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FACTORS INFLUENCING WEALTH CREATION IN INVESTMENT GROUPS IN KENYA: A CASE OF NAIROBI COUNTY

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ABSTRACT

The general objective of this study was to establish the factors influencing wealth creation in investment groups in Kenya where the focus was on investment groups in Nairobi County. The specific objectives of the study were to assess the effects of strategic planning and management and execution of investments on wealth creation among investment groups in Kenya. This research problem was studied through the use of a descriptive research design. The target population was investment groups in Nairobi County, working with various micro-financial institutions like Rafiki DTM, KWFT, SMEP, BIMAS and Opportunity International. The study used Probabilistic sampling technique. Eighty (80) investment groups banking with the MFIs' head offices in Nairobi were randomly selected. This study collected both primary and secondary data. Primary data was gathered using questionnaires. The questionnaire was administered using a drop and pick later method. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. The study concludes that investment groups play a major role in wealth creation. The study deduces that strategic planning affects wealth creation among the investment groups in Kenya. Strategies for wealth creation are developed in context by committed members and partners. As such corporate governance, strategic objectives, situational analysis, strategic choice and mission and vision statements affects wealth creation in the investment groups. Management and execution of investments affects wealth creation among the investment groups. Commitment to wealth creation investments, stakeholder involvement in investment, investment management skills and traits, management compensation and sense of belonging to investment activities affects wealth creation. Shareholder wealth and contributions to investment projects, sources of income, savings facilities and savings opportunities affect wealth creation in the investment groups. The study recommends that there is need to cultivate shared understanding of strategic goals and objectives and to develop a practical results-relevant practice focused on wealth creation as well as making sound financial decisions which are vital especially with the prevalent economic hardships faced in the present world. The investment groups need to select management teams that are competent in employing creative thinking and logical analysis in combination in order to create the future of the investment groups. The emphasis of groups policy should not only be focused on increasing savings but on removing the impediments to growth as most growth promoting policies may even result in a temporary decline in savings rates. For the investment groups to realize their objectives in wealth creation there is need for understanding the investment laws awareness and compliance, regulatory frameworks, licensing of investments and investment protection legislation.

Key Words: Wealth Investment, Investment Groups, Strategic Planning, Management

INTRODUCTION

Investment groups usually consist of a group of individuals who pool their limited or stated funds on a regular basis and collectively invest these funds in a business enterprise like buying shares in the stock market or investing in the real estate market or providing thrift to its members. They are mainly characterized by a small number of likeminded people coming together and pooling resources for investment. These groups are guided by principles of members' commitment, clear vision, formal and professional governance, separation of ownership from management, and group trust to enable the saved resources to be put into a substantial midterm to long term investments.

Investment plays an important role in sustaining growth and development of any country. High rates of investments depend on high rates of saving (Pelrine & Kabatalya, 2005). Investment groups provide a supportive environment where investors can learn how to invest by sharing knowledge and experience, with the benefit of being in a social club with like-minded people. Investment groups' members typically bring together a diverse collection of people and members take on various roles and responsibilities depending on their strengths and weakness.

Central to the success of most Investment groups is the necessity for members to share similar values and invest the same amount of money regularly. Raising costs of living and health care cost, inflation, insecurity of employment, unreliability of pension funds and systems, increase in levels of education, enlightenment on the importance of money and money management have all resulted in greater attention being paid to wealth creation. So much have been achieved through the collective efforts of investment groups and admittedly with improved structured approach the frontier provides an incredible foundation for huge economic advancements and wealth creation as evident in the progress made in the many countries globally during the past century.

The investment groups movement spread all over Europe, Northern America, Latin America, and Asia from 1900 to 1930. The increase in wealth of U.S. households resulting from the housing and stock market booms during the 1990s and early 2000s contributed substantially to increased consumption and low savings during this period, according to numerous studies (Wilkerson and Williams (2011) for a review). Nevertheless, the fallout from subsequent stock market and housing busts indicates that reliance on such asset price booms to finance consumption can be risky and unsustainable. Cheng and Chan (1995) examine the price premium paid by international bidders and propose that the US targets receive higher premiums from those acquirers that diversify their operations for the first time in the USA to exploit synergies and market imperfections.

Many regions, particularly low-wealth rural areas, have struggled to put in place the strategies and institutions that build local assets and create wealth that stays local. They have struggled to replenish rural resources and create communities that are resilient in the face of a rapidly changing global environment. In the long-term investment horizon, investment groups are the most profitable basic financial assets (Wadell & Reed, 2005) on the US market conditions. The primary appreciation factor is the ability of different societies to improve their financial indicators (Hysek, 2009). In the face of these struggles, the ability of rural areas to contribute to overall economic growth in the U.S. has been limited.

Kenya has the region's most successful investment groups. Statistics from the Kenya Association of Investment Groups indicate that one in every three adults is a member of such a group. It is estimated that about KShs60 billion has been accumulated in savings and investments. One of the major investment group in Kenya is Transcentury, a part owner of the Kenya-Uganda Rift Valley Railways. Kenya is a home to two of the region's leading companies that have origins of investment groups namely; Transcentury and Centum. The two companies are listed on the East Africa's stock market platforms and have regional investments.

Statement of the Problem

According to Arrow et al. (2010) wealth is the social worth of an economy's entire productive base," which "consists of the entire range of factors that determine intergenerational well-being. Whether investments in wealth improve the well-being for some or all people in a community depends upon the distribution of costs and benefits among community members and whether the social benefits of the investment exceed the social costs. The creation of wealth requires savings and investment, which presume a willingness and ability to forgo consumption in the present for the sake of increased well-being in the future. However, patience and thrift alone are insufficient to accumulate wealth. Local investment groups popularly known as 'Chamas' are playing an increasingly visible and crucial role in the economy and as such need to adopt modern investment practices. According to Kenya Association of Investment Groups the value of wealth held by investment groups in Kenya (savings & investments) is currently approx. KShs80 billion (USD888 million) and growing. One in every three adults in Kenya is a member of an investment group. Investment groups play a major role in wealth creation but the efforts are by and large very fragmented and much disorganized creating wealth significantly below potential. These investment groups grow their investment portfolios, prudent and ethical management practices become imperative to their success and survival. Consequently, there is a rising trend whereby many investment groups are graduating into large investment vehicles.

