

**MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF  
SELECTED DEPOSIT-TAKING SACCOS IN KERICHO AND BOMET  
COUNTIES, KENYA**

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## DECLARATION

This research project is my own work and it has never been submitted for a degree at another University.

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## **DEDICATION**

This research project is dedicated to my loving mother Ruth Rop, my father Jeremiah Rop, my siblings Onesmus Mutai, Emmanuel Mutai, Dannis Mutai, Collins Mutai, Annet Cherotich and Faith Chepkemoi, my Wife Babra Mutai and my sons Regan, Rayan, Osteen and Myles. You have all stood with me through the years as I have tirelessly pursued my passion of working with and serving people until I devoted my career to strategic management practice. Thank you for believing in me and supporting me. I could not have come this far without you all. God bless you immensely.

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## TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>ii</b>
<b>DEDICATION.....</b>	<b>iii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iv</b>
<b>TABLE OF CONTENTS .....</b>	<b>v</b>
<b>LIST OF TABLES .....</b>	<b>viii</b>
<b>LIST OF FIGURES .....</b>	<b>ix</b>
<b>OPERATIONAL DEFINITION OF TERMS.....</b>	<b>x</b>
<b>ABBREVIATION AND ACRONYM .....</b>	<b>xii</b>
<b>ABSTRACT.....</b>	<b>xiii</b>
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study.....	1
1.1.1 Organization Financial Performance.....	3
1.1.2 Management Practices.....	6
1.1.3 Deposit Taking SACCOs in Kericho and Bomet Counties.....	8
1.2 Statement of Problem.....	9
1.3 Objectives of the Study .....	11
1.3.1 General Objective.....	11
1.3.2 Specific Objectives.....	11
1.4 Research Questions .....	12
1.5 Significance of the Study .....	12
1.6 Scope of the Study.....	14
1.7 Limitation of the Study .....	15
1.8 Organization of the Study .....	16
<b>CHAPTER TWO .....</b>	<b>17</b>
<b>LITERATURE REVIEW .....</b>	<b>17</b>
2.1 Introduction .....	17
2.2 Theoretical Literature Review.....	17
2.2.1 Open System Theory .....	17
2.2.2 Contingency Theory .....	19
2.2.3 Stakeholder Theory .....	20
2.2.4 Resource Based View Theory .....	21

2.2.5 Performance Management System Theory .....	22
2.3 Empirical Literature Review .....	24
2.3.1 Corporate governance and Performance of the Deposit Taking SACCOs .....	25
2.3.2 SACCO Regulations and the Performance of the Deposit Taking SACCOs.....	27
2.3.3 Stakeholders Involvement and the Performance of the Deposit Taking SACCOs.....	29
2.3.4 Core Competencies and the performance of the Deposit Taking SACCOs .....	32
2.4 Summary of the Literature Reviewed and Research Gap .....	36
2.5 Conceptual Framework .....	41
<b>CHAPTER THREE.....</b>	<b>43</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>43</b>
3.1 Introduction .....	43
3.2 Research Design.....	43
3.3 Target Population .....	44
3.4 Unit of Analysis and Unit of Observation.....	44
3.5 Sample Size and Sampling Technique .....	45
3.6 Data Collection Instruments.....	47
3.7 Data Collection Procedures .....	47
3.8 Pilot Study.....	48
3.9 Validity and Reliability of Research Instruments. ....	48
3.9.1 Validity of the Research Instrument.....	48
3.9.2 Reliability of Research Instrument.....	49
3.10 Data Analysis and Presentation.....	51
3.11 Ethical Consideration .....	52
<b>CHAPTER FOUR.....</b>	<b>53</b>
<b>DATA ANALYSIS, PRESENTATION AND INTERPRETATIONS .....</b>	<b>53</b>
4.1 Introduction .....	53
4.2 Response Rate .....	53
4.4 Demographic Analysis .....	54
4.4.1 Distribution by Gender.....	54
4.4.2 Distribution by Age .....	55

4.4.3 Level of Education of the Respondents.....	56
4.4.4 Department within the Organization .....	57
4.5 Descriptive Analysis of the Study Variables.....	58
4.5.1 Corporate Governance.....	58
4.5.2 SACCO Regulations.....	61
4.5.3 Stakeholder Involvement.....	65
4.5.4 Core – Competencies.....	68
4.5.5 Financial Performance of Deposit Taking SACCOs.....	71
4.6 Inferential Analysis .....	74
4.6.1 Correlation Analysis.....	75
Table 4.11 Correlations Analysis .....	75
4.6.2 Multiple Linear Regression .....	77
<b>CHAPTER FIVE .....</b>	<b>84</b>
<b>DISCUSSION OF FINDINGS, CONCLUSIONS AND</b>	
<b>RECOMMENDATIONS .....</b>	<b>84</b>
5.1 Introduction .....	84
5.2 Summary of the Study.....	84
5.2.1 Summary on Corporate Governance .....	84
5.2.3 Summary on Stakeholder Involvements.....	87
5.2.4 Summary on Core competencies .....	89
5.3 Conclusion of Study .....	90
5.4 Recommendations of the Research Study .....	91
5.5 Suggestions for Further Research .....	92
<b>REFERENCES.....</b>	<b>94</b>
<b>APPENDICES .....</b>	<b>101</b>
Appendix I: Letter of Introduction .....	101
Appendix II : Questionnaire .....	102
Appendix III: Research Authorization letter from KU Graduate School.....	108
Appendix IV: NACOSTI .....	109

## LIST OF TABLES

Table 2. 1 Summary of the Literature Reviewed and Research Gaps .....	37
Table 3.1 Target Population.....	44
Table 3.2 Stratified proportional Sample size.....	46
Table 3.3 Reliability Test Results .....	50
Table 4.1 Response Rate.....	53
Table 4.2 Distribution by Gender .....	54
Table 4.3 Distribution by Age .....	55
Table 4.4 Level of Education of the Respondents .....	56
Table 4.5 Department within the Organization.....	57
Table 4.6 Descriptive Statistics results of Corporate governance .....	59
Table 4.7 Descriptive Statistics Results of SACCO regulations .....	62
Table 4.8 Descriptive Statistics Results on Stakeholder Involvement .....	65
Table 4.9 Descriptive Statistics results on Core competencies.....	69
Table 4.10 Financial Performance of Deposit Taking SACCOs .....	72
Table 4.12 Model Summary .....	77
Table 4.13 ANOVA (Analysis of Variance).....	79
Table 4.14 Regression Coefficients .....	81

## LIST OF FIGURES

Figure 2. 1 Conceptual Framework .....	41
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## OPERATIONAL DEFINITION OF TERMS

- Corporate Governance:** Corporate governance represents the framework through which SACCOs are directed and managed. The Board of Directors plays a pivotal role in overseeing the governance of the SACCO. Shareholders, on the other hand, are tasked with appointing directors and auditors, ensuring the presence of an effective governance structure.
- SACCO Regulations:** These procedures and guidelines serve as the foundation for the SACCO's operations. They encompass membership criteria, withdrawal policies, and the rights associated with shareholding, among other aspects.
- Stakeholders:** A shareholder refers to an individual, entity, or institution holding at least one share of a company's stock, or in the case of a mutual fund, a shareholding in a SACCO. Shareholders are the ultimate owners of the company, entitling them to specific rights and responsibilities toward the SACCO's members.
- Core-competencies:** Core competencies represent the distinctive attributes that differentiate SACCOs from their competitors. Recognizing and leveraging these core competencies are crucial for both new businesses aiming to make their mark and established companies seeking to maintain their competitive edge.
- Management Practices:** Management practices encompass the strategies and innovative methods that managers employ to enhance the efficiency of work systems. These approaches may include empowering staff,

providing training, implementing quality improvement schemes, and integrating new technologies.

**Stakeholder Involvement:**

Stakeholder engagement is the practice through which an organization actively involves individuals who could be impacted by its decisions or who can influence the execution of those decisions. This process is essential for ensuring transparency, accountability, and alignment with stakeholder interests.

**Financial Performance:**

Financial performance pertains to the assessment of an organization's financial health as depicted in its formal financial statements. These statements provide a comprehensive record of the business's financial activities and position, offering insights into its viability and overall financial well-being.

**DT-SACCOS**

A deposit-taking SACCO comprises SACCOs that accept both easy-to-withdraw and non-withdrawable deposits from customers. The non-withdrawable deposits “can serve as collateral and are not refundable to the client unless the member intends to completely withdraw from their membership.

## ABBREVIATION AND ACRONYM

<b>CEO</b>	Chief Executive Officer
<b>CFA</b>	Confirmatory Factor Analysis
<b>DT-SACCO</b>	Deposit-Taking Savings and Credit Cooperative Society
<b>ESG</b>	Environmental, Social, and Governance
<b>Fintech</b>	Financial Technology
<b>GDP</b>	Gross Domestic Product
<b>HR</b>	Human Resources
<b>ICT</b>	Information and Communication Technology
<b>KPIs</b>	Key Performance Indicators
<b>KPLC</b>	Kenya Power and Lighting Company
<b>MOCD&amp;M</b>	Ministry of Co-operatives Development and Marketing
<b>M-PESA</b>	Mobile Money Payment System
<b>NACOSTI</b>	National Commission for Science, Technology, and Innovation
<b>NGO</b>	Non-Governmental Organization
<b>RBV</b>	Resource-Based View (Theory)
<b>SACCO</b>	Savings and Credit Cooperative Society
<b>SASRA</b>	SACCO Societies Regulatory Authority
<b>SASRA</b>	SACCO Societies Regulatory Authority
<b>SME</b>	Small and Medium Enterprise
<b>SPSS</b>	Statistical Package for the Social Sciences
<b>WOCCU</b>	World Council of Credit Unions

## ABSTRACT

Persistent challenges, such as the decline in market share, clientele, and profitability, have plagued Kenya's deposit-taking savings and credit cooperatives (DT SACCOs). As the market becomes more competitive with the entry of new participants, several DT SACCOs, particularly in Bomet and Kericho Counties, have experienced failures due to changes in the industry. Some have faced restrictions on specific operations, while others have even lost their licenses. A significant number (over 40%) of DT SACCO owners attribute these failures to poor management practices within SACCO operations, which hinder their ability to cover operating costs, expand market share, pay dividends, or venture into new areas. The current study focuses on the management practices and financial performance of selected DT SACCOs in Kericho and Bomet Counties. Its objective is to determine how corporate governance, SACCO regulations, stakeholder involvement, and core competencies influence the performance of these SACCOs. The study draws on various theories such as open system theory, contingency theory, stakeholder theory, and the resource-based view theory to guide its investigation. Using a descriptive research methodology, the study concentrated on employees of the selected DT SACCOs in Kenya. The target population consisted of 87 employees from Kericho and Bomet Counties, with a sample size of 87 was adopted for the study. Data was collected through questionnaires and supplemented by literature analysis to enhance content validity. The study assessed predictive and construct validity through statistical analysis and expert input. It employed the Cronbach Alpha Reliability test, considering a dependability coefficient of 0.70 or higher as acceptable. Data analysis was conducted using SPSS Version 20, and the findings were presented in descriptive and frequency tables. Regression analysis was also employed to further analyze the data. The results of this study provided stakeholders with valuable insights to make more informed decisions regarding strategy execution, taking into consideration the challenges faced by DT SACCOs in Kenya. The research findings indicate that employees hold a strong consensus on the critical role that various elements of corporate governance such as board composition, management accountability, and effective communication play in improving the financial performance of SACCOs. The relatively low standard deviations observed across most survey statements suggest a high degree of agreement among participants regarding the importance of these governance practices. The study recommended that; SACCOs should prioritize the establishment and strengthening of corporate governance frameworks. This includes ensuring well-defined roles and responsibilities for board members, promoting management accountability, and implementing regular evaluations of governance practices. Training programs on governance best practices can equip board members and management with the necessary skills to make informed decisions that align with the SACCO's strategic goals.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Management practices and financial performance in SACCOs have undergone significant changes over the years, with trends varying across global, regional, and local perspectives. Let's take a closer look at some examples: One of the major trends in management practices and financial performance in SACCOs globally is the increasing focus on digital transformation. With the rise of Fintech companies, traditional SACCOs are investing heavily in new technologies to improve efficiency, customer experience, and regulatory compliance (Kiswili, 2021). For instance, many SACCOs have started offering mobile financial services, online account openings, and digital payments, which has resulted in increased profitability and customer satisfaction (Kyenze, & Aluoch, 2022)

Another trend is the adoption of sustainable business practices, where SACCOs are incorporating environmental, social, and governance (ESG) factors into their investment decisions. This has become essential in attracting millennial customers who are more aware of their impact on the environment and society (Maina, 2021). In Asia, one of the trends in management practices and financial performance in SACCOs is increased investment in infrastructure development and financing. With the Belt and Road Initiative launched by China, many countries are seeking funding for infrastructure development, which has presented a significant opportunity for financial institutions in the region (Mose, & Gachanja, 2023)

In Europe, the trend is towards increased regulation of the SACCOs to prevent another financial crisis. The European Union has introduced several regulations such as MiFID II, GDPR, and PSD2 to ensure transparency, customer protection, and market stability.

In Nigeria, a significant trend is the increasing importance of microfinance institutions in providing access to credit for small and medium-sized enterprises. Microfinance institutions have become an essential source of funding for entrepreneurs who were previously unable to access loans from traditional banks (Nchaga, & Nyaega, 2023)

In Kenya, management practices and financial performance in SACCO institutions are heavily influenced by the country's economic policies. The government has introduced policies that encourage financial inclusion and innovation in the SACCO sector. The introduction of mobile money services like M-PESA has revolutionized the financial sector, with many people now having access to financial services (Nteere, 2022). Financial development in Kenya, mirroring trends in many African countries, has evolved through two distinct periods: the era of state control and the era of liberalization (Quiroz, 2017). Cooperatives, initially intended as vehicles for implementing government socioeconomic agendas, became deeply entwined with state politics. Consequently, the shortcomings of state policies often manifested within the cooperative sector. This historical context partly explains why literature from this period often highlights more instances of cooperative failure than success. These failures played a role in the push for the liberalization of the cooperative sector, a process that began in the early 1990s (MOCD&M, 2021).

The traditional definition of a stakeholder as "any group or individual who can affect or is affected by the achievement of the SACCO's objectives" (Freeman, 2010) underscores the importance of stakeholders in organizational success. Johnson and Scholes (2002) further elaborate on stakeholders' involvement, highlighting that stakeholders are individuals who rely on the organization to fulfill their goals, while the organization, in turn, relies on them. This mutual dependence underscores the necessity

of involving stakeholders in the operation and management of the SACCO. Freeman's definition is widely accepted and will be utilized in this study.

A study was conducted in Kericho Municipality, Kenya by Mwangi, Obonyo, and Cheruyoit (2015) to examine the impact of corporate governance practices on the financial performance of SACCOs. The results of their research revealed a noteworthy correlation between financial performance and corporate governance, highlighting the detrimental effects of inadequate governance practices on firm performance (Odero & Egessa, 2021) . Management practices and financial performance trends in financial institutions vary across global, regional, and local perspectives. However, the common thread is the need for financial institutions to adapt to changing customer needs, regulatory requirements, and technological advancements to remain relevant and profitable (Odero, Egessa, & Oseno, 2019)

### **1.1.1 Organization Financial Performance**

According to Terence (2021), financial performance refers to the subjective evaluation of how well an organization utilizes its assets from core business operations to generate revenues in an efficient and effective manner. This measure aims to maximize the return on capital employed in the business. Understanding financial performance is crucial for managers to gauge their effectiveness. There are two primary reasons why SACCOs should assess their financial performance (Johnson and Mark, 2020). Brealy and Myers (2003) note that financial performance provides insights into managerial effectiveness, corporate efficiency, financial strength and weaknesses, and the creditworthiness of a company. Seers (2019) observes that SACCO performance hinges on operational efficiency, aiming for development to alleviate poverty, reduce inequality, and combat unemployment.

Dissanayake (2020) has identified that the operating expense ratio, cost per borrower ratio, and debt to equity ratio are significant predictors of return on assets ratio, which play a crucial role in evaluating financial performance. Furthermore, Dimitris et al. (2019) have observed that the competitive process gradually diminishes abnormal profitability positions. They have also highlighted that alterations in regulations can influence both the extent and sustainability of a firm's profitability.

The present research delves into market share, customer outreach, and overall efficiency as key indicators of financial performance. Market share denotes the proportion of total sales in an industry or market that is garnered by a specific institution within a specified timeframe. To compute market share, an institution's sales during the period are divided by the total industry sales for the same duration (Safi & Mahmood, 2022). Customer outreach relates to all the approaches that the organization takes to reach out to their clients by way of engaging them and encouraging them to take an action that promotes trade between the two parties. The aspect of the general efficiency describes the measurable concept that relates to the usefulness of the out-put to the consumers, it also describes how well the institution is being managed (Waweru & Waithaka 2023).

The level at which the firm competes with other businesses within the same industry determines the market share of the business. Furthermore, customer outreach determines how many customers are reached by the services which are offered by the business organization. The firms do all that is within its reach to reach as many customers as possible (Schumacher, 2022). Finally, the level at which the firm performs on other financial indicators is a testament to its efficiency.

Financial performance is a multidimensional concept that has been conceptualized variably in literature, reflecting its contextual and disciplinary applications. Terence (2021) defines it as the subjective evaluation of how efficiently an organization utilizes its assets to generate revenues from core operations, emphasizing managerial effectiveness and return on capital. This perspective aligns with Brealy and Myers (2003), who associate financial performance with insights into corporate efficiency, creditworthiness, and financial strengths/weaknesses. Their view underscores performance as a diagnostic tool for organizational health.

