ANALYSIS OF FINANCING STRUCTURE ON FINANCIAL PERFORMANCE OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN KIKUYU SUB-COUNTY, KIAMBU COUNTY, KENYA

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A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF CO-OPERATIVES AND AGRIBUSINESS MANAGEMENT, SCHOOL OF CO-OPERATIVES AND COMMUNITY DEVELOPMENT IN PARTIAL FULFILMENT FOR THE AWARD OF THE DEGREE OF MASTER OF CO-OPERATIVE MANAGEMENT AT THE CO-OPERATIVE UNIVERSITY OF KENYA

NOVEMBER, 2019

DECLARATION

Declaration by the candidate

This research project is my original work and has not been presented for the award of a degree in any other university or for any other award

..... 22/11/2019.....

Signature Date

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Declaration by the Supervisors

I/We confirm that the work reported in this research project was carried out by the candidate under our supervision and has been submitted with our approval as university supervisors.

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DEDICATION

This research project pays allegiance to Mrs. Jane Mburu and my wife Mrs. Naomi Munyambu for their persistence, encouragement, and prayers.

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ACRONYMS AND ABBREVIATIONS

ANOVA	Analysis of Variance
B.O.S.A	Back Office Savings Activities
CMES	Co-operative and Mutual Enterprises
F.O.S.A	Front Office Saving Activities
S.A.C.C.O	Saving and Credit Co-operative Society
S.A.S.R.A	SACCO Societies Regulatory Authority
S.P.S.S	Statistical Package for Social Sciences
U.S.D.A	United States Development Agency

OPERATIONAL DEFINITION OF TERMS

Financing structure

It is an assortment or a combination of debt and equity a SACCO applies to fund processes. It is the leveraging of a firm. Financial structure, capital mix and leverage are used interchangeably

Financial performance

It's the result of a generation of funds by a SACCO periodically and hence a subjective quantity of appropriate utilization possessions generating revenues.

SACCO

This denotes a saving and credit co-operative society. A self-ruled, exceptional member-driven, self-help, administered and accomplished by memberships having a similar shared pledge. It has open and voluntary membership to all notwithstanding race, belief, colour, dogma, and femininity or profession standing.

Location

This term is used to denote whether a SACCO is operating in an urban or in a rural-based set-up

Age

Denotes years a SACCO has operated

Dividend policy

In this research study, this term is used to denote whether a SACCO gives dividends or not

ABSTRACT

A SACCO plays prominent roles by providing financial services. SACCOs solicit funds internally and externally enabling continuous banking services. This research study focused on assessing the effects of financing structure on the financial performance of SACCOs listed in Kikuyu Sub-county, Kiambu County, Kenya. The dependent variable was measured by dividing surplus over equity while the independent variable was attained by dividing debt with equity. The causal research design was adopted in establishing contributory properties of an independent variable. The research was pegged on trade-off, pecking order and market timing theory. Collected data was an extract from audited published business reports of all registered SACCOs by end of the year 2017 in Kikuyu Kiambu County Co-operatives Office. It was put in SPSS and analyzed quantitatively using correlation, analysis of variance and regression analysis. Findings obtained exposed that SACCOs financing structure had moderate correlation which significantly explained the variance in financial performance. The moderating conclusion revealed that urban-based SACCOs, those that did not give dividends and ones with years in operation from 11-20 independently and significantly clarified the variance between the financial structure and financial performance. Research finding recommends adoption of more elaborative combined financing options leading to improved financial performance. Research findings called for government becoming instrumental in offering financial assistance to aid SACCO's to cope with the intensified rebates charges charged by commercial banks. According to this study, members' deposits are not a SACCO's obligation to pay rather a common bond factor within members.

CHAPTER ONE

INTRODUCTION

This part covered background, thereby giving a short description of SACCOs in Kenya situation, Africa and globally. It highlights the needs and problem targeted, aims cum objectives leading the study, facts, questions thereof, purpose then coverage range.

1.1 Background

Financing structures or leverage are major motivators of SACCOs' monetary performance. A structure comprises of equity and debt capital. Financing applied by SACCOs cut across internal sourcing called equity versus some leveraging through external funding known as debt achieved by way of borrowing funds in terms of bank loans (Mckillop and Wilson, 2014). They point that a SACCO is the shortened practice depicting a SACCO.

Reckoning popularly known Australia, like Kenyan movement, Co-operatives and Mutual enterprises are self-directed relations of persons amalgamated willingly to encounter communal, socio-cultural need plus ambitions done in a jointly-owned democratically-controlled inventiveness (SACCO Societies Act, 2008).

The Co-operatives and Mutual Enterprises (CMES) as well have financial structures supporting their financial performance. Mazzarol (2018) reveals that these CMES are financed through equity and debt normally like any other financial enterprises. However, a description compiled: Centre for Entrepreneurship Management and Innovation (CEMI) displayed in Appendix one shows that financial recital reliably hinges on blending of owner raised together with acquired funds.

It’s observable from Appendix one that despite the decline in gross annual turnover, progress in twelve-monthly revenue within the Top-100 CMEs over the five years increased by 4.3%. However, profitability that is EBIT and PAT were negative, particularly the latter, which declined by 11%. On a more positive note, liabilities fell by 7.5%, even if equity and assets remained fairly static. There was a negative trend in profitability attributed to the financial difficulties that faced Co-operatives during the period. EBIT plunged from a profit of over $ 57.5 million in the year 2016 to a loss of $ 420.6 million in the year 2017. During the same period, its PAT fell from a profit of more than $ 39.8 million to a loss of $ 370.8 million (Mazzarol (2018).

In America research reveals that highly leveraged co-operatives achieve enhancing through engaging additional clients, relish thrifts of scale, therefore in an elegant approach enabling dealing with ethical deathtraps and adversative selection, thus improving critically ability to compact thru risks. Similarly, the discoveries of research conducted by Kar (2014), disclosed that an increase in leverage raises profit-efficiency in SACCOa suggesting that the use of debt is beneficial to the co-operatives as far as the cost of funds is concerned. Further, leverage dominates the absolute level mark to the needy precise unfortunate, suggesting SACCOs adopts noncommercial approaches of financing alternating commercialization. In addition, American SACCOs reveal that leverage which is gauged by debt to equity ratio assumes undesirably statistically substantial impression on SACCO’s business performance.

While studying the funding structure and leverage, one attempts to explain capital merger financings applied by a society considering the effects of these leveraging elements. In the United States, SACCOs capitalize themselves internally with fewer

borrowings from moneymaking banks (Rotich, Namiinda and Njeje, 2016). Thus, in endeavoring success of leverage, promotions, controlling, and guiding the movement remain bestowed in special state co-operative departments or ministries giving these organizations monopolistic positions economically aiding, enabling and empowering Societies to solicit own funding (Wanyama and Develtere, 2015).

In Kenya, a SACCO is a member-owned organization encouraging thrift and funds lending practices amongst owners. It is an entity classified as an organization dealing with financial practices, a self-directed association where publics are united at-will to encounter their pecuniary, socio-cultural desires of members of the group, through a conjointly possessed, and popularly meticulous means. SACCOs have contributed to the Kenyan economic diversity through funding and provision of employment (SASRA, 2017).

According to research, there are structural transformations that bring about SACCOS incompetence in Kenya, seeking diversified funding. Gweyi, Ndwiga, and Karagu (2013) identify that deteriorating economic conditions are identified by the members as contributing to the deepening of members' poverty status simply because Co-operatives are not able to raise funds to advance loans. Leverage is an important aspect of SACCOs. However, it is notable that SACCOs' financial performance is a crucial means for poverty alleviation in Kenyan development. The only difficulty is the leveraging which does not enhance a strong performance due to related costs leading to financial distress.

It is in the record that there is insufficient equity funding culminating to the poor

performance of SACCOs. This leads to unwarranted financial performance and winding up of affected SACCOs. As a result of challenges in operations, and a decline of SACCOs' incomes, there is a bid to thrive SACCOs' financial operations through government interventions (SACCO Societies Act, 2008). SACCOs and co-operatives' management have been devolved to county governments after the inauguration of the new constitution making them more independent functionally. This was not keenly observed by members who did not improve on deposits to enhance running their businesses rather borrowed more funds from commercial banks regardless of costs borne.

As part of Equity, statutory reserves are mandated by SACCO governing Act that stipulates a 20% of the net surplus should be set aside by a SACCO after all expenses have been expedited and share capital is mandatorily contributed by SACCO members. However, setbacks in SACCOs' administration blasts leading to failure due to inadequate capital. Kobia (2011), noted that challenges ranging from mismanagement by the board of directors, corruption on deals from procurement, and misappropriation of funds due to insufficient knowledge, and experience; leading to unwarranted embezzling of societies' funds do transpire. These ordeals exhibited significant threats on the principal capital mix: external borrowing, share capital and statutory reserves.

The outcome was that SACCOs developed problems related to foundations of capital because members were withdrawing their membership in fear of losing their deposits whereas the government opted itself out of the running of these entities. This trend recurred haunting SACCOs, leading to closure since they were not able to raise capital to augment their financial standards. In curbing this situation SACCOs' Board of

Directors assisted by Co-operative officers did applause members to contribute a non-refundable capital through membership named share capital, which would beef the operations, create improved member ownership and induce strengthened capital base. This would reduce the cost of capital to the SACCOs.

Notably, SACCOs are not companies. They are unable to list in the stock exchange bidding for funding because they fear to lose the common bond rest they lose the focus of formation. SACCO Societies' Act (2008), discloses that SACCOS are funded through cash deposited by members, share capital and a-must one-fifth statutory reserve of their net surplus yearly. Superlative, members' deposits are withdrawable at members' will. When a member withdraws from the SACCO's deposits, this would upset operations, unlike the share capital, and thus customers' deposits do not form part of debt nor equity to the SACCO. These deposits are unreliable for lending since a member may request reimbursement at will.

At a glance, Kikuyu sub-county SACCOs employ equity and debt. It goes without saying that when the ratio of hired out resources versus own money is low, the return on equity is high. Alternatively, when the computed proportion is extraordinary, then the financial performance of SACCOs reflects lowness. This means that SACCOs in Kikuyu sub-county would prefer no adoption of debt in their operations and rather would like to employ equity; majorly from internal sources or funding.

Thus, research reading envisioned evaluating the properties of financing structure in relation to the accomplishments of SACCOs. The examination had an objective to disclose financing structure effects on financial brilliance; thereby determining whether

there is a relationship or not.

1.1.1 Financing Structure

These are common methods known sources of raising capital for investment in a SACCO and are grouped as:

Equity

In legal frameworks of SACCOs, equity capital is composed of statutory reserves in addition to share capital. Section 30, the Act, read jointly with Regulation nine (9), 2010 require all SACCOs and at all times at end of each accounting period to conserve share capital not less than shillings ten million; an adequacy ratio to assets, members' deposits and institutional capital (SASRA Report, 2017). Members contribute jointly to equity in SACCOs in terms of share capital.

Statutory reserves

It is one among historical financing approaches adopted by SACCOs. Kimmel and Weygandt, (2016) define statutory reserves as a mandatory contribution by an organization from its surplus from business operations and it is not shareholders claim on the corporation, and thus non-refundable. In appendix two, statutory reserves have improved bit by bit each year. In the year 2016, the improvement from Ksh. 50,856 million is Ksh. 16,690 million to Ksh. 67,555 million, showing SACCO managers are aware of the importance of statutory reserves in SACCOs (SASRA Report, 2017).

Meaning, statutory reserves are amounts deducted from the net surplus of SACCOs annually. Co-operative Societies Act (2008) mandates a co-operative to input in a reserved fund account, twenty percentage of any disposable remaining surplus

consequential from operations of society. The reserve endowment accumulations are only invested upon authority and consent of the Commissioner for Co-operatives in the predetermined investment business.

Share capital

It is a phenomenon of a non-refundable contribution by a SACCO member to his or her SACO. The Co-operative Societies Act (2008), explains share capital as an aid by members for funds flows improvement in SACCOs. Share capital is a registered member's mandatory contribution and is deliberated during Annual General Meetings annually in which decisions of how much a member should raise per annum are reached. In appendix two, share capital has been increasing each year. However, the increase is harbored by members who do not buy the idea of contributing to non-refundable funds.

Debt

Since internally raised funds are insufficient due to increased funds demand SACCOs' operations, more funding is solicited externally. Brigham and Ehrhardt (2015), defines the term debt as finance involving the borrowing of funds including loans, bonds, commercial papers, overdrafts, and other interest-bearing liabilities. In a SACCO setup**,** debt funds are composed of members' deposits and actual external financing or borrowings. It is a long term financing which takes a longer period to generate returns to the venture.

External or borrowed finance

These are amounts of cash received from external funders comprising part of debt

solicited funds. Brigham and Ehrhardt (2015) say obligation financing involves borrowed funds including loans, bonds, commercial papers, overdrafts, together with other interest-bearing liabilities. SACCOs go out of their means through an elected board of directors who acquire appropriating power during Annual General Meetings.

