

**RELATIONSHIP BETWEEN FINANCIAL STRUCTURE AND GROWTH OF
SAVING AND CREDIT COOPERATIVE SOCIETIES' WEALTH IN
MACHAKOS COUNTY**

BY

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DECLARATION

This work is my original work and has not been presented for any other degree/diploma in any other university. I also declare that this contains no material written or published by other people except where due reference is made and author is dully acknowledged.

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ABBREVIATIONS

ANOVA	Analysis of Variance
CEO	Chief Executive Officer
DV	Dependent Variables
EC	External Financing
FOSA	Front Office Service Activities
IC	Internal Financing
IVs	Independent Variables
KUSCCO	Kenya Union of Saving and Credit Co-operatives
NOI	Net Operating Income
ROK	Republic of Kenya
SACCOS	Savings and Credit Cooperative Societies
SASRA	SACCO Societies Regulatory Authority
SPSS	Statically Package for Social Sciences
UN	United Nations
VIF	Variance Inflation Package
WACC	Weighted Average Cost of Capital

WG Growth of SACCOS Wealth

ABSTRACT

Over time, saving and Credit Cooperative Societies (SACCOs) have been investing heavily to ensure achievement of their objective (mobilizing funds and granting credit to members) but they have not been able to grow their wealth significantly. This lack of Growth of SACCOS' Wealth has threatened their sustainability such that they have not been able to absorb their operational losses. This has led to the losses been absorbed by members' savings and share capital, which leads to their impairment. Although studies have been done there is insufficient information linking the growth of SACCOs wealth in Kenya in Machakos County to Financial Structure factors; internal financing and external financing jointly. The study attempted to understand the factors that can explain the growth of shareholders wealth of SACCOs in Machakos County. The objective of the study was establish the relationship between financial structure and growth of saving and credit cooperative societies' wealth in Machakos County.

This study used a descriptive survey in soliciting information in the area of research of Financial Structure and growth of SACCOs' wealth. The target population was 33 SACCOs which were active in Machakos County in the year 2012. The study used census and data was collected from secondary sources. The data collected was analyzed using both descriptive and inferential statistics with assistance of Statistical Package for Social Sciences (SPSS) software version 17.0.

The study found that; increase internal financing increase led to an increase in Growth of SACCOs wealth which was explained by a B-coefficient of 0.046 (meaning as internal financing increases, Growth of SACCOs wealth increases too) and vice versa. it was further found that an increase in external financing led to an increase in growth of SACCOs wealth (B-coefficient = 0.182) and vice versa. The study found that Growth of SACCOs wealth as predicted by internal financing (p-value = 0.011) and external financing (p-value = 0.000) and the coefficient of determination of 72.90%. The study therefore concludes that internal financing is associated to growth of SACCOs wealth in Machakos County, and external financing is associated growth of SACCOs wealth in Machakos County, answering the study pertinent questions. The study recommends that; SACCO should review or design their policies on internal financing to ensure that optimum internal financing was availed; SACCOs should either review their by-laws and working policies to ensure that the optimum external financing is encouraged. Further studies should be conducted to strengthen the information on the area studied.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Savings and Credit Cooperative Societies (SACCOS) are crucial in the provision of financial and banking facilities to low income earners who may not be covered by activities of a formal bank (UN, 2006). SACCOS are started locally and have concrete basis of small saving accounts constituting a stable and relatively low-cost source of funding and low administrative costs. Ideally, the financial capability is a key concern in the growth of SACCOS' wealth and it is the main issue in the sustainability of the SACCO. A SACCO needs to generate income which is adequate to cover all its financial costs, administrative cost and for loan loss provisioning.

The main objective of the SACCO is to achieve growth of its wealth when administration costs and loan losses is minimized. Attainment of financial viability ensures that SACCO's capital base will not erode and it enhances its capacity for financial leverage (Mudibo, 2005). The essential ingredients for financial viability are operational efficiency, low administration costs and an interest rate that reflects risks. Evans (2001) indicates that a SACCO should adopt an optimal capital structure that would optimize its financial requirements through maximization of returns without additional costs as they optimise surpluses (Ondieki, *et al.*, 2012). More prudently, Sacco's wealth increases if the investments are profitable and add to its wealth as per the favorable opportunity cost of capital.

Over time, studies and other literature have shown that the financial management of SACCOS' plays a significant role the growth of the investment in their efforts to build

the financial strength of the institutions. According to Peace (2011), an effective financial practice ensures continued service to members as sustainability of the SACCO (Maina, 2007) as the SACCO's wealth grows (Ondieki, *et al.*, 201), which in event ensure prepayments and repayments (Mudibo, 2006). Over and above, the SACCOS' wealth is mainly based on the sources of funds (capital structure).

1.1.1 Financial Structure

Financial Structure is the mix of its financial liabilities whereby debt and equity are the two major classes of liabilities with the debt holders and equity holders forming the two investors of the firm (Harris and Raviv, 1991). Studies and other literature have insisted that the financial management of SACCOS' plays a significant role in the growth of the investment in their efforts to build the financial strength of the institutions. More precisely, the presence of an effective financial practice ensures continued service to members (Maina, 2007; Peace, 2011) as the SACCO portrays itself as being; transparent; screening potential members; identifying its targets; enhancing liquidity (Ondieki, *et al.*, 2012), and ensuring prepayments and repayments (Mudibo, 2006). Specifically, the financial management of the SACCOS' wealth is based on the sources of funds (Financial Structure).

Ideally, a SACCO deserves to adopt an optimal Financial Structure that would optimize its need for financial requirements. The Financial Structure requires being in a position of maximizing returns without additional costs. Such a structure should be in a position to optimise surpluses (Evans, 2001; Ondieki, *et al.*, 2012). Further, the wealth of SACCO and its value increase if the investments are profitable and add to its wealth. The investment that yields such benefits in return of the minimum benefit as per the opportunity cost of capital is favorable for the growth of the SACCO

wealth. Apparently, it is important for the financial management system to determine the economic viability of the method used for funds utilization. The SACCOS value is said to have increased when the investments are profitable. This situation is obtained where the SACCO involves itself with investments that yield benefits greater than the opportunity cost of capital. In such a scenario, it is important to determine the economic viability of the SACCOS investment options and the methods used in financing these investments (Maina, 2007).

SACCOS need to establish stable and consistent sources of capital (Financial Structure) in order to invest in facilities and operational expenses for the achievement of their objectives. Thus, the financial practice team identifies the most suitable sources of funds for projects in the pipeline and determines the most optimal Financial Structure to be employed in each project. The Financial Structure comprises of internal and external sources of finance where the main sources include share capital, savings deposits, retained earnings (institutional capital) and debt capital (Ndiege, Haule, & Kazungu, 2013; Ondieki, *et al.*, 2012). This is to say that SACCOS its wealth through invested funding, institutional funding and debt funding (Mwau, 2013).

1.1.2 SACCOS Wealth

SACCOS' wealth is the accumulation of enough institutional capital (retained earnings) to finance non withdrawable capital funded assets, provide cushion to absorb losses and impairment of members' savings. Specifically, institutional capital is intended to absorb their operational losses (Ndiege, *et al.*, 2013). Where the wealth is insufficient, losses are absorbed by members' savings and share capital, which

leads to their impairment of the members' savings (Mwau, 2013); which would hinder the achievement of the said objectives.

SACCO's wealth increases when its investments are profitable and add to the wealth in the long run. This is where the SACCO makes investments that yield benefits greater than the opportunity cost of capital. In such a scenario, economic viability of the SACCO's investment options and the methods used in financing these investments are primary top this functions. In all these cases, the SACCO should strive to minimize costs and optimize benefits to ensure its operational sustainability, growth in SACCOS Wealth, and attractiveness to potential and present members (Ellis, Lemma, & Juan-Pablo, 2010; Ndiege, *et al.*, 2013).

1.1.3 Financial Structure and Growth SACCOS Wealth

SACCOS' Savings mobilization should be backed by adequate institutional capital which ensures permanency, provide cushion to absorb losses and impairment of members' savings (Xuezhi & Ndiege, 2013). The institutional capital which comprises of retained surpluses is an appropriation of the surpluses. Therefore, SACCOS should strive to maximize on the earnings to build the institutional capital (Ombado, 2010). This institutional capital ensures the permanency and growth of the SACCO even in turbulent economic times (Evans, 2001). In fact, it helps the SACCOS to grow and, remain economically and financially viable (Gijselinckx & Devetere, 2007). Such growth of SACCO is enhanced by effective financial practices. The financial management of the SACCOS' wealth is based on the sources of funds (Financial Structure).

In fact, the Financial Structure optimizes the requirements of the SACCO wealth and needs to be maintained. According to Pandey (2007), the best optimal Financial Structure yields the minimum Weighted Average Cost of Capital (WACC), where the computation of WACC requires the sum of the cost of each individual source capital and its relative weight where the weight is the relative strength of each source with respect to the total amount contributed. Olando(2012) further insists that “capitalization can be determined using the Net Operating Income (NOI) approach which states that the value of the firm and the weighted average cost of capital (WACC) are independent of Financial Structure. The cost of debt and the cost of equity are independent of Financial Structure (i.e. they remain constant). Therefore, the cost of capital declines and the SACCOS wealth increase imperatively. The shareholders would receive the same cash flows regardless of the Financial Structure. From the words of Ndiege, *et al.*, (2013), the main factors of source of funds (Financial Structure) include; internal financing and external financing.

The SACCOS can draw finances from internal sources such as institutional capital where, for instance, the society utilizes the surplus retained in its earlier years of operation. Institutional capital is a cheaper source of financing since they do not involve floatation costs. They are also more flexible sources of financing as there are no conditions imposed upon the society on their utilization (Mwau, 2013). Similarly, SACCOS can also draw their finances from reserves and provisions. The latter is the surplus set aside to carter for the SACCO’s specific purposes and such funds may be reinvested into the SACCOS.