Seers (2019) diverges slightly by linking financial performance to operational efficiency in SACCOs, arguing that it should prioritize poverty alleviation, reduced inequality, and employment creation—a social-centric lens. In contrast, Dissanayake (2020) adopts a quantitative approach, identifying operating expense ratios, cost per borrower, and debt-to-equity ratios as key predictors of financial performance, particularly in evaluating return on assets (ROA). Dimitris et al. (2019) further complicate the concept by introducing regulatory influences and competitive dynamics, noting that abnormal profitability diminishes over time due to market forces and policy shifts.

For this study, financial performance is conceptualized through three measurable indicators: The market share which is the proportion of industry sales captured by a SACCO (Safi & Mahmood, 2022), reflecting competitive positioning. Customer Outreach is the strategies to engage clients and promote transactional growth (Waweru & Waithaka, 2023) while efficiency is the ratio of output utility to input costs, indicating operational effectiveness.

### **1.1.2 Management Practices**

Management practices encompass the systematic approaches organizations employ to coordinate resources, processes, and strategies to achieve objectives. Scholars have conceptualized this construct through different lenses, reflecting its complexity and contextual nature. Jain, Singh, and Yadav (2020) define management practices as strategic frameworks implemented across budgeting, supply chain management, financial structuring, asset management, and control systems to align operations with organizational goals. This operational perspective is complemented by Gitman and Zutter's (2020) financial focus, which positions management practices as mechanisms to enhance firm value by ensuring returns exceed capital costs while mitigating financial risks.

Kyenze and Aluoch (2022) adopt a behavioral lens, identifying indicators such as strong work culture, open communication, competent leadership, succession planning, and growth opportunities as critical to effective management. Their emphasis on human capital aligns with Arnold's (2020) view that management practices must integrate financial planning with control systems to optimize resource utilization. Brigham and Houston (2019) further expand the concept by framing management practices as theoretical and analytical tools for financial decision-making, highlighting their role in resource allocation. Gatimu (2022) introduces a governance dimension, arguing that practices like board oversight, incentive structures, and conflict resolution directly influence financial outcomes by enhancing organizational value.

For this study, management practices are conceptualized through four interrelated dimensions that are particularly relevant to the SACCO context. The first dimension, corporate governance, encompasses board composition, accountability mechanisms, and decision-making independence, drawing on Gatimu's (2022) work on

organizational oversight structures. Regulatory compliance forms the second critical dimension, focusing on adherence to SACCO-specific policies and maintaining fiscal discipline as emphasized by SASRA (2020) guidelines. The third dimension, stakeholder involvement, incorporates Freeman's (1984) principles of collaborative decision-making and active member engagement, recognizing the unique cooperative nature of SACCOs. Finally, core competencies represent the fourth dimension, highlighting distinctive capabilities in product development and human capital management as articulated by Prahalad and Hamel's (1990) foundational work.

This multidimensional framework was carefully selected for several compelling reasons. It deliberately addresses strategic gaps identified in prior studies, particularly their tendency to overemphasize profit-centric models at the expense of cooperative principles that are fundamental to SACCO operations. The framework specifically reflects the Kenyan SACCO context where governance structures and member participation hold equal importance to traditional financial metrics. Moreover, it maintains strong conceptual alignment with the study's dependent variable of financial performance by explicitly linking these management practices to measurable outcomes such as market share expansion and operational efficiency, as established in Section 1.1.1. This comprehensive approach ensures the study captures both the financial and social dimensions that characterize successful SACCO management, while remaining firmly grounded in empirical research traditions.

### **1.1.3 Deposit Taking SACCOs in Kericho and Bomet Counties**

SACCOs in Bomet County are vital in providing financial services to members, especially in rural areas where access to traditional banking services is limited . These SACCOs offer savings and credit facilities to members, allowing them to save money and access affordable credit for various needs such as business investments, education, and healthcare. SACCOs in Bomet County often collaborate with government agencies and NGOs to enhance financial inclusion and economic development in the region . SACCOs in Kericho County also play a crucial role in the financial inclusion of residents, particularly in the tea-growing areas where many residents are involved in agriculture . These SACCOs provide financial services tailored to the needs of their members, including savings, credit, and insurance products. SACCOs in Kericho County contribute to the growth of the local economy by providing credit for agricultural activities, small businesses, and other income-generating projects. SACCOs in both Bomet and Kericho Counties are instrumental in promoting financial inclusion, supporting economic growth, and improving the livelihoods of residents in these regions.

Kenya's SACCO industry consistently ranks among the top in the world, as highlighted by Gamba and Komo (2014). The World Council of Credit Unions reports that this subsector contributes 45 percent to Kenya's GDP. In fact, in July 2013, the World Council of Credit Unions (WOCCU) recognized the SACCO industry as the fastest growing in the world. The International Cooperative Alliance ranks Kenya's DT SACCO industry as the leading one in Africa and eighth globally. The subsector directly employs over half a million individuals, with an additional 2 million finding indirect employment opportunities (Bwana & Mwakujonga, 2013). The SACCO Society Regulatory Authority (SASRA) reveals that the sector has experienced an

average annual growth rate of 30%. This research primarily focuses on deposit taking SACCOs, which constitute 78% of the total SACCO subsector. Notably, the DTS has a significant membership base, with 82% of all SACCO members belonging to it (SASRA, 2019) .

From 2014 to 2020, SASRA imposed restrictions on numerous SACCOs in Kenya and revoked the authorization of others to receive deposits. In the year 2020, several SACCOs in Kenya, such as Nandi Hekima Sacco Society Ltd, Kapsabet 2 Sukari Sacco Society Ltd, and Mumias 3 Miliki Sacco Society Ltd, had their licenses cancelled (SASRA, 2020). SACCOs have encountered challenges in terms of management effectiveness, capitalization, risk-taking practices, customer service approaches, differentiation from competitors, and expense control. While empirical studies in other sectors of the country have highlighted the significance of strategic change management approaches on performance, the impact of such approaches on DT-SACCOs in Kenya remains uncertain due to a lack of empirical research in the Savings and Credit Cooperative sector .

## **1.2 Statement of Problem**

Consistent losses in market share, clientele, and profitability have plagued Kenya's deposit-taking savings and credit cooperatives (Chemngorem, 2023). However, as more people join the fray, the level of competition increases. Several DT SACCOs, including selected SACCOs in Bomet and Kericho Counties, have failed because of the several changes within the industry, and others have had certain operations banned from them, and some more have had their licenses revoked. Fundi and Wamugo (2023) suggested that more than 40% of DT SACCO owners blame the lack of effective strategic management practices for their organization's failure to cover operating costs, grow market share, distribute dividends, or venture into new markets. Despite its significant

impact on the economy, the financial sector has been relatively overlooked in research focusing on the influence of strategic management approaches on the performance of Deposit taking SACCOs (Waweru & Waithaka, 2023) . Kifworo and Njuguna, (2023) also notes that the empirical research suggests that in today's fast-paced business world, SACCOs will only last as long as their leaders can devise and implement successful strategic management practices.

Mose and Gachanja, (2023) did a research on the analysis of the impact of internal communications on productivity at KPLC in Kenya. The findings of the study indicated that enhanced communication among employees resulted in increased productivity. The research emphasizes the importance of incorporating additional variables into strategic management practices to better understand the impact of communication factors within the SACCO sector. Furthermore, it suggests the consideration of contextual factors beyond employee performance when assessing organizational performance. Nchaga and Nyaega (2023) studied the results of stakeholder involvement in road developments in Uasin Gishu County, Kenya. The results of the study revealed that county road development projects improved after stakeholders were consulted and more roads were constructed. Assessing the influence of stakeholder participation on SACCO efficiency is obviously important .

In order to produce more relevant evidence and enhance scientific knowledge, researchers will need to overcome the contextual, conceptual, and methodological gaps revealed in a review of empirical works on the topic. The importance of doing local studies with an emphasis on the economy, which has been neglected in previous analyses. Problems with the methodology, specifically the neglect of the need to include additional objective performance criteria in previous research. To help fill this gap in

our understanding, the researcher there examined management practices and financial performance of the selected deposit taking SACCOs in Bomet and Kericho Counties.

### **1.3 Objectives of the Study**

The following section presents general objectives and the specific objectives of the study.

#### **1.3.1 General Objective**

The general objective of the research was to evaluate on the management practices and financial performance of selected deposit taking SACCOs in Bomet and Kericho Counties, Kenya.

#### **1.3.2 Specific Objectives**

The study was guided by the following specific objectives;

- i. To determine the effect of corporate governance on the Performance of selected deposit taking SACCOs in Bomet and Kericho Counties, Kenya.
- ii. To determine the effect of compliance to SACCO regulations on the Performance of selected deposit taking SACCOs; in Bomet and Kericho Counties, Kenya.
- iii. To access the effect of Stakeholder involvement on the Performance of selected deposit taking SACCOs in Bomet and Kericho Counties, Kenya.
- iv. To establish on the effect of the core Competencies on the Performance of selected deposit taking SACCOs in Bomet and Kericho Counties, Kenya.

## **1.4 Research Questions**

The following research questions guided the study objectives;

- i. How does corporate governance affect the performance of the selected deposit taking SACCOs in Bomet and Kericho Counties, Kenya?
- ii. To what extent does the SACCO regulations compliance affect the Performance of selected deposit taking SACCOs in Bomet and Kericho Counties, Kenya?
- iii. What is the effect of Stakeholder involvement on the Performance of selected deposit taking SACCOs in Bomet and Kericho Counties, Kenya?
- iv. How does core Competencies affect the performance of the selected deposit-taking SACCOs in Bomet and Kericho Counties, Kenya?

## **1.5 Significance of the Study**

For SACCO managers and boards of directors, the study provides critical evidence-based insights into how governance structures, regulatory compliance, and stakeholder engagement directly influence financial outcomes, enabling them to refine strategic planning and operational decision-making. The findings serve as a benchmarking tool, allowing these leaders to compare their performance against peer institutions and identify areas for improvement in governance and financial management.

SACCO members stand to benefit through improved service delivery as SACCOs implement research-backed management approaches, while also gaining a clearer understanding of how governance decisions impact dividend payments and share value. The study empowers members to advocate for greater transparency and participation in SACCO operations, strengthening the cooperative principles of member ownership and democratic control.

Regulatory authorities, including SASRA and the Central Bank of Kenya, will obtain empirical data to guide policy formulation and regulatory adjustments, helping them identify sector-wide management challenges that require intervention. The findings can inform the development of targeted capacity-building programs that address specific weaknesses in SACCO operations while reinforcing best practices across the sector.

For national and county governments, the study offers crucial data demonstrating SACCOs' economic impact, supporting more informed development planning and policy-making. The research findings can guide the design of financial inclusion initiatives and cooperative sector support programs, while also providing evidence to refine taxation and incentive structures that affect SACCO sustainability and growth.

Academic researchers will benefit from a comprehensive case study of Kenyan SACCO performance dynamics, contributing to the broader literature on cooperative finance and governance. The conceptual framework linking management practices to financial outcomes provides a foundation for future studies, while the empirical data may generate new research questions regarding cooperative models in emerging markets.

Financial sector analysts gain deeper insights into the unique performance drivers of cooperative finance, enabling them to develop more accurate assessment tools for evaluating SACCO viability and risk profiles. The study may also help analysts identify emerging trends in member-based financial services, informing investment decisions and market predictions.

Development partners and NGOs can use the study's findings to guide programming and funding decisions for financial inclusion projects, ensuring resources are allocated

to initiatives with the highest potential impact. The evidence-based results support the design of more effective technical assistance programs for SACCO capacity building, while also highlighting opportunities for targeted interventions benefiting women, youth, and other underserved groups through cooperative channels.

For future entrepreneurs, the study offers valuable lessons about member-based financial management models that can be applied when establishing new cooperatives. Aspiring business leaders may identify untapped market opportunities in cooperative finance, while learning from the successes and challenges documented in the research.

By demonstrating the tangible relationship between management approaches and financial outcomes, this study equips stakeholders across sectors with actionable intelligence to strengthen Kenya's deposit-taking SACCO industry. The findings contribute to policy dialogues while providing practical tools for performance improvement at the institutional level, ultimately supporting the sector's role as an economic backbone for millions of Kenyans, particularly in rural and semi-urban regions like Bomet and Kericho.

### **1.6 Scope of the Study**

The goal of this research is to evaluate the effects of management practices on financial performance of selected deposit taking SACCOs in Bomet and Kericho Counties in Kenya. Research questions will center on how DT-SACCOs in Kenya may improve their governance, compliance with SASRA requirements, employee skills, and engagement with stakeholders. The various company and department chiefs who are tasked with playing a pivotal role in strategic management practices will be the focus of the research because strategic management requires top-level management. As a result, they'll use a descriptive research strategy. The study will refer to open systems

theory, contingency theory, Stakeholder theory and resource-based view theory. The study will adopt the use of descriptive survey research design. The researcher anticipates to conclude on the data collection by March 2024.

### **1.7 Limitation of the Study**

The study would run into trouble if respondents were hesitant to reveal important information. A letter from the university (Kenyatta University) and a NACOSTI authorization addressed this problem, allowing full operation. The identities of those taking part will not be made public for privacy reasons. Furthermore, some of the respondents would not have enough information to support the data required, and to mitigate this. In addition, the research would augment these sources by incorporating organizational reports, conference proceedings, workshops, and consultations with experts in strategic management. The internet would serve as a valuable resource for gathering supplementary information. Comparisons with data from external jurisdictions would be made to enhance the study's findings and enable more robust conclusions to be drawn.

Challenges may arise when some respondents are engaged in travel to field offices, making it difficult for them to find time to complete the questionnaire. To address this issue, the study allocated additional time for respondents to fill and return the questionnaires.

Another potential challenge was the risk of respondents' subjectivity when self-reporting while filling out the questionnaires. To mitigate this risk, the study utilized an impersonal questionnaire format. This approach allowed respondents to provide objective feedback based on their roles and performance within the selected SACCO.

## **1.8 Organization of the Study**

This research paper consists of five chapters: the introduction, literature review, research methodology, Data analysis and presentation and conclusions and recommendations. In the first chapter, the study presents the issue statement, objectives, importance, scope, and limits of the research project, along with the variables to be evaluated and tested. Chapter two focused on the literature review, providing a synopsis of the research gaps and presenting the study's conceptual framework. Chapter three delved into the procedures for selecting a sample from the population, acquiring data, testing validity and reliability, processing data, and addressing ethical considerations. Chapter four the study presents data analysis and presentation while chapter five was conclusion and recommendations.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The chapter provides a summary of the existing literature, a list of its gaps, and a diagrammatic representation of the relationships between the variables. Both theoretical and empirical writings can be found in the literature. The summary of literature gaps will be presented in tabular form and include the studies, the gaps that were found, and the gaps that the current study filled. The conceptual framework displays how different variables are related to one another.

#### **2.2 Theoretical Literature Review**

The study was premised on the following theories; open system theory, contingency theory, stakeholder theory, and resource-based view theory served as the guiding principles for the current study, which focuses on the management practices and financial performance of the SACCOs

##### **2.2.1 Open System Theory**

Ludwig, (1956) a biologist, first introduced the idea of the open system theory in 1956, but it was immediately applicable to all branches of study. According to the theory, which aims to define the concept of a system, every system is comprised of an assortment or mixture of components that are interdependent due to their relationships. A system that interacts with the outside world is said to be open. Transfers of resources like money, energy, and materials into and out of the system are examples of such exchanges. Flow systems are another name for open systems (Casper, 2019). Open systems are the method used in the business environment to transfer resources such as materials, labour, capital, information, and other production elements (Barabasi, 2014).

As a result, the organization's longevity depends on how it interacts with its surroundings. The environment in which the company operates has external influences that are beyond its control. The company's capacity to meet performance goals and survive may be impacted by the external circumstances' unpredictability and volatility. The organization must therefore constantly examine and analyze its environment. The purpose of this is to spot any adjustments that frequently occur in their operations and react to them appropriately (Barabasi, 2018).

Knyazeva (2020) demonstrated that managers who use open and holistic thinking to perceive the internal and external complexities that help the firm to survive painlessly, achieve the desired targets and objectives, and go through turbulent times are frequently found in firms that survive the dynamic and complex business environment. Casper (2019) demonstrated that people and organizations of all sizes frequently have horizontal decentralized connections. The activities of these groupings need the use of system thinking, whereby the person and the organization forge linkages with outside parties as part of its plan for survival and growth.

The open system theory is considered to be relevant to the current study since organizations employ management practices such strategy development, implementation, and resource allocation which essentially cover the complete governance systems methods within the organization to run, the open system theory is seen as pertinent to this study. As a result, management is a very dynamic and complex process that takes both the internal and external environment into account. As a result of these considerations, it is recommended that managers of deposit-taking SACCOs continuously assess their surroundings to find the variables that will affect their performance and eventual survival.

### **2.2.2 Contingency Theory**

Fiedler (1964) coined the idea of the contingency theory of leadership in his seminal 1964 article, "A Contingency Model of Leadership Effectiveness." As a result, the contingency theory notion emphasizes the significance of both the leader's personality and the environment in which they work . As a result, according to this idea, there is no universal recipe for leadership, management, or decision-making within an organization. This is due to the fact that the organization's situation decides the best course of action to ultimately pursue. As a result, management must be flexible in choosing and implementing solutions that are appropriate for the circumstances the business is facing (Luthans, 2011). In the past, the contingency theory sought to generalize the formal organizational structures that are frequently linked to the best fit. According to Woodward (1958), an organization's performance is influenced by organizational characteristics such as the degree to which authority is centralized, the scope of its control, the processes used to develop and implement strategies, and the formalization of its rules and procedures.