Wealth creation through investment groups can contribute to people's welfare in many ways beyond increasing income, such as providing economic resilience in adverse circumstances or enhancing one's power and prestige. According to Ratner (2010), investing in groups and social organizations is a critical component of long-term economic growth. Given the importance of wealth for economic well-being, understanding how wealth is distributed is critical. Despite the glaring evidence of the ever increasing trend of rise of investment groups in Kenya, the realization of the objectives of these groups remains critical as the groups struggle with the hurdle of strategic financial investments for wealth creation. They continually face challenges of formalizing the relationship, embracing corporate governance and monitoring systems & controls. To the best of the researcher's knowledge, no study has ever investigation the factors influencing wealth creation in investment groups in developing countries like Kenya hence the research gap. This study was a modest attempt to bridge this gap by investigating the factors influencing wealth creation in investment groups in Kenya where the focus was on investment groups in Nairobi County.

Objectives of the Study

The general objective of this study was to establish the factors influencing wealth creation in investment groups in Kenya where the focus was on investment groups in Nairobi County. The study was guided by two specific objectives: To assess the effects of strategic planning and management and execution of investments on

wealth creation among investment groups in Kenya

Research Questions

This study was aimed at answering the following basic questions:

1. What are the effects of strategic planning on wealth creation among investment groups in Kenya?

2. What is the influence of management and execution of investments on wealth creation among investment groups in Kenya?

Scope of the Study

This study was on the factors influencing wealth creation in investment groups in Kenya. This study was limited to investment groups in Nairobi County where special focus was on the stakeholders of the investment groups in Nairobi. This involved collecting information from the members/investors and staffs in the investment groups. This was relevant in collecting the data required as time and distance are the limiting factors that inhibit collecting the data from all the investments groups across the country. This study was undertaken between the months of August 2013 to July 2014.

Theoretical Review

Theories are formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge, within the limits of the critical bounding assumptions. A theoretical framework consists of concepts, together with their definitions, and existing theory/theories that are used for the particular study (Torraco, 2011). This study is grounded on Agency Theory, Cognitive Capitalism Theory, Theory of Resources and Capabilities and Institutional Theory.

a) Agency Theory

Agency theory is concerned with resolving two problems that can occur in agency relationships. The first is the prospect of conflict between the desires or goals of the principal and the desires or goals of the agent (Eisenhardt, 1989). Proponents of agency theory assume that each party acts in its own self-interest. This assumption gives rise to the so-called agency problem because the interests of the principal and agent may conflict. The agent may avoid fulfilling obligations or engage in self-serving behaviors, such as using work time and organizational resources for personal gains. The more autonomy and independence the agent enjoys and the greater the specialized knowledge required in performing the task, the more significant this “moral hazard” becomes (Holmstrom, 1979). According to agency theory, an agency relationship is in effect whenever one party, a principal, hires another person, an agent, who possesses specialized knowledge and skills (Eisenhardt, 1989).

The theory's main assumption is that human beings by nature are selfish, thus agents and principals will most probably have differences in interests and attitudes towards risk, leading to divergent decision-making preferences (Eisenhardt, 1989). To reduce the moral hazard inherent in agency relationships, principals develop mechanisms, or “rules of the game,” to monitor agents' actions and reward agents when they act in accordance with the principals' objectives (Jensen, 1983). When an agent has high autonomy, independence, and highly specialized knowledge, monitoring becomes challenging and expensive, leaving the principals to rely on incentives in order to reward agents for appropriate outcomes (Tosi & Gomez-Mejia, 1994). Lack of proper and accurate information flow from the agent makes it difficult for the principal to design and implement a contract that spells out how the agent should behave under

various circumstances, making it impossible for the principal to ensure that the agent takes appropriate decisions.

This imbalance in the distribution of information between principals and agents is referred to as information asymmetry (Rutherford & Buchholtz, 2007). Hendry (2005) refers to adverse selection as the risk of selecting incompetent employees. Eisenhardt (1989) advocates monitoring the actions of agents and/or deploying incentive mechanisms, often in the form of outcome-based compensation, in order to overcome those problems. Thus, moral obligation in general comes from the idea of duty, the idea that a person may rightly be compelled to do something.

b) Cognitive Capitalism Theory

The theory of "Cognitive capitalism" asserts that cognitive ability is the crucial factor which creates wealth in modern economies, and that the geographical factors which have been necessary in ancient societies are no longer so important. Cognitive capitalism theory is a theory which takes recent phenomenal changes as representing fundamental transformation that capitalism is going through. Proponents of this theory argue that capitalism is transitioning to a new stage of capitalism even though the extent of the transformation is not so extreme that these changes do not entail the emergence of a new mode of production.

According to Paulré (2004), the objective of cognitive capitalism theory is “to address the role of knowledge in understanding the evolution and transformation of contemporary capitalism.” The new stage of capitalism – cognitive capitalism – is characterized by the appropriation by workers of the cognitive aspect of work and the mutation of the power relation between capital and labour, more favorably to labour. The cognitive elite support general efficiency, technological innovation, efficient administration, independent institutions, and economic freedom. Via these factors intelligence and knowledge stimulate growth leading to national wealth, which in turn may boost cognitive ability in a virtuous circle. The theory was developed by the two psychologists Heiner Rindermann and James Thompson. The theory is related to human capital theory.

Capital is seen to increasingly becoming parasitic, playing no meaningful roles in the production process. Whilst capital still appropriates part of surplus created by labour, it does so only through intellectual property rights. Consequently, profit as an economic category is disappearing and becoming like rent. The significance of cognitive capitalism theory lies in the fact that it is one of the few, if not the only, leftist accounts of contemporary capitalism from a viewpoint of knowledge and/or technology. This is contrasted with the flourishing development of knowledge-based economy theories based on mainstream economics, supported by governments and international organizations such as World Bank and OECD.

c) Theory of Resources and Capabilities

As from the theory of resources and capacities it is habitual to consider that those resources are in internal and external factors of the enterprises. The entrepreneur, by means of the strategy combines these factors establishing his distinctive competencies. As from the theory of resources and capacities it is habitual to consider that those sources are in internal and external factors of the enterprises (Grant, 2001). Investments often leverage grants, sometimes in mezzanine financing arrangements that create a large multiplier effect on the amount of impact generated.

These investment vehicles are examples of how expansion into new asset classes is helping to broaden the reach of Impact Investment, while allowing investors to diversify across multiple

asset classes. Brown's (1997) interpretation of multiple resources theory was that timing involves verbal resources at the perceptual/central stages, whereas search and tracking are 9 spatial tasks. This argument, though, still fails to explain the asymmetry. If anything, there should be minimal interference, as the tasks draw on separate resource pools. In the event of an interference effect, it should affect both tasks in a similar manner, rather than affecting one task while leaving the other untouched.

