INVESTMENT STRUCTURE AND FINANCIAL PERFORMANCE OF TIER ONE DEPOSIT TAKING SAVINGS AND CREDIT CO-OPERATIVES IN KENYA

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ABSTRACT

The study aimed to establish the influence of investment structure on financial performance of Tier One Deposit taking Savings and Credit Cooperative Societies (DTSACCOs) in Kenya. The specific objectives explored the effect of interest on loan portfolio, accounts income, unit trust investment and stocks investment on financial performance of Tier One DT-SACCOs in Kenya. The theories that anchored the study comprised the Ansoff diversification Matrix, financial theory of investment, Pecking Order Theory and Resource Based View theory. The target population research was 42 the Tier One DT-SACCOs in Kenya as per SASRA 2023 report. The study used census method due to the small number of the Tier One DT-SACCOs in Kenya. The study relied on secondary data that was collected through the use of a data collection sheet. The data collected was for five (5) years from 2018 to 2022. The raw data collected was coded prior to been input into Statistical Package for Social Sciences (SPSS) software. The data collected was mainly quantitative and it was analyzed descriptively and inferentially. Mean scores, percentages, minimum, maximum and standard deviations accurately served this purpose. The relationship between independent variables was measured through multiple regression analysis, in order to find out the inter-relationship between the four independent variables and their influence on the dependent variable. The study found that interest on loan portfolio, accounts income, unit trust investment and stocks investment have a positive and significant effect on the financial performance of Tier One-SACCOs. A study conclusion was made that investment structure positively influences the financial performance of Tier One-SACCOs. The study established that Unit trusts funds are essential in the growth of financial institutions through mobilizing savings, mobilizing direct investment, capital allocation and risk management. The study further concludes that investment in equity investment, bond investments is a safe investment avenue for return on assets over long holding time periods. The study recommends that SACCOs should develop mechanisms that would make it favorable for them to leap the benefits of interests charged on loans. The study recommends that Tier One SACCOS should continue improving on their accounts income by investing excess funds on fixed asset portfolio. Investment in unit trusts can be improved through financial innovation especially by leveraging on technology to venture into new products into the market. Diversification into the stocks for the Tier One DT-SACCOs should translated to reduced unsystematic risks and thereby improved profitability measured by ROA. Further comprehensive research should be conducted incorporating major financial institutions like banks, MFIs, Insurance companies and other SACCOs categories in Kenya with an aim of providing an all-inclusive analysis of these relationship in the entire financial sector. Also, study should be carried out using both primary and secondary data that covers a longer period to check for

the changes in the influence of investment structure on financial performance of financial institutions in Kenya from time to time.

INTRODUCTION

Background of the Study

Deposit Taking Savings and Credit Cooperative Societies (DT-SACCOs) operate in the same environment with the commercial banks and Micro Finance Institutions (MFIs) in Kenya. According to SACCO Society Regulatory Authority (SASRA) (2023), SACCOs act as a vital economic engine through savings mobilization among their members who have limited access to mainstream financial institutions like commercial banks. They more than 30% of Kenya's Gross Domestic Product (GDP) in 2022, DTSACCOs command more that USD 6.3 billion in total assets drawn from over 6.2 million members (Kenya Union of Savings and Credit Cooperatives [KUSCCO], 2022). SACCOs undertake aggressive deposit mobilization, creation of internal incentives to attractive savings and insurance programs to cover members' savings and loans. Accordingly, their prolific growth has led to recognition of SACCO sector to emerge top in African region and 7th globally (World Council of Credit Unions (WOCCU), 2021).

The key Sacco's strategies in wining deposits include; customer association management, coaching and education, information technology and adherence to regulative frameworks. According to Shilimi (2021) the foremost effective strategy for promoting additional rise within the saving behavior in society is to support monetary deepening so as to boost monetary mediation, given the very fact that monetary institutions' coverage of the urban areas is comparatively enough. Financial performance is defined as the reflection of the approach within which resources of an organization are utilized in attaining its objectives (Ahmed et al., 2018). According to Wiley (2021), financial performance of a firm is the capacity to create income from its exercises. Chen et al. (2021) pointed that financial performance is a numerical indicator of the spread to which financial goals are met.

The overall financial health of organizations over a specific time period is simply referred to as financial performance. To Jihadi et al. (2021), financial performance is a numerical indicator of the spread to which financial goals are met. Financial performance also involves the ability to efficiently and effectively use resources to achieve the objectives and goal of a firm Wiley (2021). Vukovic et al. (2022) pointed that financial performance demonstrates the ability of an organization to accomplish its mission by engaging in sound management practices, strong governance and persistent re-dedication to achieving the desired results. Financial performance is a critical aspect in business organizations, and all firms must strive for the best financial performance possible.

According to Gul and Cho (2019), financial performance is typically evaluated using a combination of benchmarking, financial ratio analysis, performance evaluation against budget, or a combination of these approaches. According to Ozili and Ndah (2021), improving financial performance has become a top priority in the monetary plans of developing and emerging economies. This is true both because increasing financial entrance is important in macroeconomic terms due to its impact on higher levels of investment, utilization, and financial development, as well as because higher budgetary consideration can help with raising expectations for a better standard of living and personal satisfaction (Momanyi, et al., 2021). The most widely utilized performance metrics among the financial ratios are Return on Assets (ROA) and Return on Equity (ROE). According to Huang et al. (2021), a portfolio is an appropriate mix or collection of investments held by an investor.

A portfolio is also defined by Ma et al. (2021) as a collection of financial instruments. Portfolio is often designed to reduce the risk of loss of capital and/or income by investing in different types of securities available in a wide range of assets. As such, investment structure is a strategy of managing portfolio through bringing together diverse investments to so as to lower the general risk associated with investment portfolio. (Onyuma, 2020) asserted that investment structure improves corporate companies' performance reason being that it allows for the leveraging of resources to support new projects, thus complementing the final performance of the company firm. According to Owalo et la. (2021), SACCOs have been under pressure from competition due to increase in their involvement in unconventional intermediation methods like investment banking, bancassurance and delving into previously dangerous industries.

Investment structure has become a key approach in such financial institutions in both underdeveloped and advanced economies, since banks' operations have expanded outside the conventional boundaries and intermediary roles they perform between the excess and deficit unit of the economy but into different sorts of activities within the financial market (Wamukota & Otuya, 2021). Kirimi et al. (2022) indicated that investment structure enhances business expansion, economies of scale, profitability, and fosters resource utilization efficiency. Investment structure can enable Tier One DT-SACCOs to lower their overall exposure to risks of financial nature. This ensures that they are able to readily compete in financial sector with other well-established financial institutions.

Investment Structure and Financial Performance Globally

Financial institutions are the pillar of both developed and developing nations around the globe. Chen et al., (2021) indicated that over the last two decades, the global economic downturn has strongly affected the world economy via financial sectors throughout the world continents. Thus, a divergent, competitive and secure finance sector is a precondition for cohesive national economic

systems (Oudat et al., 2021). Following the global financial crises, the financial sector has been characterized by reform efforts, commercial market liberalization, competitive pressures and high capital adequacy to achieve a more sustainable financial system (Yakubu & Bunyaminu, 2021).

In addition, the equity requirements regulation sought to disincentivize bank risk-taking, reduce banking collapse and maintain financial sector healthiness. Investment structure strategy was more prominent in the United States and Europe in the 1960s and 80s.The period was characterized by corporations trying to expand through mergers and acquisitions. Yasin (2018) in their research of 510 Financial holding companies in USA on relationship of financial performance and insurance as an additional product, using quaternary panel observations of year 2013-2017, find out that bank expansion into non interest activities can improve risk adjusted performance. Insurance activities according to them can help small sized financial holding companies improve on risk adjusted returns but do not have consistent significant impact on performance of very large financial companies.

Jawad *et al.,* (2022) noted that more than 74% of financial institutions in Europe are now moving towards diversification of their revenues to reduce risk of their portfolios and to increase the profitability. In effort of diversifying the income generation activities, banks are indulging in non-interest income generation activities by reducing their reliance on traditional banking activities. Diversification of income generating activities (either interest based or non-interest based) can enhance the profitability by reducing overall risk involved in banking operation. Chen et al., (2021) indicated that investment structure strategies adopted have shown positive impact of income diversification on performance of 65% of the financial institutions in Asia.

Plihon (2018) examined whether the observed shift into non-interest-based activities improves financial performance. Using a sample of 714 banks across 14 East-Asian and Latin-American countries over the post 1997-crisis changing structure, we find that diversification gains are more than offset by the cost of increased exposure to the non-interest income, specifically by the trading income volatility. But this diversification performance's effect is found to be non-linear with risk, and significantly not uniform among banks and across business lines.

Korol (2020) noted that 55% of the Canadian financial institutions adopted investment structure between the 2015-2018. They noted that diversification gave firms both financing and investment advantages. The value of diversified firms increased relative to single segment firms during the same crisis and that the value of diversification has increased beyond the global financial crisis.

Investment Structure and Financial Performance in Africa

Banks commercially trading in Sub-Saharan Africa tend to face great competition and, for them to survive this tide of competition, they ought to engage in diversity in terms of their income streams

(Hamid et al. 2024). Investment in financial assets, government security, insurance, interest on loan portfolio and investment size have positive significant impact on financial performance of financial institutions in Africa.

Kassa (2018) pointed that in Ethiopia, under Article 2.1(a) of the National Bank of Ethiopia directive, requires any bank operating in Ethiopia to maintain in its reserve account of 5% of all birr and foreign currency deposit liabilities held in the form of demand or current, saving and time deposit. Although bank's lending diversification is the main means of income for the bank, commercial banks in our country do not invest their entire resources in this profitable asset rather they keep a portion of its resources idle to meet cash required reserve. First, Commercial banks of Ethiopia are owned by state and domestic investors. Second, the country does not allow foreign banks to operate in the country.

However, the institutions in Africa are not totally guaranteed from risks in international financial crisis (Hailu & Tassew, 2018). Oyewobi et al. (2013) conducted an investigation on how the diversification of businesses impacted the performance of South African construction firms. The findings indicated that firms in the construction industry earned more profit margins. The study failed to single out the criteria in use to specify and separate large construction companies, medium-sized and newly upgraded companies.

Abel et al. (2019) utilized the approach called stochastic frontier in an analysis that compares efficiency in terms of profit and inefficiencies in the cost of banking firms that was in operation in 30 countries in Sub-Saharan Africa for the period 2010- 2019. The outcome indicated foreign banks were more efficient in terms of profit compared to domestic banks. It was depicted that smaller banks are more efficient in profit-making. Medium or relatively larger banking firms tend to be more efficient in their costs of operations because of high economies of scale.

A study undertaken by Sissy (2020) across 329 banks in the context of 29 countries in Africa spreading over a period from 2002 to 2013 insinuated that banking across borders raises revenue stream diversification as a result of competition. This insight the suggestion that geographical and revenue stream diversification makes banks' performance better and the steadiness of aforementioned performance. According to Hailu and Tassew (2018) all diversification avenues such as sectoral credit, assets, deposit types and income streams are avenues in banks to make use of, to be able to exploit new viable ventures to add to their intermediation services that are regarded as traditional to accrue market power and as well withstanding stringent growing competition.

Portfolio allocation is seen to be drifting to favouring of assets that are less risky such as liquid cash and government securities. By September 2016, government securities contribution to African economies was at 24% of the sector's balance sheet in comparison to about 18%-year

average from 2011 to 2015. Private credit to GDP, which is the accepted financial development index, was estimated at 34.9% in 2015, in comparison to 45% average for countries in developed regions.

Investment Structure and Financial Performance in Kenya

In the Kenyan economy, financial institutions have enlarged and opened many branches over the previous few years. This has resulted in extremely tremendous increase in deposit liabilities and in turn, a rise in volumes of investment portfolios (Onyuma, 2020). At every decision purpose, the portfolio manager has a list of investment opportunities at hand and may decide wherever to require a foothold supported market conditions and additionally the assessment of determinants. However most financial institutions in Kenya have not mixed their portfolios this therefore has greatly influenced their performance. Kiptum (2021) reiterated that many financial institutions mostly still focus on constant common portfolios inside the markets.

According to Mutua and Kori (2022), the main essence of management of portfolio and diversification of product in special reference to retail banks is to spread and minimize unsystematic risks associated with the banking business, maximize shareholders wealth, keep the business alive, amid stiffened competitiveness in the industry. The banking system existing in Kenya has progressed over the years as a result of remarkable changes among them depth and breadth of operations, number of institutions as well as ownership structure. These transformations have been as a result of challenges posited by deregulation which occurred in the financial sector, globalization of various banks operations, innovations in form of technology and adoption of various requirements which are supervisory and prudential leading to conformity with standard internationally.

Diversification being the main solutions banks challenges aims at minimizing the variability of operations and reducing the concentration of deposits, loans and revenue that is generated from these activities (Berger et al., 2020). Deposits diversification protects banks against liquidity risk exposures

Kenya's SACCO industry has since independence evolved within the financial sector and is currently considered among the biggest in Africa with 5.7 percent of total assets to GDP ratio, followed by Rwanda and Ethiopia, with 3.0 percent and 0.7 percent, respectively. Growth of the SACCO industry has leveraged on rapid adoption of technology and innovations in financial products and services provision coupled with opening of the common membership bond. In addition, enhanced legal and regulatory environment have helped the SACCO industry to grow and be accessed by 28.4 percent of the adult population as at December 2019, the highest in Africa (Financial Sector Regulators, 2020). The SACCO business operations in the country cut across

various sectors and regulated largely under the SACCO Societies Act and the Co-operative Societies Act.

