CORPORATE GROWTH STRATEGIES AND PERFORMANCE OF SELECTED
SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN NAIROBI CITY COUNTY,
KENYA

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MARCH, 2020
DECLARATION

I declare that this project is my original work and has never been presented in any other university for any other award. No part of this project should be produced without authority of the author or/and Kenyatta University

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

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DEDICATION

I dedicate this work to my family for their constant support and love throughout my University life. Thank you all.
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# Abbreviations and Acronyms

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<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social Sciences</td>
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<tr>
<td>SACCOs</td>
<td>Savings and Credit Cooperative Companies</td>
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<td>SASRA</td>
<td>Sacco Societies Regulatory Authority</td>
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<td>KNFC</td>
<td>Kenya National Federation Company</td>
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<td>FOSA</td>
<td>Front Office Savings Activity</td>
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<td>DTS</td>
<td>Deposit Taking Saccos</td>
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OPERATIONAL DEFINITION OF TERMS

**Acquisition strategies**: Involves finding a methodology for the acquisition of target companies that generates value for the acquirer.

**Corporate growth strategies**: Strategy aimed at winning larger market share, even at the expense of short-term earnings.

**Diversification strategies**: A corporate strategy to enter into a new market or industry in which the business doesn't currently operate, while also creating a new product for that new market.

**Market expansion strategy**: The process of offering a product or service to a wider section of an existing market or into a new demographic, psychographic or geographic market.

**Performance of Saccos**: Actual output or results of a Sacco as measured against its intended outputs (or goals and objectives).
ABSTRACT

The dynamic nature of business operating environment has called on business leaders to be strategic in their leadership roles if they are to sustain their competitiveness into the unforeseen future. Growth is important in Sacco’s because it is future oriented establishing ways in which the organizational operations can be aligned to future changes in the business environment to ensure that competitiveness is sustained. The SACCOs in Kenya have experienced problems in the past; some even shutting down therefore there is need for customer growth to be enhanced so as to increase their incomes so as to sustain the business. These SACCOs have to look for leaders and managers who can develop future targets, direct and lead other staffs towards meeting the firm’s objective and gaining a competitive edge. The aim of this study was an assessment of corporate growth strategies and performance in savings and cooperative societies in Kenya, Nairobi County. The study sought to determine the influence of market expansion, diversification strategies and acquisition strategies. The study target population was 41 licensed SACCOs in Nairobi County. The study used primary data to collect information, and the data collection instrument was a questionnaire which was given to the 41 operations managers in the 41 selected SACCOs. The data collection procedure was done by the researcher and drop-and-pick strategy will be applied. The data was coded and keyed in Statistical Package for Social Science (SPSS Version 23.0), and was analyzed using both descriptive and inferential statistics. For descriptive statistics was through mean scores, standard deviations, frequencies and percentages, while the inferential statistics was through regression analysis to establish the relationship between strategic leadership and customer growth. The findings were presented in tables and charts for easy understanding, interpreting, and describing the data. The study established that market expansion, diversification strategies and acquisition strategies as corporate growth strategies had a positive and significant effect on the performance of SACCOs in Nairobi City County. The study concluded that the SACCOs significantly employed market expansion strategies through improved branch network, customer base enhancement, new distribution channels and technological innovation. The study concluded that the SACCOs embraced a hybrid of the main diversification strategies, diverse products and services significantly. It was concluded that to a little extent the selected SACCOs in Nairobi City County have employed acquisition as a corporate growth strategy. The study recommends that the SACCOs should embrace integrate technology in the implementation of corporate growth strategies to enhance efficiency and effectiveness. Further studies should be undertaken to establish the effect of corporate growth strategies on the performance of other SACCOs in other regions to establish the disparities or similarities among the financial sector players.
CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

The SACCO Sub sector in Kenya is recognised worldwide as one of the fastest growing being at position 1 in Africa and position 7 in the world according to a report by the World Council of Credit Unions (WOCCU) in 2013. This vibrant growth sector means that the number of players is growing each day and so is the level of competition. SACCOs have therefore to device ways of withstanding the crowded space by ensuring application of the right competitive strategies for survival and success. SACCOs in their originality and formations target the previously financially excluded class of clientele (Gamba and Komo, 2014).

Bibby, Shaw, and Bateman (2005) describes a Savings and Credit Cooperative as a type of cooperative which aims majorly at pooling savings from the members and in turn provide them with affordable and easy access to credit. As such, a SACCO’s main objective is the promotion of the economic interests as well as general welfare of its members often referred to as shareholders. Vicari (2008) adds that a SACCO society is an autonomous association of individuals who come together voluntarily to confront a set of common economic, social, and cultural needs and aspirations by way of the creation of a jointly owned and democratically controlled enterprising initiative. The SACCO Subsector is recognised worldwide as an effective tool to drive the quest for a financially inclusive society. It was imperative for an empirical study to be conducted to assess how various intensive growth strategies applied by SACCOs impact on their performance which was the focus of the study at hand.
The organizations performance is communicated as far as profit, transmission and growth among others is concerned. Most organizations are driven by the wish to increase their importance worth. Build associations and expand their stock. The firm is required to spend its money in relation to assets and implement practices that are good so as to gain performance that are optimum. The firm could use approaches that are unique in order to gain success that include; employing practical procedures administrative, implementing focus strategies that lead to improved performance and also undertaking execution that is definite. The structure of the corporate tends to be higher of rival’s organization arranged as oppose to the customer located (Okong'o, 2016). Corporate strategy reflects the organization’s framework, innovation at the firm operation administration and the firm’s administrative issues.

Market expansion, this strategy requires expanding your company beyond its current market. This may mean either finding a new target audience who would need your product, or finding new uses for your current product that could expand its reach. Diversification is when a company sells new products to a whole new market. This requires involved planning and research to ensure that this method will have positive results for your business. Acquisition means purchasing and absorbing a competitor to expand your business. This method allows businesses to grow at a much more rapid pace than the other four methods, but it is also costly and time consuming.
1.1.1 Corporate Growth Strategy

The goal of wealth maximisation, which is at the heart of SACCOs goes hand in hand with strategies for growth. If firms stagnate and fail to explore options for growth, they may not be able to grow the wealth of shareholders. According to Freeman (2010), strategies that target Corporate Growth have continued to be employed extensively by firms especially in the background of an environment fierce with competition and volatility. Richardson and Evans (2007) postulate that corporate growth strategies as demonstrated in the Annsoff Matrix named after a Russian American Igor Ansoff, include Market Penetration, Product Development, Market Development and Diversification.

The word growth means increase in size, or an improvement in quality results of a procedure of progress in which a cooperating series of internal changes leads to rises in size accompanied by changes in the features in the growing object (Blackburn, Hart, & Wainwright, 2013). Development is the most regularly used corporate strategy. It means increasing sales, properties, profit net and an opportunity to take advantage of the skill curve to reduce the unit cost of produce sold and thereby profits are increased. The reduction cost is very vital if an organization is developing quickly and opponents are being engaged in price wards in attempt to increase their shares in the market. Those organizations do not attain the importance economy of large-scale productions especially face high lose unless they can realize and fills a small niche that is profitable where large prices can be offset by products that are special or feature services. However, not all growth strategy is suitable for every business. The key to discover the right growth strategy is matching properly to your firm and market place in specific. Its vital to
determine if your products are new or existing in the market since the wrong strategy can devastate your business (Liedholm, & Mead, 2013).

While the need for firms to develop generic strategies is still unresolved debate, strategists agree about the critical role of the growth strategies. Growth strategies are often called the master business strategies; they provide the basic direction for strategic actions. They are the basis of the coordinated and sustained efforts directed towards achieving long term business objectives. (Rosenbusch, Rauch & Bausch, 2013). The growth strategies have been playing the central role in the expansion, development, stability and finally success of the business. These grand strategies have enabled organizations to increase their market shares, develop new markets, and develop new products and services. There are several different growth strategies to be applied by the business strategists but there are four of them which are the result of product or market or both product and market changes

1.1.1.Performance of Saccos

Al-Matari, Al-Swidi, and Fadzil (2014) assert that performance measurement is critical for effective management of any kind of business arrangement. This is the case majorly because process improvements are only possible if the organisation is able to understand the outcomes. As such, performance improvement for any organisation must be built on the analysis and understanding of how currents strategies, processes and activities are impacting on the performance of the enterprise as indicated in the performance reports. In the Context of SACCOs, Performance measurement has been approached in many dimensions by users. Among
the dimensions are outreach performance, financial performance; profitability based measures, efficiency based measures and leverage measures, as well as Market based measures of performance. Subjective measures are also utilised in other situations.