Opportunities for institutional investors are still constrained by the relatively small size of many funds in this emerging sector, but as the sector matures, larger opportunities are becoming available. On the other hand, working memory, with its central executive, can offer an explanation. The central executive controls attention and coordination functions, such as allocating attention between dual tasks. Mental arithmetic and timing both draw on the central executive, which is why bidirectional interference occurs between these two tasks (Grant, 2001).

Conceptual Framework

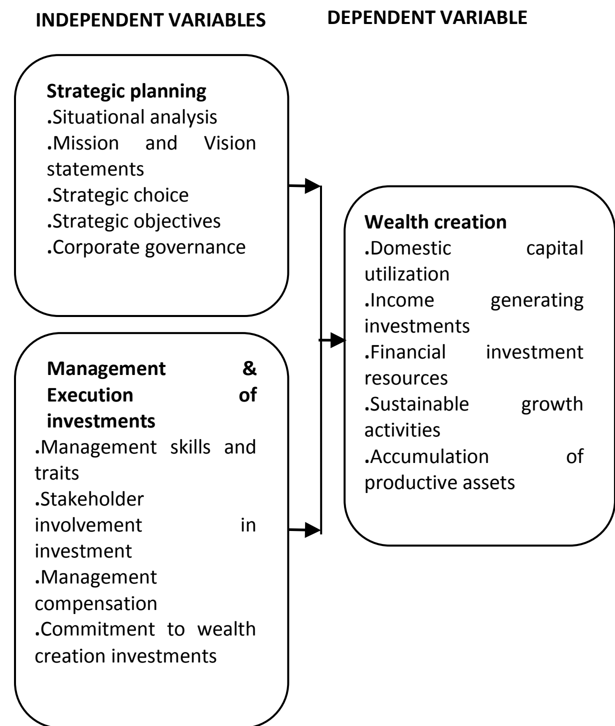

Figure 1. Conceptual Framework

2.4 Empirical Literature Review

Wealth creation is a context-dependent and dynamic process, with the economic decisions made by local actors in low and medium income communities households, businesses, local governments, and civic organizations affected by their endowments of different types of capital and by the local economic, institutional and policy context. These decisions lead to economic, social and environmental outcomes, some of which feed back to change the asset endowments of communities and their members. According to Pender, Marré and Reeder (2012) group investments increase the amount of national resources and decrease the need to resort to foreign indebtedness in order to cover domestic investment and consumption demand. Numerous countries with low internal savings rates must borrow from abroad, which results in a debt service burden. This clearly underlines the importance of savings mobilization to sustain

economic growth with national financial resources.

The process of group investments results in multiple possible dynamic pathways of changing wealth and well-being, such as sustainable growth paths involving accumulation of a broad set of assets and improving living conditions; downward wealth-based poverty traps in which overall wealth is depleted; and transitional paths in which some types of wealth are depleted and the proceeds invested in other forms for example, investing rents from depletion of mineral resources to develop physical and human capital (Arrow et al, 201). Over a longer time frame and broader regions, the accumulation of decisions and outcomes in particular communities can change the underlying context, leading to further dynamic prospects.

Wealth creation through such groups include productive assets, such as business plant and equipment, as well as assets that are valued primarily for direct consumption benefits, such as durable consumer goods. In recent decades, many scholars and development practitioners have argued that other forms of capital beyond marketable financial and physical assets are important for economic development, including “human capital” resources embedded in people, such as education, skills and health; knowledge or “intellectual capital” distinguished from human capital because it is not tied to any specific individual; “natural capital” renewable and exhaustible natural resource stocks affected by human activities; social capital” features of social organization that facilitate coordination and cooperation for mutual benefit; “cultural capital” people’s understanding of society and their role in it, and their values, symbols, and rituals; and “political capital” the ability of a group to influence the distribution of resources within a social unit (Dabson, 2010).

Group investment is necessary for both wealth maintenance and the growth. If the investment rate is very high, the present generation may carry an undue burden of reduced consumption for the benefit of future generations. Compared to more traditional investments in established asset classes, investment groups are now emerging from infancy. Some initiatives have achieved substantial scale but many others remain small (Macke and Markley, 2006). Apart from growing in its own right, the sector has fostered a high level of innovation which can potentially serve as a catalyst to influence how mainstream investments are made. The positive momentum of the investment groups sector continues, despite the recent turmoil in global capital markets. While the basic investment infrastructure needs to be developed, group investment is becoming a stable and sustainable alternative for institutional investors and high net worth individuals.

As the infrastructure builds further and more funds across asset classes achieve market-rate performance, the investment groups sector stands poised to become a powerful vehicle both to address significant social and environmental issues and to chart a new course for the financial services industry to reclaim its stature as an engine of social and economic upliftment (Lewis and Messy, 2012). Humankind at present is over-exploiting nature, the costs of which future generations will have to pay. It is therefore imperative to include the concept of sustainability in our notions of consumption, investment, and wealth. The motivations for investing as groups are self-interest, the will of survival, the desire of power aggrandizement, the enjoyment of riches, and the glory, honor, and well-being of nations.

With regard to globalization, wealth creation provides a focus for business ethics whose importance cannot be overestimated. As long as globalization is the acquisition of wealth, most often by the rich from the poor, it does not create

but only reshuffles and redistribute wealth, although accumulated wealth may pretend to be created wealth. According to Pender, Marré, and Reeder (2012) the creation of sustainable wealth is a highly complex and demanding process and cannot be achieved without paying serious attention to its distributional preconditions and consequences. Moreover, if it is true at the national level that the creation of private wealth necessitates a certain amount of public wealth, the same is likely to hold at the international and global level. Given the difficulties in creating public wealth at the local and national level, one can easily imagine the almost un-surmountable problems to do so at the global level.

Strategic Planning

According to Johnson and Scholes (2002) strategic planning is the tool for operationalization of an organization's march towards its vision. An efficient strategic plan enables the organization to effectively manage environmental change and sustain its competitive advantage in the market. It also helps in optimum utilization of limited available resources and in improving corporate communications for its competitive advantage. Strategic planning involves making decisions about the organization's long-term goals and strategies. Strategic plans have a strong external orientation and cover major portions of the organization. Group investors typically hedge against volatility through an asset allocation across a diverse range of asset classes and strategies.

