Some SACCOs therefore have experienced hefty losses emanating from poor management and lack of competitiveness.

Rural SACCOs have suffered a setback due to strong competition from those in urban areas due to limited taskforce and financial capabilities as described by Mwaura (2010). Embu being in the

rural setting is not an exemption where majority of the SACCOs are owned and managed by farmers. In view of this, the study was set to investigate different factors that affect growth of SACCOs in Embu County. County Sacco Limited is one of the rural Saccos which was established in the year 1992 under the Cooperative Society Acts cap 490 Laws of Kenya as Savings and Credit Cooperative Society. It is situated in a potential area where most of its members and customers are tea farmers, coffee farmers, dairy farmers and business people. It is one of the licensed Sacco's in the County and national wide by the SASRA (Sacco Society Regulatory Authority).

1.3 Objective of the Study

1.3.1 General Objective of the Study

The general objective of the study was to establish the factors affecting the growth of County Sacco in Embu County.

1.3.2 Specific Objectives of the Study were:

- i. To determine how management and leadership affect growth of County Sacco.
- ii. To find out whether staff morale and motivation affect growth of County Sacco.
- iii. To establish out how finances affect growth of County Sacco.
- iv. To determine how competition affects growth of County Sacco.

1.4 Research Questions

- i) How does management and leadership affect growth of County Sacco?
- ii) Is there any relationship between staff morale, motivation and growth of rural Sacco?
- iii) To what extent do finances affect growth of County Sacco?
- iv) How does competition affect growth of County Sacco?

1.5 Significance of the Study

1.5.1 Academic Literature

The study has provided relevant literature to the future academicians who would want to research more in this particular area. The student will have a chance to go through the effect of business

ethics on performance of Sacco's and as such they can become trainers of trainees in code of ethics upon completion of their course.

1.5.2 SACCO Managers

Managers of different Sacco's will be able to focus on ethical behavior of the organization and this will help them to project on the performance of their Sacco's.

1.5.3 SACCO Regulator

SASRA as a regulator of Sacco's will benefit from this study as they will be able to understand the problems facing Sacco's and come up with strategies that will enable them govern them ethically.

1.5.4 The Government

The government will also benefit in that it will gain knowledge on the effect of competition in the financial sector as well as taxes payable by the Sacco's after evaluating their performance in terms of revenue earned.

1.5.5 SACCO Members

The members of the Sacco will also benefit from the study in that they will know what is expected of them and their obligations in the growth of the organization.

1.6 Limitations of the Study

The researcher encountered various limitations that hindered the access to information sought by the study. The fear of the respondents to give information as required by the researcher was a problem thereby altering the accuracy of the results. There were some research questionnaires administered which were returned unfilled. In order to overcome the limitations, the researcher convinced the respondents that the data that will be collected will be treated with utmost confidentiality and that it will not impact negatively to them at all. The researcher prepared a time frame upon which was to be followed in regard to the available time. Instruments which were used during the research were pretested for data accuracy.

1.7 Scope of the Research

The scope of the study was limited to the factors affecting growth of rural Sacco's in Embu County where a case study of County Sacco's Society Ltd was taken. The study took approximately three months from August to October 2016 to complete the final copy. The population of the study was 200 people where a random sample size of 40 people composed of the employees, members and directors was taken the purpose of the study.

1.8 Summary

The chapter consisted of various aspects of the study in question which reflected the background of the study, the purpose of the study (objectives of the study), it has also highlighted the problem of the study which shows why there was need to do the research. The chapter has also explained about the research questions which directed the problem of the study, the significance of the study as well limitations encountered during the study not living behind the scope of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter contains a theoretical review of related literature of the study topic. The summary and the existing gaps are also found in this chapter as well as the acknowledgement of other scholars for research work done earlier. The conceptual framework of the study is also found in this chapter explaining the relation between independent and the dependent variables.

2.2 Theoretical Review

2.2.1 Growth and Portfolio Theory

According to Ncebere, (2010), strategic management deals with growth, size, and portfolio theory. The Profit Impact of Marketing Strategies (PIMS) which was a long term study, started in the 1960s and lasted for about 19 years. It attempted to explore the PIMS and particularly the effect of market share. It began at the General Electric, then it moved to Harvard in 1970s, and later moved to the Strategic Planning Institute in the late 1970s. Currently, it contains information on the relationship between profitability and strategy. Their initial conclusion was unequivocal: The greater a company's market share, the greater will be their rate of profit, the volume and economies of scale. It also provides experience and learning curve advantages that result in increased profits.

The benefit of a large market share enhances the development of growth strategies. The relative advantages of diversification, horizontal integration, acquisitions, franchises, vertical integration, joint ventures, mergers and organic growth were broadly discussed. Market dominance strategies were evaluated based on competitive and regulatory environment. Previous studies indicated that even a low market share strategy could also be profitable. In 1980s, the contradictory conclusion was that high and low market share companies were often very profitable while those companies in between were not. This was sometimes referred to as the “hole in the middle” problem (Ncebere, 2010).

This inconsistency was explained by Michael Porter in the late 1980s. The management of different organizations required brand new techniques and logical ways of thinking. The first chief executive officer a multi-divisional company to address the problem was Alfred Sloan from the General Motors (GM) Company. GM was reorganized into semi-autonomous strategic business units, but with centralized support functions. One of the important concepts in the management of multi-divisional companies remains to be the portfolio theory. Previously, Harry Markowitz among other financial research theorists developed the portfolio analysis theory. It was later concluded that a broad portfolio of financial assets could reduce specific risk (Mudibo, 2009).

A study by Mudibo, (2013), revealed that managers extended the portfolio analysis theory to include the product portfolio decisions while the managerial strategists extended it to the operating division portfolios. On the other hand, the company's operating divisions were included in the corporate portfolio. Each operating division was taken as a semi-independent profit centre having its own objectives, revenues, strategies, and costs. Various techniques were developed to analyze the relationships between the elements in each portfolio. In the early 1970s, Boston Consulting Group developed BCG analysis which was the theory that gave rise to the wonderful image of a CEO sitting on a stool milking a cash cow. Companies continued to vary their portfolios until the 1980s when it was found out that in many cases a portfolio of operating divisions was more of a separate completely independent companies.

2.2.2 Agency Theory

In the Agency Theory a contractual relationship is entered by two persons that are the principal and the agent so as to perform some service. This encompasses delegation of the authority of decision making to the agent by the principal (Jensen & Meckling, 2010). At the same time an agent is a person employed for the purpose of bringing his principal into a contractual relationship with a third party and does not make a contract on his own behalf (Wright & Oakes,2002).

The Agency Theory was directed at the individual presenting the agency relationship. This is whereby one party delegated duties to a different party who performed the work on its behalf (Eisenhardt, 2013).The individual was therefore authorized to execute legal actions within his

competency on behalf of the principal. However, growing literature recognize that these two are strange bed fellows. An Insurance Broker buys and sells goods or services on behalf of another, however, in performance of this role; he/she owes duty to his principal. The expected level of care varies whereby higher level of care is anticipated from a broker who is professional than from a part- time insurance agent (Wright & Oakes, 2002).

In accordance to the English and the American law, the obligation of a principal for his agent misdeeds in the normal course of his employment is dependent upon the existence of a master-servant relationship.

The master was vicariously liable for his servant tortuous conduct committed within the course of employment (Yin, 1989). There were cases where an agency relationship arose when an individual group called principal hired someone called an agent to perform some service, where the principal delegated decision-making power to the agent. This kind of relation included those between stock holders and managers and between stockholders and debt holder.

This theory is relevant to this study since it informs the organization structure/governance variable. The managers of County Sacco are the agents while the shareholders are the principles. The management of County Sacco is expected to work on the interest of the shareholders rather than their own interests.

2.2.3 Taylor's Motivational Theory

This theory was published by Frederick Taylor in 1911. According to Frederick Taylor's study, people worked purposely to get money. In the early years, the work on the production line was mainly built on producing quantity and in most cases was more repetitive. Workers were paid for every item they produced. This approach was satisfactory for the business and not for the workers and enhanced the production but limited people's creativity, happiness, development and their use within the organization. This theory is relevant to the topic under the study since it informs organization rewarding practices variable.

Employees get motivated if they work satisfactorily and happily. Employers should create a good working condition for the employees to feel valued. An increased rewards, gifts and communication between employees and employers should be done. The organization should

invest more in its staff through remuneration, development, and training. This enhances the employees skills, knowledge and job satisfaction. This theory is relevant to this study since it focuses on one way of motivating employees.