Exterior backing is essential to meet insufficient loan advancing demands to members, procurement of assets and other emergency cash flow requirements. SACCOs are obligated to preserve an external borrowings to aggregate assets relation of not further than 25%. However, they are slowly running away from outdoor borrowing subsiding the assets portfolio. This is due to increased costs and lengthened bureaucracies of procuring external borrowings. Appendix two shows the pattern by SACCOs for the years 2013 to 2016.

There was quite a minimal increase in external borrowings done in the Country during the research period. This is because of an increase of external or borrowed funds leading to increased costs thereby influencing the negatively monetary and surplus generation of SACCOs. An observed increase from the year 2013 to 2014 was 1,075 whereas the increment from 2014 to 2015 was 564 while the year 2016 experienced improved external funding by shillings 484 million.

In conclusion, Kiambu County Co-operative Officer noted that efficient SACCO Societies remained supplementary prompting higher earnings higher returns from selected sources of capitalization. An improved return acts as a cushion against a mixed source of capital (portfolio) and they pose better locus substituting equity from members compared with debt financing regarding a combination of sources.

More so, SACCOs have an over-reliance on statutory reserves together with share capital though not adequate for practicing three times loaning rule to members. Reserve finances are never enough since they are pegged on the net surplus rather, after expensing the appropriate business expenses (Annual Co-operative Report, 2016). Thus SACCOs are faced by a thin bid interest spread because of borrowing from commercial banks at a high-interest rate and lending at a lower rate.

Other sources of funding

Members do contribute deposits. These are individual members' contributions towards their joint common bond. Deposits are sums of contributions established, remunerated on footings duped for reimbursements, through or without rebates, a return, on-request or in environments settled, on behalf of persons creating reimbursement and one in receipt (SACCO Societies Act, 2008). It is a loaned amount of money to SACCOs and is refundable to a member upon a member's withdrawal, resignation, death or other unforeseen reasoning.

It is observed in Appendix two that members' deposits grew by 32, 914 million to 205,440 in the year 2014 up from 172,526 million in the year 2013 while the growth in the year 2016 was by 35,309 million from 237,440. Members embrace common bond contributions since coming end of the day, this is members refunds less any liabilities owed to the SACCO compared to a share or core funding where the member has to look for the transferee if and when the SACCO does not help. (SASRA report, 2017).

Members deposits are not debts to SACCOs neither are they treated as SACCOs' own funds. They are funds owned by members who call for it any time they need and it is

not an obligation of a particular SACCO to pay its members monthly or annually as borrowed funds' agreements would call.

Moderating variables

These were presumed to influence financial performance. The researcher wanted to disclose if there are other factors other than the mode of financing that affected performance. Among them are:

Dividend policy

Central Management Committees declare bonuses on share capital and income on members' credits. SACCO Societies Act (2008), elaborates that board of directors may declare dividends though it is not an obligation. The pronunciation depends on the financial performance by the end of an accounting period in line with the surplus generated.

Location of the SACCO

Where a business operates from is as well important. Buckley, Enderwick and Cross (2018) say that an entity is able to monitor its customer's accessibility to business premises, commodities and services often. The entity controls competition among like-businesses including reducing specific expenses. Depending with the nature of business carried on, the place from where the organization operates from, could highly determine its monetary enactment.

Age

The operational period of an organization matters a lot in the financial performance of the said entity. A.I.C.P.A (2017), denotes an organization practices its policies with

time. At times, the longer the period of operation of society helps the business to accumulate assets worth securing loans advanced by commercial banks.

1.1.2 Financial Performance

Depicts a degree unveiling exactly an entities application of its belongings since its principal modes of investment to engendering income. Measures business well-being over a given time and could be used to tell the competence of organizations in the same industry (Madura and Fox, 2014). A function of a corporation's capability to accomplish its aims and objectives through the competent application of resources available. Performance in this study was equated to the surplus obtained by each SACCO in the year of study. However, financial performance is measurable using net income after tax, assets 'returns return-on speculation, assessment of shop share, value addition, plus stakeholders' returns in terms of dividends and interest. SACCO Societies Act (2008), reveals matters regarding performance measurement are no exception in a SACCO operation.

1.1.3 Effects of financing structure on financial performance

A financing structure has an impression on the economic performance of SACCOs, rest these entities should not be looking for additional finances to boost their capital. SASRA report (2017), discloses that sources of capital do not increase with cash flow demands. External funding, though does not affect entity ownership, is a detriment to income generation in SACCOs. The lenders of funds need a return on funding advanced and thus reduces owners' returns. Internal methods: statutory reserves and share capital depend on income generated. This is because statutory reserves are a percentage of a residue of operational expenses while share capital is determined by a member's

willingness to contribute.

Components of a financial structure are important for excellent financial performance to maximize shareholders wealth. Khan et al (2015), concluded that internal and external capital backing is no doubt essential for an organization's success. In the case of SACCOs, though member's fervently contributed to empowering performance, these entities have continually performed poorly, and at times leading to winding up. Further, retarded performance has called for deprived services provided to members. Lending to owners become difficult and thus SACCOs are unable to generate further assets.

Effects of a financing structure have been negatively affecting financial performance giving an idea to the board of directors to seek other methods of funding. A survey conducted by Rotich et al. (2016) posts that there are insufficient contributions by members culminating to SACCOs indulging in external funding. However, borrowed funds are higher in costs due to increased interest rates charged by commercial banks, and other fund lenders. As a result, these funds are absolutely scarce leading to the majority of SACCOs inability to acquire them thus winding up.

1.1.4 Registered SACCOs in Kikuyu Sub-county

Up to and including the year 2017, there were 27 registered SACCOs in this Sub-county (SASRA Report, 2017). A further investigation revealed that two SACCOs were dormant while one was newly formed. Thus twenty-four SACCOs were really informing and had data required to define financing methods effects with respect to the performance of finance.

1.2 Statement of the problem

SACCOs in Kikuyu progressively faced a decline in financial performance for some period owing to high capital mix costs; the cost of obtaining internal as well as external funding (SASRA Report, 2017). They are not able to generate enough funds for lending to members. This is due to too much leverage (debt/equity) leading to financial distress (Madura and Fox, 2014). Financial performance entailed the reduction of cost of capital and cost of rebates to the members. The interest spread had been the major problem which ha lead to this study thus asking, the best financing structure components.

However, improved monetary displayed an inverse connection regarding equity. SASRA Report (2017) indicates that SACCOs have been applying principally known internal capital specifically statutory reserves, and share capital. More so, borrowed or external funding from commercial banks has been put into place but due to unsatisfactory outcome from leveraging there has been retardation and fluctuating financial performances.

The researcher concentrated specifically on financial structure. This field is important because long funding leads to the high cost of capital thus widening the interest spread. Kimani (2014) mentioned that borrowing is profusely exorbitant when discount rates are heightened thereby reducing consumer demand for loan products. This makes SACCOs to run out of business leading to reduced members' loan advancements.

This research study claimed that financing methods inhibited financial performance. This study aimed at defining what lead to dwindling in performance of SACCOs despite the utilization of several methods of financing. What should a certain source of capital be emphasized, and not any other? Are there other factors influencing performance?

This study was justified because predominantly, SACCOs have been utilizing principal funding for their operations: statutory funds, share capital and externally acquired or borrowed funds. These organizations are expected to perform excellently well financially though high-interest rates of leveraging curb the performance.

Prior research findings disclosed that SACCOs had difficulties in raising capital for operational developments, sustenance of business, and thus lacked sufficient capital for lending (Karanja, 2014). Importantly, prior research findings are based on general firms, companies, and medium level business enterprises (Wakida, 2018) while this research is unique because it was conducted using SACCOs explicitly on financial structure analysis financial performance.

Findings addressed financing methods most appropriate, the influence of currently employed financing methods, and the moderation if of location, dividend policy and age of a SACCO.

1.3 Objectives of the study

1.3.1 General objective

To analyse the effects of financial structure on the financial performance of SACCOs in Kikuyu Sub-county

1.3.2 Specific objectives

(i) To establish a pattern of financing structure in SACCOs in Kikuyu Sub-county

(ii). To analyze the effects of financial structure on the financial performance of SACCOs in Kikuyu Sub-county

(iii). To establish the moderation effect of location, age, and dividend policy on

financing structure and financial performance of SACCOs in Kikuyu Sub-county

1.4 Research Questions

1) Is there an established financing pattern of SACCOs in Kikuyu Sub-county?

2) Does the financing structure affect financial performance in SACCOs in Kikuyu Sub-county?

3) Do location, age, and dividend moderation exhibit effects on financing structure, concerning the financial performance of SACCOs in Kikuyu Sub-county?

1.5 Significance

Findings add to growing literature on business financing and will be used by the business community to bring more light on the role played by an appropriate financing structure on financial performance thereby enticing the community either to contribute or revolt.

Scholars will be enlightened on further measures of funding views and their effects on business. The study findings will make up a paucity on scholarly work, thus highlighting areas for further study while further, researchers will have a base to gauge their earlier done researches' and shall bear better grounds to conduct more research.

Executive officers of various SACCOs would use these findings to define the need for having stronger sources of capital leading to excellent financial performance whereas investors will realize dealing with well-founded sources of capital-based business enterprises reduce risks of losses of investment and earn better returns.

1.6 Scope and delimitations

This study concentrated on financing structure inspiration on financial performance in SACCOs. The cross-sectional scope was limited to perceptions of data obtained for the year 2017 audited finance records and respondents' general knowledge and experience. The targeted respondents were the central management committee and executive managers in SACCOs in Kikuyu Sub-county which gave easier access considering funding and time limitations. The study dealt strictly on financing which the SACCOs have obligations to pay.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

It is part of research undertaking looking into writings aligned with financing structure methods examining theoretical frameworks reinforced by relevant applicable theories. An empirical review of prior studies, a critique of existing studies' assessments and determination of research gaps follow, and in conclusion, a rapid of collected works review deduced.

2.2 Empirical review

This research study reviewed views of previous researchers' findings on financing leverage, and impression culminating from applied methods on performing of finance by SACCOs. Further, it attempted to appraise various research discoveries and their relativity to the objectives. Startup capital is vitally necessary enhancing kicking-off the running of a business enterprise. The ownership of a SACCO by a member is pegged on the value of money a supporter has invested (Zeuli and Cropp, 2014). SACCOs require adequate capital to function efficiently for even growth and thus deposits are made by members for performance inducement. SACCOs advance loans to members and this depends on three times credits done by the member. When members' deposits are inadequate, cheap sources of capital are desired to outsource auspicious processes, machinery, buildings, land acquisition, and other essential facilities. Inferred members' deposits significantly negatively influence the financial performance of SACCOs due to returns borne.

2.2.1 Financing methods adopted

Karanja and Oginda disclosed that SACCOs finance their business through equity and debt. Debt comprised of members deposits, share capital and statutory reserves. However, in this research study members deposits were not considered since they are not an obligation to pay members. Thus not borrowed funds but used a common bond creation.

2.2.2 Proposition analysis of financing structure effects on financial performance

Excess equity over debt

These are internal financings and are part of the leverage in an organization. Equity involves soliciting money by peddling the entity's ordinary stock willing depositors. In reoccurrence, stockholders obtain proprietorship benefits. Equity funded stocks are non-refundable funds and form part of institutional capital. They are less costly compared to external sourcing of funds. Equity funding does not take funds out of the Society. At times and depending on the board of directors, organizational wealth attracts high incomes. However, Pelrine (2012), suggested that equity is not solely reliable since these contributions are based on other factors inclusive and not limited to expenses of the business operations, government policies and weather conditions. Equity owners assume returns based on money devoted as well.

The profits after tax are not sufficient enough for SACCOs' operations, essentially to the involvement of internal leverage only in societies' operation (Mwangi and Ombui, 2018). They studied elements upsetting financial fineness in Deposit-Taking SACCOs, Nairobi, and considered a populace of 654 management personnel, deducing a representative of 87 employees. They established equity wealth highly influenced the

monetary performance of SACCOs. Thus, in-house sources of funding enormously contributed to corporate brilliance.

It is a requirement by Commissioner of Co-operatives that each SACCO should spare annually one-fifth of its net surplus; this amount could only be applied or utilized to execute businesses authorized or consented by the Commissioner (Oginda, 2014). In his study whose opinion deduced impact by the capital organization on Firms Registered in Nairobi Stock Exchange recommended finance managing directors to appreciate the impact of financing sources and related costs. He established that shares yielded fewer costs compared to external funding leading to improved financial performance. He candidly recommended the introduction of ordinary share capital-boosting to boost reserves thus stimulating internal financing of SACCOs to craft competitive advantage and incomes consequently.

Cost of equity is the return a firm recompense to its investors. Yogo et al., (2016) scrutinized properties of internal financing on financial performance concerning SACCOs' thereby concluding that internal financing significantly and positively affected performance magnitudes. Thus, SACCOs ought embracing less equity since it is riskier. SACCOs have no obligation to pay dividends or interests to the members; however, those shareholders want a certain rate of return. Alternatively, debt is less risky because the Society is merely obligated to pay it. Furtherance, equity reduces undeserved costs thence maximizing shareholders wealth.

