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# INCLUSIVE FINANCE AND FINANCIAL PERFORMANCE OF SACCOs IN MACHAKOS COUNTY

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## ABSTRACT

The study targeted all the employees of SACCOs in Machakos County. The staff were drawn from different departments, which included: finance, marketing, operation and human resource. Stratified sampling technique was used. Regression analysis and correlation analysis were used to analyze data. Data was collected using semi-structured self-administered questionnaires that were administered through drop and pick method. The data was presented in form of tables and figures. The study concluded that SACCOs in Machakos county should strengthen the learning of new market trends,enhance financial education, enforce proper management of member resources and implement efficient and effective financial systems. SACCOs ought to support diversified credit facilities hence giving the clients favorable interest rates. They should ensure that credit facilities are accessible, affordable and readily available. They should support mobile money transfer hence increasing the convenience, reliability and flexibility. SACCOs should support agency banking, hence increase accessibility and expansion of the customer base of agency banking to reach the poor clients in the rural. The study recommends that SACCOs in Machakos county should enhance training on new innovative financial products and services, diversify credit facilities and provide favourable interest rates to the clients.

**Keywords:** ***Inclusive finance,agency banking.***

# 1.0 INTRODUCTION

## 1.1 Background of the Study

Inclusive finance has a significant impact on the performance of financial institutions. A certain proportion of the financially excluded are characterized by high level of poverty with an average income of $2.00 on a daily basis (Homes, Ardic & Stein, 2015). By being financially excluded by the formal sector, this implies that most of the population relies on the informal avenues to access the financial services and products, which become costly. According to the World Bank Global Findex Survey. (2014), about 2 billion people in the world do not have access to formal financial services and products, which include owning bank accounts. Inclusive finance plays a vital role to reduce poverty and hence contribute towards the growth of the economy as well as the performance of the organizations.

### 1.1.1 Inclusive Finance

Inclusive finance is a process that ensures the ease of access, availability and usage of financial services,(Sarma, 2014). According to Claessens,(2016) Inclusive finance refers to the availability of a supply of reasonable quality financial services at reasonable cost, where reasonable quality and reasonable cost have to be defined relative to some objective standard. Inclusive finance is the state in which all people of working age have access to a full suite of quality financial services, provided at affordable prices, in a convenient manner and with dignity for the clients, (Accion International,2014). It also refers to the ability of the country's financial system to offer the financial products and services at a low cost, fairly and affordable. Inclusive finance is the process of ensuring access to financial services and products, timely and adequate credit where it is actually needed by vulnerable groups such as weaker sections and the low income earners at an affordable cost, hence reducing the poverty level as well boosting the economic growth. It includes the access to banking services, credit insurance, savings and assets, financial literacy and money advice.

There is no universal agreement on what financial inclusion is and the differences emanate from the context in which it is used, the geographical location and the state of economic development of the area under reference. The providers and scope of financial inclusion have also evolved from basic banking services to include loans, financial counseling and insurance (Sahrawat, 2013). This has resulted in a number of variations in the definition emanating from the facets that are considered relevant under the context in which financial inclusion is being analyzed.

The importance of inclusive finance is based on the principle of inclusive growth with the stability of financial systems. Efficient and stable financial systems underpin the intermediation process necessary for inclusion propelled by the access to need based financial services. According to Collins, Morduch, Rutherford and Ruthven (2013), financial inclusion has become more critical and as studies have increasingly revealed, poor people, not withstanding their low income and small amount of funds present at hand, actively manage and diversify their portfolio into different financial products albeit outside the formal financial systems. It helps the low-income earners to manage their resources well. It helps them to have access to education and healthcare hence improving their quality of life.



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Guang and Wang (2018) used different measures of inclusive finance. These include: credit for small and medium enterprises (SMEs), deposits of SMEs, number of automated teller machine (ATM) services and number of credit cards. Oranga and Ondambu (2018) used four indicators in measuring inclusive finance which includes; financial literacy programs, usage of agents and representatives, increased proliferation of ATMs and mobile banking services.