2.2.4 The Social Capital Theory

The social capital theory originates from the social capital, which includes the relationships, institutions, the values and attitudes that govern the people's interactions and contribute to the socio-economic development. According to Basargekar, (2010), social capital is "the abilities of people to work together towards resolving community/social issue and promote equitable access to benefits of development". Social capital is a tool of economic development among people which affects their social environment and the community (Rankin, 2002) either positively or negatively depending on their collective action. Rankin (2002) advances that individuals do not generate social capital and as well are not the primary unit of analysis in the use of social capital theory to measure a phenomenon.

The theory also brings about the promotion, unity and cooperation among members of the same relationship leading to self-trust. This theory of social capital covers so many aspects such as the type of social networking, interaction and relationship, which comprises the regulations, rules, and norms that govern social actions and trust among members Anderson, Locker & Nugent, (2002). The theory focuses on shared obligation that enhances improved loan repayment (Basargekar, 2010). It assumes that when people act communally in a group, it may lead to the improved economic and social development of individuals in the community and the group at large.

Social development refers to the enhancement of relationship between people in a group whereas the economic development refers to the improvement in financial state and physical progress for instance material acquisition. This is substantial because economic development incorporates a rise in physical material acquisition and an increase in financial resources.

The theory recognizes a strong socio-political environment that helps the social groups to act and encounter their personal and group interest to achieve their economic development potentials

(Rankin, 2002). The social capital theory focuses to use the social network and relationship for the socio-economic development of individuals, group and community.

The application of the social capital theory is to assess the contribution of the cooperatives to members' standard of living which basically examines household income, household assets, enterprise profitability and enterprise asset condition is expected to lead to social, financial and physical benefits. The three benefits were suggested by Henry and (Schimmel, 2011) conclusion that cooperatives are meant to meet members' financial, economic and social needs. The economic needs can be met through the financial and physical benefits derived by the members, while social needs relate to social benefits.

The social, financial and physical contribution of cooperative to the members may include easy access to loans, ability to accumulate savings and acquisition of physical assets. Financial benefit or capital can arise in a cooperative because enhanced interpersonal relationships and trust can surge the efficiency and lessen the costs of working collectively, therefore creating a financial capital.

2.3 Empirical Literature Review

This section present the past studies made from the objectives on which the study is based on. Saccos are types of cooperatives that are formed to meet certain social and economic goals of its members in certain communities. Their core objective is to provide financial services to low class people who cannot afford to access them in the commercial banks, Kasunga (2007).

Kasunga, (2007) noted that if the Saccos were well managed, they stand a great chance of overcoming the various internal and external challenges which hinder their growth. They also bring about some socio-economic benefits such as; facilitating the accessibility of financial services to low earning members and customers who could not be able to access such facilities. They also help the poor people to get access to huge sums of money which they can invest for future to overcome the unforeseen crisis. Saccos that are well managed and with good leadership promote saving culture among the members and as result they are able to manage themselves financially.

According to Branch & Baker, (1998) where the Sacco ownership is diffused among a big number of members, governance problems may arise and as result the Sacco may start experiencing slow growth.

When ownership of the Sacco is spread over a large group, only a few members carry out the responsibilities of monitoring the performance of the Sacco by attending general meeting or even monitoring the elected representatives of the management board. Mudibo (2015), noted that failure to differentiate the roles of the management board and those of the CEO have resulted into conflict of interest in the growth of Saccos which has led to downfall of many Saccos in the country.

Poor leadership affects the performance and growth of Saccos due to lack of good internal controls in terms of management of finances, MIS systems among others such as loan granting and their recoveries as noted by Dister & Schmidt (2011) and USAID (2007).

2.3.1 Relationship between Management Skills and Growth of Saccos in Kenya.

Management refers to a collection various activities in an organization such as motivating, planning, organizing and controlling of those activities as noted by Cole (2010). On the other hand, planning involves making off the decisions on the objectives and goals of the organization formulating on how to meet those o objectives. It is to be noted that most cooperatives and Saccos plan by preparing their yearly budgets which are approved by board members and shareholders/stakeholders during their Special General Meeting held once every year. However, thee members present allocate the Sacco finances to cater for different cost centers within the organization. The management is subjected to proper scrutiny of the approved budget by the members as they may approve even what is not necessary for smooth growth of the organization. At times the management may overlook some kind of plans with or without any possible consequences.

According to Mudibo in the Sacco Star, (2015) management of Saccos depended solely on the Board of Directors who are elected by other stakeholders to oversee the daily management of their wealth in the organization. It is for this reason that the board should have relevant skills to manage the Sacco with due diligent to avoiding detrogressing of the organization. He also noted

that lack of separation of roles and duties between the management board and CEO coursed conflict of interest between the parties and as result poor/slow growth of the Saccos.

The virtue of having good management skills enables those concerned with leadership of an organization to have good time on formulating the strategies of the organization. They also help them to plan for succession planning of the organization in future. Succession planning of an organization matters a lot in its growth because of the positions held which may tamper with the growth of an organization. For example, if a CEO of an organization retires or for one reason or the other leaves and there was no one who had been prepared or nurtured with such responsibility/skills earlier, it means they will get anybody to fill the vacant position which at long last may result to the down fall of the organization. This is normally due to lack of good management skills of the people involved with management.

Defining of activities and assigning of various assignments that are geared towards achieving the organizations set goals could be referred to as organizing. It also involves coordinating activities and structuring responsibilities appropriately. In order to facilitate the employees to fulfill the organization's goals to their fullest, then they need to be motivated by meeting their psychological and social needs. The monitoring and evaluation of activities, also providing the necessary corrective mechanism could be referred to as controlling. In a cooperative, audit committees, both from the internal and external set up have been set to provide the crucial checks and balances.

Management is a process consisting of planning, organizing, motivating, and controlling of activities so as to determine and achieve the set objectives of the organization as noted by Cole (2010). Terry in her research observed that management is a function of people, productivity, public responsibility, profits which is translated into (4Ps) and materials, money, men and machines which is translated to the (4 Ms). Therefore, Sacco societies require well trained board members and staff who comprehend their roles and can facilitate and enhance the company's growth.

Management of the Saccos is dictated by the nature of governance in force. The members and shareholders elect a team of board of directors who are part of the shareholders during an

election for a specific term to manage the wealth and the difficulty with this mode of management is that mostly, the elected members are not noble managers and may end up running down the organization. In most cases, the problems undermining the success of the Saccos arise from bad governance and poor financial management. While the Board of Directors have the mandate to direct and control the Sacco, managers are left to run, authorize and enforce good governance of the organization.

Training refers to the systematic adjustment of behavior through learning, which ensures as a result of education, planned experience and development (Armstrong, 2015). It further involves investing in people to empower them to execute better and enable them to make use of their natural abilities. The objective of any training is to develop the competencies and improve the performance of any employee through training, an employee grows within the organization and therefore, the future needs in terms of human resources, will be satisfactorily met. Influence of Organization Leadership capacity on performance Pearce and (Robinson, 2005) on their study noted that leadership may affect performance. Leadership is mainly described as the key driver of any effective strategy being implemented. Nevertheless, lack of leadership, and explicitly by the top management of a cooperative, has been identified as the major barrier to effective strategy implementation (Hrebiniak, 2005). Leadership refers to the leader's ability to envision, anticipate, and maintain elasticity and to enable others to create deliberate change as necessary (Hitt, Ireland, & Hoskisson 2007).

Identifiable actions characterizing leadership adds to an operational strategy implementation and to a sustainable effective culture that emphasizes ethical practices. (Harrington, 2006) investigated the effects of manager tactics, size, and involvement on strategy implementation in Canadian food service sector. (Schaap, 2006) conducted an empirical study on the role of Senior-Level Leaders in the Nevada Gaming Industry in USA. On the other hand, (Lehner, 2004) investigated strategy implementation tactics as response to organizational, strategic, and environmental imperatives among 136 upper-Austrian firms.

However, all these studies were carried out in developed countries. Drazin & Howard, (2004) explains a suitable strategy-structure configuration as an essential precursor to the effective implementation of any new business strategies. They further point out that modifications in the competitive environment needs alterations to the organizational structure.

A lack of strategic leadership, at the top management has been known to be a major barrier to operational strategy implementation. Sequentially, strategic leadership is regarded a key driver to strategy implementation. According to Hamid, (2010) studies demonstrate in most cases, big companies have problems in strategy implementation. His study identified factors, like: human resources, organizational structure, leadership, information systems and technology, as implementation strategies in the service sector.

According to Heracleous, (2013) developing effective incentives and controls is a way of dealing with challenges in poor performance. Strategy execution is usually not yet complete because the creation of strategy, accountabilities, structure, objectives, and coordinating mechanisms is not sufficient to ensure that individuals will embrace the goals of the organization. Incentives motivate and support strategy-execution model. Controls provide timely feedback about the structural performance so that any change planned is quickly adapted and developed to become a routine during implementation.