According to SASRA (2023), there are 175 registered DT-SACCOs in Kenya. A report by State Department of Cooperatives (2021) indicated that DT-SACCOs command 72% of the SACCOs sector in Kenya, most of these are regulated to safeguard their depositors (CBK, 2020). Owalo et al. (2021) pointed that the government of Kenya through the Central Bank established the SACCOs prudential regulations on liquidity, capital adequacy and asset quality covering all DT- SACCOs in 2008 to enhance transparency and accountability in the fast-growing SACCOs sub-sector. Through these regulations, a total 181 DT-SACCOs were licensed to undertake deposit-taking SACCO business during the year 2015 and in accordance with the SACCOs Societies Act (Kariuki, 2021). The SACCOs development in Kenya was started in 1946 because of monetary and social difficulties that influenced the nation requiring framing co-usable affiliations (Kenya Union of Savings and Credit Cooperatives- KUSCCO, 2019).

Nonetheless, it was not until 1969 that the public authority permitted SACCOs to be enrolled to assemble investment funds and offer credits to utilized work force. Owalo et al. (2021) indicated that numerous Kenyans are dependent on cooperatives that offer reserve funds and credit offices that meet clinical, instructive and other improvement needs. As indicated by KUSCCO (2019), there are 5,122 SACCOs in Kenya holding over 6.1 million individuals and reserve funds adding up to Kes. 420 billion with a resource base of Kes. 500 billion. Several SACCOs in Kenya have collapsed in the recent past due to poor corporate governance and weak internal controls; DECI in 2008, Good Life SACCO Society in 2015, Ekeza SACCO, Moi University SACCO (MUSCO), Nitunze SACCO (Formerly Mumias out growers SACCO), Shoppers SACCO (Formerly Nakumatt Employees SACCO), Nyamobite Coffee Society in Kisii and Ntiminyakiru in Meru.

SACCOs are directed by SACCOs Regulations of 2008 that subbed the co-usable social orders demonstration of 2004 (Chelangat et al., 2020). According to Central Bank of Kenya - CBK (2020), SACCOs undertake aggressive deposit mobilization, creation of internal incentives to attractive savings and insurance programs to cover member's savings and loans. Despite the great potential of SACCOs as agents for national development in the Country, they have performed poorly. SACCOs are unique in their operations and every decision made has to be approached in a unique way and so is their measure of their financial performance. Chelangat et al. (2020) opined that some of the benefits of quasi-banking services include business and salary accounts, processing of salaries, salary advances, mobile banking and debit cards.

Tier One Deposit-taking SACCOs in Kenya undertake and operate quasi-banking activities where members are offered opportunity to operate current and transactional accounts just like in conventional banks. Tier One SACCOs comprises of 42 DT SACCOs with asset base of 5 billion.

Tier one deposit taking- SACCOs account for 59.84% (Kes. 522.55 billion) of the total asset base. They also hold the largest proportion of deposits amounting to Kes. 361.45 billion. The growth of DT-SACCOs in Kenya could be attributed to several factors including government support; prudential standards and application of best practices; good corporate governance and modern management; members' positive saving culture; and improvement in the agricultural sector. According to SASRA (2022), the SACCO sector, represented by the 175 DT-SACCOs with valid deposit-taking licenses as at December 2019, continued to record impressive growths in all the key performance parameters such as total assets, total deposits and gross loans during the year 2019. The gross loans portfolio of the DT SACCOs grew by 12.09% to reach Kes 419.55Billion in 2019 from Kes 374.29Billion recorded in 2018 while the net loans and other credit advances increased by 11.46% to reach Kes. 400.16 billion in 2019 from Kes 359.02 billion recorded in 2018. The total deposits grew by 11.27% in 2019 to reach Kes. 380.44 billion from Kes . 341.91Billion reported in 2018. This study sought to investigate the influence of investment structure on financial performance of Tier One DT-SACCOs in Kenya.

Tier One-SACCOs in Kenya

Saving and Credit Societies (SACCOs) has a significant impact on the growth and development of the economy. SACCOs are categorized into two; deopist taking SACCOs (DT) and non-withdrawal dosit taking SACCOs (NWDT). According to SASRA (2023), there were 176 DT-SACCOs in Kenya while NWDT SACCOs are 183 in number. The tier one DT SACCOs are 42 in number. Tier one DT SACCOs are those that their assets are above Kes. 5 billion.

In 2022, SACCOs deposited a total of 620 billion while 680 billion was given out (Biashara Leo Digital, 2023). SACCOs continue to make significant investments and this has enabled them to build their financial health. Building financial stability is important for SACCOs as it enables them to compete favourably with other financial institutions (Biashara Leo Digital, 2023). SACCOs also have been working to close the gap between the deposit and loans and this is important for their financial stability.

Statement of the Problem

The ever-changing operating environment coupled with high and stiff competition have forced SACCOs to craft strategies to help them remain successful Mutua and Kori (2022). This study comes at a time when some SACCOs in Kenya have suffered major setbacks due to portfolio risks including but not limited to DECI, Good Life SACCO Society, Ekeza SACCO, Moi University SACCO (MUSCO), Nitunze SACCO (Formerly Mumias Out Growers SACCO), Shoppers SACCO, Nyamobite coffee society in Kisii and Ntiminyakiru in Meru (SASRA, 2021). Despite providing financial support and access to more than 48% of the adults and 82% of the small

enterprises in Kenya, SACCOs have been grappling with fluctuating performance over the past five years. The DT-SACCOs' Return on Assets increased from 5.30% in 2018 to 10.05% in 2019 before decreasing to 9.91% in 2020, later increased to 11.33% in 2021 and finally decreased slightly to 11.2% in 2022. The non-performing loans in the DT-SACCOs grew from Kes 36.87 billion in 2019 to Kes. 41.04Billion in 2020, Kes. 46.27 billion in 2021 and further Kes. 54.73 billion in 2022 (CBK, 2022).

To achieve their objectives, SACCOs have employed diverse business strategies for survival in a competitive and highly dynamic industry. A myriad of studies has been conducted to establish the financial performance of SACCOs in Kenya. Wanjiru and Jagongo (2022) investigated the relationship between liquidity risk and financial performance of deposit taking savings and credit cooperative societies in Kenya and established that financial performance of DT-SACCOs has been unstable and fluctuating over the years with a drop of 2.40 percent in 2018. Esokomi and Mutua (2018) sought to investigate the effect of diversification on loan default rate in non-DT SACCOs in Kakamega County and revealed that there exist a negative and significant effect of diversification on the loan default rate of SACCOs in Kakamega County. Sitienei and Thuita (2021) sought to determine the effect of Cash management on financial performance of deposit taking SACCOs in Kenya and found that there is a statistically significant effect of cash management on financial performance of deposit taking SACCOs in Kenya.

Otwoko et al. (2021) critically analyzed the effect of liquidity risk on the financial performance of DT-SACCOs in Kenya and revealed that diminishing growth rate in total assets from 12.4% in 2017, 11.3% in 2018, 12.0% in 2019, 11.2% in 2020 and finally 14.8% in 2021. From the foregoing, these available studies examined the key variables partially or in isolation with uncertainties of operationalization and contextualization of constructs of the theories varying across contexts, concepts and methodologies. The available studies left contextual, methodological and conceptual gaps that need to be filled. It was against this backdrop that the study sought to establish the influence of investment structure on financial performance of Tier One DT-SACCOs in Kenya.

Objectives of the Study

General Objective

The general objective of the study was to establish the influence of investment structure on financial performance of Tier One-SACCOs in Kenya.

Specific Objectives

The specific objectives were:

i. To explore the effect of interest on loan portfolio on financial performance of Tier One DT-SACCOs in Kenya.
ii. To determine the influence of accounts income on financial performance of Tier One DT-SACCOs in Kenya.
iii. To assess the effect of unit trust investment on financial performance of Tier One DT-SACCOs in Kenya.
iv. To find out the influence of stocks investment on financial performance of Tier One DT-SACCOs in Kenya.

Research Hypotheses

The study was guided by the hypothesis below:

i. **H_o1:** Interest on loan portfolio has no significant influence on the on financial performance of Tier One DT-SACCOs in Kenya.
ii. **H_o2:** There is no significant relationship between accounts income and financial performance of Tier One DT-SACCOs in Kenya.
iii. **H_o3:** There exist no statistically significant relationship between unit trust investment and financial performance of Tier One DT-SACCOs in Kenya.
iv. **H_o4:** Stocks investment has no significant effect on the financial performance of Tier One DT-SACCOs in Kenya.

Significance of the Study

The stability of SACCOs sector is necessary for economic growth and resilience in the midst of financial shocks. SACCOs success just like other businesses is assessed based on its asset and profit quality. Profitability and asset quality are critical factors for the growth and survival of SACCOs. Compared with other economies in East Africa, the SACCO sector in Kenya has continuously been recognized for its extensive diversification and size. SACCOs are capable of issuing loans at lower interest rates compared with other financial institutions. Furthermore, they are capable of reaching clients in regions considered unattractive by banks including rural or poor areas thus endearing customers of SACCOs in many countries. Despite the impressive contribution of SACCOs, there remains numerous grey areas. For instance, diversification strategy and its implication on financial performance particularly for SACCOs has not been explored adequately. The management of the Tier One DT-SACCOs in Kenya as well as other financial institutions in Kenya would use the study's findings in streamlining and harnessing the investment structure and financial performance in the operating environment. This is through allowing the management in the improvement of investment structure and achievement of their set goals. The findings would

help these financial institutions to gain an understanding of the configurations of the market dynamics and effects of investment structure on their financial performance. Additionally, the study's findings would contribute to the Tier One DT-SACCOs awareness of why it is vital to adhere to investment structure strategies, which in turn boosts and sustains their financial performance.

The findings from the study would outline the various gaps resulting from the investment structure which can, in turn, be used as opportunities to set up better directives that will not affect the financial performance of Tier One DT-SACCOs as well as other financial institutions. The study would also boost the creating of new knowledge that policymakers can use in bridging the gap between investment structure and financial performance of the financial institutions in Kenya.

The study would allow the SASRA to contemplate the sought-after regulations to oversee the Tier One DT-SACCOs' tasks and exercises. It would also allow the SASRA to revamp the current regulations and ensure they match the economic conditions of the Country. Therefore, the aim of the study is to provide guidance and shape the way forward throughout the entire uncertainty. The findings of this research would contribute towards guiding sound investment structure decisions. This study would contribute to the development of the existing body of knowledge regarding investment structure that would help Tier One DT-SACCOs in Kenya maintain their financial performance in the rapidly growing co-operatives societies segment. A knowledge base would be established to help other scholars develop their research studies. Hence, it would lead to need for extensive research work on effects of investment structure and financial performance.

Scope of the Study

The conceptual scope of this study lay on establishing the relationship between investment structure and financial performance of Tier One DT-SACCOs in Kenya. The specific context of the study was the Tier One DT-SACCOs in Kenya. The Deposit-Taking SACCOs established and operating in the Country were considered in this study. This study was limited to the 42 tier one Deposit-Taking SACCOs in Kenya where special focus was on the head offices of the Tier One DT-SACCOs in Kenya. This study involved collecting secondary information on the effect of loan portfolio, accounts income, unit trust investment and stocks investment on financial performance of the Tier One DT-SACCOs in Kenya.

LITERATURE REVIEW

Introduction

The goal of this phase was to look into hypothetical and verifiable researches supporting the objectives formulated as well as finding out what other scholars have documented. Thus, the

theoretical review, conceptual framework, empirical framework, existing literature evaluation, summary, and research gaps are all included in this part.

Theoretical Review

Theories arise from repeated observations and experimentation which incorporate predictions, laws, proven facts and hypotheses tested and accepted. Theories offer a filter through which to assess a topic. The ideas will provide details on the research's variables. Different theories have been employed to help bring clarity to the study. They are intrinsically tied to the influence of investment structure on financial performance. The theoretical underpinnings of this study were Ansoff diversification Matrix, financial theory of investment, Pecking Order Theory and Resource Based View (RBV) theory.

Ansoff Diversification Matrix

The Ansoff Matrix was proposed by Ansoff in 1957. Igor Ansoff developed diversification as one of the four marketing strategies included in the product matrix. According to this model, a company needs to realize products and market growth through four different strategies in order to grow its presentation (Zugay & Zakaria, 2023). These strategies vary depending on whether a company or product has been on the market before or is currently present. He used two scopes to measure; One measure takes into account whether the product is new or old, while the other measure takes into account whether the market is new or old. When it comes to diversification, the matrix explains that a company tries to increase the size of its sales by entering new markets with novel products that may be related to older ones or do not (Zugay & Zakaria, 2023). When compared to the other three strategies listed above, this one is considered to be one of the riskiest because businesses want to enter newer markets with newer products but lack experience and complete knowledge of those markets and products.