Saccos have recorded tremendous growth since mid-1970s and currently have gained an average growth rate of 25% per year in deposits and properties. SACCOS have developed greatly and currently have about 3.7 million members. The 230 SACCOS with FOSAs have expanded into specialized bank like actions that involve taking deposit, facility taking, debit card (ATM) and transfers of money both local and international. SACCOS have an important role of serving the financial requirements need of the households, both small and medium enterprises. They give encouragement to individuals to save hence creating or collecting capital that contribute to economic development of a country. Kenyan SACCOS are faced with challenges. This has led to SACCOs to face competition from banks especially the Kenyan commercial bank. This is because banks have experienced series of changes that have made them to realize outstanding performance. Therefore, it is worth to research the determinants of performance outcome of Saccos.

1.1.2. SACCOs in Nairobi County, Kenya

In Kenya, the first co-operative society was Lumbwa co-operative Society formed in 1908 by the European Farmers with the aim of supporting agricultural activities and products to take advantage of economies of scale Kenya Union of Savings and Credit Co-operatives KUSCCO, (2006). In 1946 there was inclusion of Africans in the movement when the colonial government felt that Africans
needed to participate in the economy through co-operatives resulting in the enactment of a new Co-operative Societies’ Ordinance. The Sacco industry is part of the cooperative sector in Kenya, which has impacted on lives of many disadvantaged Kenyans over the years. Saccos in Kenya may be categorized into financial and non-financial cooperatives. Non-financial cooperatives deal with the marketing of members’ produce and services such as dairy, livestock coffee, tea, handicrafts and many more similar cooperatives. On the other hand financial co-operatives can be described as two-tiered given the range of financial services to members and regulatory regime.

The traditional Savings and Credit Cooperative Societies (Saccos), described in law as Non-Deposit taking Saccos provide a limited range of savings and credit products, are registered and supervised under the Cooperative Services Act, CAP 490. The Deposit Taking Saccos (DTS) besides the basic savings and credit products, also provide basic „banking” services (demand deposits, payments services and channels such as quasi banking services commonly known as ATMs), FOSA and are licensed and supervised under the Sacco Societies Act of, 2008 and the SACCO Societies Regulations, 2010. The new law establishes an independent Authority Known as the SACCO Societies Regulatory Authority (SASRA), which has powers to license, regulate and supervise SACCOs, carry out regular inspections, control their ownership and governance practices and manage a Deposit Guarantee Fund among other responsibilities.

Co-operatives societies are anchored on the Cooperative philosophy based on seven principles formulated by the International Cooperative Alliance which include: voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among co-operatives and finally
concerned for the community (Karagu, & Okibo, 2014). SACCOs receive savings from members in form of periodic deposits, usually monthly, and from this creates a pool, they serve the credit needs of members through personal loans. Duncan, Njeru, and Tirimba, (2015) observed that most SACCOs are found in urban areas and particularly common among the employed. He also noted that SACCOs are part of the financial system in Nairobi and identified other participants in the sector as commercial banks, non-banking financial institutions, building societies and insurance companies (Kariuki, 2014).

The first Savings and credit Cooperatives in Kenya were started in the sixties and since then the sector has recorded a tremendous growth. The Government annual economic survey shows that as at December 2009 there were more than 2,400 active SACCOs with membership in excess of 1.5 million people. Share capital stood at Kshs. 65 billion while outstanding loans were Kshs. 59 billion. The structure of the cooperative movement in Kenya comprises of four tiers. These include the primary societies, secondary cooperatives, tertiary cooperatives and nationwide cooperatives. The Kenya National Federation of Cooperatives (KNFC) is the only apex society in the movement. It was formed with an objective of promoting, developing, guiding, assisting and upholding ideas of the cooperative and SACCO principles. KNFC is the link between cooperatives in Kenya and the international cooperative alliance.

Nairobi County has the highest number of industries and thus attracts a significant number of people seeking for employment. These employees require financial services to cater for their developmental needs which can only be adequately met by Savings and Credit Co-operative Societies. Nairobi County Annual Report (2012) indicated that there were 1,102 active SACCOs,
with a total membership of 795,541, Share Capital amounting to Kshs. 11.78 billion while the member’s savings/Deposits amounted to Kshs.110.57 billion. The SACCOs are distributed in three categories as follows: employee based 935, community based 92 and transport based. These SACCOs comprise both deposit and non-deposit taking ones. In the current legal framework, a Deposit Taking Sacco (DTS) is that Sacco operating a front office savings activity (FOSA). Sacco comprises over 50% of all cooperatives in Kenya and as financial institutions they play a critical role of financial intermediation in Kenya’s financial landscape focusing mostly on personal development (SACCOs Review 2012).

1.2 Statement of the Problem

Financial performance has remained the single most important concern for business entities in their pursuit of shareholder wealth maximisation objective. The Ansoff Matrix as a strategic planning tool has continued to gain popularity in all quotas of business arrangements. Business entities are realizing that in the background of stiff competition and change in the business environment, entities must either shape up or ship out of the different business platforms. It is ironical that despite the growth of the Kenyan SACCO sub sector being highly rated in the world, several SACCOs continue to struggle in financial distress which others have been forced to shut down as is the case of Tena SACCO (Gamba and Komo, 2014). The SACCOs institution in Kenya have witnessed increased competition in the recent past and this has forced companies to go back to the drawing board to seek new ways of expanding their businesses and reach new markets more exhaustively for their products. Other challenges have come from the regulation of the sector prices of products by the government and the threat of entry and mergers of local firms
with international players and this combined has increased business risk level of the firms. With the increased level of competition, local owned SACCOs have had to employ growth strategies and align itself to capture new markets or retain its existing market share. Understanding of a firm’s strategy based on independent and collaborative resources requires a combination of theories and methodologies and strategic positioning is one of these theories.

Chege, (2017) studied on effectiveness of strategies that are competitive on performance of the business of Kenya betting companies. The study suggests that all persons from the firms need to be elaborated in the management organization hence improving sharing thought and meetings along lines of easy basic leadership. Nevertheless, this research was on Kenyan betting hence cannot be applied in our current study.

Kinyuira (2014) studied on effects of porter’s generic competitive strategies on the performance of savings and credit cooperatives (saccos) in Murang’a. the results were that majority of the firms of the companies had documented strategy already to achieve their reputation, the research also discovered that most respondents agreed to the fact that corporate reputation strategies of management very largely contribute to the company’s success.

According to SASRA (2017) annual report on the performance of SACCOs in Kenya, 70% of the cooperatives fail to perform or grow due to poor strategic management. The report indicated that 85% of the SACCOs didn’t have a strategic management department or team. The SACCO boards didn’t bring on board experts on strategic management to guide and
implement strategic plans despite having them on paper. The research further recognized that the firms adopted management reputation strategies such as different forms of assertive and strategies that are defensive that were core in the both protecting and defending reputation of the firm.

From the above review, it was clear that a lot remained to be done in respect to research on growth strategies and their resulting impact on firm performance. The researcher also unveiled methodological gaps, contextual gaps as well as empirical gaps that would be filled by the proposed study. Most past research had over concentrated on competitive strategies.

The few researchers who had focused on growth strategies had considered a narrow framework of the growth strategies as contained in the Annsoff matrix. Most past studies reviewed had used accounting based measures of performance and therefore a focus on other measures such as market based measures filled this methodological gap. Most research on this area had been done in other countries with only a few local studies encountered. The researcher had not also come across any research done in Nairobi City County despite the intensive Cooperative movement activities in the County. A focus on Nairobi City County helped fill this contextual gap.
1.3 Objectives of the Study

1.3.1 General Objective

The general objective was to establish the effect of corporate growth strategy and performance of selected Saccos in Nairobi City County, Kenya.

