IMPACT OF SACCO SOCIETIES REGULATORY AUTHORITY REGULATIONS ON THE FINANCIAL PERFORMANCE OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN KENYA

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DECLARATION

I declare that this research report is my original work and has not been presented to any other institution for any award. I would also like to state that all sources used in the study have been duly documented and credit given to their original authors in line with APA formatting style. I would also like to declare that all the sources have been provided in the reference section.

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DEDICATION

I dedicate this research work to my parents Janet and Timona Jumba who endeavoured to have their children attain education despite not having formal education themselves. To my uncle Benson Mafuno, I am grateful for your guidance and material support in my educational journey.

To my wife Gladys and children; Daisy, Joanne, Hans and Sandra, you all bring joy to my soul. You tolerated my absence as I mostly came home late while working on this paper.

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LIST OF ABBREVIATION AND ACRONYMS

EPS: Earnings per share

MFIs: Microfinance Institutions

ROE: Return on equity

SACCO: Savings and Credit Co-operative

SACCOS: Savings and Credit Co-operative Societies

DT SACCOS: Deposit Taking Savings and Credit Co-operative Societies

SASRA: SACCOs Societies Regulatory Authority

WOCCU: World Council of Credit Unions

ROA: Return on Assets

ABSTRACT

SACCOS in Kenya faced a number of challenges in their attempt to meet their performance targets. SASRA Act and the accompanying regulations were thus seen as a cure to many challenges affecting the SACCO sector. Despite the intended effect of the regulations, SACCOS still face a number of challenges. Considering that SASRA has embraced CAEL (capital adequacy, asset quality, earnings and liquidity) model in rating financial performance of SACCOS, it would be prudent to assess these specific parameters in order to establish their effect on financial performance of SACCOS. This study strives to assess the impact of SASRA regulations on financial performance of SACCOS. The study used descriptive study approach and involved all the 175 SASRA registered SACCOS through census sampling technique from which secondary data on financial parameters of SACCOS after implementation of the regulations (2016-2020) and before the establishment (2004-2008) were obtained. The study used SPSS version 26 as the platform for data analysis. The data was analysed through time series approach as well as descriptive statistics (frequency, percentages, mean and standard deviation). The study found that after the implementation of the SASRA regulations most of the SACCOS upon adherence to the prescribed regulations performed better financially as assessed through ROA when compared to when the SACCOS were operating before the implementation of the SASRA regulations. The study concludes that SACCOS which adhere to SASRA regulations record good return on assets than when operating without SASRA regulations. The study therefore recommends that management of SACCO societies should consider optimal and strict adherence to all the SASRA regulations for good financial performance of the societies. The policy makers in the ministry concerned should design appropriate directives that allow SACCOS to optimally adhere to SASRA regulations for their own financial stability and good performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Savings and Credit Co-operatives (SACCO) industry just like microfinance institutions (MFIs), are always of concern to developing countries due to their immense contributions on a country's economy (World Bank, 2019). As asserted by Maina and Kibanga (2014) the significance of guidelines and regulations are to cushion the SACCO entities from witnessing any financial misfortunes and inequities that may hamper them from achieving their organization goals. Sexton, (2016) also explains that well-designed regulations and guidelines enhance an organizations' ability to achieve its financial goals.

Fulton (2014) also argues that guidelines are administrative directives that subject organisations to operate within the confines of particular requirements and boundaries as well as offer strategies with the purpose of upholding honesty within the finance system. Principles of SACCO schemes in Africa according to WOCCU (2019), is that these financial organizations are majorly dealing with deposits and savings from their members.

The first guideline is the least amount of capital required by SACCOS prior to their entry into the market. This requirement is the real assessment of the liquidity strength of the financial institution and is usually recognised by basic regulations. On the other hand, capital adequacy is a comparative measure that evaluates the highest leverage level that the SACCO is permitted to attain when in operation. It is assessed by computing the risk weighted assets ratio based on the permitted equity that has been globally suggested to be not less than 8%.

Fiscal routine for SACCOS is very significant since administrators need to know well how SACCOS perform. There are two main reasons that explains why SACCOS should have financial presentation structure (Barth, Caprio, Levine, 2014). First and the most prominent one is to come up with statements of finance at the correct time and the second reason is to allow for easy analysis of the financial statements for generation of information on the scheme performance that has to be used to advance that performance. Grounded on World Council of Credit Unions (WOCCU)'s ideals of assessing performance, some of the elements used to regulate the performance of SACCOS comprise; asset portfolio, amount of liabilities, corporate governance, loan book performance, and the staff quality regulations.

1.1.1 SACCO Societies Regulatory Authority (SASRA) Regulations

The Kenyan government through the Ministry of Cooperative Development established SACCO Societies Regulatory Authority (SASRA) in 2008 in an effort to reorganize SACCOS and to increase public confidence on the same and thereby promote the country's financial growth through encouraging public savings (Ministry of Industry, Trade and Cooperatives, 2017). SACCO Societies Act. (2018) elucidate that for meaningful enforcement of regulations, SASRA has to approve specific bylaws that correspond with modern SACCO dynamics. Based on financial capacity, the regulations dictate amount of liquidity and capital that SACCOS ought to operate with (Muriuki and Ragui, 2016).

SASRA highlights that with respect to Kenya Vision 2030, the main objective is to initiate a sensible parameter of deposit taking SACCO societies with a view of promoting honesty and responsibility in the SACCO industry. This is hinged on constant reorganization of the finance sector whose ultimate goal is to increase access to finance, encourage efficiency and enhance financial stability of SACCO players in

Kenya (SACCO Societies Act 2018). SASRA elaborates that as a new law, it is imperative to come up with impactful changes on SACCO development to enable them adapt easily with the changing business environment. It is upon the board of directors and administration of the financial organization to analyse business reality and working environment and come up with business strategies for assessment by Authority as part of licensing procedures (SASRA, 2020).

1.1.2 Financial Performance of SACCOs

SACCO Industry in Kenya remain a central player in provision of financial services, having deeper as well as wide-ranging outreach compared to any other financial society (Waiganjo, Wanyoike, and Koitaba, 2019). SACCOS in Kenya arose during 1970's, originally in key urban centres, with an aim of mobilizing savings and giving loans to its members.

Currently, savings and credit cooperative movement act as mini banks for savings, except that general deposit is not accepted in some well performing cooperatives in Kenya. SAACOS have played a major role in deployment of local financial assets for universal economic advancement and alleviating poverty (Wanjiru, 2016). In pursuit of healthier working performance and profitability increment, SACCOS are always working on plans to advance working performance and to boost profitability. As struggle deepens as a result of changes in industry assembly and advent of new know-hows, groups are striving to decrease their operational costs that augment profitability.

Likewise, financial progress of SACCOS can be assessed through return on investment. When analysing profit performance of a business firm, there must be a thorough assessment of earnings of the firm in relation to a given level of sales, assets, share value or owners' investment. Performance can also be measured by

Earnings Per Share (EPS), Return on Assets (ROA), Price/Earning (P/E) ratio and Return on Equity (ROE). Return on equity illustrates return on equity of members and so, the higher the ratio the better for the SACCO and its members. Similarly, EPS indicate the amount of cash received for every share capital, therefore, the higher the EPS amount the more stable a SACCO is financially (Meagher, 2018).

1.1.3 SASRA Regulations and Financial Performance of SACCOS

Financial performance can be described characteristically as the assessment of how sound a business utilises its assets to create profit. It is also a general assessment of a firm's general financial wellbeing over a period of time (Ferri and Kalmi 2017). Different nations globally have diverse models in regulating their SACCOS and the mode of guideline applied is contingent on growth phase of SACCOS in a specific country (WOCCU, 2019).

At initial phases of growth, SASRA guidelines and regulations basically directs how a SACCO should be registered to conduct business and as it approaches maturity stage, the guidelines emphasises on sensible morals that establish a risk valuation procedure concentrating on liquidity, wealth and governance (Odhiambo, 2017). At the mellowness stage, guidelines emphasizes on structured credit assurance system for its members to guarantee the safety of membership assets as a measure of performance for DT-SACCOS. Regulatory and supervisory framework for SACCOS in Kenya collectively are still governed by the SACCOS Act of 1997 (SASRA, 2020).

SASRA Guidelines or regulatory directives without clear structures in financial management results into several weak points in SACCO organizations, which would then result into poor financial performance and compromised SACCO management systems (SASRA, 2020). It is in light of this, that the study seeks to establish impact of SASRA regulations on financial performance of SACCOS in Kenya.

1.1.4 Savings and Credit Co-operatives sector of Kenya

The cooperative nature of the people living in Kenya can be traced from the pre-colonial societies where people cooperated in numerous events such as hunting, building houses, farming, taking care of animals and in many other significant chores (Muriuki and Ragui, 2016). The first formal Savings and Credit Co-operative Society (SACCO) in Kenya was at Lumbwa in Rift Valley set up in 1908. The idea of SACCOS was first initiated by white settlers to allow its members access cheap and better food (SACCO Societies Act., 2018). SACCOS were also used to deliver services to associates and allow them to seek favourable markets although the memberships did not collectively sell their products. SACCOS were however restricted to white settlers only and no amount of persuasion would allow African or Asian membership. Since then, SACCOS have grown in leaps and bounds to become one of the leading players in Kenya's financial sector.

In Kenya, SACCOS have continued to provide vital financial amenities to its members for economic development and have a widespread outreach than any other financial organization within the country (Ireri, 2017). Government has unceasingly maintained SACCOS as one of the major players of economic development.