As a result, in order to strike the right balance between profit and risk, businesses need to have crystal clear ideas that are based on specific studies and research that focuses on new markets and or products. They also need to do honest assessments of risks. Product diversification is one of the most-risky endeavors, but its opposite can be rewarding, in accordance with the law that says the expected income is proportional to the level of risk (Wanke et al., 2016). Math theory is important because it helps to build the idea of diversification in investing, which means that investments will be less risky than if they were looked at separately. Acquiring a business, creating new products, forming partnerships, and inventing and licensing new technology are all methods of product diversification.

The four types of diversification are concentric, vertical, horizontal, conglomerate, and concentric diversification (Zugay & Zakaria, 2023). Vertical diversification occurs when a company advances through new phases of its manufacturing cycle. This occurs when a company distributes its finished goods or manufactures its raw materials. By lowering the likelihood that a market does not exist for a company's products, this type of diversification aids in lowering the risks associated with investments. On the other hand, horizontal diversification occurs when a company introduces new products that target existing customers. A company can expand its output through this type of diversification without having to hire new workers or learn new skills (Syuzeva & Zheltenkov, 2021). The term "conglomerate diversification" refers to the process by which a company expands and diversifies its product line by developing new products that make use of technology and marketing procedures already in place.

Ansoff Diversification Matrix underpins this study because it forms the foundation of the internal growth strategies that were examined in the study. These are market penetration strategy, market development strategy, product development strategy and diversification strategy. SACCOs' keen on improving their financial performance may select some of these internal growth strategies as they strive to beat their competitors; thus, gaining a larger market share and increased sales. The power of mobile banking, agency banking, internet banking, and electronic funds transfer products utilized in enhancing the financial performance of Tier One DT-SACCOs was explained using Ansoff's matrix in this study. Ansoff's matrix provides a four-dimensional diversification, which the current study examined in the Tier One DT-SACCOs sector.

Financial Theory of Investment

The financial theory of investment is based on investment decisions. The financial theory of investment was suggested by Minsky (1986). In shortened terms, this theory links financial market fragility, in the everyday living cycle of an economy, with speculative investment in financial markets (Ljungqvist et al., 2019). assume that the market rate of interest represents the cost of capital to the firm which does not change the amount of investment it maKes It means that unlimited funds are available to the firm at the market rate of interest. In other words, the supply of funds to the firm is very elastic. A key aim of Minsky was to conceptualize the inherent instability of the economic system that stems from debt relationships and continuous institutional change. By doing so he departed from conventional approaches that analyze economic and financial issues through an 'equilibrium' lens. Since the 1980s, many economists have modelled different dimensions of the FIH and have further developed the theoretical underpinnings of Minsky's framework, taking into account the transformations and developments in the global financial system that we have seen over the last decades.

In reality, an unlimited supply of funds is not available to the firm in any time period at the market rate of interest. As more and more funds are required by it for investment spending, the cost of funds (rate of interest) rises. To finance investment spending, the firm may borrow in the market at whatever interest rate funds are available (Ljungqvist et al., 2019). According to this theory, during prosperous times, corporate cash flow rises beyond what is needed to pay off debt, and a speculative euphoria develops. Soon after, debts exceed what borrowers can pay off from their incoming revenues. This then turns into a financial crisis. As a result of such speculative borrowing risk, banks and lenders tighten credit availability. This theory proposes that there is a relationship or link between debt financing and market cycles. When the market is performing well, there is excess cash flow, which makes credit readily available. The notion of imperfections in the credit markets was extended to the shares market by Greenwald et al. (2001).

Asymmetry of the information makes the shares of a company negotiated in the secondary market to be at levels below the expected value, in case the fundamental expectations of future return were of general knowledge. This underpricing process in the secondary markets causes pressure over raising funds in the primary market, allowing underwriting to appear. The lack of information about the stakeholders facing the projects' perspectives makes them demand a more significant return over their shares, lowering the share price (Greenwald et al., 2001). Other imperfections in the financial market, such as information asymmetry, agency problems, and financial distress, were linked to corporate finance.

Dafermos et al. (2023) argue that the endogenous change in the effectiveness of thwarting mechanisms can give rise to institutional supercycles. At the initial phase of a supercycle, the institutional and policy setting is able to prevent a significant increase in macro-financial fragility and can ensure that recessions caused by real or financial factors do not lead to depressions. However, as thwarting mechanisms become less effective, it is more likely that economies will experience a severe economic and financial crisis (Dafermos et al., 2023). After such a crisis, a new supercycle might kick off if a new set of thwarting mechanisms is established. Financial instability is the endogenous result of this dynamic interaction. Although exogenous shocks can play a role in triggering financial instability, in the Minskyan framework financial crises are primarily explained by the endogenous increase in financial fragility. The economic variables of a company now need to be better explained. Taking this into account, Myers and Majluf (1984) proposed a pecking order hypothesis (Novita et al., 2019). According to the authors, the companies would prefer internal funds to finance the investment.

Good economic performance made people complacent and over-confident; they would come to feel that their success was due to their own brilliance and that the government was hindering them from achieving even greater success. Silver (2016) has criticized the efficient market hypothesis promulgated by Fama and identified the many ways that financial markets are irrational. In contrast

to Hecker (2020) has sought to devise mechanisms and schemes to increase economic incentives for financial firms to behave rationally. However, if financial markets are inherently irrational because this is a human trait, then Minsky's policy conclusion remains correct-strong government regulations, rigorously enforced, are necessary to keep finance under control and prevent finance from creating a major economic crisis.

The financial theory of investment stresses the transaction and the precautionary motive of financial firms to hold liquidity. According to this view, financial market frictions induce firms to hold cash to avoid foregoing future investment opportunities. The investments by DT SACCOs lead to efficient allocation of resources; a more rapid accumulation of physical and human capital; and a faster technological innovation which eventually leads to a faster and long-term economic growth. This theory fits this study since it provides one of the possible explanations of how development in the financial sector affects economic growth. The relationship between investment structure and financial performance is core of this study.

Pecking Order Theory

Donaldson proposed pecking order theory in 1961, but it was later modified by other authors previous research on capital structure. According to Myers and Majluf (1984), in its addition to pecking order theory, many company enterprises preferred to use cash from reserve internal streams of finance first when in quest of resources for financing capital investments rather than external sources of financing (Martínez et al., 2019). If internal finances are insufficient to cover the investment, the corporation may now investigate additional sources of funding, such as external money. This is performed in such a way so the company incurs no extra charges that would affect its financial situation. The theory of pecking order is mostly built on asymmetric information costs. As per this hypothesis, corporations normally give internally generated finance sources top precedence, followed by debt and equity.

Organizations first raise money through internal sources till these are spent, at which point they turn to debt to fund the outstanding undertakings (Vasiliou et al., 2009). When the corporation is unable to raise any further debt, it resorts to the offering of equity. Pecking order theory encourages for corporations to always adhere to a financial hierarchy. The sequence of preference is a strong indicator of a proportional expenses of aforementioned financing solutions (Dolores et al., 2020). Asymmetric information amongst diverse individuals, including both outsiders and insiders, frequently prompts the company's administration to choose internal finance methods first, then by debt, and lastly equity as it adds outsiders to the firm's ownership.

The choice is determined by the relative costs of money accessible to the company for funding its operations, which develops as a result of knowledge asymmetries issues between actual and

prospective capital sources to the firm (Inkpen & Ramaswamy, 2018). The primary importance of this theory thus resides in the prediction of the maturity and priority of initiatives being sponsored. As significant as debt capacity is when considering borrowing as a means of generating money, this theory fails to directly address the results of Frank et al. (2020), who contend that share capital option is a prevalent phenomenon even in large corporate firms that are not under pressure. As a result, there is clear evidence that the pecking order theory's explanation of debt capacity is insufficient. This theory therefore is instrumental in investigating the effect of unit trust investment on financial performance of Tier One DT-SACCOs in Kenya.

Resource Based Theory

The Resource Based theory was proposed by Birger Wernerfelt in 1984 and advanced by Barney in 1991. The theory states that a firm's heterogeneity results from being in possession of resources that appear heterogeneous implying that the firm possesses varied strategies form the distinct resources (Barney et al., 2021). The theory mainly centers its attention on the internal resource management while at the same time trying to establish these resources competencies and capabilities that bears the capability of brining the firm a sustained competitive advantage. According to the theory, the technique of identifying a firm's strategic advantage through examining various combination of assets, skills, capabilities and other resources intangible in a firm is referred to as resource base.

According to Yuza et al. (2023), the theory seeks to establish how a firm can leverage their resource endowment aiming at gaining competitive advantage which culminates into eventual performance. Firms can attain competitive advantage through efficient and effective usage of capabilities and resources the firm owns. For attainment of competitive advantage, the available resources in a firm ought to be of value, and without close substitution and ought to be rare. This makes the firms appear as entities that engages in creating, integrating and distributing available resources to remain competitive in the market (Yuza et al., 2023). For realization of competitive advantage, a firm needs to formulate and strengthen key and core resources and other financial based assets. The theory bears the assumptions that in any process of production, crucial sources of value in a firm comprises of resources such as knowledge, financial and technology.

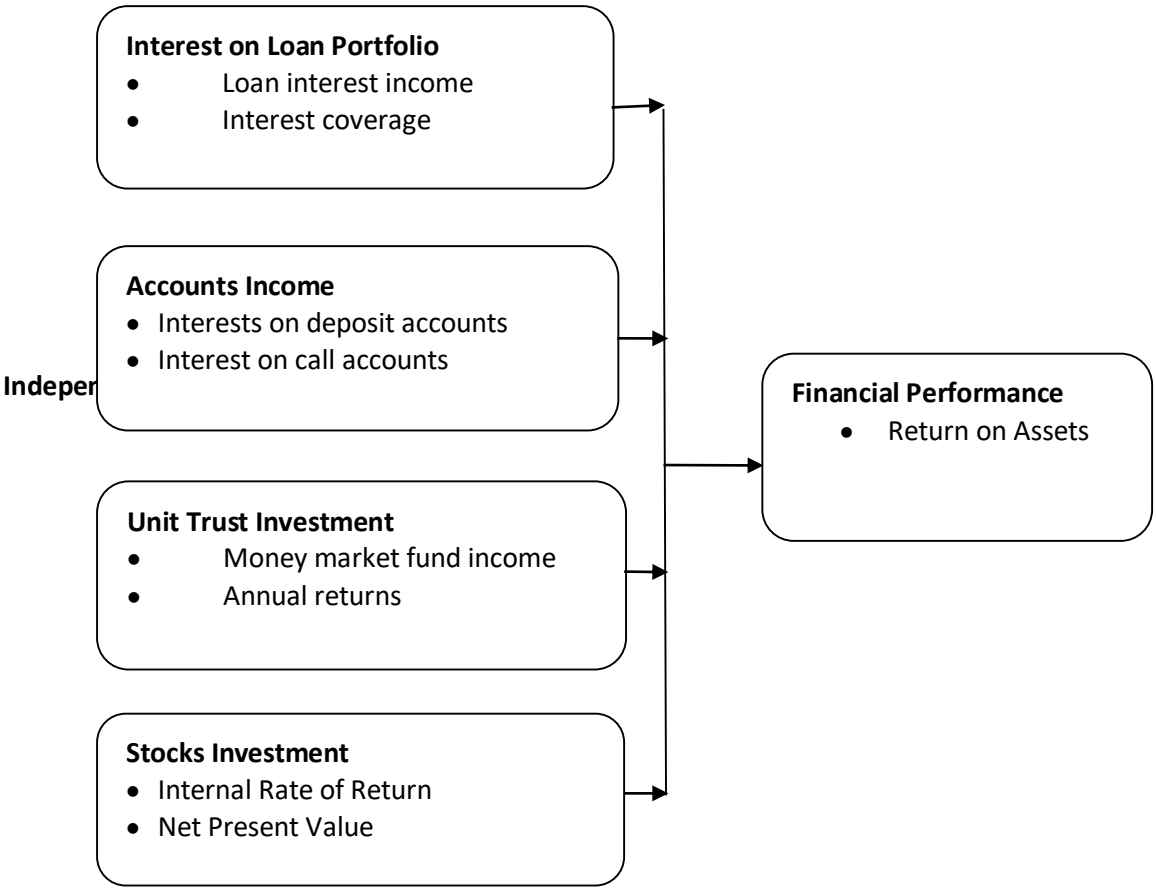
According to the theory, a firm leverages its internal weaknesses and strength in grabbing opportunities and at the same time managing turbulences and threats in its operational environment which culminates into realization of a sustained competitive advantage (Kamau et al., 2019). In the verge of achieving competitive advantage, firms aim at striving in acquiring, utilizing as well as exploiting specific firms' resources and strengthening capabilities through integrating different resources. The theory explains the needs of a firm to be in possession of key resources that plays a significant role in the operations. Being in possession of the resources such as finances and

knowledge puts a firm in a highly competitive position in the market. Through the resources, a firm is in a position of capitalizing on impending opportunities and the same time curbing any potential threat that may interfere with the firm's operations (Kamau et al., 2019). This theory was crucial in finding out the influence of stocks investment on financial performance of Tier One DT-SACCOs in Kenya.

Conceptual Framework

The link between the dependent and independent variables is described in the conceptual framework. In this study, the independent variables were loan portfolio, accounts income, unit trust investment and stocks investment while the dependent variable was financial performance. The study's dependent and independent variables are shown in the figure 2.1.

