An Assessment of Financial Practice as a Determinant of Growth of Savings and Credit Co-operative Societies Wealth in Kenya: The case of Meru County

Author: Olando, Clement ooko

Savings and Credit Co-operative Societies (SACCOs) in Kenya have been investing over the years with the objective of maximizing their wealth. As is the case with all investments, wealth maximization is a key objective whenever SACCOs have chosen an investment avenue from a universe of possible investment vehicles. Studies have shown that lack of sufficient Growth of SACCOs' Wealth has made it difficult for them to absorb their operational losses, which has threatened their sustainability. This has led to the losses being absorbed by members' savings and share capital, hence lose of members' savings. While the purpose of SACCOs is to mobilize members' funds and grant credit for the members' development, this has made it difficult for the SACCOs to grow their wealth, achieve this objective and contribute favorably to National Domestic Savings. This failure to build enough SACCOs' wealth, through accumulation of institutional capital, is attributable to weak financial stewardship, inappropriate capital structure and imprudent funds allocation strategy. It is against this background that this study assesses the financial practice as a determinant of growth of wealth of SACCOs with a view of ameliorating the situation for socio-economic development.

The specific objectives were to; establish the association of financial stewardship and the growth of SACCOs' wealth, establish the association of capital structure and the growth of SACCOs' wealth, and establish the association of funds allocation strategy and the growth of SACCOs' Wealth. This study used descriptive design in soliciting information on the determinants of growth of SACCOs' wealth. Data was collected from the census of 44 SACCOs in Meru county using a questionnaire and document review tool, and analyzed using both descriptive and inferential statistics. The study findings indicated that Growth of SACCOs' wealth depended on Financial stewardship, Capital structure and Funds allocation strategy. The study further found that SACCOs inadequately complied with their by-laws; incomes from investments did not adequately cover their costs, The study recommends that SACCO should; continuously review credit policies, establish irrecoverable loan provision policies, develop staff recruitment policies, use appropriate financing mix. Other recommendation is that the Government should review legal framework to ensure that institutional capital is used to grow SACCOs' wealth, This study will empower SACCOs with knowledge to ensure their sustainability from within, hence support vision 2030 by widening financial inclusion.