However, a study by Financial Sector Deepening (2019) exposed that SACCOS are facing many financial challenges that prevent them from adequately helping their members and clients in terms of loan provisions and other credit facilities. There is therefore a need to understand what influences fiscal performance of SACCOS in order to provide appropriate measures that can influence against such factors. SACCO organizations in Kenya encounter stiff opposition from extra actors in the financial sector such as commercial banks, micro-finance organizations, shylocks, pyramid schemes among others. It is estimated that there are about 175 registered deposit

taking SACCOS with about 5.5Milliom membership in Kenya as at December 2020 (SASRA, 2020).

The premise informing the formation of SACCO societies is mutual trust and commitments between the players in the industry. Until recently, SACCO organizations have tried to maintain their relationships with its members through offering prompt and cheap credit facilities (Wangui, 2013). However, there has been an outcry among the public and members on how these financial entities are managed given that the compromised quality of their services which is characterised by poor administration and loan non-payment. Consequently, there was formation of SASRA that was fronted by the government. SASRA is a statutory body licensed to register and govern deposit taking SACCOS and ensure they adhere to various statutory requirements in order to operate in Kenya (Maina and Kibanga 2014).

According to Waswa (2013), SASRA regulations require SACCOS to provide yearly returns (audited financial reports) as well as keep their financial records, for easy inspection and prescription of necessary actions by the regulatory body should need arise. Failure to adhere to these guidelines attract specified consequences such as deregistration.

1.2 Research Problem

SACCOS have been widely regarded as a vital source of economic growth around the world. SACCOS in Kenya remain one of the most important actors in the supply of financial services and have a wider and deeper reach than any other type of financial institution in the country. However, SACCOS experienced a myriad of challenges such as losses and reduced profitability, inadequate capital structures, inefficient liquidity management, incompetent staff, and poor corporate governance. The government therefore established the SACCO Societies Regulatory Authority

(SASRA), mandated to develop statutory regulations for the effective management of SACCOS in the face of the said challenges.

SASRA Act and the accompanying regulations were thus seen as a cure to many challenges affecting the SACCO sector. The regulations stipulate that SACCOS board of directors should provide capital return reports, liquidity reports, and financial statement position of their organizations, deposit return reports and investments return report that compares land, financial and property assets to a SACCO's whole assets and its essential capital. According to SASRA report 2020, 168 SACCOS in total were completely compliant with the SASRA regulations in spite of the fact that some of them commenced their operations with small basic capital. The report notes a declining trend of external borrowings to total assets ratio from 6.43% in 2014 to 3.67% in 2020. There were 95 DT SACCOS who did not have any external borrowing. There were however, 7 SACCOS who breached the maximum allowable ratio of 25% as per regulation 35(1) of the Regulations 2010 and necessary sanctions were issued against them. The report further notes that non-performing loans (NPLs) increased from 6.15% in 2019 to 8.39% in 2020. This validates peripheral deterioration of loan retrieval procedures engaged by SACCOS. Furthermore, the report notes that benefits on members deposits have persisted to be negligible at an average of 3.42% in 2020 and therefore increases queries on feasibility of investments which SACCOS engage in. Additionally, the report notes that though the liquidity ratio remained high at 48.50% in 2020 which is above minimum statutory ratio of 15%, there was a decline compared to 50.92% recorded in 2019.

It is thus clear that despite the intended effect of the regulations, SACCOS still face a number of challenges. Considering that SASRA has embraced the CAEL (capital adequacy, asset quality, earnings and liquidity) model in rating financial performance

of SACCOS, it would be prudent to assess these specific parameters in order to establish their effect on financial performance of SACCOS. Various studies such as those of Vianney (2013), Hartarska and Nadolnyak (2017) and Kahuthu, (2016), Buluma, Kungu and Mungai, (2017) indicated that regulations and guidelines have always guided the operations of the MFI and Sacco sector. However, in these past studies, relatively there are knowledge and contextual gaps given that every study done used different methodologies and research designs. This therefore results in inconsistency and inconclusiveness of their study findings on how SASRA guidelines influence performance of SACCOS especially in Kenya. Moreover, most of the studies done were within the international settings and focusing on the macro commercial financial institutions. This therefore makes these studies to have both contextual and methodological gaps hence warranting the present study.

1.3. Study Objective

This current study strives to assess impact of SASRA guidelines and regulations on financial performance of Savings and Credit Co-Operative Societies in Kenya.

1.4 Value of the Study

The study is of significance to the management of SACCOS and financial institutions since it gives them insight on impact SACCO regulation authority has had on their financial presentation. This is crucial because the performance of SACCOS is very critical and therefore their ability to determine the effect that the regulations implemented affect their performance and how they can apply them to get maximum benefits is crucial to the SACCOS.

To policy makers, the study findings may inform them on how the policies they have made affects the performance of the SACCOS. It helps them see areas of weakness

and shortfalls in their policies and revise them to ensure that they positively affect the performance of SACCOS.

The research findings may also be of assistance to the regulator of SACCOS, SASRA, as it will help them to understand the effect their regulations have had on the performance of SACCOS thus helping them to formulate policies that are instrumental in safeguarding performance of SACCOS in order to guarantee that they are capable of meeting their mandate without adversely affecting SACCOS performance.

Finally, the study may be of great significance to future academic researchers especially those who are interested in looking at SACCO society's regulatory authority and its effect on financial presentation of SACCOS or other related areas of study since the study provides insight and form a body of literature that they can refer to. The study also donates knowledge to future literature in this field of cooperatives.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents review of scholarly works on the related study themes. It presents the theoretical reviews of theories underpinning the study concept, an empirical review on how SASRA guidelines impact financial progress of SACCOS in Kenya as well as conceptual framework illustrating the relationship between the variables. The chapter then concludes with a summary of the reviewed empirical literatures and the emerging knowledge gaps.

2.2 Theoretical Review

In assessing the financial performance of SACCOS based on regulations and guidelines of SASRA, a number of theories have been put forward by various researchers. For the purpose of the current study, the study is guided by Buffer Theory, Earning Theory and Capital Asset Pricing Model Theory.

2.2.1 Buffer Theory of Capital Adequacy

Buffer theory was formulated by Calem and Rob in 1996. The theory asserts that financial institutions with a regulated minimum capital, have the potential of reducing risks and increasing capital. The theory also postulate that financial institutions should hold extra capital above the recommended amount. Therefore, the principle behind the creation of extra capital above the recommended are usually designed to lessen the possibility of the financial institutions falling below the legal capital expectations, particularly if the ratio of capital adequacy is extremely volatile (Milne and Whalley, 2011). When the financial institutions have more capital, they are also likely to absorb economic shocks hence lessening the probability of having challenges in the financial institutions.

In the context of the present study, buffer theory explains the need for SACCOS to adopt the idea of regulating their minimum capital ratio, to promote their performance and decrease risk associated with regulatory measures. Therefore, SACCOS may try to risk more in lending with anticipation for higher returns and consequently increase their capital base.

The buffer theory can thus be used to explain capital adequacy issues and their related capital adequacy requirements in the SACCO subsector in Kenya. In this context, SACCOS may desire to maintain a 'buffer' of surplus capital to minimise the likelihood of falling below the legal capital expectations. Normally, SACCOS would need more capital for its business operations if the deposits from the public are not fully mobilized. Adequate capital helps the SACCOS to be more reliable, dependable and carry out good long term planning and strengthen the ability of SACCOS to raise sufficient cash deposits to prevent their capital base from depletion.

2.2.2 Capital Asset Pricing Model

This model was initially formed by Jack Trey in 1962, and then later modified by William Sharpe in 1964 and Mossin in 1966. According to this model, valuing capital assets helps in regulating the required quantity of return on assets, and also in calculating the total assets in a capital portfolio. The model further explains that possible investors have information on the investment especially on the expected risks and the expected return on all assets. The theory further explains that the market portfolio entails all the available assets in the markets, of which every asset is calculated by its own market capitalization. The theory further explains that depositors would hold bigger portfolios and that the stockholders would also be equipped with adequate information on buying and owning diversified portfolios.

The Model further explains the risk of a specific portfolio or asset through the excess return on market portfolio. Further, the model illustrates the association that exists between risk and return on assets using the disparities in the returns on investment (French, 2013). The predicted return on investments is the reward while the discrepancies in returns shows the risks. This shows that business investors would go for investments that have minimal variations in returns when placed with two investment choices of similar returns.

Similarly, presented with two investments of same variations in the returns but different returns, business ventures would go for investments with bigger return. If the anticipated return is below the expected return, then the business investment should not be carried out and finances should be refunded to the shareholders, to venture on their own to get the expected return from the assets with similar risk level in the market (Glen, 2015).

In the current study, with the presumption that SACCO organizations are prone to risk, the investors are encouraged to invest in the organizations and at the same time, the managers of the SACCO societies must work on the value of the capital assets that would be valuable enough to compensate the investors and cushion them against expected risks. All these should be done with respect to SASRA requirements and guidelines. Given that it is difficult to completely get rid of the risks, CAPM assist the business investors to compute the likelihoods of anticipated returns on investments and come up with more viable decisions.

2.2.3 The Earnings Theory of Capitalization

This theory was developed by John Lintner in 1962 and it argues that predictors of the value of cost of equity capital are; dividends that the business organization should pay to eternity, organization's current stock value and the anticipated yearly growth of

dividends. According to this theory, earnings are projected and valued at a return rate, which ideally symbolises the organization performance of the industry. The basis for earning for capitalization possess the advantage of valuing a business organization at the amount related to its earning ability.

