

ABSTRACT

Investment groups are important for pooling of financial resources and lowering of investment risk. The issues, which affect their rates of return on investment, is however not fully known. The objective of the study was to analyze the effect of the group composition and group formalization on the financial performance of investment groups in Nakuru Town - Kenya. Descriptive survey design was used and stratified sampling technique was used to select a sample of 130 investment group members as well as investment groups. Data was analyzed using inferential statistics. The results shows that group composition and group formalization influence financial performance of investment groups positively and significantly. The study recommend that policies should be crafted that encourage gender mainstreaming in investment groups and registration of investment groups with members from different ethnic and occupational backgrounds. Training programs and member education on business skills and proper management practices are paramount in improving the financial performance of these groups.

Keywords

Group Composition, Group Formalization, Financial Performance, Group Homogeneity