### 1.1.2 Firm Performance

Firm performance refers to the degree to which a firm's financial objectives are being or have been accomplished. It is the process of measuring the results of a firms policies and operations in monetary terms. It is used to measure a firms overall health over a given period and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Mido, 2016).

A firms performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. There are many different ways to measure firm's performance, but all measures should be taken in aggregation. Line items such as revenue from operations, operating income or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or investors may wish to look deeper into financial statements and seek out margin growth rates or any declining debt (Donaldson & Preston, 2015).

Financial performance can be measured by using two methods that is the accounting based measures, which includes: Return on Assets (ROA), Return on equity (ROE), Net interest margin (NIM), Return on investment(ROI) and the market based measures which includes ; Earning per share(EPS), Tobins Q ratio, Price earnings ratio(PER). The idea behind these measures is perhaps to evaluate financial performance how well a firm management is using its assets to generate accounting returns per unit of investment, assets or sales. The problem with these measures is well known. Accounting returns includes depreciation and inventory cost and affect the accurate reporting of earnings. Asset values are recorded historically. Return on equity is a frequently used variable in judging top management performance, and for making executive compensation decisions. On the other hand, return on assets is the most frequently used performance measure in previous studies. It is defined as the net income (income available to common stockholders), divided by the book value of total assets (Donaldson & Preston, 2015).

### 1.1.3 Inclusive Finance and Financial Performance

Theoretically, it is expected that inclusive finance enhances the financial performance of firms. However, empirical evidence is mixed since some empirical investigations have documented neutral and negative relationships between the study variables. Many organizations keep innovating and inventing with the aim of satisfying the ever-changing customer demand. Customers benefit from inclusive finance through reduced cost of transactions, ease of access to services and increased level of efficiency. Inclusive finance influences the performance of SACCOs (Nthambi, 2015). Access to financial services has an impact towards the quality of life, which enables the less privileged to increase and diversify their incomes hence improve their social and economic welfare as and the organization also gains more performance (winter, 2015). The European Commission (2013) maintains that financial inclusion forms part of a much wider social exclusion faced by some groups who lack access to quality essential service such as jobs, housing and education which have an impact towards performance. According to Kunt (2014), the development of financial systems of a country is positively correlated with the growth of

gross domestic product,(GDP) per capita and also appears to make a positive impact on poverty including the growth in incomes and more rapid decrease in poverty rates. When there is available supply of quality financial services and products, at reasonable cost hence making them easily accessible to the majority, and especially the middle level people and the poor their heartsare won over.This will make the organization to have a wider base of customers hence the performance increase due to inclusive finance. Inclusive finance is an important element in the inclusive development since empirically there is a positive influence on the financial systems, which have impact on the performance (Levine, 2012)

### 1.2 Statement of the Problem

Kenya's Vision 2030 economic blue print aims to transform Kenya into a middle income country, providing high quality of life to its citizens by improving access and deepening of financial services and products (Ongore & Kusa,2013;CBK,2019) The concept of the inclusive finance has become a key issue under the development agenda in the developing countries. The World Bank triennial global findex data indicates that 86%of the poor in low-income countries remain largely excluded from the access and use of financial services. (Bhanotet, 2012). Poorly implemented financial inclusion policies can have effect on the performance and may be important synergies brought by broad access and utilization of financial products, which helps the SACCOs to diversify risk.

SACCOs have performed poorly over the last years due to the increased competition from other financial institutions. The deposit-taking SACCOs have not yet embraced inclusion finance efficiently and effectively to increase the clients base and hence improve the performance of the organization. It has been acknowledged that financial exclusion is strongly related with poverty conditions in the economic systems translating into poor financial performance among the financial institutions (Oruo, 2013). On the other hand, inclusive finance through agency banking, mobile money services and the credit facilities act as alternative channels of revenue generation, which improves the performance of the organizations (Mwaniki, 2014). Despite this, most SACCOs seem not to understand the benefits that would accrue in consideration of inclusive finance. Most of the deposit taking SACCOs have concentrated their branch networks in the urban centers, which means adults living in most rural areas do not access formal financial services at a cost effective way (Otieno, 2016).