The theory is normally seen as superior to cost theory given that it has minimal opportunities of being either over or under capitalized. Comparing earnings method with that of cost methods will make a careful management and good negotiation of the technology to be used as well as the cost of establishing new investments. Nonetheless, earnings approach are also associated with demerits and the main disadvantage being the firm's inability to decide on the best capitalization and procurement sources (Lipson, 1998).

The theory similarly explains that the real value of a firm is hinged on its earnings capacity. Therefore, a firm's capitalization is equal to the capitalization value of its estimated earnings. To establish this value, a business organization while approximating its starting capital requirements, has to come up with an anticipated profit and loss account, in order to complete the nature of the earnings or to come up with a sales projection. Having computed the approximated earnings figures, the manager will make a comparison with the real earnings of other business organizations with same size and make the necessary modifications.

The earnings theory can be applied in the current study to justify the performance of earnings in Kenyan SACCOS industry with respect to the SASRA regulations given that the value of a SACCO organization is calculated by its potential to earn from the return on invested capital. The increase in rate and regulation of the earnings on capital, the more valuable the shares of a SACCO and also the more the capital

amount to be invested. This means that earnings theory relates directly with the share value of a SACCO as well as its earnings ability.

2.3 Determinants of Financial Performance

SACCOS regulations emphasises on legal policies and operations of SACCOS with the aim of guaranteeing that SACCO organizations are empowered to carry out their savings and credit facility functions, and strengthening their financial progress, without certainly varying their legal model of being cooperatives (SASRA, 2020). Jansson and Mark, (2017) elaborated that SACCOS are interested in reducing the cost of loans while simultaneously lobbying for secure and profitable business ventures for their reserves, hence making their objectives rather complicated. Therefore, the efficiencies of SACCOS would be enhanced by reducing the operating cost and increasing non-retail finances at a cheaper cost while getting high returns from the non-retail ventures. Financial growth and performance is the outcome of various business activities carried out by a business organization and therefore, the present study seeks to establish how SASRA regulations influence SACCOS' financial performance.

2.3.1 SASRA Regulations

SASRA (2012) explains that SACCO society guidelines and regulations are designed to promote efficient running of SACCOS through giving finance and operational values to govern the running of the organizations. Performance and SACCOS' guidelines or regulations correlate in such a way that the regulations should come up with well-articulated instruments that is applicable for assessing or measuring the performance hence, resulting to direct correlation (Financial Sector Deepening, 2019). Whereas there exists many reform measures in the SACCO sector which have occurred in the last few years, coming up with a SACCO particular law is a sign of

acknowledging the uniqueness of fiscal intermediation role played by the SACCOS in the economy (Kirkpatrick and Maimbo, 2012). Therefore, the operational guidelines and framework and the set performance standards are more particular and strict, which are meant not to create SACCO societies to be non-competitive and suppress their development but to enhance smooth operation of the SACCOS with the framework that encourages sound business management practices. This study will, therefore, look at some of these regulations and how they influence financial trend of SACCO societies.

2.3.2 Liquidity Management Regulations

The theory of financial intermediation postulates that liquidity creation forms the main reason why financial institutions thrive in business. Farhi Golosov, and Tsyvinski, (2019) explains liquidity as the capacity of any financial organization to finance its total asset holdings and still promptly take care of its obligations whenever they fall due. Liquidity management is one of the key purposes of business administrators in the management and control of liquidity risks which can at times be as a result of unbalanced assets holdings and 'obligations due" . In a scenario with drawable cash deposits, taking place in a single institution, can lead to a systemic impact on the entire business organization. Due to this, financial regulators such as SASRA try to control liquidity risk by imposing the least liquidity ratio that a SACCO organization ought to operate with. Some SACCOS on the other hand have also tried to maintain a ratio well in surplus of the least set by the regulatory body. However, this comes with repercussion such as the opportunity cost that comes as a result of missing a lucrative business opportunity venture or investments. Therefore, building-up of more liquidity within a SACCO may result into inefficiency in operations. Moreover, because many SACCOS entirely rely on membership share

deposits and cost of transaction to stay afloat, regulating total loans to total deposit ratios may influence the general financial development and performance of these business entities by lessening the amount of loans available to their members.

2.3.3 Asset Quality Regulations

A weighty portion of SACCO risk is in its asset quality because its chief activity is to extend credit to their borrowers. Loan default or delinquency takes place when a borrower is unable to fulfil loan obligations as spelt out in the debt contract, or has dishonoured a loan agreement (conditions) of the debt covenant. Low quality of assets has been found to be the main reason for poor performance and many failures of SACCO organizations in Kenya. Besides, non-performing credit facilities such as loans majorly given out to insiders is also one of the main causes of SACCO inability to perform in Kenya. Central Bank of Kenya, also elaborate that asset quality, as assessed by the total ratio of net non-performing credit facilities to total gross loans, of commercial banks has consistently improved for over the last 10 years and this is justified by the good risk management initiative executed by the financial organizations which raised credit appraisal and management standards. SASRA guidelines and regulations on asset quality are hence aligned to the framework proposed by the Central Bank of Kenya, which provides SACCOS with asset quality ratios that must be adhered to to guarantee better financial performance. Further, SASRA restricts the level of asset ventures although in some scenarios like those operated by commercial banks, certain assets are good to be invested in because they would still give good returns if properly managed.

2.3.4 Capital Adequacy Regulations

Capital regulation has always formed part of the major policy instruments given that the Basel Accords have always been adopted to manage financial steadiness of the

financial industry. Capital asset performs two major duties, i.e. the incentives role and the risk-sharing role. Owing to their debt-like kind of liabilities, SACCO business organizations have an incentive to carry out risk shifting or asset replacement, meaning they engage on excess risks with the knowledge that the downside risks are created by their depositors. Expecting SACCO organizations to maintain least capital to assets ratio lessens the SACCOS' facilitation to risk. On the aspect of risk sharing, Capital plays a buffering role that might pay up the losses or risks created by the creditors (depositors) and permits orderly liquidation and selling off of assets in case of financial difficulty. Nevertheless, extreme regulations may pose adverse effects because it may raise the cost of intermediation and lessen the profit of SACCOS. On the same note, if SACCO organizations focus only on complying with the standards set by the SASRA, their strategies may be adversely affected because SACCOS may eventually alter their way of operations, hence failing to meet their financial target but satisfy the SASRA rules.

2.3.5 Earnings Performance Regulations

Through earnings and with respect to SACCOS' dividend rule, a SACCO organization can raise its capital portfolio via retained earnings, hence guaranteeing its capacity to take up any business opportunity that may arise, for example, utilising retained proceeds to fund digitization of the business to enhance operational efficiency. Significance of earnings in any SACCO organization can be witnessed through the strong proceeds or profits coupled with its earnings that indicate SACCOS' capacity to take up present and future ventures and obligations. More particularly, this ratio denotes SACCOS' potential to take up losses, increase its funding, and its capacity to pay up dividends and assist in developing sufficient capital. SASRA expects that every registered SACCO should provide particular

percentage to take care of bad loans that normally have an adverse effects on earnings. Moreover, the changing cost of credit facilities while stagnating interest on deposit provides little chance for SACCOS to comply with loan necessities for their members. The problem is aggravated by increased cost of credit with limited share capital.

2.4 Empirical Literature Review

In a research conducted by Vianney (2013) in Rwanda, existing connections between regulations and financial progress of Rwanda commercial banks was assessed. The research adopted descriptive exploration design that enabled examination of the above stated relationship using a sample size of 10 commercial financial institutions. The study found out that regulations was one of the significant indicator of financial progress of financial business organizations in Rwandan. It was further deduced that regulations was a major pillar of financial bodies operating for profitability and asset building and stability. The research suggested that Rwandan government should come up with guidelines and rules that would facilitate smooth running of banks.

Hartarska and Nadolnyak (2017) also conducted a study on the effects of regulations on outreach and self-sufficiency among the 114 MFIs from 62 states and countries. Data analysis conducted on empirical findings revealed that guidelines and regulations of MFIs had a positive correlation with the operational, economic or outreach success among the MFIs. Savings were also found to have a positive and direct effect on the dependent variables, and however, if the set regulations and guidelines are the only approach to encourage savings then the financial organization will not benefit from them.

According to a five-year study by Bokhar (2019), which examined Sri Lankan trading companies from 2015 to 2018, the study used descriptive research design and time

series analysis together with Pearson Correlation to establish the correlation between liquidity regulations and profitability among Sri Lanka's publicly traded corporations.

Christen, Lyman, and Rosenberg, (2020) conducted a descriptive survey between 2018 and 2020, which was financed by the World Bank. The study strived to find out whether there exist a correlation between financial institution regulations, their administrative roles, the financial performance, and growth. The survey gathered data on bank regulations and guidelines from more than 107 nations across the globe. Using regression analysis, the study found an inverse association between regulating banks' operations, their progress and steadiness, compared to when the banks were left to freely delve into other ventures.

Buluma, Kungu, and Mungai, (2017) conducted a study to assess how SASRA Regulations would impact on fiscal performance among SACCOS in Nyandarua County. The study was anchored on three theories namely Trade off theory, Agency theory, and stakeholders' theory, which were all used to assess SASRA effects. The study applied the census approach to collect systematically data from five SASRA registered SACCOS in the county. Data was gathered through questionnaires as well as secondary data collected from annual financial records 3 years before and 3 years after SASRA licensing. From the analysis, it was discovered that majority of registered SACCOS in Nyandarua County were in complete compliance with the laid down SASRA regulations. The correlation outcome also revealed an improvement of financial performance, assessed through ROA among the SACCOS as a consequent of SASRA regulations. The study also found that SACCOS that completely followed SASRA regulations and requirements had a positive and significant association with ROA at 95% confidence level. The study, however, found that coefficient of variation was 0.162 implying that only 16.2% of the SACCOS financial performances was

justified by SASRA regulations, while the rest of 84.1% was explained by other factors.

