Effect of Expansion Decisions on the Financial Performance of SACCOs in Bungoma County, Kenya

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ABSTRACT

The financial performance of Savings and Credit Cooperative Organizations (SACCOs) in Kenya has been a major concern in recent years, as they play a critical role in promoting financial inclusion and economic development in the country. SACCOs in Kenya have been criticized for making poor expansion decisions, leading to losses and declining financial performance. Several studies have explored the effects of expansion decisions on the financial performance of SACCOs. However, these studies have not been able to fully solve the financial performance problem facing SACCOs in Kenya due to various factors. The study on expansion decisions' effects on SACCOs' financial performance in Bungoma County was significant for promoting financial inclusion and overcoming challenges faced by SACCOs, including competition from digital financial services. The study aimed at examining the effect of expansion decisions on the financial performance of savings and credit cooperative organizations in Bungoma County, Kenya. Transaction cost theory served as the study's guide. To achieve its objectives, the study used a quantitative cross-sectional survey design. A total of 640 respondents were targeted, and 240 respondents were sampled, including the Chief Executive Officers (CEO), Chief Financial Officers (CFOs), accounting staff, and administrative staff. Stratified, proportionate and simple random sampling were used. To ensure the validity and reliability of the data collected, the researcher used various methods. Firstly, expert review, construct validity, and criterion validity were employed to ensure the validity of the questionnaires used. Secondly, the Cronbach alpha method was used to test the reliability of the questionnaires. A pilot study was conducted to identify any issues with the questionnaires before the actual study. After collecting data, it was cleaned and coded to ensure that it was ready for analysis. Descriptive statistics such as frequency and percentages were computed to summarize the expansion decisions and financial performance. The findings were that the expansion decision was fairly agreed upon at 83 (51.2%) in relation to financial performance. Expansion decisions were a significant predictor of financial performance ($t = 12.678$, $p<0.05$). An R-squared of 0.01 implied that the variation in financial performance at 50.1% was explained by an expansion decision. The recommendations were that SACCOs should make expansion decisions by opening more branches and increasing assets and portfolios so as to maintain the significance level of financial performance.

Keywords: Expansion Decisions, Financial Performance, SACCOs

I. INTRODUCTION

Expansion decisions refer to the choices made by a company to increase its business operations by increasing the number of products, services, or geographic locations it operates in (Altavilla, 2019). In the context of the study, expansion decisions relate to the choices made by Savings and Credit Cooperative Organizations (SACCOs) in Bungoma County to open new branches or expand their membership base. Financial performance refers to the ability of an organization to effectively generate and manage financial resources to achieve its objectives (Barasa & Ngugi, 2019).

SACCOs operate in a competitive environment, and their financial performance is critical to their sustainability, growth, and ability to meet the financial needs of their members. The financial performance of SACCOs can be assessed using various indicators, such as the level of loan portfolio growth, asset quality, return on equity, liquidity, and capital adequacy (Okoth & Juma, 2021).

In the context of SACCOs, expansion decisions are particularly important as SACCOs provide expansion opportunities to their members (Kibet & Odongo, 2020). Members can invest their savings with the SACCO and earn returns on their expansion. Therefore, the financial performance of the SACCO is critical to the success of its expansion offerings. SACCOs that have a strong financial performance and good returns on expansion are more likely to attract and retain members who are interested in investing their savings (Barasa & Ngugi, 2019).

Globally, expansion decisions have a significant impact on the financial performance of savings and credit cooperative societies (SACCOs) worldwide. By making sound expansion decisions, SACCOs can generate returns for their members, improve their financial health and sustainability, and contribute to the overall economic development of their countries (Muhumuza, 2019). In Europe, SACCOs have diversified their expansion portfolios to include sustainable expansions such as green bonds and socially responsible expansions (SRI). This has helped to improve their financial performance while contributing to environmental and social sustainability (Altavilla, 2019). Similarly, SACCOs in South America have diversified their expansion portfolios to include diverse and profitable expansions such as agricultural loans and microfinance loans, leading to improved financial performance and promoting economic growth and development (Gomes et al., 2020).