Furthermore, Omwansa and Waema, (2014) analyzed how to deepen inclusive finance by collaborating with partners to create an appropriate, innovative financial services and products to those poor people. The study noted that the government has put in place several measures including licensing of agencies and mobile transfer services. Most of the above studies reviewed commercial banks while others focused on inclusion finance and non-performing loans. A limited research has been done on SACCOs especially those operating in Machakos County. This actually creates a research gap, which the current study sought to fill by examining the effects of inclusive finance on performance of SACCOs in Machakos County.

### 1.3 Objectives of the study

#### 1.3.1 General Objective

The general objective of the study was to assess how inclusive finance affects the financial performance of SACCOs in Machakos County.

### 1.3.2 Specific Objectives

Specific objectives were to:

- **i.** Determine the effect of financial literacy on financial performance of SACCOs in Machakos County.
- **ii.** Examine the effect of diversified credit facilities on financial performance of SACCOs in Machakos County.
- **iii.** Establish the influence of mobile money transfer services on financial performance of SACCOs in Machakos County.
- **iv.** Assess the effect of agency banking services on the financial performance of SACCOs in Machakos County.

### 1.4 Research Questions

- **i.** How does financial literacy affect the financial performance of SACCOs in Machakos County?
- **ii.** How does a diversified credit facility affect the financial performance of SACCOs in Machakos County?
- **iii.** How does a mobile money transfer service affect the financial performance of SACCOs in Machakos County?
- **iv.** How does agency banking service affect on the financial performance of SACCOs in Machakos County?

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## 2.0 LITERATURE REVIEW

### 2.1 Financial Intermediation Theory

Gurley and Shaw,(1960) developed the financial intermediation theory. They argued that financial intermediation involves the actions of depositing surplus units with the available financial institutions so that they can consequently lend the same funds to deficit units in the economy. Bisignano,(2003) opines that financial intermediaries are further divided into four categories: the first encompasses deposits that are for a fixed term, the second category entails deposits meant for the short-term in comparison to their equivalent assets.The third category entails a high portion of liabilities, which can be withdrawn immediately on demand, and the last are assets and liabilities, which to a great degree cannot be readily transferred. The major contribution of financial intermediaries therefore is to ensure that the funds flow in a steady manner from the deficits to the surplus units that exist.

### 2.2 Technology Acceptance Theory

Davis, Bagozzi, and Warshaw (1989) introduced the Technology Acceptance Theory. The primary goal of the model is to give a detailed explanation of the various factors that have an effect on the general acceptance of computer application. Davis *et al.* (2012) suggested that the usage of computer information system is attributable to the behaviour of the persons who are intended to use the system, (Chooprayoon, Fung & Depickere, 2013). This is because the behaviors influence the attitudes that system users have towards using the system. The perceived usefulness and attitude by the intended users are also affected by how they perceive the new

technology in terms of ease use. Technology acceptance model is used to explain how banks adopt electronic banking.

**2.3 Agency Theory**

The theory was proposed by Jensen and Meckling (1976) and views commercial banks as the principle and the correspondent bank as the agent whereby problems arise owing to misunderstanding or incongruence of their interest. Agency theory occurs when the financial institution fails to observe rules and regulations laid down by the banks. Generally, according to agency theory, intermediation places financial institutions (banks, and their agents) as intermediating between money and the market or households. Resource (money) allocation based on perfect and complete market is hindered by frictions such as transactions costs and asymmetric information (Aduda, Kiragu, & Ndwiga, 2013).

This theory ensures that the relationship between clients and policy makers is okay. Market mechanisms are measured to ensure that the utility is maximized whereas the controls are separated. Though problems may rarely emerge due to lack of written agreement among the principle, the laws are costless enacted and formulated (Jensen & Meckling, 1986). The management level may lack to enact to the agent due to diversified mode of transaction among the agents.