Group investment space allows these investors to pick multiple strategies for their investments. A combination of these different asset classes and strategies should achieve the investment returns for investors relative to their objectives. The best investment strategy is the one that achieves group objectives with the correct balance of the risk return trade-off, viewed over the proper duration or time horizon (Rumelt et al., 2005). Group wealth creation is an important goal for both strategic management and entrepreneurship. Strategic management decisions are crucial for heterogeneity in firm behavior and organizational value creation and entrepreneurship represents an important means for generating new value (Hisrich and Peters, 2006).

Most complex organizations conduct some form of business strategic planning, often coordinated through a strategy committee or planning organization that identifies threats and opportunities emerging from the environment and recommends appropriate organization responses and investments. These recommendations become part of company plans and budgets. The maturity and usefulness of these efforts vary, but most CEOs or Boards of Directors recognize that this work is necessary. It is important to emphasize that the enterprise architecture does not represent a series of static documents, but an ongoing process (Rumelt et al., 2005). The business architecture is constantly being refined or revised as strategists and corporate planners identify environmental trends that require new corporate responses or priorities.

Group investments can be integrated across asset classes and equips investors with the tools to frame their investment decisions from strategy to implementation and evaluation. While the basic investment infrastructure needs to be developed, Impact Investment is becoming a stable and sustainable alternative for institutional investors and high net worth individuals. As the infrastructure builds further and more funds across asset classes achieve market-rate performance, group investments stand poised to become a powerful vehicle both to address significant social and environmental issues and to chart a new course for the financial services industry to reclaim its stature as an engine of

social and economic upliftment (Pender et al., 2012). Similarly, as corporate responses are modified, the information and technical architectures must be modified. That, in turn, leads to new application and infrastructure development priorities.

Agency problems may arise when management decisions or actions flow from non-value or trivial maximizing strategies. Group investments tend to adopt strategies in response to these pressures to create and maximize the shareholder wealth. In adoption of these strategies issues are raised by the various stakeholders who have interests in the firm (Pender & Reeder, 2011). The issues raised sometimes degenerate and lead to conflicts between the involved stakeholders. This is so especially when the firm is faced with a challenge of choosing among various financial actions; the managers use the wealth maximization criterion as basis of choice.

Management and Execution of Investments

Shareholder wealth creation is a creative act on the part of the management and employees of a business. In creating wealth, the corporate sector is hampered by weaknesses in two vital areas, the corporate governance system and the accounting system. Generally treated separately, both problem areas can be improved simultaneously by having management provide value-relevant, long-term track records to the investing public. Criticism of corporate governance has focused on at least three issues. First, managements (with explicit or implicit board approval) operate with an extreme focus on at least meeting, and hopefully beating, quarterly earnings expectations. But this is to the detriment of long-term value creation (Rappaport, 2005). Second, boards fail to adequately tie management compensation to wealth creation. Third, management dominance of the nominating process for board members denies the firms' common stock owners effective representation (Bebchuk, 2007).

While cost management is important, it is rare to find a situation in which stand-alone cost reduction is the only course of action available to management to create wealth for shareholders. Accounting rule-makers are struggling with ways to deal with the new business environment in which investments in intangible assets (expensed outlays for resources that contribute to cash flow over multiple future periods) are overtaking investments in booked tangible assets. As a consequence, today's transaction-based accounting system understates assets and distorts earnings, due to a mismatch between revenues and expenses. These accounting distortions are not only a major problem for individual firms, but also impact the usefulness of national income accounts (Corrado, Haltiwanger, and Sichel, 2005).

Kaynak, 2003) suggested a positive association between management practices and organizational performance. Authors diverge in the way they perceive the links between management practices and performance. Some authors think that there is a hierarchy in the management practices and that infrastructure practices may only have a positive effect on performance if core practices have also been established. Management practices have been investigated extensively (Kaynak, 2003). Although a plethora of practices have been described, similarities among practices can be discerned. This process resulted with the ten following distinct generic practices: top management commitment and support, organization for quality, employee training, employee participation, supplier quality management, customer focus, continuous support, improvement of quality system, information and analysis, and statistical quality techniques use.

Research Gaps

Group investment is a prime component in any development effort as it is believed to be the most certain way of enhancing income and promoting productivity with the intention to break through the vicious cycle of poverty (Keynes, 2000). However, the levels of domestic savings and investment in Kenya have been very low (Lawrence, Benjamin, Desterio, & George, 2009). The deterioration of public infrastructure, governance problems and insecurity have discouraged private investment in Kenya (UNCTAD, 2005). Moreover, some of the installed capacity has deteriorated due to lack of investment or maintenance. World Bank (2003) approximates capacity utilization in Kenya at 63%.

From the foregoing, the effects of group investment will be maintained and in future will have a different focus on outcomes that are driving the economic development and increased value for product, rather than value improvements in the production process, yet to this end no study has ever concentrated on documenting the factors influencing wealth creation in investment groups in developing countries like Kenya. As such, there was a need to ensure that the benefits of investment groups in wealth creation are identified, captured and reflected within the national economic growth and development platform. The researcher therefore concentrated to fill this information gap on the factors influencing wealth creation in investment groups in Kenya where the focus was on investment groups in Nairobi County.

Critique

The nature of the investment activities carried out by the investment groups is based on formal relationships underpinned by financial and contractual obligations, while in other cases it is based on strategic partnerships aimed at achieving mutual benefit. Although, the researchers and scholars have studied the group investment decision and they argued that investment decision cannot be overwhelmed and cannot be rigid as the investment environment is unpredictable. However investors are fundamental part of in the economy development, a country that does not have strategies to attract potential investors to invest in the stock market drugs behind in economy development (Choe and Ecm, 2009). The scale and nature of each investment should be tailored so that the activity won't fail on account of the investment itself.

The budget, timeframe and methods should be appropriate to ensure success of group investment. The behavioral assumption of management and execution of investments embodies rejection of perfect knowledge and optimization on the part of economic actors, which characterizes the treatment of rationality in the neoclassical economics orthodoxy and instead involves an element of being limited or bounded (Bruin and Hartle, 2003). The proponents of the theory of group investor assume that an individual makes decision on the basis of these principles. It also assumes that an investor has perfect information of his surroundings and he makes the decisions with the sole objective of profit maximization.

Savings is the difference between current earnings and consumption. It has also been defined as "deferred consumption" or part of income, which is not spent. Savings in an economy can assume one of several forms (Sherraden & McBride, 2010). Until recently, it was believed that rural consumers do not have adequate savings because of the seasonal and meager nature of their farm income. Policy makers and development planners in different banks are faced with this problem of how to foster voluntary patronage of banking programs when the government and marketing departments decide to pay for purchases through the banking system.