Ngunyu and Ombati, (2018) also conducted a study to establish how Liquidity Management Regulation among SACCOS in Kenya related with their financial performance. Related literature review was carried out to determine the existence of knowledge gaps in previous scholars. A total of 175 SACCOS licenced to operate in Kenya formed the study population, from which a sample size of 30 SACCOS were selected through random sampling approach. The study used secondary data, which was analysed through descriptive as well as inferential statistics. The findings showed that liquidity of a business organization related positively with the financial performance of DT SACCOs in Kenya.

Kioko (2016) carried out a research in Kenya to find out properties of capital adequacy protocols of SACCOs using descriptive design for a sample size of 35 SACCOs. Descriptive statistics was hired to administer the influence of capital adequacy guidelines on SACCOs. The study drew a conclusion that SACCOs benefited meaningfully from the guidelines in numerous ways such as, supervision credit risk, improved public confidence, providing a safety net for members' deposits, establishment of functioning capital, augmenting lending capacity, providing a base for upcoming development, and avoiding bankruptcy. SACCOs had faced various tasks in obeying with wealth adequacy guidelines. These were condensed pay-out on associates' funds, staffing of new memberships, limited opportunities for speculation, and abridged lending size.

Waswa (2013) carried out a study to establish how regulatory bodies control interest rates given by DT-SACCOS in Nairobi County. The study revealed that the regulatory guidelines results into a little increase in interest rates charged on SACCO

loans. This was justified by the increase in cost of compliance with the set guidelines and rules. The study also observed implementing regulations and guidelines in phases as set by regulatory bodies such as SASRA, mitigate SACCOS from incurring operational costs and profit instability.

Onchwari, (2018), looked into the impact of SASRA statutory rules on SACCOS financial growth and performance. Anticipated Income model, Earnings Theory, Capital Adequacy and Capital Asset Pricing Model, were the four theories used to drive the research. The study used a quantitative approach to describe the data. Sixty-four respondents from SACCOs in the Nakuru County region of Kenya were selected as the target audience for this study. Primary data was gathered through the use of closed-ended questionnaires. The SASRA yearly publications were used to gather secondary data. Validity and reliability tests were checked by having the questionnaires pretested. Both descriptive and inferential statistics were used to analyze the data, which was then presented in tables. ROE was favourably correlated with capital sufficiency (r = 0.267) and asset quality (r = 0.080). However, ROE was negatively correlated with earnings performance (r = -0.013) and liquidity (r = -0.082). According to the findings of the research, SACCOS should comply to these regulations to improve their financial performance.

Ng'eno, (2015) investigated the influence of SASRA laws on the Returns of SACCOS. This study focused on laws specifically concerning, liquidity and core capital as they directly affect returns. The study included the total population of deposit taking SACCOS in North and Central Rift Regions. The researcher assembled data from 2006-2013 to conduct the investigation. Secondary data from which the analysis was based on was sourced from financial reports on capital adequacy, liquidity and balance sheet statements from SACCOS under SASRA. The study

employed a descriptive research methodology where a census approach was used to involve all the 18 SACCOS in the North and Central rift zones. The chow test approach that succeeded an F test was run to assess if the change in policy resulted into a substantial effect on the SACCOS.

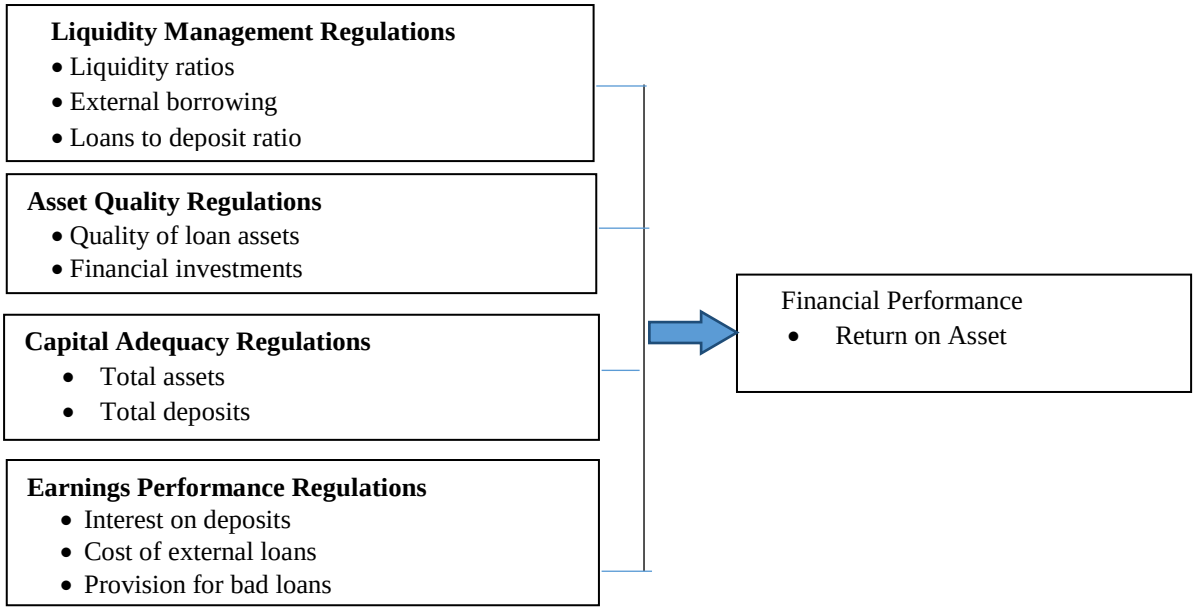
2.5 Summary of Literature Review and Research Gaps

This study is guided by three theories relating to how SASRA regulations impact the monetary growth and presentation of SACCOS in Kenya. The study highlights proponents and principles of these theories and how they inform the present study. The study also underscores the empirical literature focusing on the past studies both locally and globally on the influence of financial growth and performance of SACCOS. However, in all the empirical literature work reviewed, relatively there are knowledge and contextual gaps given that every study done used different methodologies and research designs. This therefore results in inconsistency and inconclusiveness of their study findings on how SASRA guidelines influence monetary performance of SACCOS in Kenya. Moreover, most of the studies done were within the international settings and focusing on the commercial financial institutions. There are therefore contextual gaps noted in the reviewed studies with limiting generalization of their findings thus purpose for the present study.

2.6 Conceptual Framework

Kothari, (2009) describes conceptual framework is an illustration that shows a unique idea of gathered thoughts from pragmatic fields of enquiries to pre-empt existing relationships between the variables. In this study, the conceptual model illustrates that liquidity management, asset quality control, capital adequacy management and earnings performance regulations all directly affect financial performance of SACCOS in Kenya. The relationship is depicted in Figure 2. The conceptual

framework illustrates that there is a direct connection between the independent variables which are shown by SASRA Regulations (Liquidity management regulations, asset quality regulations, capital adequacy regulations and earnings performance regulations) and dependent variable (financial performance) measured through return on asset.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The section presents the research methodology that was used to successfully accomplish the research objective. The section therefore contains research design, research population, respondents sample and sampling methods to be used. It also provides data collection analysis designs and framework as well as practical empirical model.

3.2 Research Design

The design underpinning the current study was descriptive study approach given that the study itself is descriptive in nature. This descriptive design approach is suitable for the current study given that it assisted in constructing correct and precise arithmetic inferences, study correlation and occurrences as they happen (Edwards, 2006). The design is also chosen because it allows for quantitative and qualitative data gathering to assess the existence of association between the variables. It also gives the study an advantage of giving all types of vital information as desired by the study. Therefore, in assessing the impact of SASRA regulations on financial trend and performance of registered SACCOS in Kenya, this design was deemed appropriate.

3.3. Population and Sample

Target population is a set of cases/objects or individuals with similar recognizable and distinctive features separating them from the other population. Using census approach, the current study involved all the 175 registered SACCOS and their respective chief accountants (SASRA Annual Report, 2020) as study population. This was a census survey study.

3.4 Data Collection

The present study used secondary data sources where secondary data and audited annual financial report of 175 SACCOS that were mostly accessed through SASRA's website was used given that it is mandatory for SACCOS to submit their yearly fiscal reports failure of which they will be liable for penalties and thus the data was considered correct and appropriate.

3.5 Data Analysis

The study used SPSS version 23 as the platform for data analysis. The data was analysed through time series approach as well as descriptive statistics (frequency, percentages, mean and standard deviation).