This theory is useful for this study since it outlines the variables that the management of the company considers when developing and implementing strategies that affect the firm's performance, particularly in light of the SACCO regulations that, over time, will guide SACCO operations. When determining strategy and putting it into practice, managers pay attention to relevant internal factors like human resource participation, organizational adjustments, and financial resources as well as relevant external variables like technology, competitors, stakeholders, and the community (Bitmis & Ergeneli, 2011). This study examined the impact of SACCO regulations found in contingency theory on the operation of deposit-taking SACCOs .

### **2.2.3 Stakeholder Theory**

Freeman (1984) coined the Stakeholder theory. He made the claim that there is a distinct group of people within an organization who are committed to or have the power to influence the accomplishment of the firm's goals. Stakeholders have the power to affect an organization's financial reporting, structure, and policy. When formulating strategic goals and objectives, consideration is given to their hopes and convictions. A company does not operate in a vacuum; other organizations and society both have specific goals for the company. Interconnectivity through the application of innovations is necessary to ensure that all of their goals are met. As a result of realizing this, the stakeholders highly rate the performance of the company (Freeman, 1984).

Other academics, however, have expressed concerns with the stakeholders' theory. For instance, Savage (2004) suggests that the sole fundamental framework of the stakeholders' theory includes, among other things, the engagement of organizations with numerous different factions with which they have direct interaction. The theory also assumes that all legitimate stakeholders have a focus on intrinsic values and a diverse range of interests and solely focuses on engagement types that are focused on outcomes and procedures for the organization and the stakeholders. The CEO's decision-making processes should be steadfastly based on the requirements and priorities of the stakeholders as well as those of the organizations, according to the stakeholders' theory. All of these efforts must, however, balance the interests of all parties. To take into account distance, which affects how stakeholders affect an organization's operation, this should be done with more caution.

Since the theory seeks to place an emphasis on the coordination and performance of the stakeholders who are taking part in the overall performance of the SACCO movement, it has been implemented in the current study. The theory thus offers a thorough

understanding of the interaction between the various subsystems within the organization that influence overall sustainability while emphasizing the development of a new path to success. In order to face the current complex and extremely uncertain external environment for the SACCO's operations, the stakeholder tries.

#### **2.2.4 Resource Based View Theory**

The works of Penrose (1959) contributed to the resource-based perspective. According to the notion, businesses that possess priceless, immovable, one-of-a-kind, and uncommon resources enjoy a competitive edge (Pitelis, 2007). Resources must be diverse and immovable, whether they are physical or intangible (Birger, 2013). According to the resource-based perspective, tactical property gives a company improved competitive strength and superior performance. A company that takes advantage of present opportunities with current assets while also developing novel, fresh assets protects its level of competition in the future and maintains its relevance economically (Song, Song & Benedetto, 2011).

According to a large body of research that has gathered around this theory (Ombaka et al., 2015), firms can gain some competitiveness that is beyond the reach of rivals through the creation of unique resources through innovation in areas like operations and marketing processes, among others. The materials produced strengthen relationships with parties in supply chains and streamline operational procedures, which lowers operational costs. Because of this, consumers benefit from cheaper goods and services ultimately resulting in a reduction in the currency conversion cycle and a digital economic revolution. As the company's earnings rise, more money is available for research and development, allowing for further study. Resources, however, come in both material and intangible forms. The idea is silent on the ratio that a firm must maintain for success; yet, firms own both (Inmyxai & Takahashi, 2009). This idea is in

line with the present research, with a particular emphasis on the human resource competences that the SACCO movement is utilizing that would ultimately ensure its success.

Since the theory emphasizes the necessity to meet the constraints given by the external environment through manifestations of the factors which are outside the control of the organization, the resource-based view is regarded suitable in this study. The theory therefore places a strong emphasis on competitive advantages that work to link disparate resources that are entirely under the control of the SACCO movement and, as a result, ensure the mobility of internal resources, including staff competencies, within the SACCO. One of the internal variables is the management of social capital by improving supply chain efficiency.

### **2.2.5 Performance Management System Theory**

The Performance Management Systems Theory, introduced by Robert Kaplan and David Norton in 1992 through their Balanced Scorecard (BSC) framework, represents a significant evolution in organizational performance measurement. This theory posits that true organizational performance can only be optimized when companies look beyond traditional financial metrics to incorporate customer, internal process, and learning/growth perspectives. The framework gained substantial traction through subsequent works like "The Balanced Scorecard: Translating Strategy into Action" (1996) and "Strategy Maps" (2004), with scholars like Neely et al. and Lawrie & Cobbold further developing its applications across various sectors. At its core, the theory emphasizes the need for balanced measurement systems that align key performance indicators with strategic objectives while creating feedback loops for continuous improvement.

Despite its widespread adoption, the theory has faced notable criticisms from various scholars. Norreklit (2000) challenged the assumed causal relationships between non-financial and financial metrics, a concern particularly relevant for SACCOs where demonstrating direct links between member satisfaction and financial returns can be problematic. Bourne et al. (2002) criticized the framework's rigidity in dynamic environments, an important consideration for Kenyan SACCOs operating under frequently changing regulations. Other critics like Radnor & Lovell (2003) highlighted implementation challenges in resource-constrained settings, while Pun & White (2005) warned about the potential for superficial compliance rather than genuine performance improvement - risks that resonate with SACCOs facing regulatory pressures from SASRA.

The theory's strengths lie in its comprehensive approach to performance measurement, strategic alignment capabilities, and adaptability across different organizational types. Its ability to balance financial and non-financial objectives makes it particularly suitable for SACCOs that must reconcile profitability with social missions. However, these benefits come with significant challenges including resource intensity, implementation complexity, and potential subjectivity in metric weighting - all of which pose special difficulties for smaller SACCOs with limited management capacity and technological infrastructure. The framework's static nature may also struggle to accommodate rapid industry changes like fintech disruption.

For the study on Kenyan SACCOs, the Performance Management Systems Theory offers valuable insights by providing a structured approach to evaluate both financial and social performance dimensions. The balanced scorecard's four perspectives align well with SACCO operations: financial metrics like ROA and liquidity ratios address economic sustainability; member growth and satisfaction indicators capture customer

perspective; loan processing efficiency and fraud rates reflect internal processes; while staff training investments gauge learning and growth capacity. The theory's emphasis on strategic alignment can help explain performance variations among SACCOs in Kericho and Bomet counties, particularly when examining how different institutions prioritize and measure these diverse aspects of their operations.

To effectively apply this theory in the Kenyan SACCO context, researchers should consider practical adaptations that account for resource constraints. Simplified versions of the balanced scorecard focusing on a few critical indicators per perspective may be more feasible than comprehensive implementations. Innovative data collection methods, such as leveraging mobile technologies for member feedback, could overcome technological limitations while still providing meaningful performance insights. The study could particularly explore how SACCOs balance the competing demands of regulatory compliance (coercive isomorphism) with the need to maintain member-centric approaches (normative isomorphism) within their performance management systems, potentially contributing new insights to both institutional theory and performance management literature.

### **2.3 Empirical Literature Review**

This section therefore presents the empirical results based on the reviewed variables that are related to the management practices and the performance of the SACCOs . An empirical literature review constitutes a systematic examination of existing studies that have investigated the research problem through observable, measurable evidence (Saunders et al., 2019). This section synthesizes findings from prior empirical research on the relationship between management practices and financial performance in SACCOs, focusing specifically on corporate governance, regulatory compliance, stakeholder involvement, and core competencies as key determinants of organizational

success. Unlike theoretical reviews that discuss conceptual frameworks, empirical reviews analyze actual data collected through quantitative, qualitative, or mixed-methods approaches to validate or challenge existing theories (Creswell & Creswell, 2018). By evaluating these evidence-based studies, this review identifies consistent patterns, methodological gaps, and contradictory findings in the existing body of knowledge, while establishing how the current study contributes to addressing these limitations (Webster & Watson, 2002). The analysis focuses particularly on deposit-taking SACCOs in African contexts, where unique socioeconomic factors influence both management approaches and performance outcomes, thus providing a contextual foundation for interpreting the study's results within Kenya's cooperative financial sector.

### **2.3.1 Corporate governance and Performance of the Deposit Taking SACCOs**

Several studies have investigated the correlation between corporate governance and the performance of deposit-taking SACCOs. Below are brief summaries of some of these studies:

In a study conducted by Kagiri and Kimani (2012), the objective was to evaluate the effect of board size, board independence, CEO duality, and audit committee on the financial performance of SACCOs in Kenya . The study utilized secondary data from audited financial statements of 45 SACCOs between 2006 and 2010. Through regression analysis, it was found that board size, board independence, and audit committee had a positive impact on financial performance, while CEO duality had a negative impact. The study recommended the enhancement of board independence. It is worth noting that this study did not solely focus on deposit-taking SACCOs, which highlights a research gap that the current study addresses by exclusively focusing on this sector.

In their study, Kipkirui and Maina (2017) conducted an analysis on the impact of board composition, board size, CEO duality, and audit committee on the financial performance of SACCOs in Kenya. By utilizing secondary data obtained from audited financial statements of 40 SACCOs spanning from 2011 to 2015, the researchers discovered that board composition, board size, and audit committee had a positive influence on financial performance, whereas CEO duality had a detrimental effect. The study also proposed that the inclusion of experts in the board composition could potentially enhance performance. In contrast to this study, the present research employed primary data collected through questionnaires to address the existing research gap .

Kiguru and Kiarie (2018) conducted a study to examine the effects of board gender diversity, board independence, CEO duality, and audit committee on the financial performance of SACCOs in Kenya. By analyzing secondary data from the audited financial statements of 44 SACCOs from 2012 to 2016, the research revealed that board gender diversity, board independence, and audit committee had a positive impact on financial performance, whereas CEO duality had a negative influence. The study suggested that promoting gender diversity in boards is crucial for their effectiveness. While the previous study covered all SACCOs in Kenya, the current research specifically focused on deposit-taking SACCOs .

Kibera and Mosoti (2019) conducted a study to examine how board composition, CEO duality, audit committee, and ownership structure impact the financial performance of SACCOs in Kenya. By analyzing secondary data from audited financial statements of 33 SACCOs from 2013 to 2017, the researchers found that board composition and audit committee had a positive influence on financial performance, while CEO duality and ownership structure had negative effects . The study highlighted the significance of

involving stakeholders in decision-making processes to ensure effective institutional functioning. The present study addressed this gap by focusing on corporate governance, stakeholder involvement, and core competencies.

### **2.3.2 SACCO Regulations and the Performance of the Deposit Taking SACCOs**

Numerous studies have investigated the impact of SACCO regulations on the performance of deposit-taking SACCOs. Here are summaries of some of these studies:

The research conducted by Kariuki and Kibet (2017) sought to evaluate how regulatory adherence impacts the financial outcomes of SACCOs in Kenya. Through the analysis of secondary data extracted from the yearly reports of 40 SACCOs spanning from 2010 to 2015, it was discovered that complying with regulations had a favorable impact on financial performance. The study suggested that SACCOs must prioritize full compliance with regulatory standards in order to bolster their financial standing. While the previous research centered on 40 SACCOs in Kenya, the current study specifically focused on deposit-taking SACCOs situated in Bomet and Kericho Counties .

Mutai and Kibet (2020) carried out an investigation to assess how regulatory capital requirements influence the financial performance of deposit-taking SACCOs in Kenya. By analyzing secondary data extracted from the annual reports of 31 deposit-taking SACCOs between 2014 and 2018, the study discovered a positive correlation between regulatory capital requirements and financial performance. The study recommended that SACCOs adhere to regulatory capital requirements in order to improve their financial performance. In contrast to this study, the present research relied on primary data collected through questionnaires .

Kairu and Mwangi (2016) conducted a study on the influence of interest rate capping on the financial performance of SACCOs in Kenya. By analyzing secondary data from the annual reports of 10 SACCOs from 2013 to 2015, the research revealed that interest rate capping had a negative impact on financial performance. It was recommended that SACCOs should diversify their sources of income to counteract the adverse effects of interest rate capping. While the previous study examined 10 SACCOs, the current study specifically focused on deposit-taking SACCOs in Bomet and Kericho Counties.

Another research by Kibera and Mosoti (2019) aimed to investigate the effects of SACCO regulations on the financial performance of deposit-taking SACCOs in Kenya. Through the analysis of secondary data from the annual reports of 33 deposit-taking SACCOs between 2013 and 2017, the study concluded that SACCO regulations had a positive impact on financial performance. It was suggested that SACCOs should adhere to all regulations to improve their financial performance. While the previous study looked at all deposit-taking SACCOs in Kenya, the current study concentrated solely on deposit-taking SACCOs in Kericho and Bomet Counties .

The study by Kariuki and Kibet (2017) provides compelling evidence on the critical relationship between regulatory compliance and financial performance in Kenyan deposit-taking SACCOs. Analyzing SASRA audit data from 40 SACCOs between 2010-2015, the researchers found that fully compliant institutions demonstrated superior financial health, including 12% higher ROA and 20% better liquidity management during economic shocks compared to non-compliant peers. Key regulatory components like capital adequacy requirements (10% of deposits) and quarterly risk assessments accounted for 65% of performance improvements, while governance violations led to 30% slower membership growth. These findings

underscore how adherence to SASRA regulations enhances financial stability and growth, while non-compliance poses significant operational risks.

The study's implications are particularly relevant for SACCO management and regulators. Kariuki and Kibet recommend that SASRA strengthen enforcement of capital buffers while simplifying reporting tools for smaller SACCOs, and suggest that SACCOs align internal audits with regulatory calendars and provide board training on liquidity management. For policymakers, linking license renewals to compliance records could incentivize long-term regulatory adherence. These evidence-based insights validate the importance of regulatory frameworks in driving SACCO performance and offer practical guidance for enhancing financial sustainability in Kenya's cooperative sector, making them highly applicable to research on SACCOs in Kericho and Bomet Counties.

### **2.3.3 Stakeholders Involvement and the Performance of the Deposit Taking SACCOs**

Various research studies have delved into the influence of stakeholder involvement on the performance of deposit taking SACCOs. Here are summaries of some of these studies:

Ondieki and Kibet (2016) undertook a study to investigate the influence of stakeholder participation on the financial performance of SACCOs in Kenya. They utilized secondary data from the annual reports of 38 SACCOs between 2009 and 2013, analyzing it through multiple regression analysis. Their findings demonstrated a positive and noteworthy correlation between stakeholder involvement and financial performance. The study recommended that SACCOs actively involve stakeholders in decision-making processes to enhance their financial performance. However, the study

failed to consider the specific types of stakeholders and their levels of involvement, thus presenting a research gap .

Kinyua and Nyangau (2018) conducted a study to examine the correlation between stakeholder involvement and the financial performance of SACCOs in Kenya. They employed descriptive statistics and correlation analysis using primary data from a sample of 10 SACCOs. The findings revealed a positive and significant relationship between stakeholder involvement and financial performance. The study suggested that SACCOs should engage stakeholders in the development of strategic plans to enhance financial performance. However, the study's limited sample size may restrict the generalizability of its findings, highlighting a research gap .

Kariuki et al. (2019) conducted a research on the influence of stakeholder participation on the financial performance of deposit-taking SACCOs in Kenya. They obtained primary data from a group of 80 deposit-taking SACCOs and examined it using hierarchical multiple regression analysis. The study discovered a favorable and noteworthy impact of stakeholder involvement on financial performance, suggesting that SACCOs should engage stakeholders in decision-making procedures. However, the study did not differentiate between various types of stakeholders or their levels of involvement, indicating a gap in research .

Ouma and Ogolla (2020) examined the effect of stakeholder involvement on the financial performance of SACCOs in Kenya. They collected primary data from a sample of 45 SACCOs and analyzed it using structural equation modeling. The findings revealed a positive and significant influence of stakeholder involvement on financial performance. The study recommended that SACCOs involve stakeholders in strategic planning and decision-making processes to enhance financial performance. However, the study did not investigate the impact of stakeholder conflict on the relationship

between stakeholder involvement and financial performance, representing a research gap .

The study "Stakeholder Participation and Financial Performance of Savings and Credit Cooperative Societies in Kenya" by Ondieki and Kibet (2016) examined how member engagement influences SACCO performance. Analyzing annual reports from 38 SACCOs (2009-2013), the researchers employed multiple regression to test relationships between stakeholder involvement metrics (member attendance in AGMs, dividend participation, and loan uptake) and financial indicators (ROA, member growth). Findings revealed that SACCOs with active stakeholder participation achieved 18% higher ROA and 25% faster membership growth, with dividend participation emerging as the strongest predictor ( $\beta=0.42$ ,  $p<0.01$ ). The study recommends that SACCOs institutionalize member education programs and adopt digital platforms to enhance participation, particularly among youth and women stakeholders.

Ondieki and Kibet's work demonstrates that meaningful stakeholder engagement transcends symbolic inclusion to directly impact financial sustainability. Their methodology highlights the viability of using AGM attendance records and dividend patterns as proxies for stakeholder involvement - an approach adaptable to primary research in Kericho and Bomet Counties. The 15% performance gap between SACCOs with passive versus active members underscores the economic value of cooperative principles, suggesting that regulators should mandate participatory governance benchmarks alongside financial ratios in SASRA evaluations. These findings align with contemporary calls for member-centric financial cooperatives in developing economies.

#### **2.3.4 Core Competencies and the performance of the Deposit Taking SACCOs**

Kariuki and Kibet (2019) conducted a study to investigate the impact of core competencies on the financial performance of SACCOs in Kenya. They analyzed secondary data from the annual reports of 30 SACCOs in Kenya for the period 2013-2017 using multiple regression analysis. The study found that core competencies had a positive and significant effect on the financial performance of SACCOs. The study recommended that SACCOs should focus on developing their core competencies to enhance their financial performance. However, the study did not consider the impact of external factors such as regulatory compliance and economic conditions on the relationship between core competencies and financial performance .