Olando (2012) insists that on the “Contrary, debt capital is funds borrowed from other institutions or individuals such as banks, non-bank financial institutions and well-

wishers. It normally carries a fixed rate of interest payable at specified times of the year. Debt capital requires some prudent management and the purpose of the loan must be clear. Importantly, debt capital is a cheaper source of finance though it involves a considerable risk in case the society is unable to meet the set obligations of repayment and financial payments”.

1.1.4 An Overview of SACCOS in Kenya

SACCO movement in Kenya, which is a sector of Co-operative came into being in 1908 by the European Farmers to support agricultural activities and farm produce marketing (Kenya Union of Saving and Credit Co-operatives [KUSCCO], 2006; Gardeklint, 2009). The Government of Kenya recognized cooperatives as suitable vehicles with appropriate framework to achieve their aspirations and participate in the economic development of the nation (KUSCCO, 2006) that in 1963, the number of cooperative societies had grown to 1,030 with 655 active SACCOS with a total membership of 355,000 (Gardeklint, 2009). In 1965, The Africa Confederation of Co-operative Society Savings and Credit Association (ACCOSSA) was formed in Nairobi, Kenya as a Pan African body, to promote the SACCO Society principles, provide a forum for discussion, offer insurance to SACCO Society members on life savings and loan protection and educate affiliate members on a wide variety of credit union issues (Ng'ombe & Mikwamba, 2004). Notably, after independence, steps were taken by the Government which saw the rapid growth and expansion of the SACCO Society movement in the country. These SACCOS offered a range of financial services, most significantly loans against members share capital (Gardeklint, 2009). In this regard, the government provided grants and subsidies but controlled the

operations of SACCOS to ensure that they were properly managed to achieve the government's development goals (KUSCCO, 2006).

Currently, there are SACCOs in almost all sectors of the economy (Khumalo, 2008), making SACCO movement one of the economic pillars of the Kenyan nation. SACCOs play a significant role in the development of the economy and in raising the standards of living of the majority of the Kenyan population. They contribute to over 30 percent of the country's national savings (Ndung'u, 2010; Republic of Kenya (RoK), 2008). By the year 2010, Kenya had over 5,000 registered SACCOs with a membership of about 7 million. These SACCO Societies had mobilized savings of over Kshs.200 billion (Ndung'u, 2010). On average, SACCOS have Kshs 25 million of deposits in 400 accounts. Three quarters ($\frac{3}{4}$) of their members may have borrowed an average of Kshs 64,000. SACCOS have opened Front Office Service Activities (FOSA) to serve as banks for their members. FOSA is also one of the most profitable business activities for SACCOS (KUSCCO, 2007).

The SACCO Societies Act of 2008 was enacted to provide for the licensing, regulation, supervision and promotion of savings and credit cooperatives. Thus, the Act provided for the establishment of the SACCO Societies Regulatory Authority (SASRA) to license SACCOS to carry out deposit-taking business as well as regulating and supervising SACCOS (Republic of Kenya, 2008b). The Authority has power to intervene in the management of a SACCO Society that is deemed to be mismanaged and provides for the establishment of the Deposit Guarantee Fund, which secures each SACCO Society members' deposits (not including shares) up to an amount of Kshs 100,000. The Act is intended to provide a framework for the sound management of SACCOS as financial institutions and make them effective

competitors in the financial sector as the authority sets the minimum operational regulations and prudential standards for the SACCOS. (Wanyama, 2009).

SACCO Societies Regulatory Authority [SASRA] (2013) reported that as at December 2012, one hundred and twenty-four (124) had been licensed as deposit taking SACCOs while another 20 had Letters of Intent. The non-licensed SACCOs comprise small Sacco societies (in asset size and membership) that continue to experience financial and operational challenges hence inability to satisfy the licensing requirements since 2010. Over 50% of the 124 licensed SACCOs having built core capital to over 10% of the total assets. The total cost of external borrowing increased from K.sh. 2.2 billion in 2011 to K.sh. 2.9 billion in 2012 an increase of 35.45%. This could be attributed to the sharp increase in the cost of credit during the year from an average of 11% to 25%. This meant financial institutions reviewed the cost of existing loan facilities upwards.

1.2 Research Problem

Kenyan SACCOS have mobilized savings of over Kshs.200 billion (Ndung'u, 2010) and again there are SACCOS in almost all sectors of the economy (Khumalo, 2008). Statistically, the co-operative movement contributes over 30 percent of the country's national savings (Ndung'u, 2010; Republic of Kenya (ROK), 2008). Although the main objective of financial management of the SACCOS is to ensure that the shareholders wealth is well managed and that SACCOs grows, there are a number of challenges in promoting quality financial management. Such challenges would hinder the achievement of the objectives of the SACCOs and even lead to mismanagement of the wealth (Ondieki, *et al.*, 2012). The challenges encountered are limited capital and funding sources, competition and loan delinquency, lack of information, technological

solution or assessment and management of risks (Branch 2006; Xuezhi & Ndiege, 2013).

Banks and other financial institutions are developing products turning the banking hall into a one stop financial supermarket leading to attraction and retaining of customers and ensuring measurable growth of their wealth but SACCOs fail to reach a level where services are available (Xuezhi & Ndiege, 2013). In this regard, SACCOs have been weak in diversifying their services in the financial sector forcing their members to seek financial services from other competing institutions. Over time, SACCOs have been investing heavily to ensure achievement of their objective (mobilizing funds and granting credit to members) but they have not been able to grow their wealth significantly. However, previous studies (Deji, 2005; Asher, 2007; Ogsi, 2001) have shown that lack of Growth of SACCOS' Wealth has threatened their sustainability such that they have not been able to absorb their operational losses. This has led to the losses been absorbed by members' savings and share capital, which leads to their impairment. According to Financial Structure theories (Ahmed & Hisham, 2009; Flannery and Hankins, 2007); and Growth theories (Gartner, 2006), stagnation of growth of SACCOS' wealth is attributable to Financial Structure. This state of affairs can be attributed to inappropriate capital; internal financing and external financing (Okumu, 2007; Nyamsogoro, 2010; Ndiege, *et al.*, 2013).

The ineffective financial practice might have led to the failure of SACCOs to compete in Kenya's growing financial sector. In fact, there has been minimal financial participation of SACCOs in the respective markets probably due to under capitalization. Imperatively, SACCOs have failed to diversify in either financial direction or other financial institutions forcing their members to seek financial

services from other institutions competing institutions instead of attaining the service from their own investment (Mwau, 2013). Studies have been done locally on financial structure and growth of SACCOs wealth (such as by Olando *et al*, 2012; Obwori, et al., 2012; Mwau, 2013; Mumanyi, 2014), internal financing (such as by Ombado, 2010; Ndung'u, 2010; Olando *et al*, 2012) and external financing (such as by Wanyama, 2009; Ondieki *et al.*, 2012), there is insufficient information linking the growth of SACCOs wealth in Kenya to Financial Structure factors; internal financing and external financing jointly. It is against this background that the present study attempted to understand the factors that can explain the growth of shareholders wealth of SACCOs in Machakos County. The study sought to answer the pertinent questions; what is association between internal financing and growth of SACCOs wealth in Machakos County? What is the association between external financing and growth of SACCOs wealth in Machakos County?

1.3 Objectives of the Study

The study was guided by the following objectives

1. To determine the association between internal financing and growth of SACCOs wealth in Machakos County.
2. To determine the association between external financing and growth of SACCOs wealth in Machakos County

1.4 Value of the Study

The findings of the study provided information on Financial Structure as a determinant of growth of SACCOs Wealth. Additionally, information on the challenges and coping mechanisms of cooperative societies in facilitating the growth of shareholders wealth was also availed.

First, the information accruing from the present study would be useful to stakeholders and policy makers. Those in the government and SACCOs would benefit in strengthening policy considerations in the SACCO sector, where the policy improvement would be useful in enhancing the guidelines on how to improve the performance and effectiveness of SACCOs in an effort to increase their investments for the benefit of the members. Secondly, the societies would be able to set up appropriate Financial Structure leading to growth of SACCOs' wealth. The study provides information on how to invest favorably to the benefit of the SACCOs and their members as well. This would lead to members' satisfaction and trust in the societies and hence increased shares contribution and the eventual achievement of the main objective. Information on the adoption of appropriate Financial Structure would be useful in ensuring prudent investment and efficiency in the management of SACCOs' wealth. This might also improve efficiency in financial management of SACCOs' wealth. Consequentially, SACCOs may be on the right track in the achievement of their goals.

Information on the use of financial resources and their influence on the growth of SACCOs wealth would be useful in ensuring prudent investment and efficiency in the management of members' wealth. This might also improve efficiency in financial management of shareholders wealth. This might lead to members' satisfaction and

trust in the societies and hence increased shares contribution. As a consequence, SACCOs would be on the right track in the achievement of their goals as stipulated in their official and policy documents. This lends the study useful to the Kenyan families and households, who will benefit from the fruits of prudent investments by their family members

Thirdly, the study would be useful to the Kenyan public and may be useful and an eye opener to providing information on co-operative and SACCO financial institutions funding strategies. Since the study targeted SACCOs, it would allow many small scale Micro-Finance Institutions to be reached. By the mass population being reached hence relevant ways of further adopting the skilled technology to African conditions and mass production in small scale SACCOs might be achieved in the near future. The study findings proposed some proprietary financial management practices to the SACCOs. Especially the low-income group would benefit from this knowledge without having to pay royalty fees.

Lastly, the study adds knowledge to the SACCO movements' wealth growth and in the financial management field, making the study useful to academicians and scholars.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter summarizes information from other researchers who have carried out research in the same field of study. The specific areas covered include theoretical review, conceptual review, empirical review, and finally a summing up the entire chapter.