Controls checks for the review of execution-related dynamics if anticipated goals are not being achieved. Bartók & Ješka, (2011) argued that non-involvement of employees and rewards extended to them is a challenge facing performance. The main problem is the omission of human factors during the innovation strategy process. Staff not involved in innovation strategy do not get adequate information about the set objectives, thus are not well familiar with the intentions of cooperatives' innovation activities.

Birnbaum,(2000) specifies that strategy implementation necessitates the transmission of information through particular channels set by the organization from one person to another. This will not only allow sharing of ideas, emotions, facts, and opinions, but also provides feedback. Information flows downwards, upwards and literally in all directions. The organization's management reflects about the needs that to be voiced during strategy implementation. Freedman suggested communicating the strategy; aligning the organization; reducing complexity; prioritizing planning; and installing an issue resolution system, (Freedman, 2003).

Kaplan and Norton, (2001) distinguished that descriptive responsibility and accountability is necessary to making any organizational strategy to work. Managers cannot generate coordination mechanisms and interim operating ideas if the job errands and accountability are not clear. Responsibility and accountability are frequently distorted when individuals from different

divisions, or hierarchical ranks arise together to solve a problem. Matrix-like structures in organization often suffer from irresponsibility, unaccountability, and poor use of authority by the concerned employees. To execute a good strategy, leadership guided by responsibility and accountability must be imposed. Without clarification on the roles and responsibilities involved in setting up critical tasks, outcomes, and decisions, it may prove difficult to make any strategy to work (Kaplan & Norton, 2001)

2.3.2 Competition as a factor affecting growth of SACCOs

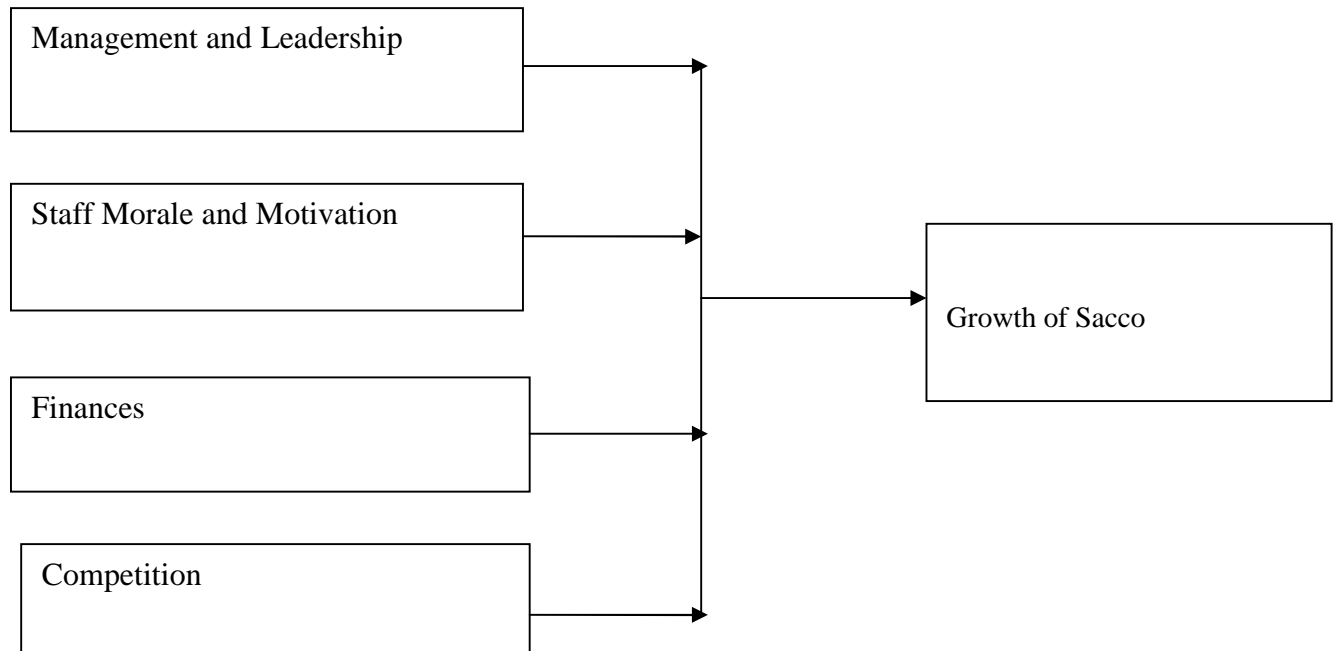
This refers to any activity in which persons compete (race, contest or examination). Competition in any industry is healthy because it raises service standards and forces organizations to become efficient service providers for the customers' benefit. A study by Rutherford et al,(2009), reported that although commercial banks have comparative advantage in terms of availability of resources, access to money and capital markets, banking expertise, trained man power and diversification of financial risk, they have nevertheless comparative disadvantage in rural financial markets due to their high overhead and transaction costs, urban orientation for commercial banks to open up branches in every village to provide bank access within a closer reach of the rural people. This is an advantage to SACCOs which target rural people.

Competitions in banks have been greatly explained by Resnahan & Lau, (2013), Bikker, (2010),Uchida & Tsuitsui, (2005). A strong conjectural variation implies that a bank is highly aware of its independence (via the demand equation) with other banks in terms of output and prices. An intriguing aspect of the market place is that the nature of competition can change over time.

According to William & Marian, (2015), every alternative that a customer might consider in place of one's product is competition. It works the other way round as well. One's product provides competition for others who want to build relationships with the same customers. The competitive environment includes all organizations offering product alternatives to one's target markets.

2.4 Conceptual Framework

Figure 2.1 Conceptual Framework



Independent Variables

Dependent Variable

2.5 Research Gap

From the reviewed empirical literature, it is evident that factors influencing the performance of SACCOs are multifaceted and are purely dependent on the operating environment of the SACCO. Scholars identified various factors which contribute to the failure of co-operatives; (Bhuyan,2007) cited lack of members' participation, Nyoro & Ngugi (2013) cited economic factors, education of management committee and the staff, Chando et al,(2009) cited debt burden, wrangles, hostility, lack of institutional transparency and weak management while the (ILO,2009) cited liquidity problems. Makori, Munene & Muturi,(2013) cited high dependency on short term borrowing, lack of liquidity monitoring system, political interference, investment in non-earning assets and services.

Inadequate managerial competences (Auka & Mwangi, 2013) cited lack of competitive advantage of SACCO products and services as compared to other financial service providers. (Kilonzo,2010) shocks impinging on the economic system and the lack of proper policy to

mitigate the effects of these shocks. SACCOs in the banking sector operate in a unique environment, for instance, bank employees enjoy many employment perks including highly concessional internal loans compared to other forms of SACCOs.

This implies that the SACCO loans compete with the loans offered by banks to their employees who happen to be members of SACCOs in the banking sector. No other study has been done to establish the financial performance of SACCOs in the banking sector based on a combination of the variables considered in this study. It is in the face of such that this study aims at filling the gap by establishing the factors considered to influence the financial performance of SACCOs in the banking sector. This study will add value to existing literature and may be used as a guide to SACCO policy development for the general good of the country and their members.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter explains design used to carry out the study the target population the sample size and methods that were used in data collection analysis and presentation. Methodology is the system of orderly procedures and rules applicable to research.

3.1 Research Design

Descriptive study design was deployed and strived to describe, explain and interpret factors that influence the growth of SACCOs in Embu County. Descriptive research enables to examine occurring processes a specific place and at a given period for the current study cooperative societies in Embu County. This research will be concerned with structures, practices, differences and conditions that were existing, ongoing processes, evident trends and opinions held. This study will attempt to identify pre-existing differences, causes or reasons failures in cooperatives society's factors that influence their growth (Auberbach, 2003).

3.2 Target Population

Castillo, Joan Joseph (2009), "Research population", defined target population as objects or group of individuals researchers use during study to derive conclusions. Target population is also regarded as theoretical population and in most cases have different characteristics. According to Mutai, (2000), Research journal, target population is a group of individuals where a sample is drawn and taken as a representative of the total population.

The population used in a research comprises a collection of objects, items or individuals whose main purpose is to generate scientific query. However, sampling techniques are employed during a study since most of the cases the population sizes are large in size and difficult to manage and a researcher cannot test every individual. Sampling enables researchers to research on individuals in a given population where the results from the samples size are good enough to make conclusions for the entire population.