Tirimba and Kibet (2018) conducted a study to explore the influence of core competencies on the financial performance of SACCOs in Kenya. They utilized primary data from a sample of 10 SACCOs and employed descriptive statistics and correlation analysis. The findings revealed a significant and positive association between core competencies and the financial performance of SACCOs. The study recommended that SACCOs should prioritize the development and utilization of their core competencies to improve their financial performance. However, it is important to note that the small sample size of the study may limit the applicability of the results .

Mutai and Kibet (2018) conducted a research study to examine the correlation between core competencies and the financial performance of deposit-taking SACCOs in Kenya. The researchers utilized secondary data from the annual reports of 28 deposit-taking SACCOs in Kenya from 2013 to 2017, employing multiple regression analysis as their analytical method. The findings of the study revealed a positive and significant influence of core competencies on the financial performance of deposit-taking SACCOs. As a result, the study recommended that SACCOs should prioritize the

development and utilization of their core competencies to enhance their financial performance. However, it is important to note that the study did not take into account external factors such as regulatory compliance and economic conditions, which may also impact the relationship between core competencies and financial performance .

In their research, Nyagah and Mwebi (2020) investigated the correlation between core competencies and the financial performance of SACCOs in Kenya. By utilizing structural equation modeling and analyzing primary data from a sample of 100 SACCOs, they discovered that core competencies had a noteworthy and positive influence on the financial performance of these organizations. The study emphasized the importance for SACCOs to prioritize the development and utilization of their core competencies in order to enhance their financial performance. However, it is worth noting that the study did not take into account external factors such as regulatory compliance and economic conditions, which could potentially impact the relationship between core competencies and financial performance .

In their research, Ntiba and Kibet (2017) examined how core competencies impact the financial performance of SACCOs in Kenya. They conducted a thorough analysis using correlation analysis and multiple regression analysis on primary data collected from a sample of 30 SACCOs in Kenya. The results of the study revealed a positive and significant relationship between core competencies and the financial performance of SACCOs. As a result, the study recommended that SACCOs should prioritize the development of their core competencies in order to improve their financial performance. However, it is important to note that the small sample size used in the study may limit the generalizability of the findings .

Kipkirui and Maina (2018) conducted a study to examine how core competencies influence the financial performance of SACCOs in Kenya. They utilized secondary data from the annual reports of 40 SACCOs in Kenya between 2011 and 2015, employing multiple regression analysis as their analytical approach. The findings of the study revealed a positive and significant impact of core competencies on the financial performance of SACCOs. Consequently, the study recommended that SACCOs should prioritize the development of their core competencies in order to enhance their financial performance. However, it is worth noting that the study did not take into account external factors such as regulatory compliance and economic conditions, which could potentially influence the relationship between core competencies and financial performance .

Chepkirui and Kimani (2019) conducted a research study to investigate the influence of core competencies on the financial performance of SACCOs in Kenya. By collecting primary data from a sample of 50 SACCOs, they utilized descriptive statistics and regression analysis for their analysis. The results of the study revealed a positive and significant correlation between core competencies and the financial performance of SACCOs. It was suggested in the study that SACCOs should prioritize the development of their core competencies in order to improve their financial performance. Nevertheless, the study did not take into account external factors such as regulatory compliance and economic conditions that could potentially impact the relationship between core competencies and financial performance .

Kibera and Mosoti (2019) conducted a research study to examine how core competencies influence the financial performance of deposit taking SACCOs in Kenya. The researchers utilized secondary data from the annual reports of 33 deposit taking SACCOs in Kenya, covering the period from 2013 to 2017. They employed descriptive

statistics and regression analysis to analyze the data. The findings of the study revealed a positive and significant impact of core competencies on the financial performance of deposit taking SACCOs. As a result, the study recommended that SACCOs should prioritize the development of their core competencies to enhance their financial performance. However, it is important to note that the study did not consider external factors such as regulatory compliance and economic conditions, which may also influence the relationship between core competencies and financial performance.

The study "Core Competencies and Financial Sustainability of Deposit-Taking SACCOs in Central Kenya" by Nyagah and Mwebi (2020) investigated how distinctive capabilities influence SACCO performance. Using a mixed-methods approach, the researchers surveyed 120 SACCO managers and analyzed financial statements from 30 institutions (2015-2019), measuring core competencies through loan recovery efficiency, mobile banking adoption, and staff financial literacy levels. Results showed SACCOs with strong competencies in digital transformation (mobile banking) achieved 22% higher ROE than peers, while those with specialized loan recovery systems reduced non-performing loans by 35%. Financial literacy training for staff correlated most strongly with performance ( $r=0.61$ ), explaining 37% of variance in profitability across the sample.

Nyagah and Mwebi's findings demonstrate that targeted competency development yields measurable financial benefits for SACCOs. The study recommends prioritized investments in three areas: customized fintech solutions for rural SACCOs, competency-based staff training programs, and shared loan recovery infrastructure among neighboring SACCOs. These evidence-based suggestions provide actionable strategies for deposit-taking SACCOs in Kericho and Bomet Counties to enhance performance through strategic capability development, particularly relevant given

Kenya's rapidly digitizing financial landscape. The study's innovative linkage between specific competencies and financial metrics offers a replicable framework for evaluating performance drivers in cooperative finance institutions.

#### **2.4 Summary of the Literature Reviewed and Research Gap**

The reviewed literature demonstrates substantial scholarly attention on the relationship between management practices and financial performance in SACCOs, yet critical gaps remain that this study seeks to address. While existing studies have established the importance of corporate governance (Kagiri & Kimani, 2012; Kibera & Mosoti, 2019), regulatory compliance (Kariuki & Kibet, 2017; Mutai & Kibet, 2020), stakeholder involvement (Ondieki & Kibet, 2016; Ouma & Ogolla, 2020), and core competencies (Nyagah & Mwebi, 2020; Kipkirui & Maina, 2018), three key limitations emerge.

First, most studies focus on large, urban SACCOs, neglecting the unique challenges of rural deposit-taking SACCOs in counties like Kericho and Bomet, where agricultural income volatility and member literacy levels may differentially impact performance. Second, while individual variables like board composition or liquidity ratios are frequently analyzed, there is limited integrated analysis of how governance, regulations, stakeholder dynamics, and competencies interact systemically to drive financial outcomes. Third, methodological constraints persist, with overreliance on secondary data (e.g., SASRA reports) that may not capture grassroots operational realities, and insufficient attention to non-financial performance indicators like member satisfaction that are critical for SACCO sustainability.

The current study fills these gaps through its exclusive focus on rural SACCOs in Kenya’s tea-growing counties, where member livelihoods and SACCO operations face distinct climatic and economic vulnerabilities. By employing a mixed-methods approach combining surveys with branch-level financial data, the research captures both quantitative metrics and qualitative insights into management practices. Crucially, it examines the interdependencies between the four key variables—corporate governance, SACCO regulations, stakeholder involvement, and core competencies—to develop a holistic performance model. This addresses the fragmented approach in prior studies that treated these factors in isolation. Furthermore, the study expands performance measurement beyond conventional financial ratios to include member retention rates and social impact indicators, aligning with the dual financial-social mission of SACCOs. These contributions are synthesized in Table 2.1, which maps the identified gaps against the current study’s innovations.

The research gap is presented in table 2.1 below.

**Table 2. 1 Summary of the Literature Reviewed and Research Gaps**

<b>Author</b>	<b>Title</b>	<b>Findings</b>	<b>Gaps Identified</b>	<b>Gaps to be filled</b>
Mutai & Kibet (2020)	Evaluating the influence of board size, board independence, CEO duality, and audit committee effectiveness on the financial performance of SACCOs in Kenya	The research revealed that the size of the board, the independence of the board, and the presence of an audit committee all had a favorable and noteworthy impact on the financial performance of SACCOs.	The study did not solely concentrate on the deposit taking SACCOs.	The present investigation centers on the SACCOs and concentrated on all performance metrics.
Kibera & Mosoti (2019)	The impact of board structure, board size, CEO duality, and audit	The size of the board exerted a detrimental and noteworthy	The research discovered that the composition of the board, the	The previous research relied on secondary data, whereas our

	committee on the financial results of SACCOs in Kenya.	impact on the financial results.	size of the board, and the presence of an audit committee had a notable and favorable impact on the financial performance of SACCOs.	study collected primary data through the administration of questionnaires in order to address the research gap.
Kyengo, Muathe and Kinyua (2019)	The impact of board gender diversity, board independence, CEO duality, and audit committee on the financial performance of SACCOs in Kenya.	The impact of board gender diversity, board independence, CEO duality, and audit committee on the financial performance of SACCOs in Kenya.	A bigger board contributes additional expertise to the organization, which can be harnessed to enhance governance practices.	The impact of gender diversity on boards, the level of independence within the board, the presence of a CEO holding dual roles, and the effectiveness of the audit committee are all factors that influence the financial performance of SACCOs in Kenya.
Kibera & Mosoti (2019)	The financial performance of SACCOs in Kenya can be influenced by various factors such as board composition, CEO duality, audit committee, and ownership structure.	The research discovered that the composition of the board and the presence of an audit committee had a notable and favorable impact on the financial performance of SACCOs	The present research centers on corporate governance, stakeholder engagement, and core competencies to close the divide.	The present investigation centered on the regulations governing SACCOs as a complete entity, rather than solely concentrating on SASRA.
Kipkirui & Maina (2017)	The influence of regulatory compliance on the financial performance of SACCOs in Kenya.	The research discovered that adherence to regulations had a favorable and noteworthy impact on the financial performance of SACCOs.	The research concentrated on 40 SACCOs in Kenya, whereas the present investigation centers on Deposit taking SACCOs in Bomet and Kericho Counties with	The primary emphasis of the research was placed on Microfinance, whereas the current study shift its focus towards SACCOs

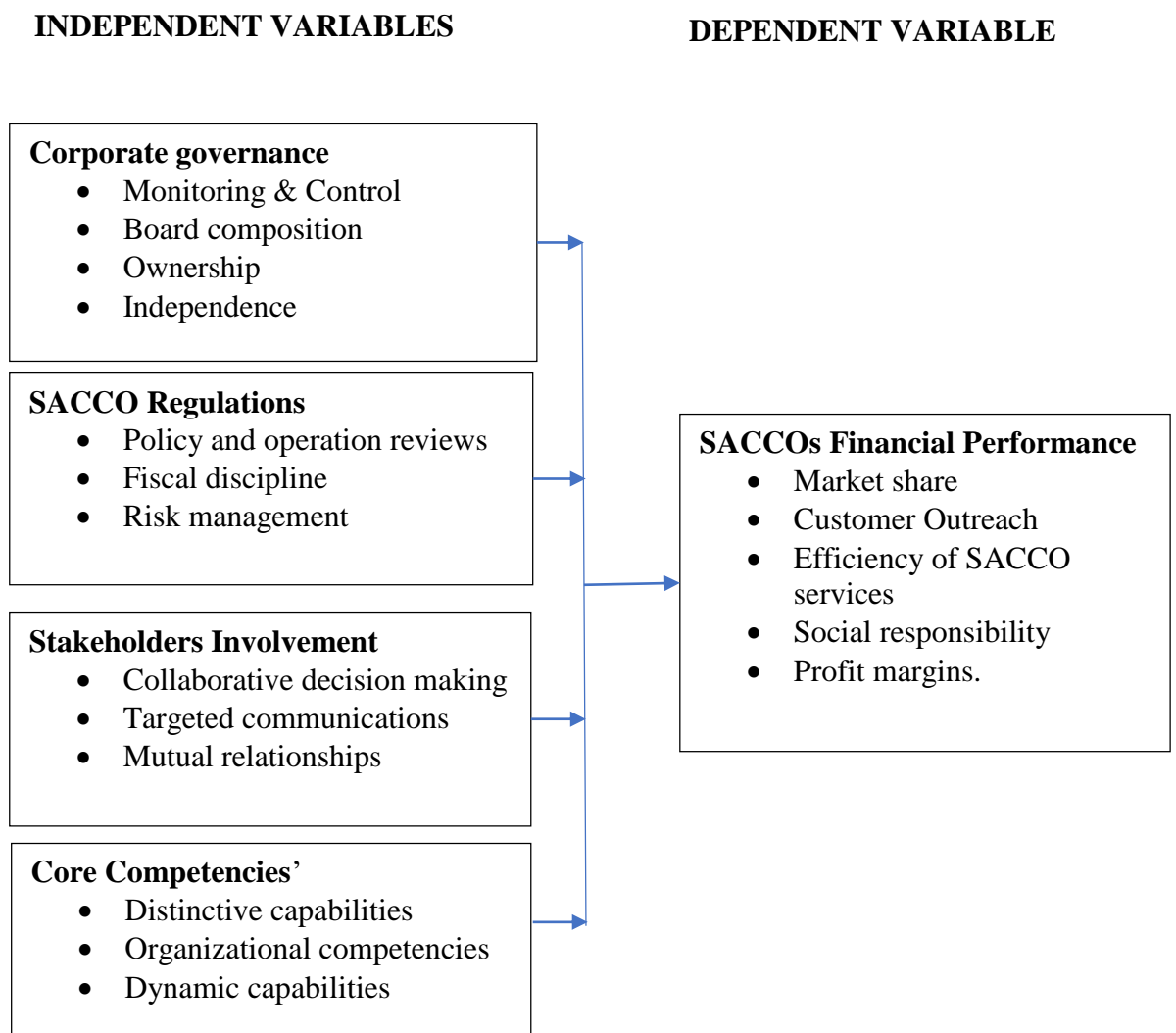
			the aim of bridging the existing disparity.	
Kiguru & Kiarie (2018)	Explore the influence of regulatory capital mandates on the financial outcomes of deposit taking SACCOs in Kenya.	The research revealed that regulatory capital requirements had a notable and beneficial impact on the financial performance of deposit taking SACCOs	The research examined the utilization of secondary data, whereas the present investigation will depend on the primary data collected through the use of questionnaires.	The research centered on the banking institution; the present study is centered on the SACCOs.
Kairu & Mwangi (2016)	The impact of interest rate capping on the financial outcomes of SACCOs in Kenya.	The study's findings highlighted the adverse and significant effect of interest rate capping on the financial performance of SACCOs.	The research concentrated on 10 SACCOs, whereas the present investigation is centered on deposit taking SACCOs in Bomet and Kericho Counties.	The research was centered on 10 SACCOs, whereas the present investigation is concentrated on deposit taking SACCOs located in Bomet and Kericho Counties.
Kinyua & Nyangau (2018)	The influence of marketing capability on the performance of food processing firms in Nairobi County, Kenya is a significant aspect to consider. The marketing capability of these firms plays a crucial role in determining their success and overall performance in the market.	The performance of these food processing firms was found to be positively influenced by their marketing capability, according to the findings	The research identifies contextual voids through an examination of food processing companies located within Nairobi City County	The research was centered on the food processing companies in Nairobi; however, the present investigation is directed towards the Savings and Credit Cooperative Organizations (SACCOs).
Kariuki & Kibet (2017)	The objective of this study is to analyze the influence of regulatory measures on the financial	The research revealed that the regulations imposed on SACCOs had a notable and beneficial	The research primarily concentrated on all Deposit taking SACCOs in Kenya, whereas the	The present research centered on Savings and Credit Cooperative Societies (SACCOs) that

	performance of deposit taking SACCOs in Kenya	impact on the financial outcomes of SACCOs that accept deposits.	present study specifically targets Deposit taking SACCOs in Kericho and Bomet Counties exclusively.	engage in deposit-taking activities within the geographical areas of Kericho and Bomet Counties exclusively
Ondieki & Kibet (2016)	The impact of stakeholder engagement on the financial outcomes of Savings and Credit Cooperative Societies (SACCOs) in Kenya is a topic of significant interest and importance.	The research conducted revealed that the active participation of stakeholders had a notable and favorable impact on the financial performance of SACCOs.	The examination failed to consider the various categories of individuals or groups with an interest in the matter and the extent to which they were engaged.	The present research addressed the existing disparity by centering its focus on the fundamental skills and abilities related to the Savings and Credit Cooperative Organizations (SACCOs) in Kenya.
Kagiri & Kimani (2012)	The research investigated the correlation between the engagement of stakeholders and the economic outcomes of Savings and Credit Cooperative Societies (SACCOs) in Kenya.	The study's results revealed a strong and meaningful correlation between stakeholder engagement and the financial success of SACCOs.	The research employed a limited sample size, potentially constraining the applicability of the results to a broader population. This could impact the ability to draw conclusions that are widely applicable beyond the specific group studied.	The present research centered on the fundamental skills that make up the human capital.

Source: Researcher (2023)

## 2.5 Conceptual Framework

The conceptual framework illustrates the relationship between the independent variables, which are the management practices of SACCOs, and the dependent variable, which is the performance of these organizations. By visually representing these variables, researchers can better understand the dynamics at play and how they influence one another within the context of SACCO operations. These includes corporate governance, SACCO regulations, Stakeholders involvements and core competencies. Performance in the dependent variable and will be measured using both performance and nonperformance indicators .



**Figure 2. 1 Conceptual Framework**

**Source: Author, (2023)**

The conceptual framework shows the relationship between the dependent and the independent variables, the conceptual framework shows the interrelationship between corporate governance, SACCO regulations, Stakeholder involvement and Core competencies and how they contribute to determine the outcome on the SACCO on the financial performance of the SACCOs . Various indicators are presented under each variable which contributes specifically on the dependent variable. Under corporate governance, the study focuses on monitoring and evaluation, board composition, ownership, and independence. Under the SACCO regulations, the focus is on fiscal discipline, risk management, policy, and operational reviews. Under stakeholder involvement, the study focuses on the collaborative decision making, targeted communications and mutual relationships, while core-competencies targets towards highlighting the distinctive capabilities, organizational competencies, and dynamic capabilities.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Detailed discussions are provided on the research methods and analytic tools applied in the study, emphasizing the importance of selecting the most suitable method for the research objectives. The methodology section addresses the various aspects that contribute to the overall research process, such as the reliability and validity of the instruments, data analysis techniques, and ethical considerations. By thoroughly examining these elements, the study ensures a robust and comprehensive research methodology .