3.5.1 Operationalization of variables

Capital Adequacy	**Variable Type**	**Operationalization**	**Measurement**
	Independent Variables	Core Capital (Billions)	Ratio scale
		Core Capital/Total Assets	Ratio scale
		Core Capital/Total Deposits	Ratio scale
		Institutional Capital/Total Assets	Ratio scale
Asset Quality	Independent Variables	NPLs net of Provisions to Core Capital	Ratio scale
		Non-Performing Loans (NPLs) to Gross Loans	Ratio scale
		Earning Assets to Total Assets	Ratio scale
Earning Rating	Independent Variables	Interest Margin to Gross Income	Ratio scale
		Cost Income Ratio	Ratio scale
		Non-Interest Expenses to Gross Income	Ratio scale

		Operating Expense to Total Assets Ratio	Ratio scale
Liquidity Ratio	Independent Variables	Liquid Assets/Savings Deposits & Short-Term Liabilities	Ratio scale
		Liquid Assets/Total Deposits	Ratio scale
		External Borrowings/Total Assets	Ratio scale
		Liquid Assets/Total Assets	Ratio scale
		Total Loans/Total Deposits	Ratio scale
Financial Performance	Dependent Variable	ROA	Ration scale

3.6 Diagnostic Secondary Data Test

3.6.1 Multicollinearity

The study used the correlation coefficients coupled with determinants of variance in financial performance to assess the presence of multi-collinearity. Kothari, (2004) clarifies that multicollinearity is a situation where independent variables relate with one another to a greater extend, therefore causing interference with the coefficients and making the interpretation and comprehension of the study findings difficult, so invalidating the significance of the tests. On the other hand, Variance Inflation Factor (VIF) reveals the extent at which standard errors increase as a consequent of multicollinearity. The coefficients are then checked whether they exceed or are less than 0.8 and in case of VIF, the value must be at least 5. This observation is also supported by Gujarati (2003) who explains that the available of multicollinear among the variables will be realised when the independent variables have their coefficients exceeding 0.8 threshold, or VIF recording more than 5 as the point of reference.

3.8.2 Test for Normality

In testing for the normality of the data set, the test was carried out to establish whether independent variables showed non-skewness. Normal distribution ought not to be excessively flat (platykurtic) or too steep (leptokurtic). It should also not be negatively or positively skewed and in case of absence of normality of data with estimators, interference may be witnessed in efficiency and statistical tests thereby rendering the data invalid (Green, 2008). High skewness and kurtosis of the values shows the likeliness of abnormality in data spread. Kerlinger, (2011) similarly illuminates that when the value of skewness exceeds 3, and the value of kurtosis exceeds 10, then the data may be rendered abnormal.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter is set out to detail the findings of analysis based on the specific objectives that guided the study. The study relied on secondary data covering the period of pre-implementation of the SASRA regulations (2004 to 2008) and after the implementation of the SASRA regulations 2016 to 2020. Data was obtained from the SASRA website as well as CBK for 175 SACCO societies and thus the value of n was 175. The contents of this chapter include the descriptive statistics, the diagnostic tests, and time series analysis

4.2 Diagnostic Tests

The study carried out diagnostic tests to validate the secondary data obtained for data analysis and increase the reliability of the results. The specific tests that were conducted included normality test, autocorrelation and multicollinearity test as specified below:

4.2.1 Multicollinearity Test

Multicollinearity test was conducted to ascertain that none of the independent variables were highly correlated with each other apart from the dependent variable financial performance. This was realized through Variance of Inflation Factor (VIF) as specified in Table 4.1.

Table 4.1 : Multicollinearity Test

	Collinearity Statistics	
	Tolerance	**VIF**
Capital Adequacy	.981	1.279
Earnings performances	.943	1.241
Asset quality	.953	1.117
Liquidity ratio	.962	1.342
Mean VIF	0.960	1.245

Source: Research Findings (2021)

Table 4.2 shows the mean value of VIF as 1.245 which fall with the range of 1-10. Even all the individual VIF values for the predictor variables also fell within this range. This is an indication that there was no multicollinearity in the data used in the study.

4.2.2 Autocorrelation Test

Presence of serial correlation in the data was determined through autocorrelation test. More specifically, Durbin Watson Statistic was computed to determine autocorrelation in the data with the findings as summarized in Table 4.2.

Table 4.2 Autocorrelation Test

Model	Durbin-Watson
1	1.749

Source: Research Findings (2021)

Table 4.2 shows the value of Durbin Watson statistic as 1.749, which is approximately 2. The implication of this value is that there was no serial correlation in the data and thus it was appropriate for the time series analysis.

4.2.3 Normality Test

Normality was tested through Skewness and Kurtosis with the findings as presented in Table 4.3. The essence of this test was to ascertain whether the data used in the study was normally distributed.

Table 4.3 Normality Test

	N	Skewness		Kurtosis	
	Statistic	Statistic	Std. Error	Statistic	Std. Error
ROA	175	2.361	.114	1.116	.222
Capital Adequacy	175	1.233	.114	1.544	.222
Asset quality	175	1.105	.114	1.227	.222
Liquidity ratio	175	1.274	.114	1.305	.222
Earnings performances	175	1.122	.114	1.267	.222
Mean	**175**	**1.419**	**.114**	**1.292**	**.222**

Source: Research Findings (2021)

Table 4.3 gives the mean value of Skewness as 1.419 while that of Kurtosis as 1.292. Kothari (2004) shares that Value of Skewness and Kurtosis within the range of + or – 2 signify presence of normality in the data. It then follows that the data used in this study was normally distributed since the mean values of Skewness and Kurtosis meet the threshold.

4.3 Capital Adequacy Regulations

The study sought to the level of compliance for the 175 registered SACCOS and their core capital and capital adequacy ratios with respect to the set SASRA lowest standards. Table 4.4 depicts the overall level of compliance for the 175 registered SACCOS and their core capital and capital adequacy ratios with respect to the set SASRA lowest requirements in the year 2020 viz a viz the previous years.

Table 4.4 Capital Adequacy Regulations

FINANCIAL SOUNDNESS INDICATORS		2004	2005	2006	2007	2008
Number of DT-SACCOS Reported	Prescribed Minimum	175	174	172	172	175
CAPITAL ADEQUACY						
Core Capital (Billions)	Kshs. 10 Million	6.22	5.77	6.31	5.26	6.14
Core Capital/Total Assets	10%	8.77%	7.67%	8.24%	9.57%	8.49%
Core Capital/Total Deposits	8%	7.22%	7.17%	7.14%	7.28%	6.51%
Institutional Capital/Total Assets	8%	7.64%	5.74%	6.66%	6.35%	7.41%
FINANCIAL SOUNDNESS INDICATORS		2016	2017	2018	2019	2020
Number of DT-SACCOS Reported	Prescribed Minimum	175	174	172	172	175
CAPITAL ADEQUACY						
Core Capital (Billions)	Kshs. 10 Million	54.94	64.24	74.36	79.22	97.74
Core Capital/Total Assets	10%	13.96%	14.55%	15.03 %	14.24%	15.58%
Core Capital/Total Deposits	8%	20.16%	21.07%	21.76 %	20.81%	22.64%
Institutional Capital/Total Assets	8%	7.71%	8.19%	8.51%	10.64%	11.40%

The analysis in Table 4.4 shows a sharp rise on the overall core capital which rose from KES 79.21 Billion in 2019 to a record high of KES 97.75 Billion in the year

2020. This sharp rise was generally due to increased retention surplus amount that was generated by the SACCOS for their various institutional capitals. As a result, the ratio of institutional capital to total assets grew from 10.64% as seen in 2019 to 11.40% in the year 2020 within 8% minimum ratio set by the SASRA regulations. However, during the period prior to establishment of SASRA regulations, the SACCOS recorded Institutional Capital/Total Assets ratios that were below the set minimum requirement for all the years. Similarly, in nearly all the capital adequacy indicators such as core capital/total assets ratio, core capital to total deposits ratios, the SACCOS did not meet the requirements in all the prescribed minimums i.e 10%, 8% and 8% respectively.

Conversely, the ratio of core capital to total assets rose from 14.23% registered in 2019 to about 15.57% as recorded in 2020 with respect to the set SASRA minimum of 10%. On the other hand, the core capital to overall deposit ratio was also noted to have risen from 20.82% in 2019 to about 22.65% in 2020 in relation to the SASRA set minimum of 8%.

4.4 Asset Quality Regulations

4.4.1 Composition of the total assets of SACCOS before implementation of SASRA Regulations

Table 4.5 depicts the overall level of compliance for the 175 registered SACCOS and their performance in terms of their asset quality for the last five years with respect to Non-Performing Loans (NPLs) net of Provisions to Core Capital ratios, NPLs to Gross Loans ratios and Earning Assets to Total Assets ratio. The findings revealed that the registered SACCOS regulated by SASRA recorded a sharp increase of NPLs net of Provisions to Core Capital ratio from 7.63% in 2016 to 9.90% in 2017. However, the ratio later slumped in 2018 to 8.50%. In 2020, the ratio shot up to

10.18%. In terms of NPLs to gross loans ratio, the study established that there was an increase from 2016 to 2020, with 2020 recording the highest at 8.39%. It was also established that the ratio of earning assets to total assets recorded the highest at 80.71% in 2016 than the rest of the years, with 2019 recording the lowest at 76.90%.

Table 4.5: Composition of total assets of SACCOS before implementation of SASRA Regulations

	2006		2007		2008	
TYPE OF ASSET	Amount in KES. billions	% to Total Assets	Amount in KES. Billions	% to Total Assets	Amount in KES. Billions	% to Total Assets
Cash and Cash Equivalent	18.56	9.38%	10.49	6.25%	24.11	10.14%
Prepayments and Sundry Receivables	16.52	8.35%	14.38	8.56%	20.81	8.76%
Financial Investments	22.01	11.13%	16.87	10.05%	24.94	10.49%
Net Loan Portfolio	119.44	60.39%	109.01	64.91%	144.4	60.76%
Property & Equipment and Other Assets	21.26	10.75%	17.18	10.23%	23.41	9.85%
Total Assets	197.79		167.93		237.67	

The findings in Table 4.5 established that the net loan portfolio formed the largest components of the overall total assets. However, this portfolio showed an unsteady pattern for the three years that is, 119.44 billion for 2006, 109.01 billion for 2007 and 144 billion for 2008. There was also a dwindling trend of total assets for the three

consecutive years, with 2006 recording 197.79 billion, 2007 recording 167.93 billion while 2008 recorded the highest of 237.67 billion. This unsteady performance of total assets and net loan portfolio could be explained by lack of regulations on the two portfolios (net loan and total assets) given that the SACCOS operated without clear guideline and framework.