1.3.2 Specific Objective

This study was based on these specific objectives:

i. To determine the effect of market expansion on performance of selected SACCOs in Nairobi City County, Kenya.

ii. To establish the effects of diversification strategies on performance of selected SACCOs in Nairobi City County, Kenya.

iii. To assess the effect of acquisition strategies on performance of selected SACCOs in Nairobi City County, Kenya.

1.4 Research Questions

i. What is the effect of market expansion on performance of selected SACCOs in Nairobi City County, Kenya?

ii. To what extent does diversification strategies affect performance of selected Saccos in Nairobi city County, Kenya?

iii. What is the effect of acquisition strategies on performance of selected Saccos in Nairobi city County, Kenya?
1.5 Significance of the Study

The investigation enhances understanding to strategy architects on the role of corporate strategy growth towards the attainment of organizational goals and in formulation of laws governing corporate strategy. Managers are going to understand the challenges experienced during implementation of corporate strategies. This study’s recommendations will help the management and employees to understand how effective and efficient company performance could be attained.

1.6 Scope of the Study

The research focused on corporate growth strategies and performance and how they affect performance of selected Saccos in Nairobi City County, Kenya. The study was carried out in the month of February 2019 to May 2019. The study pursued market expansion, diversification strategies and acquisition strategies. The study targeted 41 Saccos, licensed by SASRA. The choice was also informed by the SASRA report that placed the sectors average rate of growth at 30% per annum. It was therefore imperative to conduct a study on this particular field to understand background issues making up corporate growth strategies in this sector and the effects, if any on SACCO performance.
1.7 Limitations of the Study

The research was done by the use of primary statistics that was collected by the help of questionnaires. The main challenge that the author experienced is that the respondents were not willing to give the information freely. Thus, overcoming this disadvantage, the author made sure the information that was collected was only used for purposes of education. The respondents might also be busy with their daily activities during data collection. Therefore, collecting the data on a single day may not be easy. In order to overcome this limitation a drop and pick latter method will be used to allocate questionnaires to the respondents. This will make sure that the respondents have been given sufficient time to respond to the questionnaires more effectively.

1.8 Organization of the Study

This consists of five chapters. The first chapter concentrates on background of the study the statement of the problem, the research objectives and questions. It also covers the significance, scope and limitations of the study. Chapter Two is the literature review focusing on theories, past empirical studies, the conceptual framework and the research gaps. Chapter Three is the Methodology focusing on the design, population, sampling, data collection and analysis and the ethical issues to be adhered to. Chapter four presents the research findings and discussions while chapter five entails the summary of research findings, conclusions and recommendations.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents discussion of related topics done by scholars. This chapter also presents the theoretical reviews, empirical review knowledge gap that contributes to the success of women enterprises. Conceptual framework is also highlighted in this chapter.

2.2 Theoretical Framework

The study was anchored on an number of theories discussed below.

2.2.1 Resource Based-View(RBV) Theory

Wernerfelt (1984) developed the RBV theory which was later popularized and developed by Barney (2001) as a tool for gaining competitive advantage. The resource-based view (RBV) as a tool of competitive advantage has its foundation on the application of a bundle of valuable tangible or intangible resources at the firm's disposal. The theorists behind the resource-based view (RBV) see resources as key to superior firm performance and argue that organizations should look inside the company to find the sources of competitive advantage rather than looking for competitive advantage from the competitive environment. The resource based view puts emphasis on resources and capabilities as the very beginning of competitive advantage. The model develops the body of knowledge of differential firm performance and also ushers new
dimensions to the understanding of strategic management as a corporate discipline (Barney & Clark, 2007).

The RBV proponents assert that it is much more viable to use existing firm resources in exploiting external opportunities in a new way as opposed to acquiring new skills for each new opportunity. The basic premise of the RBV framework is the role of resources in influencing organizational performance. The RBV theory presents two kind of resources categorised into tangible and intangible resources (Arend, 2006). Tangible assets are physical assets and include Land, buildings, machinery, equipment and capital. The limitation with physical resources is that they can easily be acquired from the market so that in the long run because rivals would purchase the identical assets and therefore may not be a long term source of competitive advantage. Intangible assets are other assets with no physical presence and include brand reputation, trademarks, intellectual property are all intangible assets. The intangible assets can be a great source of competitive advantage in that they cannot be bought from the market and are achieved over a long period of time, for example, brand loyalty. As such, the theorists assert that intangible resources are a major source of sustainable competitive advantage for firms (Galbreath, 2005).

The RBV theory however makes two critical assumptions of RBV that resources must also be heterogeneous and immobile. With regard to the heterogeneous resources assumption suggests that an organisation’s skills and capabilities differ from that of other company or firms. Competitive advantage is pinned on the assumption that the companies or firms have different resources which they exploit differently to outsmart each other in the market. The
RBV theorists also assume immobility of resources. This means that in the short run, resources cannot move from company to company. As such, other firms are not able to replicate a rivals’ resources or implement the same rival’s strategies. Intangible resources, such as brand equity, processes, knowledge or intellectual property are usually immobile which assigns them the ability to sustain the competitive advantage in the long run (Arend, 2006).

The resource-based view (RBV) holds that by innovatively delivering superior value to customers, a firm would stand a chance to win competitive advantage. The idea of resources as the basis of competitive advantage asserts the importance of the theory to the study at hand. It is important to restate that the study is particularly interested in determining the influence of intensive growth strategies utilised by SACCOs and the relative influence on performance. Resources are at the very baseline point for organisations’ ability to develop and sustain winning strategies, a factor that underpins the significance of the theory to the study at hand. In the context of SACCOs and the focus of the study, the RBV framework applies especially to the ability of the SACCO to utilize its internal resources such as staff competencies and knowledge base to develop winning growth strategies and then relying on long run firm resources such as firm’s image in order to ensure the strategies are successful.

With adequate resources at the firm level, the company is well placed to develop winning products, drive their success in the market and sustain the momentum. The theory was therefore a useful guide particularly on the analysis of the, market expansion, diversification strategies and acquisition strategies objectives of the study.
2.2.2 Corporate Branding Theory

This theory was proposed by Hankinson in 2007. This concept includes various shareholders cooperating with many staffs across several departments within the firm. Corporate that is good marking call for regularity in communicating an identity brand to all the stakeholder organization making sure reputations are favorable. It needs an understanding way of handling management brand whereby; each member of the organization assumes the anticipated character in line with the brand. Outstanding organization of the brand that is available resources results in a reputation brand that is favorable. Hulberg, (2006) suggests that reputation brand is a joint illustration of activities that are part of a brand that summarizes chances of getting results that desirable for different shareholders. Merrilees, and Fry (2002) says that corporate that is good increases purchase decision of the customers, defiance and the loyalty of the brand. Corporate reputation is said to have a large impact on the brand of the consumer attitude that further affects their gratification, attention of the purchase and alleged company performance. Therefore, managers need to be well refined in order to attain a match that is good between character and reputation.

2.2.3 Dynamic capabilities Theory

Dynamic capabilities theory was authored by Teece, Pisano and Shuen (1997) with a proposition that in order to sustain performance in an environment of hyper competition, business firms must continually reconfigure internal resources and capabilities to assume corporate responsibility for adapting turbulent environment. Dynamic capability is used in reference to the capability of an organization to decisively adapt an organization's resource base. According to Zahra, Sapienza, and Davidsson (2006), dynamic capabilities involves firm's strategy that aim at regularly
integrating, recreating, reconfiguring and renewing internal and external resources. These actions are prompted by dynamic and rapidly shifting market environments against the endeavour of the firm to attain and sustain competitive advantage.

According to Teece (2007) as compared to the ‘resource-based strategy’ which tries to accumulate valuable technology assets and employ an aggressive intellectual property stance the ‘Dynamic Capabilities Strategy’ is built on timely responsiveness, rapid and flexible product innovation, along with the management capability to effectively coordinate and redeploy internal and external competences. Winter (2003) postulates that the dynamic capabilities methodology provides a coherent background of combining existing conceptual and empirical knowledge, and facilitate useful corporate prescription. The whole conclusion of the theorists is that competitive advantage of firms stems from dynamic capabilities rooted in high performance routines operating inside the firm. The competitive advantage sources are entrenched in the firm's processes, and conditioned by its past. As such, with regard to the study at hand, the issue was not whether the SACCOs have adequate resources to engage in winning intensive growth strategies, but the ability to position its processes in line with winning strategies and borrowing more from past experiences.