**2.4 Empirical Literature**

This section covers a review of literature of the past studies by other researchers related to the current study variables. The studies will enable the researcher to outline gaps not addressed by the studies and how the current study will solve them.

**2.4.1 Financial Literacy and Financial Performance**

Hung (2016) studied the role of financial literacy in solving the problem of low financial security among the Americans. The research analyzed the secondary data of the empirical research done on role of financial inclusion. The primary data was collected using an internet based survey. It was determined that the three-knowledge test has a strong degree of correlation and that all the correlations are statistically significant even though there was a degree of stability in the measurement strategy. The study concluded that there is no systematic method applicable in determination of the impact of financial literacy programs. The lack of systematic method creates an opportunity for this research to determine a model to determine the effects of financial literacy on the performance.

Onyango (2014) sought to determine whether financial literacy had an impact on the financial management practice among the employees of the commercial banks. The study adopted the survey method and conducted purposive sampling. The sampling selected the major banks in Nairobi, and random sampling was used to select the 100 respondents from five commercial banks. The study established that financial literacy has a positive influence on personal financial practices, but at the same time the research determines that employees of the Kenya commercial banks have financial literacy yet are not good managers of their finances. The study recommended individuals should adopt comprehensive saving methods and prudent expenditure. Based on the recommendation that there is a gap regarding determining whether increased savings translates to better financial performance of the listed banks. After establishing that

financial literacy has some impact on the financial activities of individuals, the next question is to determine whether the effects trickle down to financial advantage to the banks.

Mwaniki (2014) investigated the impact of financial literacy training on financial performance of women self-help groups. The study adopted a survey method, and collected both qualitative and quantitative data. The data was analyzed using inferential and descriptive statistics. The main finding stated that majority of the members were keeping a budget, they were borrowing for investment and the training on loan management positively influenced their loan graduation. The study concluded that the knowledge gained meant that the self-help group would find new alternative banking channels as members had new desire to access financial services. It meant that financial literacy training had opened up more business avenues for the self-help group.

### 2.4.2 Diversified Credit Facilities and Financial Performance

Afroz,(2018) studied investment in divergent credit facilities. He found out that firms that invest in divergent credit facilities inclusively catered for all of the customers and hence improved the performance index of the organization. The findings established that divergent mode of reaching customers increased and improved the number of customers and increased the volume of transactions. The findings recommended that the fields to retain their market niche on the ever changing and fluctuating business environment embrace divergence credit facilities with the aim of reaching and serving both the lower income earners and higher income earners.

Ocholla,(2018) carried out a study on the effect of credit diversification on financial distress. The study used a cross sectional and time series research design. The study concluded that credit diversification has a significant effect on financial distress prediction. Credit diversification activities have reduced the probabilities of default on the side of borrowers through introduction of new types of credit facilities. Credit risk can be reduced through specialization of lending. The study recommended that the management of banks should introduce new types of credit facilities to increase on their credit portfolios. Besides, the management of banks should reduce on credit risk through specialization of lending

Han, Ogneva and Ozbas (2013) carried out a study on diversification of credit facilities and performance. Diversification helps in lowering the discrepancies of the set of product offered by the firm to ensure it remains competitive. Diversification of products in a firm ensures that the firm remains competitive and innovative hence acquiring a market niche .Firms with diversified credit products ensure that the field increases. Their customer's base by offering them different varieties of product found out that diversification ensures that there is a constant flow of cash throughout the year. The findings indicated that diversified credit facilities had a positive link with financial inclusion and the overall performance.

### 2.4.3 Mobile Money Transfer Services and Financial Performance

Munyoki, (2018) used a descriptive study to determine the impact of online banking on the financial performance of Kenyan commercial banks. The study concludes that generally the element of online banking has a weak and positive relationship on the financial performance of commercial banks in Kenya. The effect was attributed to the fact that use of online banking cuts cost; it reduces the staffing levels and makes banking convenient.