According to Sekaran U. (2007), a researcher can take samples of 10% of a bigger population and at least 20% for a smaller population and that a sample of above 30 to 500 is a good representation of the population. This is taken as a rule of thumb. In this study a 20% sample is considered an enough representation because the target population is 200 individuals of County Sacco Society Ltd comprising of Directors, members and staff. The distribution of the target population was as shown in Table 3.1

Table 3.1 Target Population

Category of respondent	Directors	Staff	Members	Totals
Head office	5	18	70	93
Miandari Branch	2	6	40	48
Runyenjes Branch	3	10	25	38
Karurumo Branch	2	4	15	21
TOTALS	12	38	150	200

Source: County Sacco Magazine 2016

3.3 Sample Design

Sampling design as described by Kombo & Tromp (2006) comprise of how observations are made from selected cases. Sampling is defined as selection of a given individual groups or subset in a specific population which is also part of statistical practice aimed to yield knowledge and understanding to generate inferences in making decisions. Random sampling is preferred since it is more effective which is accomplished through dividing or stratifying the target population into manageable groups with similar variance for the key variables to be studied. The types of activities and the size of enterprises are usually used to describe strata. In most survey type studies, the ideal sampling method is usually random stratified sampling which include even business tendency studies. In addition, business tendency surveys are recommended to use modified stratified sampling which is also referred as non-random.

Cochran (2004) documented that use of fixed panel of reporting units is commonly preferred to be used for business tendency studies which refers to the use of same set of units used before in

each season of study or month. Sample variance is reduced by the use of fixed panel compared to the selection of fresh samples every time the study is carried out which enhances the accuracy. According to Ader & Mellenbergh (2008), entire population is never studied by researchers. The reasons are mainly due to dynamism of population studied and high cost of study.

Sampling of data allows quick data collection, reduced cost of study, ensures there is homogeneity since the data is small and improves quality and accuracy of the data.

The researcher targeted 200 individuals from County Sacco Society Ltd comprising of board of directors, staff and members from where a sample size of 40 individuals selected on the basis of 20% rule of the target population as shown below. According to Sekeran U. (2007), a researcher can take samples of 10% of a bigger population and at least 20% for a smaller population and that a sample of 30 to 500 is a good representation of the population. This is taken as the rule of the thumb. In this case stratified sampling was used where the population consisting of the three categories of respondents was used.

Table 3.2 Sample Design

Category of respondent	Directors	Staff	Members	Total
Head office	1	3	14	18
Miandari Branch	1	1	8	10
Runyenjes Branch	1	2	5	8
Karurumo Branch	-	1	3	4
TOTALS	3	7	30	40

3.4 Data Collection Procedures and Instruments

The main tool for data collection was self –administered questioners which assisted in collecting primary data. As reported by Gall and Borg (1996), for collection of information questionnaires are feelings experiences, motivations and accomplishment of an individual. Questionnaires are considered to use less time during data collection and less costly which an added advantage is.

Therefore, semi-structured questionnaires were administered to sampled population using drop and pick later to be attended by the sampled individuals.

3.5 Data Analysis

The questionnaires were examined on their reliability and completion of the information required. According to Mugenda and Mugenda (2003), raw data from the field requires to be cleaned before it is coded and analyzed otherwise it will be difficult to interpret. Qualitative analysis comprise of recombining evidences, tabulation, categorizing and examining evidences presented to address the research questions.

Meaningful themes and patterns are used to group qualitative data that are observed which help to organize and summarize the data. Statistical techniques such as arithmetic means, frequency counts, pie charts, modes, percentages and tabulation to show differences were used.

3.6 Ethical Issues

Ethics in research is all about ones conduct and serves as a guide to ones behavior. It is the responsibility to respect others. The study will adhere to ethics by getting consent from the sub county offices. All materials information will be strictly used for the experiment only and the data will be handled with utmost confidentiality from the respondents. The researcher will not disclose any names of the respondents.

3.7 Summary

This chapter has explained details the methodology used in the research work of the study. It has also elaborated on the target population and the sample size/design and how they were arrived at. Data collection procedures and the instruments used in the study have been analyzed clearly as well as data analysis. Ethical issues have been clearly explained on how a researcher should conduct himself/herself during the study.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter consists of data presentation and the analysis, interpretation and the discussion of the data collected from field surveys through use of questionnaires. After data collection, the data was confirmed of completeness through cleaning, edited and coded accordingly. Descriptive statistics of the standard deviation and the means were used to analyze the data. Relationship between variables was tested using regression analysis in relation to the study objectives.

4.2. Response Rate

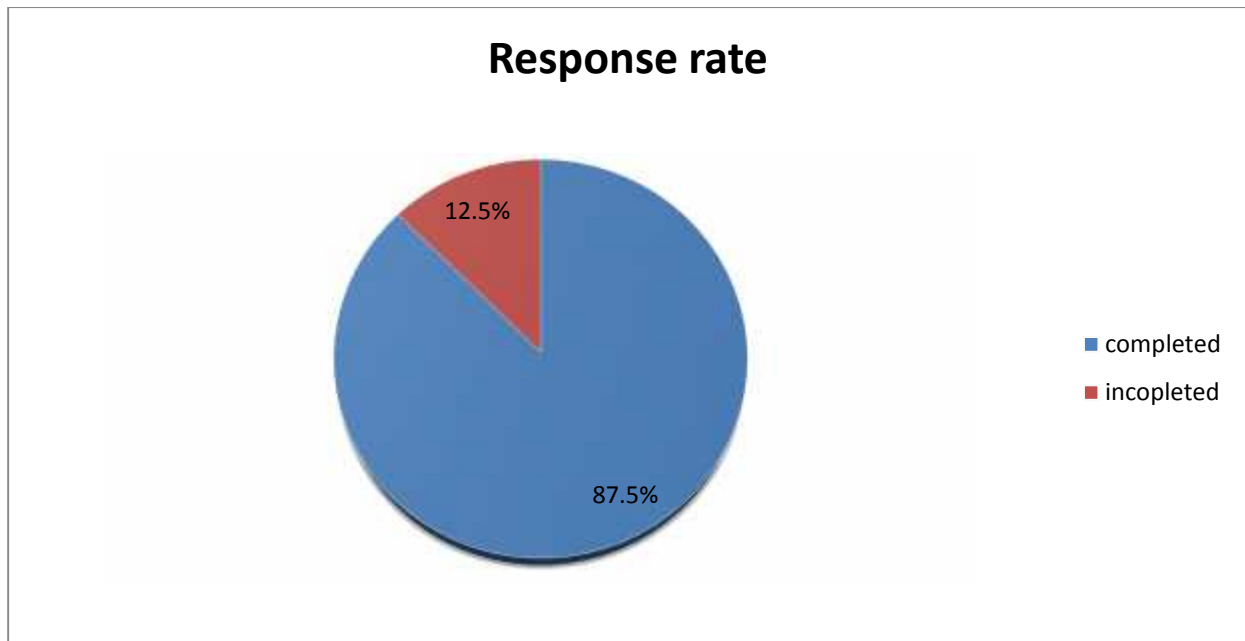
The study managed to obtain 35 completed questionnaires from the total of 40 questionnaires that were administered for the study which was 87.5 % representation and response rate. The study objectives comprised of: To establish the factors affecting the growth of County Sacco in Embu County, To determine how management and leadership affect growth of County Sacco, establish whether staff morale and motivation affect growth of County Sacco, To find out how finances affect growth of County Sacco and To determine how competition affects growth of County Sacco. As cited in chapter one under limitations of the study, the results proved that there was a limitation in remitting the questionnaires although the response rate percentage was quite high and enough data was managed to be collected.