It is important to distinguish between ordinary or operational capabilities from dynamic capabilities. According to Zollo and Winter (2002), dynamic capabilities differ from operational or ordinary capabilities in that operational capabilities enable firms to perform their everyday engagements and activities and are used to maintain the status quo. In contrast Winter (2003)
argue that dynamic capabilities enable a firm to constantly renew its operational capabilities and therefore achieve long-term competitive advantage and success. Similar distinctions are made by Teece (2007) who argues that operational capabilities help sustain an organization’s technical aptness by guaranteeing day-to-day operational efficiency.

On the other hand, dynamic capabilities help in sustaining a firm's evolutionary fitness by enabling the creation, extension, and modification of its resource base, thereby creating longrun competitive advantage and success. Dynamic capabilities can explain how business firms, and in the context at hand, SACCOs, create, define, discover, and exploit entrepreneurial opportunities in complex and volatile external environments in search for a strategic matching of resources and market needs (Teece, 1997). As such, the Dynamic Capabilities theory will be applicable to the study at hand especially with the creation of long term capabilities hereby referred to as dynamic capabilities to ensure that the most viable corporate growth strategies are applied to drive the organization to new levels of competitive advantage. The theory was particularly useful in determining the worth or otherwise of engaging in intensive growth strategies as the researcher sought to establish the influence of the strategies on performance of SACCOs. To be specific, the theoretical orientation guided the assessment of the role of Market expansion, Diversification and acquisition strategies in enhancing SACCOs’ performance.
2.3 Empirical Literature Review

2.3.1 Market Expansion and Performance

Tangus and Omar (2017) studied the effects of market expansion strategies on performance of Commercial Banks in Mombasa County. Overall finding of the study revealed strong correlation coefficient between firm performance and the three market expansion strategies all with a significance of above 95%. Furthermore, the findings of this study substantiate the call for banking institutions to use market expansion strategies to enhance their performance. Hallbäck and Gabrielsson (2013) conducted a study on entrepreneurial marketing strategies during the growth of international new ventures originating in small and open economies. The empirical results show that foreign expansion path, foreign business experience, and external globalization pressure have an impact on the selection of marketing strategies. The study also finds that the fit between these contextual factors and the standardization of marketing strategy has a positive effect on performance.

Cherotich, Sang, Shisia, and Mutung’u, (2015) conducted a study on financial innovations and performance of commercial banks in Kenya. The study found out that diversification expansion strategies had greatly effect on the performance of Commercial Banks in Kenya. From the findings, the study concluded that product development has the highest effect on performance of commercial banks, followed by market penetration, then diversification while market development having the lowest effect on the performance of commercial banks.
2.3.2 Diversification Strategies and Performance

Anjili (2014) researched on effects of asset and liability management on the financial performance of commercial banks in Kenya. The study established that Mobile and Internet banking is highly employed as a product diversification strategy. Further, addition of new product features to the existing product (pricing) and branding /rebranded most of the existing products and re-launching them into the market are key marketing strategies commercial banks in Kenya can use to enhance their performance. Additionally, using retained earnings for the bank expansions, giving dividends to the stakeholders and paying bank’s debts is a significant internal growth diversification strategy. Results further indicated that the independent variables studied explain 53.7% of the effects of diversification strategies on the performance of Commercial Banks of Kenya.

Park and Jang (2013) researched on effects of within-industry diversification and related diversification strategies on firm performance. The study finds an insignificant effect of geographical diversification on firm performance, a negative effect of brand diversification on performance and a negative moderating effect of brand diversification on the geographical diversification–firm performance relationship. Kang (2013) conducted a study on the relationship between corporate diversification and corporate social performance. The results of the diversified and undiversified firm in regression analysis showed that there is no multi collinearity between the variables. Diversified firm are riskier than the undiversified firms, however, the diversified firms have higher leverage than undiversified strategic firms. So, the undiversified firms have the greater returns due to the less proportion of the risk.
2.3.3 Acquisition Strategies and Performance

Mailanyi, (2014) did a research on the effect of mergers and acquisition on the financial performance of oil companies in Kenya. The results showed that petroleum organizations performed better in the post-merger period as compared to the pre-merger period. However, merger was to have irrelevant positive results on the liquidity and solvency of the petroleum organizations. Swaminathan, Groening, Mittal and Thomaz (2014) led a study on how the attaining the double target of satisfaction of the client and competence in mergers effects on monetary results of merged organizations. Diversification had no importance effect on monetary performance of institutions that are merged. Synergy had an importance connection with performance finance of merged firms. Board size had an important connection with monetary performance of merged organizations and there was a vital connection between the controlling effect on economic development and performance finance of merged organization.

Inoti, Onyuma, and Muiru, (2014) conducted on the results of the financial acquisition performance of the acquiring Kenyan companies. The research findings show that the goodness of the fit model was sufficient reported by r squared of 0.553 which means that 55.3% of the distinction in the financial performance is elaborated by changes in liquidity, solvency income and competence. The related coefficient of 74.4% means that variables that are dependent have a strong correlation independent variable.
### 2.4 Summary of Literature Reviewed and Research Gaps

#### Table 2.1: Research Gaps

<table>
<thead>
<tr>
<th>Author</th>
<th>Topic</th>
<th>Research Design</th>
<th>Findings</th>
<th>Research Gaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cherotich, Sang, Shisia, and Mutung’u, (2015)</td>
<td>Financial innovations and performance of commercial banks in Kenya.</td>
<td>questionnaire</td>
<td>The study found out that diversification expansion strategies had greatly affect on the performance of Commercial Banks in Kenya.</td>
<td>This study was done on financial innovations and performance on commercial banks therefore the study may not be compatible on the current study.</td>
</tr>
<tr>
<td>Tangus and Omar (2017)</td>
<td>the effects of market expansion strategies on performance of Commercial</td>
<td>Interview guide</td>
<td>Overall finding of the study revealed strong correlation coefficient between firm performance and the three market</td>
<td>The study was done on effects of market expansions performance and</td>
</tr>
<tr>
<td>Banks in Mombasa County</td>
<td>expansion strategies all with a significance of above 95%.</td>
<td>therefore it may not be applied in our current study.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>-------------------------</td>
<td>--------------------------------------------------------</td>
<td>--------------------------------------------------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hallbäck and Gabrielsson (2013)</td>
<td>Entrepreneurial marketing strategies during the growth of international new ventures originating in small and open economies.</td>
<td>Observations</td>
<td>Empirical results show that foreign expansion path, foreign business experience, and external globalization pressure have an impact on the selection of marketing strategies. The study also finds that the fit between these contextual factors and the</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>The research was conducted on the entrepreneurial marketing strategies during the growth on international new ventures. Hence the study may not be compatible in our current study.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anjili (2014)</td>
<td>effects of asset and liability management on the financial performance of commercial banks in Kenya</td>
<td>questionnaires</td>
<td>The study established that Mobile and Internet banking is highly employed as a product diversification strategy.</td>
<td>The author was interested with the effect of asset and liability management on financial performance and not corporate growth and strategies and performance therefore the study may not be compatible in our current study.</td>
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<tr>
<td>---</td>
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<td>---</td>
<td>---</td>
</tr>
<tr>
<td>Park and Jang (2013)</td>
<td>Effects of within-industry</td>
<td>Observations</td>
<td>The study finds an insignificant effect</td>
<td>The study was on industry</td>
</tr>
<tr>
<td>Kang (2013)</td>
<td>Relationship between corporate diversification and corporate social performance.</td>
<td>Interview guide</td>
<td>The results of the diversified and undiversified firm in regression analysis showed that there is no multi collinearity between the diversified and undiversified firm in regression analysis.</td>
<td></td>
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<td>---</td>
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<td>---</td>
<td></td>
</tr>
<tr>
<td></td>
<td>of geographical diversification on firm performance, a negative effect of brand diversification on performance and a negative moderating effect of brand diversification on the geographical diversification–firm performance relationship.</td>
<td>The study was on relationship between corporate diversification and corporate social performance.</td>
<td>diversification therefore may not be compatible on corporate growth strategies and performance.</td>
<td></td>
</tr>
<tr>
<td>Author(s)</td>
<td>Study Focus</td>
<td>Findings</td>
<td>Note</td>
<td></td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>------------------------------------------------------------------------------</td>
<td>--------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Mailanyi, (2014)</td>
<td>The effect of mergers and acquisition on the financial performance of oil companies in Kenya</td>
<td>The results showed that petroleum organizations performed better in the post-merger period as compared to the pre-merger period.</td>
<td>The research was on merging of the companies therefore it may not be compatible in our current study.</td>
<td></td>
</tr>
<tr>
<td>Swaminathan, Groening,Mittal and Thomaz (2014)</td>
<td>On how the attaining the double target of satisfaction of the client and competence in mergers effects on monetary results of merged</td>
<td>Diversification had no importance effect on monetary performance of institutions that are merged.</td>
<td>The research was on the effects on the monetary results on the merged companies thus the study may not be applied in our current study.</td>
<td></td>
</tr>
<tr>
<td>First Name(s)</td>
<td>Last Name(s)</td>
<td>Title</td>
<td>Summary</td>
<td></td>
</tr>
<tr>
<td>--------------</td>
<td>--------------</td>
<td>-------</td>
<td>---------</td>
<td></td>
</tr>
<tr>
<td>Inoti, Onyuma, and Muiru,</td>
<td>(2014)</td>
<td>The results of organizations</td>
<td>The research findings show that the goodness of the fit model was sufficient reported by r squared of 0.553 which means that 55.3% of the distinction in the financial performance is elaborated by changes in liquidity, solvency income and competence.</td>
<td></td>
</tr>
</tbody>
</table>