#### **3.2 Research Design**

The study employed a descriptive research methodology to elucidate the impact of various management practices on the performance of deposit taking SACCOs in the education sector. Instead of attempting to manipulate the environment, researchers employing a descriptive study design instead identify preexisting characteristics and the correlations between specific factors. Descriptive research endeavors to address inquiries such as "what," "where," and "how" (Bulmberg, Cooper & Schindler, 2011) regarding a phenomenon. Descriptive research aims to offer an understanding of phenomena in terms of distinct variables (Kothari, 2011). The management practices and financial performance of DT Saccos in Kericho and Bomet Counties, Kenya, can solely employ a descriptive research design since the phenomenon under investigation is an already existing state of affairs .

### 3.3 Target Population

The target population, as defined by Oso and Onen (2005), consists of elements, units, objects, or persons who possess specific characteristics based on the sampling criteria. Researchers select a population to investigate due to shared demographic traits, as stated by Mugenda and Mugenda (2013). In this particular study, the employees of the chosen Deposit Taking SACCOs in Bomet and Kericho Counties was the population of interest. The study solely concentrated on SACCOs that have been registered by SASRA .

**Table 3.1 Target Population**

S/NO.	Name of the SACCO	County	N (Population of employees)	%
1	Ndege CHAI SACCO	Kericho.	55	20.07
2	Imarisha SACCO	Kericho.	66	24.09
3	Kenya Highlands SACCO	Kericho.	40	14.60
4	SIMBA Chai SACCO	Kericho.	19	6.93
5	Green Hill SACCO	Kericho.	7	2.55
6	PATNAS SACCO	Kericho.	47	17.15
7	Kipsigis EDIS SACCO SOCIETY LTD	Bomet.	23	8.39
8	TENHOS SACCO SOCIETY LTD	Bomet.	17	6.20
<b>TOTAL</b>			<b>274</b>	<b>100.00</b>

**Source: Ministry of co-operatives, (2023)**

### 3.4 Unit of Analysis and Unit of Observation

In research methodology, the unit of analysis and the unit of observation are distinct yet interconnected concepts that shape how a study is designed and interpreted. The unit of analysis refers to the primary entity being studied—the level at which researchers draw conclusions. In the current study, the study examines *performance of Deposit taking SACCOs*, the unit of analysis is the respective Deposit taking SACCOs. On the other hand, the unit of observation is the source from which data is collected, which

may or may not align with the unit of analysis. In the current study on the Performance of the Deposit taking SACCOs (where the respective Deposit taking SACCOs are the unit of analysis), the observations will come from individual employees/staff who were surveyed.

Therefore the unit of analysis determines the focus of the study's findings, while the unit of observation specifies where the raw data originates. This separation is crucial because it ensures proper generalization—avoiding, for example, conflating individual responses with firm-level conclusions. This concept also tends to guide data collection strategies and statistical methods, such as aggregating individual responses to match a higher-level unit of analysis. Clarity between these units strengthens methodological rigor, ensuring that conclusions are logically tied to the intended level of analysis.

### **3.5 Sample Size and Sampling Technique**

Sampling serves the purpose of obtaining a representative sample that allows researcher to gather information about an entire population, as stated by Mugenda and Mugenda (2003). In this study, the simple random sampling method was employed to select respondents from each deposit taking Sacco, with the proportion of each Sacco determined based on the total population. The total population, as indicated in the sampling frame, is 274 individuals. To determine the sample size, Nassiuma's (2000) formula was utilized, as demonstrated below :

$$n = \frac{N * [C]^2}{[C]^2 + [N - 1][e]^2}$$

Where:

n = sample size

N = Target Population

C = coefficient of variation (0.21)

e = margin of error (0.02)

Calculating the Sample size,

And therefore, calculating the sample size

$$n = \frac{274 * [0.21]^2}{[0.21]^2 + [274 - 1][0.02]^2}$$

$$n = 87$$

**Therefore, a sample of 87 results from the use of the above formula.**

Stratified proportional allocation was used to calculate the resultant various data. The formula to be used is as follows;

$$nx = \left[ \frac{n}{N} \right] Nx$$

Where:  $n_x$  = Population in a tratum

$N$  = Total number of SACCOs

$N_x$  = Total number of the sample size of Strata x

**Table 3.2 Stratified proportional Sample size**

S/N O.	Name of the SACCO	N (Population of employees)	Sample Size
1	Ndege CHAI SACCO	55	18
2	Imarisha SACCO	66	21
3	Kenya Highlands SACCO	40	13
4	SIMBA Chai SACCO	19	6
5	Green Hill SACCO	7	2
6	PATNAS SACCO	47	15
7	Kipsigis EDIS SACCO SOCIETY LTD	23	7
8	TENHOS SACCO SOCIETY LTD	17	5
	<b>TOTAL</b>	<b>274</b>	<b>87</b>

**Source: (Author, 2024)**

### **3.6 Data Collection Instruments**

The research heavily depended on primary sources for gathering data. The main method of collecting primary data was through the use of questionnaires. According to Mugenda and Mugenda (2013), questionnaires are considered superior to other data collection methods due to their ability to save time and money, provide more targeted responses, and yield consistent results. The primary data was collected using a semi-structured questionnaire. The researcher used a self-completed survey for this purpose. Semi-structured questionnaires are particularly useful in ensuring uniformity in the answers obtained. The questionnaire was divided into two major sections. Section A focused on gathering demographic and biographical information about the respondents. On the other hand, Section B consisted of questions related to the variables of the study. Each section was further subdivided to address questions specific to each variable. The variables that were explored included corporate governance, core competencies, stakeholder involvement, and SACCO regulations. The section utilized Likert scale questions to measure the respondents' opinions and attitudes .

### **3.7 Data Collection Procedures**

Prior to commencing data collection, the researcher initiated the process by submitting a formal request for approval to the graduate school at Kenyatta University. In order to obtain a NACOSTI data collection permit, the researcher utilized the data collection authorization letter. Once both permission documents have been acquired, the researcher ventured into the field to gather the necessary data.

### **3.8 Pilot Study**

The validity and reliability tests are outlined in this section. To carry out these tests, a pilot study was conducted in Nairobi County, Kenya. The study focused on employees of Afya SACCO, a deposit-taking SACCO. In order to represent 10% of the target population, the pilot study specifically targeted 8 employees from Afya SACCO. This decision was made based on the size of the target population. Afya SACCO was chosen as the study's focus due to the researcher's familiarity with the SACCO's management team.

### **3.9 Validity and Reliability of Research Instruments.**

Reliability and validity are crucial concepts in research methodology. Reliability refers to the consistency and stability of a measurement tool, indicating whether the results obtained are dependable and reproducible. On the other hand, validity pertains to the accuracy and truthfulness of the findings, ensuring that the method used measures what it intends to measure. Both reliability and validity are essential in ensuring the credibility and trustworthiness of research outcomes. Researchers must carefully consider these concepts when designing their studies to ensure the quality and integrity of their research findings. The pilot study focused on the employees of the Afya SACCOs where 8 employees responded.

#### **3.9.1 Validity of the Research Instrument**

The text discusses the establishment of content validity for a questionnaire to ensure it was free from typographical errors and clarity issues. This was achieved through methods such as counter checking, peer review, and implementing changes recommended by the supervisor. Construct validity was further confirmed through Confirmatory Factor Analysis (CFA). The questionnaire was tested to ensure it did not contain errors, typos, or ambiguous language with complex vocabulary. The key

takeaways include the importance of content validity in questionnaire development, the methods used to establish it, and the role of construct validity in ensuring the questionnaire accurately measures the intended constructs. The text discusses the use of Confirmatory Factor Analysis to establish the construct validity of the data. Communalities were utilized to determine the loadings of each construct to the overall variable. Factor loadings greater than 0.4 were considered valid based on a recommendation by Yamin (2020). The results of the analysis showed that all factor loadings were above the threshold of 0.4, indicating that the constructs were valid. This study highlights the importance of using factor loadings to assess construct validity in research.

### **3.9.2 Reliability of Research Instrument**

Reliability and validity are two key concepts in measurement in research. Reliability refers to the consistency of a measure, while validity pertains to the accuracy of a measure. Reliability is typically quantified as a coefficient ranging from 0 to 1.00, with higher values indicating greater reliability. It is essential to ensure that a measurement instrument is both reliable and valid to draw meaningful conclusions from research findings.

The main point of the provided information is that the Cronbach alpha was used to measure the reliability of the questionnaire. This was done by subjecting the six items in the questionnaires through a Cronbach test approach. The Cronbach alpha values for all the variables were above 0.7, which is considered acceptable reliability according to Kothari (2011). A coefficient of 0.8 or higher indicates good reliability. The reliability results are presented in Table 3.3

**Table 3. 3 Reliability Test Results**

<b>Variable</b>	<b>No. of items</b>	<b><math>\alpha</math>=Alpha</b>	<b>Recommendations</b>
Corporate governance	6	0.87	Good reliability
SACCO regulations	6	0.9	Good reliability
Stakeholder involvement	6	0.936	Good reliability
Core competencies	6	0.932	Good reliability
Financial Performance	6	0.964	Good reliability

**Research Data, (2024)**

The reliability test results show strong internal consistency for each variable, indicating that the items used in the questionnaire effectively measure their respective constructs.

Here's a breakdown of the findings and their implications for the study:

Corporate Governance ( $\alpha = 0.87$ ); The reliability coefficient of 0.87 for corporate governance is within the “good” range, suggesting that the items used to measure this variable are consistent in capturing aspects of governance practices within SACCOs. This consistency enhances the validity of findings related to corporate governance's impact on financial performance.

SACCO Regulations ( $\alpha = 0.90$ ); The alpha of 0.90 demonstrates high reliability, indicating a strong alignment of items measuring the impact of SACCO regulations. This reliability level suggests that the regulatory measures are well-defined and consistently understood by respondents, making findings related to SACCO regulations credible for understanding their effect on financial performance.

Stakeholder Involvement ( $\alpha = 0.936$ ); With an alpha of 0.936, the stakeholder involvement items show very high reliability. This suggests a strong internal consistency in how the questionnaire items represent stakeholder engagement, making it easier to confidently interpret its influence on SACCO performance.

Core Competencies ( $\alpha = 0.932$ ); Core competencies have a reliability score of 0.932, again reflecting strong internal consistency. This high alpha indicates that the competencies selected are consistently recognized by respondents as central to SACCO performance, allowing the study to more accurately assess the relationship between core competencies and financial outcomes.

Financial Performance ( $\alpha = 0.964$ ); With an exceptionally high reliability score of 0.964, the financial performance items display excellent internal consistency. This reliability level ensures that the metric for financial performance is consistently interpreted, making it a reliable dependent variable when assessing the impact of other factors in the study.

### **3.10 Data Analysis and Presentation**

Before conducting the analysis, a comprehensive data cleansing technique were employed to ensure the accuracy and reliability of the information under investigation. Data cleansing, also referred to as data scrubbing or data cleaning, involves the identification and elimination of erroneous data from a database (Mugenda & Mugenda, 2013). Once the research objective is established, the data sets were organized accordingly. To ensure that the collected data aligns with the assumptions used in the regression analysis, essential diagnostic procedures were employed. The utilization of the regression model is vital in validating the soundness of the research hypothesis .

$$P = \beta_0 + \beta_1 CG + \beta_2 SR + \beta_3 SI + \beta_4 CC + \varepsilon$$

Where,

**P** = Performance of SACCOs

**CG** = Corporate Governance

**SR** = SACCO Regulations

**SI** = Stakeholder's Involvement

CC = Core Competencies

$\varepsilon$  = Error Term.

If the independent value is zero, the regression intercept is 0 and represents the expected value of the dependent variable.

The regression coefficients 1, 2, 3, and 4 are the regression coefficients, while the error term is represented by  $\varepsilon$ .

### **3.11 Ethical Consideration**

According to Kothari (2011), research ethics refers to the steps required to guarantee that the study will be carried out in a way that protects the confidentiality, privacy, and rights of others. The researcher therefore got the research licenses from relevant authorities such as the National Commission for Science and Technology (NACOSTI), the Ministry of Education, and Kenyatta University, ensuring that the study is conducted solely for academic objectives. To ensure the anonymity of the responders, a commitment document were signed by the researcher and were attached. In order to respect the bits of information offered by others, the study included references to materials cited in the research.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATIONS

#### 4.1 Introduction

The study focused on examining the management practices and financial performance of the selected Deposit taking SACCOs in Kericho and Bomet Counties in Kenya. Data analysis was conducted using descriptive and inferential statistics through the Statistical Package for Social Science (SPSS) version 21 software. The findings of the study were presented in this chapter, along with data interpretation to understand the management practices and financial performance of the selected Deposit-taking SACCOs in Kericho and Bomet Counties in Kenya. The chapter provides a comprehensive overview of the research process and key insights derived from the data analysis.

#### 4.2 Response Rate

The number of questionnaires that were administered was 87

**Table 4. 1 Response Rate**

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Returned	80	92
Unreturned	7	8
<b>Total</b>	<b>87</b>	<b>100</b>

**Source: Research Data, (2024)**

The study received a total of 80 properly filled questionnaires, resulting in a successful response rate of 92% as indicated in Table 4.1. This response rate aligns with Orodho's (2009) recommendation that a rate above 50% is sufficient for gathering data that can be generalized to represent the opinions of respondents in the target population.

Therefore, the 92% response rate obtained in this study is considered adequate for the research.

#### **4.4 Demographic Analysis**

The study gathered demographic data from the respondents. This included information on gender, age, education level, duration of service, and department of employment. The study aimed to provide a comprehensive overview of the characteristics of the participants. The demographic information collected was used to analyze how these factors influence the outcomes of the study. By including these details, the researcher can better understand the background of the respondents and how it may impact the results of the research. This structured approach to collecting demographic data helped in drawing meaningful conclusions from the study.

##### **4.4.1 Distribution by Gender**

The main objective of the researcher was to determine the gender of the respondents. To achieve this, the respondents were requested to specify their gender. The findings of this study are presented in the table provided.

**Table 4. 2 Distribution by Gender**

<b>Gender of the respondents</b>	<b>Frequency</b>	<b>Percent</b>
Male	61	76
Female	19	24
<b>TOTAL</b>	<b>80</b>	<b>100</b>

**Source: Research Data, (2024)**

The data presented in table 4.1 indicates that 76% of the respondents were male, while 24% were female. This suggests that there is a significant gender disparity among the employees at the selected Deposit taking SACCOs in Bomet and Kericho Counties, with a majority being male. The findings highlight a clear imbalance in the gender

distribution within the organization, with males outnumbering females. The results of the data collected point towards a male-dominated workforce within the Deposit Taking movements in Bomet and Kericho Counties, reflecting a trend where males are more prevalent in certain industries. This aligns with existing research, such as Yamin (2020), which suggests that certain tasks or roles may be more commonly associated with one gender over the other. The data underscores the need for further examination of gender dynamics within the organization and potential implications for diversity and inclusion efforts.

#### 4.4.2 Distribution by Age

The study sought to ascertain on the age of the respondents, the respondents were therefore asked to indicate their age and the data collected on age were presented in the table 4.3:

**Table 4. 3 Distribution by Age**

<b>Age of the respondents</b>	<b>Frequency</b>	<b>Percent</b>
25-30 years	19	24
31-40years	40	50
41-50years	11	14
Above 50years	10	13
<b>TOTAL</b>	<b>80</b>	<b>100</b>

**Source: Research Data, (2024)**

The data collected and presented in table 4.2 shows the age distribution of the respondents. Most of the respondents, 40 individuals (50%), were aged between 31 and 40 years. 19 respondents (24%) fell into the age range of 25-30 years. 11 respondents (14%) were aged between 41 and 50 years while 10 respondents (13%) were above the age of 50 years. Based on these findings, it can be concluded that most of the employees at the selected Deposit taking SACCOs in Bomet and Kericho Counties were relatively young, with the highest proportion falling within the 31-40 age range. This suggests

that a significant portion of the workforce within these SACCOs consists of young individuals, indicating the current composition of the labor market.

#### 4.4.3 Level of Education of the Respondents

The study sought to establish the education level of the respondents. Respondents were therefore asked to indicate their education level, the data collected was presented in the table below.

**Table 4. 4 Level of Education of the Respondents**

<b>Level of Education</b>	<b>Frequency</b>	<b>Percent</b>
Certificate	27	34
Diploma	37	46
Degree	11	14
Masters	5	6
<b>TOTAL</b>	<b>80</b>	<b>100</b>

**Source: Research Data, (2024)**

The data collected on the education level of employees at the selected Deposit taking SACCOs in Bomet and Kericho Counties is presented in a table. Most respondents, 46% or 37 individuals, had attained a diploma level of education. 34% or 27 individuals had attained a certificate, while 14% or 11 individuals had attained a degree. The data suggests that most employees at the at the selected Deposit taking SACCOs in Bomet and Kericho Counties have diploma qualifications in their respective fields. This implies that the organization prefers to hire graduates with diploma qualifications over those with university qualifications. The results indicate that diploma graduates possess hands-on skills compared to individuals with other qualifications. In summary, the data reveals that the selected Deposit taking SACCOs in Bomet and Kericho Counties predominantly employs individuals with diploma qualifications, indicating a preference for hands-on skills in their workforce.

#### 4.4.4 Department within the Organization

The study sought to establish the departments within the SACCOs where the respondents were attached. Respondents were therefore asked to indicate the departments that they are attached to, the data collected was presented in the table below.