Figure 2.1: Conceptual Framework



Interest on Loan Portfolio

A loan portfolio is an asset created through lending decisions whereby member savings are converted into loans, this asset yields interest in return. Interest on loan portfolio income involves proper investment decision-making of what to buy and sell, and proper money management in

terms of investment in a basket of assets to satisfy the asset preferences of investors, reduce the risk, and increase returns (Dang, 2021). Interest on loan portfolio management is thus a process encompassing many activities of investment in assets and securities. It is a dynamic and flexible concept and involves regular and systematic analysis, judgment, and actions. Interest on loan was measured in terms of loan income earned from loaning activities.

Accounts Income

Accounts income is also used to denote deposit diversification. The goal of the deposit diversification approach is to shield banks from liquidity risk exposures, particularly when their borrowing capacity is limited or expensive. This risk can be brought on by unanticipated customer withdrawals or an increase in the number of acceptable loan requests (Amahalu et al., 2023). To be specific, accounts (demand, saving, time deposits) increase the effectiveness of bank borrowing, which will lower the cost of lending. The study used interest earned from fixed deposits and call accounts as a measure of account income.

Unit Trust Investment

Unit Trust Fund is an investment arrangement that pools funds together from investors with similar financial objectives and is managed by a cluster of professional administrators who capitalize the pooled money in financial markets to accomplish the objectives of the Fund (Abdullah & Shari, 2019). Money market funds (MMFs) are popular around the world, with over $9 trillion in assets under management globally. This aspect was quantified in terms of interest earned from money market funds.

Stocks Investment

Stock investments are funds that are normally raised by offering a prospectus to potential investors whose main interest is to provide capital to promising investments and therefore make returns with time (Jawad et al., 2022). The investment in ordinary share capital of listed firms were adopted from the secondary resources depicting annual dividends received by the SACCOs.

Financial Performance

Financial performance demonstrates the ability of an organization to accomplish its mission by engaging in sound management practices, strong governance, and persistent re-dedication to achieve the desired results (Amahalu et al., 2023). Financial performance determines how well a Sacco is generating value for its member's deposits and share capital. The financial performance

was indicated by Return on Assets (ROA) which is measured by earnings before interest and tax over total assets i.e. EBIT over Assets.

Empirical Review

Ajose (2022) studied the effect of portfolio management on the financial performance of food and beverage companies in Nigeria. Both the export-factor correlation research design was adopted with reliance on secondary data from the Nigerian Food and Marketing Board of quoted companies. The purposive sampling technique was employed in selecting 10 firms out of 15 food and beverage companies in Nigeria from the 2010-2021 financial year. To achieve the objective of the study, panel regression analysis, Unit roots test, co-integration test, and Error Correction Mechanism using the instrumentality of E-views 10. were utilized. Having estimated the parameters of the model numerically, with the use of multiple linear regression on the application of the ordinary least squares (OLS), the finding reveals that market share and asset allocation have a positive relationship with the return on investment, this implies that an increase in the units of market share and asset allocation will lead to a corresponding increase in the return on investment in the period analyzed. However, the error correction mechanism result also shows that the speed of short-run adjustment to long-run equilibrium is very low. The study, therefore concludes that market share and asset allocation have a positive relationship and a significant impact on the return on investment over the periods covered.

Hailu and Tassew (2018) focused on investigating the impact of investment diversification on the financial performance of 17 Ethiopian Commercial Banks covering the period of 2013-2017. A quantitative research approach was used, and the data was analyzed by using a panel random effect regression model. The finding of the study shows that investment in financial assets, government security, insurance, loan portfolio, and investment size have a positive significant impact on the financial performance of Banks in Ethiopia. Whereas interest and exchange rate volatility have a negative significant impact on the financial performance of commercial Banks in Ethiopia. The study concludes that investment diversification positively affects the financial performance of commercial banks in Ethiopia. Adem (2022) analyzed the effect of diversification on bank stability between 2000 and 2020 using panel data encompassing 45 African countries. Findings show a quadratic relationship between diversification and stability; excessive diversification exposes banks to risk.

Addai et al. (2022) reported that, while corruption dramatically lowers bank performance, income diversification increases banks' profit and risk-adjusted profit715 banks across 52 African nations. Also, countries with high corruption index experiences are not highly diversified. Using the Generalized Method of Moments (GMM), Amahalu et al. (2023) found that, geographic, functional, and interest on loan portfolio income is instrumental to the stability of the selected

banks in Nigeria. Similarly, Uddin et al. (2021) used an unbalanced panel data approach with a specific focus on 32 banks from 2007 to 2016. Findings indicate a strong positive/direct correlation between asset and income diversity and bank performance. In separate studies, Githaiga (2022) and Vo and Nguyen (2021) reported that income/revenue diversification significantly influenced bank performance from 2010-2018 and between 2007-2014 respectively. More so, while banks with more diversified funding experience higher profit efficiency, banks with more diversified assets only experience higher persistent profit efficiency. Using the primary data approach, Kiptum (2021) reported that, related diversification has a negative effect, while unrelated diversification is a value-creating strategy.

Ogutu et al. (2021) investigated the effect of investment management practices on the sustainability of private hospitals in Nairobi County, Kenya. The study was guided by agency theory. The study used a positivism approach and employed descriptive and explanatory research design. The target population was all the tier 3 and 4 licensed private hospitals in Kenya which were 68. Census was adopted. Primary data was collected using standardized closed questionnaires as the main research instrument. Data analysis was done using SPSS. Descriptive and inferential statistics used to analyze were simple means, standard deviations, frequency tables, and correlations. Model R-Square, ANOVA Statistics and regression coefficients R were used to test the hypothesis of the bivariate model. Results showed that investment management practices had a positive and significant effect on the sustainability of private hospitals in Kenya. The study concluded that investment management practices had a statistically significant relationship with sustainability. Investment management practices had an R2 of 39.3% explaining sustainability.

Mati (2021) sought to examine the effect of impact investment instruments, a novel approach for financing social and sustainable enterprises that is gaining momentum in Kenya and across the world, on sustainable development financing in Kenya. This study sought empirical evidence on the effect of green bonds and Social Impact Bonds (SIBs) usage on sustainable development financing in Kenya. The 2030 Agenda for Sustainable Development's overall vision is to lead the world toward a path of inclusive economic development, social inclusion, and environmental sustainability. The study sought to examine Kenya's progress in sustainable development financing and took stock of the effect of impact investment instruments on financing social and sustainable enterprises implementing the SDGs commitments in Kenya. The study empirically analyzed social, environmental, and economic performance data from impact investor employees in Kenya and mapped the impact data to the SDGs. Using a descriptive cross-sectional survey design, relevant data was collected from 185 employees of the 37 impact investors, and members of GIIN, using structured questionnaires and analyzed using descriptive and inferential analysis. The results showed that impact investment instruments play a critical role in sustainable development financing in Kenya.

Osewe (2020) sought to examine the effect of portfolio diversification on the financial performance of investment firms listed at the NSE, Kenya. The study adopted a descriptive research design. The target population included all 5 listed investment firms as of 31st December 2019. The study was therefore a census survey of all listed investment firms that have been in operation during the study period from 2010 to 2019. The study extracted annual secondary data from audited financial statements and other published data of the concerned listed investment firms. The data was collected for ten years beginning 2010 to 2019. The extracted data was recorded on data collection sheets. The organized data from excel were exported to STATA version 14 for descriptive and inferential analysis. Descriptive statistics involved frequencies, percentages, mean, and standard deviation while inferential statistics comprised pairwise correlation and multiple regression analysis. The Pearson correlation analysis revealed that the correlation between investment structure, firm size, liquidity, and financial performance was positive. Analysis of variances showed that investment structure, firm size, and liquidity had a significant effect on financial performance of financial performance among investment firms listed at the NSE Kenya. Additionally, the regression coefficient revealed that investment structure had a positive and significant effect on the financial performance of investment firms listed at the NSE Kenya. Firm size had a positive and significant effect on the financial performance of investment firms listed at the NSE Kenya. Additionally, liquidity had a positive but statistically insignificant effect on the financial performance of investment firms listed at the NSE Kenya.

Kamau and Njiru (2019) conducted a study on the effect of investment structure on the financial performance of Tier One savings and credit cooperatives in Kenya. The study used the modern portfolio theory. The study adopted a descriptive survey research design. The target population was the 135 DT-SACCOs who were licensed before the study period and have operated for the last five years of the study. The chief finance officers of each SACCO were required to fill out the questionnaires. Data was analyzed with the help of SPSS version 23. Descriptive and inferential statistics were used to analyze data. The descriptive statistics involved frequency, mean, and standard deviation. The inferential statistics involved bivariate correlation and multivariate regression analysis. The study findings indicated that the Investment portfolio had a statistically significant effect on the financial performance of Tier One DT-SACCOs in Kenya. The study therefore concluded that investment structure has a significant effect on the financial performance of Tier One DT-SACCOs in Kenya. The study differs methodologically from the current undertaking.

Interest on loan portfolio and Financial Performance

Deyshappriya and Maduwanthi (2020) examined the impact of interest on loan portfolio income on the performance of commercial banks in Sri Lanka. Hirschman Herfindahl Index was used to measure interest on loan portfolio income while performance was measured by the CAMEL

model. The variables such as Interest Rate Spread and Bank size are considered as the control variables. Data were collected from audited annual financial statements of commercial banks between 2008 and 2017. The sample consists of ten licensed commercial banks including six systemically important commercial banks in Sri Lanka out of 25 licensed commercial banks in Sri Lanka. Data were analyzed by using Pearson correlation and fixed effect panel regression model. The results reveal that there is a significant negative impact of interest on loan portfolio income on commercial bank performance. Further, control variables-bank size positively link with commercial bank performance while interest rate spread has a positive insignificant impact on bank performance.

Meutia and Chalid (2021) investigated the impact of loan diversification, market concentration, and the interaction effect of interest on loan portfolio income and market concentration on banks' stability in Indonesia. The observation includes 62 commercial banks from Indonesia with an annual data period of 2010–2017. The study constructed a new diversification measure, taking the systematic risk of different sectors into consideration by weighting them with their betas and comparing the results with those of more conventional measure HHI. By employing a panel regression technique with fixed effect models, the findings suggest that interest on loan portfolio income decreased bank stability. However, market concentration does not significantly affect bank stability. The results of this study also indicate that the stability of diversifying banks may differ in concentrated and less concentrated markets.

Dang (2021) sought examines how interest on loan portfolio income drives bank returns, mainly focusing on the conditioning roles of business models and market power in this nexus. They employed a sample of Vietnamese commercial banks from 2008 to 2019 to perform regressions in the dynamic panel models with the two-step system generalized method of moments (GMM) estimator. The study found that increased sectoral interest on loan portfolio income reduces bank returns, but not all banks are equally affected. Banks that adopted a business model towards non-interest activities are hurt less from interest on loan portfolio income, and bank market power may mitigate the detrimental effects of interest on loan portfolio income on bank returns. When such asymmetric effects are sizeable, neglecting them could miscalculate the choice of interest on loan portfolio income. Their findings are robust to a rich set of bank return indicators and alternative interest on loan portfolio income measures based on the Herfindahl-Hirschman (HHI)/Shannon Entropy (SE) indexes with different sectoral exposure profiles.

Kassaw (2023) sought to investigate the Effect of Lending Diversification on the financial Performance of commercial Banks in Ethiopia by using data 15 selected banks covering from year 2012 to 2016. The study used quantitative research approach and secondary financial data are analyzed by using linear regressions models for the bank performance measures such as Return on Equity (ROE), Return on Asset (ROA), Risk adjusted Return on Equity (RAROE), and Risk

adjusted Return on Asset (RAROA) as dependent variables. The researcher found that management bodies of commercial banks should strive to use the classification of loan diversification and also see the adverse effect of lending diversification on the existing banks as well as for the new entrants. As such, the effect of lending diversification has a strong and moderate strong influence by using the relevant roles of bank performance factors; HHI index, including control variables such as Bank Size, equity ratio, non-performing loan, inflation rate on the performance of commercial banks in Ethiopia.

Anaya and Otinga (2019) examined the effect of loan portfolio, core capital and dividend policy on financial performance of SACCOs in Vihiga County, Kenya. The study adopted explanatory design and targeted 132 senior management staff of registered SACCOs located in Vihiga County. Both descriptive and inferential statistics were computed by Statistical Package of Social Scientists (SPSS) version 24. From the values of unstandardized regression coefficients with standard errors in parenthesis, all the independent variables (loan portfolio; $\beta = 0.314$ (0.065) at $p<0.01$; dividend policy; $\beta = 0.269$(0.065) at $p<0.01$; and core capital; $\beta = 0.325$(0.063) at $p<0.01$ were significant predictors of SACCO performance (dependent variable). Secondary data from selected SACCOs also confirmed that effective financial management practices led to growth in assets base, profits and membership base. The study concluded that there is a positive and significant effect of interest on loan portfolio on financial performance of SACCOs in Vihiga County, Kenya; implying that SACCOs that adopt effective interest on loan portfolio management practices can really have a positive impact on their financial performance;. Secondly, effective formulation and application of dividend policies in SACCOs can lead to improvement in financial performance of SACCOs in Vihiga County SACCOs' and; core capital yields a positive increase in financial performance of SACCOs.