Higher equity support in SACCO influences momentously the performance. Esokomi et al., (2018), studied on determinants of outcomes of performance among SACCOs in

Kakamega, and concluded that an inverse correlation of external funding and surplus income prosperity in SACCOs persisted. They declared that the lower the equity, the higher the return derived from this funding. This insinuated a desire of supporting a bid for increasing more external capital than equity. Further, the benefits of internal financing were increased as a result of extroverted low costs.

An improvement in equity covenants is developed to strengthen the financing demands and member ownership in SACCOs. Status quo persists since internal findings are generated by members and have stringent measures (SASRA Report, 2017). The regulations implemented are members' driven hence applauded by them. Equity shares could only be transferable to the willing member who would refund the leaving member's value of the contribution to the contributor. Thus Karanja (2014), in his study concluded that the cost of equity increases as more selling of equity shares endeavours.

Excess debt over equity

Equity in internal financing is usually insufficient, inadequate, and conferring to the pecking order theory. As a result debt, external or borrowed funds are admitted as a subsidy. Use of excess equity leads to loss of control. Interest paid to lenders of funds is a fixed cost which raises the risk of insolvency during hard economical periods (Khan et al, 2015). They further reiterate that this is increased shareholding thus diluting ownership. Thinned ownership effectively ends up in potential risks in terms of reduced shareholders income in regard to interest and dividends.

In their study, Omollo, Muturi, and Wanjare (2018) large-sized firms are more diversified and enjoy economies of scale as opposed to small firms. Nature and size of a firm influence its capitalization rather than leveraging aboard. Meaning, the effects of

share capital employment depends primarily on membership, and more members have a gigantic share capital contribution to overdoing bank loans.

External sourcing of funds results in an increase in costs of related funds and covenants. Moreover, the inclusion of borrowed capital negatively or inversely decreases net surplus due to return on capital with an increase in debt levels. It is as well given that interest payments to lenders are tax-exempt (Wakida, 2018). She measured the cost of capital using historical data and deduced the weighted average cost of capital declined with escalation exterior funding. However, borrowed source components have an undesirable tremendous impact on medium-sized enterprises as they depend on the extent of the cost of sources, and composition mix employed.

SACCOs are not exceptional and do adopt debt financing in an attempt to improve their cash flows. Nyongesa (2014), noted in his research that SACCOs in Kisumu County were highly affected by bank loans where sixty per cent respondents registered being limited by the prorate necessities. He emphasized that the Kenyan government should initiate and regulate policies protecting SACCOs financial exploitation by money lenders. He recommended that enterprises should upload adequate equity financing to reduce capital erosion due to inability to meet financial obligations inadequacy.

In a similar study, it was revealed that the board of directors should be encouraged to sensitize their members to contribute advertently to finance SACCOs' financial operations. The directors were encouraged not to over-fund their operations since this led to exploitation of funds and frauds (Oginda, 2014). Debt capital introduces a risk by reducing the profits available to members herein exposing assets to disposal. Oginda

(2014), concluded by saying that debt does not improve a firm's performance thus recommended utilization of equity funding as much as possible before undertaking borrowing to minimize the risks related to externalities including interest cost. In their study, Ayako, Githui and Kung'u (2015) on determinants of financial results of registered in N.S.E established leveraging negatively affecting financial performance this effect could be significant. They emphasized that debt capital leads to financial distress. This was due to increased audit costs. Further observations exposed that debt led to hiked agency costs. This is because of debtholders' call for their repayments in line with the funds they have lent to the organization. Alternatively, management thinks the lenders of debt capital are taking too much from society and hence a conflict of interest arise.

A SACCO's size determines its capital base. Ideally, small organizations have insignificant asset foundations compared to large ones. Enterprise worthiness is measured through a magnitude value of net ownership (Kimani, 2014). This as well regulates how well a firm may generate profits. A well asset-based society could easily generate profits and can acquire debt. However, this would be determined by the application of the pecking order theory. Information asymmetry would be vital and should consider in order to procure the right amount of debt versus equity. Omollo et al. (2018) studied on effects of obligated funding and economic performance of corporations under stock exchange for a sampling taken between 2009 and 2015. Their findings were that total debt obscured significantly negatively on firms' presentation when dignified in terms of yields on chattels. The main conflict rise between shareholders and management.

The shareholders are of the idea that management is not fulfilling its obligations. They concluded that such agency related conflicts may fail the whole organization if and when not monitored. In the long run, profits after tax reduce tremendously thus weakening the membership goodwill.

The agency glitches ascending from skirmishes between bondholders and administrators are controlled through observing and constricting agreements. Ghazouani (2016), in his study, determined that outward depositors are aware executives might not perform in their welfare and hence tendencies of discounting securities' prices. They end up putting restrictions on businesses in terms of debt thus, debt financing exhibits conflicts rather than financial performance in organizations.

Equity versus debt level

A perfect financial structure is achieved from owners' point of view, return, risk and value. The debt capacity depends on the entity's ability to generate future cash flows. The risk depends on the variability in the firm's operations and should involve minimum risks of loss of the SACCO. Kimmel et al., (2016), says that an acceptable ratio is 1.5-2 and less. For a firm to succeed, it should decide repaying back loans or give stock. They further, noted that moneylenders are entitled to repayment of principal obligation plus interest

Alternatively, interest on the debt is deductible on shareholder's levy returns thus dropping the actual cost of the mortgage. Muriithi (2014) deliberated on the effects borne-by monetarized Strategies and economic enactment amid Top hundred Medium-sized Corporations and concluded that the pecking order theory should always apply. This would enable employment of the most appropriate leverage at any given time. Wakida (2018), determined that the choice of funding at any given time would depend

on cost, availability and the return expected while Omollo et al. (2018), poised that any source of leverage is worth considering depending on the targeted shareholders' wealth maximization.

Following the above evaluations on leverage, the researcher reached a problem leading to the determination of financing configuration effect on financial performance. Their study needed to unveil what leads to failure of SACCOs though based on diverse financing leverage. This research study demanded to earth what structures do, and do not, hereby establishing an appropriate combination of leverage contributing adequately to financial performance.

2.3 Theoretical framework

A summary concerning particular problems developed through a thorough review of previously tested acquaintance. This study demonstrated that relationships proposed for investigations are not based on individual predispositions or suppositions but moderately formed from shreds of evidence achieved from previous playwrights' exploration works. Creswell (2014), explained there are precepts towards any research problem and relate to various circumstances leading to research objectives and questions.

This research considered three study-related theories expressing the necessities pushing SACCOs towards the adoption of a particular financial structure despite operating under the drive of principal financing techniques: statutory reserves, share capital and borrowed funds. Fischer, Heinkel, & Zechner, (2018) argues these philosophies;

2.3.1 Trade-off Theory

Kraus and Litzenberberger crafted this theory in 1973 (Miller, 2017). They proposed that a benefit arises when organizations adopt debt in financing. The trade-off is a consideration of ratios in which equity and debt financing are appropriate in a firm's set up. This is due to costs realized from either of the financing methods in practice. The proponents, Kraus and Litzezenberger (2016), deliberated an equilibrium of dead-weight expenditures, bankruptcy and tax-saving paybacks of debt thereby concluding this theory competes with order theory. Murray (2018), clarifies businesses are half-financed through debt or equity. Trade-off theory claims an advantage when debt is applied because of tax benefits though there are costs borne notwithstanding bankruptcy.

Costs of debt decline as debt increases while marginal costs increases. Among the principal financing sources in SACCOs are statutory reserves, share capital, and borrowed or external financing. They yield costs including dividends and interests which must be made good forthwith. An organization augmenting its complete importance resolves to trade-off understandings portraying equity and debt implementation. In a bid to derive relevance on trade-off theory, a comparison testing the corresponding similarity to a poise amongst horses and rabbits satisfied in a stew of a horse and rabbit was necessary (Miller, 2017). Taxes are bulky and undisputable while impoverishment is occasional and has stumpy dead-weight charges thereby suggesting this theory's correctness that entities should utilize complex debt financing planes than practical. This was proposed reasoning supporting why SACCOs introduced share capital, and statutory reserves as a part component of their financing structure to incur less or no costs.

Trade-off theory explains sources and strategies an organization applies in financing savings which either is owner-owned or occasionally rented. The trade-off concept pioneers predicted weaker associations rely on lenders because external funds dominate any mix in the market regardless of the priority sources. Notably, SACCOs are unable to cope with available principal sources of funding hence engaging more reserved earnings as part of financing methods. Ghazouani (2016), said coupled in the trade-off, an obligation pecking-order exists, while lenders borrowed funds favored due to inferior oblique costing. A business experiences suffering when incapable to manage debt providers. SACCOs are incapable of managing members' deposits and external sources thus needing to engage other categories of funds seemingly cheap.

2.3.2 Pecking Order Theory

Managers recognize when to apply a given capital source. They employ external debt when yields acceptable results in their business projections through advance own-accumulated money when no confident. Eckbo (2017), alleged pecking-order theory was established by Myers in 1984, having been influenced by earlier institutional literature including Donaldson's 1961 book. This theory assumes no target sources. Firms choose sources according to preference order: equity than debt.

If statutory reserves and share capital do not hold water, external funding or borrowed financing are usually engaged. Wakida (2018), confirmed this development of this concept by stating corporations' preferred interior financing; adapts target surplus disbursement ratios to investment prospects. These are progressively attuned to valuable investment opportunities. External sources call for firms to issue safe securities. Myers' summarized by arguing entities stick to the grading of financing

foundations and preferred insider financing once obtainable. When peripheral sources supporting are compulsory, borrowed funds and loans would be preferred over equity. Non-refundable members' contributions are an internal source of capital and are not refundable to members though transferable. However, members need sensitization encouraging them to contribute passionately. Pandey (2018), corresponding with Myers' intellectual noting administrators favoured using in-house sources of capital financing and only end-up distributing shares as a preceding recourse. This theory elucidates negative converse effectiveness within an industry though would not fully elucidate sources of capital components' differences among industries.

2.3.3 Market timing theory

This tells an organization finances its operations by attempting to interpret, detect, buy and sell signals in patterns historically. This theory was pioneered by Baker and Wurgler (2017), claiming to disclose how a corporation finances itself using external or borrowed funding. They exert, firms ensure no care whether they finance with equity or by debt; but either.

This theory relates to market pricing of shares or stocks. Virk et al. (2014, criticizes this theory because does not enlighten asset mispricing or why businesses are not able to tell when there is mispricing compared with financing explicit. This theory assumed mispricing existed and described behavior, and firms under stronger assumptions detect mispricing better than open markets. Time-varying costs generate differentiated commercial pronouncements and this is factual regardless decision-makers are behavioral or balanced. Market timing theory explains why in a singled moment, organizations offer debt while other firms advance equity. Certainly not one has

explained this.

This reading measured effects of financing arrangement employment on the financial narration in c-operatives. An exertion is SACCOs decided to adopt both internal and external financing sources just as any other business would do. Accordingly, these entities make a choice on the best capital financing method appropriate due to funds availability and ease.

2.4 Conceptual framework

It is an explanation and identification of links to the study. A structured set concept with broad ideas, and models. It helps researchers to identify research problems there-in looking for framework findings for suitable documentation (Bryman, 2016). This research considered autonomous adjustable financial structure; encompassing equity and debt for leverage purposes. Equity capital comprised of statutory reserves and share capital, and internally sourced while debt financing considered was borrowed funds inclusive of bank loans. This scholarly work focused on the effects a financing structure exudes on monetary footages.

Financial achievements were operationalized through equity returns, a ratio scale resulting from dividing surplus by equity, while the financial structure was measured by ratio scale thereby dividing debt by equity. Three moderation variables; location, dividend policy, and age of SACCOs were considered as moderation variables. Location and dividend policy of the SACCOs were taken as nominal scales while the age of the SACCO having an ordinal scale.

Figure 2.1 is a schematic diagram describing relevant variables, relationships and measuring parameters.