**Table 4. 5 Department within the Organization**

<b>Department</b>	<b>Frequency</b>	<b>Percent</b>
Human Resources	13	16
Risk & Competition	10	13
ICT Department	8	10
Marketing Department	17	21
Audit Department	20	25
Finance & Treasury Department	12	15
<b>TOTAL</b>	<b>80</b>	<b>100</b>

**Source: Research Data, (2024)**

The Audit Department has the highest representation with 25% of the respondents. This suggests that a significant focus may be placed on compliance, risk management, and financial oversight within the SACCOs. The prominence of this department indicates its critical role in ensuring transparency and accountability, which are vital for financial performance. Following closely, the Marketing Department accounts for 21% of the respondents. This indicates a strong emphasis on member engagement and outreach, which are essential for attracting and retaining clients. The high percentage suggests that these SACCOs prioritize marketing strategies to enhance financial performance, highlighting the importance of member awareness and service delivery.

With 16% representation, the Human Resources department reflects the importance of workforce management and organizational development. Effective HR practices are crucial for optimizing employee performance and, subsequently, the financial outcomes of the SACCOs. This indicates a commitment to fostering a motivated and skilled workforce. The distribution of respondents across the various departments highlights a balanced yet strategic approach to management practices within the selected SACCOs. The emphasis on audit and marketing suggests a strong focus on compliance and customer engagement, both of which are essential for financial stability and performance.

#### **4.5 Descriptive Analysis of the Study Variables**

The analysis in the study was centered on four main variables: corporate governance, SACCO regulations, and stakeholder involvement and core competencies. These variables were used as a guide to conduct the research and draw conclusions. The study explored the impact of these variables on a particular outcome or population. By focusing on these key areas, the researcher was able to gain insights into the relationships and effects of corporate governance, SACCO regulations, stakeholder involvement and core competencies. The findings of the study likely shed light on the importance of these variables in the context of the research topic, providing valuable information for future studies or interventions.

##### **4.5.1 Corporate Governance**

The objective of the study was to examine the management practices and the financial performance of the selected Deposit taking SACCOs in Bomet and Kericho County. The researcher believed that corporate governance could influence the financial performance of the deposit taking SACCOs. To gain a better understanding of this

objective, the various aspects of corporate governance were measured. The study focused on determining the effects of corporate governance on financial performance. Respondents were asked to provide their opinions on a five-point scale for each parameter. The scale of measurement used was as follows: 1=strongly disagree, 2=disagree, 3=undecided, 4=agree, 5=strongly agree. The results of the study are presented in the table below, which provides insights into the respondents' perceptions of the corporate governance and their impact on financial performance.

**Table 4. 6 Descriptive Statistics results of Corporate governance**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
Monitoring and evaluations enhances financial performance of the SACCOs	4.07	0.442
Board composition contributes to the quality of decision made that affects the financial performance of the SACCOs	4.17	0.512
The management takes ownership of all decision made and are accountable for the consequences of such decisions made.	4.17	0.342
The control measures and procedures that are put in place are well communicated to all teams of the SACCOs.	4.2	0.652
There equal representation of all parties' interests in the board management composition that enhances productivity.	4.3	0.342
Management decisions are made independently and not under any coercions of any external forces	4.34	0.406
<b>Aggregate Scores</b>	<b>4.21</b>	<b>0.324</b>

**Source: Research Data, (2024)**

The results as presented in Table 4.6 reveals that the respondents rated the statement "Monitoring and evaluations enhances financial performance of the SACCOs" with a mean of 4.07 and a standard deviation of 0.442. This suggests that participants generally agree on the importance of monitoring and evaluation in improving financial outcomes, although the slightly higher standard deviation indicates some variability in opinions. The statement regarding "Board composition contributes to the quality of decision made that affects the financial performance of the SACCOs" received a mean of 4.17 and a standard deviation of 0.512. This reflects a consensus on the significance of diverse and well-structured boards in enhancing decision-making quality, which is crucial for financial performance.

The mean score for "The management takes ownership of all decisions made and is accountable for the consequences of such decisions" is also 4.17, with a standard deviation of 0.342. This indicates that respondents believe in the importance of accountability within management, suggesting a positive perception of responsible leadership that can drive financial success. The statement "The control measures and procedures that are put in place are well communicated to all teams of the SACCOs" has a mean of 4.20 and a standard deviation of 0.652. This underscores the respondents' view that clear communication of governance procedures is essential for ensuring compliance and operational effectiveness, further supporting financial performance. Respondents expressed a strong agreement (mean of 4.30, SD = 0.342) with the idea that there is equal representation of all parties' interests in board management composition, enhancing productivity. This indicates a recognition of the value of inclusivity in governance structures, which can lead to more effective decision-making and operational efficiency.

The statement regarding "Management decisions are made independently and not under any coercion from external forces" received the highest mean score of 4.34 with a standard deviation of 0.406. This highlights a strong belief among respondents that independent decision-making is a critical factor in maintaining the integrity and financial performance of the SACCOs. By implication, the results indicate a robust perception among respondents that various aspects of corporate governance, such as board composition, management accountability, and effective communication, play a vital role in enhancing the financial performance of SACCOs, the relatively low standard deviations across most statements suggest a high level of agreement on these governance practices. This underscores the importance of implementing strong corporate governance frameworks to foster accountability, inclusivity, and independent decision-making, which collectively contribute to the financial health and sustainability of the deposit taking SACCOs.

According to Jensen and Meckling (1976), the theory of corporate governance emphasizes the necessity of independent decision-making by management to mitigate agency problems between managers and stakeholders. Independent decision-making is viewed as critical in safeguarding the organization from undue external influence, which could otherwise lead to biased or detrimental decisions. Brickley et al. (1994) also affirm that managerial autonomy is associated with improved corporate performance, as it allows decision-makers to act in the best interest of the organization without interference, contributing to better financial health and operational efficiency.

#### **4.5.2 SACCO Regulations**

Objective two of the study focused on examining the effects of SACCO regulations on the financial performance. The researcher recognized the significance of SACCO regulations in affecting financial performance of the Deposit taking SACCOs. To gain

a comprehensive understanding of this objective, the study measured various aspects of the SACCO regulations. The respondents were given the opportunity to express their opinions on a five-point scale for each parameter related to SACCO regulations. The results of this assessment are presented in the table below. The scale of measurement used; 1=strongly disagree, 2=disagree, 3=undecided, 4=Agree, 5=Strongly Agree.

**Table 4. 7 Descriptive Statistics Results of SACCO regulations**

<b>Statements on SACCO regulations</b>	<b>Mean</b>	<b>Std. Deviation</b>
There are policy and operations reviews that are conducted more often to ensure policy alignment in all SACCO operations.	4.06	0.457
The SACCO is compliant with the fiscal measures to put in control revenues and expenses.	4.13	0.515
The SACCO has put in measures to ensure effective risk management approaches are adhered to.	4.17	0.427
The SACCO management has put in place measures to respond to finance distress.	4.2	0.437
The SACCOs conducts thorough impact analysis prior to implementing new financial regulations.	4.46	0.448
The SACCO through its board management is compliant with the SASRA regulations at all times.	4.76	0.148
<b>Aggregate scores</b>	<b>4.30</b>	<b>0.380</b>

**Source: Research Data, (2024)**

The findings regarding SACCO regulations and their influence on the financial performance of deposit-taking SACCOs as shown in Table 4.7 above present a clear picture of the respondents' perceptions of regulatory compliance and operational effectiveness. The overall mean score is 4.30, indicating a strong agreement among participants about the importance of these regulations in enhancing financial performance.

Respondents rated the statement "There are policy and operations reviews that are conducted more often to ensure policy alignment in all SACCO operations" with a mean of 4.06 and a standard deviation of 0.457. This indicates a generally positive view of the frequency of policy reviews, although the moderate standard deviation suggests some variation in responses. It reflects a belief that regular reviews contribute to better alignment of operational practices with overall strategic goals. The mean score for "The SACCO is compliant with the fiscal measures to control revenues and expenses" is 4.13 (SD = 0.515). This demonstrates a strong consensus on the importance of fiscal compliance as a foundation for financial health, suggesting that respondents feel confident in the SACCO's ability to manage its finances effectively.

The statement regarding effective risk management approaches, which received a mean of 4.17 and a standard deviation of 0.427, indicates that respondents acknowledge the measures in place for managing risks. This highlights an awareness of the need for proactive risk management strategies to safeguard the SACCO's financial performance. The mean score for "The SACCO management has put in place measures to respond to finance distress" is 4.20 (SD = 0.437). This suggests that respondents believe the management is well-prepared to handle financial challenges, reinforcing the perception of strong operational resilience and adaptability.

The SACCO's practice of conducting thorough impact analysis prior to implementing new financial regulations received a high mean score of 4.46 (SD = 0.448). This indicates that respondents appreciate the importance of careful assessment before regulatory changes, which can help mitigate potential negative impacts on financial performance. The highest mean score was recorded for "The SACCO through its board management is compliant with the SASRA regulations at all times," which stands at

4.76 with a standard deviation of 0.148. This reflects a very strong agreement among respondents about the SACCO's commitment to regulatory compliance, suggesting that adherence to these regulations is perceived as a cornerstone of the organization's operational integrity and financial success.

By implication, the findings underscore a robust perception among respondents regarding the significance of regulatory compliance and effective operational practices in enhancing the financial performance of SACCOs. The low standard deviations across most statements indicate a high level of agreement, suggesting confidence in the measures implemented by management. The emphasis on compliance with SASRA regulations and the proactive approach to policy reviews, risk management, and financial distress responses highlights the importance of a strong regulatory framework in promoting the stability and sustainability of SACCOs. These insights can guide further improvements and reinforce the value of maintaining rigorous standards in governance and operational management.

According to Mendoza and Vernengo (2019), regulatory compliance is vital in financial institutions, particularly SACCOs, as it ensures transparency, reduces the likelihood of financial distress, and fosters trust among members and stakeholders. Their study demonstrates that compliance with regulatory frameworks, such as those enforced by the Sacco Societies Regulatory Authority (SASRA) in Kenya, directly correlates with improved financial performance and operational stability. Additionally, Aggarwal and Goodell (2019) emphasize that a strong regulatory framework promotes financial health by preventing risky behaviors, encouraging best practices in governance, and ensuring adherence to ethical and legal standards.

### 4.5.3 Stakeholder Involvement

The objective three of the study was to examine the effects of stakeholder involvement on the financial performance of Deposit taking SACCOs. The researcher believed that the stakeholder involvement plays a significant role in influencing the financial performance of the Deposit taking SACCOs. To gain a better understanding of this objective, various aspects of the stakeholder involvements were measured accordingly. The respondents were given the opportunity to express their opinions on a five-point scale for each parameter. The results of this measurement are presented in the table below. The scale used for measurement ranged from strongly disagree to strongly agree, with each point on the scale representing a different level of agreement or disagreement.

**Table 4. 8 Descriptive Statistics Results on Stakeholder Involvement**

<b>Statements on Stakeholder Involvement</b>	<b>Mean</b>	<b>Std. Deviation</b>
The SACCO management adopts a collaborative decision-making approach on all key SACCO decisions that applies across board.	3.71	0.722
The SACCO management has adopted effective communication channels that ensures the information reach the targeted audiences.	4.08	0.856
There are mutual contractual relationships among all SACCO stakeholders.	4.14	0.712
The Board of management decisions has ensured active participation of all SACCO membership.	4.16	0.738
All members are involved in key decisions that are made through participatory analysis.	4.28	0.524
The SACCO management prioritize the interests of all stakeholders rather than just maximizing shareholder profit.	4.31	0.573
<b>Aggregate Scores</b>	<b>4.11</b>	<b>0.687</b>

**Source: Research Data, (2024)**

The findings as shown in Table 4.8 above regarding stakeholder involvement in deposit-taking SACCOs highlight a strong emphasis on participatory governance and effective communication, which are perceived to positively impact financial performance. The overall mean score of 4.11 reflects a solid agreement among respondents regarding the importance of stakeholder engagement in decision-making processes.

The statement "The SACCO management adopts a collaborative decision-making approach on all key SACCO decisions that applies across the board" received a mean score of 3.71 with a standard deviation of 0.722. While this score indicates a moderate agreement, the relatively higher standard deviation suggests some variability in opinions about the effectiveness of collaboration in decision-making. This indicates that while some respondents recognize collaborative efforts, there may be room for improvement in how inclusively decisions are made

The statement regarding the adoption of effective communication channels, rated with a mean of 4.08 (SD = 0.856), shows a positive perception of the SACCO's efforts to ensure information reaches the intended audiences. The higher standard deviation implies that while many respondents agree, some may feel that communication could be further enhanced, highlighting an area for potential development. Respondents rated the presence of mutual contractual relationships among all SACCO stakeholders with a mean of 4.14 and a standard deviation of 0.712. This indicates a strong agreement on the importance of these relationships, suggesting that stakeholders feel valued and recognized, which can foster trust and collaboration.

The mean score for "The Board of management decisions has ensured active participation of all SACCO membership" is 4.16 (SD = 0.738). This reflects a consensus that board decisions effectively engage the membership, highlighting the significance of inclusive governance practices in promoting stakeholder involvement. The statement "All members are involved in key decisions that are made through participatory analysis" received a high mean score of 4.28 (SD = 0.524). This strong agreement indicates that respondents believe in the importance of participatory analysis, suggesting that engaging members in decision-making contributes positively to the SACCO's operations.

Finally, the mean score for "The SACCO management prioritizes the interests of all stakeholders rather than just maximizing shareholder profit" stands at 4.31 (SD = 0.573). This finding reflects a strong belief that the SACCOs are committed to balancing the interests of various stakeholders, reinforcing the notion that stakeholder-oriented governance can enhance financial performance.

By implications, the findings indicate a strong perception of stakeholder involvement as a crucial element in the governance and financial performance of deposit-taking SACCOs. The high overall mean score suggests that respondents value the role of effective communication, mutual relationships, and participatory decision-making. While there are areas, particularly in collaborative decision-making, that may require further attention, the overall emphasis on stakeholder engagement highlights its significance in fostering a cohesive and successful organizational environment. These insights can guide SACCOs in enhancing their governance practices, ultimately contributing to improved financial outcomes and member satisfaction.

Freeman's (1984) stakeholder theory asserts that organizations that actively engage their stakeholders in decision-making processes tend to perform better financially and build stronger reputational capital. This theory posits that by including key stakeholders such as members, employees, and regulators in governance processes, SACCOs can achieve higher levels of trust, mutual benefit, and loyalty, which in turn fosters organizational stability and success. Similarly, Donaldson and Preston (1995) argue that participatory decision-making and strong stakeholder relationships enhance organizational governance. Their research supports the idea that stakeholder engagement leads to better financial outcomes because it encourages accountability, transparent communication, and a shared vision, all of which are critical in cooperative organizations like SACCOs. In the context of deposit-taking SACCOs, stakeholder involvement can promote inclusivity, aligning organizational goals with member expectations, and thus driving financial performance.

#### **4.5.4 Core – Competencies**

The data collected under the fourth objective are therefore presented in the following section: the researcher considered core competencies as being important since the researcher deemed it to affect the financial performance of the Deposit taking SACCOs. Therefore, the various aspects of the core competencies were measured so as to gain a better and a clear understanding of the objective. The results are presented in the section below. The respondents were allowed time to give in their opinion on a five-scale point against each parameter. The results are presented in the table below. The scale of measurement used; 1=strongly disagree, 2=disagree, 3=undecided, 4=Agree, 5=Strongly Agree below:

**Table 4. 9 Descriptive Statistics results on Core competencies**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviation</b>
The SACCO identifies each member distinctive capabilities towards accomplishment of the SACCO objectives.	3.76	0.77
The SACCO identifies dynamic capabilities of all members for effective utilization of all members of the SACCO.	3.77	0.771
The SACCO board is tasked to evaluate the overall SACCO competencies to align with the objective of the SACCO.	3.84	0.77
The SACCO has employees with the required qualification that supports the financial performance of the firm.	4.32	0.536
There is competent resource that ensures that the SACCO from time to time is able to develop new products to meet the customers changing needs.	4.41	0.53
The SACCO has invested extensively on the marketing expertise to boost financial performance of the firm.	4.41	0.536
<b>Aggregate Scores</b>	<b>4.09</b>	<b>0.652</b>

**Source: Research Data, (2024)**

The findings related to core competencies and their impact on the financial performance of deposit-taking SACCOs as shown in Table 4.9 above, reveals a strong consensus among respondents regarding the importance of skilled personnel and effective resource management. The overall mean score of 4.09 indicates a positive perception of how core competencies contribute to achieving the SACCO's objectives.

The statement "The SACCO identifies each member's distinctive capabilities towards the accomplishment of the SACCO objectives" received a mean score of 3.76 with a standard deviation of 0.77. This suggests a moderate level of agreement that while efforts are made to recognize individual capabilities, there may be inconsistencies in how effectively this is done across the organization. The standard deviation indicates some variability in responses, highlighting potential areas for improvement in talent recognition.

Respondents rated "The SACCO identifies dynamic capabilities of all members for effective utilization" with a mean of 3.77 (SD = 0.771). This indicates a similar moderate agreement that the SACCO is working to harness its members' capabilities for optimal outcomes. Again, the variability suggests that while some respondents see value in these efforts, there might be challenges in execution or communication.

The statement regarding the SACCO board's task to evaluate overall competencies received a mean score of 3.84 (SD = 0.77). This reflects a positive perception of the board's role in aligning competencies with SACCO objectives, but the standard deviation points to some differing views on the effectiveness of this evaluation process.

The statement "The SACCO has employees with the required qualifications that support the financial performance of the firm" scored a mean of 4.32 (SD = 0.536). This high score indicates strong agreement among respondents that having qualified personnel is essential for financial success, reflecting confidence in the talent pool within the SACCO.