Regionally, in Africa, expansion decisions have played a crucial role in shaping the financial performance of Savings and Credit Cooperative Societies (SACCOs). In recent years, SACCOs in several African countries have diversified their expansion portfolios to include various asset classes such as real estate, government securities, and private equity, leading to improved financial performance and sustainability. In Uganda, for instance, SACCOs have invested in government securities, which have proven to be a safe and profitable expansion option. The Uganda Cooperative Alliance (UCA), an apex body of SACCOs in the country, reported a 28% increase in net profit in 2019, largely attributed to gains from government securities (Muhumuza, 2019). Similarly, SACCOs in Rwanda have diversified their expansions to include real estate, which has generated sustainable returns and contributed to their financial stability.

In Kenya, expansion decisions have had a significant impact on the financial performance of SACCOs. SACCOs have increasingly diversified their expansion portfolios to include various asset classes such as real estate, government securities, and private equity, leading to improved financial performance and sustainability (Muthoni, 2019). For instance, the Mwalimu National SACCO in Kenya has invested in real estate, which has contributed significantly to its financial performance. The SACCO has been able to generate rental income from its properties, which has boosted its revenue and profitability (Gathura, 2021). Similarly, the Stima SACCO has diversified its expansion portfolio to include government securities and real estate, leading to increased profits and financial stability (Muthoni, 2019).

However, some SACCOs in Kenya have faced challenges due to poor expansion decisions. For example, the Kenya Police SACCO suffered losses after investing in a controversial real estate project, which resulted in significant financial losses (Kuria, 2019). SACCOs in Kenya need to prioritize sound expansion strategies that align with their financial goals and regularly monitor and evaluate their expansions to improve financial performance and sustainability. Expansion decisions have had both positive and negative effects on the financial performance of SACCOs in Kenya (Muthoni, 2019). SACCOs should continue to diversify their expansion portfolios and prioritize sound expansion strategies to improve their financial performance and contribute to economic growth and development in the country.

1.1 Statement of the Problem

The financial performance of SACCOs in Kenya has been a major concern in recent years, as they play a critical role in promoting financial inclusion and economic development in the country. Despite their significance, SACCOs in Kenya have been facing various challenges that have adversely affected their financial performance. For instance, the failure of the Ekeza Sacco in 2018 was attributed to poor expansion decisions, including investing in non-performing assets and fraudulent schemes (Kariuki, 2019). The Kenya Police SACCO also suffered losses after investing in a controversial real estate project, which resulted in significant financial losses (Kuria, 2019). According to the Sacco Societies Regulatory Authority (SASRA) annual report for 2021, the total assets of SACCOs in Kenya increased by 9.93% from Kshs 734.22 billion in 2020 to Kshs 807.11 billion in 2021. However, the report also highlighted that the return on assets (ROA) of SACCOs decreased from 2.7% in 2020 to 1.6% in 2021, indicating a decline in financial performance (SASRA, 2021).

Kiarie et al. (2019) examined the relationship between expansion decisions and the financial performance of SACCOs in Kenya. The study found that expansion decisions significantly affect the financial performance of SACCOs, but the relationship is complex and varies based on factors such as size, membership, and market

conditions. Similarly, a study by Mungai and Gitau (2021) investigated the expansion management practices and financial performance of SACCOs in Kenya. The study found that SACCOs face limited expansion opportunities due to regulatory restrictions and a lack of specialized skills in expansion management, which negatively impacts their financial performance. Another study by Kimani and Ngugi (2020) examined the effects of expansion decisions on the financial performance of SACCOs in Kiambu County, Kenya. The study found that expansion decisions significantly affect the financial performance of SACCOs, but there is a need for SACCOs to improve their expansion management practices to enhance their financial performance.

Ondari and Muturi (2018) did research on sugar companies and recommended that future studies should consider other areas of study in relation to performance variables and other industry contexts other than the sugar industry. Osoro (2022), in his research on expansion decisions and financial performance of nonfinancial firms listed at the Nairobi Securities Exchange, Kenya, recommended that future researchers be called upon to research on expansion decisions and financial performance of non-listed firms, small and medium firms, and financial firms. It is on these grounds that the study aimed to assess the effects of expansion decisions on the financial performance of SACCOs in Bungoma County, Kenya.

1.2 Objectives of the Study

To assess the effect of Expansion decisions on the financial performance of Saccos in Bungoma County, Kenya

1.3 Research Hypothesis

H_{01}: The expansion decision does not have a significant effect on the financial performance of SACCOs in Bungoma County, Kenya.