2.5 Conceptual Framework

The conceptual framework as developed by the researcher included independent as well as dependent variables. The independent variables are the corporate growth strategies also referred to as intensive growth strategies that SACCOs often employ in their growth activities. The
Corporate growth strategies were market expansion, Diversification and acquisition strategies. The dependent variable was Performance which was indicated by both Accounting based profitability measures as well as outreach measures of performance. To indicate performance the researcher was interested on profitability and growth of SACCOs in Nairobi City County. Conceptual frame provides clear diagrammatic expression on how these variables relate to performance. Figure 2.1 is the conceptual framework if the study.

**Independent variables**

- **Market Expansion**
  - Market share
  - Customers base
  - Market niche

- **Diversification Strategies**
  - Vertical diversification
  - Mixed
  - Concentric

- **Acquisition Strategies**
  - Takeovers
  - Mergers
  - Corporate parenting

**Dependent variable**

- **Performance**
  - Profitability
  - Growth

*Figure 2.1: Conceptual Framework*

*Source: Researcher, 2019*
CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the relevant data that was used in the study and the research methodology that was used in collection of data. The chapter explains the overall design used to testing the research objective of the study. The model in which data was collected and analyzed is also included.

3.2 Research Design

A descriptive research design or approach was used in the study at hand to explain the influence of corporate growth strategy and performance of selected Saccos in Nairobi City County. According to Mugenda and Mugenda (2003), the descriptive research design entails the discovery of already existing associations as regards certain variables without an alteration of anything in the environment. According to Bulmberg, Cooper, and Schindler (2011), the descriptive approach is concerned with the determination of the ‘what, where and how’ of a particular phenomenon. Kothari (2011) adds that the descriptive research design involves establishing what is happening in reference to particular variables. The phenomena under study could not be manipulated as it involves an already existing state of affairs which justified the choice of this research design.

3.3 Target Population

Population refers to the entire group of people, events or things of interest that the researcher wishes to investigate (Sekaran & Bougie, 2016). Population is the study of an entire group of
individual or objects having common observable characteristics, it consists of that have necessary information that the researcher is interested in and can answer the research questions (Yin, 2013). In this study all the 41 registered SACCOs in Nairobi County with SASRA formed the study population. The study therefore targeted all the 123 respondents which meets and even surpasses the threshold size of thirty (30) as argued by Kothari (2011) and Mugenda and Mugenda (2003) as a rule of thumb, appropriate and adequate to allow for normal approximations. The study targeted three management positions including: Operations manager, Finance and Administrations manager and human resource manager. The target population was distributed as shown in the Table 3.1:

<table>
<thead>
<tr>
<th>Position</th>
<th>Number per Saccos</th>
<th>Total per all Saccos</th>
<th>Proportion of population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations manager</td>
<td>1</td>
<td>41</td>
<td>100%</td>
</tr>
<tr>
<td>Finance and administration Manager</td>
<td>1</td>
<td>41</td>
<td>100%</td>
</tr>
<tr>
<td>Human Resource Manager</td>
<td>1</td>
<td>41</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>3</td>
<td>123</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Researcher, 2018

3.4 Sample Population

Kothari (2004) defines sample as a part of population of interest. Sample population is collected by the inference of the required characteristics. This study included all of the three cadres in
Saccos. The study included all of the 41 staffs in licensed Saccos. Since the population is small and less than 200, the study took the form of census. Mugenda and Mugenda (2003) states that census is carried out when the population is less or equals to 200.

3.5 Data Collection Instruments

Data collection is mode in which data or information is collected or obtained from a specified location. The study relied on primary data; both close ended and open-ended questionnaires were used. The close ended questionnaires were used to provide more structured responses to provide tangible and quantitative data. The open-ended questionnaires were used to provide additional information that was not captured in close ended questions. The questionnaires was prepared carefully and tested to ensure that they capture the study for further improvement.

3.6 Data Collections Procedure

Data collection procedure is the methods that are used by the researcher in the process of collecting information in response to the research topic. This study collected primary data, which is data collected for the first time, to respond to the research query and for the purpose of this specific study. The study used a questionnaire what was administered to the selected employees among the 41 SACCOs in Nairobi City County. The researcher adopted a drop and pick method, where the questionnaire which is the instrument was self-administered to the respondents in the 41 SACCOs and the respondents were given a period of three days to fill the questionnaire. Primary data was collected on the effect of market expansion, diversification and acquisition strategies on the performance of SACCOs in Nairobi City County. At the end of the time period, the researcher went through the filled questionnaires to ensure it is completely filled and also to
ensure that the information collected is valid and reliable. At the point of dropping the questionnaires, the researcher asked for contact information, e-mails and cell phone numbers so as to answer any questions regarding the instrument and also to remind the respondents to fill the instrument.

3.7 Validity and Reliability of Research Instrument

3.7.1 Validity of Research Instrument

Validity is the ability of the research instruments to measure accurately what it supposed to. The researcher tested for internal validity to measure whether the explanation of a particular data or issue is actually sustained in actual data. The researcher also used content validity which ensured that the research instruments fairly and comprehensively measured the items that it was supposed to cover. The researcher also used the construct validity to measure whether the theory and the construct correlated.

3.7.2 Reliability of Research Instrument

The researcher tested for reliability of the research instruments by use of Cronbach alpha. Cronbach alpha is one of the most widely used measures of reliability in the social and organizational sciences. Cronbach’s is a function of the number of items in a test, the average covariance between item-pairs, and the variance of the total score. The threshold of Cronbach alpha is 0.7 which depict that the research instruments are consistent (Cronbach, 1994).
3.8 Data Analysis and Presentation

The data collected was measured to ensure that it conformed to the research objectives. The collected data was sorted to ensure that all of the questionnaires are completely filled. The sorted questionnaires were coded into SPSS Version 23.0 for analysis and presentation. Data was then analyzed by use of descriptive and inferential statistics. Descriptive statistics were presented inform of means and standard deviation. Inferential statistics were presented by use of both correlation analysis and multiple regression analysis to establish corporate growth strategies and performance of selected Saccos in Nairobi City County, Kenya.

The multiple regression analysis was specified as follows;

\[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e \]

Where,

\[ Y \quad = \text{Performance} \]

\[ X_1 \quad = \text{Market Expansion} \]

\[ X_2 \quad = \text{Diversification Strategies} \]

\[ X_3 \quad = \text{Acquisition Strategies} \]

\[ e \quad = \text{is the error term} \]

Whereby:
\( \beta_0 \) = the minimum Y when the rest of the variables are held at a constant zero while \( \beta_1, \beta_2 \) and \( \beta_3 \) are the coefficients.

The analyzed data was presented in form of figures and tables.