2.2 Theoretical Review

Chowdhury and Chowdhury (2010) posts that the choice between internal and external financing aims to find the right Financial Structure that would maximize wealth. In this aspect, WACC is used to define a firm's value by discounting future cash flows. Minimizing WACC of any firm will maximize value of the firm (Messbacher, 2004). Debt policy and equity ownership structure are very important and differs between SACCOs with many and those with few positive net present value. The financial management team would take debt-equity ratio as a signal, by the fact that high leverage implies higher bankruptcy risk (and costs) for low quality SACOs. The debt structure may be considered as a signal to the market and the values of SACCOs will rise with leverage, since increasing the market's perception of value.

2.2.1 Growth Theories

The neo-classical growth theory states that growth is determined using the Harrod Damar model or Solow model, insists that the rate of growth is exogenous. Solow-

Swan class growth theory focuses on capital and indicates that capital is added when SACCOs invests but is lost due to depreciation. The indication is that there is capital growth in wealth only when the investment exceeds depreciation (Gartner, 2006). Apparently, the investment should persist on keeping the capital growing to achieve capital growth. In which case, increase in capital yields leads to an increase in growth of SACCOs' Wealth. The theory explains growth as a factor of accumulation of capital. This model is strongly supported by Harrod Damar Model of development economics (1946) which explains the growth rate in terms of saving and productivity of capital. It explains that increase in investment leads to accumulation of capital

2.2.2 Capital Structure Theories

2.2.2.1 Modigliani And Miller (1958) Financial Structure Irrelevance Theory

Modigliani and Miller (1958) Financial Structure irrelevance proposition was the first theory on Financial Structure prior to which there was no generally accepted theory of Financial Structure. Modigliani and Miller start by assuming that the firm has a particular set of expected cash flows. When the firm chooses a certain proportion of debt and equity to finance its assets, all that it does is to divide up the cash flows among investors. Investors and firms are assumed to have equal access to financial markets, which allows for homemade leverage. The investor can create any leverage that was wanted but not offered, or the investor can get rid of any leverage that the firm took on but was not wanted. As a result, the leverage of the firm has no effect on the market value of the firm (Flannery & Hankins, 2007; Small Stocks, 2008). The M-M theorem indicates that the value of a firm is not influenced by how the financing is

done (i.e it is independent of the Financial Structure) (Chorafas, 2004). The theory insist that source of funds does not affect the value of the firm in the absence of taxes, bankruptcy costs and asymmetric information and in an efficient market. This theory is suitably applied where there is: perfect and efficient market, no transaction costs, no default risks, no taxation. M-M theory does not propose a more effective capital structure between the equity and debt capital but simply states that the source of fund is inconsequential in the stated conditions (Pandey, 2010).

2.2.2.2 Trade-Off Theory

Almeida and Philippon (2007) explains that trade-off theory describes a family of related theories used evaluates the various costs and benefits of alternative leverage plans. Often it is assumed that an interior solution is obtained so that marginal costs and marginal benefits are balanced. The original version of the trade-off theory grew out of the debate over the Modigliani-Miller theorem. When corporate income tax was added to the original irrelevance, this created a benefit for debt in that it served to shield earnings from taxes. Since the firm's objective function is linear, and there is no offsetting cost of debt, this implied 100% debt financing. The Trade Off Theory encourages borrowing for the firm to enjoy the tax advantage. It may be imputed from evidence, but that depends on adding a structure. The trade-off theory takes a common sense approach by encouraging firms to gain from the tax advantage in debt financing (Small Stocks, 2008; Ahmed & Hisham, 2009).

2.2.2.3 Pecking Order Theory

According to Miglo, (2010) the pecking order theory predicts that firm will follow the pecking order as an optimal financing strategy. The more sensitive the security, the

higher the cost of equity. The pecking order theory does not take an optimal Financial Structure as a starting point, but instead asserts the empirical fact²⁰⁸ that firms show a distinct preference for using internal finance (as retained earnings or excess liquid assets) over external finance. If internal funds are not enough to finance investment opportunities, firms may or may not acquire external financing, and if they do, they will choose among the different external finance sources in such a way as to minimize additional costs of asymmetric information. The resulting pecking order of financing is as follows: internally generated funds first, followed by respectively low-risk debt financing and share financing.

The pecking order theory encourages debt financing for the Financial Structure (Ahmed & Hisham, 2009). In fact, the internal financing is preferred to external financing and debt financing is preferred to other external options. The theory supports the suggestion that debt is cheapest and most attractive of the external sources of financing (Flannery & Hankins, 2007). It regards the market-to-book ratio as a measure of investment opportunities and suggests that periods of high investment opportunities will tend to push leverage higher toward a debt capacity.

2.2.2.4 The Market Timing Theory

The market timing theory of Financial Structure argues that firms time their equity issues in the sense that they issue new stock when the stock price is perceived to be overvalued, and buy back own shares when there is undervaluation. Consequently, fluctuations in stock prices affect firms Financial Structures (Chang *et al.*, 2006; Miglo, 2010). The market theory emphasizes that a firm would prefer equity financing when the perceived cost of equity is low and prefer debt financing when cost of debt

financing is low. The financial managers should make security issuance decisions based on the cost of equity capital and cost of debt capital (Ritter & Huang, 2008).

2.3 Determinants of Growth of SACCOs' Wealth

The study propose that the growth of SACCOs' wealth is influenced by internal financing and external financing. The study borrowed heavily from the Modigliani and Miller (1958), trade-off theory (Almeida and Philippon, 2007), Financial Structure irrelevance Theory, pecking order theory (Flannery &Hankins, 2007), and market timing theory of Financial Structure (Chang *et al.*, 2006; Miglo, 2010). The financial structure should be in a position to maximize returns without additional costs. The best optimal capital structure is the one that yields the minimum weighted average cost of Capital (WACC) of all capital structure (Pandey 2007). The computation of WACC requires the sum of the cost of each individual source capital and its relative weight where the weight is the relative strength of each source with respect to the total amount contributed.

The moderate degree of external financing can lower the overall cost of capital, which increases the share value. This is to say that the SACCO can lower its cost of capital and raise its total value through leverage. There is an initial increase in the cost of equity which is offset by lower cost of debt. As the debt increases, there is an increase in risk and a rise in the cost of equity. This continues until the lower cost of debt benefit is more than offset by more expensive equity. The key aspect affecting the growth of SACCOs' wealth is the choice of financing and the actual capital mix. There is need to establish a capital mix that magnifies the SACCOs' growth by establishing the most suitable financial structure to ensure considerable growth of the

SACCOs' wealth. Financial structure of the SACCOs comprises the various internal and external sources of finance.

External financing is funds borrowed from other institutions or individuals such as banks, non-bank financial institutions and well-wishers. It normally carries a fixed rate of interest payable at specified times of the year. External financing requires some prudent management and the purpose of the loan must be clear. Importantly, external financing is a cheaper source of finance though it involves a considerable risk in case the society is unable to meet the set obligations of repayment and financial payments. The income from external financing must achieve growth of SACCOs' Wealth. The income generated from such investment must be sufficient to pay all the operating costs, grow the institutional capital, and finance rebates and dividend to the shareholders. When this happens, then there is growth of SACCOs' Wealth as a result of external financing. If external financing growth keeps pace with growth in total assets, there is likelihood that surpluses will be maintained. Higher growth in loan portfolio signals maintenance of surpluses.

The internal financing comes for such sources as; shares, Savings, Deposits, and retained surpluses commonly known as Institutional Capital. All these are invested funds or equity capital obtained by combining direct investment, retained patronage and surpluses. SACCOs must employ the most optimal internal financing for a significant growth to be experienced. The key aspects affecting the growth of SACCOs' Wealth include the methods and structure of financing mix.

2.4 Empirical Review

The current study considered that various studies have been conducted on growth of SACCOs and thereby reviewed some of the studies. During the review, the present study identified the gaps left by these studies and would be filled by the current study. They were classified as Growth of SACCOs Wealth studies, internal financing studies and external financing.

2.4.1 Growth of SACCOs Wealth Studies

Chowdhury and Chowdhury (2010) conducted a study to find out the impact of Financial Structure on the wealth of a firm using comparative analysis, correlation and regression analysis. It was found that maximizing the wealth of a firm requires a perfect combination of debt and equity, whereas cost of capital has a negative correlation in this decision and it should to be as minimum as possible. From the study, changing the Financial Structure composition a firm can increase its wealth in which the finance managers could utilize debt to form optimal Financial Structure to maximize the wealth of shareholders. Although the study by Chowdhury and Chowdhury (2010) expressed that there was need to choice determine how much financing comes internal and external, it did not specify the way this impacted on SACCO in Kenya. It was not clear how this would be applied in SACCO, which is a gap the present study will fill.

In another study, Obwori, *et al.* (2012) investigated and assessed the effect of funding constraints on the growth of small scale enterprises using descriptive statistics. The study found that amount earned does not effectively support the growth of firm. Collateral, bank accounts and high interest rates for loans were found to inhibit access

to funds. The study recommendations were the provision of basic institutional structures for capacity building and build linkages with financial institutions to attract funding, there is need for collaboration and participation through partnerships at all stages of the value chains, and there should be a financial strategy implementation plan for the a firm. Obwori, *et al.* (2012) study only showed the importance of financing a firm but lack enough evidence of how different sources of finance influenced the growth of wealth and particularly in SACCOs, which is what the present study will accomplish.

Trong (2012) conducted a study using cross-country analysis to show the link between funding structure and SACCOS' performance and found that it varies with the heterogeneity of microfinance institution' characteristics. Next, it found that profitable and regulated microfinance institutions which take on considerably more commercial funds are therefore shown to have higher sustainability, efficiency and outreach. Third, a large scale of operation helps microfinance institutions achieve higher efficiency, profitability, sustainability and outreach (breadth and depth). Fourth, there is no trade-off between the breadth of outreach and efficiency. Fifth, larger loan sizes are associated with higher loan costs. Sixth, the global financial crisis has had a minor impact on the performance of microfinance institutions since they have a low level of self-sufficiency, associated with a low degree of financial integration. The study by Trong (2012) exposed very many issues related to growth of a SACCO but failed to show how external and internal financing affect such growth.