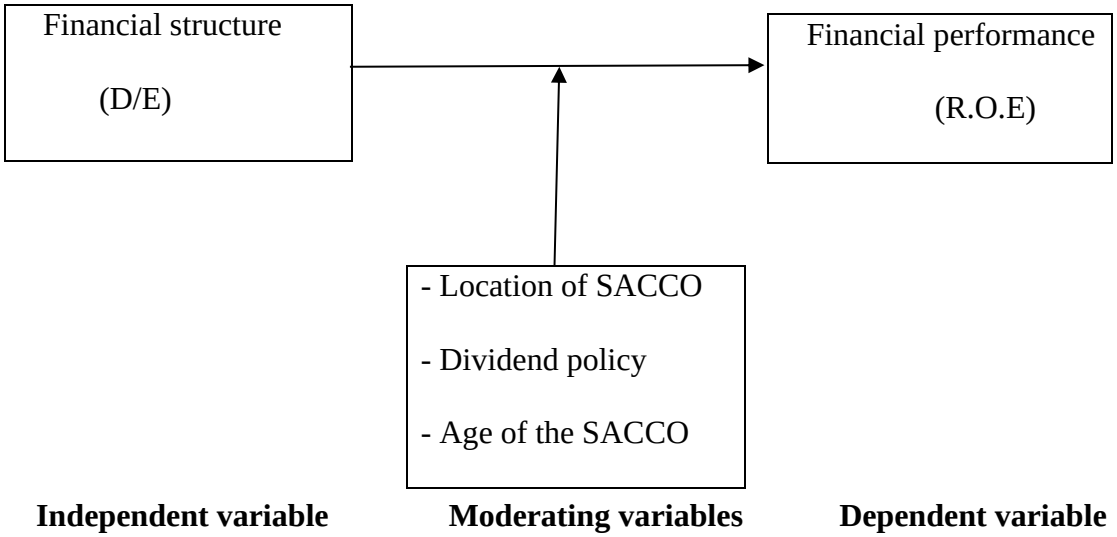

Figure 2.1: A schematic diagram of a conceptual framework

2.4.1 Equity or internal Financing.

This is as a result of a combination of statutory reserves and share capital. This solution was petitioned by objective number two. In this research study, the total equity employed was a total of statutory reserves and share capital.

Equity comprises of statutory reserves. These comprise a fifth of net surplus after tax and dividends or interest to members. This financing occurs as a percentage remnant after all expenses have been met though it is a mandatory deduction from the net surplus before any members' expense or rebates are expedited. In this category, statutory reserves are a members' internal funding which is non-refundable or non-payable to members, thus making a core source of financing (Co-operative Societies Act, 2008).

In this research study, share capital is a component of equity funding strategy. It is as

well termed as core capital. It is non-refundable to members though it attracts dividends to members. Ghazouani (2016), denoted that sources of capital in an enterprise include long and short-term sources. Share capital is a long term source in SACCOs and is there to stay. Its non-refundable character makes it permanent financing and its long term effect is quite minimal thereby attracting minute or no costs.

The study objectives were achieved by obtaining the overall exudes via financing approaches displayed fiscal performance. The financial structure comprised of debt over equity.

2.4.2 External funding or debt

This is the second category of the dependent variable, and it comprises of long term bank loans. Further, borrowed funds could be raised through debentures and long-term finances including bonds. However, SACCOs through SASRA authorities have not been allowed to acquire sponsorship through debentures and bonds, rest they lose their common bond.

Muriithi (2014), says some organizations (SACCOs inclusive) have no permission to list in Nairobi Stock Exchange thus they cannot issue their paid-up shares. SACCOs acquire bank loans either long or short term framed. They top up their funding by a borrowing power given to the board of directors in an Annual General Meeting, upon proposal by the directors and approval by the meeting. He resolved that long term borrowings absolutely influenced the organization's financial performance.

2.4.3 Dependent variable.

This variable was financial performance. The amount of surplus was obtained from SACCOs considered. The performance was measured using return on equity in shillings. Thus, the total surplus was divided by equity.

2.4.4 Moderation variables.

This study further considered proposed moderation impact location-wise, dividend policy, and a SACCOs' age. This was to assess whether these variables had a moderating presuppose on financial structure contrasted with SACCOs' financial performance oscillations in Kikuyu.

2.5 Summary of literature review

It is true that business entities are financed from different sources. Finance managers and administrators trying funding firms' assets should appreciate the sound effects of numerous financing sources on organizations' financials. Kuang and Ching (2016), found several components influence sources of capital temporarily, given an example that tax levied on bonds and debentures are tax-deductible while Wakida (2018), revealed a positive correlation between costs and loan covenants. This implies that a change in financing composition would yield high costs on loan covenants thereby affecting financial performance. A change in the structure composition may upsurge or lessen the financing costs leading to impedance or improvement of the pecuniary routine as purposed by management.

Large-sized entities having regards to assets were found to be more efficient than both medium and small-sized ones leading to an enriched correlation between assets and

competence (Karanja, 2014). He found that large enterprises in one way or the other experience favorable operational understanding compared to young and small-capitalized enterprises.

Following the above reviews, there was a need to analyze effects derived from principally applied financing sources (debt and equity) in SACCOs. This is a stepping stone towards more research needed to establish arrangements, improved earnings desired together with substantial returns to members. This is because financiers ought to earn enough returns thereby inducing the funding levels to young and growing organizations. SACCO ownership and original formulated common bonds foundations should not be diluted in the expense of acquiring more funding. If this is not checked, it may lead to augmented costs ending up with initial formational objectives becoming valueless thus reduce of purpose.

2.6 Research gaps

Prior studies reviewed were of corporations listed at the N.S.E another case was of selected medium-sized enterprises in Kampala (Wakida, 2018) whereas a study on SACCOs Front Office Service Activity in Kenya was done by Karanja in 2014. Moreover, Kuang and Ching (2016), did an empirical investigation on capital availability and financial well-being on enterprises. Mwangi et al. (2018) came nearby with Oginda (2014) investigating on impacts of sources of capital in businesses in exchange.

Majority of studies studied did not consider financing structures employment and moreover reviewed studies did not conclude on the best applicable financing structure

in SACCOS. This one was on the effects of financing in SACCOs. This was to disclose the best structure leading to high incomes. This study does not include members' deposits as long term financing since it is not an obligation by the SACCO unlike a study done by Oginda in 2014. This study considers location, dividend policy and age as moderating variables. Finally, this research was carried out in Kikuyu sub-county. There were young newly registered, and old long period operating SACCOs. Upon assessment, some operated in rural areas whereas others did in urban setups. Kiambu County gives this typical situation mainly due to economic, and infrastructural stimulations by Nairobi City.

Table 2.1: Research gaps tabulated

Objective	Reason
Establishing financing methods	- This study did not consider members' deposits as other studies discussed here above
Analyzing the effects of financing structure	- Financing structure affects financial performance reducing interest spread
Analyzing the moderation effect of moderators: Location, Dividend policy, and age	- The research was to decline whether financial performance is influenced by financial structure only or rather there were other factors affecting performance

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Part reflects techniques applied in executing this research. Includes design, sampling selection, sources of data collected, and instruments admitted, variable measurement, processing and analysis.

3.2 Research design

An application of causal approach was adopted aiming at capturing the views of SACCOs' owners, and executive managers. This provides a descriptive picture of the populace in that way empowering researcher to bring about suppositions athwart a widespread general population (Bryman, 2016). Alternatively, causal research is explanatory and identifies the extent and nature of causes and effects relationships, and assesses impacts of specific existing norms (Setia, 2016). This time it's about determining effects of financing structure employment, and its effects on financial performance in SACCO societies' set-ups in Kikuyu sub-county.

3.3 Population and Sampling

A population is an assemblage of rudiments researchers intend to consider (Co-oper and Schindler, 2014). The target population consisted of SACCOs registered by Commissioner for co-operatives and operating within Kikuyu Sub-county. Survey respondents submitted data from various financial pointers inclusive of return on properties, equity, investments, among others. In this study, there are Twenty Seven (27) countable licensed societies in Kikuyu Sub-county distributed as follows;

Table 3.1: Population

S/no.	Wards	No. of SACCOs
1	Kikuyu	7
2	Thogoto	6
3	Karai	4
4	Muguga	5
5	Kinoo	5
	Total of	27

The researcher carried out a census examination research since the population was few warranting no sampling. Out of twenty-seven licensed SACCOs, two were newly formed and had no reliable data while one was dormant. Twenty four SACCOs constituted the population for this research.

3.4 Collection instruments

The researcher obtained data (appendix three) extracts of audited financial declarations for the year 2017. Data was collected through data collection sheets designed in line with objectives. Relevant details extracts of records were provided by Sub-county Co-operative Officer, Kikuyu Kiambu County. The officer helped the meeting required data essential for this study. This data was accurately collected to solving objectives relating to statutory reserves, share capital and borrowed funds. Data collected from twenty-four SACCOs' had been published through an audit to enable presentation to the annual general meetings. The collection of data was done after the permission granted by NACOSTI after the introduction by the Post Graduate School.

3.5 The Key informants

The researcher consulted the Co-operative Officer Kikuyu Sub-county, Assistant Commissioner for Co-operatives, Kiambu County, and State Department for Co-operatives development, Ministry of industrialization, and enterprise. They confirmed legitimacy plus consistency of data, and facts stating it had been published by SASRA ones it was adequately vetted by external auditors. The Co-operative officer confirmed the authenticity of the data collected.

3.6 Data collection procedure

Introduction letters and NACOSTI sought authority were put in place. The researcher visited Kiambu-County office and was seconded to Kikuyu sub-county office. Having obtained relevant documented authority, the researcher proceeded for data collection. Secondary data solicited served an utmost purpose for this research study bait difficulties experienced in trying convincing relevant officers on data confidentiality. The main respondent was the sub-county co-operative officer, though assisted by his officer.

3.7 Data analysis

A cross-sectional data analysis approach was adopted. The analysis considered 27 SACCOs for one year, 2017. This enabled analyzing and presenting descriptive study findings. The researcher applied Karl Pearson's Correlation Coefficient and regressed Y on X equation to analyze the specific objective of the study.

Data was analyzed using SPSS while multiple regression analysis frameworks was adopted

$Y=\beta_0+\beta_1X$ (1)

$Y=\beta_0+\beta_1X+\beta_2Z_1$ (2)

$Y=\beta_0+B_1X+\beta_2Z_1+\beta_3XZ_1$ (3)

$Y=\beta_0+\beta_1X+\beta_2Z_2$ (4)

$Y=\beta_0+\beta_1X+\beta_2Z_2+\beta_3XZ_2$ (5)

$Y=\beta_0+\beta_1X+\beta_2Z_3$ (6)

$Y=\beta_0+\beta_1X+\beta_2Z_3+\beta_4XZ_3$ (7)

Table 3.2: Variables' measurement

Variable	Variables	Type of variable	Measure Used	Source
Y	Financial performance (R.O.E)	Dependent	Ratio	Kimani (2014)
X	Financial Structure (D/E)	Independent	Ratio	Muriithi (2014)
Z_1	Location (Urban or Rural)	Moderating	Nominal	Ghazouani (2016)
Z_2	Dividend policy (Yes or No)	Moderating	Nominal	Wakida (2018)
Z_3	Age.	Moderating (Classes)	Interval	Muriithi (2014)

Where $\beta 0$ equals regression constant and $\beta 1$, β2, β3, and β4 are coefficients

3.8 Validity

Validity could either be Internal and external. Internally refers to the legitimacy of measurement detecting whether a causal relationship between two or more variables occurs while external validity generalizes findings for a targeted population beyond a specific context. Validity helps in analyzing appositeness, significance, and helpfulness of a study finding (Kothari and Garg, 2014). Thus, it's a degree which a research study measures what it proposes. The researcher ensured the validity of research findings by continuously sorting assistance of research supervisors. This began from the preparation of datasheet instruments, procedures, processing, and compilation of report findings. The Sub-county co-operative officer gave a letter of authenticity to confirm that the data collected was valid and appropriate.

3.9 Reliability

This concept measures the repeatability of results of a study and attempts to maximize inherent repeatability or consistency in an experiment. Bryman (2016) writes that reliability sorts conflicting findings whose assessment is not immediately apparent thereby ensuring data is free from random errors and is consistent. The researcher inspected the data using the Cronbach Alpha test.

3.10 Normality test

For normality test, when P-value < a chosen alpha, null premise vindicating normality is disallowed (Patton, 2014). If p-value > 0.001, null proposition depicting normal distribution is accepted. The researcher applied the Shapiro-Wilk test for data normality testing.

3.11 Operationalization of variables

Table 3.3. Displays variables that were used, their measure and explanation.

Table 3.3 Operationalization of variables

Variable	Computations	Explanation
Financing structure	Debt divided by equity	Financing structure comprises components making funding in the SACCO
Financial performance	Profits after tax divided by equity	Financial performance in this context is the results obtained from the application of financing structure

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND INTERPRETATION

4.1. Introduction

Stage enlightens outcomes after explorations conducted, presentation, logical interpretations in covenant with study objects and interrogations.

The objects addressed effects borne by financing structure. It espoused subordinate figures of inspected financial statements approved by SASRA. Data were analyzed used correlation and regression analysis.

4.2 Presentation of results.

4.2.1 Financing methods

According to the data collected from the audited books of accounts, SACCOs had a similar manner of financing. They used owned generated funds fixed in nature and not withdrawable. These are share capital and statutory reserves. Further, there is the application of obligation funds. These are funds borrowed externally. SACCOs repay such amounts as they are obligated. Such funds attract interest costs.