A large government sector increases potential profits from rent-seeking activities; this might lead to a movement of resources into more unproductive use. According to Sjöberg (2003) the purpose of the government intervention through government spending or taxing is to make the fund more stable. The major constrain to the growth of investment groups is lack of an effective regulatory framework, which give rise to some incidences of poor governance, thus lowering public confidence in these institutions. It is however worth noting that the effectiveness of various policies formulated by the government to regulate the investments in such developing economies as Kenya need to be reassessed to ensure inclusive decisions are made to enhance their success.

RESEARCH METHODOLOGY

Research Design

This research problem was studied through the use of a descriptive research design. According to Cooper and Schindler (2003), a descriptive study is concerned with finding out the what, where and how of a phenomenon. This study therefore would be able to generalize the findings to all the enterprises. The main focus of this study will be quantitative. However some qualitative approach will be used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study. This method concerns the intense investigation of problem solving situations in which problems are relevant to the research problem. The underlining concept is to select several targeted cases where an intensive analysis identified the possible alternatives for solving the research questions on the basis of the existing solution applied in the selected case study. The study attempted to describe and define a subject, often by creating a profile of group of problems.

Target Population

Target population is the total collection of elements about which one wishes to make some inferences. This study concentrated on the management and the members of the groups banking with various financial institutions in Nairobi. According to the Kenya Association of Investment Groups, there was no documented number of available investments groups in Kenya. However, Nairobi hosts majority of the registered investment groups. It was estimated that there were approximately well over 80,000 investment groups in Nairobi County. For the purpose of this study the target population was the investment groups in Nairobi County, working with various micro-financial institutions like Rafiki DTM, KWFT, SMEP, BIMAS and Opportunity International whose focus was to provide financing to investment groups.

Sample Method

From the population frame the required number of subjects, respondents, elements, firms are selected in order to make a sample. According to Cooper and Schindler (2003), random sampling frequently minimizes the sampling error in the population. This in turn increases the precision of any estimation methods used. The study used Probabilistic sampling technique in coming up with the sample of the study. This sampling technique was used as it minimizes sampling error as each element in the target population is accorded equal (unbiased) probability of being selected. Probabilistic sampling whose logic lies in selecting a truly random and representative sample that permits confident generalizations from the sample to a larger population was done.

Using probabilistic sampling ensures that each population member has a known chance of being included in the sample. As such, 80 investment groups banking with Rafiki DTM, KWFT, SMEP, BIMAS and Opportunity International head offices in Nairobi were randomly selected where one

respondent was chosen from each investment group's official or member. The selection of 80 investment groups across the major MFIs in Nairobi enhances generalization of the study findings. Statistically, in order for generalization to take place, a sample of at least 30 elements must exist (Cooper and Schindler, 2003). Furthermore, owing to the big number of target population and given the time and resource constraints, the sampling at least 30 elements is recommended by Mugenda and Mugenda (1999). This makes it easier to get adequate and accurate information necessary for the research.

Data Collection Methods and Instruments

This study collected both primary and secondary data. Primary data is gathered and generated for the project at hand. Primary data is information gathered directly from respondents and for this study the study will use questionnaires. Secondary data is the data is gathered for other purposes and used in the recent project usually the secondary data are found inside the company, libraries, research centers, internet and etc. Secondary data involved the collection and analysis of published material and information from other sources such as annual reports, published data.

The study used a survey questionnaire administered to each member of the sample population. The questionnaire had both open and close-ended questions. The close-ended questions provided more structured responses to facilitate tangible recommendations. The closed ended questions were used to test the rating of various attributes and this helps in reducing the number of related responses in order to obtain more varied responses.

Data Processing and Analysis

Before processing the responses, the completed questionnaires were edited for completeness and consistency. Quantitative data collected was analyzed by the use of descriptive statistics using SPSS and presented through percentages, means, standard deviations and frequencies. The information was displayed by use of and in prose-form. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and assumptions through use of SPSS. The data was broken down into the different aspects of factors influencing wealth creation in investment groups in Kenya. This offered a quantitative and qualitative description of the objectives of the study.

FINDING AND DISCUSSION

Background Information

This section concerns itself with outlining and presentation of the findings obtained from the questionnaires distributed to the respondents. The study involved the management and the members of the groups banking with various financial institutions in Nairobi like Rafiki DTM, KWFT, SMEP, BIMAS and Opportunity International since they are the ones conversant with the factors influencing wealth creation in investment groups in Kenya where the focus was on investment groups in Nairobi County.

In order to get the background information on the factors influencing wealth creation in investment groups in Nairobi County Kenya, the demographic data of the respondents was investigated in the first section of the questionnaire. They are presented in this section under gender of the respondents, age bracket, highest level of education and length as a member of an investment group or Chama.

Response Rate

Questionnaire return rate involves the computation of the response rate from the questionnaire returned from the respondents. The study targeted the management and the

members of the groups banking with various financial institutions in Nairobi to indicate their opinions and extents to which various factors influence wealth creation among investment groups in Nairobi County Kenya. As such the study sampled 80 respondents from the target population to collect data with regard to factors influencing wealth creation in investment groups in Nairobi County.

According to the finding out of 70 questionnaires distributed 80 respondents completely filled in and returned the questionnaires. This accounted for 87.5% response rate. The response rate conformed to Mugenda and Mugenda (2003) that for generalization, a response rate of 50% is adequate for analysis and reporting, 60% is good and a response rate of 70% and over is excellent. The good response rate was reached due to the adoption of the data collection method of constant follow up with the respondents by the researcher. Additionally, any clarifications needed by the respondents were accorded promptly. The questionnaires that were not returned were due to reasons like, the respondents were not available to fill them in at that time and with persistent follow-ups there were no positive responses from them. The response rate demonstrates a willingness of the respondents to participate in the study on the factors influencing wealth creation in investment groups in Kenya where the focus was on investment groups in Nairobi County.

Gender

In this study the respondents sampled were expected to comprise both male and female staffs and the members of the groups banking with various financial institutions in Nairobi. As such, the study required the respondents to indicate their gender by ticking on the spaces provided in the questionnaire.

Accordingly, 62% of the respondents were males while 38% of them were females. The findings show that the staffs and members of the investment groups banking with various financial institutions in Nairobi studied are both male and female members; however the majority of them are males. The findings imply that the views expressed in these findings are gender sensitive and can be taken as representative of the opinions of both genders as regards to the factors influencing wealth creation in investment groups in Nairobi County Kenya.