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Asia (2015) conducted a study to determine the contribution of e-banking on the performance of banking financial institutions in Rwanda. Descriptive research methodology was used which included both qualitative and quantitative approach. The findings indicated that there is a positive relationship between electronic banking and performance of banks in Kigali. The research concluded that electronic banking methods such as pay direct and electronic check conversion have a great impact on the performance of the banks regarding; reduction in the cost of operations, increase in assets of the bank and efficiency and increase in the level of profitability.

**2.4.4 Agency Banking Services and Financial Performance**

Mwaniki,(2015) investigated the impact of agency banking on the financial performance of commercial banks in Kenya. The study adopted descriptive survey methodology and studied 17 commercial banks. It was determined that there is a strong positive relationship between return on assets of banks and the volume of transaction as well as the size of the bank and financial performance of the banks. The study concluded that an increase in the number of agents of commercial banks leads to an increased financial performance, meaning there is positive correlation between the agent outlets and financial performance of commercial banks.

Ndirangu (2015) sought to determine the effect of agency banking on the financial performance of commercial banks, but he used census method to study a population of all the banks licenced to operate in the country. The study covered ten banks and determined that the number of agents of commercial banks and the volume of transactions did not have a positive correlation with the financial performance of banks as measured using the return on equity of the banks. The study looked at the number of agents and deposits, loan repayment transactions and withdrawals undertaken through the agents. It was determined that other factors apart from those highlighted could contribute to the financial performance of banks that conduct agency banking.

Belita (2017) assessed the effect of agency banking on the financial performance of commercial banks in Kenya. The research used a descriptive survey study that covered 16 banks. The research findings showed that there exists a positive relationship between the volume of deposits, cash deposits and volume of withdrawals and the financial performance of banks. The numbers of agents were an important part of the assets of the banks, meaning increase in the size of the bank asset had a positive impact on financial performance of banks. The study concluded that there is a positive relationship between the increase in the number of banking agents and the financial performance of banks.