II. LITERATURE REVIEW

2.1 Transaction Cost Theory

Ronald Coase developed the transaction cost theory in 1937 as an economic theory that aims to explain the nature and existence of firms in the market (Coase, 1937). According to Coase, firms exist because they can reduce transaction costs, which are the costs associated with making a transaction or exchange in the market. The theory suggests that the costs of organizing production through the market can be reduced by organizing it within a firm, thereby reducing the costs of negotiating, monitoring, and enforcing contracts between different parties (Coase, 1937).

Transaction cost theory assumes that individuals are rational and self-interested and seek to maximize their profits. It also assumes that markets are not perfect and that there are costs associated with making transactions, such as search costs, bargaining costs, and enforcement costs. These costs can be minimized by firms, which can internalize transactions and reduce the need for negotiation and enforcement (Williamson, 1975). Critics of transaction cost theory argue that it overlooks the importance of social relationships in transactions and the role of trust and cooperation in reducing transaction costs. The theory also assumes that firms are efficient and that market failures are the only reason for their existence, which is not always the case (Klein et al., 1978). However, the theory has been widely used in analyzing various economic and business phenomena, such as mergers and acquisitions, vertical integration, and outsourcing. It has also been applied to the study of investment decisions in financial markets, where the costs of transactions and information play a crucial role.

Saccos can incur various transaction costs when making investment decisions, such as costs related to research and analysis, negotiation, and monitoring. According to transaction cost theory, these costs can affect the investment decisions made by Saccos and ultimately affect their financial performance. For example, if the transaction costs associated with researching and analyzing a potential investment opportunity are high, Saccos may be less likely to invest in that opportunity. Similarly, if the transaction costs of monitoring an investment are high, Saccos may be less likely to invest in opportunities that require a high level of monitoring.

Therefore, understanding transaction costs and how they affect investment decisions can be critical for Saccos to make informed decisions and maximize their financial performance. By carefully considering transaction costs, Saccos can identify investment opportunities that are likely to provide the highest returns while minimizing transaction costs, ultimately leading to improved financial performance. Overall, transaction cost theory provides a framework for understanding how transaction costs affect investment decisions and financial performance and can be useful for guiding investment decisions in Saccos.

2.2 Conceptual Review

The conceptual framework outlines the relationship between study variables, the dependent variable financial performance, and independent variable expansion decisions.

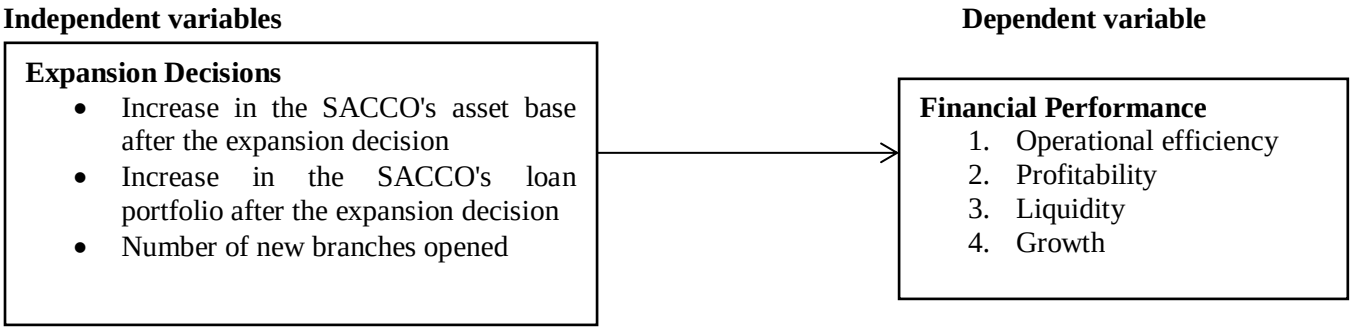

Figure 1

Conceptual Framework

Figure 1 shows the conceptual framework that shows the relationship between the independent variable (decisions to grow) and the dependent variable (financial performance) in Bungoma County SACCOs. The independent variable refers to the various expansion decisions made by SACCOs, such as the increase in the SACCO's asset base after the expansion decision, the increase in the SACCO's loan portfolio after the expansion decision, and the number of new branches opened.