Age of the respondents

In order to avoid biasness, this study had to investigate the composition of the respondent in terms of age. The study posed a question requesting the respondents to indicate their age brackets. Table 4.3 shows the results of the findings on the age brackets of the respondents.

According to the finding, majority (71%) of the respondents were aged between 31-40 years, 14% of them indicated that they were aged between 21-30 years, 12% of the respondents indicated that they were aged between 41-50 years, while 3% of them were aged over 50 years. From these results it is clear that the respondents were well distributed in terms of age and that they are active in technological advancements and productivity and hence can contribute constructively in the factors influencing wealth creation in investment groups in Nairobi County, Kenya.

Level of Education

The investment groups draw members from different social – economic backgrounds hence academic qualifications among the personnel charged with the responsibility of ensuring its smooth running of the investment groups. This study, therefore, sought to establish the levels of education attained by the respondents drawn

from the staffs and the members of the groups banking with various financial institutions in Nairobi.

The study results reveal that 42% of the respondents had acquired a Bachelor's or undergraduate degrees level of education, 37% of the respondents indicated that they had acquired college diplomas, while 21% had acquired post graduate level of education as their highest level of education. These results imply that majority of the respondents had at least an undergraduate degree and hence understood the information sought by this study. The findings further imply that all the respondents were academically qualified and also familiar with their duties and could dispense them effectively in terms of professional work ability and performance.

Length as a Member of an Investment Group or Chama

The length of service in an organization determines the extent to which one is aware of the issues sought by the study. The study thus sought to establish the length of time that the respondents had been members of investment groups or chamas. From the study majority (46%) of the respondents overwhelmingly recapped that they had been members of investment groups or chamas for a period of less than 5 years, 35% of the respondents had been members of investment groups or chamas for a period of between 5 and 10 years, while 19% of them had been members of investment groups or chamas for a period of more than 10 years.

Investment Groups and Wealth Creation

The main purpose of this study was confined to establishing the factors influencing wealth creation in investment groups in Nairobi County, Kenya. The study sought to establish whether the respondents' groups/chamas could be classified as investment groups involved in investment activities. From the study all (100%) of the respondents unanimously agreed that their groups/chamas could be classified as investment groups involved in investment activities.

The study was also interested in finding out the extent to which the investment groups involved in the various wealth creation activities. A scale of 1 to 5 was provided where 1= no extent, 2= little extent, 3= moderate extent, 4= great extent and 5 is to a very great extent.

Table 1. Extent of Involvement in Various Wealth Creation Activities

Wealth creation activities	No extent	Little extent	Moderate extent	Large extent	Very large	Mean	Std dev
Domestic capital utilization	29.2	43.8	8.3	8.3	10.4	3.5428	1.5152
Income generating investments	0	12.5	18.8	43.8	25	3.6828	1.2500
Financial investment resources	11	0	19	20	50	3.9745	1.3183
Sustainable growth activities	18.8	10.4	35.4	35.4	33.3	3.2972	1.6102
Accumulation of productive assets	0	12.5	14.6	25	29.2	3.3322	1.4923

Majority of the respondents indicated that their groups involved in financial investment resources to a great extent as shown by a mean score of 3.9745, income generating investments to a great extent as shown by a mean score of 3.6828 and domestic capital utilization to a great extent as shown by a mean score of 3.5428, while they involved in accumulation of productive assets and sustainable growth activities to moderate extents as shown by mean scores of 3.3322 and 3.2972 respectively.

Strategic Planning

In its first specific objective the study sought to assess the effects of strategic planning on wealth

creation among investment groups in Kenya. As such the respondents were required to indicate the extent to which strategic planning affects wealth creation among the investment groups.

Table 2. Extent to which Strategic Planning affects Wealth Creation among the Groups

Extent	Frequency	Percent
To a very great extent	8	11.9
To a great extent	17	23.8
To a moderate extent	37	52.4
To a little extent	8	11.9
Total	**70**	**100.0**

Based on the results as tabulated in table 4.7, 52.4% of the respondents unanimously indicated that strategy planning affects wealth creation among the investment groups to a moderate extent, 23.8% indicated to a great extent, while 11.9% reiterated that strategic planning affects wealth creation among the investment groups to a very great extent. Another 11.9% of the population studied believed that strategic planning affects wealth creation among the investment groups to a little extent. From the data, it is clear that strategic planning has a moderate impact on wealth creation among the investment groups.

The study further required the respondents to rate the extent to which various aspects of strategic planning affect wealth creation in the investment group. A scale of 1 to 5 was provided where 1= no extent, 2= little extent, 3= moderate extent, 4= great extent and 5 is to a very great extent.

Table 3. Aspects of Strategic planning that affect Wealth Creation

Aspects of strategic planning	No extent	Little extent	Moderate extent	Large extent	Very large extent	Mean	Std dev
Situational analysis	29.2	43.8	8.3	8.3	10.4	3.5428	1.5152
Mission and Vision statements	18.8	10.4	35.4	35.4	33.3	3.2972	1.6102
Strategic choice	0	12.5	14.6	25	29.2	3.3322	1.4923
Strategic objectives	0	4.2	45.8	37.5	12.5	3.5845	0.77251
Corporate governance	6	13	19	31	31	3.6954	1.25435

Majority of the respondents reiterated that corporate governance affects wealth creation in the investment groups to a great extent as shown by a mean score of 3.6954, as well as strategic objectives to a great extent as shown by a mean score of 3.5845 and situational analysis to a great extent as shown by a mean score of 3.5428, while strategic choice and mission and vision statements affects wealth creation in the investment groups to moderate extents as shown by mean scores of 3.3322 and 3.2972 respectively.

The respondents were also required to indicate their level of agreement with various statements on the role of strategic planning on wealth creation. The responses are as depicted in Table 4.9.