Table 4.6 Composition of total assets on SACCOS after implementation of SASRA regulations

	2018		2019		2020	
TYPE OF ASSET	Amount in KES. billions	% to Total Assets	Amount in KES. Billions	% to Total Assets	Amount in KES. Billions	% to Total Assets
Financial Investments	26.97	5.45%	36.82	6.61%	56.86	9.06%
Prepayments and Sundry Receivables	34.24	6.91%	26.28	4.72%	28.04	4.47%
Cash and Cash Equivalent	40.70	8.22%	46.22	8.30%	51.23	8.16%
Property & Equipment and Other Assets	34.32	6.93%	47.24	8.49%	40.97	6.53%
Net Loan Portfolio	359.02	72.49%	400.16	71.88%	450.58	71.79%
Total Assets	495.25		556.71		627.68	
Source: SASRA Database 2020						

Table 4.6 depicts the components of total assets in the SACCO system through the review period of 2016 to 2020. The findings reveals that the largest composition of the total assets was the net loans' portfolio justifying up to 71.79% as at 2020, this therefore implies that the most integral component of total assets is loans portfolio. As a result, the legal guideline as spelt in Sacco Societies Act coupled with the existing SASRA regulations emphasizes on the loan portfolio quality that should be indicated by proper debt collection approaches, precincts on insider lending and optimal quantity of loan made accessible. However, the study established that proportion or component of net loans as a fraction of total assets recorded a dwindling trend with lowest being 71.88% in 2019.

4.4.3 Total Assets and Net loan portfolio for the SACCOS during pre SASRA and after SASRA regulations

The study sought to assess performance of SACCOS in terms of total assets and Net loan portfolio during pre-SASRA regulations and currently when the SACCOS are under SASRA regulations. Table 4.7 shows the results.

Table 4.7 Total Assets and Net loan portfolio for SACCOS during pre SASRA and after SASRA regulations

	Before SASRA regulations			During SASRA regulations		
	2006	**2007**	**2008**	**2018**	**2019**	**2020**
Total Assets	197.79	167.93	237.67	495.25	556.71	627.68
Net loan Portfolio	119.44	109.01	144.4	359.02	400	450

The findings in Table 4.7 shows that before SASRA regulations came into force, both total assets and net loan portfolio registered unsteady performance in all the three years (2006-2008). However, after the establishment of SASRA regulations, the study found that the pattern for both the portfolios shows a steady increase in 2018, 2019, and 2020. This shows that SASRA regulations had positive influence on total asset performance and net loan performance of the SACCOS.

4.5 Earning Performance Regulations

The financial report on comprehensive income forms part of the statutory statements that DT-SACCOS give to SASRA Authority on either monthly or yearly basis, and normally provides a vital off-site analysis and adherence monitoring tool applied by the Authority to accomplish its authority of supervision of SACCOS. The Statement reports the integral parts of income earned as well as expenditure experienced by a SACCO on either monthly or yearly basis. Table 4.8 provides a comparison of statement of earnings performance of the 175 SACCOS prior to establishment of

SASRA regulations (2006 to 2008) and after the enactment of the regulations 2018 to 2020.

Table 4.8 Comparative aggregate Statement of Comprehensive Earnings before SASRA Regulations and after SASRA Regulations

	Before SASRA Regulations Amount in Billions			**During SASRA Regulations Amount in Billions**		
PERFORMANCE ITEMS	**2006**	**2007**	**2008**	**2018**	**2019**	**2020**
Income from loans	36.15	29.45	31.55	56.01	68.15	73.79
Income from Investments	3.44	2.99	2.41	2.66	3.59	4.29
Other Incomes	1.52	1.88	2.13	5.97	8.13	7.96
Total Income	**41.11**	**34.32**	**36.09**	**64.64**	**79.87**	**86.04**
Interest Expense on Deposits	14.63	13.91	12.21	21.97	28.97	30.61
Cost of External Borrowings	0.46	0.59	0.61	2.76	2.33	2.45
Other Financial Expense	0.75	1.22	1.69	1.14	2.74	3.16
total Expenses	**15.84**	**15.72**	**14.51**	**25.87**	**34.04**	**36.22**
Net Financial Income	**25.27**	**18.6**	**21.58**	**38.94**	**45.83**	**49.82**
Provision for Loan Losses	1.84	1.93	2.11	3.61	4.54	4.68
Operating Expenses	9.23	8.99	11.03	23.17	26.43	28.25
Total	**11.07**	**10.92**	**13.14**	**26.78**	**30.97**	**32.93**
Net Income before Tax	**14.2**	**7.68**	**8.44**	**12.16**	**14.86**	**16.89**
Taxes and Donations	0.18	0.24	0.39	0.89	1.18	1.2

The study found that prior to establishment of SASRA regulations, there was unsteady trend of total income among the SACCOS with 2006 recording the highest at 41.11 billion, before declining sharply to 34.32 billion in 2007, and rising again to 36.09 billion in 2008. However, after the establishment of SASRA regulations, there was a steady increase of total income of the SACCOS from 2018 to 2020. This pattern was also witnessed in net financial income, where there was decline in net income from 25.27 billion in 2006 to 18.60 billion in 2007, before again rising to 21.58

billion in 2008. Conversely, after establishment of SASRA regulations, there was a steady increase of net financial income for the three years consecutively.

4.6 Liquidity Ratio Regulation

Various ratios are normally adopted to assess, measure, monitor and give the report on the liquidity performance of SACCOS. However, the most significant of them all of these ratios are liquid assets to savings deposits ratio, liquid assets to total assets ratio, short term liabilities ratio, liquid assets to total deposits ratio and gross loans portfolio to total deposits ratio. The SACCO liquidity ratio is hinged on Section 30 of the SACCO Societies Act that directs that SACCOS must at all times have a minimum of 15% of its short-term liabilities and its savings deposits in liquid assets. Moreover, the SACCO Society must not get external borrowings exceeding 25% of its total assets. Table 4.9 below provides a comparison of liquidity ratio level of compliance of SACCOS operating before SASRA regulations with compliance levels after SASRA regulations.

Table 4.9 Comparative summative level of compliance with liquidity ratios by SACCOS before and after SASRA regulations

Liquidity Ratio Before SASRA Regulations	**Prescribed Limits**	**2004**	**2005**	**2006**	**2007**	**2008**
Liquid Assets/Savings Deposits & Short-Term Liabilities	**>=15%**	**32.41%**	**33.61%**	**39.71%**	**41.39%**	**38.59%**
Liquid Assets/Total Deposits		11.36%	13.62%	13.77%	14.61%	15.71%
External Borrowings/Total Assets	**<=25%**	**3.63%**	**3.74%**	**3.52%**	**2.14%**	**2.58%**
Liquid Assets/Total Assets		9.59%	9.61%	9.76%	8.54%	9.37%
Total Loans/Total Deposits		74.39%	78.63%	79.55%	80.36%	81.27%
Liquidity Ratio currently with SASRA Regulations	**Prescribed Limits**	**2016**	**2017**	**2018**	**2019**	**2020**
Liquid Assets/Savings Deposits and Short-Term Liabilities	**>=15%**	**49.95%**	**54.10%**	**52.68%**	**50.92%**	**48.50%**
Liquid Assets/Total Deposits		18.05%	17.17%	17.05%	17.00%	20.99%
External Borrowings/Total Assets	**<=25%**	**5.04%**	**4.83%**	**4.11%**	**3.88%**	**3.67%**
Liquid Assets/Total Assets		12.49%	11.85%	11.77%	11.62%	14.43%
Total Loans/Total Deposits		108.39%	108.49%	109.47%	110.28%	110.04%

Table 4.9 depicts that the level of compliance with the set limit of ≥ 15% of the Liquid Assets/Savings Deposits & Short-Term Liabilities ratios for SACCOS before the establishment of SASRA regulations was comparatively low as compared to when they are operating currently under the regulations. The study also established that SACCOS operating under SASRA regulations complied better with the prescribed limit of ≤ 25% External Borrowings/Total Assets ratio as compared when they were operating without the regulations (2006-2008).

4.6 SACCO ROA performance

The study sought to assess the ROA performance of SACCOS during the period before the implementation of SASRA regulations and after the implementation of SASRA regulations. Table 4.10 shows the results.

Table 4.10 ROA performance of SACCOS in pre-SASRA and post-SASRA regulations compares

FINANCIAL Performance	2004	2005	2006	2007	2008	2016	2017	2018	2019	2020
ROA	1.14%	1.56%	1.43%	1.52%	1.49%	2.45%	2.69%	2.40%	2.60%	2.65%

The study established that SACCOS when operating under SASRA regulations performed better financially as depicted by their ROAs for the last five years, as compared to when they were operating without SASRA regulations. It was also established that the trend of ROA performance was unsteady during the period when there was no regulations. For instance, in 2005, the SACCOS cumulatively recorded the highest ROA of 1.56% before dropping sharply to 1.43% in 2006. However, after the establishment of SASRA regulations, there was a steady ROA performance except in 2018 when it dropped to 2.40% which could be attributed to political temperature in the country after the general election, which did not favor operation of most businesses.

