

## Abstract

Savings and Credit Co-operatives Societies (SACCOs) engage in the safeguarding of funds and valuables for their members, in addition to providing loans and investment financial services. However, this endeavor entails significant risks for both the lender and the borrower. These risks decrease the Savings and Credit Co-operatives Societies ability to meet their obligations, decreases their profitability and at times leads to collapse. However, despite the adoption of various risk management strategies, the growth of Savings and Credit Co-operatives Societies still remains low. Therefore, the study sought to examine the effect of risk reduction on the growth of Savings and Credit Co-operatives Societies in Machakos County, Kenya. The study was anchored on modern portfolio theory. This study adopted a descriptive survey research design and correlational research design. The target population was 56 heads of finance departments working in SACCOs in Machakos County. The study used census approach and hence included all the heads of finance departments working in SACCOs in Machakos County. The study used primary data, which was collected by use of self-administered questionnaire. Content analysis was used to analyze qualitative data and the results were presented in a narrative form. Descriptive and inferential statistics were used in analyzing quantitative data with the help of the SPSS version 25 statistical software. Quantitative results were presented in tables and figures. The study enhances Modern Portfolio Theory by demonstrating its applicability to SACCOs, showing that risk reduction strategies are crucial for their growth. It also provides SACCOs with practical guidance on adopting risk management practices that drive growth, emphasizing the benefits of diversification and risk assessment. The study further informs policymakers about the importance of regulatory support for risk reduction strategies, advocating for policies that promote diversification and effective risk management to foster SACCO stability and growth.