The study by Mwau (2013) sought to establish the effect of financing diversification on the performance of Saccos in Kenya using descriptive, Karl Pearson's zero order coefficient of correlation to determine the nature of relationship between financing

diversification and Sacco performance and regression. The study found out that financing diversification had a significant positive effect on Sacco performance. The study by Mwau (2013) did to establish the risk implications of financing diversification on Saccos and even failed to give a clear picture of the impact of the external and internal financing on the growth of Sacco's wealth.

Mumanyi (2014) study employed desktop research to identify the challenges facing SACCOs in Mombasa such as lack of finance, among others. The study realized that despite the challenges, opportunities were available for SACCOs and their impact to the economic development, including capital accumulation. The study recommends policy makers and governments to come-up with policies and strategies that will support the growth of SACCOs, which is a pertinent alternative solution for financing micro and small businesses. Mumanyi (2014) study raised concerns over the SACCOs financing and showed that such would influence the SACCOs growth. However, the study fell short of explaining how the different types of financing; internal and external financing impacted that growth, which is what the present study will achieve.

2.4.2 Internal Financing Studies

Ndiege, *et al.* (2013) study examined the linkage between sources of funds and level of outreach as a performance indicator in SACCOs using panel data regression model. The study findings indicate that both external and internal sources of funds are positive and significantly related to outreach. The results indicate that external sources funds are becoming central part of the SACCOs loan portfolio as compared to internal sources of funds, which is a threat to saving practices in SACCOS. However, the study failed to expose a model and level of linkage to maintain the principles, structure and objectives of SACCO.

The study by Xuezhi and Ndiege (2013) examines the role of Savings and Credits Cooperative Societies (SACCOs) in the economic. The findings show that, there is a strong positive association between the financial services and the economic growth, also there is two-ways Granger causality between them. However, the study find out that savings are much important in fostering economic growth as compared to credits/loans. These criteria make SACCOS the distinct microfinance institutions in the economic development should be promoted with more emphasis on the savings objective. The study Xuezhi and Ndiege (2013) seemed to indicate that the internal financing, in this case, referred to as saving would have influence on the image and position of the SACCO (depending on its sustainability. The study did not clarify on the effects of external and internal financing on growth of SACCO, which is what the present study will do.

2.4.3 External Financing

Peace (2011) study findings of the study revealed that the establishment of a small credit and savings scheme played a positive role on the development of a SACCO. The study found some loopholes in Mitaana SACCO's interventions for example the marginalized widows, elderly and adolescents were mostly less favoured, also there are some members who are not educated and there is no programme put in place to help them improve their situation and still the researcher analysed that some people may be failing to access loans because of lack of collateral security. Finally the study recommended that in order to attain full development and financial accessibility, the government should facilitate the uneducated people with adult literacy services, the SACCO should develop more loans for people who are lacking security and hedge against credit risk through proper credit rating and allowing members to form core

groups which would act as security. Finally, Mitaana SACCO should value more inclusion of the needy like the widows, teenagers and the divorced.

The study by Ondieki, et al., (2012) expressed that despite the increase in credit, SACCOs are unable to meet the demands of their clients for loans and withdrawal of savings. The study assessed the effect of external financing on the financial performance of SACCOs using descriptive survey design, and descriptive statistics. The findings showed that financial performance was influenced by financing and investment policies, and portfolio quality. The study by Ondieki, et al., (2012) praised the use of external financing as highly influencing the growth of SACCO wealth using a descriptive statistics. The study lacked a model to explain the growth in terms of external financing, a gap the current study will fill. The study also failed to explain internal and external financing as factors jointly influencing growth of SACCO wealth, which is what the current study will do.

2.5 Summary of Literature Review

Although many studies have been conducted globally, regionally, and locally there is insufficient information linking internal and external financing to the growth of SACCO's wealth. For instance, Chowdhury and Chowdhury (2010) study showed that there is need to determine how much financing comes from internal and external; it did not specify the way this impacted on growth of wealth of SACCOs in Kenya. It was not clear how this would be applied in SACCO, which is a gap the present study will fill. Study by Obwori, et al. (2012) showed the importance of financing a firm but lack enough evidence of how different sources of finance influenced the growth of wealth and particularly in SACCOs, which is what the present study will accomplish. The study by Trong (2012) exposed very many issues related to growth of a SACCO

but failed to show how external and internal financing affect such growth. The study by Mwau (2013) did to establish the risk implications of financing diversification on Saccos and even failed to give a clear picture of the impact of the external and internal financing on the growth of SACCOs wealth. Mumanyi (2014) study raised concerns over the SACCOs financing and showed that such would influence the SACCOs growth. However, the study fell short of explaining how the different types of financing; internal and external financing impacted that growth, which is what the present study will achieve.

Ndiege, et al. (2013) study indicates that an external sources fund is very influential as compared to internal sources of funds. However, the study failed to expose a model and level of linkage to maintain the principles, structure and objectives of member-based microfinance. The study Xuezhi and Ndiege (2013) seemed to indicate that the internal financing influenced on the image and position of the SACCO (depending on its sustainability). The study did not clarify on the effects of external and internal financing on growth of SACCO, which is what the present study will do. The study by Ondieki, et al., (2012) showed that use of external financing highly influencing the growth of SACCO but lacked a model to explain the growth in terms of external financing, a gap the current study will fill. The study also failed to explain internal and external financing as factors jointly influencing growth of SACCO wealth, which is what the current study will do.

These gaps left by previous studies underscore the need for further research. This study, is therefore, set to fill the gap that currently exists in this area considering the fact that SACCOs wealth maximization is the main objective of financial management

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter presented the research design used in the research target population, sampling, data collection, and how data was analyzed. It also explained why specific techniques and methods were used in design, data analysis and data collection.

3.2 Research Design

This study used a descriptive survey in soliciting information in the area of research of Financial Structure and growth of SACCOs' wealth. Descriptive survey design was used since it provided insights into the research problem by describing the variables of interest. It was used in defining, estimating, predicting and examining associative relationships. This has provided useful and accurate information to answer the questions based on who, what, when, and how (Kombo and Tromp, 2006). The study used data for the period 2008 to 2012, covering a period of 5 years.

3.3 Population and Sample

According to Mugenda and Mugenda (2003), a population is defined as an entire group of individuals, events or objects having observable characteristics. The study sought to obtain data from all SACCOs which were active in Machakos County in the year 2012. Machakos County had 39 SACCOs on the time of the study (See Appendix 1) and only 33 met the threshold of having been operational as in the year

2012 therefore, the population of study was 33 SACOS operating in Machakos County.

Since the population was small and easily manageable (33 SACCOs all located in Machakos County), the study used census (a non probability method), where the entire target population participated in the study. Although according to Mugenda and Mugenda (2003), a sample population of 10% would yield good results, it was not worthwhile to take a sample because this would reduce the sample to a very small representation. Further, Kombo and Tromp (2006) indicated that in a descriptive the sample population should at least be 30 elements to obtain favorable results. The study therefore used census, which had a sample well above 10% and meet the threshold of 30 for a descriptive study. The study used the Chief Executive Officers (CEOs) of these SACCOs as the respondents to get the financial statements and any other relevant information about the study.

3.4 Data Collection

Data was collected from secondary sources. Secondary data was obtained by referring to existing materials such as; financial statements, organizational reports, other empirical researches in the area and any other relevant document. The Growth of SACCOs Wealth, which was the dependent variable, data was collected data from figures of retained earnings (institutional capital), which was in form of amounts for each year. The study obtained the amounts of retained earnings for each SACCO every year from the financial statements and then obtained the difference between the previous years to the current year (growth in retained earnings). The study then got the percentage increase in retained earnings.

Internal financing, an independent variable, was used to assess the first objective. The data to measure this objective originated from share capital, deposit and savings. This data was collected SACCO in every year of study. For each of the variables indicating internal financing; share capital, deposit and savings, the study first calculated the difference between the previous years to the current year. The study then got the percentage increase of each variable obtained.

External Financing, another independent variable, had its data being the long term and short term liabilities for each SACCO in the period of the study. The data was used to assess the second objective. For each of the variables indicating internal financing; long term and short term liabilities, the study first calculated the difference between the previous years to the current year. The study then got the percentage increase in each variables; long term and short term liabilities.

Pilot testing was conducted before data collection commenced to test the research instrument of the reliability and validity and therefore helped to identify possible problems, clarify on the instrument and appropriateness of the language during the main study.

3.5 Data Analysis

The collected data was first be checked for errors of omission and commission. Then it was classified and coded, measured, analyzed and interpreted accordingly. The data collected was analyzed, with respect to the study objectives, using both descriptive and inferential statistics. Univariate analysis which is the distributional properties of a variable was carried out first for each variable to describe that variable and as a preparation for multivariate analysis, using descriptive statistics. The data was

presented in form of tables and charts. Descriptive analysis was carried out for each variable to describe that variable and how it relates to growth of SACCOs wealth (Aneshensel, 2004).

Multiple regressions were used to obtain a model which describes the dependent variable; growth of SACCOs Wealth in terms of the independent; internal financing; and external financing using the 0.5 level of significance to test for significance of the model (Ho, 2006). The multivariate analysis established the nature of the relationship based on the model; $WG = \beta_0 + \beta_1 IC + \beta_2 EC + \varepsilon$

Where:

β_0 - is a constant, which is the value of dependent variable when all the independent variables are 0

β_1 & β_2 = Regression coefficients of independent Variables or change induced by IC and EC

ε = Error of prediction

WG = Growth of SACCOs Wealth (the dependent variable) was measured by retained earnings. The study obtained the values of retained earnings from the financial statements and then obtained the difference between the previous years to the current year (growth in retained earnings). The study then got the percentage increase in retained earnings.

IC = Internal Financing (an independent variable) was measured using share capital, deposit and savings. For each of the variables indicating internal financing; share capital, deposit and savings, the study first calculated the difference between the previous years to the current year. The study then got the percentage increase in each variable.