The response rate is as shown in Table 4.1

Table 4.1: Response Rate

Response	Frequency	Percentage (%)
Completed	35	87.5
Incomplete	5	12.5
Total	40	100

Figure 4.1 Response Rate



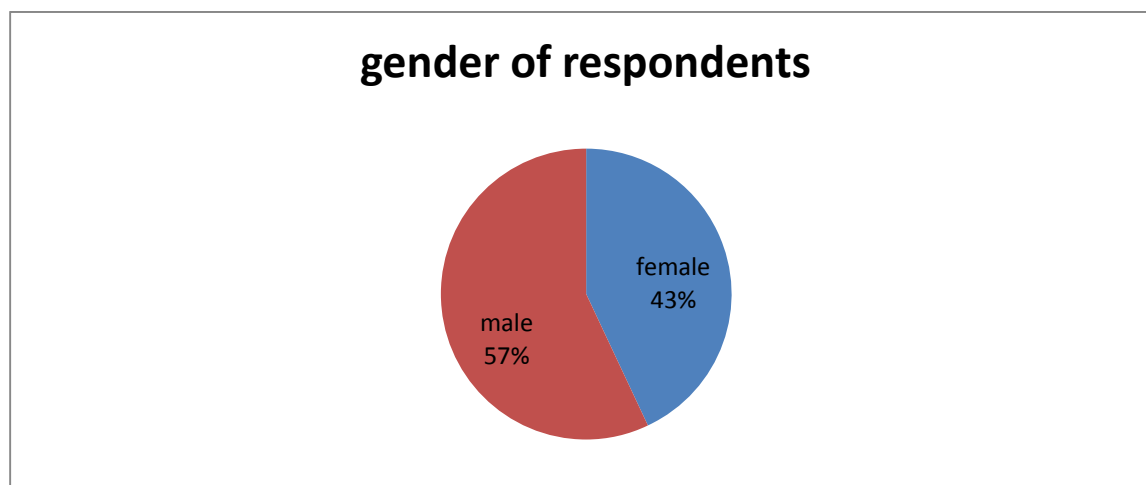
4.3 Gender of the Respondents

During the research, the gender details were obtained from the respondents and documented. Female participants were the majority with 74.5 % which male accounted for only 25.5 %. Although the male participants were less, each gender was well presented. This also depicts that the majority of the participant in Runyenjes market are female.

Table 4.2 Gender of Respondents

Gender	Frequency	Percentage (%)
Female	20	57
Male	15	43
Total	35	100

Figure 4.2 Gender of the Respondents



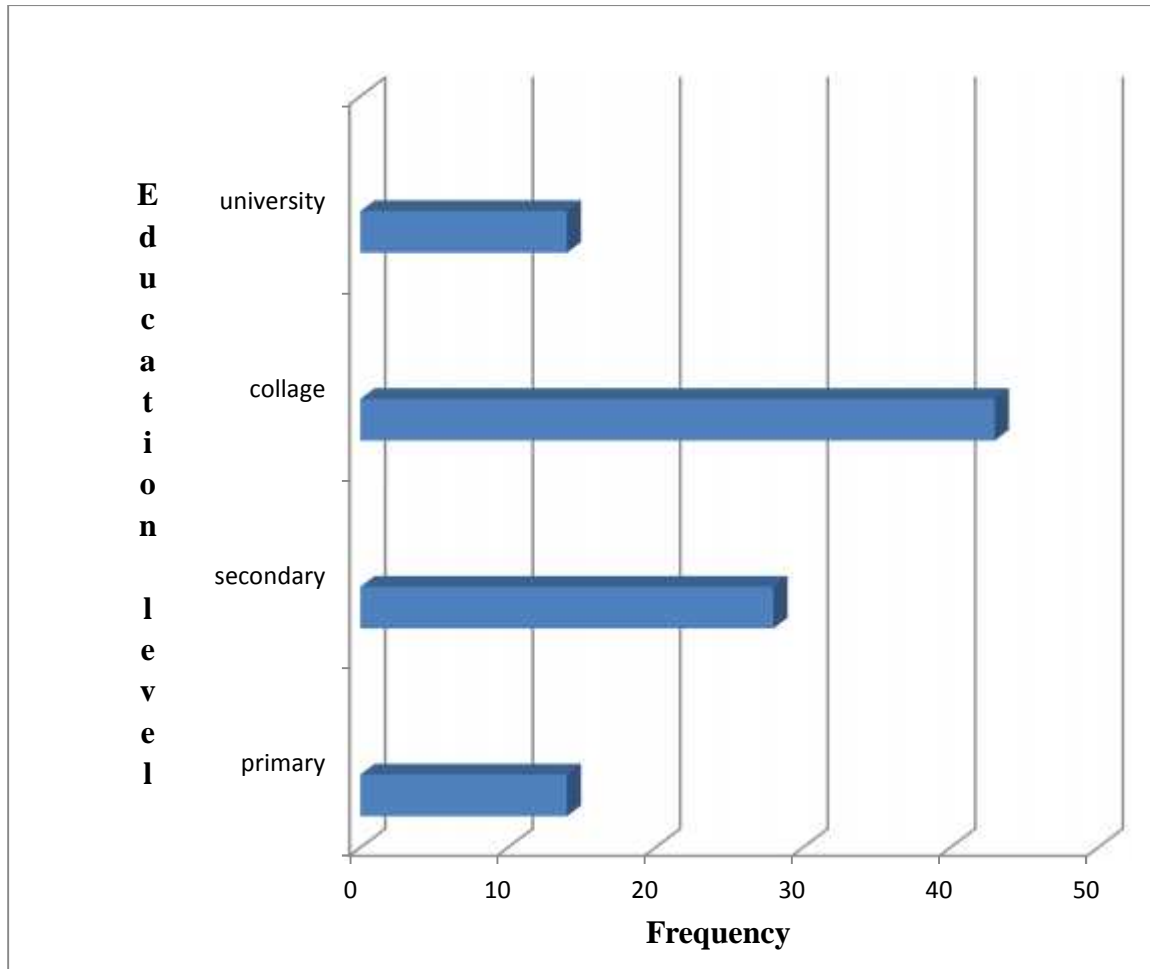
4.3.1 Level of Education

The participant's level of education was documented since the level of education affects and determines the ability of the respondents to interpret the questions. The results showed that 28% of the respondents were secondary school leavers while 14% comprised of primary school level. Those who had a college level of education were the most at 43% and university were 14%. Those in college and university seemed to understand well the factors affecting the growth of the Saccos since most of them had more information on Saccos as they had worked in various microfinance institutions which have similar problems with Saccos.

Table 4.3 Level of Education

Response	Frequency	Percentage (%)
Primary	5	14
Secondary	10	28
Collage	15	43
University	5	14
Total	35	100

Figure 4.3 Level of Education



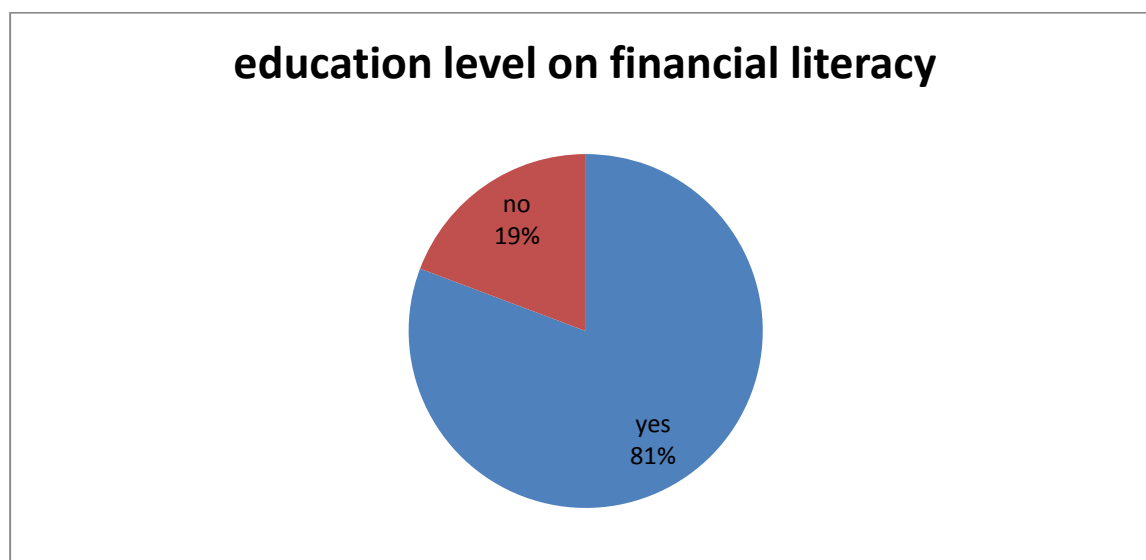
4.4 Management and leadership on Sacco growth

The study further requested the respondents' to indicate whether management and leadership affect Sacco growth. The study established that majority (81.25%) of the respondents were affected by management and leadership of the Sacco followed by 19.25% of the respondents who were not affected by the management and leadership on Sacco growth. This implies that most respondents were affected by management and leadership on Sacco growth. Poor management and leadership by the board members elected by the stakeholders has led to slow growth of the Sacco. There is no clear distinction of roles of the board of directors and those of the CEO leading to conflict of interest. The study findings are as shown in Table 4.4