3.9 Ethical Considerations

The researcher requested for an authorization letter from Kenyatta University before embarking on the actual research. A research permit from the National Commission for Science and Technology (NACOSTI) was also sought and attached. The letter served as a guarantee to the respondents that the research would purely serve academic ends. The researcher also included a commitment assuring to uphold research integrity and ethics and assure that confidentiality will be adhered to.
CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The analysis, presentation and interpretation of the findings was presented and discussed in this chapter. The study relied on primary data which was collected using semi-structured questionnaires. The collected data was coded into SPSS software version 24 and analyzed using both descriptive and inferential statistics as presented below.

4.1.1 Response Rate

The population of the study was 123 management employees in the operational managers, financial and administration managers and human resource managers who were the study respondents drawn from 41 SACCOs registered and regulated by SASRA in Nairobi City County, Kenya. Out of 123 questionnaires that were prepared and distributed to respondents, 120 of them were dully filled and returned. This gave a response rate of 97.56%. Table 4.1 summarizes the response rate.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Response</td>
<td>120</td>
<td>97.56</td>
</tr>
<tr>
<td>Non-Response</td>
<td>3</td>
<td>2.43</td>
</tr>
<tr>
<td>Total</td>
<td>123</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Field data, 2019
According to Mugenda and Mugenda (2003), a response rate of over 70% is sufficient for analysis and presentation of the findings while that above 80% was good. This indicates that the response rate was good and adequately representative for the study population.

4.1.2 Reliability Test

The researcher used a pilot study to establish the reliability of the research instruments. A Cronbach alpha was computed for each of the variables and the overall coefficient determined. The findings are as shown in Table 4.1.

Table 4.2: Reliability Test

<table>
<thead>
<tr>
<th>Variable</th>
<th>Number of Items</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market expansion</td>
<td>5</td>
<td>0.812</td>
</tr>
<tr>
<td>Diversification strategies</td>
<td>5</td>
<td>0.830</td>
</tr>
<tr>
<td>Acquisition strategies</td>
<td>5</td>
<td>0.841</td>
</tr>
<tr>
<td>Overall Cronbach Coefficient</td>
<td></td>
<td>0.819</td>
</tr>
</tbody>
</table>

The finding established that salary increment had a Cronbach coefficient of 0.825; market expansion strategies had a Cronbach alpha coefficient of 0.812. Diversification strategies had a Cronbach alpha coefficient of 0.830 and acquisition strategies had a Cronbach alpha coefficient of 0.841. The overall Cronbach coefficient was 0.819 which was 0.7 an indication that the research instruments were sufficient for the study. This is supported by Cronbach (1951) who stated that a Cronbach alpha of 0.7 and above is deemed sufficient for the study.
4.2 Demographic Findings

The study sought to determine the demographic data on respondents that included gender, name of SACCO, length of service, age distribution and length of services. The findings are reported in sections below.

4.2.1 Gender of Respondents

The study sought to establish the gender distribution among the management staff among the selected SACCOs in Nairobi City County. The findings were as presented below;

![Gender of the Respondents](image)

*Figure 4.1: Gender of respondents*

*Source: Field data, 2019*

The study established that 72% of the management staffs among the selected SACCOs in Nairobi City County were male while 28% were female. This indicates that majority of the staff were male hence there is no gender equity. Either gender was represented in the study.
4.2.2 Name of SACCO

The study sought to establish the SACCOs in Nairobi City. The study established that the respondents were fairly spread among the 41 SACCOs registered and regulated by SASRA. These were mostly Deposit Taking SACCOs. The 120 respondents cumulatively represented the selected SACCOs.

4.2.3 Length of Service

The study sought to establish the period the respondents had worked with the SACCOs. The findings were as presented below;

![Length of Service](image)

*Figure 4.2: Period worked with the SACCO*

*Source: Field data, 2019*

The study established that 4% of the respondents had worked for less than 1 year among their SACCOs, 13% had worked for between 1 and 3 years, 31% had worked for 3-6 years, 34% had worked for 6-9 years while 18% had worked for more than 9 years. This indicates that majority...
of the management staff among the SACCOs had worked for more than 3 years. This shows that most of them understood the operations and strategic management of the SACCOs.

4.3 Descriptive Findings

The study analyzed data using descriptive statistics to establish the extent to which the independent variables which included market expansion strategies, diversification strategies and acquisition strategies were employed among the selected SACCOs in Nairobi City County. The findings are presented in the subsequent sections;

4.3.1 Market Expansion

The first objective of the study was to establish the effect of market expansion on SACCO performance. The respondents were to this effect requested to indicate the extent to which each of the following market expansion strategies affect on performance in their SACCOs using a scale of 1-5 where 1= no extent, 2= little extent, 3= moderate extent, 4= great extent and 5= Very great extent. The findings were as presented below;

Table 4.2: Market Expansion

<table>
<thead>
<tr>
<th>STATEMENT</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our market share keeps on increasing</td>
<td>3.77</td>
<td>0.801</td>
</tr>
<tr>
<td>We have improved number of new customers</td>
<td>3.82</td>
<td>1.552</td>
</tr>
<tr>
<td>There is a reduction of customer turnover</td>
<td>2.59</td>
<td>0.904</td>
</tr>
<tr>
<td>We have added new distribution channels</td>
<td>2.66</td>
<td>0.833</td>
</tr>
<tr>
<td>We have opened new branches in various major towns</td>
<td>3.97</td>
<td>0.769</td>
</tr>
<tr>
<td>Our company has intensive technological innovation</td>
<td>3.81</td>
<td>0.711</td>
</tr>
</tbody>
</table>

Source: Field data, 2019
The study established that to a great extent the SACCOs’ market share has kept on increasing, they have improve on the number of customers, they have opened new branches in various major towns and the firms have intensified technological innovation as indicated by a mean of 3.77, 3.82, 3.97 and 3.81 respectively. The study indicated that to a moderate extent there was a reduction of customer turnover and new distribution channels have been introduced as part of market expansion strategies as indicated by a mean of 2.59 and 2.66 respectively. This indicates that the SACCOs significantly employed market expansion strategies through improved branch network, customer base enhancement, new distribution channels and technological innovation.

The respondents indicated that market expansion strategies improved performance of the SACCOs through creation of new markets, improved distribution of goods hence meeting place utility, improved customer retention and attraction and growth of market share as also established by Tangus & Omar (2017) on the their study on market expansion and performance of commercial banks in Mombasa County.

4.3.2 Diversification Strategy

The second corporate growth strategy was diversification strategy which entails coming up with risk mitigation and variety development mechanisms. The respondents were requested to indicate the extent to which each of the following diversification strategy affect the performance of your SACCOs using a scale of 1-5 where 1= not at all, 2= small extent, 3= moderate extent, 4= great extent and 5= Very great extent. The table below presents the findings of the study;
Table 4.3: Diversification Strategy implementation among SACCOs

<table>
<thead>
<tr>
<th>STATEMENT</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The SACCO applies vertical diversification strategy</td>
<td>3.25</td>
<td>0.861</td>
</tr>
<tr>
<td>Our SACCO has a concentric diversification strategy in place</td>
<td>3.45</td>
<td>0.825</td>
</tr>
<tr>
<td>Our SACCO employs a mixed diversification strategy</td>
<td>3.69</td>
<td>0.698</td>
</tr>
<tr>
<td>The SACCO has diverse products for its customers</td>
<td>3.75</td>
<td>0.711</td>
</tr>
<tr>
<td>The SACCO offers a wide range of services and has other ventures in the market</td>
<td>3.91</td>
<td>0.801</td>
</tr>
</tbody>
</table>

Source: Field data, 2019

The study respondents indicated that to a great extent the SACCOs employed a mixed diversification strategy, have diverse products for their customers and offer a wide range of services and have other ventures in the market as indicated by a mean of 3.69, 3.75 and 3.91. The respondents to a moderate extent indicated that the SACCOs applied vertical diversification strategy and the concentric diversification strategy as indicated by a mean of 3.25 and 3.45 respectively. This indicates that the SACCOs embraced a hybrid of the main diversification strategies, diverse products and services significantly.

The respondents were further asked to explain how diversification strategy contributed to the performance of their SACCOs, however this contradicts the study by Park & Jang (2013) who indicated that diversification strategy had a negative effect on firm performance. It was indicated that diversification strategy helped expand firms' operations by adding markets, products,
services, or stages of production to the existing business. The strategy enabled the SACCOs to enter lines of business that are different from current operations.