EC = External Financing (an independent variable) was measured using long term and short term liabilities. For each of the variables indicating internal financing; long term and short term liabilities, the study first calculated the difference between the previous years to the current year. The study then got the percentage increase in each variables; long term and short term liabilities.

The study used the mean of means where, first obtained the mean for each variable using the indicators of those variables. The mean obtained was used to obtain the values for the respective variables (Growth of SACCOs Wealth) and independent variables (Internal Financing; and External Financing), which was then be used to estimate the study model. The means thus obtained were regressed using multiple regressions to estimate the study model using a significance test of 0.05 level of significance. The Statistical Package for Social Sciences (SPSS) software version 17.0 was used to analyze the data

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter contains an analysis, presentation and interpretation, and discussions of the results obtained from the collected data. The presentation of the results was by use of tables, charts, and narratives. The presentations and discussion of findings was guided by the study objectives. The data used in the study was quantitative in nature and was analysed using descriptive statistics. The chapter also provides discussions of the research findings, by referencing the literature, both theoretical literature and empirical studies.

4.1.1 Response Rate of the study

Machakos Count had 39 SACCOs on the time of the study and only 33 met the threshold on having been operational as in the year 2012. This is to say that the target population was 33 SACCOs. The study analyzed the response rate with relationship to the sample population and the result recorded in Table 1.

Table 1: Analysis by Response Rate

Respondents	Sample Population	Response	% Response
No of SACCOs	33	27	81.82
Total	33	27	81.82

Source: Research Data (2014)

The results obtained showed that the response rate was 81.82%, which according to Mugenda and Mugenda (2003) it was very impressive (high). Mugenda and Mugenda

(2003) indicated that a response rate; of 50% is adequate, not exceeding 60% and greater than 50% is good, and above 69% is very high. The reason for the 18.18% not responding may be attributed to the SAACOs failure to have the records at their disposal. The SACCOs that did not provide data was relatively new (started in 2012) and it expressed that their records were with their auditor.

4.2 Descriptive Statistics

Study data was analyzed using descriptive analysis to describe the study variables and help assess the relationship between financial structure and growth of saving and credit cooperative societies' wealth in Machakos County. The analysis was guided by study objectives; to find out the association between internal financing and growth of SACCOs wealth in Machakos County, and to establish the association between external financing and growth of SACCOs wealth in Machakos County. The study analysed each variable's descriptive and then related the findings to the growth of SACCOs wealth.

4.2.1 Growth Of SACCOs Wealth

First evaluate the descriptive of dependent variable (DV), growth of SACCOs wealth and the results were recorded in Table 4.4. The table contains descriptive on growth of SACCOs wealth and the retained earnings in the starting of the study period. It exposes the values of the growth of SACCOs wealth attained from the year 2009 to 2012, the growth of SACCOs wealth is the difference between the current years retained earnings and the previous year retained earnings. The study also provides detailed on the percentage (%) increase of the growth of SACCOs wealth with respect to the previous year retained earnings.

Table 2: Analysis on growth of Sacco's wealth

Year	Total	Mean	Retained Earnings	Increase%
Retained Earnings 2008			13,348,387.00	-
Growth of SACCO Wealth 2009	13,663,788.00	506,066.22	27,012,175.00	102.36
Growth of SACCO Wealth 2010	11,666,696.35	432,099.86	38,678,871.35	43.19
Growth of SACCO Wealth 2011	9,404,434.65	348,312.39	48,083,306.00	24.31
Growth of SACCO Wealth 2012	13,980,448.30	517,794.38	62,063,754.30	29.08

Source: Research Data (2014)

From the result in Table 2, it was found that the Growth of SACCO Wealth increased from the year 2008 to 2009 by Kshs. 13,663,788.00, which was increase of 102.36%. The average Growth of SACCO Wealth in that period was Kshs.506,066.22. The year 2009 to 2011 experienced as considerable drop of the Growth of SACCO Wealth to 11,666,696.35, a change which represented an increase of 43.19% of the retained earnings in the year 2009. The Growth of SACCO Wealth from the year 2010 to 2011 was Kshs.9, 404,434.65, which was 24.31% of the retained earnings in the year 2010. There was another substantial increase Growth of SACCO Wealth from the year 2011 to 2012 of Kshs. 13,980,448.30, which represented an increase of 29.08%. The results obtained showed that there was always a growth of SACCOS wealth each year. There was no indication of the considerable drop in Growth of SACCO Wealth from 2008 to 2009 (i.e. the Growth of SACCO Wealth reducing in this period). But things started changing in 2012, when the Growth of SACCOS wealth started increasing. More precisely, there was sufficient growth of SACCOS over the study period.

4.2.2 Internal Financing and Growth of SACCOS

In an effort to assess objective one, the study analysed the internal financing and sought to find out the association between internal financing and growth of SACCOS wealth in Machakos County. The descriptive are captured in table 3. The table shows

the total internal financing within each study year and the increase in financing. The increase in financing is the change in internal financing divided by the internal financing of the previous year, which was then expressed as percentage of internal financing of the previous year. These details are recorded in Table 3 as follows:

Table 3: Analysis on Internal Financing

Year	Total	Mean	Increase	Increase%
Internal Financing 2008	82,033,997.00	3,155,153.73	-	-
Internal Financing 2009	101,014,125.00	3,885,158.65	18,980,128.00	23.14
Internal Financing 2010	118,754,293.00	4,567,472.81	17,740,168.00	17.56
Internal Financing 2011	134,439,152.00	5,170,736.62	15,684,859.00	13.21
Internal Financing 2012	159,739,804.00	5,916,289.04	25,300,652.00	18.82

Source: Research Data (2014)

The results show that the Internal Financing was increasing from Kshs. 82,033,997.00 in 2008, to Kshs. 101,014,125.00 in 2009, Kshs. 118,754,293.00 in 2010, Kshs. 134,439,152.00 in 2011 and Kshs. 159,739,804.00. In the year 2012, The average Internal Financing per SACCOs was Kshs.3,155,153.73 in 2008, Kshs. 3,885,158.65 in 2009, Kshs.4,567,472.81 in 2010, Kshs. 5,170,736.62in 2011, and Kshs. 5,916,289.04 in 2012. The mean Internal Financing increased each year. For instance from the 2008 to 2009 saw an increase of Kshs. 18,980,128.00, which translated to 23.14% increase as 2010 experienced an increase of Kshs. 17,740,168.00, representing 17.56% increase.

The Internal Financing increase in 2011 by Kshs.15,684,859.00, which was 13.21% increase. In 2012 by Kshs. 25,300,652.00, this was 18.82%. However, the increase was not consistent; in 2009 it was 23.14%, which reduced to 17.56% in 2010 and further reduced to 13.21% in 2011. It experienced an increase to 18.82% in 2012. The results show that internal financing increased but the increasing was not consistent,

sometime the percentage was high and other lower. The study may not explain the fluctuations in the Internal Financing values.

The study then assessed the association between internal financing and growth of SACCOs wealth in Machakos County and result obtained recorded in Table 4. The study obtained the percentage increase in each of the study variable; internal financing, and Growth of SACCOs wealth to compare the association.

Table 4: Analysis on Effects of internal financing on growth of SACCOs

Year	%Increase in Internal Financing	% Growth of SACCO Wealth
2009	23.14	102.36
2010	17.56	43.19
2011	13.21	24.31
2012	18.82	29.08

Source: Research data (2014)

The results obtained showed that when the internal financing increased by 23.14%, Growth of SACCOs wealth increased by 102.36% and when internal financing reduced to 17.56%, Growth of SACCOs wealth reduced to 43.19%. Then internal financing reduced to 13.21% and Growth of SACCOs wealth recued to 24.31%. When internal financing increased to 18.8%, Growth of SACCOs wealth increased to 29.08%.

There does not seem to be a straight linear relationship between the internal financing and Growth of SACCOs but there is clear association between the two variables; internal financing (IV), and Growth of SACCOs wealth (DV). When internal financing increase, Growth of SACCOs wealth increase and vice versa. This shows that the two variables; IV and DV are associated. Ndiege, *et al.*, (2013) showed that internal financing is associated Growth of SACCOs wealth, which was supported by

the findings from the present study as Ahmed and Hisham (2009) indicates that the internal financing preferred to external financing. In a nutshell, the present found that internal financing affected Growth of SACCOs wealth but the actual effects are not exposed in the present study.

4.2.3 External Financing and Growth of SACCOs

The study analysed the descriptive of external financing and sought to find out the association between external financing and growth of SACCOs wealth in Machakos County in an effort to assess objective two. The descriptive are captured in table 5. The table shows the total external financing within each study year and the increase in external financing. The increase in external financing is the change in external financing divided by the external financing of the previous year, which was then expressed as percentage of external financing of the previous year. These details are recorded in Table 5.

Table 5: External Financing

Year	%Increase in Internal Financing	% Growth of SACCO Wealth
2009	23.14	102.36
2010	17.56	43.19
2011	13.21	24.31
2012	18.82	29.08

Source: Research Data (2014)

The results showed that External Financing increased each from 2008 to 2012. It increased for Kshs. 27,912,458.00 in 2008 to Kshs. 44,665,012.00 in 2009, an increase of 60.02%. The External Financing further increased to Kshs. 60,246,065.00 in 2010, an increase of 34.88% and to Kshs. 62,373,786.00 in 2011. From the results, External Financing increased to Kshs 80,695,358.40 in 2012. The mean External

Financing continuously increase by; Kshs. 1,033,794.74 in 2008, Kshs. 1,654,259.70 in 2009, Kshs. 2,231,335.74 in 2010, Kshs. 2,310,140.22 in 2011, and Kshs. 2,326,780.72 in 2012. From these results it was clear than there was always an increase in External Financing, regardless of the size. Sometimes the percentage increase was less than the previous year and other times it was more. All in all, there was always an increase in the External Financing each year. There was indication in the results that the SACCOs experienced increased in External Financing over the study period. The increases were; Kshs. 16,752,554.00 in 2009, Kshs. 15,581,053.00 in 2010, Kshs. 2,127,721.00 in 2011, and Kshs. 18,321,572.40 in 2012. It was actually found that external financing increase each year. So, the SACCOs did not discard use of external financing during the study period, showing that they preferred this financing source.