Accounts Income and Financial Performance

Yustyarani and Yuliana (2020) investigated the effect of diversification of income towards the performance of banks listed in the Indonesia Stock Exchange. The independent variable in this study is income diversification, with the control variables are CAR, LDR, NPL and the dependent variable is bank performance (SHROA and SHROE). The sample used in this study is a company engaged in banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2015-2019. The number of samples used in this study amounted to 30 banking companies using purposive sampling. The results of the study show that the income diversification and NPL variables have a significant negative effect on bank performance (SHROA and SHROE). The LDR variable has a significant positive effect on bank performance (SHROA and SHROE). While CAR and Bank Size variables have no significant effect on bank performance.

Duho et al. (2021) explored the effect of income diversification strategy on credit risk and market risk of microfinance institutions (MFIs) in Ghana as an emerging market. The study was based on quarterly data of averagely 271 MFIs that have operated from 2016 to 2018. The dataset is unbalanced and pooled cross-sectional with 3,259 data points. The study measures the diversification strategy using income diversification indices, and accounting ratios to measure the other variables. They utilised the weighted least squares (WLS) approach to explore the nexus. The findings show that income diversification is associated with better loan quality and credit risk management. Market risk increases with the level of income diversification of microfinance firms. It is evident that large MFIs can manage their credit risks well and can have a low default rate, depicting an overall U-shaped nexus. On the other hand, the effect of size on market risk is an inverted U-shaped. The effect of asset tangibility on credit risk is positively significant while the effect on market risk is negatively significant. High profitability enhances credit risk management leading to lower loan losses while in the case of diversified and profitable MFIs, they tend to invest more in government securities. The results suggest that MFIs that hold more cash and cash equivalents tend to have high loan loss provision and more government securities suggesting much attention should be paid to optimal cash management.

Phan et al. (2022) studied the impact of income diversification on the business performance of Vietnamese commercial banks in the period 2010–2020. the study was based on the premise that due to policies associated with financial liberalization, financial institutions have been able to register increased income from their non-traditional income sources as witnessed in majority of the banks increasing or engaging in non-intermediation activities. The study collected data from from the financial statements of 29 commercial banks listed on both the Ho Chi Minh stock exchange and the Hanoi stock exchange in the period 2010–2020 from the FiinPro Database. GMM regression method is used to analyze the impact of income diversification on the business performance of Vietnamese commercial banks. The analysis results show that the business performance of commercial banks is influenced by many factors, the most influential factors are income diversification, the scale of credit activities, and the efficiency of management physical.
Ogetange, Mulwa and Manduku (2022) sought to determine the influence of diversification on the financial performance of commercial banks in Kenya. The target population consisted of all the 39 commercial banks in Kenya over the period 2011 to 2020. Income and asset diversification were both measured using adjusted Herfindhal-Hirschman index (HHI). Geographical diversification was measured using natural logarithm of number of branches. The t-test was used to determine the significance of the model and also test hypothesis. Data analysis for both descriptive and inferential statistics was undertaken using EViews statistical software. The findings were that income diversification had a significant inverse relationship, geographical diversification had a significant positive influence while asset diversification had no significant influence on financial performance of commercial banks in Kenya.

Onyango (2018) sought to establish the effect of income diversification on the efficiency of commercial banks listed at the Nairobi Securities Exchange. A census targeting the listed commercial banks at the NSE from 2012 to 2016 was conducted. CBK annual supervision reports NSE reports and the respective websites of the banks provided the secondary information used in the study. A descriptive research design and multiple regression model was adopted in the analysis. Herfindahl-Hirshman index was used to measure income diversification and three control variables were included, namely; size, capital adequacy and liquidity. The study found that, income diversification and efficiency of commercial banks were negatively related. Results of t-test indicated that, the effect was not statistically significant. Liquidity had a positive and insignificant effect on the efficiency. Bank size had a positive effect on efficiency. The relationship was however, statistically significant. The results further revealed that capital adequacy ratio was had a negative and insignificant effect on the efficiency of commercial banks listed in Kenya.

Unit Trust Investment and Financial Performance

Annamalah, Raman, Marthandan and Logeswaran (2020) sought to analyse the factors that influence an investor's investment decision in purchasing a unit trust. This paper aims to narrow this research gap, whereby financial status, risk taking behaviour, investment revenue and related information are hypothesized to exert statistically significant influences on the investor's decision in unit trust investment. The empirical study uses a quantitative research approach whereby survey data have been sampled from 202 participants using a convenient sampling technique. This research is cross-sectional and uses primary data for analysis. Data analysis has been carried out using multiple regression analysis. The empirical research finds that financial status, risk taking behaviour, and sources of information significantly influence the investors' investment behaviours in unit trusts. However, there was not enough evidence to support the claims that investment return and revenue have a statistical relationship to the investor's investment behaviours regarding unit trusts.

Ndei et al. (2019) focused on establishing the effect of fund specific characteristics on returns of unit trusts licensed by Capital Market Authority of Kenya. The study was under pinned by three theories including modern portfolio, efficient market hypothesis and capital asset pricing model. Descriptive research design was adopted. The study targeted 24-unit trusts licensed by CMA as at 31st December 2018. Publicly available information including audited financial statements and other published data by specific fund managers and Capital Market authority. The study examined various assumptions of classical least squares. Data extracted and recorded on data collection sheet were entered into excel sheet to generate variables. The excel sheet was then exported to STATA 14. Standard deviation, Minimum, means, scatter plots and maximum were used as descriptive statistics. The study adopted panels corrected standard errors model due to violation of a number of OLS assumptions. The research established a direct significant causal effect link between fund

size and returns of unit trust. The research also established a direct and weak causal effect link existing between fund age and returns of unit trusts. In addition, the inverse causal effect links existing between fund risk and returns of unit trusts was major. The effect of fund cost on returns of unit trusts was statistically significant hence; the research concluded that cost of fund management is central in explaining returns of unit trust funds. Finally, the research revealed an inverse and weaker link existing between stock market performance and returns of unit trusts.

Cheruiyot (2021) sought to determine the contribution of unit trusts funds in the growth of capital market through mobilizing domestic savings, mobilizing foreign direct investment, capital allocation and risk management. The study was undertaken using explanatory non-experimental research design and analysis were carried out within a panel data estimation framework. A census study for all twenty- three (23) unit trust schemes was carried out on all money market, equity and balanced funds managed by the schemes for the annual period from year 2009 to year 2017. The research utilized secondary data because of the small number of unit trusts companies in the NSE. The secondary data was captured through secondary data collection sheet designed to record all information necessary on unit trust funds from annual reports, surveys and CMA publications for the period 2009 and 2017. The data were also analyzed using descriptive statistics, correlation analysis, and panel multiple regression analysis using SPSS Version 21. Both dependent and independent variables were analyzed using panel data to determine the relationships of the variables. These findings were presented in the forms of descriptive statistics and regression model. The study established that all the four independent variables were statistically significant at five percent level of significance. The study revealed that the joint effect of domestic savings, foreign direct investment, Capital allocation, and Risk management contributed to the growth of capital market in Kenya.

Stocks Investment and Financial Performance

Jawad et al. (2022) carried out an investigation to explain the dissemination of long-term share yields grounded on the historic record of share marketplace outcome in an extensive cross section of 39 developing and developed nations in time span from 1841 to 2021. Their wide-ranging data set sample mitigates apprehensions over survivor and informal data biases that outbreak other work in this range. A bootstrap simulation analysis suggests considerable ambiguity about long-horizon share market effects, and we approximate a 12% probability that a diversified stockholder with a 30-year venture time horizon will lose comparative to inflation. Their findings opposed the predictable guidance that shares are safe investment avenue over long holding time periods.

Muema et al. (2021) sought to investigate the effect of equity investments and bond investments on Kenyan CIS's performance. The specific objectives were: To assess the effect of equity investments, bond investments on financial performance of collective investment schemes in

Kenya. The study was anchored on: modern portfolio theory and the efficient market hypothesis. The positivism philosophy was applied, with the firms adopting an explanatory research design. The target population was 17 Collective Investment Schemes registered by the Capital Markets Authority and were operational in the period 2010 to 2018. Secondary data was sought from the Capital Markets Authority Annual reports and from the respective websites of the CIS'. Data was analyzed using descriptive statistics, correlational analysis and panel regression analysis. Hypotheses were tested at a significance level of 0.05. Findings indicate that equity investment, bond investments have an insignificant effect on CIS' return on assets. Further, equity investments had a positive and significant effect on liquidity whereas bond investments had an insignificant effect on liquidity.

Noor and Simiyu (2020) conducted a research aimed at determining the effect of equity financing on financial performance of SMEs in Garissa County, Kenya. The study specific objectives were; to establish the effect of Angel investors, retained earnings, donation and plough back profits on financial performance of small and medium Enterprises in Garissa County. The study was underpinned by market timing chain and pecking order Theory. Descriptive research methodology was used. 3097 small and medium Enterprises in Garissa County were the target population. The respondents of the study were the finance managers, accountants and owners of SMEs. Primary-data was collected by the use of a questionnaire. Content and face validity was enhanced through the help of the supervisor. Reliability test score of 0.7 was done. Statistical package of social science was used for analysis and both descriptive analysis and inferential statistics was presented. The findings was presented in tables, graphs and figures. The findings indicated that majority of the SMEs rarely get funds from Angel investors. The result indicated that there were low costs incurred in selecting Angel investors. The study found that majority of the small and medium Enterprises emphasizes on getting funds from retained earnings. Majority of small and medium enterprises in Garissa had frequently financed their business through retained earnings. It was clear that retained earnings helps in reducing the cost of borrowing for the majority of small and medium enterprises in Garissa County. The results indicated that the small and medium Enterprises are very dynamic and consider donation from different sources in the country. The small medium enterprises in Garissa County are committed in ensuring that the Crowd funding are efficiently and effectively used. The results indicated that the SMEs considered ploughed back profit as a major source of capital.

Karanja (2018) analysed the effect of private equity funds on the financial performance of firms in Kenya. The private equity investment market has experienced impressive growth in Kenya since the year 2000, despite the global recession of 2008 which caused a strong negative impact upon the funds sourced from the private equity industries; PE investment has remained a credible source of corporate financing and a significant driver of the economy. The study utilized a descriptive research design and secondary data was collected from 25 firms that used private equity during

the year 2005 to 2017. Statistical Package for SPSS was used to analyze data using descriptive methods, correlation analysis, and regression analysis. Based on the findings, it was established that private equity strategy that was mostly adopted by the firms was venture capital while the least strategy adopted was mezzanine financing. In general, the study established that investment in private equity had statistically significant effect on the financial performance of the firms.

Critique of the Literature Reviewed

Financial institutions have globally undergone massive transformation efforts as a means of coping with the continually changing business environment. Ajose (2022) and Osewe (2020) opined that growing global and domestic competition, drastically changing market trends, economic downturn and volatile financial markets have collectively created pressure on firms to develop practical responses for survival and success. Even though banks profit from diversification in terms of economies of scale, the process may also make agency issues worse (costs) thanks to the actual fact that managers (insiders) may expand the financial activities within the bank as long as the institution's diversification strategy grants them personal benefits (Olarewaju, 2019). However, in order for banks to really accomplish the ultimate objectives of diversification in all ramifications, there must exist proper supervision of the diversification activities involved.

On the other hand, for some financial institutions in Kenya, instead of diversification to engender improved financial performance, it often leads to crisis and they continue to struggle to remain solvent, liquid and strive for survival despite the fact that they render more services than their traditional roles. Phan et al. (2022) allude that diversification also exposes financial institutions to several kinds of risks and if the management team lacks the necessary expertise to manage these risks efficiently and effectively, it can lead to disastrous outcomes for the financial institutions. Hence, it may lead to conflict of interest between the financial institutions and investors (Muema et al., 2021).

From the foregoing empirical studies, it is evident that most studies have dealt with different aspects of investment structure and performance. In addition, few empirical studies have researched on the effects of investment structure on financial performance of financial sector in Kenya. From these viewpoints, in analyzing the financial performance of a company, it's prudent to consolidate all the parameters involved in the investment structure as a whole in-order to align the goals of an organization in terms of financial efficiency. It was in this regard that the study sought to establish the influence of investment structure on financial performance of Tier One DT-SACCOs in Kenya.

Research Gaps

Duho et al. (2020) focused on bank diversification and performance for Ghana and Adesina (2021) studied bank diversification and performance for 34 African countries. Nonetheless, no agreement has been achieved. Furthermore, these investigations disregarded the possible impact of political institutions and the nonlinearity relationship between revenue diversity and financial safety. Yakubu and Bunyaminu (2021) studied the financial institutions in Sub-Saharan Africa and Hunjra et al. (2020) focused on Asian financial institutions and established a negative relationship between investment diversification and financial performance. The unpredictable and dynamic nature of the contemporary environment is making it hard for DT SACCOs to manage their operations efficiently. This has left the financial institutions depending on rapid response and flexibility to the portfolio diversification decisions for forecasts have ended up becoming irrelevant. Over the previous years, there has been a continued fluctuation on the financial institution's performance. Basing on the literature review analysis, it showcases how research into the financial institution's performance is affected by portfolio diversification decisions not only in Kenya (Owalo et al., 2021) but globally Berger et al. (2020) state that there are an immediate affiliation and considerable impact of capital ampleness on universal banking productivity. Despite research studies being conducted, there existed contextual, conceptual, and methodological gaps that have been observed from some studies. This study sought to close these gaps by investigating the influence of investment structure and financial performance of Tier One DT-SACCOs in Kenya.