Table 4. Agreements with Statements on Role of Strategic Planning on Wealth Creation

Statements on the role of strategic planning on wealth creation	Strongly disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std dev
The best investment strategy achieves group objectives	0	0	15.7	72.9	11.4	3.9571	.52297
Strategic planning in wealth creation is an important goal	0	11.4	51.4	25.7	11.4	3.3714	.83703

for management and entrepreneurship							
Strategic planning decisions are crucial organizational value creation	0	16.7	50	27.8	0	3.0000	0.8401
There are strategy committees that identify threats and opportunities emerging from the investment environment	29.2	43.8	8.3	8.3	10.4	3.5428	1.5152
Investment groups adopt strategies in response to these pressures to create and maximize the shareholder wealth	6	13	19	31	31	3.6954	1.2543

From the study, majority of the respondents agreed that the best investment strategy achieves group objectives as shown by a mean score of 3.9571, investment groups adopt strategies in response to these pressures to create and maximize the shareholder wealth as shown by a mean score of 3.6954 and that there are strategy committees that identify threats and opportunities emerging from the investment environment as shown by a mean score of 3.5428, while they remained neutral on that strategic planning in wealth creation is an important goal for management and entrepreneurship as shown by a mean score of 3.3714 and strategic planning decisions are crucial organizational value creation as shown by a mean score of 3.0000.

Management and Execution of Investments

The second objective of the study was to examine the influence of management and execution of investments on wealth creation among investment groups in Kenya. In this regard the respondents were required to rate the influence of management and execution of investments on wealth creation among the investment groups in Kenya.

According to figure 4.3, majority (39%) of the respondents stated that management and execution of investments affects wealth creation among the investment groups in Kenya to a great extent and 33% to a very great extent while 23% said management and execution of investments affects wealth creation among the investment groups in Kenya to a moderate extent. According to 4.5% of the respondents, management and execution of investments affects wealth creation among the investment groups in Kenya to a little extent. These results indicate that management and execution of investments affects wealth creation among the investment groups in Kenya to a great extent as shown by majority of the respondents, 72%.

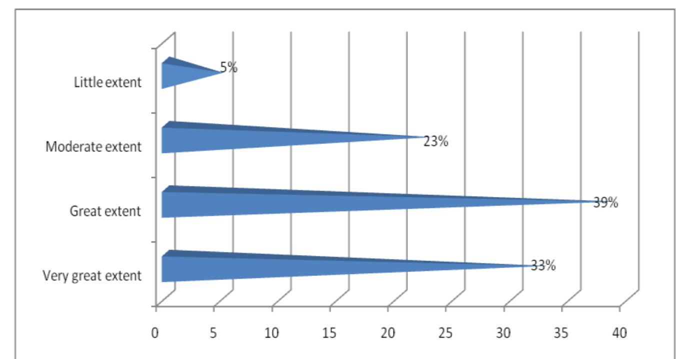

Figure 2. Influence of Management and Execution of Investments on Wealth Creation

The study further sought to ascertain the extent to which various aspects of management and execution of investments affect wealth creation in the investment group. Table 4.10 shows the results of the study.

Table 5. Aspects of Management and Execution of Investments

Aspects of management and execution of investments	No extent	Little extent	Moderate Extent	Great extent	Very great extent	Mean	Std. Dev.
Investment management skills and traits	27.1	37.5	6.3	14.6	14.6	3.2083	1.184
Stakeholder involvement in investment	2.1	16.7	10.4	60.4	8.3	3.6250	1.002
Management compensation	25	25	12.5	29.2	8.3	2.7083	1.352

Sense of belonging to investment activities	8.3	50	18.8	18.8	4.2	2.6042	1.026
Commitment to wealth creation investments	2.1	27.1	16.7	10.4	43.8	3.6667	1.342

From the study, commitment to wealth creation investments affects wealth creation in the investment group to a great extent as shown by a mean score of 3.6667 and stakeholder involvement in investment affects wealth creation in the investment group to a great extent as shown by a mean score of 3.6250, while investment management skills and traits affects wealth creation in the investment group to a moderate extent as shown by a mean score of 3.2083, management compensation affects wealth creation in the investment group to a moderate extent as shown by a mean score of 2.7083 and sense of belonging to investment activities affects wealth creation in the investment group to a moderate extent as shown by a mean score of 2.6042.

Management and execution of investments affects wealth creation in the investment group. Accordingly the respondents were required to indicate their level of agreement with various statements on influence of management and execution of investments on wealth creation among the investment groups in Kenya.

Table 6. Agreements on Effects of Wealth Creation in the Investment Group

Effects of wealth creation in the investment group	**Strongly disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**	**Mean**	**Std dev**
Management practices affect the performance of the investment activities advanced by the investment groups	4.1	26.3	18.1	19.2	32.3	3.4612	1.263
Poor integration of activities of management practices within the investment groups	29.2	43.8	8.3	8.3	10.4	3.5428	1.5152
Difficulties and obstacles not acknowledged, recognized or acted upon with the implementation process of management practices	0	23.1	46.2	30.7	0	3.0769	.75955
Poor management and leadership styles affect wealth creation among the investment groups	0	23.1	69.2	7.7	0	2.8462	.55470
The management practices for the investment group are not consistent and lack comparability for wealth creation	2.3	27.1	6.7	41.3	22.6	3.5489	1.1772

Majority of the respondents agreed that the management practices for the investment group are not consistent and lack comparability for wealth creation as shown by a mean score of 3.5489 and poor integration of activities of management practices within the investment groups as shown by a mean score of 3.5428. In addition, the respondents neither agreed nor disagreed management practices affect the performance of the investment activities advanced by the investment groups as shown by a mean score of 3.4612, difficulties and obstacles not acknowledged, recognized or acted upon with the implementation process of management

practices as shown by a mean score of 3.0769 and poor management and leadership styles affect wealth creation among the investment groups as shown by a mean score of 2.8462.

Correlation Analysis

The study also investigated the correlation between the independent variables individually with the dependent variable. The purpose was to determine whether regression analysis is suitable.

Table 4.15 Correlation Analysis

	X1	X2
X1	1.0	
X2	0.21	1.0
Y	0.86	0.53

The variables under the study are:

Y – Dependent variable – wealth creation.

Independent variables:

X 1 – Strategic planning

X 2 – management and execution of investments

The result of study shows all the two independent variables had strong linear correlation with the dependent variable. The study ran multi regression and correlation analysis for the two independent variables against the dependent variable Y. The results show that there is a positive correlation between the independent variables and the dependent variable where the strategic planning is the most significant with correlation values of 0.86.

Regression Analysis

The ordinary least square regression was used to determine the factors (predictor variables) affecting wealth creation.

$Y=\beta 0 + \beta 1X1+ \beta 2X2+ \pi$

Where Y is the dependent variable, wealth creation and X1-4 are the independent variables.

β = Regression coefficient

β0 is the Intercept, the value of Y when X values are zero.