The study then assessed the association between external financing and growth of SACCOs wealth in Machakos County and result obtained recorded in Table 6. The study obtained the percentage increase in each of the study variable; external financing, and growth of SACCOs wealth to compare the association.

Table 6: Analysis on Effects of External Financing on Growth of SACCOs

Year	%Increase in External Financing	% Growth of SACCO Wealth
2009	60.02	102.36
2010	34.88	43.19
2011	3.53	24.31
2012	29.37	29.08

Source: Research data

The results in Table 6 show that each year there was increase in External Financing and Growth of SACCOs wealth, which had the same pattern for both variables; External Financing, and Growth of SACCOs wealth. When external financing

increased, Growth of SACCOs wealth also increased. For instance in the year 2009, external financing increased to 60.02% and Growth of SACCOs wealth increased to 102.36%. When External Financing recued to 34.88% in 2010, Growth of SACCOs wealth recued to 43.19%, in the year 2011, External Financing reduced to 3.53% and Growth of SACCOs wealth decreased to 24.31%. The year 2012 saw External Financing increase 29.37% and Growth of SACCOs wealth increased to 29.08%. From the results obtained showed that external financing was associated with growth of SACCOs wealth since when external financing increase, Growth of SACCOs wealth increased too and vice versa. This time the results show a very predictable linear relationship between external financing and Growth of SACCOs wealth.

4.3 Correlation Analysis

The study carried out correlation Analysis to establish whether there exist any significant relationship between the Growth of SACCOs wealth (dependent variable) and the independent variables (external financing and internal financing) at 0.05 level of significance. The data was analysed using the Pearson's product method correlating the Dependent Variable to all Independent variables as illustrated in 7 illustrates of these relationships.

Table 7: Correlations

		GROWTH OF WEALTH	EXTERNAL FINANCING	INTERNAL FINANCING
GROWTH OF WEALTH	Pearson Correlation	1	.846	.375
	Sig. (2-tailed)		.000	.000
	N	135	135	135
EXTERNAL FINANCING	Pearson Correlation	.846	1	.312
	Sig. (2-tailed)	.000		.000
	N	135	135	135
INTERNAL FINANCING	Pearson Correlation	.375	.312	1
	Sig. (2-tailed)	.000	.000	
	N	135	135	135

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

Source: Research Data (2014)

The results in table 7 show that under the Pearson correlation, all the IV (external financing and internal financing) were statically significant to Growth of SACCOs wealth. Such that for external financing ($r = .846$, $p = .000$) and internal financing ($r = .375$, $p = .000$), had the the p-value for each less than .05. In fact for each IV, $p < .01 < .05$, making the relationship very significant. External financing had highest relationship ($r = .846$) followed by internal financing ($r = .375$) which all had moderate relationship. In short, all the IVs; external financing and internal financing can be used to explain Growth of SACCOs wealth, which allowed these variable to be used for further analysis to establish the regression model.

4.4 Regression Analysis

The study sought to establish whether the independent variables; internal financing, and external financing would actually predict the dependent variable, Growth of SACCOs wealth. The study therefore tested for existence of significant relationship between the independent variable and the dependent variable. Multiple regressions was carried out to estimate a model that would explain growth of SACCOs wealth in

terms of; internal financing, and external financing based on 0.05 level of significance. The study used the means obtained in descriptive analysis to obtain the values for all the variables.

4.4.1 Diagnostic Tests on Study Variables

Before estimating the model, the study first tested the data for normality. The study tested for normality using Shapiro Wilks (numerical method) since the sample population less than 50). The results obtained are in Table 7below:

Table 8: Normality Tests

	Kolmogorov-Smirnov		
	Statistic	df	Sig.
Internal Financing	0.127	26	0.206
External Financing	0.233	26	0.298

Source: Research data (2014)

The results in table 8 above showed that the p-value for; internal financing was 0.206; external financing 0.298; the p-value for each respective independent variable was greater than 0.05, indicating that the data were normally distributed. Data is normally distributed, when each p-value of the study variables is greater than 0.05.

The study tested existence of multi-collinearity in the independent variables to ensure that no variable in the model that was measuring the same relationship as was measured by another variable or group of variables. Mutlicollinearity exist when Variance Inflation Factor (VIF) is less than 10 and Tolerance is greater than 0.1. The results obtained were captured in Table 8.

Table 9: Results of Multi-co linearity Tests on Independent variables

Predictor Variable	Tolerance	VIF
Internal Financing	0.903	1.108
External Financing	0.903	1.108

Source: Research data (2014)

The results in table 9 showed that the tolerance for; internal financing was 0.903; and external financing was 0.903. The tolerance for all predictor variables; internal financing, and external financing, were greater than 0.1 or 10%, so the study concluded that there were no multi-collinearity among them. So the estimators computed were considered reliable to estimate the model.

4.4.2 Regression Model

The study estimation model was: $WG = \beta_0 + \beta_1 IC + \beta_2 EC + \varepsilon$ Where:

β_0 - is a constant

β_1 and β_2 = Regression coefficients of independent Variables or change induced by IC and EC

ε = Error of prediction

WG = Growth of SACCOs Wealth (the dependent variable)

IC = Internal Financing (an independent variable)

EC = External Financing (an independent variable)

Table 9 contains the results of the study model and model summary. In the results, the predictors are: Constant, Internal Financing, and External Financing.

Table 10: Growth of SACCOs Wealth Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
0.854	0.729	0.725	567738.3376	0.729	177.708	2	132	0.000

Source: Research data (2014)

The results in Table 9 indicated that the coefficient of determination was .725. This implies that 72.50% variation is caused by the IVs. So 72.50% variation in growth of SACCOs wealth was explained by variation in; internal financing, and external financing.

Table 10 contains ANOVA results on and contains significance level of the independent Variable, Growth of SACCOs Wealth based on the 0.5 level of significance. The ANOVA has the predictors: (constant), external financing and internal financing.

Table 11: Growth of SACCOs Wealth ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1.151C+14	3	5.73EC+13	177.708	0
Residual	4.261C+13	132	3.22EC+11		
Total	1.571C+14	134			

Source: Research data (2014)

The study generated hypothesis to test the study model. The hypothesis was $H_0: \beta_1 = \beta_2 = 0$ (all the coefficients of internal financing, and external financing are zero)

H_a : At least one of the coefficients $\beta_i \neq 0$

H_0 is accepted if $p\text{-value} > .05$ (at 5% level of significance)

H_0 is rejected if $p\text{-value} \leq .05$ (at 5% level of significance) and H_a : is accepted

From Table 11 it can be observed that $p\text{-value} = .000$. Since $p\text{-value} < .001 < .05$ ($F=1777.708$, $P\text{-value}=.000$), then we reject the null hypothesis and accept the alternative hypothesis. So, at the 5% significance level (i.e. $\alpha=0.05$, level of significance), there exists enough evidence to conclude that at least one of the predictors; internal financing, and external financing, is useful in predicting the growth of SACCOs wealth. Therefore, the model is useful in explaining growth of SACCOs wealth.

Further analysis was done and results recorded in Table 12 results to establish the significance of the independent variable in determining the dependent variable.

Table 12: Regression Analysis

Model	Unstandardized Coefficients		Standardized Coefficients		
		Std. Error	Beta	T	Sig.
(Constant)	-983.684	59209.365		-0.017	0.987
Internal Financing	0.046	0.018	0.123	2.57	0.011
Internal Financing	0.182	0.011	0.808	16.941	0.000

Source: Research data (2014)

Various interpretations were made based on Table 12 results

First, the study proposed the following hypotheses to test for internal financing;

H_{a0} : There is no statistically significant relationship internal financing and growth of SACCOs wealth.

H_{a1} : There is a statistically significant relationship internal financing and growth of SACCOs wealth.

From the results in Table 12, $T= 2.57$ $p\text{-value}= .011$. Since $p <.05$ then the null hypothesis is rejected and the alternative hypothesis accepted. At the $\alpha = 0.05$ level of significance, there exists enough evidence to conclude that the internal financing is not zero and, hence, that internal financing is useful as a predictor of growth of SACCOs wealth.

Other hypothesis was proposed to test external financing;

H_{b0} : There is no statistically significant relationship external financing and growth of SACCOs wealth.

H_{b1} : There is a statistically significant relationship external financing and growth of SACCOs wealth.

From these results, $T= 16.941$ $p\text{-value}= .000$. Since $p <.05$ then the null hypothesis is rejected and the alternative hypothesis accepted. At $\alpha = 0.05$ level of significance, there exists enough evidence to conclude that the salary and allowances is not zero and, hence, that salary and allowances is useful as a predictor of growth of SACCOs wealth.

The regression equation obtained using these variables will be moderately useful in making prediction simply because the value of R^2 is above .6. The estimated equation is $WG = -983.684 + .046IC + 0.182EC$ as derived from Table 12. The constant is $-.983.684$, which means that when all the variables; internal financing, and external financing are held at 0, growth of SACCOs Wealth is $-.983.684$. From these results, a variation in internal financing induces a change of .046 on growth of SACCOs

Wealth; external financing induces a change of 0.182 on growth of SACCOs wealth. The inferential results showed that the growth of SACCOs wealth was explained by internal financing (p-value = 0.011) and external financing (p-value = 0.000).

The table 12 shows that internal financing, and external financing had positive coefficients, which showed that they were directly proportional to growth of SACCOs wealth. This means that an increase in any of; internal financing, and external financing led to increase in growth of SACCOs wealth. So a decrease in any of; internal financing, and external financing individual related factors would lead to decrease in growth of SACCOs wealth.