Financial performance is a broad term that can be measured in various ways, such as profitability, liquidity, efficiency, and growth. In this framework, a measurable indicator of financial performance is operational efficiency. The arrows in the framework indicate the direction of the relationship, suggesting that investment decisions are likely to have a significant impact on financial performance. For example, if a SACCO makes strategic investment decisions that increase its revenue and customer base, this is expected to have a positive impact on its financial performance.

2.3 Empirical Review

The study by Gakure et al. (2020) examined the effect of expansion decisions on the financial performance of SACCOs in Kenya. The authors collected data from 50 SACCOs and used regression analysis to analyze the relationship between expansion decisions and financial performance. The study found that there was a positive and significant relationship between expansion decisions and financial performance. The authors concluded that SACCOs that made expansion decisions tended to have higher levels of profitability than those that did not. The authors suggested that SACCOs should consider expanding their services and products to improve their financial performance.

In the study by Odero and Wanjohi (2021), the authors examined the effect of expansion decisions on the financial performance of SACCOs in Kenya. The authors collected data from 31 SACCOs and used regression analysis to analyze the relationship between expansion decisions and financial performance. The study found a positive relationship between expansion decisions and financial performance, indicating that SACCOs that made expansion decisions tended to have higher levels of profitability. The authors suggested that SACCOs should consider expanding their operations to improve their financial performance, but cautioned that SACCOs should carefully evaluate the risks associated with expansion decisions before making them.

The authors of a study by Njeru et al. (2019) in Kenya looked at the impact of expansion choices on SACCOs' financial performance. The authors collected data from 35 SACCOs and used regression analysis to analyze the relationship between expansion decisions and financial performance. The study found a positive and significant relationship between expansion decisions and financial performance, indicating that SACCOs that expanded their operations tended to have higher levels of profitability. The study also found that the size of the SACCO, the level of education of the management team, and the level of diversification of the SACCO's operations were significant predictors of financial performance.

The authors of another study by Odera et al. (2019) in Kenya looked at the impact of expansion decisions on SACCOs' financial performance. The authors collected data from 35 SACCOs and used regression analysis to analyze the relationship between expansion decisions and financial performance. The study found a positive and significant relationship between expansion decisions and financial performance, indicating that SACCOs that expanded their operations tended to have higher levels of profitability. The study also found that SACCOs that invested in

technology, diversified their loan portfolio, and had a larger membership base were more likely to have higher levels of profitability. However, the study also found that expanding too quickly and without proper planning can have a negative impact on financial performance, highlighting the importance of careful planning and management when making expansion decisions.

Kivuva and Ondiek (2016) conducted an empirical study in Kenya on the inverse relationship between expansion decisions and the financial performance of SACCOs. The authors collected data from 45 SACCOs and used regression analysis to examine the relationship between expansion decisions and financial performance. The study found a negative relationship between expansion decisions and financial performance, indicating that SACCOs that engaged in expansion activities tended to have lower levels of profitability. The study also revealed that SACCOs that expanded too rapidly or without proper planning were more likely to experience financial difficulties (Kivuva & Ondiek, 2016).

Ojera and Were (2020) carried out another empirical study in Kenya that discovered a negative, insignificant relationship between expansion decisions and the financial performance of SACCOs. The authors collected data from 20 SACCOs and used regression analysis to examine the relationship between expansion decisions and financial performance. The study found that there was a negative relationship between expansion decisions and financial performance, indicating that SACCOs that engaged in expansion activities tended to have lower levels of profitability. The study further revealed that the negative relationship was more pronounced for SACCOs that expanded rapidly or without proper planning (Ojera & Were, 2020).

In a study conducted by Kihoro and Kariuki (2019) in Kenya, the authors collected data from 45 SACCOs and used regression analysis to examine the effect of expansion decisions on the financial performance of SACCOs. The study found a negative relationship between expansion decisions and financial performance, indicating that SACCOs that expanded tended to have lower levels of profitability. This could be due to the high costs associated with expansion, such as increased administrative expenses and loan losses.

Using a sample of 25 SACCOs, Mutai and Kipyegon (2020) conducted another study in Kenya looking at the impact of expansion decisions on the financial performance of SACCOs. The authors used regression analysis and found a negative relationship between expansion decisions and financial performance, indicating that SACCOs that expanded tended to have lower levels of profitability. The study also discovered that the SACCOs' subpar governance and management practices exacerbated the negative impact of expansion on financial performance.