4.3.3 Acquisition Strategies

The acquisition strategy is a comprehensive plan that identifies and describes the acquisition approach that the management will follow to manage program risks and meet program objectives. The respondents were asked to indicate the extent to which each of the following Acquisition Strategies affect Performance of your SACCOs using a scale of 1-5 where 1= not at all, 2= small extent, 3= moderate extent, 4= great extent and 5= Very great extent. The study findings were as presented below;

Table 4.4: Acquisition Strategies Implementation

<table>
<thead>
<tr>
<th>STATEMENT</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company has partnered with other firms to consolidate its market</td>
<td>2.05</td>
<td>0.839</td>
</tr>
<tr>
<td>Our Sacco has taken over some of the upcoming but small scale SACCOs</td>
<td>2.53</td>
<td>0.907</td>
</tr>
<tr>
<td>Our Sacco has merged with other firms to improve its market</td>
<td>2.01</td>
<td>1.517</td>
</tr>
<tr>
<td>Our Sacco endorses corporate parenting to improving presence and market share</td>
<td>3.14</td>
<td>0.821</td>
</tr>
<tr>
<td>Our Sacco has come up with technology cooperation with other firms to enhance efficiency</td>
<td>3.22</td>
<td>0.699</td>
</tr>
</tbody>
</table>

*Source: Field data, 2019*

The respondents to a little extent indicated that the SACCOs have partnered with other firms to consolidate their markets, the firms have taken over some of the upcoming but smalls scale SACCOs and also merged with other firms to improve their market as indicated by a mean of
2.05, 2.53 and 2.01. The study indicated that to a moderate extent the SACCOs have endorsed corporate parenting to improve presence and market share and also they have come up with technology cooperation with other firms to enhance efficiency as indicated by a mean of 3.14 and 3.22 respectively. This indicates that to a little extent the selected SACCOs in Nairobi City County have employed acquisition as a corporate growth strategy. A study by Mailanyi (2014) on the effect of mergers and acquisitions on the financial performance of oil companies in Kenya also made a similar conclusion that there existed a positive and significant relationship.

The respondents were asked to explain how acquisition strategies affected the performance of the Saccos. To this effect, the study established that strategic acquisition can be one of the most important means of growth their business. It was indicated that acquisition offers easier financing for future undertakings and immediate savings due to economies of scale. The strategy enabled provide a platform for corporate growth in scale and profitability.

4.3.4 Performance of SACCOs

The dependent variable of the study was to assess the performance of the SACCOs in Nairobi City County. The respondents were asked to indicate the extent to which each of the following factors on the performance of the SACCOs using a scale of 1-5 where 1= not at all, 2= small extent, 3= moderate extent, 4= great extent and 5= Very great extent. The findings were as tabulated below;

Table 4.5 Performance of SACCOs in Nairobi City County

<table>
<thead>
<tr>
<th>STATEMENT</th>
<th>Mean</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our SACCO has enjoys high profitability</td>
<td>3.56</td>
<td>0.791</td>
</tr>
</tbody>
</table>
Our Sacco has a large customer base and growth  3.77  0.866
Our Sacco enjoys a large market share  2.78  0.901
Our Sacco has improved employee productivity with corporate growth strategies  2.99  0.764
Our Sacco has improved on quality service delivery  2.57  0.822

*Source: Field data, 2019*

The study established that to a great extent the SACCOs enjoy high profitability and a large customer base and growth as indicated by a mean of 3.56 and 3.77 respectively. The respondents indicated that to a moderate extent the SACCOs enjoyed a large market share, have improved productivity with corporate growth strategies and they have improved on quality service delivery due to corporate growth strategies as shown by a mean of 2.78, 2.99 and 2.57 respectively. This generally indicates that the SACCOs were performing well due to among other factors, corporate growth strategies.

4.4 Inferential Statistics

The researcher carried out inferential statistics to establish the relationship between corporate growth strategies and performance of selected SACCOs in Nairobi City County, Kenya. The findings of Model Summary, ANOVA and Regression Coefficients are indicated in the subsequent sections.
4.4.1 Model Summary

The findings of coefficient of correlation R and coefficient of adjusted determination $R^2$ is as shown in Table 4.6.

Table 4.6: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.796a</td>
<td>.754</td>
<td>.797</td>
<td>1.02342</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), market expansion, diversification strategies, acquisition strategies

The findings show that the coefficient of correlation R was 0.796 an indication of strong positive correlation between the variables. Coefficient of adjusted determination $R^2$ was 0.797 which translates to 79.7%, therefore changes in performance of the selected SACCOs can be explained by the following corporate growth strategies; market expansion, diversification strategies and acquisition strategies. The residual of 20.3% can explain factors beyond the scope of the current study affecting performance.

4.4.2 ANOVA

An ANOVA was conducted at 95% significant level, a comparison of $F_{\text{Calculated}}$ and $F_{\text{Critical}}$ was as shown in Table 4.7.

Table 4.7: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>634.523</td>
<td>5</td>
<td>8.8612</td>
<td>126.905</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>356.756</td>
<td>115</td>
<td>3.1022</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The findings show that of $F_{\text{Calculated}} \text{ was } 126.905 \text{ and } F_{\text{Critical}} \text{ was } 5.681$, this show that $F_{\text{Calculated}} > F_{\text{Critical}}$ an indication that the overall regression model was significant for the study. The $p$ value was $0.00 < 0.05$ an indication that at least one variable significantly influenced performance.

4.4.3 Regression Coefficient

In order to establish the individual influence of the variables on employee performance, the study conducted regression analysis. The findings are as shown in Table 4.8.

### Table 4.8: Regression Coefficient

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>5.867</td>
<td>.625</td>
</tr>
<tr>
<td>Market expansion</td>
<td>.791</td>
<td>.032</td>
</tr>
<tr>
<td>Diversification strategies</td>
<td>.704</td>
<td>.062</td>
</tr>
<tr>
<td>Acquisition strategies</td>
<td>.645</td>
<td>.055</td>
</tr>
</tbody>
</table>

*Source: Field data, 2019*

a. Dependent Variable: Firm performance

\[ Y = 5.867 + 0.791X_1 + 0.704X_2 + 0.645X_3 \]

**Where:** Y- Performance

X₁- Market Expansion
X₂- Diversification Strategies

X₃- Acquisition Strategies

Table 4.8 shows that holding other variables constant; performance of the SACCOs would be at 5.867. A unit increase in market expansion holding other variables constant, performance would be at 0.791. A unit increase in diversification strategies while holding other factors constant, performance of the firms would be at 0.704 while a unit increase in acquisition strategies while holding other factors constant, performance would be at 0.645.

The study pointed out that the independent variables of the study had a p value of less than 0.05 an indication that the variables significantly influenced performance. This is supported by Hallback & Gabrielson (2013) who stated that corporate growth strategies which range from market expansion strategies, diversification strategies and acquisition strategies had a positive and significant effect in turning around the performance of firms.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter presents the summary the key findings of the study in line with the study objectives. The key findings of the study are used in generation of conclusions of the study. The suggestions for further studies indicate areas where future scholars and researchers can expand more knowledge on relationship between corporate growth strategies and performance of SACCOs in Nairobi City County, Kenya.

5.2 Summary of the Study

The purpose of the study was to establish the effect of corporate growth strategies on the performance of SACCOs in Nairobi City County, Kenya. The study was guided by the following specific objectives; to establish the effect of market expansion, diversification strategies and acquisition strategies on the performance of SACCOs in Nairobi City County, Kenya.

On market expansion strategies, it was established that SACCOs’ studied had recorded a great improvement on the number of customers, opened new branches in and intensified technological innovation. There was a reported moderate extent on reduction of customer turnover and new distribution channels.

On diversification strategies, it was established that it had helped to expand Saccos' operations by adding markets, products, services, or stages of production to the existing business. This had also enabled the SACCOs to enter lines of business that are different from current operations.
On acquisition strategies, it was established that strategic acquisition can be one of the most important means of growth their business. It was indicated that acquisition offers easier financing for future undertakings and immediate savings due to economies of scale. The strategies enabled provide a platform for corporate growth in scale and profitability.