It is noted from the records that members contribute share deposits. These are funds paid back to the member ones he or she pulls out of the SACCO. This money is not an obligation to pay and thus disqualified from the financing methods considered in this study. Members deposits are not paid monthly but on-demand while external funds are repayable monthly thereby attracting costs. Members' deposits attract interest in terms of rebates while share capital attracts dividends.

4.2.2 Normality test

Data collected was dependable allowing conclusive decision making. Kothari and Garg, (2014) say it is a good criterion that examination of statistics was satisfactorily adequate revealing its significance. Thus approaches of exploration used were apposite, and data dependability was candidly checked prudency.

Table 4.1: Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	f	Sig.
ROE ratio	.199	24	.015	.762	24	.000
Debt to Equity ratio	.304	24	.000	.524	24	.000
Location	.422	24	.000	.598	24	.000
Div. Pol.	.401	24	.000	.616	24	.000
Age	.375	24	.000	.688	24	.000

a. Lilliefors Significance Correction

Source: Survey data (2017)

Table 4.1 normality assessment results indicated that ROE, Debt to equity ratio, location, dividend policy and age of the SACCOs failed because the p-value was below 0.001. Data had to be log-transformed with the exception of moderating variables which were nominally collected. The abnormality distribution was brought about by outlier.

4.2.3 Outliers

These are observations that do vary from the majority of the observation in the time sequence. Outliers might have errors or could be usual though they offer beneficial

evidence about the development of producing data and which ought to be engaged account-wise when predicting (Hyndaman and Athanasopoulos, 2018). The decision to remove or retain an observation could be challenging especially when outliers exhibit influential annotations.

4.2.4 Log-transformed data

Data is exposed to transformation to eliminate highly skewed distribution thus making it look normally distributed. Quinn and Keough (2017) reiterate that it is better to model the actual data rather than data that has been transformed. In this case, the study adopted log-transformed data for analysis and decision making.

In this research study, ROE and Debt to Equity ratio were log-transformed and they gave a normality test as table 4.2 reveals.

Table 4.2: Log-transformed ratios

	Kolmogorov-Smirnov			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Log ROE	.178	24	.047	.943	24	.193
Log Debt to Equity	.160	24	.114	.950	24	.269

a. Lilliefors significance

Source: Research data (2017)

Table 4.2. Indicates after log-transforming ROE and Debt to Equity ratio, data were normally distributed and could be relied upon. The p-values > 0.05 holding that H_0 proposition was true, log-transformed records were normally distributed for R.O.E and D/E ratio.

4.2.5 Descriptive information

They provide a comparative study between variables thereby ascertaining the reasons for change which have taken place and the effects of such changes. Patton (2014), noted that statics provide a clear depiction and clarifications which are seen in their proper form, thus exploring association amid two or more incidences.

Table 4.3: Descriptive Statistics

	N	Mean	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
	24	-1.3723	-.171	.472	-1.002	.918
LogDebtoEquity	24	-.2648	.019	.472	.556	.918
Valid N (listwise)	24					

Source: Survey data (2017)

Table 4.3 specifies Log ROE besides LogDebt to Equity ratio were approximately distributed with skewness of -0.171 (S.E. 0.472) and a Kurtosis of -1.002 (S.E. 0.918) for Log ROE and Skewness of 0.019 (S.E. 0.472) and a Kurtosis of 0.556 (S.E.).918) for LogDebt to Equity.

Nominal data collected on location was subjected to SPSS which generated normality findings. Figure 4.1 depicts skewness leaned towards urban SACCOs.

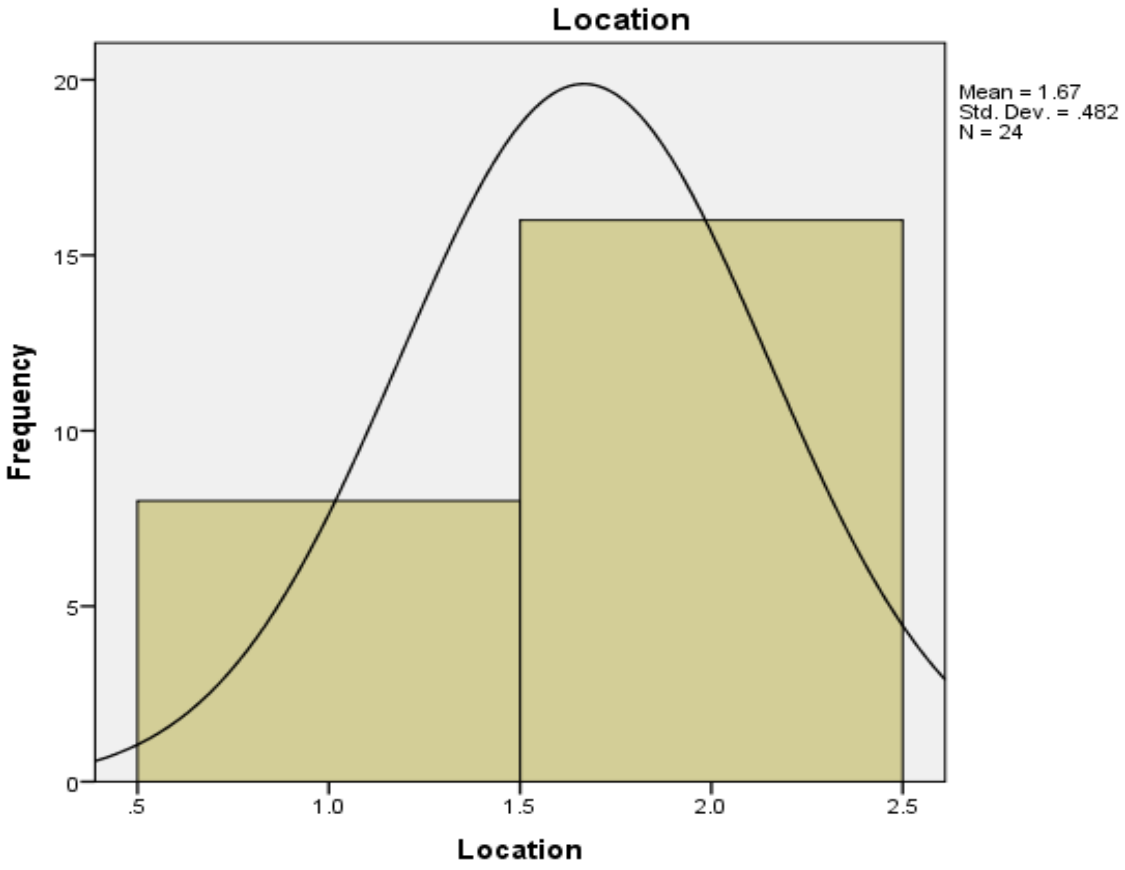

Figure 4:1: A normality histogram for location

Source: Survey data (2017)

Figure 4.1. Represents the summarized outcome regarding SACCOs operating in urban and rural backgrounds. It portrays an almost normal distribution though slightly skewed to the right thus more SACCOs operated from urbanized localities.

Further, the subjection of data from divided policy yielded figure 4.2 deriving dividend and frequency scales. This revealed that many advancing of dividends existed compared to the ones not distributing the rebates.

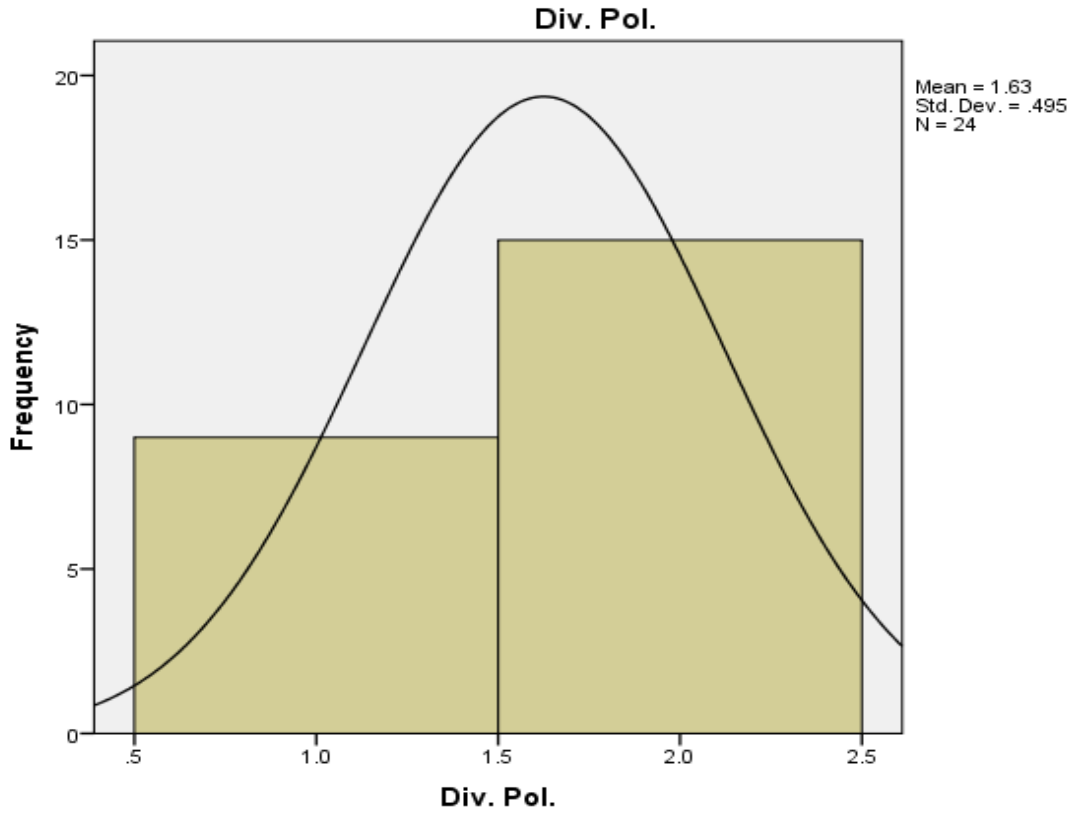

Figure 4:2: A normality histogram for dividend policy

Source. Survey data (2017)

This graph depicts that data collected is almost normally distributed though skewed slightly to the right.

Likewise, data on age were subjected to SPSS and a generated report depicted figure 4.3. The figure shows age was uniformly distributed among the SACCOs visited.

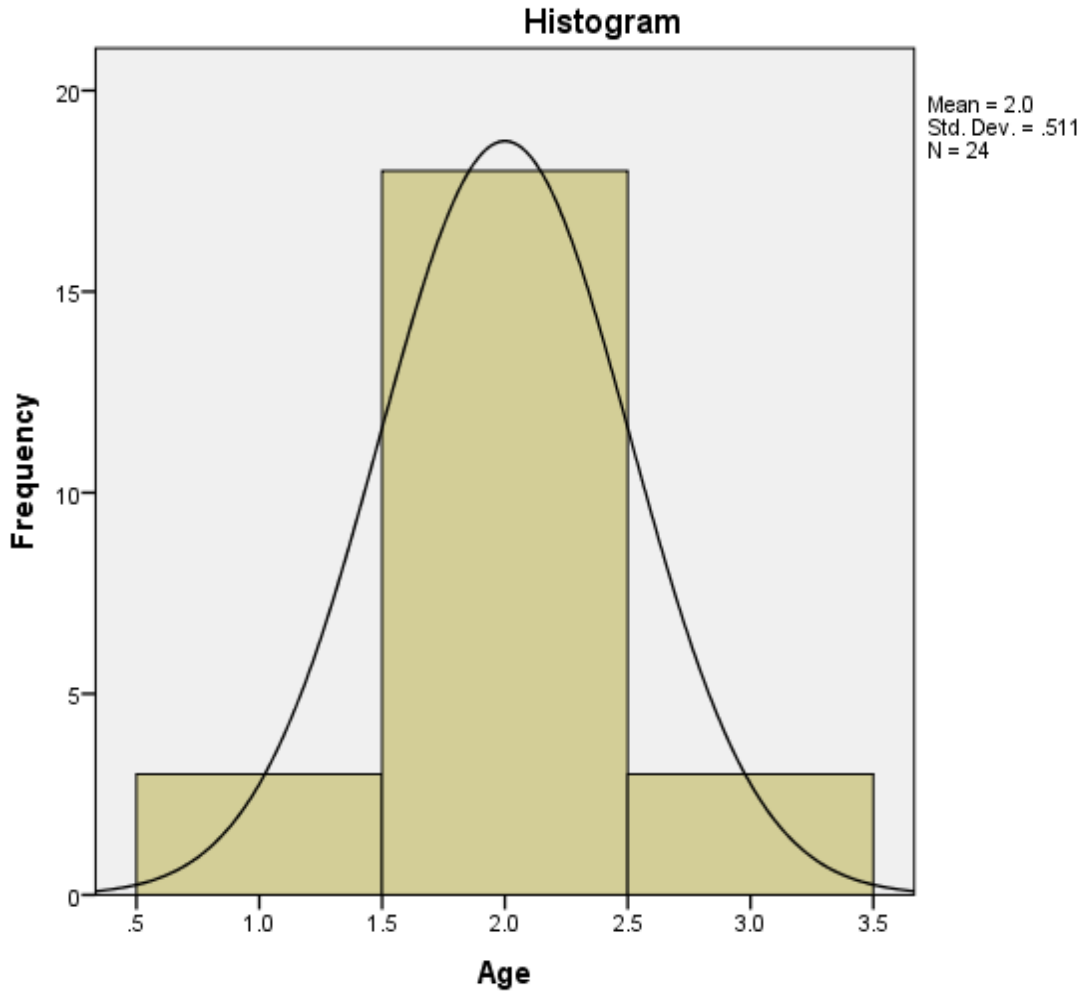

Figure 4.3: A normality histogram for (Age)

Source: Survey data (2017)

Figure 4.3 demonstrates the ageing of the SACCOs was normally dispersed around the mean. This data was evenly distributed and was worth for scrutiny.