III. METHODOLOGY

The study used a quantitative, cross-sectional survey design. The target population for this study consists of the management teams or officials of Savings and Credit Cooperative Societies (SACCOs) in Bungoma County, Kenya, who are responsible for investment decisions and financial performance. This includes individuals such as Chief Executive Officers (CEOs), Chief Financial Officers (CFOs), accounting staff, and senior administrative staff involved in decision-making within these SACCOs. In total, there are 50 SACCOs, and the aim is to target 12 staff members per SACCO, resulting in a total target population of 600 respondents.

The sample size calculation was based on a margin of error (e) of 5%, a confidence level of 95%, and a population size of 600. The sample size required for the study was determined to be 240 respondents, ensuring that the selected sample remains representative of the target population. To select the sample, a stratified random sampling procedure was employed. The population was divided into strata based on the job titles of the respondents (CEOs, CFOs, accounting staff, and senior administrative staff). Proportional allocation was then used to determine the number of respondents to be selected from each stratum based on the stratum's proportion of the total population. Finally, a simple random sampling technique was employed to select the required number of respondents from each stratum.

The primary data collection instrument for the study was a structured questionnaire. Questionnaires were administered to the CFOs, CEOs, accounting staff, and administrative staff of the SACCOs. These questionnaires contained closed-ended questions designed to collect specific information efficiently from a large number of respondents. To ensure the validity of the questionnaires, expert reviews were conducted, and factor analysis was employed to test construct validity. The reliability of the questionnaires was assessed using Cronbach's alpha, which yielded coefficients above the recommended threshold of 0.7.

A pilot study was conducted with a small sample of 24 SACCO employees to test the reliability of the questionnaires. Data analysis involved data cleaning, descriptive statistics, and regression analysis to examine the relationship between investment decisions and the financial performance of SACCOs in Bungoma County.

The model equation is provided below:
Financial Performance = β0 + β1 (Expansion Decision) + β2 (Replacement Decision) + β3 (R&D Decision) + Ɛ

Where:
β0 = Intercept
β1-β3 = coefficients of independent variables
Ɛ = error term

The coefficients (β1–β4) indicated the extent to which each specific investment decision (expansion, replacement, and R&D) affects the financial performance of SACCOs in Bungoma County. The intercept (β0) represents the average financial performance of SACCOs in Bungoma County when all investment decisions are held constant.

IV. RESULTS AND DISCUSSION

Table2
Response Rate

Response	**Frequency**	**Percent**
Response	162	67.5
Non response	78	32.5
Total	240	100.0

The study sample was 240 of which 162 responded during the study representing 67.5% which was considered representative enough.

Table 3
Reliability Test

Variable	**Cronbach alpha**
Expansion Decision	.911

Cronbach's alpha >0.7 indicates reliability of data; from the data provided, an expansion decision was provided with 0.911 > 0.7. This confirmed the reliability of the data; the overall reliability was 0.875.

Main component analysis was applied, and the results for the Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) are shown below.

Table 4
KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.742
Bartlett's Test of Sphericity	Approx. Chi-Square	542.049
	Df	10
	Sig.	.000
Factor loading		**Component**
Expansion Decision		.688

Kaiser-Meyer-Olkin measures sampling adequacy, which examines appropriateness for the use of factor analysis. A range of 0.5 to 1.0 in Kaiser-Meyer-Olkin indicates the appropriateness of factor analysis. The Kaiser-Meyer-Olkin 742 explains its appropriateness for research. Furthermore, Bartlett's Test of Sphericity at 542.049 with a p value of 0.000 showed that the items in the study, thus dependent and independent variables were correlated. All factor loadings were greater than 0.4, hence all questions were retained.

4.1 Expansion Decision on Financial Performance

The researcher sought to establish the effect of the expansion decision on the financial performance of SACCOs in Bungoma County. A five-point Likert scale was used, where one (1) implied the least and five (5) the highest positive response (1= strongly disagree (SD), 2= disagree (D), 3= undecided (U), 4= agree (A), and 5 = strongly agree (SA)) in the analysis of the data. The results of the Likert scale are shown in Table 5.