Summary of Literature Review

This chapter furnished the reader with this research related theories which outlined the relationship between investment structure and financial performance across countries and industries. The chapter has gone further outlining the conceptual framework which has related the independent variables and the dependent variables. Hypothetical variables have been explained by the empirical studies which has further paved way for the criticisms that led to the research gaps. The following chapter outlined the methodological approach utilized in completing this study on the influence of investment structure and financial performance of Tier One DT-SACCOs in Kenya.

The study was anchored by Ansoff diversification Matrix, financial theory of investment, Pecking Order Theory and Resource Based View theory. The Ansoff Matrix was proposed by Ansoff in 1957. According to the Ansoff Matrix, a company needs to realize products and market growth through four different strategies in order to grow its presentation. The financial theory of investment is based on investment decisions. The financial theory of investment was suggested by Minsky (1986). Th theory links financial market fragility, in the everyday living cycle of an economy, with speculative investment in financial markets (Ljungqvist et al., 2019).

Donaldson proposed pecking order theory in 1961, but it was later modified by other authors previous research on capital structure. According to Myers and Majluf (1984), in its addition to pecking order theory, many company enterprises preferred to use cash from reserve internal streams of finance first when in quest of resources for financing capital investments rather than external sources of financing (Martínez et al., 2019). The Resource Based theory was proposed by Birger Wernerfelt in 1984 and advanced by Barney in 1991. The theory states that a firm's heterogeneity results from being in possession of resources that appear heterogeneous implying that the firm possesses varied strategies form the distinct resources (Barney et al., 2021).

RESEARCH METHODOLOGY

Introduction

This chapter describes the methods used to gather information on the area of the study. It describes the research design, target population, data collection instruments, data collection procedures, sampling, model specification and diagnostic tests. It ends with how the collected data were analyzed.

Research Design

Research design is the arrangement of conditions and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Research design is a procedural approach employed by researchers in their endeavor to answer the hypothesis and research questions empirically. The study employed a descriptive research design. The descriptive research collects data in order to answer questions concerning the current status of the subject under study. Descriptive research design permits accurate estimation of the population parameters and subsequent generalization. The research design allows use of research instruments such as questionnaires, interview schedules and other data collecting instruments and can be employed in collection of data from the samples in a relatively short period. Both quantitative and qualitative were used in this research study. A descriptive research design was preferred in this study as it allowed the researcher to pinpoint any form of relationship between the study variables.

Target Population

Population of study entails the entirety of elements under enquiry, whereas target population denotes specific characters with analogous characteristics, but diverse form others. Target population refers to the specific group of people, events or things of interest that the researcher wishes to investigate. It can also be defined as the eligible population that is included in research work. The population in this research was the Tier One DT-SACCOs in Kenya. According to

SASRA (2023), there were 176 DT-SACCOs in Kenya. The tier one DT-SACCOs are 42 in number. As such, the target population of study constituted the 42 Tier One DT-SACCOs licensed and operating in the Country.

The study scrutinized the investment structure and their impact on financial performance of the Tier One DT-SACCOs in Kenya. The study used census method. This involved collecting data from all the population within the study setting. In this case, the census befits this study as the entire population consisted only of 42 Tier One DT-SACCOs in Kenya making it manageable and small (Mugenda & Mugenda, 2012). This made it easier to get adequate and accurate information necessary for the research.

Data Collection Methods

Data collection methods are tools for use in the field to collect data. According to Saunders, Lewis and Thornhill (2019), a researcher needs to develop instruments with which to collect data. The study relied on secondary data that was collected through the use of a data collection sheet. The data collected was for five (5) years from 2018 to 2022. A better way to assess the patterns of the investment structure variables and their effects on the financial performance of the Tier One DT-SACCOs was over a five-year period. The SASRA reports was used to collect secondary information about the Tier One DT-SACCOs' financial performance. Additional investment structure and financial performance data was also obtained from the KUSCO, CBK and individual SACCOs' websites and reports.

Data Collection Procedures

Secondary data on documented aspects of investment structure and financial performance of Tier One DT-SACCOs was sourced from published reports, published articles, referred journals and other relevant materials from the internet and library sources. The ROA was extracted based on balanced financial statements and published annual financial reports. As such, observation schedules were employed in collecting the secondary data from audited reports of the target Tier One DT-SACCOS under inquiry.

Data Analysis

Data analysis refers to the process of evaluating data using analytical and logical reasoning to examine each component of the data provided and converting it into information useful for decision-making by users. The raw data collected was coded prior to being input into Statistical Package for Social Sciences (SPSS) software. Once coded, the data was then cleaned to ensure accuracy and completeness of the information obtained. The data collected was mainly quantitative

and it was analyzed descriptively and inferentially. The prescriptive statistical tools such as SPSS (Version 26) helped the researcher to describe the data. Mean scores, percentages, minimum, maximum and standard deviations accurately served this purpose. The relationship between independent variables was measured through multiple regression analysis, in order to find out the inter-relationship between the four variables and their influence on the dependent variable. For the multiple regression model to be deemed fit for the study, there are some assumptions that must be tested and ascertained for specification.

Model Specification

The multiple regression was done using the following model;

$$Y_{it} = \beta o + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \mu_{it} + \varepsilon_{it}$$

Where;

Y represents financial performance of DT SACCOS

X_1 represents interest on loan portfolio

X_2 represents accounts income

X_3 represents unit trust investment

X_4 represents is stocks investment

t is time (2018-2022)

I is represents DT SACCOs

μ and ε represents pooled, fixed or random

In the model, β_0 represents the constant term while the coefficient $\beta_i = 1....4$ was used to measure the sensitivity of the dependent variable (Y) to unit change in the predictor variables X_1, X_2, X_3, and X_4. ε is the error term that captures the unexplained variations in the model.

Diagnostic Tests

To ensure that the results of the multiple linear regression analysis are reliable, several diagnostic tests were conducted on the basic assumptions about the population from where the data was derived.

Normality Test

Normality refers to the extent to which the distribution of the sample data corresponds to the normal distribution. The researcher used the rule of thumb that a variable is reasonably close to normal if its skewness and kurtosis have values between -0.1 and + 0.1 (Paolella, 2018).

Normality test is important because regression model estimation methods are based on an assumption of normality since normally distributed data ensures that the data is fit for further statistical analysis and does not result to inflated statistics and under- estimated standard errors.

Linearity Test

Linearity means that the relationship between the explanatory variables and the outcome variable is linear. In other words, each increase by one unit in an explanatory variable is associated with a fixed increase in the outcome variable. The Pearson's correlation coefficient was used to test the linearity of the relationship between the variables.

Multicollinearity Test

Multicollinearity refers to the linear correlation among variables. To check for correlated variables, multicollinearity was tested using variance inflation factor (VIF). A VIF value of above 10 and a tolerance of less than 0.1 indicate presence of multicollinearity. Multicollinearity creates a problem for multiple regression models given that as collinearity increases the standard error of coefficients also increases making them less reliable.

Homoscedasticity Test

Homoscedasticity refers to the assumption that the dependent variable exhibits similar amounts of variance across the range of values for an independent variable. To test for the homogeneity of variance the Breush-Pagan test was conducted as recommended. Where the Breusch-Pagan null hypothesis states that there is constant of error term. The probability value should be greater than 0.05 in order to meet the homoscedasticity assumption and in order to allow the regression model for further analysis.

RESEARCH FINDINGS AND DISCUSSIONS

Introduction

This chapter presents the findings of the study on the influence of investment structure on financial performance of Tier One-SACCOs in Kenya. The obtained data was analyzed quantitatively where both descriptive and inferential methods of data analysis were used. Mean scores, standard deviation, and percentages were employed in descriptive analysis. With regard to inferential analysis, the research used regression analyses to outline the relationships between the independent variables and the dependent variable. This section focuses on the descriptive analysis the data captured, followed by the diagnostic tests and finally the inferential analysis of the results.

The population of the study was the 42 Tier One Deposit-Taking SACCOs in Kenya. The data gathered was for five years from 2018 to 2022 so as to provide a better way to ascertain the relationship between investment structure and financial performance of Tier One DT-SACCOs in Kenya. The KUSCO, SASRA and individual SACCOs' websites and financial reports provided

secondary information about investment structure and financial performance of Tier One Deposit-Taking SACCOs in Kenya.

Descriptive Analysis

This section of the research dedicated to synthesizing the descriptive information on investment structure and financial performance of Tier One Deposit-Taking SACCOs in Kenya. Enlightening measurements, for example, mean scores, standard deviations, least qualities and greatest qualities have been created trying to dissect investment structure and financial performance of Tier One Deposit-Taking SACCOs in Kenya. The outcomes have been caught methodically in light of the particular targets of the review.

Interest on loan portfolio and Financial Performance

One of the objectives of the study was focused on exploring the effect of interest on loan portfolio on financial performance of Tier One DT-SACCOs in Kenya. Secondary data on loan portfolio, interest income and interest coverage ratio was obtained from SASRA reports on Tier One DT-SACCOs in Kenya as tabulated below.

Table 4.1: Descriptive Statistics on Loan Portfolio

Parameter	2018	2019	2020	2021	2022	Mean	Min	Max
Sum of interest on loan portfolio (Kes. million)	2542.3	2583.4	1136.7	3891.5	4001.1	2831.000	1136.7	4001.1
Loan interest income (Kes. million)	141.619	186.244	252.947	303.769	376.859	252.288	141.619	376.859
Earnings before interest and taxes	20179.63	21943.68	1906.376	29710.45	32126.71	21173.370	1906.376	32126.71
Total amount of interest expense	3326.27	3407.34	1301.27	3446.18	3462.13	2988.638	1301.27	3462.13
Interest coverage ratio	6.066744	6.440121	1.465012	8.621272	9.279464	6.38	1.47	9.28

According to above Table 4.1, the sum of loans offered increased from Kes. 2,542.3 billion in 2018, to Kes. 2,583.4 Billion in 2019, then decreased to Kes. 1,136.7 billion in 2020, then increased to Kes. 3,891.5 billion in 2021 and finally Kes. 4,001.1billion in 2022. The average sum of loans offered during the period was Kes. 2,831.0 billion. The minimum sum of loans offered was Kes.1,136.4 billion corresponding to year 2020 and the maximum was Kes. 4,001.1 billion

coinciding with year 2022. It is evident from these results that the Tier One SACCOs have continuously increased the loans offered to increase their income from loans.

With regard to the loan interest income, year 2018 recorded the minimum amount at Kes. 141.619 Billion, year 2022 reported the highest amount of Kes. 376.859 billion. As such, the five years period was characterized by a general upward trend. The resulting mean score was Kes. 252.288 billion. The minimum amount of Earnings before interest and taxes was Kes. 1,906.376 billion corresponding to year 2020 and the maximum was Kes. 32126.71 billion reported in year 2022. There was an upward trend in the EBIT reported in the entire period except in year 2020 which was as a result of the COVID-19 pandemic that affected the world economy. The mean score was Kes. 21,173.370 billion. The minimum amount of interest expense was Kes. 1,301.27 billion corresponding to year 2020, the maximum was Kes. 3,462.13 billion coinciding to year 2022 and the mean score was Kes. 2,988.638 billion.

The interest coverage ratio was computed by dividing earnings before interest and taxes (EBIT) by the total amount of interest expense on all of the DTSACCOs' outstanding debts. The minimum interest coverage ratio was 1.47 reported in 2020 and the maximum was 9.28 recorded in 2022. The mean of interest coverage ratio was 6.38. This information shows that the Tier One SACCOs have recorded heathy financial performance as shown by interest coverage ratios above 6.0. These findings are in concurrence with Dang (2021) who found that the interest on loan has a strong influence on the performance of financial institutions.

Accounts Income and Financial Performance

The study also sought to determine the influence of accounts income on financial performance of Tier One DT-SACCOs in Kenya. This section analyzed descriptive statistics regarding accounts income with special reference to interests on deposit accounts and interest on call accounts. Table 4.2 shows the descriptive statistics results for the accounts income variable. The minimum amount on accounts deposit was Kes. 8667.2 billion recorded in year 2018 and the maximum was Kes. 10953.4 billion corresponding to year 2022 representing an upward trend during the five years under review. The mean score of this parameter was Kes. 9818.02 billion.

Interests on deposit accounts showed a general downward trend with the minimum amount being 6.53% shown in year 2022 and the maximum was 8.29% reported in year 2018. The corresponding mean score was 7.2%. The minimum amount on call accounts was Kes. 3365.8 billion, the maximum was Kes. 62892.6 Billion and the average was Kes.17047.36 billion. The minimum interest on call accounts 3.8%, the maximum was 4.6% and the mean was 4.2%. The amounts and interests on call accounts were characterized with fluctuating trends during the five years period. The results reveal that the Tier One SACCOs maintained a relatively good interest rates on call

and deposit accounts leading to good incomes from the accounts. This is in line with Duho et al. (2021) who established that income diversification affected the performance of commercial banks by shielding the banks from liquidity risk exposures, particularly when their borrowing capacity is limited or expensive.