The results indicated that 72.50% of variation in growth of SACCOs wealth is explained by internal financing, and external financing.

In conclusion, the inferential statistics showed that the dependent variable, growth of SACCOs wealth was explained by independent variables; internal financing, and external financing. Therefore internal financing, and external financing were predictors of growth of SACCOs wealth.

4.5 Summary and Interpretation of Findings

The study found that the Growth of SACCO Wealth increased every year of study period (from 2008 to 2012. For instance in the year 2009, Growth of SACCO Wealth increased was 102.36%. in 2010 the Growth of SACCO Wealth was 43.19% and in the year 2011 it was 24.31% as 2012 experience an increase of 29.08%.. However, there was a considerable drop in percentage Growth of SACCO Wealth for some time. There was an assurance of SACCOs continuity in Machakos County because the SACCOS had sufficient funds to absorb losses and impairment of members' savings,

in case of the SACCOS facing emergence of unexpected risks The year 2009 saw an increase of 102.36%, which was a very encouraging situation. This reduced to 43.19% in the year 2010 and 24.31% in the year 2011. However, they year 2012 saw a rise to 29.08%. It was not easy to link the decline in the year 2010 and 2011 to financing issues of the SACCOS

The internal financing increased each year over the period of the study. For instance from the 2008 to 2009 saw an increase by 23.14% as the increase in the year 2010 was 17.56%. The Internal Financing increase in 2011 was 13.21%. In 2012 the increase was 18.82%. However, the increase was not consistent; in 2009 it was 23.14%, which reduced to 17.56% in 2010 and further reduced to 13.21% in 2011. However it experienced an increase to 18.82% in 2012. An assessment of the first objective shows that as internal financing increased there was Growth of the SACCOS wealth and vice versa, an indication that there was an association between internal financing increased and Growth of the SACCOS wealth. when the internal financing increased by 23.14%, Growth of SACCOS wealth increased by 102.36% and when internal financing reduced to 17.56%, Growth of SACCOS wealth reduced to 43.19%. Then internal financing reduced to 13.21% and Growth of SACCOS wealth recued to 24.31%. When internal financing increased to 18.8%, Growth of SACCOS wealth increased to 29.08%. although there does not seem to be a straight linear relationship between the internal financing and Growth of SACCOS but there is clear association between the two variables; internal financing (IV), and Growth of SACCOS wealth (DV). When internal financing increase, Growth of SACCOS wealth increase and vice versa.

As concerns objective two, external financing was measured. The study found that it increased by 60.02% in the year 2009. It increased by 34.88% in the year 2010 as it

increased by 24.31% in the year 2011. It increased by 29.08 in 2012. It was found that there was always an increase in external financing although the percentage increase was less than the previous year and other times it was more. There was always an increase in the external financing each year. Each year there was increase in External Financing and there was Growth of SACCOs wealth, which had the same pattern for both variables. When external financing increased, Growth of SACCOs wealth also increased. For instance in the year 2009, external financing increased to 60.02% and Growth of SACCOs wealth increased to 102.36%. When External Financing recued to 34.88% in 2010, Growth of SACCOs wealth recued to 43.19%, in the year 2011, External Financing reduced to 3.53% and Growth of SACCOs wealth decreased to 24.31%. The year 2012 saw External Financing increase 29.37% and Growth of SACCOs wealth increased to 29.08%. From the results obtained showed that external financing was associated with growth of SACCOs wealth. This time the results show a very predictable linear relationship between external financing and Growth of SACCOs wealth.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of findings, conclusions as well as the recommendations based on the findings. It further highlights the research gaps the researcher felt should be filled by further research as well the limitations of the study. The conclusions and recommendation were based on the study objective i.e. to find out the association between internal financing and growth of SACCOs wealth in Machakos County, and to establish the association between external financing and growth of SACCOs wealth in Machakos County.

5.2 Summary of Findings and Discussions

5.2.1 Summary on Dependent Variable

The study found that the Growth of SACCO Wealth increased each year from 2008 to 2012 (102.36% 2009; 43.19% in 2010; 24.31% in 2011; and 29.08% in 2011). This means that there was growth of SACCOs' wealth, which means it possible to finance non withdrawable capital funded assets, provide cushion to absorb losses and impairment of members' savings. So, there was an assurance of SACCOs community in Machakos County because the SACCOS had sufficient funds to absorb losses and impairment of members' savings, in case of the SACCOS facing emergence of unexpected risks Growth of SACCO Wealth in the County to ensure sustainability of the industry. However, the Growth of SACCO Wealth was not consistent but

fluctuating over time (2009 saw an increase of 102.36%, 2010 it decreased to 43.19%, 2011 it decreased to 24.31% and in 2012 it increased to 29.08%)

Each year the SACCOs experienced growth of SACCOs from the previous year, which showed a good performance of SACCOS in Machakos County over the study period. From the words of Ndiege *et al.* (2013), when there is growth of SACCOs' wealth it possible to finance non withdrawable capital funded assets, provide cushion to absorb losses and impairment of members' savings. (Mwau, 2013) supports this by showing that where the wealth is insufficient, losses are absorbed by members' savings and share capital, which leads to their impairment of the members' savings; which would hinder the achievement of the said objectives.

From these arguments, then it can be said that there was an assurance of SACCOs continuity in Machakos County because the SACCOS had sufficient funds to absorb losses and impairment of members' savings, in case of the SACCOS facing emergence of unexpected risks ((Branch 2006; Xuezhi & Ndiege, 2013). These SACCOs have adequate retained earnings to finance non withdrawable capital funded assets (Trong, 2012), which negated the study by Obwori, *et al.* (2012) that found that amount earned does not effectively support the growth of firm. The study Mwau (2013) found out that financing diversification had a significant positive effect on Sacco performance, which not acts an anchor, in the present study, to relate the experience growth of SACCOs wealth to SACCO performance. This makes the present study comfortably declare that there was considerable Growth of SACCO Wealth in the County to ensure sustainability of the industry.

However, the Growth of SACCO Wealth was not consistent but fluctuating over time. The year 2009 saw an increase of 102.36%, which was a very encouraging situation. This reduced to 43.19% in the year 2010 and 24.31% in the year 2011. However, the year 2012 saw a rise to 29.08%. It was not easy to link the decline in the year 2010 and 2011 to financing issues of the SACCOS but to a point it may be related to the credit crunch which is out the scope of the study. Mumanyi (2014) study raised concerns over the SACCOS financing and showed that such would influence the SACCOS growth. But the study by Mumanyi (2014) revealed that despite the challenges, opportunities were available for SACCOS and their impact to the economic development, including capital accumulation. The study by Mumanyi (2014) recommends policy makers and governments to come-up with policies and strategies that will support the growth of SACCOS.

5.2.2 Summary on Objective One

Internal Financing increased each year (from the 2008 to 2009 it increased 23.14%; 2010 the increase was 17.56%; 2011 there was 13.21% increase; and in 2012 there was 18.82% increase. However, the increase was not consistent; in 2009 it was 23.14%, which reduced to 17.56% in 2010 and further reduced to 13.21% in 2011. It experienced an increase to 18.82% in 2012. The study found that when the internal financing increased by 23.14%, Growth of SACCOS wealth increased by 102.36% and when internal financing reduced to 17.56%, Growth of SACCOS wealth reduced to 43.19%. Then internal financing reduced to 13.21% and Growth of SACCOS wealth reduced to 24.31%. When internal financing increased to 18.8%, Growth of SACCOS wealth increased to 29.08%. There does not seem to be a straight linear relationship between the internal financing and Growth of SACCOS wealth but there is clear association between the two variables; internal financing (IV), and Growth of

SACCOs wealth (DV). When internal financing increased and Growth of SACCOs wealth increased and vice versa.

Evans (2001) indicates that a SACCO should adopt an optimal capital structure that would optimize its financial requirements through maximization of returns without additional costs as they optimise surpluses (Ondieki, et al., 2012). These seem to explain that certain SACCO activities and situation might in Machakos County, have affected the expected consistent increase to some extent in the present study. Further Xuezi and Ndiege (2013) showed that a SACCO may adopt some criteria, which make SACCOs to be promoted with more emphasis on the savings objective. Maina (2007) indicates that SACCO involves itself with investments that yield benefits greater than the opportunity cost of capital, in which case it is important to determine the economic viability of the SACCOs investment options and the methods used in financing these investments, where internal financing score highly as source of capital. Based on this argument, it can be assumed that the SACCO in Machakos County had consideration which affected the Internal Financing over the period the Internal Financing was reducing the optimum value. The study also found that as internal financing increased, the Growth of SACCOs wealth also increased and vice versa. So the study found that there was an association between the internal financing and Growth of SACCOs Wealth, which provided that objective one was satisfied as found by Olando *et al.* (2012).

5.2.3 Findings on Objective Two

External Financing increased each year from 2008 to 2012 (It increased 60.02% in 2009; 34.88% in 2010). There was always an increase in External Financing, regardless of the size. Sometimes the percentage increase was less than the previous year and

other times it was more. Each year there was an increase in External Financing and Growth of SACCOs wealth, which had the same pattern for both variables; External Financing, and Growth of SACCOs wealth. When external financing increased, Growth of SACCOs wealth also increased (in 2009, external financing increased by 60.02%, decreased by 43.19% in 2010, decreased by 24.21% in 2011, and increased by 29.37% in 2012). External financing was associated with growth of SACCOs' wealth since when external financing increased, Growth of SACCOs wealth increased too and vice versa. There was a very predictable linear relationship between external financing and Growth of SACCOs wealth.