Table 4.4management and leadership on Sacco growth

Response	Frequency	Percentage (%)
Yes	30	81.25
No	5	19.25
Total	35	100

Figure 4.4management and leadership on Sacco growth



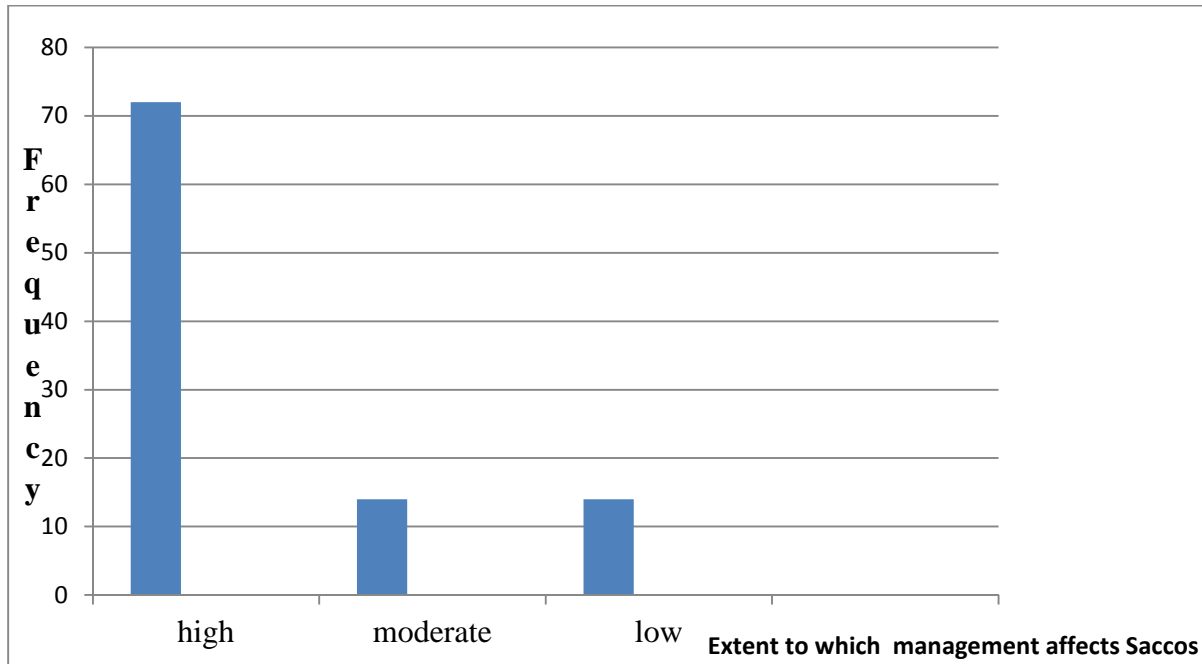
4.4.1 Extent to which management and leadership affects Sacco growth

The results from the field study were used to examine the extent to which management and leadership affects Sacco growth. The extent was measured in terms of high, moderate and low.

Table 4.5: Extent to which management and leadership affects Sacco growth

Response	High	Moderate	Low	Total
Extent of education level	25	5	5	35
Percentage (%)	72	14	14	100

Figure 4.5 Extent to which management and leadership affects Sacco growth



In the table and figure above indicates that 72% of the respondents were highly affected the by management and leadership of Saccos 14% moderately affected and 14% had low extent.

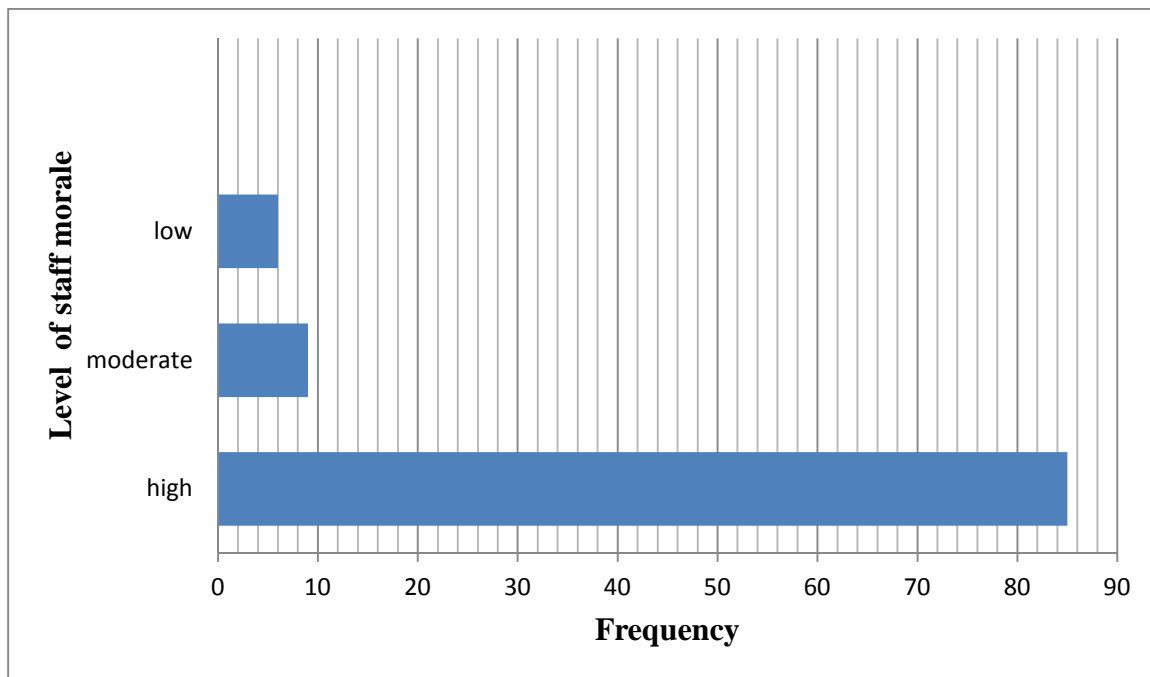
4.5 Effects of Staff Morale and Motivation

The study also revealed the extent of staff motivation and morale and how it affects the growth of SACCOs. It is evident enough from the study that staff morale and motivation affects the growth of any organization and more so the Saccos. Highly motivated employees/staff seem to perform their duties well than those that are not motivated. Saccos with highly motivated employees seem to excel and perform well in the business arena. This also improves the rewarding system of the organization leading to empowerment of the employees to work harder for their own benefit and growth of the Sacco. The extent was measured in terms of high, moderate and low as described in table 4.6.

Table 4.6 Effects of staff morale and motivation

Response	High	Moderate	Low	Total
Extent of staff morale and motivation	30	3	2	35
Percentage (%)	85	9	6	100

Figure 4.6 Effects of staff morale and motivation



The study established that staff morale and motivation affects Sacco growth.

4.6 Effect of finances

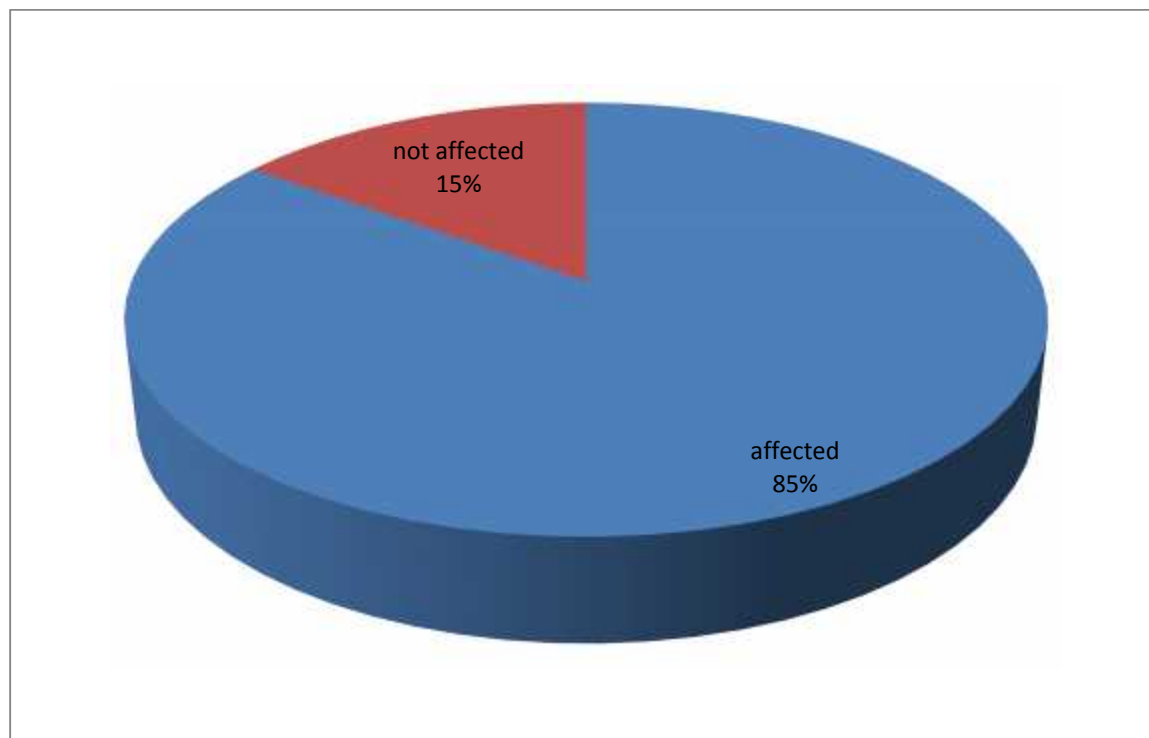
The study further requested the respondents' to indicate whether finances affected the Sacco growth. The study established that majority (85%) of the persons were affected by the finances followed by 15% of the respondents. This implies that most the respondents were affected by

finances. From the results on finances, it is clear that finances affected the growth of the Sacco a lot. Reliance on borrowed funds has led to slow growth of the Sacco due to high rate of interest which must be paid within the stipulated time given by the lending institution. Also poor management of the available funds by the top management of the staff and board of directors has led to the down fall of the organization causing great losses to the organization. The study findings are as shown in Table 4.7