Table 5

Likert Scale on Expansion Decision

Description	N	SD (%)	D (%)	U (%)	A (%)	SA (%)
1. The SACCO's decision to open new branches in different parts of Bungoma County has positively impacted its financial performance.	162	2 (16.7)	0 (0)	33 (20.4)	61 (37.7)	41 (25.3)
2. The SACCO's decision to introduce new loan products has led to an increase in the number of members and borrowers.	162	1 (0.6)	21 (13)	53 (32.7)	51 (31.5)	36 (22.2)
3. The SACCO's decision to invest in technology, such as online banking and mobile banking, has improved its customer service and accessibility.	162	0 (0)	23 (14.2)	44 (27.2)	48 (29.6)	47 (29)
4. The SACCO's decision to partner with other financial institutions has increased its capacity to provide financial services to its members.	162	0 (0)	18 (11.1)	56 (34.6)	49 (30.2)	39 (24.1)
5. The SACCO's decision to expand its membership base by targeting specific demographics, such as youth or women, has resulted in increased membership and loan portfolios.	162	3 (1.9)	29 (17.9)	54 (33.3)	50 (30.9)	26 (16)
6. The SACCO's decision to acquire or merge with other SACCOs has improved its market position and competitiveness.	162	0 (0)	27 (16.7)	49 (30.2)	68 (42)	18 (11.1)
7. The SACCO's decision to diversify its investment portfolio, such as investing in real estate or stocks, has increased its returns on investment.	162	2 (1.2)	47 (29)	63 (38.9)	27 (16.7)	23 (14.2)
8. The SACCO's decision to provide training and capacity-building for its staff and members has led to improved financial performance and member satisfaction.	162	0 (0)	22 (13.6)	45 (27.8)	67 (41.4)	28 (17.3)
9. The SACCO's decision to engage in corporate social responsibility activities, such as community outreach or environmental initiatives, has enhanced its reputation and member loyalty.	162	0 (0)	31 (19.1)	35 (21.6)	83 (51.2)	13 (8)

From table 5, the results showed that 61 (36.7%) agreed and 41 (25.3%) strongly agreed that the SACCO decision to open new branches in different parts of Bungoma County has positively impacted its financial performance. Regarding whether SACCO's decision to introduce new loan products has led to an increase in the number of members and borrowers, 51 (31.5%) agreed, and 36 (22.2%) strongly agreed. Results showed that 48 (29.6%) agreed and 47 (29%) strongly agreed that the SACCO's decision to invest in technology, such as online banking and mobile banking, had improved its customer service and accessibility. 50 (30.9%) agreed that the SACCO's decision to partner with other financial institutions had increased its capacity to provide financial services to its members, and 68 (42%) agreed that the SACCO's decision to acquire or merge with other SACCOs had improved its market position and competitiveness.

The study showed that 63 (38.1%) of respondents agreed that SACCO's decision to diversify their investment portfolio, such as investing in real estate or stocks, had increased its returns on investment, and 61 (41.4%) agreed that SACCO's decision to provide training and capacity building for its staff and members had led to improved financial performance and member satisfaction. Lastly, 83 (51.2%) agreed that SACCO's decision to engage in corporate social responsibility activities, such as community outreach or environmental initiatives, had enhanced its reputation and member loyalty. The investment decision on expanding the business was fairly agreed upon regarding financial performance.

Table 6
Likert Scale on Financial performance

Description	N	SD (%)	D (%)	U (%)	A (%)	SA (%)
SACCO consistently achieves its financial goals and targets.	162	32 (19.8)	14 (8.6)	18 (11.1)	42 (25.9)	56 (34.6)
SACCO invests in technology and innovation to enhance operation efficiency.	162	28 (17.3)	12 (7.4)	38 (23.5)	46 (28.4)	38 (23.5)
SACCO manages risk and ensures security of member deposits.	162	28 (17.3)	8 (4.9)	42 (25.9)	48 (29.6)	36 (22.2)
SACCO interest rate on loans and savings are competitive.	162	0 (0)	4 (2.5)	54 (33.3)	84 (51.9)	20 (12.3)
SACCO provides efficient and promotes customer service.	162	0 (0)	4 (2.5)	54 (33.3)	82 (50.6)	22 (13.6)

Based on the study findings in Table 6, 56 (34.6%) strongly agreed that SACCO consistently achieves its financial goals and targets. 46 (28.4%) agreed that SACCO invests in technology and innovation to enhance operation efficiency; 48 (29.6%) agreed that SACCO manages risk and ensures the security of member deposits; 84 (51.9%) agreed that the SACCO interest rate on loans and savings is competitive; and 82 (50.6%) agreed that SACCO provides efficient service and promotes customer service. The findings show that decisions about expansion, replacement, and research and development facilitated financial performance.