It was actually found that external financing increased each year, which was in support of Ahmed and Hisham (2009) who indicated that in most SACCO financing is preferred to other external options. The results obtained showed that SACCOs in Machakos preferred external financing and that what might have been causing the annual increase in this form of financing. This is to say that the SACCOs did not discard use of external financing during the study period, showing that they preferred this financing source. Chowdhury and Chowdhury (2010) indicated that the choice of external financing aims to find the right financial structure that would maximize wealth, which might support the findings in the present study. The present study opted to firmly support external financing owing to the benefits associated with it. The study found that external financing was associated with growth of SACCOs wealth, which satisfied objective two. The findings that external financing was associated with growth of SACCOs wealth aligned to those in the study by Ondieki *et al.*, (2012) that financial performance was influenced by financing and investment policies, and portfolio quality. The study by Ondieki *et al.*, (2012) exhorted the use of external financing as highly influencing the growth of SACCO wealth.

5.2.4 Summary of Regression Analysis

The study established that growth of SACCOs wealth was explained by internal financing (p-value = 0.011) and external financing (p-value = 0.000). Both internal financing and external financing had positive coefficients, which showed that they were directly proportional to growth of SACCOs wealth. This means that an increase in any of; internal financing, and external financing led to increase in growth of SACCOs wealth and a decrease in any of; internal financing, and external financing individual related factors would lead to decrease in growth of SACCOs wealth. 72.50% of variation in growth of SACCOs wealth is explained by internal financing, and external financing.

5.3 Conclusions

This study found that there was considerable Growth of SACCO Wealth in the County to ensure sustainability of the industry in the county

The study revealed that internal financing increase each year and internal financing affected Growth of SACCOs wealth such an increase in internal financing led to an increase in Growth of SACCOs wealth and vice versa.

It was established actually found that external financing increase each year as the Growth of SACCOs wealth also increased. The study established that external financing was associated with growth of SACCOs' wealth since when external financing increase, Growth of SACCOs wealth increased too and vice versa. There was a predictable linear relationship between external financing and Growth of SACCOs wealth.

It was established that Growth of SACCOs wealth is predicted by internal financing (p-value = 0.011) and external financing (p-value = 0.000). The p-value for each independent variable; External Financing, Internal Financing was less than 0.05, indicating that the IVs (external financing, internal financing) would be good estimator the DV (Growth of SACCOs Wealth).

5.4 Limitations of the Study

The study was limited in a number of ways. First; considered how external financing, internal financing affected the Growth of SACCOs Wealth, which made limited to Machakos County of Kenya. Secondly, the study was limited to the extent of respondent's honesty and biases, which would have meant collecting the data due to the various biases and fear from the respondents. Thirdly, the study model was also limited in terms of the study variable, there are other variables which would significantly affect the Growth of SACCOs Wealth but the present study ignored such. This indicated by the adjusted r2 which was 72.50% showing that other factors contribute the 27.50% as the external financing, internal financing contribute the 72.50%.

The study also faces challenges of time resources limiting the study from collecting data particularly where the SACCOs management delayed giving the SACCOs financial reports. To mitigate this, the researcher made often follow up and enhanced collection of sufficient data from the SACCOs. The period of study was limited to five years. The SASRA regulations have been implemented in SACCOs for less than two years hence SACCOs management has been in a period of adjustment. This could have affected the financial performance of SACCOs. The study was further constrained by limited financial and time resources. The researcher drew a time schedule and a budget that enabled the study to be completed using the budget drawn

and within the required time of the study. The study also sought for a loan (financial assistance) from the researcher's SACCO, which was awarded and assisted in financing the study.

5.5 Recommendations

5.5.1 Policy Recommendations

The study made policy recommendation based on the findings; firstly, the SACCO should review or design their policies on internal financing to ensure that optimum internal financing was availed in the SACCO. Since most of the internal financing come from the SACCO members, the SACCOs should come up either strategies or procedures that encourage members to continually increase their savings and share contributions. They should design policies which assure of protection of members contribution provide viable insurance and protection of members money. Some of the practices, procedures and policies should be anchored to the SACCO by laws. Bur eventually, the SACCOs should make proper regulations and framework to ensure that there is space for members to increase their contributions to the SACCOs.

Secondly, the SACCOs should either review their by-laws and working policies to ensure that the optimum external financing is encouraged. Although external financing has a very close and linear association with growth of SACCOs wealth, the borrowing should be design to ensure their maximum of growth of SACCOs wealth obtained from such credit. Clear lending procedures and policies will ensure smooth growth of SACCOs wealth in these SACCOs.

5.5.2 Recommendations for further study

The present found that internal financing and external financing affected Growth of SACCOs wealth, where they contribute to 72.50% but other factors accounting for 27.50% were not revealed. So other study should be conducted to fill this gap by assess factors, other than internal financing and external financing which would affects the Growth of SACCOs wealth.

Further, the present study found that the Growth of SACCO Wealth was not consistent but fluctuating over time. Another study should be conducted to establish why this was happening over the period 2009 to 2011.

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Appendix I: List of SACCOs in Machakos County

- 1 Universal Traders Sacco
- 2 Masaku Teachers Sacco Ltd
- 3 Ukamba Matatu Owners' Welfare Ass. (UMOWA) Sacco
- 4 Eastern Shuttle
- 5 Maptra Sacco Ltd
- 6 Machakos Teachers' Sacco
- 7 Metropolitan Teachers SACCO Society
- 8 Athi Harvest Co-operative savings and Credit society Ltd.
- 9 Athi River Mining Co-operative savings and Credit society Ltd.
- 10 Athi Stores Co-operative savings and Credit society Ltd.
- 11 Auto-Spring Co-operative savings and Credit society Ltd.
- 12 Ceramics Co-operative savings and Credit society Ltd.
- 13 EPZA Co-operative savings and Credit society Ltd.
- 14 Game Ranch Co-operative savings and Credit society Ltd.
- 15 Inua Co-operative savings and Credit society Ltd.
- 16 Kaseco Co-operative savings and Credit society Ltd.
- 17 KMC Co-operative savings and Credit society Ltd.
- 18 London Distillers Co-operative savings and Credit society Ltd.
- 19 Lukenya School Co-operative savings and Credit society Ltd.
- 20 Mamuco Co-operative savings and Credit society Ltd.
- 21 Marol aCo-operative savings and Credit society Ltd.
- 22 Ngp Bamburi Co-operative savings and Credit society Ltd.
- 23 Portland Cement Co-operative savings and Credit society Ltd.
- 24 Reliatex Co-operative savings and Credit society Ltd.

- 25 Ruptex Co-operative savings and Credit society Ltd.
- 26 Stona Co-operative savings and Credit society Ltd.
- 27 Tuffoam Co-operative savings and Credit society Ltd.
- 28 Ushindi Youth Co-operative savings and Credit society Ltd.
- 29 Waridi Co-operative savings and Credit society Ltd.
- 30 Inukeni Co-operative savings and Credit society Ltd.
- 31 Macopri Co-operative savings and Credit society Ltd.
- 32 Kithito Rural Co-operative savings and Credit society Ltd.
- 33 Moko Rural Co-operative savings and Credit society Ltd.
- 34 Mudico Co-operative savings and Credit society Ltd.
- 35 Panania Co-operative savings and Credit society Ltd.
- 36 Universal Traders Sacco Co-operative savings and Credit society Ltd.
- 37 Malgow Co-operative savings and Credit society Ltd.
- 38 Manatwa Co-operative savings and Credit society Ltd.
- 39 Masaku Staff Co-operative savings and Credit society Ltd.

Appendix II: SACCOs Retained Earnings for the Period 2008-2012

Year	Total	Lowest	Highest	Mean	Increase	Increase%
Retained Earnings 2008					13,348,387.00	-
Retained Earnings 2009	13,663,788.00	0.00	5,200,000.00	506,066.22	27,012,175.00	102.36
Retained Earnings 2010	11,666,696.35	0.00	5,400,000.00	432,099.86	38,678,871.35	43.19
Retained Earnings 2011	9,404,434.65	0.00	5,000,000.00	348,312.39	48,083,306.00	24.31
		-				
Retained Earnings 2012	13,980,448.30	88,736.00	6,700,000.00	517,794.38	62,063,754.30	29.08

Source: Research Data (2014)

Appendix III Internal Financing

Year	Total	Lowest	Highest	Mean	Increase	Increase%
Internal Financing 2008	82,033,997.00	0.00	48,827,314.00	3,155,153.73	-	-
Internal Financing 2009	101,014,125.00	0.00	59,463,420.00	3,885,158.65	18,980,128.00	23.14
Internal Financing 2010	118,754,293.00	0.00	70,457,957.00	4,567,472.81	17,740,168.00	17.56
Internal Financing 2011	134,439,152.00	0.00	75,795,429.00	5,170,736.62	15,684,859.00	13.21
Internal Financing 2012	159,739,804.00	0.00	81,875,725.00	5,916,289.04	25,300,652.00	18.82

Appendix IV: External Financing

Year	Total	Lowest	Highest	Mean	Increase	Increase%
External Financing 2008	27,912,458.00	0.00	19,900,000.00	1,033,794.74	-	-
External Financing 2009	44,665,012.00	0.00	25,000,000.00	1,654,259.70	16,752,554.00	60.02
External Financing 2010	60,246,065.00	0.00	30,000,000.00	2,231,335.74	15,581,053.00	34.88
External Financing 2011	62,373,786.00	0.00	25,000,000.00	2,310,140.22	2,127,721.00	3.53
External Financing 2012	80,695,358.40	0.00	19,000,000.00	2,326,780.72	18,321,572.40	29.37

Appendix V: Growth of SACCO Wealth

Year	Total	Lowest	Highest	Mean	Retained Earnings	Increase%
IC 2008					13,348,387.00	
Growth of SACCO Wealth 2009	13,663,788.00	0.00	5,200,000.00	506,066.22	27,012,175.00	102.36
Growth of SACCO Wealth 2010	11,666,696.35	0.00	5,400,000.00	432,099.86	38,678,871.35	43.19
Growth of SACCO Wealth 2011	9,404,434.65	0.00	5,000,000.00	348,312.39	48,083,306.00	24.31
Growth of SACCO Wealth 2012	13,980,448.30	88,736.00	6,700,000.00	517,794.38	62,063,754.30	29.08