4.3 Correlation analysis

Table 4.4 presents relationship consequences. These are results for all variables and were completed determining enormousness of variable relationship.

Table 4.4: Correlation Matrix

		LogDebt to Equity	LogROE
LogDebt to Equity	Pearson correlation	1	.451*
(Financial structure)	Sig. (2-tailed)		.027
	N	24	24
LogROE	Pearson correlation	.451*	1
(Financial performance)	Sig. (2-tailed)	.027	
	N	24	24

- Correlation is significance at 0.05 level (2-tailed)

Source: Survey data (2017)

Fallouts indicates a correlation amongst log-transformed Log Debt to Equity ratio and log-transformed. P-value is observed to be less than 0.05.

4.4 Regression analysis

This has been presented in three tables which closely brings about the relational effect of each of the autonomous capricious on the reliant variable

4.4.1 Model summary

This table is worked out to show the variance accounted for in reliant component trough self-regulating constituents.

Table 4.5: Model summary

Model	R	R-Square	Adjusted R-square	Std. Error of estimate Estimate
1	.451*	.204	.168	1.3633

a. Predictors: Constant), LogDebtoEquity

Table 4.5 indicated that the independent fickle Log Debt to Equity explained f 20.4% of the modification in financial doing (Log ROE) in SACCOs (R^2=0.204)

4.4.2 ANOVA analysis

This analysis explains the model connotation.

Table 4.6: Results from ANOVA

Model		Sum of squares.	df	Means square	F	Sig.
1	Regression	7.270	1	7.270	5.630	.027[b]
	Residual	28.408	22	1.291		
	Total	35.678	23			

a. Dependent variable: LogROE

b. Predictors: (Constant),LogDebt to Equity

Source: Survey data (2017)

Table 4.6 reveals perfect significance. Notably, overall regression: F (1, 22) = 5.630, p equivalent to 0.027, R^2=0.204. ANOVA results insinuate that a significance level of 5%, and a confidence level of 95%, the independent variable significantly influenced the dependent variable.

4.4.3 Coefficients analysis

This analysis purpose determining the unique variance a predictor accounts for statistically.

Table 4:7. The Coefficient

Model		Unstandardized coefficient		Standardized coefficient		
		B	Std. error	Beta	t	Sig.
1	(Constant)	-1.278	.235		-5.430	.000
	LogDebtoEquity	.357	.150	.451	2.373	.027

a. Dependent variable: LogROE

Source: Survey data (2017)

Table 4.7 concludes log-transformed Debt to Equity ratio whose $p<0.05$ significantly explained variance in financial performance (Log ROE) in SACCOs. The log-transformed financing revealed a robust optimistic effect on performance. ($\beta = 0.357$, $p = 0.027$).

Table 4.5 and 4.7 explained the independent variable having a moderate correlation with the performance of SACCOs while financial structure accounted for approximately 20.4% variance of performance. Additionally, the ANOVA disclosed F-statistics being significant at 5%, and hence the model was fit and appropriate enough.

4.5 Moderating effect.

This is a restraint affecting the power of affiliation amongst dependent and independent companions thereby providing a more demonstrative account of what manner is a dependent variable. Little (2013) defines a moderator as a variable transmitting effect of a predecessor variable to a consequence variable (Y). It is in a causal sequence, meaning, X yields to M, and M culminates to Y.

In this study, location, dividend policy and age were treated as moderating variables and their moderation effects are as explained herein. However, it is notable, data

collected was insufficient to carry out the analysis of the moderating variables but rather a moderation effect was conducted on financial performance.

4.5.1 Moderation effect of Location

Table 4.8: Model summary

Location	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Urban	1	.714[a]	.510	.428	1.23552
Rural	1	.298[a]	.089	.024	1.02770

a. Predictors: (Constant), LogDebtoEquity

Table 4.8 specified moderation variable location: SACCOs located in Urban areas accounted for more than 50% of the variance in financial performance (Log ROE) in SACCOs while those SACCOS located in Rural areas could explain only 8.9% of the variance in financial performance (LogDebt to Equity). Thus, urban-based had a higher moderation effect.

Table 4.9: ANOVA analysis

Location	Model		Sum Squares	of df	Mean Square	F	Sig.
Urban	1	Regression	9.527	1	9.527	6.241	.047[b]
		Residual	9.159	6	1.527		
		Total	18.686	7			
Rural	1	Regression	1.445	1	1.445	1.368	.262[b]
		Residual	14.786	14	1.056		
		Total	16.231	15			

a. Dependent variable: LogROE

b. Predictors: (Constant), LogDebtoEquity

Table 4.9 demonstrates that the regression model is significant for Urban based SACCOs and not for Rural based while testing using alpha p = 0.05. The overall regression model for Urban SACCOs was significant F (1, 6) =6.421, p = 0.047, R^2=0.510. However, the model for rural-based SACCOs was insignificant.

Table 4.10: Coefficient

Location	Model		Unstandardized Coefficients		Standardized Coefficients		
			B	Std. Error	Beta	t	Sig.
Urban	1	(Constant)	-1.492	.440		-3.390	.015
		LogDebtoEquity	.726	.291	.714	2.498	.047
Rural	1	(Constant)	-1.188	.262		-4.536	.000
		LogDebtoEquity	.193	.165	.298	1.170	.262

a. Dependent Variable: LogROE

Source: Survey data (2017)

Table 4.10 disclosed Urban based model significantly explained the moderation variance in financial performance (Log ROE) in SACCOs, and had a strong positive standardized coefficient effect (β = 0. 714, p = 0.047). The rural-based SACCOS exhibited no moderation model to explain.

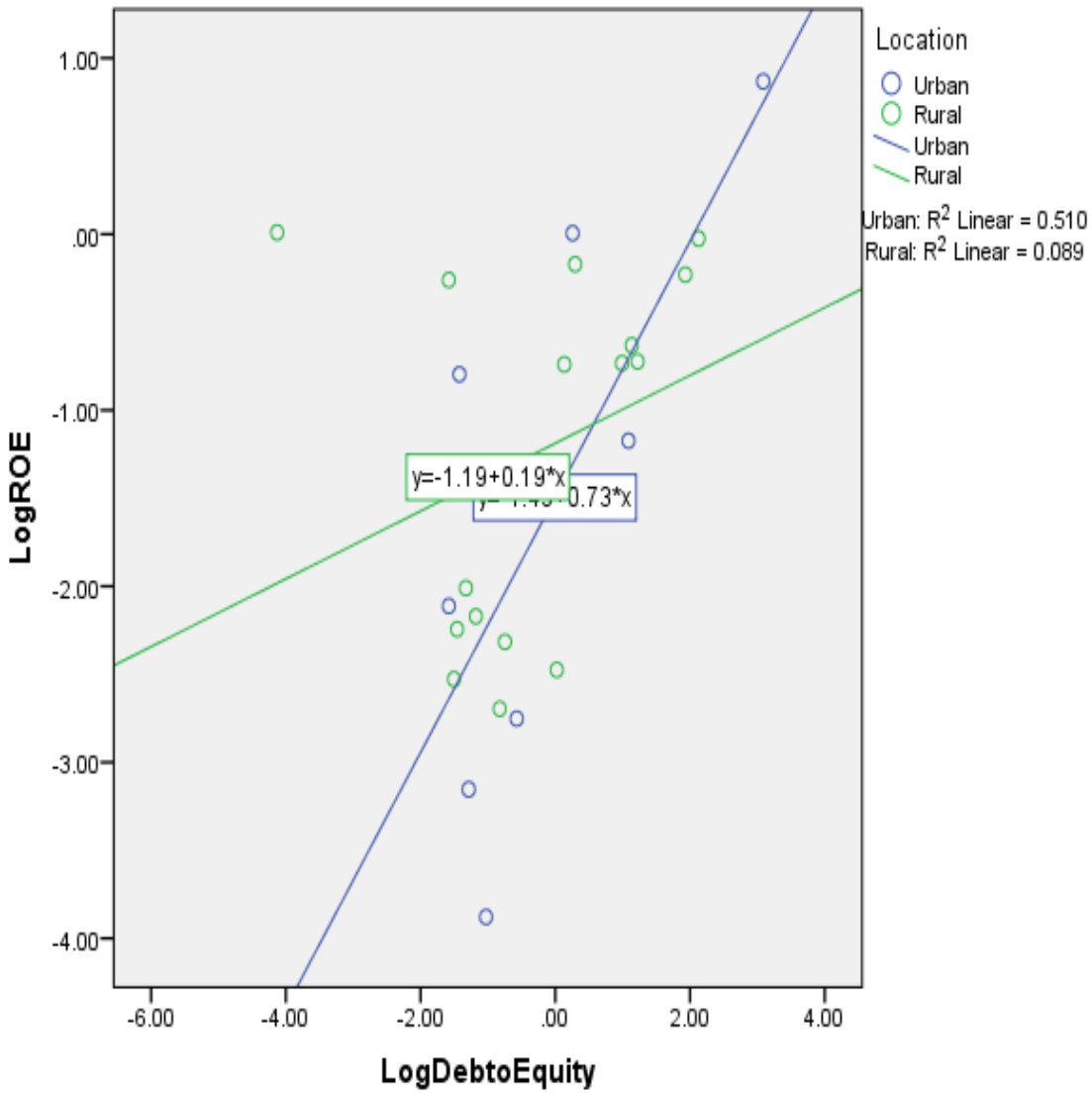

Figure 4.4: A Scatter graph depicting the effects of location

Source: Survey data (2017)

Figure 4.4 exposes increase rate in the performing of urbanized SACCOs was higher than rural-based ones. The rural-based though starting at a higher level will eventually

be overtaken by the urban-based SACCOS as log debt to equity increases. Thus, urban-based SACCOS are better in determining financial performance than rural-based SACCOs.

4.5.2 Moderation effect of dividend policy

Table 4.11: Model Summary

Div. Pol.	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
Yes	1	.327[a]	.107	-.020	1.38341
No	1	.561[a]	.314	.262	1.03589

a. Predictors: (Constant), LogDebt to Equity

Source: Survey data (2017)

Table 4.11 identified that the moderating variable: dividend policy sought whether a SACCO gave dividends or not. Those that gave dividends accounted for 10.7% of moderation discrepancy in financial enactment (Log ROE) in SACCOs ($R^2 = 0.107$) while those that did not advance dividends explained 31.4% ($R^2 = 0.314$) of the variance in financial performance (LogDebt to Equity). The negative adjusted R^2 reveals that data for yes was too minimal and the explanation of those SACCOs that gave dividends was very low or negligible.

Table 4.12: ANOVA analysis

Div. Pol.	Model		Sum of Squares	Df	Mean Square	F	Sig.
Yes	1	Regression	1.607	1	1.607	.840	.390[b]
		Residual	13.397	7	1.914		
		Total	15.004	8			
No	1	Regression	6.397	1	6.397	5.961	.030[b]
		Residual	13.950	13	1.073		
		Total	20.347	14			

a. Dependent Variable: LogROE

b. Predictors: (Constant), LogDebtoEquity

Source: Survey data (2017)

Table 4.12 establishes that the model is significant for SACCOs that does not give dividends while testing using alpha p = 0.05. The overall model for these SACCOS was significant F (1, 13) = 5.961, p = 0.030, R^2=0.314. However, the model for SACCOs advancing dividends was insignificant.

Table 4.13: Coefficients

Div. Pol.	Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
Yes	1	(Constant)	-1.331	.506		-2.629	.034
		LogDebtoEquity	.236	.258	.327	.916	.390
No	1	(Constant)	-1.315	.268		-4.909	.000
		LogDebtoEquity	.517	.212	.561	2.442	.030

a. Dependent Variable: LogROE

Table 4.13 indicates that the model of SACCOs giving no dividends significantly explains the variance in financial performance (Log ROE), and had a moderate positive standardized coefficient effect (β = 0. 327, p = 0.030). Those SACCOS giving dividends displayed no model to clarify.