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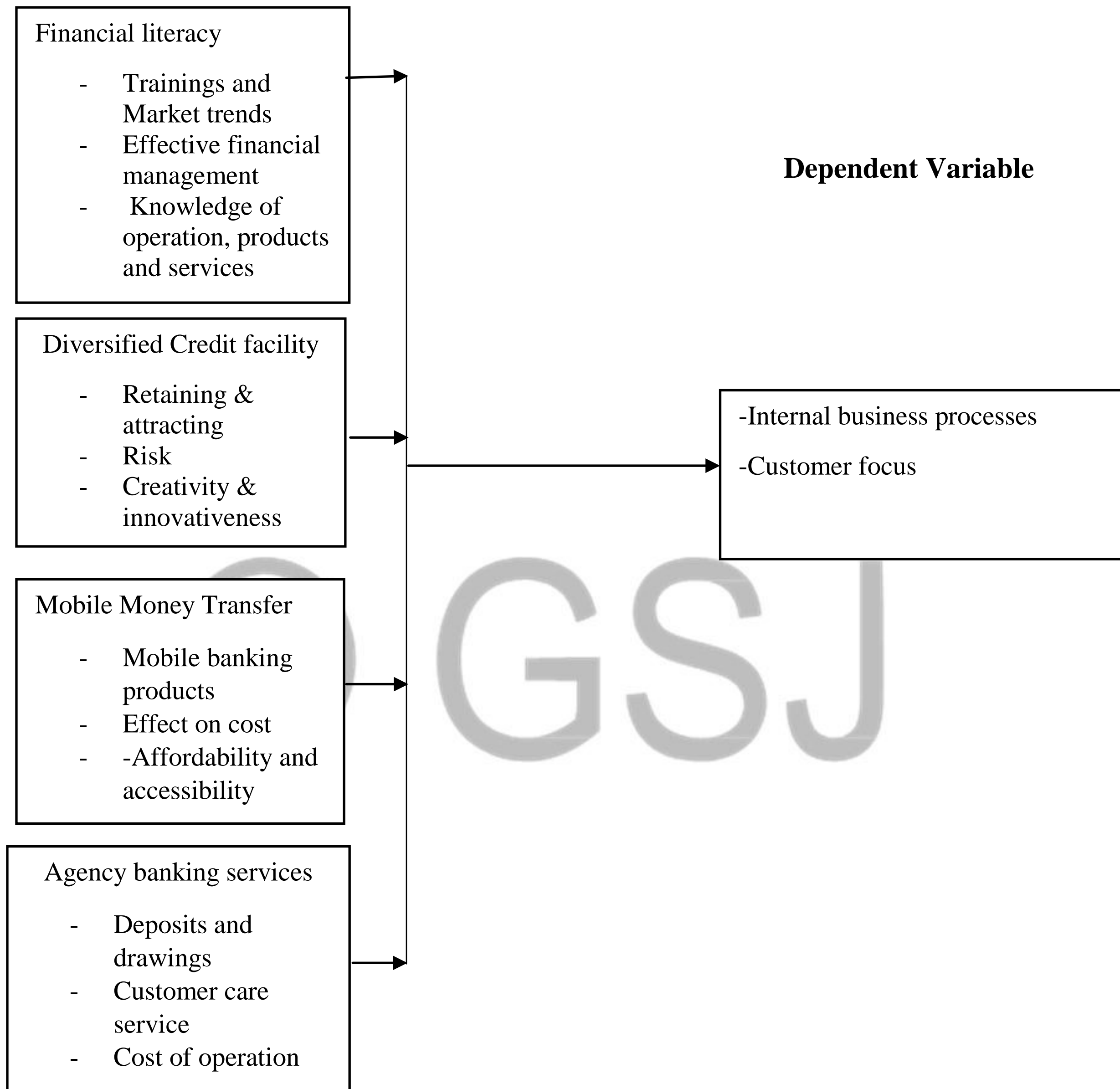
## 2.5 Conceptual Frameworks

**Independent Variable**



# 3.0 RESEARCH METHODOLOGY

## 3.1 Research Design

Research design is a plan that is used to obtain answers to the research questions, (Ogula, 2014). A research design is regarded as an arrangement of the conditions for collection of data in a manner that aims at combining relevance with research purpose, (Kombo and Trompo, 2013). According to Mugenda and Mugenda, (2009), research design provides the glue that holds the research project together. This is because the study seeks to establish a relationship between variables.

Descriptive research design was adopted by the researcher to establish how financial literacy, diversified credit facilities, mobile money transfer and the agency banking influence performance on SACCOs in Machakos County. According to Cooper and Schindler, (2012) descriptive research design describes the subject of the study by defining the profile of the group and mode in which data will be collected and tabulated.

## 3.2 Sampling Design

Stratified sampling technique was employed because it is appropriate for a population where the units are not homogeneous (Robson, 2010). This method allows the researcher to divide the sample into appropriate strata that are mutually exclusive. Stratified sampling increases statistical efficiency on a sample and provides adequate data for analyzing the various sub-population, which enables different research methods and procedures be used in different strata.

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## 3.3 The Analytical Model

The data collected was inputted into the statistical package for social sciences (SPSS) for analysis after cleaning data. Creswell (2007) notes that data can be presented using statistical techniques, graphical techniques or a combination of both in order to generate comprehensive conclusions. Findings on quantitative data will be presented using statistical techniques such as tables, pie charts, bar graphs and regression models. Qualitative data will be presented descriptively.