4.7 Interpretation of the Findings

The study established that SACCO firms before the establishment of SASRA regulations had their core capital way below 10 million in most of the years. However, after the establishment of the regulation authority, all SACCO societies had core capital above KES 10 million at all times which conformed to the expectations of the authority that requires all regulated SACCOS to have a minimum of ten million shillings. This finding implies that SASRA regulations ensured that SACCOS always

had adequate core capital for their operations. This is in agreement with a report by SASRA (2018) which established that only those SACCOS that comply with minimum capital adequacy requirements run their operations to guarantee a robust capital base that ensures security of their members' finances. Similarly, Olando (2013) when looking at the financial practices influencing growth and performance of SACCOS in Kenya found that SACCOS which do not comply with regulations set by SASRA were not able to adequately meet their costs of operations. Barus et al (2017) also made a conclusion that capital adequacy positively influenced SACCO financial performance.

Asset quality findings revealed that registered SACCOS regulated by SASRA recorded a sharp increase of NPLs net of Provisions to Core Capital ratio from 7.63% in 2016 to 9.90% in 2017. However, the ratio later slumped in 2018 to 8.50%. In 2020, the ratio shot up to 10.18%. In terms of NPLs to gross loans ratio, the study established that there was an increase from 2016 to 2020, with 2020 recording the highest at 8.39%. It was also established that the ratio of earning assets to total assets recorded the highest at 80.71% in 2016 than the rest of the years, with 2019 recording the lowest at 76.90%. Compared to pre-implementation of the SASRA regulations, the study established that there was unsteady trend of net loan portfolio for the three years i.e. 119.44 billion in 2006, 109.01 billion in 2007 and 144 billion in 2008. There was also a dwindling trend of total assets for the three consecutive years, with 2006 recording 197.79 billion, 2007 recording 167.93 billion while 2008 recorded the highest of 237.67 billion. From the comparison of the two scenarios i.e. SACCOS operations during pre SASRA regulations and after the implementation of SASRA regulations, the study established that after the establishment of the SASRA regulations, SACCOS had better performance of asset quality indicators than when

they were operating without the regulations. It can therefore be deduced that SASRA regulations influence positively on the asset quality indicators, which then relate very well with the financial performance of SACCO societies. These findings concur with that of Adeolu, (2014) who also when studying asset quality and performance of commercial financial institutions in Nigeria, found out that asset quality strongly and positively influence financial performance of these firms.

On earning performance, the study found that prior to implementation of SASRA regulations, there was unsteady trend of total income among the SACCOS with 2006 recording the highest at 41.11 billion, before declining sharply to 34.32 billion in 2007, and rising again to 36.09 billion in 2008. However, after the establishment of SASRA regulations, there was a steady increase of total income of the SACCOS from 2018 to 2020. This pattern was also witnessed in net financial income, where there was decrease in net income from 25.27 billion in 2006 to 18.60 billion in 2007, before again rising to 21.58 billion in 2008. Conversely, after establishment of SASRA regulations, there was a steady increase of net financial income for over the three years consecutively. The regulations also direct that every registered SACCO to provide particular percentage to take care of bad loans that normally have an adverse influence on earnings to enhance their financial performance. This finding is in agreement with that of Vianney (2013) who also found that regulations was one of the significant indicator of financial progress of financial business organizations in Rwanda. It was also deduced that regulations was a major pillar of financial bodies operating for profitability and asset building and stability. Similarly, Hartarska and Nadolnyak (2017) found that savings had a positive and direct effect on the dependent variables, and however, if the set regulations and guidelines are the only approach to encourage savings then the financial organization will not benefit from them.

Based on liquidity ratio performance, the study found that the level of compliance with the set limit of ≥ 15% of the Liquid Assets/Savings Deposits & Short-Term Liabilities ratios for SACCOS before the establishment of SASRA regulations was comparatively low as compared to when they are operating currently under the regulations. The study also established that SACCOS operating under SASRA regulations complied better with the prescribed limit of ≤ 25% External Borrowings/Total Assets ratio as compared when they were operating without the regulations (2006-2008). This finding is in agreement with that of Buluma, Kungu, and Mungai, (2017) who also found that majority of registered SACCOS in Nyandarua County were in complete compliance with the laid down SASRA regulations after the regulations came into place. It was also found that an improvement of financial performance as measured through ROA of SACCOS is as a consequent of SASRA regulations.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter provides a summary of the analyzed findings with conclusions and recommendations drawing relevant implications of the results. Limitations and areas that require further research are also discussed in this chapter.

5.2 Summary

This study was set out to assess impact of SASRA guidelines and regulations on financial performance of Savings and Credit Co-operative Societies in Kenya. From descriptive statistics, the study noted that on average, SACCO firms before the establishment of SASRA regulations, had their core capital way below 10 million in most of the years. However, after the establishment of the regulatory authority, all the SACCO societies had a minimum core capital of KES 10millions at all times thus conforming with the expectations of the authority that requires all regulated SACCOS to have a minimum of ten million shillings prior to issuance of operating license. This finding implies that SASRA regulations ensured that SACCO societies always had adequate core capital for their operations and better financial performance as indicated by their ROAs as compared to when they were operating before the implementation of SASRA regulations.

In terms of asset quality, the comparison of the two scenarios i.e SACCOS operations during pre SASRA regulations and after the implementation of the SASRA regulation postulated that after the establishment of SASRA regulations, SACCOS had better performance of asset quality indicators such as steady net loan portfolio than when they were operating without the regulations. It can therefore be deduced that SASRA regulations positively influenced the asset quality indicators, which then relate very well with financial performance of SACCO societies as shown by their ROAs.

On earning performance, the study found that prior to implementation of SASRA regulations, there was unsteady trend of total income among SACCOS. However, after the establishment of SASRA regulations, there was a steady increase of total income of SACCOS from 2018 to 2020. Moreover, after establishment of SASRA regulations, there was a steady increase of net financial income consecutively for over the three years. The regulations also direct that every registered SACCO to provide particular percentage to take care of bad loans that normally have an adverse influence on earnings to enhance their financial performance. This shows that SASRA regulations encourages good earnings performance for better financial performance of SACCOS.

Based on liquidity ratio performance, the study found that the level of compliance with the set limit of ≥ 15% of the Liquid Assets/Savings Deposits & Short-Term Liabilities ratios for SACCOS before the establishment of SASRA regulations was comparatively low as compared to when they are operating currently under the regulations. The study also established that SACCOS operating under SASRA regulations complied better with the prescribed limit of ≤ 25% External Borrowings/Total Assets ratio as compared when they were operating without the regulations (2006-2008).

5.3 Conclusions

This study sought to assess the implication of SASRA guidelines and regulations on financial performance of Savings and Credit Co-operative Societies in Kenya. Based on descriptive statistics, it can be concluded that averagely, prior to establishment of SASRA regulations, SACCO firms were mostly operating with insufficient capital that was way below KES 10 million.

However, following the establishment of the SASRA regulations, all regulated SACCO societies had steady core capital with most of them maintaining a minimum core capital of KES 10million at all times as directed by the SASRA authority. Therefore, it can be concluded that SASRA regulations has helped SACCO societies to uphold sufficient core capital for their operations, which will also augment their financial performance.

The study similarly concluded that based on asset quality analysis, SACCOS' steady net loan portfolio performed better after the implementation of SASRA regulations than when they operated without regulations. Because of this, it can be concluded that SASRA laws had a favourable impact on asset quality metrics, which in turn had a beneficial impact on SACCO societies' ROAs.

Before the adoption of SASRA laws, the study concluded that SACCOS had an unstable overall income trend. However, the overall income of SACCOS increased steadily from 2018 to 2020 after the implementation of SASRA laws. In fact, after SASRA laws were put in place, net financial income increased steadily over the course of three years. According to SASRA standards, SACCOS can achieve greater financial performance if they do well on the earnings front.

Lastly, the study concluded that before SASRA laws came into operation, there was a lower degree of compliance with the 15% restriction for Liquid Assets/Saving Deposits & Short-Term Liability ratios. Furthermore, the study concluded that SACCOS operating under SASRA restrictions complied better than those operating without the regulations within the specified limit of ≤25 percent of External Borrowings/Total Assets ratio.

5.4 Recommendations for Policy and Practice

The study found that SACCOS adhering to SASRA regulations recorded good performance on ROA than when they were operating before the implementation of the regulations. The study therefore recommends that management of SACCO societies should consider optimal and strict adherence to all the SASRA regulations for good financial performance of the societies.

SACCOS' steady net loan portfolio performed better after the implementation of SASRA regulations than when they were operating without regulations. Therefore, the study suggests that SACCOS should increase their income from their net loan portfolio and safeguard that at all cost. For instance, SACCOS can use the regulatory policies to identify best clients and provide services to such clients to enhance asset quality and reduce non-performing loans. Policymakers in the Ministry of Industry, Trade and Cooperatives should establish appropriate directives to ensure that SACCOS adhere to SASRA standards in order to ensure financial stability and a high level of operational efficiency.

While SASRA predetermines the least Liquidity ratio that every registered SACCO Society should conform to, SACCOS should also consider investing their excess cash in a more profit making venture as this will help in deriving more income instead of holding more cash just to remain liquid, since the study concluded that more liquid ratio unfavourably relate with the performance of SACCOS.

5.5 Limitations of the Study

This study was limited to assessing the effects of SASRA regulations on only ROA performance of SACCOS, living out other performance indicators of the organizations such as return on investment and return on equity. This limits the generalisations of the present study findings for other studies.

The study solely used secondary data to arrive at its conclusions, without factoring in the aspects of the primary data that would reveal the opinions and views of the management on how adherence to SASRA regulations influence the performance of their organizations.

Owing to the nature of the study, getting secondary data on financial performance and adhere of SASRA regulations by the SACCOS was not easy given the sensitivity of information. The custodians of these information were not readily willing to avail them especially those which were not accessible in their websites. However, the researcher assured them the confidentiality of information after explaining to them the intention of the study.