Table 4.2: Descriptive Statistics on Accounts Income

Parameters	2018	2019	2020	2021	2022	Mean	Min	Max
Amount on Fixed Deposit Accounts (Kes. million)	8667.200	9359.600	9798.200	10311.700	10953.400	9818.02	8667.2	10953.4
Interests on deposit accounts (%)	8.29	7.51	6.97	6.69	6.53	7.20	6.53	8.29
Amount on call accounts (Kes. million)	4924.2	62892.6	3365.8	6547.1	7507.1	17047.36	3365.8	62892.6
Interest on call accounts (%)	4.2	4.0	3.8	4.4	4.6	4.2	3.8	4.6

Unit Trust Investment and Financial Performance

In its third objective the study sought to assess the effect of unit trust investment on financial performance of Tier One DT-SACCOs in Kenya. The results depicted in Table 4.3 reveal that there was a general increase in the amount invested in the Money market fund income. The minimum was Kes. 91.67 billion reported in 2020, the maximum was Kes. 134.62 billion recorded in 2022 and the mean was Kes. 113.49 billion. The Tier One SACCOs showed a general upward trend in investment in money market fund income. The minimum annual returns received was Kes. 31.52 billion and the maximum was Kes. 102.97 billion. These culminated to mean annual returns of Kes.70.54 billion. The minimum net asset value was 6.3 reported in 2020 and the maximum was 9.98 corresponding to year 2022. The mean Net Asset Value was 8.97. The minimum number of units outstanding was 144.84 billion, the maximum was 198.76 billion and the mean score was 183.66 billion. These results imply that Tier One SACCOs have diversified their portfolio into unit trust investments to enhance their financial performance. This agrees with Gachihi (2022) who reiterated that unit trusts funds are essential in the growth of financial institutions through mobilizing savings, mobilizing direct investment, capital allocation and risk management.

Table 4.3: Descriptive Statistics on Unit Trust Investment

Parameter	2018	2019	2020	2021	2022	Mean	Min	Max
Money market fund income (Kes. million)	103.46	114.32	91.67	123.37	134.62	113.49	91.67	134.62
Average annual returns (Kes. million)	63.56	72.44	31.52	82.19	102.97	70.54	31.52	102.97
Net Asset Value	9.89	9.93	6.3	8.74	9.98	8.97	6.3	9.98
Number of Units Outstanding	187.92	189.92	144.84	196.86	198.76	183.66	144.84	198.76

Stocks Investment and Financial Performance

The fourth objective of the study focused on finding out the influence of stocks investment on financial performance of Tier One DT-SACCOs in Kenya. According to Table 4.4, the minimum Net Present Value was Kes.1403.9 million corresponding to year 2020 and the maximum was Kes. 7685.4 million posted in year 2022. The mean score of NPV during the five years period was Kes. 5709.52 million. This aspect was found to have a general upward trend with an exception of year 2020 due to COVID 19 pandemic. In addition, the minimum Internal Rate of Return (IRR) was 19.7% as shown in year 2020, the maximum IRR was 27.3% shown in year 2022 and the average IRR for the period under investigation was 23.66%. From these results, there is enough evidence that the Tier one SACCOs have ventured into stocks investments which has had a great value to their financial health. These results concur with Jawad et al., (2022) that investment in equity investment, bond investments is a safe investment avenue for return on assets over long holding time periods.

Table 4.4: Descriptive Statistics on Stocks Investment

Parameter	2018	2019	2020	2021	2022	Mean	Min	Max
Net cash flow (Kes. million)	7041.619	7986.244	2376.86	7400.40	8352.95	6631.61	2376.9	8353.0
Net Present Value (NPV) (in Kes. million)	5352.4	6729.7	1403.9	7376.2	7685.4	5709.52	1403.9	7685.4
Internal Rate of Return (IRR)	26.6	23.4	19.7	21.3	27.3	23.66	19.7	27.3

Financial Performance

The dependent variable of this study was financial performance as measured using Return on Assets (ROA). This variable was investigated by gathering and calculating the ratio of Net Income to Total Assets as outlined in Table 4.5. Financial performance data was also obtained from the KUSCO, SASRA and individual SACCOs' websites and reports. As per the results depicted in Table 4.5, the mean annual net income reported by the Tier One SACCOs was Kes.

106,163 Billion; the deviation on net income was Kes. 25, 699 Billion; the maximum net income was Kes. 1368.69 Billion reported in 2019 while the minimum was Kes. 64,006 Billion. The amount of total assets over the five years averaged at Kes. 15,3865 Billion; the dispersion from the calculated mean was Kes. 10,286 billion; the maximum worth of total assets was Kes1,716,019 billion shown in year 2019 whereas the minimum was Kes.1429.467 billion recorded in year 2020. The mean of ROA in the five years period was 6.8% and the standard deviation was 1.31%. The maximum ROA was 8.0% corresponding to year 2019 while the minimum ROA was 4.5% reported in year 2020. According to Table 4.5, there was a general rise in net income, total assets and ROA between year 2017 and 2019 followed by a slight drop in 2020 and finally a gradual increment till year 2021. These results imply that despite the harsh economic conditions, the Tier One SACCOs posted healthy financial performance as shown by ROA values above 5%. This is in line with SASRA (2021) that the SACCOs industry experienced a decline in returns with Return on Capital falling from 10.4% in 2018 to 4.41% in 2021, indicating that the SACCOs sector has struggled to capitalize on the expanding economy's opportunities.

Table 4.5: Financial Performance of Tier One SACCOs for 2018-2022

Indicator(s)	2018	2019	2020	2021	2022	Mean	Std. Dev	Min	Max
Av. Annual Net Income (million)	92108	113464	136869	64006	124368	106163	25699	64006	136869
Av. Annual Total Assets (million)	1460976	1501875	1716019	1429467	1584932	15386 53.8	10286	1429467	1716019
Ag. Annual ROA (%)	6.3	7.6	8.0	4.5	7.8	6.8	1.31	4.5	8.0

Diagnostic Test Results

The following test results are presented in the next subsection. normality test, multicollinearity test, panel unit root, heteroscedasticity test, autocorrelation test and Hausman test which comprises of fixed and random effect models.

Normality Test

A normal distribution is assumed by many statistical procedures. Normal distributions take the form of a symmetric bell-shaped curve. Test for normality of the dependent variable was done by use of Kolmogorov Smirnov, which is a non-parametric test of the equality of continuous, one-dimensional probability distributions that can be used to compare a sample with a reference probability distribution (one-sample K–S test), or to compare two samples (two-sample K–S test) test. The normality of the data was tested using the skewness and kurtosis test. The null hypothesis for this test is that the variable is normally distributed. If the p-value of the test is less than 0.05 significance level, then we can reject the null hypothesis and conclude that there is sufficient evidence to say that the variable is not normally distributed.

Table 4.6: Normality Test Results

Variables	Measure	Statistic	Std. Error
Interest on loan portfolio	Mean	0	0.0877
	Std. Dev	0.952	
	Skewness	0.673	0.166
	Kurtosis	-0.360	0.430
Accounts income	Mean	0	0.88
	Std. Dev	1.190	
	Skewness	0.672	0.197
	Kurtosis	-0.270	0.359
Unit trust investment	Mean	0	0.0770
	Std. Dev	1.087	
	Skewness	0.673	0.158
	Kurtosis	-0.682	0.383
Stocks investment	Mean	0	0.0842
	Std. Dev	0.803	
	Skewness	0.674	0.184
	Kurtosis	-0.274	0.0864
Financial performance	Mean	0	0.0834
	Std. Dev	1.0064	
	Skewness	0.672	0.178
	Kurtosis	-0.656	0.438

The findings of the normality test of the study variables indicated skewness and kurtosis in the range of -1 and +1 (Paolella, 2018). The normality test statistics generated for the variables (-1,

+1) were inconsequential, according to the findings. The Kolmogorov Smirnova (K-S) test yields a p value of 0.2, while the Shapiro Wilk test yields a p value of 0.67, both of which are larger than 0.05. This demonstrated that the variables in the research were regularly distributed.

According to Tashakkori and Teddlie (2008), the standard normal distribution has a kurtosis between -2 and +2 and is termed as Mesokurtic while data with kurtosis of greater than 2 indicate longer and fat tailed distributions, termed as Leptokurtic. Data with kurtosis statistics of less than -2 are termed as Platykurtic and indicate shorter and thin tailed distributions. The present study was therefore found to be normally distributed with regard to Kurtosis as all statistics within acceptable range. Since the p-values are not less than 0.05, the study fails to reject the null hypothesis of the test. The study did not have sufficient evidence to say that the data is not normally distributed. The study, therefore, conclude that the data is normally distributed.

Multicollinearity

Multicollinearity occurs if there is a close connection between the independent variables. For that condition, the variance inflation factor (VIF) is used to determine whether multicollinearity exists. The analysis uses the Variance Inflation Factor to measure multicollinearity (VIF). A VIF for all the independent variables less than 3 (VIF $\leq$ 3) indicates no multicollinearity while a VIF of more than 10 (VIF $\geq$ 10) indicated a problem of multicollinearity (Jou et al., 2014). Violation of the assumption increases the standard errors. Multicollinearity decreases the estimate coefficient's accuracy which declines the regression model's statistical capacity or power. In case of severe, multicollinearity, it is cured by dropping variables that bring out multicollinearity.

Table 4.7: Multicollinearity Test Results

Collinearity Statistics	Tolerance	Variance Inflation Factors (VIF)
Interest on loan portfolio	0.387	2.5840
Accounts income	0.372	2.6882
Unit trust investment	0.614	1.6287
Financial performance	0.344	2.9070

All the variables based on the VIF indicators have no multicollinearity problem since no VIF is above 10. For interest on loan portfolio (investment on loan book) (1/VIF= 0.387, accounts income (1/VIF= 0.372), unit trust investment (1/VIF=0.614), and stocks investment (1/VIF = 0.344). With VIF values of less than 5 and tolerance close to 1, it was concluded that the data is not subject to multicollinearity problems. According to Gomez (2020) tolerance is linked with every predictor factor and varies from 0as the lowest correlation to 1 as the highest correlation and it does not have a limiting cut-off point, but recommends a value under .40 is a reason for tolerance concern.

According to Weisburd and Britt (2013), any value below 0.20 indicates multi-collinearity concerns in the regression model, that is to say for high tolerance there is low multi-collinearity and vice versa. This shows that there exists no multicollinearity between the independent variables. Thus, the outcomes infer that multicollinearity problem was insignificant amongst the independent variables and therefore multicollinearity level is tolerated in the model. The results therefore indicated that the values for tolerance and VIF were within an acceptable range.

Heteroscedasticity

Heteroscedasticity test was applied for testing the error term consistency across observations. The Breusch-Pagan/Cook-Weisberg test was used in the study where the null hypothesis of the test is that error terms have constant variance (should be Homoscedastic).

Table 4.8: Breusch-Pagan (BP) and Koenker Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.252	0.487		2.5708	0.0821
Interest on loan portfolio	0.584	0.494	0.089	2.1822	0.0639
Accounts income	0.860	0.394	0.034	2.1827	0.0521
Unit trust investment	0.615	0.469	0.603	2.3113	0.0545
Stocks investment	0.739	0.398	0.037	2.8568	0.0523

Based on the output obtained Unstandardized beta coefficient of investment on interest on loan portfolio was 0.584, accounts income had 0.860, unit trust investment had 0.615, stocks investment had 0.739. This means that the value of the variable's significance is greater than 0.05. Hence, it can be concluded that there is no heteroscedasticity problem. The regression-standardized residuals were randomly and evenly spread around regression predicted values thereby indicating that there was no pattern in the residuals.

Linearity Test

The Karl Pearson's correlation coefficient test was used to test relationship between variables. The results are as depicted in Table 4.9.

Table 4.9: Linearity Test Results

Variables	Measure	Financial performance	Relationship
Interest on loan portfolio	Pearson Correlation	0.762	Linear
	Sig. (2-tailed)	0.000	
Accounts income	Pearson Correlation	0.847	Linear
	Sig. (2-tailed)	0.000	
Unit trust investment	Pearson Correlation	0.746	Linear
	Sig. (2-tailed)	0.000	
Stocks investment	Pearson Correlation	0.892	Linear
	Sig. (2-tailed)	0.000	

The findings presented in Table 4.9 indicates that there is a significant positive linear relationship between interest on loan portfolio and financial performance (with r= 0.762), accounts income and financial performance (with r= 0.847), unit trust investment and financial performance (with r= 0.746), stocks investment and financial performance (with R= 0.892). All the independent variables (Interest on loan, accounts income, unit trust investment, and stocks investment) were found to be lineally related to the dependent variable (financial performance). Since the prob>chi2 value (0.003) was less than 0.05 the null hypothesis is rejected and a fixed effect estimator is used to analyze the data.

Autocorrelation Test

The researcher used the Durbin-Watson test to determine the autocorrelation between the independent variable and the dependent variable. Durbin-Watson statistic ranges from 0 to 4. A value near 2 indicates that there is non-autocorrelation between the variables, a value closer to 0 indicated a positive autocorrelation whereas a value closer to 4 indicated negative autocorrelation.

Table 4.10: Durbin-Watson Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson Statistic
1	0.861	0.741	0.672	0.0201	1.82

According to Table 4.10, a Durbin-watson statistic of 1.82 was within the acceptable range between 1.5 and 2.5 implied that the variable residuals were not serially correlated (Turner, 2020).

This further implies that residuals from the study observations are independent and thus uncorrelated. This leads to the conclusion that the errors were not serially correlated.