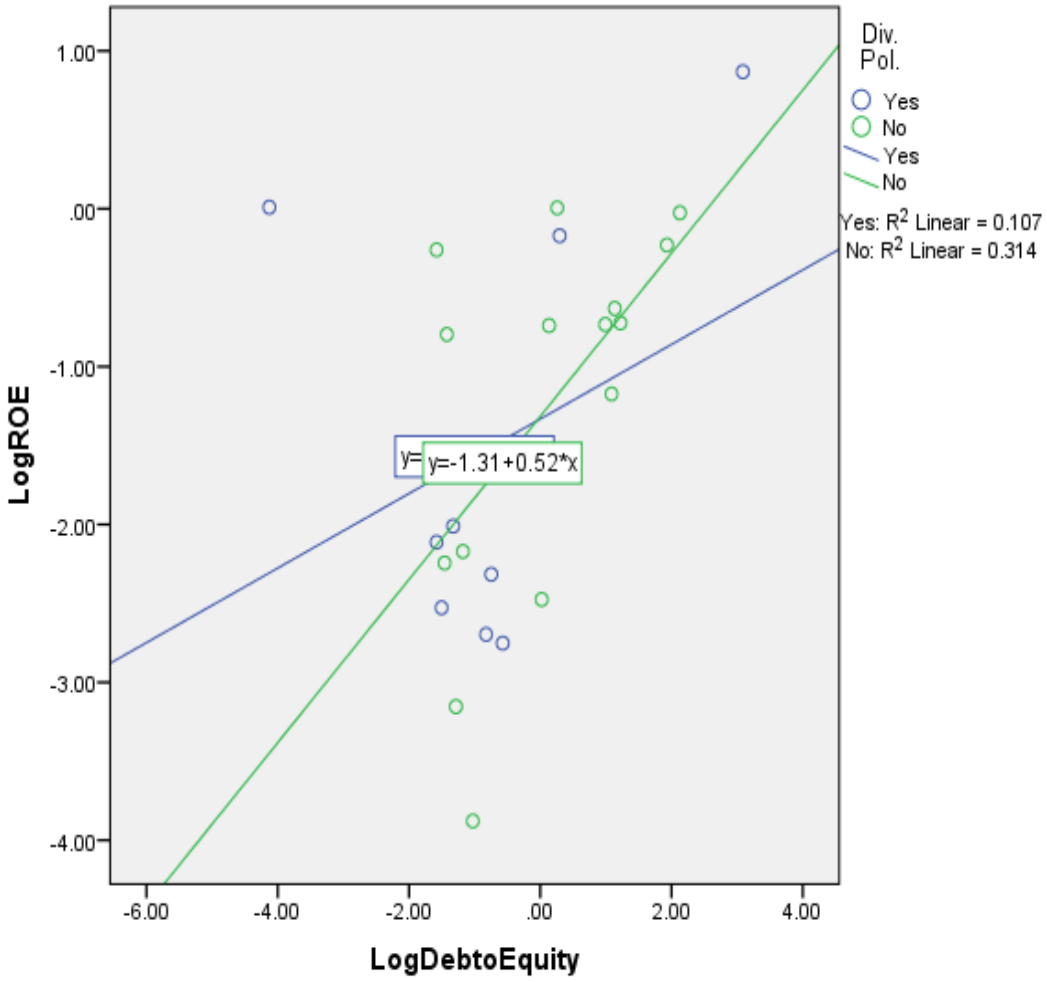

Figure 4.5*: A Scatter graph showing effects of payment policy*

Source: Survey data (2017)

Figure 4.5 depicts the rate of increase of financial performance of SACCOs not advancing dividends compared to those declaring dividends is higher. This discloses that although SACCOs declaring dividends start at a higher level, they will ultimately be overtaken by those not proclaiming dividends as long as log debt to equity increases. Thus, SACCOs not declaring dividends are better in improving financial performance than those than acknowledged dividends.

4.5.3 Moderating effect of years in operation

Table 4.14: Model Summary

Age	Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
0-10	1	.429[a]	.184	-.633	1.32515
11-20	1	.786[a]	.617	.593	.81847
21-30	1	.989[a]	.977	.955	.31086

a. Predictors: (Constant), LogDebtoEquity

Source: Survey data (2017)

Table 4.14: reveals moderating variable; years in operation sought whether the number of years a SACCO had been in operation affects its financial performance. Those that furnished had an age of 0-10 explained 18.4% of the variance in financial performance (Log ROE) in SACCOs ($R^2 = 0.184$), those of ages 11–20 accounted for 61.7% while those ages 21-30 explained 97.7% of the variance in financial performance. These categories had $R^2 = 0.617$ and 0.977 respectively. The negative R^2 (-0,633) tells that the explanations of SACCOs of ages 0-10 are negligible. This age has less zero descriptions. These result could only be improved by increasing the sample size.

Table 4.15: ANOVA analysis

Age	Model		Sum of Squares	df	Mean Square	F	Sig.
0-10	1	Regression	.395	1	.395	.225	.718[b]
		Residual	1.756	1	1.756		
		Total	2.151	2			
11-20	1	Regression	17.285	1	17.285	25.803	.000[b]
		Residual	10.718	16	.670		
		Total	28.003	17			
21-30	1	Regression	4.195	1	4.195	43.407	.096[b]
		Residual	.097	1	.097		
		Total	4.291	2			

a. Dependent Variable: LogROE

b. Predictors: (Constant), LogDebtoEquity

Source: Survey data (2017)

Table 4.15 established model was significant for SACCOs that are in the age group of 11 – 20 years while testing using alpha = 0.05. The overall model for these SACCOS was significant F (1, 16) = 25.961, $p < 0.001$, $R^2=0.617$. However, the models for SACCOs aged between 0 -10 and 21-30 years was not independently significant and hence their replicas had nothing to elucidate.

Table 4.16: Coefficients

Age	Model		Unstandardized Coefficients		Standardized Coefficients		
			B	Std. Error	Beta	t	Sig.
0-10	1	(Constant)	-.433	1.108		-.391	.763
		LogDebtoEquity	.437	.921	.429	.474	.718
11-20	1	(Constant)	-1.492	.193		-7.710	.000
		LogDebtoEquity	.693	.137	.786	5.080	.000
21-30	1	(Constant)	-3.093	.281		-11.003	.058
		LogDebtoEquity	-.750	.114	-.989	-6.588	.096

a. Dependent Variable: LogROE

Source: Survey data (2017)

Table 4.16 directed saying; model of SACCOs that had operated between 11 – 20 years significantly explained the variance in financial performance (Log ROE) and had a moderate positive standardized coefficient effect ($\beta = 0.\ 0786$, $p < 0.001$). Those SACCOS that had operated between 0 -10 and 21 – 30 years displayed no model to clarify. They had moderate positive standardized coefficient effect ($\beta = 0.\ 429$, $p = 0.718$ and $\beta = -\ 0.989$, $p = 0.096$) respectively.

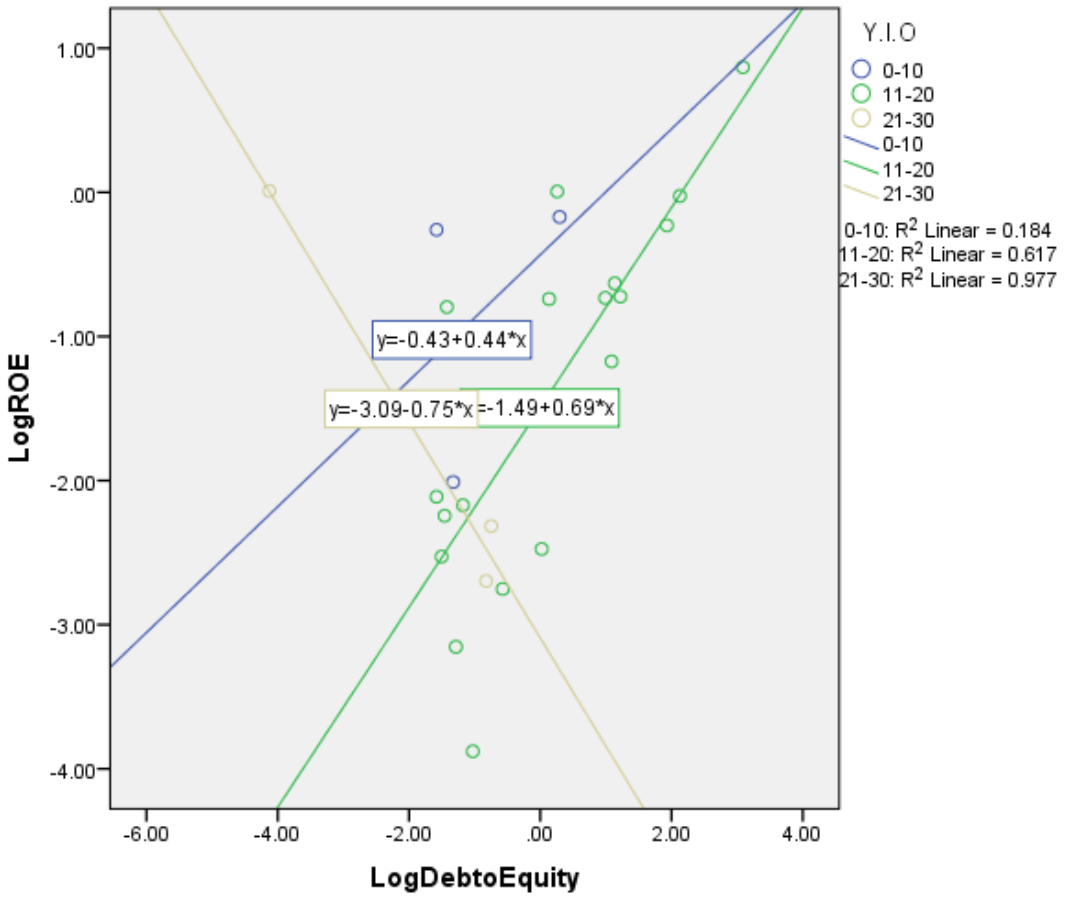

Figure 4.6: A Scatter graph displaying effects operational period

Source: Survey data (2017)

Figure 4.6 displays the rate of increase in the financial performance of SACCOs of ages 11-20 is higher compared to those in operation for years 0-10. This is to say although SACCOs of ages 0-10 years start at a higher level, they will ultimately crisscross and be overtaken by those whose age is 11-20 years. This will happen when log debt to equity goes to an increase. Notably, SACCOs of ages 21-30 has a reverse trend. As long as log debt to equity increases, they decreasingly influence financial performance. Thus, SACCOs of ages 11-20 are better in improving financial performance than those in years of operation 0-10 and 21-30.

4.6 Summary of key findings

The study sought to assess the effects of financing structure on financial performance in SACCOs in Kikuyu Sub-county. The findings were that SACCOs applied equity and debt in their financing. Equity encompassed of statutory reserves and share or core capital while debt comprised of externally borrowed funds primarily loans from commercial banks.

The model summary revealed that the financial structure moderately explained the variance, and ANOVA revealed statistics suggesting model was a strong one; explaining the association between financing structure and financial performance regarding SACCOS in Kikuyu sub-county. This means that financial structure explicitly explained performance.

Moderating factor; location, dividend policy and years in operation indicated that SACCOs operating in urban areas was significant. SACCOS that did not give dividends were explained as significant, while age in years significantly explained the financial performance. This means SACCOs operating in rural areas, those that gave dividends, those whose age was 0-11 and 21-30 years had no effect on financial performance thus had no models to describe.

CHAPTER FIVE

DISCUSSIONS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Specific research objective concentrated on analyzing properties concerning financing structure influencing financial performance in SACCOs. This chapter provides instantaneous key discoveries, inferences, recommendations, and limits suggesting areas for additional explorations.

5.2 Discussion of findings

This study analyzed the effects brought by financing structure on the monetary application of SACCOs in Kikuyu Sub-county Kiambu.

5.2.1 Financing structure in SACCOs

This study considered equity and borrowed funds. Equity comprised of share capital and statutory reserves. These two elements were considered as the core capital of the SACCOs. As Karanja (2014) stated, share capital involves purchasing of stock from an entity. The Co-operative Societies Act (2008), mandates a SACCO to maintain twenty per cent of its surplus each year as a reserve fund. Also, SACCOs could out of their way and obtain debt. These funds are borrowed for operational purposes (Baker, 2017). However, the use of members' deposits was not considered in this study and hence was not considered as part of borrowed funds. Wakida (2018) and Kimani (2014) had treated members' deposits as part and parcel of borrowed funds.

5.2.2 Effects of financing structure

Data analyzed revealed that financial structure moderately explained 20.4 per cent (R^2

= 0.204) of the modification in financial performance. Nyongesa (2014), reiterated that leveraging highly negatively influences financial performance. This concurred with findings by Ayako et al (2015) which was echoed by Omollo et al. (2018) saying that large-sized businesses enjoyed economies of scale compared to small-sized.

However, Kimani (2014) determined that share capital positively influences the financial performance of SACCOs, same as long term funding as determined by Muriithi (2014). More so, Ghazouani (2016), says that only the long term effect of leverage that exhibits a positive effect of financial performance while the short-run debts negatively influence the performance of SACCOs.