The regression model will be as stated below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \text{………………. equation}$$

Where,

Y = Financial Performance

$X_1$ = Financial literacy

$X_2$ = Diversified credit facilities

$X_3$ = Mobile money transfer

$X_4$ = Agency banking services

$B_0 - B_4$ = Regression Coefficients

$\varepsilon$ = Error Term

## 4.0 DATA ANALYSIS, PRESENTATION AND INTERPRETATION

### 4.1 Regression Analysis

The objective of the study was to assess how inclusive finance affects the financial performance of SACCO's in Machakos County. The independent variables under study were agency banking services, mobile money transfer, financial literacy, diversified credit facility on the performance of National Hospital Insurance Fund in Kenya. These variables were analyzed using SPSS software as shown in Table 4.9.

**Table 4.1 Model Summary**

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | 0.781 | 0.609 | 0.581 | 0.728 |

***a. Dependent Variable: Performance***
***b. Predictors: (Constant), Agency banking services, Mobile Money Transfer, Financial Literacy, Diversified Credit Facility***

The study findings in Table 4.1 show that R square is 0.609 indicating that 60.9% of the variations in the SACCOs performance are caused by the independent variables while 39.1% are caused by other factors not accounted in the study. R is the correlation coefficient which shows the relationship between the study variables. From the findings, the study showed that there was a positive relationship between the study variables as shown by 0.781. The adjusted R squared 0.581 indicate that if the population was used rather than a sample then the variation in the SACCOs performance would be 58.1%.

**Table 4.2: ANOVA Table**

| Model | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|
| Regression | 45.464 | 4 | 11.366 | 21.456 | 0.000 |
| Residual | 29.136 | 55 | 0.530 | | |
| Total | 74.600 | 59 | | | |

***a. Dependent Variable: Performance***
***b. Predictors: (Constant), Agency Banking Services, Mobile Money Transfer, Financial Literacy, Diversified Credit_Facility***



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The findings in Table 4.2 above shows that the regression model generated is statistically significant in predicting the relationship between dependent (performance) and independent variables (agency banking services, mobile money transfer, financial literacy and diversified credit facility). The significance value in testing the reliability of the model for the relationship was obtained as 0.000 which is less than 0.05, the critical value at 95% significance level as indicated by the anova Table 4.2. This shows that sample data used was ideal for making conclusions about the target population.

**Table 4.3 Regression Coefficients**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | t | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| 1 | (Constant) | -0.576 | 0.339 | | -1.696 | 0.096 |
| | Financial Literacy | 0.194 | 0.124 | 0.206 | 1.565 | 0.123 |
| | Diversified Credit facility | 0.490 | 0.229 | 0.475 | 2.141 | 0.037 |
| | Mobile Money Transfer | 0.261 | 0.089 | 0.305 | 2.937 | 0.005 |
| | Agency Banking Services | -0.090 | 0.164 | -0.099 | -0.550 | 0.584 |

a. Dependent Variable: Organizational Performance

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In table 4.3 the findings in regression coefficients reveal the relationship between the independent variables and the dependent variable as shown by the regression equation which established that: Y = -0.576 + 0.194 (Financial Literacy) + 0.49 (Diversified Credit facility +0.261 (Mobile Money Transfer) + -0.09 (Agency Banking Services). Holding at 95% confidence level to a constant zero, SACCO performance would stand at -.576 and a unit increase in financial literacy would lead to an increase in the performance by a factor of 0.194 while a unit increase in diversified credit facility would lead to unit an increase in performance by a factor of 0.49. A unit increase in mobile money transfer would lead to an increase in performance by a factor of 0.261 while a unit increase in Agency Banking Services would lead to a decrease in performance by a factor of -0.09. The findings reveal that financial literacy had a positive insignificant influence on performance while agency banking services had anegative insignificant effect on performance. In contrast, diversified credit facility and mobile money transfer had a positive significant effect on performance.

These findings agree with those of Hung, (2016) who studied the role of financial literacy in solving the problem of low financial security among the Americans and found out that financial literacy had a strong degree of correlation and that all the correlations were statistically significant. The study is also in line with Onyango, (2014) who sought to determine whether financial literacy had an impact on the financial management practice among the employees of the commercial banks. The research established that financial literacy has a positive influence on personal financial practices, but at the same time the research also found out that employees of the Kenya commercial bank had financial literacy yet were not good managers of their finances.