The study is in agreement with Chen et al. (2020), who investigated the relationship between investment decisions and financial performance in credit unions in the United States as positive and significant. It further concurs with Mose et al. (2019), who conducted a study in Tanzania and found a positive and significant relationship between investment decisions and financial performance, indicating that SACCOs that made better investment decisions tended to have higher levels of profitability. Equally, Fomum et al. (2019) in Cameroon found a positive and significant relationship between investment decisions and the financial performance of SACCOs. Kiprop and Onyango (2020) found a positive correlation between investment decisions and the financial performance of Kenyan SACCOs.

4.2 Diagnostic Tests

Before the inferential statistics were carried out, the researcher conducted diagnostic tests to determine whether the data collected met the assumptions of the regression analysis. Shapiro-Wilk and Kolmogorov-Sminorv tests were both used to evaluate the normality test at a 95% confidence level. If the p-values in the Sig. column were below 0.05, the null hypothesis was rejected, and therefore there was evidence that the data tested was not from a normally distributed population. The researcher sought to carry out a normality test on the data on expansion decisions, delegation of authority, employee participation, financial performance, and university factors. The findings are shown in Table 7.

Table 7
Normality Test

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Expansion decision	.143	162	.000	.900	162	.000
a. Lilliefors Significance Correction						

From table 7, results from Kolmogorov-Smirnov (KS) and Shapiro-Wilk (SW) suggested that the residuals were not normally distributed (sig. <.05), meaning that tests of normality failed.

Ghasemi and Zahedias (2012) recommend a visual assessment of normality tests for large samples. Based on the Q-Q plot of the expansion decision, normality was appropriate based on the line of fit, especially if the population is greater than 30, hence sensitive to outliers.

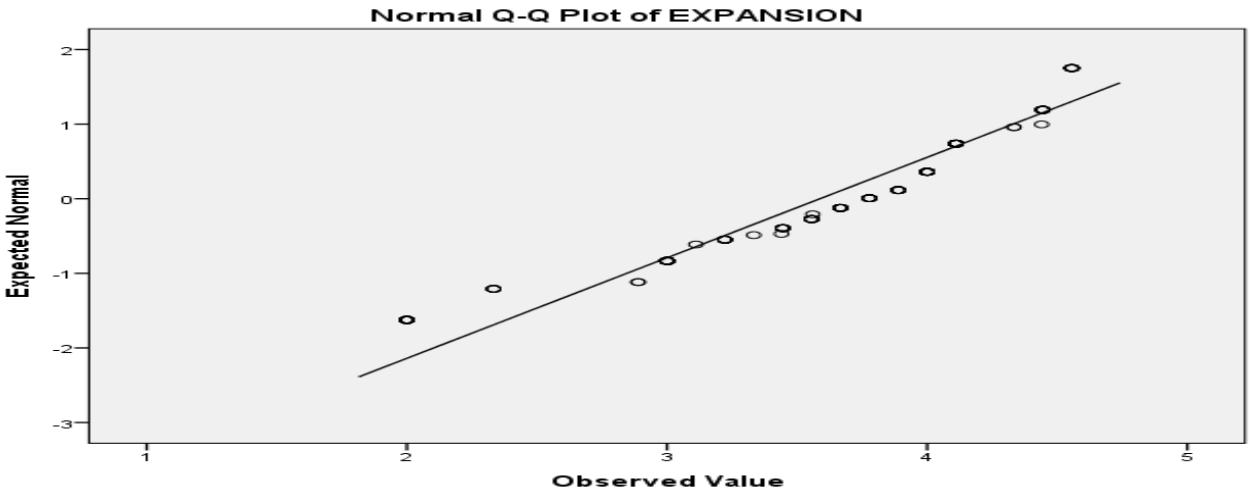

Figure 1
Normal Q-Q Plot of Expansion Decision

Furthermore, in the Q-Q plot for the replacement decision, the line of fit appropriateness was realized as the departure from normality was small, assuming normality for the data.