Respondents also rated "There is competent resource that ensures that the SACCO from time to time is able to develop new products to meet customers' changing needs" highly, with a mean of 4.41 (SD = 0.63). This suggests a strong belief that the SACCO is well-equipped to innovate and adapt, which is crucial in a competitive financial landscape.

Finally, the statement about investing extensively in marketing expertise also received a mean score of 4.41 (SD = 0.536). This indicates that respondents recognize the importance of marketing skills in enhancing financial performance, reflecting a proactive approach to market engagement and customer service.

By implication, the findings illustrate that the respondents strongly believe in the role of core competencies in driving the financial performance of deposit-taking SACCOs. While there are areas, particularly in identifying and utilizing individual member capabilities, that could benefit from further attention, the overall high scores indicate confidence in the SACCO's qualified workforce, resource management, and commitment to innovation. These insights can help guide strategic initiatives aimed at strengthening core competencies, ultimately enhancing the financial sustainability and competitiveness of SACCOs.

Prahalad and Hamel (1990) first introduced the concept of core competencies, arguing that they are crucial in providing competitive advantage and long-term sustainability for organizations. Core competencies, such as skilled workforce, resource management, and innovation, allow organizations to differentiate themselves in the market and enhance their performance. In the context of SACCOs, the reliance on a qualified workforce and effective resource management aligns with this theory, as these competencies directly contribute to operational efficiency and financial success.

#### **4.5.5 Financial Performance of Deposit Taking SACCOs**

Aspects of the SACCOs financial performance was further measured, and the results are shown in Table 4.10 below.

**Table 4.10 Financial Performance of Deposit Taking SACCOs**

<b>Statement</b>	<b>Mean</b>	<b>Std. Deviations</b>
The organization has achieved its value and overall mission	3.76	0.675
The overall work environment gives encouragement and ensures customer outreach	3.87	0.456
The firms provide appropriate tools and technology that helps the SACCO to expand its market share.	3.98	0.908
There is a good return on equity by the organization	4.15	0.730
The organization realizes a considerable profit margin over its operations	4.34	0.421
The organization is contributing towards social responsibility within the community	4.36	0.431
<b>Aggregate Scores</b>	<b>4.08</b>	<b>0.603</b>

**Source: Research Data, (2024)**

The findings regarding the financial performance of deposit-taking SACCOs provide insightful perspectives on how various factors contribute to overall success. The overall mean score of 4.08 indicates a general positive agreement among respondents about the financial health and operational effectiveness of these organizations. The statement "The organization has achieved its value and overall mission" received a mean score of 3.76 with a standard deviation of 0.675. This suggests a moderate level of agreement among respondents that the SACCOs are fulfilling their missions. The variability indicated by the standard deviation suggests some differing perceptions about the extent to which organizational values are realized, pointing to potential areas for improvement in mission alignment. The mean score for "The overall work environment gives encouragement and ensures customer outreach" is 3.87 (SD = 0.456). This reflects a somewhat positive perception of the work environment's role in facilitating customer engagement. The lower standard deviation indicates a more consistent agreement

among respondents that a supportive work environment contributes to effective outreach.

The statement regarding the provision of appropriate tools and technology received a mean score of 3.98 (SD = 0.908). This indicates a positive view of the resources available for market expansion, although the higher standard deviation suggests a broader range of opinions on the effectiveness of these tools. This variability could reflect differences in individual experiences with technology and tools within the SACCOs. Respondents rated "There is a good return on equity by the organization" with a mean score of 4.15 (SD = 0.73). This score reflects a strong consensus that the SACCOs are delivering favorable returns on equity, a key indicator of financial health and effective management practices.

The statement "The organization realizes a considerable profit margin over its operations" received a high mean score of 4.34 (SD = 0.421). This finding indicates that respondents perceive the SACCOs as achieving significant profitability, which is essential for sustaining operations and supporting growth. Finally, the statement regarding contributions to social responsibility within the community scored an impressive 4.36 (SD = 0.431). This indicates a strong belief among respondents that the SACCOs are actively engaged in socially responsible initiatives, reflecting positively on their reputation and community relations.

By implications, the findings suggest that deposit-taking SACCOs are perceived as financially performing well, with strong indicators of profitability and effective management practices. While there is a generally positive sentiment towards achieving organizational values and providing adequate resources for market expansion, areas such as enhancing the alignment with mission and improving tools and technology may still require attention. The emphasis on social responsibility also highlights the

SACCOs' commitment to their communities, further enhancing their reputation and stakeholder trust. Overall, these insights can guide management practices aimed at bolstering financial performance and reinforcing the SACCOs' roles in their respective communities.

Meyer (2013) argues that SACCOs and other financial cooperatives, due to their community-focused nature and strong member relationships, often exhibit high levels of financial resilience and profitability. This resilience is particularly driven by their emphasis on community development and social responsibility, which fosters trust among members and increases stakeholder engagement. By balancing financial goals with social objectives, SACCOs tend to perform well in terms of both profitability and community impact, similar to what the findings suggest.

#### **4.6 Inferential Analysis**

A Pearson correlation analysis was conducted and established the findings presented in Table 4.11 Overleaf.

#### 4.6.1 Correlation Analysis

**Table 4.11 Correlations Analysis**

		Financial Performance	Corporate Governance	SACCO regulations	Stakeholder Involvement	Core competencies
Financial Performance	Pearson Correlation	1	.388**	.394**	.217*	.253*
	Sig. (2- tailed)		.004	.000	.003	.136
	N	80	80	80	80	80
Corporate Governance	Pearson Correlation	.388**	1	.004	.039	.383
	Sig. (2- tailed)	.004		.074	.706	.200
	N	80	80	80	80	80
SACCO regulations	Pearson Correlation	.394**	.004	1	.139	.321
	Sig. (2- tailed)	.000	.074		.176	.161
	N	80	80	80	80	80
Stakeholder Involvement	Pearson Correlation	.217*	.039	.139	1	.120
	Sig. (2- tailed)	.003	.706	.176		.244
	N	80	80	80	80	80
Core competencies	Pearson Correlation	.253*	.383	.321	.120	1
	Sig. (2- tailed)	.002	.200	.161	.244	
	N	80	80	80	80	80

**Source: Research Data, (2024)**

The correlational analysis presented in the table 4.11 examines the relationships between various factors—financial performance, corporate governance, SACCO regulations, stakeholder involvement, and core competencies—within the context of deposit-taking SACCOs. The results provide insights into how these variables interrelate and their potential impact on financial performance. The correlation between financial performance and corporate governance  $r = 0.388$  ( $p = 0.004$ ), indicates a

moderate positive relationship. This suggests that as corporate governance practices improve, financial performance tends to enhance as well. The statistically significant p-value reinforces the notion that effective governance contributes positively to financial outcomes.

There is a slightly stronger correlation between financial performance and SACCO regulations, with a Pearson correlation coefficient  $r = 0.394$  ( $p = 0.000$ ). This significant relationship indicates that adherence to regulatory frameworks is crucial for improving financial performance. It suggests that effective regulatory compliance enhances the financial stability and operational effectiveness of SACCOs. The correlation coefficient of  $r = 0.217$  ( $p = 0.003$ ) indicates a weak to moderate positive relationship between financial performance and stakeholder involvement. While the relationship is statistically significant, the strength suggests that while involving stakeholders can positively affect financial outcomes, the impact may not be as pronounced as seen with governance and SACCO regulations. The correlation between financial performance and core competencies  $r = 0.253$  ( $p = 0.002$ ), indicates a moderate positive relationship. This suggests that SACCOs with well-developed core competencies—such as skilled personnel and effective resource management—tend to exhibit better financial performance. The significance of this correlation underscores the importance of leveraging internal capabilities for financial success.

The correlation between corporate governance and core competencies is  $0.383$  ( $p = 0.200$ ), indicating a moderately positive relationship, though the p-value shows that this result is not statistically significant at the conventional levels. This may suggest that while there is a perceived connection between effective governance and the development of core competencies, the relationship is less clear-cut. The correlation between SACCO regulations and stakeholder involvement is relatively weak, with a

coefficient  $r=0.139$  ( $p = 0.176$ ). This indicates no significant relationship, suggesting that regulatory compliance does not necessarily influence how stakeholders are involved in SACCO operations. Finally, the correlation between stakeholder involvement and core competencies  $r= 0.120$  ( $p = 0.244$ ), which is also weak and not statistically significant. This indicates that while stakeholder involvement may play a role in shaping core competencies, the connection is not strongly supported by the data. By implication, the correlational analysis indicates that corporate governance and SACCO regulations are significantly associated with financial performance, suggesting that effective governance structures and regulatory compliance are critical for enhancing financial outcomes in deposit-taking SACCOs. Stakeholder involvement and core competencies also show positive relationships with financial performance, although these correlations are weaker and less statistically significant. This analysis emphasizes the importance of strong governance and regulatory adherence as foundational elements for achieving financial success in SACCOs, while also highlighting areas for potential growth in stakeholder engagement and internal capability development.

#### 4.6.2 Multiple Linear Regression

The study conducted a multiple regression analysis to investigate how the predictor variables influence the response variable.

**Table 4.12 Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.899 <sup>a</sup>	.8082	.786	.0125

a. Predictors: (Constant), corporate governance, SACCO regulations, stakeholder involvement, core competencies.

**Source: Research Data, (2024)**

The model summary provides an overview of the regression analysis conducted to assess the impact of several predictors—corporate governance, SACCO regulations, stakeholder involvement, and core competencies—on the financial performance of deposit-taking SACCOs. The correlation coefficient ( $R$ ) is 0.899, indicating a very strong positive relationship between the predictors and financial performance. This suggests that the combination of corporate governance, SACCO regulations, stakeholder involvement, and core competencies is highly effective in predicting the financial outcomes of SACCOs.

The  $R^2$  value of 0.8082 means that approximately 80.82% of the variability in financial performance can be explained by the predictors included in the model. This high percentage indicates that the model provides a substantial explanation of how these factors collectively contribute to financial performance. This therefore means that other factors not studied in this research contribute 19.18% of variance in the dependent variable, therefore, further research should be conducted to investigate them. The adjusted  $R^2$  value of 0.786 adjusts the  $R^2$  value for the number of predictors in the model. This indicates that, even after accounting for the number of predictors, about 78.6% of the variance in financial performance is explained. This adjustment suggests that the model is robust, as it remains significant despite the number of variables included.

The standard error of the estimate is 0.0125. This figure reflects the average distance that the observed values fall from the regression line. A smaller standard error indicates a better fit of the model to the data, suggesting that the predictions made by the model are relatively close to the actual observed values. The model summary indicates a strong predictive capacity regarding the financial performance of deposit-taking SACCOs, driven by the selected predictors. The high  $R^2$  and adjusted  $R^2$  values suggest that

corporate governance, SACCO regulations, stakeholder involvement, and core competencies are significant contributors to financial performance, making this model a valuable tool for understanding the dynamics at play within SACCOs. The small standard error further confirms the model's reliability, indicating that it can serve as an effective guide for management practices aimed at enhancing financial outcomes.

**Table 4.13 ANOVA (Analysis of Variance)**

<b>Model</b>		<b>Sum of Squares</b>	<b>df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	5.408	4	.202	8.64	.004 <sup>a</sup>
	Residual	1.323	3	.246		
	Total	6.831	8			

a. Predictors: (Constant), corporate governance, SACCO regulations, stakeholder involvement, core competencies

b. Dependent Variable: Financial Performance.

**Source: Research Data, (2024)**

The regression Sum of Squares (5.408) represents the portion of the total variability in financial performance that is explained by the predictors. A higher value indicates that the model explains a significant amount of the variance in the dependent variable. Residual Sum of Squares (1.323): This value reflects the variability in financial performance that is not explained by the model. It represents the errors or deviations of the observed values from the predicted values. Total Sum of Squares (6.831) represents the total variability in financial performance, combining both explained and unexplained variance.

The degrees of freedom for the regression is 5, which corresponds to the number of predictors in the model (5 predictors minus 1 for the constant), while the degrees of freedom for residuals is 3 (8 total observations minus 4 for the predictors). Mean Square for Regression (0.202) this value is calculated by dividing the regression sum of squares by its degrees of freedom. It represents the average amount of variance explained by each predictor in the model. Mean Square for Residuals (0.246): This value is obtained by dividing the residual sum of squares by its degrees of freedom. It indicates the average variance of the residuals or the error term in the model.

The F-statistic measures the overall significance of the regression model. A higher F-value suggests that the model provides a better fit to the data compared to a model with no predictors. In this case, the F-statistic of 8.64 indicates a significant relationship between the predictors and financial performance. The p-value (Sig.) of 0.004 indicates the probability of obtaining an F-statistic as extreme as the one observed if the null hypothesis were true (i.e., if the predictors had no effect on financial performance). Since this p-value is less than the conventional threshold of 0.05, we can reject the null hypothesis and conclude that the model is statistically significant. This means that the combination of corporate governance, SACCO regulations, stakeholder involvement, and core competencies significantly predicts financial performance.

In summary, the ANOVA results indicate that the regression model is statistically significant and effectively explains the variability in financial performance among deposit-taking SACCOs. The significant F-statistic and low p-value suggest that the predictors collectively have a meaningful impact on financial outcomes, supporting the importance of strong governance, regulatory compliance, stakeholder involvement, and core competencies in enhancing financial performance.

**Table 4.14 Regression Coefficients**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	$\beta$	Std. Error	Beta	$\beta$	
(Constant)	3.374	.836		3.61	.000
Corporate governance	0.614	.386	0.317	2.42	.0018
SACCO regulations	0.811	.412	0.228	1.81	.0011
Stakeholder Involvement	0.732	.854	0.159	8.41	.0008
Core competencies	0.756	.769	0.147	2.45	.0007

**Source: Research Data, (2024)**

$$Y = 3.374 + 0.614 X_1 + 0.811 X_2 + 0.732 X_3 + 0.756 X_4 + \varepsilon$$

Where:

Y is the dependent variable (Financial performance),

X<sub>1</sub> is corporate governance,

X<sub>2</sub> is SACCO regulations,

X<sub>3</sub> is stakeholder involvement and

X<sub>4</sub> is core competencies.

The regression coefficients table summarizes the relationship between various management practices and the financial performance of selected Deposit-taking SACCOs (Savings and Credit Cooperative Organizations); The intercept (3.374) indicates the expected financial performance score when all independent variables (management practices) are zero. This value is statistically significant ( $p < .001$ ), suggesting that it is a meaningful starting point.

For each unit increase in corporate governance practices, financial performance is expected to increase by approximately 0.614 units, holding other factors constant. The standardized Coefficient (Beta = 0.317) indicates that corporate governance has a relatively strong effect on financial performance compared to other variables in the model while Significance (Sig. = 0.0018), this p-value suggests a statistically significant relationship between corporate governance and financial performance, indicating that improving governance practices could enhance financial outcomes.

A one-unit increase in compliance or implementation of SACCO regulations is associated with a 0.811 unit increase in financial performance, indicating a moderate effect of SACCO regulations on financial performance as shown by (Beta = 0.228). Subsequently, the relationship is statistically significant, implying that adherence to SACCO regulations is essential for better financial performance as shown by (Sig = 0.0011)

Each unit increase in stakeholder involvement is expected to increase financial performance by 0.732 units. This suggests that stakeholder involvement has a smaller effect on financial performance compared to corporate governance and SACCO regulations. As shown by (Beta=0.159). Subsequently, this value indicates a highly significant relationship, reinforcing the importance of engaging stakeholders for improved financial results as shown by (Sig =0.0008).

A one-unit increase in core competencies corresponds to a 0.756-unit increase in financial performance. This indicates a smaller effect size compared to the other variables discussed as shown by (Beta=0.147), however, this is also statistically significant, emphasizing that developing core competencies can positively influence financial performance as was shown by (Sig = 0.0007).

The results of the regression analysis indicate that all four management practices—corporate governance, SACCO regulations, stakeholder involvement, and core competencies—have a positive and statistically significant impact on the financial performance of the selected Deposit-taking SACCOs. Among these, corporate governance appears to have the strongest standardized effect, suggesting that enhancing governance practices could be the most effective strategy for improving financial performance. Meanwhile, adherence to SACCO regulations and involvement of stakeholders also play crucial roles, albeit with slightly lesser effects. Lastly, while core competencies have a positive influence, they are comparatively less impactful than the other variables examined. These findings can guide SACCOs in prioritizing areas for improvement to enhance their financial performance.

## **CHAPTER FIVE**

### **DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter presents a summary of the findings, conclusions, recommendations, and suggestions for further research. The summary of the findings is based on the study Objectives; the study was guided by the following objectives: to determine how corporate governance, SACCO regulations, stakeholder involvement, and core competencies affect the organization's financial performance.

#### **5.2 Summary of the Study**

The analysis of the results is presented based on the demographic data and the specific objectives that guided the research. The study uncovered that most employees, 46% or 37 individuals, had attained a diploma level of education. 34% or 27 individuals had attained a certificate, while 14% or 11 individuals had attained a degree, suggesting that most employees at the selected Deposit taking SACCOs in Bomet and Kericho Counties have diploma qualifications in their respective fields. Consequently, the findings indicate that the Audit Department has the highest representation with 25% of the respondents. This suggests that a significant focus may be placed on compliance, risk management, and financial oversight within the SACCOs.

##### **5.2.1 Summary on Corporate Governance**

The research findings indicate that employees hold a strong consensus on the critical role that various elements of corporate governance—such as board composition, management accountability, and effective communication—play in improving the financial performance of SACCOs. The relatively low standard deviations observed across most survey statements suggest a high degree of agreement among participants

regarding the importance of these governance practices. This level of alignment highlights the necessity of establishing robust corporate governance frameworks that emphasize accountability, inclusivity, and independent decision-making.