Remarkably, Mwangi (2018), declared that internal financing highly influenced financial performance while Wakida (2018), tremendously destructively influenced monetarist success concerning Small entities. Meanwhile, Esokomi et al (2018) declare there happens to be an inverse affiliation amid leverage, and leverage components on financial show exhibited through SACCOs.

The trade-off philosophy depicts costing of debt decreases as debt increases. This concurred with this research study because data collected reveals that equity employed was more than debt. Meaning, there was improved financial performance as supported by the research findings. Alternatively, pecking order insinuates that firms will borrow internal cash flow is not sufficient. This research study agrees with this concept thereby supporting the high institutional capital which supports the financial performance. Finally, the SACCOs in Kikuyu Sub-county capitalized highly on internal funding thereby reducing debt application. The study agrees with the market timing theory

which says that a firm will choose one source of financing when such type of funding is more valued.

5.2.3 Moderation effect on financial performance

Data obtained was not adequate enough to conduct a moderating effect between financing structure and financial performance. As a result, this study pursued to disclose the moderation influence on each presumed moderating factor. Considering the effect of the location of a SACCO on financial performance: Urban-based SACCOs significantly described 51.0% of the variance in financial performance compared to rural-based SACCOs which had no model to explain. Urban-based SACCOs significantly clarified the variance in performance with a standard coefficient, $\beta = 0.714$ and $p = 0.047$. Ghazouani (2016) reckoned that with a good application of funds, location of an organization does not play any role, and if any, it is quite minimal. Wakida (2016) agreed with Ghazouani and said pecking order of leveraging is quite essential and not the location of the business enterprise.

Dividend policy moderation effect revealed that SACCOs distributing dividends to members exhibited no model and thus not affecting financial performance. However, SACCOs that did not give dividends influenced their financial performance, and could significantly explain the variance in financial performance at a standardized coefficient, $\beta = 0.561$ and $p = 0.030$. Yogo et al (2016), agrees that dividend policy is not a determinant of how well a SACCO performs. They say that it is the direction of the Board of Directors to declare dividends. Wakida (2018), declared that some enterprises borrow funds to advance dividends and thus this type of dividend does not imply outstanding financial performance.

Age of the SACCOs, 0-10 and 21-30 exhibited no significance and could not explain the variance in financial performance. Thus, these categories had no model to discuss. On the other hand, years of operation 11-20, significantly expounded the variance in financial performance at a standardized coefficient, $\beta = 0.786$ and a P-value less than 0.001. Muriithi (2014), concurred by saying that young organizations have better financial performance compared to old organizations. This is because the more the entity is, the challenges inclusive of expansion requirements, corruption and misappropriation of funds not forgetting personal interests by the Board of directors.

5.3 Conclusions

The outcomes displayed that financial structure had a moderate correlation with financial performance, and had a positive effect. The study concludes the use of equity and debt financing in SACCOs affected financial performance.

The values indicated that rural-based SACCOs had no effect but urban-grounded had. Urban-based exhibited a strong consequence on the financial recital, and the reading concludes exemplary, urban-based SACCOs generated more surplus thus were able to meet the interest threshold culminated by borrowings.

Further disclosures reveal that giving dividends obligated non-effect regarding financial performance. Thus by not giving dividends, the SACCOs are able to generate surplus thus improved financial performance. This should not be the case because SACCOs need to maximize shareholders wealth. However, the study concludes that giving dividends did not influence monetary excellence.

The outcomes exposed no moderating effect yielded as a result of age in SACCOs. No effect for ages between 0-11 and 21-30. However, between ages 11 – 20 significantly explained discrepancies on SACCOs' enactment as registered in Kikuyu. Accordingly, concluding an age exists within which the SACCOs reach their optimal financial performance; beyond which stern steps in financing should be adopted rest further backing in SACCOs exhibits no effects on financial performance

5.4 Recommendations

5.4.1 Policy

Financing structure studied, significantly explained the financing performance at only 20.4% of the variance. Meaning, there are other factors that explicitly define 79.6%. A mismatch of financing opportunities improving performance need be espoused. Other methods of financing should be studied and their influence is well determined. This may include government financing, selling of stock in the exchanges, use of deposits in financing and so on.

5.4.2 Theory

This study anchored three theories: trade-off, pecking order and market timing. Trade-off suggested that SACCOs would apply their own generated funds compared to exterior money. Thus SACCOs were shy to acquire external funding (appendix three). This was seen by comparing share capital and statutory reserves versus borrowed funds.

Pecking order theory. This calls sufficient funding. The theory was applicable in the study since the SACCOs would go for less costly funding, depending on reachability. This attracts more methods of financing. Market timing theory. Firms do not apply

funding which is readily available at a particular time. SACCOs will apply funds depending on the need and the market financing available. This theory confirms the need for financing improvement and thus give a re-way for funding at times of financial distrain.

5.2.4 Practice

SACCOs ought to adopt financial structures which have higher influences on financial performance. They should seek external funding from well-wishers and donors in order to incur fewer costs on capital. Additionally, the study recommends that the government ought to instrumentally offer financial facilities to SACCOs since currently, very few SACCOs are able to cope with the heightened interest rates on loans from commercial banks.

5.5 Limitations of the study and suggestion for further study

Several challenges cropped during the study progression. Inadequate conceptualization that concentrates on financing structure designed for SACCOs in Kikuyu sub-county. The study was therefore restricted to few SACCOs and consequently may not apply across the board. The study ideally concentrated on secondary collections. Data required proved problematic acquiring using a data collection sheet. Essentially, a recipe of principal plus subordinate statistics is vital.

The study's statistics collection was from twenty-seven SACCOs. Data from 3 SACCOs was not used due to new registration and dormancy. A population of 24 SACCOs may not give data conclusive enough and thus the results may not apply to all other SACCOs in Kenya.

Further, different SACCOs have different ways of classifying their assets and liabilities. Figures obtained could lead to errors and misinformed data. This could have led to difficulties in accurately and expansively calculating leverage responses for the purpose Finally, this research adopted a causal research design, hence it was not limited strictly to the perceptions and opinions of the respondents.

More wide-ranging studies are voted for while appraising the financing structure. Use of secondary and both primary data could be assumed.

Besides, findings wield expansion of research beyond 24 SACCOs in Kikuyu Sub-county. This would offer more generalized results applicable worldwide.

Additional studies should embrace control variables improving model appropriateness thereby altering the measurement of variables.

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APPENDICES:

Appendix One: Top 100 Australian CMES performance 2012/13 - 2016/17

	2016/17	2015/16	2014/15	2013/14	2012/13	% Change
Annual Turnover (gross)	$31,622,708,165	$29,902,881,281	$29,410,971,759	$28,172,758,736	$36,012,018,169	-2.5%
Assets (gross)	$166,930,397,064	$150,963,201,128	$138,433,590,930	$127,844,342,098	$117,088,379,187	9.3%
Annual Turnover	$120,626,500	$97,948,500	$125,737,931	$114,586,923	$107,661,584	4.3%
EBIT	$6,344,777	$5,157,000	$9,040,000	$11,621,255	$8,867,378	-2.8%
NPAT	$4,080,000	$3,972,500	$7,186,000	$8,741,500	$7,541,000	-11.0%
Assets	$553,360,500	$482,458,000	$629,772,890	$669,276,440	$570,068,000	0.7%
Liabilities	$288,648,500	$218,249,000	$490,129,500	$516,300,221	$525,776,707	-7.5%
Equity	$96,572,000	$83,426,000	$107,074,000	$101,249,000	$96,360,000	1.1%

Source: Centre for Entrepreneurship Management and innovation (Australia-2018)

Appendix Two: Trend of Financing Structure 2013-2016

YEAR / SOURCE OF CAPITAL	2013 (Million Sh)	2014 (Million Sh)	2015 (Million Sh)	2016 (Million Sh)
Share Capital OR Core Capital	26,850	33,252	41,712	58,174
Statutory reserves	37,822	43,086	50,856	67,555
Member deposits	172,526	205,440	237,440	272,749
External borrowings	12,989	14,064	14,628	15,112
Surplus (Net Income after tax)	5081	7070	7674	7981
Total assets	251,621	301,537	342,848	393,499

Source: SASRA database, 2017

Appendix Three: Data Collected from Audited Books of Accounts

S/no	SACCO NAME	P.A.T.	MEMBERS	BORROWED	SHARE	STATUTORY	ASSETS	EQUITY
			DEPOSITS	FUNDS	CAPITAL	RESERVES		
1	NRS Sacco	48203405	18192505	768540	30400400	17348280	388462405	47748680
2	KITO Sacco	1763407	1501677	2809560	1280329	811258	15379561	2091587
3	NNK Sacco	120238	240000	288000	84568	167445	400300	252013
4	ALLIGWO Sacco	452004	1167320	1256740	3987040	1672980	5191705	5660020
5	ALLIANCE Sacco	596702	1108000	3492000	890120	232238	10809466	1122358
6	MAGANA Sacco	1737489	5660438	8338020	15054906	2547550	20500700	17602456
7	SIGONA GOLF Sacco	1333673	1500000	8663670	18789202	986724	21978433	19775926
8	TOSHA WORKERS Sacco	439922	984848	3890576	6698452	197440	891223	6895892
9	SYNERGY Sacco	55733	88000	480000	44780	12400	851177	57180
10	KIYOSA Sacco	370670	366667	733333	2534278	232465	32940463	2766743
11	WAKANDEBA Sacco	2060400	1300700	2650490	168674	1881008	13504200	2049682
12	2GWNW Sacco	381807	1330000	2666000	40780	745670	3940760	786450
13	MHUBIRI Sacco	4570263	21026667	42053333	739765	1178624	48542772	1918389
14	BABA NA MAMA Sacco	128962	1144060	1235594	182250	234563	13506786	416813
15	KIKUYU DAIRY RURAL Sacc	2637700	300000	705220	3223870	198460	36972824	3422330
16	PCEA RUNGIRI Sacco	150737	545650	976344	3441702	87893	12531203	3529595
17	NDURARUA Sacco	128464	380000	1560000	835450	690802	2940640	1526252
18	NJA-IMWE Sacco	397835	1116667	2230000	792670	35439	5984806	828109
19	KAMU Sacco	212929	753333	1846668	240096	27850	2520001	267946
20	TABUGA Sacco	4706803	734830	8000600	37345780	1568430	41476880	38914210
21	RAIA Sacco	151430	170307	408000	1000208	326788	1207009	1326996
22	KIWALIRU Sacco	901110	750080	480960	1453076	544685	2752373	1997761
23	MUGUGA Sacco	252350	211409	4368000	8089560	4112356	9508682	12201916
24	PRESBYTERIAN UNIVERSIT	250000	260006	548961	2206439	150860	3673407	2357299

S/no	NO. OF MEMBERS	AGE	LOCATION	DIV. POL.	DEBTO EQUITY	LOG DEBTO EQUITY	R.O.E	LOGROE
1.	5032	21-30	Rural	Yes	0.02	-4.13	1.01	0.01
2.	4323	0-10	Rural	Yes	1.34	0.3	0.84	-0.17
3.	1003	11-20	Rural	No	1.14	0.13	0.48	-0.74
4.	992	11-20	Rural	Yes	0.22	-1.5	0.08	-2.53
5.	753	44136	Rural	No	3.11	1.14	0.53	-0.63
6.	4892	21-30	Rural	Yes	0.47	-0.75	0.1	-2.32
7.	2328	21-30	Rural	Yes	0.44	-0.83	0.07	-2.7
8.	733	11-20	Urban	Yes	0.56	-0.57	0.06	-2.75
9.	918	11-20	Rural	No	8.39	2.13	0.97	-0.03
10.	5408	0-10	Rural	Yes	0.27	-1.33	0.13	-2.01
11.	3422	11-20	Urban	No	1.29	0.26	1.01	0.01
12.	2609	11-20	Rural	No	3.39	1.22	0.49	-0.72
13.	6588	11-20	Urban	Yes	21.92	3.09	2.38	0.87
14.	1794	11-20	Urban	No	2.96	1.09	0.31	-1.17
15.	4367	0-10	Rural	No	0.21	-1.58	0.77	-0.26
16.	2986	11-20	Urban	No	0.28	-1.29	0.04	-3.15
17.	2493	11-20	Rural	No	1.02	0.02	0.08	-2.47
18.	3879	11-20	Rural	No	2.69	0.99	0.48	-0.73
19.	1983	11-20	Rural	No	6.89	1.93	0.79	-0.23
20.	4596	11-20	Urban	Yes	0.21	-1.58	0.12	-2.11
21.	1389	11-20	Rural	No	0.31	-1.18	0.11	-2.17
22.	3886	11-20	Urban	No	0.24	-1.42	0.45	-0.8
23.	4327	11-20	Urban	No	0.36	-1.03	0.02	-3.88
24.	1784	11-20	Rural	No	0.23	-1.46	0.11	-2.24