The Durbin-Watson test checked that the residuals of the model were not auto-correlated, as shown in the table**.**

Table 8
Autocorrelation Test

Std. Error of the Estimate	**Durbin-Watson**
.51521	1.972

Given that if the Durbin-Watson value is close to 2, then there is no serial correlation (Garson, 2012). The Durbin Watson value of 1.972 is closer to 2 than the recommended range of 1.5 and 2.5.

Table 9
Tests for Multicollinearity

Model		**Collinearity Statistics**	
		Tolerance	**VIF**
1	(Constant)		
	Expansion decision	.368	2.720

a. Dependent variable: Financial performance

The tolerance and variance inflation factor (VIF) values were used to check multi-collinearity. The tolerance value <1 and VIF value <10 indicated non-multi-collinearity. Regarding the VIF value, the expansion decision is 10<2.720. On the other hand, the tolerance value expansion decision was 0.368<1. This implies non-multicollinearity.

Table 10
Pearson Correlation

		Expansion decision	Financial Performance
Expansion decision	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	162	
Financial Performance	Pearson Correlation	.708**	1
	Sig. (2-tailed)	.000	
	N	162	162

The results above indicate that at the 0.05 level of significance, expansion decisions were a significant predictor of financial performance (r = 0.708, p-value =0.000 < 0.05). This means that an increase in expansion decisions leads to an increase in financial performance. The study agrees with Kiprop and Onyango (2020), who found a positive correlation between expansion decisions and the financial performance of Kenyan SACCOs.

Table 11

Simple Linear Regression for Expansion Decision

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.708[a]	.501	.498	.63937

a. Predictors: (Constant), Expansion decision

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	65.703	1	65.703	160.722	.000[b]
	Residual	65.408	160	.409		
	Total	131.111	161			

a. Dependent Variable: Financial Performance

b. Predictors: (Constant), Expansion decision

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.439	.249		1.764	.080
	Expansion decision	.861	.068	.708	12.678	.000

a. Dependent Variable: Financial Performance

The results in Table 11 above show an R-square of 0.501, indicating that an expansion decision was responsible for the variation in financial performance at 50.1%. The ANOVA test showed that decisions about expansion were important in predicting how well SACCOs in Bungoma County would do financially. This was shown by the significance value of 0.000, which was less than the 0.05 level of significance (p = 0.000<0.05). Therefore, the expansion decision had a significant effect on the financial performance of SACCOs in Bungoma County (t-statistic = 12.678, p-value = 0.000< 0.05). The null hypothesis was hence rejected. The expansion decision increased the financial performance of SACCOs by 0.861, hence the regression model equation:

Y=0.439+0.861*Expansion Decision

The findings agree with those of Gakure et al. (2020), who found that there was a positive and significant relationship between expansion decisions and the financial performance of SACCOs in Kenya. It further agrees with Odero and Wanjohi (2021), who found a positive relationship between expansion decisions and the financial performance of SACCOs in Kenya. It disagrees with Ojera and Were (2020), who found a negative and insignificant relationship between expansion decisions and the financial performance of SACCOs in Kenya. Further disagreements with Kihoro and Kariuki (2019) found a negative relationship between expansion decisions and financial performance, indicating that SACCOs that expanded tended to have lower levels of profitability.

V. CONCLUSIONS & CONCLUSIONS

4.1 Conclusions

Based on the robust findings derived from the linear regression analysis, this study firmly concluded that expansion decisions exerted a noteworthy impact on the financial performance of Savings and Credit Cooperative Societies (SACCOs) within Bungoma County. Specifically, it was established that augmenting expansion decisions in alignment with investments yielded a statistically significant elevation in financial performance. These results

underscore the critical importance of prudent expansion strategies for SACCOs in Bungoma County as they endeavor to enhance their financial health and sustainability in the competitive financial services landscape.

4.2 Recommendations

Based on the conclusions drawn from this study, it is recommended that SACCOs consider strategic expansion decisions. To maintain and potentially enhance their financial performance, SACCOs should contemplate opening additional branches in strategic locations. Additionally, diversifying their assets and portfolios should be a priority. Such expansion initiatives can contribute to sustaining the current level of financial performance and may even lead to its improvement over time. This strategic approach ensures continued relevance and competitiveness within the financial sector while serving the best interests of SACCO members and stakeholders.

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