This study revealed that diversified credit facilities had effect on financial performance of SACCOs in Machakos County. It concurs with Afroz, (2018) who carried a study on investment in divergent credit facilities. He found out that firms that invest in divergent credit facilities inclusively catered for all of the customers and hence improved the performance index of the organization. The findings established that divergent mode of reaching customers increased and improved the number of customers and increased the volume of transaction. A rearch by Lagat, Mugo and Otuya (2013) who investigated diversified credit facilities on bank performance agree with the results of this present study.Their findings also established that when a firm diversified its credit facilities it got more profit. They agreed that diversification allows the firm to utilize their resources, which were previously not used and attracted more customers.

The results of this study establish that mobile money transfer services had an influence on financial performance of SACCOs in Machakos County. These conclusions are in line with those of Mbiti and Weil,(2015) who studied the effect of Mpesa in Kenya's mobile banking. Their study found out that while the Mpesa had been touted for banking "unbanked "the study did not find any direct effect of Mpesa on people adopting bank accounts. Further, the study found that increased use of Mpesa lowered the propensity of people to use informal savings mechanism but raised the probability of them being banked. Similarly, a study by Asia, (2015) conducted to determine the contribution of e-banking on the performance of banking financial institutions in Rwanda indicated that there is a positive relationship between electronic banking and performance of banks in Kigali.However, Munyoki, (2018) who carried a study to determine the impact of online banking on the financial performance of Kenyan commercial banks. It was concluded that online banking has a weak and positive relationship on the financial performance of commercial banks in Kenya.

This study is in agreement with Monica, (2015) who investigated the impact of agency banking on the financial performance of commercial banks in Kenya.The study concluded that an increase in the number of agents of commercial banks leads to an increased financial performance, meaning there is positive correlation between the agent outlets and financial performance of commercial banks.This study also concurs with Belita, (2017) who assessed the effect of agency banking on the financial performance of commercial banks in Kenya. The research findings showed that there exist a positive relationship between the volume of deposits, cash deposits and volume of withdrawals and the financial performance of banks.

## 5.0 Conclusion

Numerous conclusions were made in regard to the influence of the inclusive finance on the performance of SACCOs in Machakos County.

### 5.1. Financial Literacy and Financial Performance

The findings established that financial literacy plays a role in inclusive finance and has an impact on the performance of SACCOs in Machakos County. Therefore, the study concludes that SACCOs in Machakos County should strengthen the learning of new market trends, enhance on financial education, enforce proper management of member resources and implement efficient and effective financial systems. This will impact to customers and the performance in Machakos County.



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### 5.2 Diversified Credit Facilities and Financial Performance

The study found out that diversified credit facilities had an effect on financial performance of SACCOs in Machakos County. The study hence concludes that SACCOs ought to support diversified credit facilities, give favourable interest rates and ensure that credit facilities are accessible, affordable and readily available. As a result, the study posits that this will attract more customers, reduce risk on credit facilities and will reach many borrowers and therefore, improve performance of SACCOs in Machakos County.

### 5.3 Mobile Money Transfer and Financial performance

The findings established that mobile money transfer services had influence on financial performance of SACCOs in Machakos County. This study therefore concludes that SACCOS should support mobile money transfer, increase convenience, reliability and flexibility and facilitate platforms for credit services and products. The study hence agrees that this will have impact on the SACCOs' performance, enhance their effectiveness and efficiency and render quality services.

### 5.4 Agency Banking Services and Financial performance

The study findings revealed that agency banking services have an influence on the financial performance of SACCOs in Machakos County. Therefore, the study concludes that SACCOs in Machakos County support agency banking, increase accessibility and expand the customer base of agency banking services to reach the poor clients in rural areas. As a result, the study affirms that agency banking will ensure customers are satisfied with the services of agency banking and hence increases transactions as well as improve financial performance in SACCOs.

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