Table 4.7effect of finances

Response	Frequency	Percentage (%)
Affected	30	85
Not affected	5	15
Total	35	100

Figure 4.7effect of finances



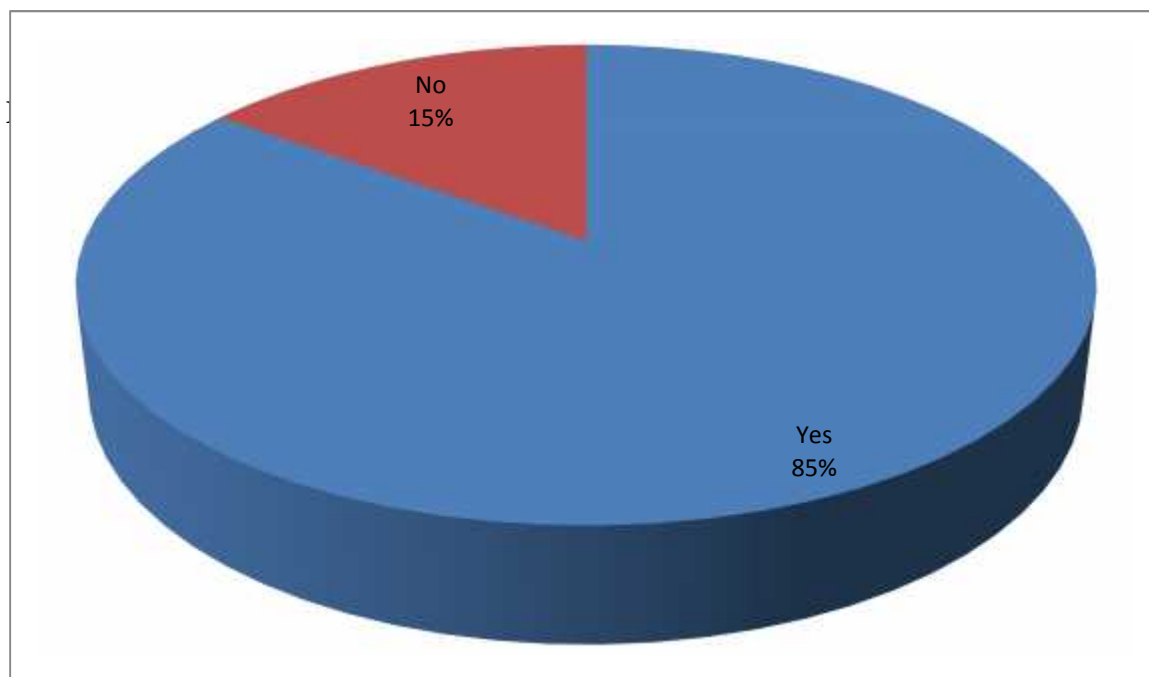
4.6 Effect of competition on Sacco growth

The study further requested the respondents' to indicate whether the competition have any effect on Sacco growth. Table below demonstrates the results of effect of competition on Sacco growth. These results indicate that 93% were affected demographic factors while 7% were not affected. A healthy market is one which has competition; never the less it has got its own setbacks in terms of growth. County Sacco has encountered stiff competition from other financial institutions such as Greenfedha, upcoming microfinance institutions as well as the existing organizations such as other Saccos and commercial banks such as Equity and so on. This haz led to the slow growth of the Sacco due to massive migration of the members/stakeholders to those new institutions and the commercial banks.

Table 4.8 Effect of competition on Sacco growth

Response	Frequency	Percentage (%)
Yes	30	85
No	5	15
Total	35	100

Figure 4.8 Effect of competition on Sacco growth



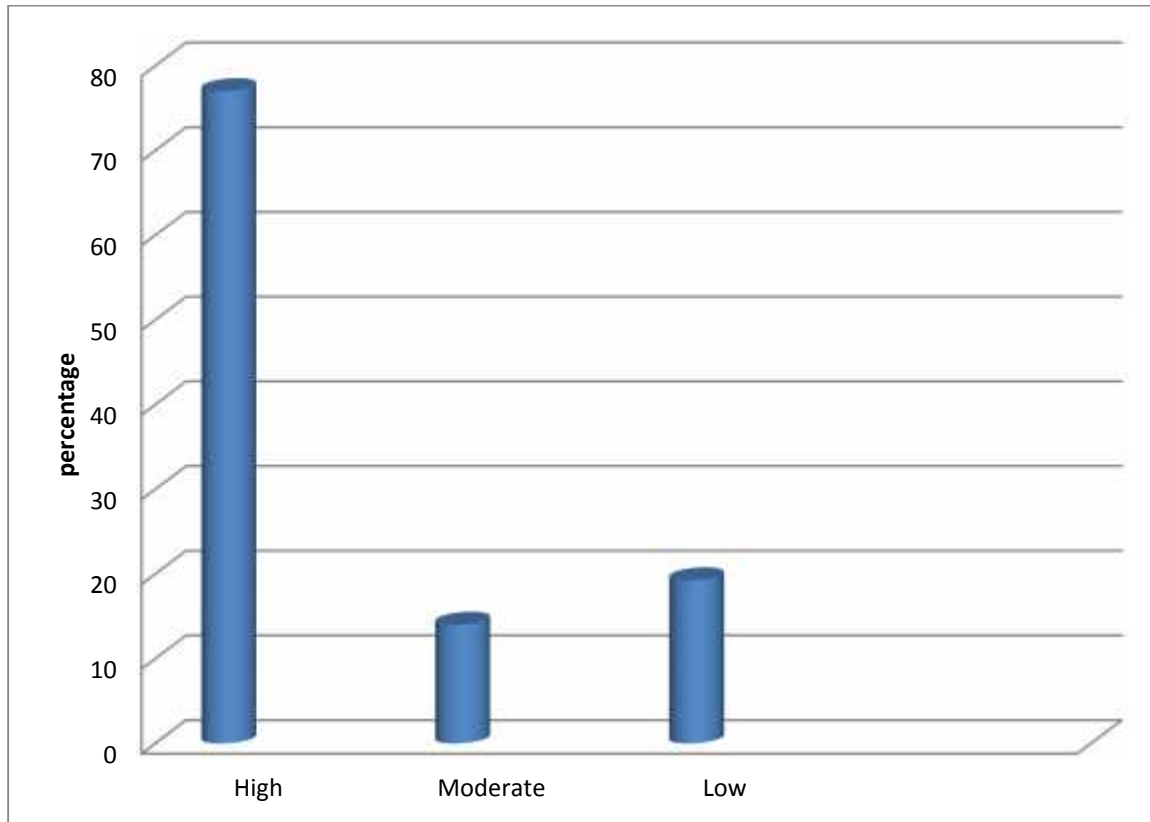
4.6.1 Extent of effect of competition on Sacco growth

The researcher sought to know the extent to which the competition on Sacco growth. The extent was measured on high, moderate and low. Interpretation was done as follows: high 77 %, moderate 14% and low 9%. The results show that most of the respondents were affected by competition on Sacco growth as shown in table 4.9