Inferential Analysis

The inferential statistics involved the use of panel regression analysis and correlation analysis. The presentation of the inferential takes the form of the model summary, analysis of variance (ANOVA), panel regression analysis and chi square test. F-statistic and t -statistic were used to carry out tests of significance for the overall fit of the model (R^2) and the independent variables respectively. The data used was collected for five years thus giving a 5-year period data which facilitated linear regression analysis.

Model Summary

This section shows the model summary findings which is a representation of the coefficients of determination as a contribution of the predictors towards the dependent variable. The results obtained is tabulated below:

Table 4.11: Regression Model Summary

Model	R	R-Square	Adjusted R- Square	Std. Error of the Estimate
1	0.850	0.723	0.693	0.0958

From the results depicted in Table 4.11 above, the *R* value was 0.850, the R-Square was 0.723 and the adjusted R-Square was 0.693. The R-Square value of 0.723 implies that the independent variables (investment structures) would contribute to 72.3% of the dependent variables (financial performance of Tier One-SACCOs) when the external factors are not eliminated from the model. In addition, the adjusted R-square of 0.693 indicated that when the external effects are eliminated, the independent variables would provide a 69.2% of the prediction of the dependent variable. The values of the Adjusted R-Squared showed that after the model is adjusted for inefficiencies the independent variables would explain 69.3% of financial performance of Tier One-SACCOs.

Analysis of Variance

The Analysis of variance (ANOVA) was employed in this study to help establish if there was a regression relationship between the variables in the study. The results are shown below.

Table 4.12: ANOVA Test Results

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1.770	4	0.4425	20.90	.010(a)
Residual	0.720	34	0.02117		
Total	2.490	38			

A significant F statistic indicated in ANOVA simply demonstrated that the model was fit for the estimation. The model was tested at 5 percent significance level with a 2 tailed test. As per Table 4.12, the F value estimated at a 5 percent significance level was 3.228, with a significance value of 0.010, which was less than the crucial value produced from a 2-tailed test at the same significance level. This model's computed F was higher than the F critical (at 4 34, F critical= 2.54). This was an indication of the model's overall importance. As a result, the study established that there was a substantial link between investment structure and financial performance of Tier One-SACCOs. The importance of the regression model, which was determined to be statistically significant, was demonstrated by these findings. Any fluctuation in the variables was negligible, and any adjustment would not result in a substantial difference. The model was therefore relied upon to explain the effect of interest on loan, accounts income, unit trust investment and stocks investment on financial performance of Tier One-SACCOs.

Regression Coefficients

Based on the resultant coefficients shown in below Table 4.13, the regression model below will transform to the results shown in table 4.13.

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon.$

Table 4.13: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	3.138	0.762		4.1181	0.012
Interest loan portfolio	0.876	0.387	0.274	2.2636	0.034
Accounts income	0.992	0.455	0.396	2.1802	0.018
Unit trust investment	0.985	0.423	0.361	2.3286	0.024
Stocks investment	0.914	0.389	0.358	2.3496	0.029

Substituting the dummy variables with the study variables culminates to the following equation:

$Y=3.138 +0.876X_1+ 0.992X_2+0.985X_3+0.914 X_4$……Equation 1

Financial Performance =3.1378 + 0.876 Interest on loan portfolio + 0.992 Accounts income + 0.985 Unit trust investment + 0.914 Stocks investment……Equation 2

The model indicates that, holding the predictor variables constant, the financial performance of Tier One-SACCOs would be 3.1378. The results from the regression analysis revealed that there were beta coefficients of 0.876, 0.992, 0.985 and 0.914 for loan portfolio, accounts income, unit trust investment and stocks investment respectively. The corresponding t and p values for interest on loan (t=2.2636, p=0.034), accounts income (t=2.1802, p=0.018), unit trust investment (t= 2.3286, p=0.024) and stocks investment (t= 2.3496; p= 0.029) which are statistically significant, because p values were less than 0.05. Each investment structure aspect has a positive and significant effect on the financial performance of Tier One-SACCOs (Equations 2 and 3). These results conform with those of Martínez et al. (2019) who demonstrated that investment structures are a prerequisite for a financial institution's stability and continuing profitability. As such, loan portfolio, accounts income, unit trust investment and stocks investment enhance financial performance of Tier One-SACCOs.

SUMMARY, CONCLUSION AND RECOMMENDATIONS

This section covers a description of the study's summary findings, conclusions, and recommendations in line with the topic of the study that the influence of investment structure on financial performance of Tier One-SACCOs in Kenya.

Summary of the Findings

The main goal of this study was to establish the influence of investment structure on financial performance of Tier One-SACCOs in Kenya. The specific objectives were to explore the effect of interest on loan portfolio on financial performance of Tier One DT-SACCOs in Kenya, to determine the influence of accounts income on financial performance of Tier One DT-SACCOs in Kenya, to assess the effect of unit trust investment on financial performance of Tier One DT-SACCOs in Kenya and to find out the influence of stocks investment on financial performance of Tier One DT-SACCOs in Kenya. The results obtained are summarized systematically in the following sub-sections.

Interest on Loan portfolio and Financial Performance

The study found that the average sum of loans offered during the period was Kes .2831.0 billion. The minimum sum of loans offered was Kes.1136.4 billion corresponding to year 2020 and the maximum was Kes. 4001.1 billion coinciding with year 2022. Year 2018 recorded the minimum loan interest income at Kes. 141.619 billion, while year 2022 reported the highest amount of Kes. 376.859. The minimum amount of Earnings before interest and taxes was Kes. 1906.376 billion corresponding to year 2020 and the maximum was Kes. 32126.71 billion reported in year 2022. The mean score was Kes. 21173.370 billion. The minimum amount of interest expense was Kes.

1301.27 billion corresponding to year 2020, the maximum was Kes. 3462.13 billion coinciding to year 2022 and the mean score was Kes. 2988.638 billion. The minimum interest coverage ratio was 1.47 reported in 2020 and the maximum was 9.28 recorded in 2022. The mean of interest coverage ratio was 6.38.

Accounts Income and Financial Performance

The study found that the minimum amount on accounts deposit Kes. 8667.2 billion recorded in year 2018 and the maximum was Kes. 10953.4 billion corresponding to year 2022 representing an upward trend during the five years under review. The mean score of this parameter was Kes. 9818.02 billion. The minimum Interests on deposit accounts was 6.53% shown in year 2022 and the maximum was 8.29% reported in year 2018. The corresponding mean score was 7.2%. The minimum amount on call accounts was Kes. 3365.8 billion, the maximum was Kes. 62892.6 billion and the average was Kes.17047.36 billion. The minimum interest on call accounts 3.8%, the maximum was 4.6% and the mean was 4.2%.

Unit Trust Investment and Financial Performance

The study found that the minimum was Kes. 91.67 billion reported in 2020, the maximum was Kes. 134.62 billion recorded in 2022 and the mean was Kes. 113.49 billion. The minimum annual returns received was Kes. 31.52 billion, the maximum was Kes.102.97 billion and the mean annual returns of Kes.70.54 billion. The minimum net asset value was 6.3 reported in 2020 and the maximum was 9.98 corresponding to year 2022. The mean Net Asset Value was 8.97. The minimum number of units outstanding was 144.84 billion, the maximum was 198.76 billion and the mean score was 183.66 billion.

Stocks Investment and Financial Performance

The study the minimum Net Present Value (NPV) was Kes.1403.9 corresponding to year 2020 and the maximum was Kes. 7685.4 posted in year 2022. The mean score of NPV during the five years period was Kes. 5709.52 billion. In addition, the minimum Internal Rate of Return (IRR) was 19.7% as shown in year 2020, the maximum IRR was 27.3% shown in year 2022 and the average IRR for the period under investigation was 23.66%.

Financial Performance of Tier One DTSACCO

The study found that the mean annual net income reported by the Tier One SACCOs was Kes. 106,163 billion; the deviation on net income was Kes. 25,699 billion; the maximum net income was Kes. 136869 billion reported in 2019 while the minimum was Kes. 64,006 billion. The amount of total assets over the five years averaged at Kes. 15, 3865 billion; the dispersion from the

calculated mean was Kes. 10,286 billion; the maximum worth of total assets was Kes. 1,716,019 billion shown in year 2019 whereas the minimum was Kes. 1,429,467 billion recorded in year 2020. The mean of ROA in the five years period was 6.8% and the standard deviation was 1.31%. The maximum ROA was 8.0% corresponding to year 2019 while the minimum ROA was 4.5% reported in year 2020. According to Table 4.5, there was a general rise in net income, total assets and ROA between year 2017 and 2019 followed by a slight drop in 2020 and finally a gradual increment till year 2021. From the model summary, the independent variables would explain 69.3% of financial performance of Tier One-SACCOs. From the ANOVA Test, the study established that there was a substantial link between investment structure and financial performance of Tier One-SACCOs. According to the regression analysis, holding the predictor variables constant, the financial performance of Tier One-SACCOs would be 3.1378. The results from the regression analysis revealed that there were beta coefficients of 0.876, 0.992, 0.985 and 0.914 for interest on loan, accounts income, unit trust investment and stocks investment respectively.

Conclusions of the Study

This section breaks down the conclusions drawn from the findings. The conclusions are drawn from the research findings regarding the effect of interest on loan, accounts income, unit trust investment and stocks investment on financial performance of Tier One Deposit-Taking SACCOs in Kenya.

Interest on loan portfolio and Financial Performance

The study concludes that Tier One SACCOs have continuously increased the loans offered to increase their income from loans. There was an upward trend in the EBIT reported in the entire period except in year 2020 which was as a result of the COVID-19 pandemic that affected the world economy. This information shows that the Tier One SACCOs have recorded heathy financial performance as shown by interest coverage ratios above 6.0. In this regard, the interest on loan has a strong influence on the performance of financial institutions.

Accounts Income and Financial Performance

The study deduces that interests on deposit accounts in the Tier One SACCOs has increased gradually. The amounts and interests on call accounts were characterized with fluctuating trends during the five years period. The results reveal that the Tier One SACCOs maintained a relatively good interest rates on call and deposit accounts leading to good incomes from the accounts. It is evident that income diversification affected the performance of SACCOs by shielding them from liquidity risk exposures, particularly when their borrowing capacity is limited or expensive.

Unit Trust Investment and Financial Performance

The study further concludes that there was a general increase in the amount invested in the Money market fund income. The Tier One SACCOs showed a general upward trend in investment in money market fund income. Tier One SACCOs have diversified their portfolio into unit trust investments to enhance their financial performance. Unit trusts funds are essential in the growth of financial institutions through mobilizing savings, mobilizing direct investment, capital allocation and risk management.

Stocks Investment and Financial Performance

The study deduces that NPV had a general upward trend over the five years. From the findings, Tier one SACCOs have ventured into stocks investments which has had a great value to their financial health. Investment in equity investment, bond investments is a safe investment avenue for return on assets over long holding time periods.

Financial Performance

The study deduces that despite the harsh economic conditions, the Tier One SACCOs posted healthy financial performance as shown by ROA values above 5%. The SACCOs industry experienced a decline in returns with Return on Capital falling from 10.4% in 2017 to 4.41% in 2018 indicating that the SACCOs sector has struggled to capitalize on the expanding economy's insurance opportunities.

Recommendations of the Study

From the findings and conclusions, several recommendations were suggested. On the basis of the findings of the study made the following recommendations to be observed. To effectively guard interests on loans, the study recommends that the SACCOs to develop mechanisms that would make it favorable for SACCOs to leap the benefits of interests received from loans portfolio by utilizing information shared by credit regulating bodies to ensure that loans are advanced only to credit worthy borrowers. This would help in improving the objectivity with which clients are assessed for funding and stimulating the going concern status of SACCOs.

The study recommends that Tier One SACCOs should seek more clarity on whether accounts income increases due to the adoption deposit accounts products, whether call accounts promote the SACCOs' efficiency and enhances portfolio performance and whether the interests earned by these accounts enhances the SACCOs' financial position. The study recommends that management

of Tier One SACCOS should continue improving on their accounts income by bringing in more products to their portfolio.

The study recommends that Tier One SACCOs to further undertake empirical research on the overall role of unit trust investment on their financial performance since majority of their portfolios are greatly affected by changes in economic conditions and consequently affecting their financial performance. Investment in unit trusts can be improved through financial innovation especially by leveraging on technology to venture into new products into the market.

The study recommends Tier One SACCOs to diversify their stocks investment schemes to make it reachable to more customers since stocks investment have a significant effect of their financial performance. Such diversification into the stocks for the Tier One DT-SACCOs should translated to reduced unsystematic risks and thereby improved profitability measured by ROA.

Lastly, the study recommends that SACCOs should develop investment structure in line to the demands of the SACCOs and demands of the customers. This is important to ensure efficiency of the services and operations which in the long run will ensure that the SACCOs stabilize to enable them ensure sustainability in profitability.

Suggestions for Further Study

The study investigated the influence of investment structure on financial performance of Tier One-SACCOs in Kenya. Comprehensive research could be conducted incorporating major financial institutions like banks, MFIs, Insurance companies and other SACCOs categories in Kenya with an aim of providing an all-inclusive analysis of these relationship in the entire financial sector. Another study should be carried out that would make use of the available both primary and secondary data which can be used to cover a longer period to check for the changes in the influence of investment structure on financial performance of financial institutions in Kenya from time to time.

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