X 1 – Strategic planning

X 2 – management and execution of investments

π= Error term normally distributed about the mean of zero

The results are shown in table 4.8 below:-

Table 4.16 Regression Analysis

Model	R	R^2	Adjusted R^2	Std error of Estimate
I	0.774	0.60	0.559	10.023

Source: Author (2014)

The result of the study show that the value of R squared is 0.600. This means that independent variables investigated in the study namely strategic planning and management and execution of investments account for or explain 60% of the dependent variable, wealth creation. Thus R squared of 60% is considered significant. The study shows that wealth creation is significantly affected by the two independent variables investigated and that all the two independent variables are positively correlated with the dependent variable under the study.

SUMMARY OF FINDINGS

This study found that the groups/chamas studied could be classified as investment groups involved in investment activities. These groups involved in financial investment resources, income generating investments, and domestic capital utilization to great extents. However, the investment groups

involved in accumulation of productive assets and sustainable growth activities to moderate extents.

The study also found that strategic planning has a moderate impact on wealth creation among the investment groups. From the results, corporate governance affects wealth creation in the investment groups to a great extent, as well as strategic objectives and situational analysis, while strategic choice and mission and vision statements affects wealth creation in the investment groups to moderate extents. Strategic planning plays various significant roles on wealth creation. There was consensus that the best investment strategy achieves group objectives, investment groups adopt strategies in response to these pressures to create and maximize the shareholder wealth and that there are strategy committees that identify threats and opportunities emerging from the investment environment. However there was neutrality on that strategic planning in wealth creation is an important goal for management and entrepreneurship and strategic planning decisions are crucial organizational value creation.

The study further ascertained that management and execution of investments affects wealth creation among the investment groups in Kenya to a great extent. In this regard it was cleared that commitment to wealth creation investments and stakeholder involvement in investment affect wealth creation in the investment group to a great extent, while investment management skills and traits, management compensation and sense of belonging to investment activities affects wealth creation in the investment group to a moderate extent. Management and execution of investments affects wealth creation in the investment groups. There was agreement that the management practices for the investment group are not consistent and lack comparability for wealth creation, and poor integration of activities of management practices within the investment groups. On the other hand there was neither agreement nor disagreement, management practices affect the performance of the investment activities advanced by the investment groups, difficulties and obstacles not acknowledged, recognized or acted upon with the implementation process of management practices and poor management and leadership styles affect wealth creation among the investment groups.

Conclusions

The study concludes that investment groups play a major role in wealth creation. To achieve the potential of becoming significantly greater wealth creators, investment groups involve in financial investment resources, income generating investments, and domestic capital utilization as well as accumulation of productive assets and sustainable growth activities.

The study deduces that strategic planning affects wealth creation among the investment groups in Kenya. Strategies for wealth creation are developed in context by committed members and partners. As such corporate governance, strategic objectives, situational analysis, strategic choice and mission and vision statements affects wealth creation in the investment groups. Its clear then that the best investment strategy achieves group objectives, investment groups adopt strategies in response to these pressures to create and maximize the shareholder wealth and that there are strategy committees that identify threats and opportunities emerging from the investment environment, strategic planning in wealth creation is an important goal for management and entrepreneurship and strategic planning decisions are crucial organizational value creation.

The study concludes that management and execution of investments affects wealth creation among the investment groups. Accordingly, commitment to wealth creation investments,

stakeholder involvement in investment, investment management skills and traits, management compensation and sense of belonging to investment activities affects wealth creation in the investment groups. In addition, management and execution of investments affects wealth creation in the investment groups. As such, it was deduced that management practices for the investment group are not consistent and lack comparability for wealth creation, and poor integration of activities of management practices within the investment groups. Furthermore management practices affect the performance of the investment activities advanced by the investment groups, difficulties and obstacles not acknowledged, recognized or acted upon with the implementation process of management practices and poor management and leadership styles affect wealth creation among the investment groups.

5.4 Recommendations

The foregoing results and deductions indicate that wealth creation in the form of new expectation patterns are strongly inter-linked and involve the contribution of the group members (creators) implementers (management) and stabilizers (policymakers and legal institutions). To achieve the potential of becoming significantly greater wealth creators, investment groups involve in financial investment resources, income generating investments, and domestic capital utilization as well as accumulation of productive assets and sustainable growth activities. As a result, conventional efforts and investment have centred on optimization of existing technologies and destroyed the ability to create new technologies and delivering leadership. To achieve the potential of becoming significantly greater wealth creators, investment groups must take a step back and address a number of fundamental issues and challenges. Therefore, for the investment groups to achieve their goals of wealth creation, the following recommendations are made:

From the results, strategic planning is a major aspect that affects wealth creation among the investment groups. As such the study recommends that there is need to cultivate shared understanding of strategic goals and objectives and to develop a practical results-relevant practice focused on wealth creation as well as making sound financial decisions which are vital especially with the prevalent economic hardships faced in the present world. This would involve clear understanding and practice of good corporate governance, outlining clear strategic objectives, knowledge on situational analysis, strategic decisions and choices as well as mission and vision statements. This would go a long way in ensuring achievement of group objectives, creation and maximization of shareholder wealth, identification of threats and opportunities emerging from the investment environment as well as entrepreneurship and strategic planning decisions are crucial organizational value creation.

The study further established that management and execution of investments affects wealth creation among the investment groups. It is therefore recommended that the investment groups need to select management teams that is competent in employing creative thinking and logical analysis in combination in order to create the future of the investment groups. By using their collective imagination to continually come up with new ideas, and by believing in their ability to bring their ideas into form, the management team can create the future for the investment groups. The management should be focused and committed to wealth creation investments, stakeholder involvement in investment, investment management skills and traits, management compensation and sense of belonging to investment activities. This are proven approaches for ensuring consistent, comparability and integration of activities of management practices within the investment groups.

Recommendation for Further Studies

This study has investigated the factors influencing wealth creation in investment groups in Kenya where the focus was on investment groups in Nairobi County and has identified strategic planning and management and execution of investments as being the major factors influencing wealth creation in investment groups in Nairobi County, Kenya. There are many other different groups' arrangements which have been involved in wealth creation in Kenya which differ in their way of management and have different settings all together. This warrants the need for another study which would ensure generalization of the study findings for all the investment groups involved with wealth creation in Kenya and hence pave way for new policies. The study therefore recommends that another study be done with an aim to investigate the determinants of wealth creation among investment groups in Kenya. This study would involve the other groups "Chamas" as well as 'merry-go-rounds' and table banking groups in the various counties in Kenya which are active in wealth creation and in livelihoods of the citizens.

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