Table 4.9 Extent to which competition has on Sacco growth

Response	Frequency	Percentage (%)
High	27	77
Moderate	5	14
Low	3	9
Total	35	100

Figure 4.9 Extent to which competition has on Sacco growth



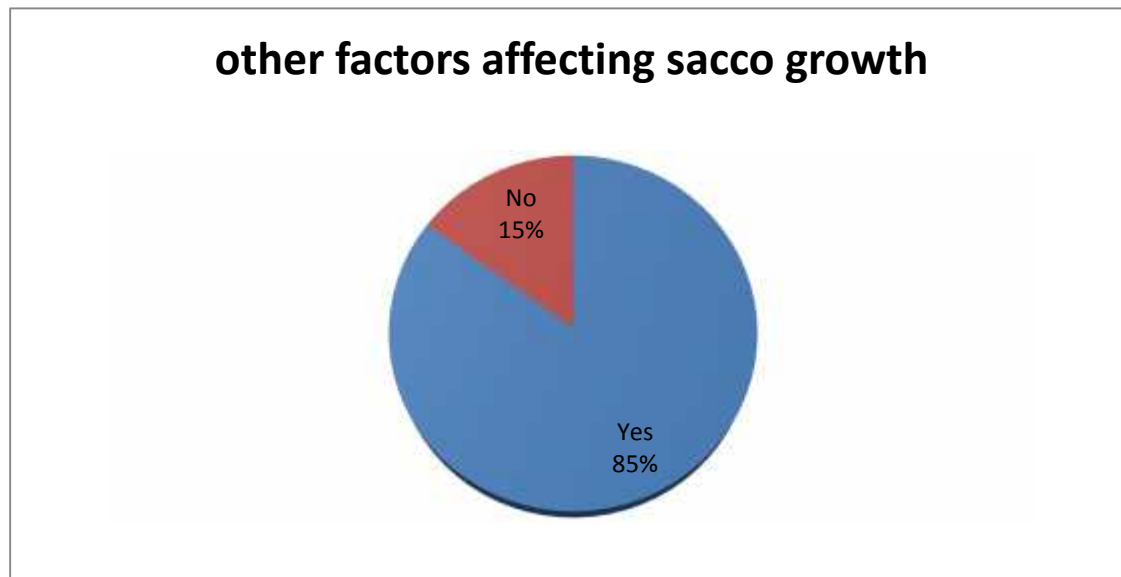
4.7 Other factors

Lastly, the study sought to know if there is any other factor affecting Sacco growth. The study revealed that other than the highlighted factors affecting the growth of the Sacco, the respondents disclosed that there are other factors that affected the growth of the Sacco to a great extent such as customer care relations among others though they have not been explained/discussed in the study. Majority (96%) of the respondents’ said YES while 4 % said NO as shown on table 4.10

Table 4.10: Other factors affecting Sacco growth

Response	Frequency	Percentage (%)
Yes	30	85
No	5	15
Total	35	100

Figure 4.10 Other Factors Sacco growth



4.8 Summary

The study was expected to determine the factors that affect Sacco growth in Embu County. This could be achieved by using the following specific objectives.

i) To determine how management and leadership affect growth of County Sacco.

Under management and leadership, the Sacco opted to engage the customers and the members to air their views and to know their roles during elections of the board members on general meeting and their responsibility in relation to the growth of the Sacco.

ii) To find out whether staff morale and motivation affect growth of County Sacco.

On the issue pertaining staff morale and motivation, the Sacco found it worth to appreciate their staff and motivate them accordingly in order to achieve the organizations goals through various mechanisms.

iii) To establish out how finances affect growth of County Sacco.

The Sacco also looked for other means of getting finances other than depending on borrowed funds which were a major issue especially in interests' rates.

iv) To determine how competition affects growth of County Sacco.

The Sacco also checked on the effect of competition by diversifying their products and services in order to remain competitive in the market.

From the study, it is evident enough that management and leadership of the Sacco had the most impact on growth of Sacco's followed by the staff morale and motivation. This is due to governance of the Sacco and employees empowerment. Finances and competition followed suit in the growth of the Sacco though they also had a great impact.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND AREAS FOR FURTHER RESEARCH

5.0 Introduction

This chapter elaborates in detail the summary of the whole research work done, conclusions derived from the study recommendations approved by the researcher and analysis of areas suggested for further research.

5.1 Summary

From the onset the purpose of this study was to find out the factors that affect growth of rural Sacco's in Embu County. A case study of County Sacco was done. To achieve this effectively four main objectives were explored. These four objectives were; To determine how management and leadership affect growth of County Sacco, to find out whether staff morale and motivation affect growth of County Sacco, To establish out how finances affect growth of County Sacco and to determine how competition affects growth of County Sacco.

To achieve this effectively, literature review was done which included theories of Growth and portfolio, agency, Taylor's motivational and capital theory. Literature review on staff morale and motivation, team work, fringe benefits and career development were also reviewed.

Questionnaires were administered to collect the data and a sample size of 40 individuals was achieved through random stratified sampling and descriptive statistics were used to present the data. From the study, it became apparent that there were factors that affected Sacco growth in Embu County. These factors were; management and leadership, staff morale and motivation, finances and competition from other players in the industry.

5.2 Conclusion

Through this study it was established that there were factors that were affecting growth of rural Sacco's in Embu County. This has led to the slow growth of Sacco's hence poor performance in the sector as whole and massive transfers by the Sacco members to other financial institutions such as commercial banks and Greenfedha.

5.3 Recommendation

In view of the study, the researcher recommends that the management and leadership of the Sacco should be reviewed in such a way that they have well knowledgeable team especially the board of directors who can be able to manage the Sacco ethically and faithfully. The researcher also recommends that the staff should be trained and be provided with good working environment that is conducive, appreciated and well-motivated in order to ensure smooth delivery of services which could improve the growth of the Sacco in return. The researcher still recommends that Sacco's should also check on their sources of their finances since borrowed funds ends up in high rate of interest which is not very favorable for ordinary customers who cannot access financial services from commercial banks.

5.4 Areas for Further Research

Further research could be carried on issues such as government policy on growth of Sacco's, impact of SASRA as a regulator on growth of Sacco's. Further research could also be carried out on the impact of multinational banks on the growth of Sacco's.

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Date: 1st February 2017

TO WHOM IT MAY CONCERN

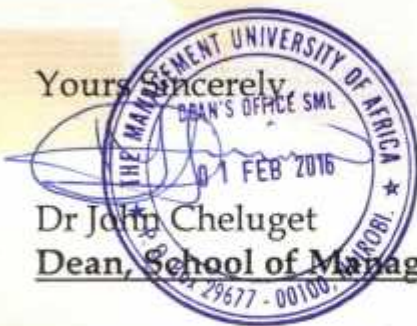
NYAGA JANE NJOKI- ODL-BML/2/00047/1/2014

This letter serves to introduce the above named who is a **Bachelors of Management and Leadership (BML)** student and is interested in carrying out research on Factors affecting growth of Rural Sacco's in Embu County. A case study of County Sacco LTD.

Any assistance accorded to her in pursuit of this study will be greatly appreciated. For more information please do not hesitate to contact the undersigned.

Yours Sincerely

Dr John Cheluget
Dean, School of Management and Leadership



Appendix II: Questionnaire

INSTRUCTIONS

Please answer the questions by use of a tick in the boxes provided and explain where applicable.

Please note that the findings of this research are solely meant for academic purposes and all the responses will be treated with utmost confidentiality.

Section A: General Information

(Tick where appropriate)

(1) What is your gender?

Male

Female

(2) What is your age?

20-35 yrs

36-46 yrs

47-55 yrs

Over 55 yrs

(3) What is your marital status?

Married

Single

Divorced

Widow

(4) What's your HIGHEST academic qualification?

Certificate

Diploma

Degree

Masters

Others.....

SECTION B: Management and Leadership

(5) Do you think Management and Leadership have any effect on the growth of rural Sacco's?

Yes

No

(6) To what extent do you think Management and Leadership has any effect on the growth of rural SACCOS?

High

Moderate

Low

(7) Please comment on the effect of Management and Leadership on the growth of rural Sacco's indicating your thought.....

.....
.....

C. Staff morale and Motivation

(8) To what extent does Staff morale and Motivation affect the growth of rural saccos?

High

Moderate

Low

(9) According to you who are the most affected?

Male

Female

(10) According to you what should be done to increase Staff morale and Motivation

.....
.....

D. Effect of finances on the growth of rural Saccos

(11) Do you think finances have any effect on the growth of rural Saccos?

Yes

No

(12) If yes to what extent do they affect?

High

Moderate

Low

(13) Giving reasons how do finances influence the growth of rural Saccos?

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.....

SECTION E: COMPETITION (For this section, please circle the most appropriate alternative and fill in the spaces where applicable)

(14) How would you rate the level of competition experienced in offering your services?

A Very low

B Low

C High

D Very high

(15) Have you ever lost customers to competitors?

A Yes B No

If yes, who are the competitors?

(16) Do you think there are any factors influencing the growth of rural Sacco's?

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