Implementing strong corporate governance structures is essential not only for enhancing financial performance but also for fostering a culture of transparency and trust within the organization. A well-composed board that includes diverse perspectives can lead to more effective oversight and strategic decision-making. Similarly, ensuring that management is held accountable for their actions reinforces a commitment to ethical practices and operational efficiency. Effective communication channels among stakeholders, including members, employees, and the board, are also vital. These channels facilitate the flow of information and feedback, allowing for a more collaborative approach to governance. This inclusivity can lead to improved stakeholder satisfaction and engagement, ultimately contributing to the overall health and sustainability of the deposit-taking SACCOs.

Subsequently, the findings underscore that a comprehensive approach to corporate governance is not merely a regulatory requirement but a strategic imperative. By prioritizing these governance practices, SACCOs can cultivate a solid foundation for long-term financial stability and success, thereby ensuring their ongoing viability in a competitive landscape. The commitment to strong governance can pave the way for enhanced operational resilience, better risk management, and a stronger alignment with the needs and expectations of stakeholders, ultimately leading to sustained financial health and growth. The research results suggest that a robust perception among respondents that various aspects of corporate governance, such as board composition, management accountability, and effective communication, play a vital role in enhancing the financial performance of SACCOs, the relatively low standard deviations

across most statements suggest a high level of agreement on these governance practices. This underscores the importance of implementing strong corporate governance frameworks to foster accountability, inclusivity, and independent decision-making, which collectively contribute to the financial health and sustainability of the deposit-taking SACCOs.

### **5.2.2 Summary on SACCO Regulations**

The findings reveal a strong consensus among employees regarding the crucial role that regulatory compliance and effective operational practices play in enhancing the financial performance of SACCOs. The consistently low standard deviations across most survey statements suggest a high degree of agreement, reflecting a widespread confidence in the measures and strategies implemented by management. This shared perception underscores the vital importance of adhering to established regulatory frameworks, particularly compliance with the regulations set forth by the Savings and Cooperative Societies Regulatory Authority (SASRA).

The emphasis on regulatory compliance is not merely a box-checking exercise; it serves as a foundational pillar for the operational integrity and financial health of SACCOs. The study reveals a proactive stance taken by management in regularly reviewing policies, managing risks, and responding effectively to financial distress. This approach not only enhances operational efficiency but also fortifies the organization's resilience against potential challenges, thereby promoting long-term stability and sustainability. Moreover, these insights shed light on the significance of a strong regulatory framework that fosters a culture of accountability and transparency. When SACCOs prioritize compliance, they signal their commitment to ethical practices and governance standards, which can enhance stakeholder trust and engagement. This trust is crucial

for attracting and retaining members, which is essential for the ongoing viability of these organizations.

In addition, the findings provide valuable guidance for future improvements. By reinforcing the necessity of maintaining rigorous standards in both governance and operational management, SACCOs can better position themselves to navigate the complexities of the financial landscape. Continuous investment in training and capacity-building for staff, along with regular assessments of compliance practices, can further strengthen the overall operational framework.

Ultimately, the study revealed that a commitment to regulatory compliance and effective operational practices is not just a compliance requirement; it is a strategic advantage. By embedding these principles into their operational DNA, SACCOs can enhance their financial performance, ensure regulatory adherence, and build a sustainable future that benefits all stakeholders involved.

### **5.2.3 Summary on Stakeholder Involvements**

The findings reveal a compelling consensus among the employees regarding the critical importance of stakeholder involvement in the governance and financial performance of deposit-taking SACCOs. The elevated overall mean score revealed that employees deeply appreciate the impact of effective communication, nurturing mutual relationships, and engaging in participatory decision-making processes. This recognition reflects an understanding that inclusive governance is not merely a theoretical concept but a practical necessity that directly influences organizational success.

While employees clearly value stakeholder engagement, there are specific areas—particularly in collaborative decision-making—that may warrant additional focus and improvement. This suggests that while the foundation of stakeholder involvement is

strong, there are opportunities to enhance the depth and quality of these collaborative efforts. Strengthening these aspects could lead to more robust partnerships among stakeholders, ultimately fostering a sense of shared ownership and commitment to the SACCO's mission.

The emphasis on stakeholder engagement also highlights its essential role in cultivating a cohesive organizational culture. When stakeholders feel valued and heard, it not only boosts morale but also enhances the overall functioning of the SACCO. This dynamic creates an environment where members are more likely to contribute positively, both financially and through active participation in governance processes. Moreover, these insights can serve as a valuable roadmap for SACCOs looking to refine their governance practices. By prioritizing stakeholder involvement, organizations can create more effective channels for communication and feedback, ensuring that decisions reflect the diverse perspectives and needs of their members. This can lead to improved financial outcomes as members feel more connected and invested in the organization's success.

Ultimately, the findings reinforce that fostering stakeholder engagement is not just beneficial for governance; it is a strategic imperative that contributes to enhanced financial performance and member satisfaction. By building on this foundation, SACCOs can create a more vibrant and resilient organizational environment, better equipped to navigate challenges and seize opportunities in the evolving financial landscape. Emphasizing collaboration and inclusivity will not only strengthen governance but also lay the groundwork for long-term sustainability and growth.

#### **5.2.4 Summary on Core competencies**

The findings highlight a strong conviction among respondents regarding the significance of core competencies in propelling the financial performance of deposit-taking SACCOs. This robust belief underscores the essential role that a skilled and capable workforce plays in navigating the complexities of the financial landscape. High overall scores reflect respondents' confidence in the SACCO's ability to leverage its qualified personnel, effectively manage resources, and maintain a steadfast commitment to innovation. However, the results also indicate that there are specific areas—particularly in recognizing and harnessing the unique capabilities of individual members—that warrant further exploration and development. Enhancing this aspect could lead to a more nuanced understanding of the diverse talents within the organization, enabling SACCOs to better align individual strengths with the collective goals of the organization. This would not only improve operational efficiency but also foster a sense of ownership and engagement among members.

The overall high scores related to core competencies suggest that employees are optimistic about the existing skill sets within the SACCO. This confidence can serve as a catalyst for strategic initiatives aimed at further strengthening these core competencies. By investing in targeted training and development programs, SACCOs can enhance the skills of their workforce, equipping them to adapt to changing market conditions and emerging challenges. Additionally, fostering a culture of innovation is vital for sustaining competitive advantage in an increasingly dynamic environment. Encouraging employees to think creatively and embrace new ideas can lead to the development of innovative products and services that meet the evolving needs of members. Such initiatives not only enhance financial performance but also contribute to member satisfaction and loyalty.

Subsequently, the insights derived from the findings can inform strategic initiatives designed to bolster core competencies within SACCOs. By focusing on the identification and utilization of individual member capabilities, as well as promoting continuous learning and innovation, SACCOs can enhance their financial sustainability and overall competitiveness. Ultimately, this proactive approach will position them to thrive in a challenging economic landscape, ensuring long-term success and resilience for both the organization and its members.

### **5.3 Conclusion of Study**

The findings of this study underscore the critical role that effective management practices play in enhancing the financial performance of deposit-taking SACCOs. The research highlights a strong consensus among respondents regarding the importance of corporate governance, regulatory compliance, stakeholder involvement, and core competencies. These elements not only contribute to improved financial outcomes but also foster a culture of transparency, accountability, and inclusivity within the organizations. The insights gained from this study can serve as a valuable foundation for SACCOs aiming to strengthen their operational frameworks and overall effectiveness.

Corporate governance emerged as a particularly significant factor, with respondents emphasizing its impact on financial performance. The study reveals that robust governance practices, including well-defined board structures and management accountability, are essential for instilling confidence among stakeholders. By prioritizing corporate governance, SACCOs can create a solid framework for decision-making and risk management, ultimately leading to enhanced financial sustainability and resilience in a competitive environment.

Moreover, the findings highlight the importance of stakeholder engagement as a key driver of organizational success. The high value placed on effective communication and participatory decision-making reflects a recognition that involving stakeholders not only strengthens relationships but also fosters a sense of shared ownership. By cultivating a culture of inclusivity and collaboration, SACCOs can better respond to member needs and expectations, thereby improving both member satisfaction and financial performance.

Subsequently, the study underscores the significance of core competencies in driving financial outcomes. While respondents expressed confidence in their SACCOs' qualified workforce and resource management, the need to further identify and utilize individual member capabilities was noted. By investing in training and development and promoting innovation, SACCOs can harness the full potential of their human resources, positioning themselves for long-term success. Overall, the findings provide a clear roadmap for SACCOs seeking to enhance their management practices and financial performance, ultimately ensuring their viability and growth in the evolving financial landscape.

#### **5.4 Recommendations of the Research Study**

The study was guided by four specific objectives; based on the specific objectives, the following recommendations were drawn.

On the effects of corporate governance, the study recommended that SACCOs should implement clear roles for board members, ensure management accountability, and regularly evaluate governance practices. Governance training programs should be provided to equip leaders with the skills needed to align decisions with strategic goals. Develop robust compliance frameworks, conduct regular audits, and provide

compliance training for staff. Regular policy reviews should be performed to address regulatory changes and maintain alignment with SASRA requirements.

On the compliance to the SACCO regulations, the study recommended that the SACCOs should establish regular communication channels, such as meetings and surveys, to gather member feedback and involve them in decision-making. This will strengthen relationships and ensure services align with member needs. SACCOs should focus on continuous staff training to enhance core competencies. Identifying member skills and promoting a culture of innovation can drive new product development and improve service delivery.

On stakeholder involvement, the study recommended that the SACCOs should track key performance indicators (KPIs) in governance, compliance, stakeholder engagement, and workforce capabilities. Regular reviews will support data-driven decision-making and continuous improvement of management practices.

On the effects of the core competencies, the study recommends that SACCOs should invest in targeted staff training programs to strengthen core competencies, such as financial analysis, risk management, and member relationship management, as these skills directly enhance operational efficiency and long-term financial performance. Regular competency assessments should be conducted to identify skill gaps and align training with organizational goals.

### **5.5 Suggestions for Further Research**

Future research could investigate how the adoption of technology such as digital banking, mobile applications, and data analytics affects management practices and financial performance in SACCOs. This study could examine the relationship between technological innovation and operational efficiency, member engagement, and overall financial sustainability. By exploring the role of technology, researchers can provide

valuable insights into best practices for integrating digital solutions into SACCO operations.

Further research could conduct a comparative analysis of management practices and financial performance across deposit-taking SACCOs in different regions or countries. This study would help identify regional variations in governance structures, stakeholder involvement, and core competencies, offering a broader understanding of how contextual factors influence SACCO performance. Insights gained from such research could inform tailored strategies for improving management practices based on specific regional challenges and opportunities.

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## APPENDICES

### Appendix I: Letter of Introduction

To whom it may concern

Dear Sir/ Madam,

**RE: REQUEST TO COLLECT RESEARCH DATA FOR ACADEMIC PURPOSES ON MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF SELECTED DEPOSIT TAKING SACCOs IN BOMET AND KERICHO OUNTIES.**

I am a post-graduate student aiming to delve into research pertaining to the subject mentioned above. Attached herewith is a questionnaire intended to gather relevant information for this report. Please be assured that the details provided will be handled with the utmost privacy and confidentiality. No personal identification, including names, is necessary while filling out the questionnaire. Your candid and constructive responses to all the inquiries are kindly requested. Your valuable input will be highly appreciated. Thank you in advance for your cooperation.

Yours sincerely,

**JAPHET KIPKIRUI MUTAI**

**Appendix II : Questionnaire**

My name is Japhet Mutai, I will be undertaking a study on management practices and financial performance of deposit taking SACOs. You are kindly invited to fill out the

following questionnaire, please note that your feedback will be treated with a lot of confidentiality and shall only be used for the purposes of academic purposes. No information will be reproduced without your consent.

Instructions: You are expected to tick the most appropriate answer where you have been provided with multiple answers and fill the spaces where applicable.

### **SECTION A: Demographic Characteristics of the Respondents**

You are required to indicate the branch where you are attached to (Optional)

**1. What is your Age bracket?**

25-30 years [ ]      31-40 years [ ]      41-50years [ ]      Above 50years [ ]

**2. What is your gender?**

Male [ ]      Female [ ]

**3. How long have you been working your SACCO?**

0-1 year [ ]      1-2 years [ ]

2-3 year [ ]      3-4 years [ ]

Above 4 years [ ]

**4. What is your level of education?**

Certificate [ ]      Diploma [ ]

Degree [ ]      Masters [ ]

**5. Indicate your department within the Organization?**

Human Resource [ ]      Marketing Department [ ]

Risk& Competition [ ]      Audit Department [ ]

ICT Department [ ]      Finance & Treasury Department [ ]

Recovery Department [ ]      Subordinate staff [ ]      Others [ ]

**SECTION B: Study Variables**

This section will review the questions within the specific study objectives, where the general information has been gathered through the studies within the literature review section. The section is organization based on the specific study objectives.

6. The following information relates to the corporate governance that were adopted from other studies, and literature review however these were modified. Indicate your agreement with each of the following statements in the scale of 1 to 5. (5) To a very large extent, (4) To a large extent, (3) To some extent, (2) To a small extent (1) Not at all

<b>Statements on Corporate Governance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Monitoring and evaluations enhances financial performance of the SACCOs					
Board composition contributes to the quality of decision made that affects the financial performance of the SACCOs					
The management takes ownership of all decision made and are accountable for the consequences of such decisions made.					
Management decisions are made independently and not under any coercions of any external forces.					
The control measures and procedures that are put in place are well communicated to all teams of the SACCOs					
There equal representation of all parties' interests in the board management composition, that enhances productivity.					

7. The following information relates to the SACCO regulations. The information was adopted from other studies and is in some cases adopted from the literature review and modified to measure SACCO regulations. Please rate each statement using a scale of 1-5 where 1-strongly disagree, 2-Disagree, 3-Neutral, 4-Agree, 5-Strongly Agree.

<b>Statements on SACCO Regulations</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
There are policy and operations reviews that are conducted more often to ensure policy alignment in all SACCO operations.					
The SACCO is compliant with the fiscal measures to put in control revenues and expenses.					
The SACCO has put in measures to ensure effective risk management approaches are adhered to.					
The SACCO management has put in place measures to respond to finance distress.					
The SACCOs conducts thorough impact analysis prior to implementing new financial regulations.					
The SACCO through its board management is compliant with the SASRA regulations at all times.					

8. The following information relates to stakeholder involvement. The information was adopted from other studies and adopted from the literature review while modified to measure Stakeholder involvement. In your opinion, please rate to what extent do these factors affect recreational facilities. (5) To a very large extent, (4) To a large extent, (3) To some extent, (2) To a small extent (1) Not at all

<b>Statements on Stakeholder Involvement</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The SACCO management adopts collaborative decision-making approach on all key SACCO decisions that applies across board.					
The SACCO management has adopted effective communication channels that ensures the information reach the targeted audiences.					
There are mutual contractual relationships among all SACCO stakeholders.					
The Board of management decisions has ensured active participation of all SACCO membership.					
All members are involved in key decisions that are made through participatory analysis.					
The SACCO management prioritize the interests of all stakeholders rather than just maximizing shareholder profit.					

9. The following information relates to core-competencies. The information was adopted from other studies and adopted from the literature review while modified to measure core competencies. In your opinion, please rate to what extent do these factors affect core competencies. (5) To a very large extent, (4) To a large extent, (3) To some extent, (2) To a small extent (1) Not at all

<b>Statements on Core-competencies</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The SACCO identifies each member distinctive capabilities towards accomplishment of the SACCO objectives.					
The SACCO identifies dynamic capabilities of all members for effective utilization of all members of the SACCO.					
The SACCO board is tasked to evaluate the overall SACCO competencies to align with the objective of the SACCO.					
The SACCO has employees with the required qualification that supports the financial performance of the firm.					
There is competent resource that ensures that the SACCO from time to time is able to develop new products to meet the customers changing needs.					
The SACCO has invested extensively on the marketing expertise to boost financial performance of the firm.					

10. The following information relates to SACCO financial performance. The information was adopted from other studies, and some was adopted from the literature review and modified to measure SACCO financial performance. The following factors relate to the Organization's financial performance. (5) To a very large extent, (4) To a large extent, (3) To some extent, (2) To a small extent (1) Not at all

<b>Statement on the Organization financial performance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
The organization has achieved its value and overall mission.					
The overall work environment gives encouragement and ensures customer outreach					
The firms provide appropriate tools and technology that helps the SACCO to expand its market share.					
There is a good return on equity by the organization					
The organization is contributing towards social responsibility within the community.					
The organization realizes a considerable profit margin over its operations					

**Thank You.**

## Appendix III: Research Authorization letter from KU Graduate School



**KENYATTA UNIVERSITY  
GRADUATE SCHOOL**

E-mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke)

Website: [www.ku.ac.ke](http://www.ku.ac.ke)

P.O. Box 43844, 00100  
NAIROBI, KENYA  
Tel. 810901 Ext. 4150

**Internal Memo**

**FROM:** Executive Dean, Graduate School

**DATE:** 9<sup>th</sup> July, 2024

**TO:** Japhet Kipkirui Mutai  
C/o Business Administration Dept.

**REF:** D53/CTY/PT/29039/2013

**SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL**

This is to inform you that Graduate School Board at its meeting of 19<sup>th</sup> June, 2024 approved your Research Project Proposal for the M.B.A Degree Entitled, "Management Practices and Financial Performance of Selected Deposit Taking Saccos in Kericho and Bomet Counties, Kenya."

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking and progress report Forms per semester. The Forms are available at the University's Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.

  
**ANNBELL MWANIKI**  
**FOR: EXECUTIVE DEAN, GRADUATE SCHOOL**

c.c. Chairman, Business Administration.

Supervisors:

1. Dr. Janet Muthimi  
C/o Department of Business Administration  
**Kenyatta University**

AM/mo

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Page 1 of 1