5.3 Conclusions of the Study

Going by the findings, the study recommends that more aggressive investment in Corporate Growth Strategies. This is because, the study gathered enough evidence supporting the case for pay offs surpassing the costs. The market expansion strategies, diversification strategies and acquisition strategies had a positive and significant effect in turning around the performance of firms. From the results, market expansion was found to yield the greatest influence on the performance of SACCOs. The study recommends special emphasis by the SACCOs diversification as an intensive strategy for the growth of the SACCOs.

5.4 Recommendations of the Study

Saccos and other organizations should pursue market expansion, diversification and acquisition as a strategic goal which businesswise is health as business risks are spread over different business lines. Capital resources are effectively allocated bringing back stable profits and even enhanced shareholder value. Emerging attractive business opportunities can only be utilized through the application of growth strategies which increases shareholders’ financial gains. The study recommends special emphasis by the SACCOs diversification as an intensive strategy for the growth of the SACCOs
5.5 Suggestions for further Studies

Strategy is at the epicentre of every organisation’s endeavour to grow the wealth of shareholders and create sustainable ventures. Having analysed the influence of corporate growth strategies also referred to as intensive growth strategies, the study further recommends a study that covers more strategy options for SACCOs. To that regard, the researcher recommends a study on the influence of competitive strategies on the performance of SACCOs.

Due to time and resources limitation, the study was only limited to Nairobi City County. It would have been more useful and valuable to cover the entire Sub sector in Kenya. As such, the researcher recommends a study that fulfils this quest. A study on the effect of corporate growth strategies on performance of the SACCO Subsector in Kenya is therefore recommended.
REFERENCE


APPENDICES

APPENDIX I: Letter of Introduction

HAMIDA MWILU

30TH JANUARY, 2019

Dear respondent,

RE: DATA COLLECTION FOR A STUDY ON THE INFLUENCE OF CORPORATE GROWTH STRATEGIES ON PERFORMANCE OF SELECTED SACCOS IN NAIROBI CITY COUNTY, KENYA
I introduce myself as an MBA (Strategic Management) student of Kenyatta University. I am conducting a study on the influence of corporate growth strategies and performance of selected Saccos in Nairobi, Kenya. This is part of the university requirement in partial fulfilment of the above-stated postgraduate degree. I have developed a questionnaire with a view to collect data from SaccoS, your organization included. I would really appreciate, if you kindly accord me some of your valuable time to answer the questionnaire as guided on each section. The data collected is purely for academic use and I hereby make a personal commitment that the information given will be treated with utmost confidentiality.

Thank you in advance.

Yours sincerely,

Hamida Mwilu
APPENDIX II: RESEARCH QUESTIONNAIRE

This questionnaire has been designed to gather information on the influence of corporate growth strategies on performance of selected SACCOs in Nairobi City County, Kenya. Kindly fill the necessary parts by either filling the blank spaces or ticking [✓] where appropriate and applicable.

PART A: BACKGROUND INFORMATION

1. Gender

   Male [ ]   Female [ ]

2. Name of your Sacco

   .................................................................

3. Length of service

   Less than one year [ ]  1-3 years [ ]

   3-6 years [ ]  6-9 years [ ]

   Above 10 years [ ]

PART B: MARKET EXPANSION

Below are several statements on Market Expansion. Kindly indicate the extent to which each of the following statement on Market Expansion influence Performance in your Sacco. Use a scale
of 1-5 where 1= not at all, 2= small extent, 3= moderate extent, 4= great extent and 5= Very great extent.

<table>
<thead>
<tr>
<th>STATEMENT</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our market share keeps on increasing</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have improved number of new customers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>There is a reduction of customer turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have added new distribution channels</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>We have opened new branches in various major towns</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our company has intensive technological innovation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

4. In your opinion, kindly explain how Market Expansion affect the performance of your Sacco.

___________________________________________________________________________
___________________________________________________________________________
___________________________________________________________________________

PART C: DIVERSIFICATION STRATEGY

To what extent did the following statements on diversification strategy influence Performance in your Sacco your? Tick appropriately

SCALE: 1-Not at all, 2-Small extent, 3-Moderate extent, 4-Great extent and 5-Very great extent

<table>
<thead>
<tr>
<th>STATEMENT</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>The SACCO applies vertical diversification strategy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Our Sacco has a concentric diversification strategy in place

Our Sacco employs a mixed diversification strategy

The Sacco has diverse products for its customers

The Sacco offers a wide range of services and has other ventures in the market

In your opinion, kindly explain how Diversification Strategy affects the performance of your Sacco.

______________________________________________

________________________________

______________________________________________________________________________

PART D: ACQUISITION STRATEGIES

Below are several statements on Acquisition Strategies. Kindly indicate the extent to which each of the following statements is true on your opinion regarding Acquisition Strategies influence Performance in your Sacco. Tick appropriately

SCALE: 1= not at all, 2= small extent, 3= moderate extent, 4= great extent and 5= Very great extent.

<table>
<thead>
<tr>
<th>STATEMENT</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our company has partnered with other firms to consolidate its market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our Sacco has taken over some of the upcoming but small scale SACCOs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our Sacco has merged with other firms to improve its market</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our Sacco endorses corporate parenting to improving presence and market share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Our Sacco has come up with technology cooperation with other firms to enhance efficiency.

In your opinion, kindly explain how Acquisition Strategies affect the performance of your Sacco.

PART E: Performance of SACCOs

Below are several statements on SACCO performance. Kindly indicate the extent to which each of the following statement affect Performance of your Sacco. Tick appropriately.

SCALE: 1= not at all, 2= small extent, 3= moderate extent, 4= great extent and 5= Very great extent.

<table>
<thead>
<tr>
<th>STATEMENT</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our SACCO has enjoys high profitability</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our Sacco has a large customer base and growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our Sacco enjoys a large market share</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our Sacco has improved employee productivity with corporate growth strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our Sacco has improved on quality service delivery</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX III: Licensed Saccos in Nairobi

1. AFYA SACCO SOCIETY LTD
2. ARDHI SACCO SOCIETY LTD
3. ASILI SACCO SOCIETY LTD
4. CHAI SACCO SOCIETY LTD
5. CHUNA SACCO SOCIETY LTD
6. COMOCO SACCO SOCIETY LTD
7. ELIMU SACCO SOCIETY LTD
8. FUNDILIMA SACCO SOCIETY LTD
9. HARAMBEE SACCO SOCIETY LTD
10. HAZINA SACCO SOCIETY LTD
11. JAMII SACCO SOCIETY LTD
12. KENPIPE SACCO SOCIETY LTD
13. KENVERSITY SACCO SOCIETY LTD
14. KENYA BANKERS SACCO SOCIETY LTD
15. KENYA POLICE SACCO SOCIETY LTD
16. MAISHA BORA SACCO SOCIETY LTD
17. METROPOLITAN NATIONAL SACCO SOCIETY LTD
18. MWALIMU NATIONAL SACCO SOCIETY LTD
19. MWITO SACCO SOCIETY LTD
20. NACICO SACCO SOCIETY LTD
21. NAFAKA SACCO SOCIETY LTD
22. NATION SACCO SOCIETY LTD
23. NSSF SACCO SOCIETY LTD
24. NYATI SACCO SOCIETY LTD
25. SAFARICOM SACCO SOCIETY LTD
26. SHERIA SACCO SOCIETY LTD
27. SHIRIKA SACCO SOCIETY LTD
28. SHOPPERS SACCO SOCIETY LTD
29. STIMA SACCO SOCIETY LTD
30. UFANISI SACCO SOCIETY LTD
31. UKRISTO NA UFANISI WA ANGLICANA SACCO SOCIETY LTD
32. UKULIMA SACCO SOCIETY LTD
33. UNAITAS SACCO SOCIETY LTD
34. UNITED NATIONS SACCO SOCIETY LTD
35. WANANDEGE SACCO SOCIETY LTD
36. WAUMINI SACCO SOCIETY LTD
37. MILIKI SACCO SOCIETY LTD
38. TELEPOST SACCO SOCIETY LTD
39. KINGDOM SACCO SOCIETY LTD
40. MAGEREZA SACCO SOCIETY LTD
41. AIRPORTS SACCO SOCIETY LTD