The study used only time series and descriptive statistics analysis approach, without considering other analytical methodologies such as inferential statistics. This therefore makes it difficult to ascertain the strength and nature of association, which exist between SASRA regulation and financial performance of SACCOS.

5.6 Areas for Further Research

The current study only considered SASRA regulations and SACCO financial performance but failed to underscore how SASRA regulations help SACCO societies in managing their credit risks. The study therefore recommends that future researchers should consider looking into details on how SASRA regulations may affect credit risk management by SACCOS.

Future studies should also focus on challenges facing optimal adherence to SASRA regulations by SACCOS as this will help in shedding more light on how SASRA regulations influence performance of SACCO societies.

Another study should be done on how adherence to SASRA regulations influence other financial performance indicators such as ROE and ROI to widen the knowledge on the effects of SASRA regulations on SACCOS performance.

Further studies should also be conducted using inferential statistics approach such as regression analysis to bring out strength and nature of association between SASRA regulation indicators (capital adequacy, asset quality, earning ratings, and liquidity ratios) and financial performance of SACCOS.

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APPENDICES

Appendix I: Data Collection Sheet

Use the table below to indicate the level of financial performance arising in your SACCO for the last 5 years after SASRA and five years before SASRA

Particulars	**Before SASRA**					**After SASRA**				
	2004	**2005**	**2006**	**2007**	**2008**	**2016**	**2017**	**2018**	**2019**	**2020**
Operating Income (Millions)										
Operating Expenses (Millions)										
Total Capital(Millions)										
Non-performing Assets Provisions										
Gross Advances (Millions)										
Total Assets (Millions)										
Net Profits (Millions)										
Annual value of premiums										
Annual Interest on loan advances										
Ratio of non-performing loans										
Liquidity Ratio										

Thank You and God Bless

Appendix II: Financial Performance of SACCOS before SASRA regulations (2004-2008)

FINANCIAL SOUNDNESS INDICATORS		2004	2005	2006	2007	2008
Number of DT-SACCOS Reported		175	175	175	175	175
CAPITAL ADEQUACY						
Core Capital (Billions)		6.22	5.77	6.31	5.26	6.14
Core Capital/Total Assets		8.77%	7.67%	8.24%	9.57%	8.49%
Core Capital/Total Deposits		7.22%	7.17%	7.14%	7.28%	6.51%
Institutional Capital/Total Assets		7.64%	5.74%	6.66%	6.35%	7.41%
ASSET QUALITY						
Non-Performing Loans (NPLs) to Gross Loans		7.51%	8.24%	8.33%	10.28%	12.44%
NPLs net of Provisions to Core Capital		8.55%	11.62%	10.31%	10.67%	11.45%
Earning Assets to Total Assets		64.63%	58.42%	59.81%	61.44%	69.59%
EARNING RATING						
Return on Assets (ROA)		**1.14%**	**1.56%**	**1.43%**	**1.52%**	**1.49%**
Interest Margin to Gross Income		29.44%	24.39%	30.17%	33.47%	37.63%
Cost Income Ratio		42.69%	46.72%	42.91%	47.88%	46.59%
Non-Interest Expenses to Gross Income		34.71%	33.49%	33.67%	32.73%	33.28%
Operating Expense to Total Assets Ratio		2.41%	3.56%	3.53%	3.59%	3.68%
LIQUIDITY RATIO						
Liquid Assets/Savings Deposits & Short-Term Liabilities		32.41%	33.61%	39.71%	41.39%	38.59%
Liquid Assets/Total Deposits		11.36%	13.62%	13.77%	14.61%	15.71%
External Borrowings/Total Assets	<=25%	3.63%	3.74%	3.52%	2.14%	2.58%
Liquid Assets/Total Assets		9.59%	9.61%	9.76%	8.54%	9.37%
Total Loans/Total Deposits		74.39%	78.63%	79.55%	80.36%	81.27%
Source:						

Appendix III: Financial Performance of SACCOS after SASRA regulations (2016-2020)

FINANCIAL SOUNDNESS INDICATORS		**2016**	**2017**	**2018**	**2019**	**2020**
Number of DT-SACCOS Reported	**Prescribed Minimum**	**175**	**174**	**172**	**172**	**175**
CAPITAL ADEQUACY						
Core Capital (Billions)	Kshs. 10 Million	54.94	64.24	74.36	79.22	97.74
Core Capital/Total Assets	10%	13.96%	14.55%	15.03%	14.24%	15.58%
Core Capital/Total Deposits	8%	20.16%	21.07%	21.76%	20.81%	22.64%
Institutional Capital/Total Assets	8%	7.71%	8.19%	8.51%	10.64%	11.40%
ASSET QUALITY						
NPLs net of Provisions to Core Capital		7.63%	9.90%	9.27%	8.50%	10.18%
Non-Performing Loans (NPLs) to Gross Loans		5.23%	6.14%	6.30%	6.15%	8.39%
Earning Assets to Total Assets		80.71%	78.50%	77.68%	76.90%	79.62%
EARNING RATING						
Return on Assets		**2.45%**	**2.69%**	**2.40%**	**2.60%**	**2.65%**

(ROA)						
Interest Margin to Gross Income		42.15%	42.29%	45.22%	42.79%	44.12%
Cost Income Ratio		62.80%	66.10%	62.10%	57.67%	56.72%
Non-Interest Expenses to Gross Income		41.35%	43.99%	43.32%	42.70%	43.00%
Operating Expense to Total Assets Ratio		5.44%	5.29%	4.62%	4.75%	4.50%
LIQUIDITY RATIO						
Liquid Assets/Savings Deposits & Short-Term Liabilities		49.95%	54.10%	52.68%	50.92%	48.50%
Liquid Assets/Total Deposits		18.05%	17.17%	17.05%	17.00%	20.99%
External Borrowings/Total Assets	<=25%	5.04%	4.83%	4.11%	3.88%	3.67%
Liquid Assets/Total Assets		12.49%	11.85%	11.77%	11.62%	14.43%
Total Loans/Total Deposits		108.39%	108.49%	109.47%	110.28%	110.04%
Source: SASRA Database, 2021						

Appendix IV: LIST OF LICENSED SACCO SOCIETIES FOR PERIOD ENDING 31ST DECEMBER, 2021

1. 2NK SACCO SOCIETY LTD P.O BOX 12196 – 10109, NYERI
2. ACUMEN SACCO SOCIETY LTD P.O. BOX 1325 – 00200, NAIROBI
3. AFYA SACCO SOCIETY LTD P.O. BOX 11607 – 00400, NAIROBI.
4. AGRO-CHEM SACCO SOCIETY LTD P.O BOX 94 – 40107, MUHORONI.
5. AINABKOI SACCO SOCIETY LTD P.O. BOX 120 – 30101, AINABKOI
6. AIRPORTS SACCO SOCIETY LTD P.O. BOX 19001 – 00501, NAIROBI
7. AMICA SACCO SOCIETY LTD P.O. BOX 816 – 10200, MURANG'A.
8. AMMAR SACCO SOCIETY LTD P.O BOX 6957 – 01000, THIKA.
9. ARDHI SACCO SOCIETY LTD P.O. BOX 28782 – 00200, NAIROBI.
10. ASILI SACCO SOCIETY LTD P.O. BOX 49064 – 00100, NAIROBI.
11. AZIMA SACCO SOCIETY LTD P.O. BOX 1124 – 01000, THIKA.
12. BANDARI SACCO SOCIETY LTD P.O. BOX 95011 – 80104, MOMBASA.
13. BARAKA SACCO SOCIETY LTD P.O. BOX 1548 – 10101, KARATINA.
14. BARATON UNIVERSITY SACCO SOCIETY LTD P.O BOX 2500 – 30100, ELDORET.
15. BIASHARA SACCO SOCIETY LTD P.O. BOX 1895 – 10100, NYERI.
16. BIASHARA TOSHA SACCO SOCIETY LTD P.O BOX 189 – 60101, MANYATTA.
17. BI-HIGH SACCO SOCIETY LTD P.O. BOX 90 – 60500, MARSABIT.
18. BINGWA SACCO SOCIETY LTD P.O. BOX 434 – 10300, KERUGOYA.
19. BORESHA SACCO SOCIETY LTD P.O. BOX 80 – 20103, ELDAMA RAVINE.
20. CAPITAL SACCO SOCIETY LTD P.O BOX 1479 – 60200, MERU.

21. CENTENARY SACCO SOCIETY LTD P.O. BOX 1207 – 60200, MERU.

22. CHAI SACCO SOCIETY LTD P.O. BOX 278 – 00200, NAIROBI.

23. CHUNA SACCO SOCIETY LTD P.O. BOX 30197 – 00100, NAIROBI.

24. COMOCO SACCO SOCIETY LTD P.O. BOX 3334 – 00200, NAIROBI

25. COSMOPOLITAN SACCO SOCIETY LTD P.O. BOX 1931 – 20100, NAKURU.

26. COUNTY SACCO SOCIETY LTD P.O. BOX 21 – 60103, RUNYENJES.

27. DAIMA SACCO SOCIETY LTD P.O. BOX 2032 – 60100, EMBU.

28. DHABITI SACCO SOCIETY LTD P.O. BOX 353 – 60600, MAUA.

29. DIMKES SACCO SOCIETY LTD P.O. BOX 886 – 00900, KIAMBU.

30. DUMISHA SACCO SOCIETY LTD P.O BOX 84 – 20600, MARARAL.

31. ECO-PILLAR SACCO SOCIETY LTD P.O. BOX 48 – 30600, KAPENGURIA

32. EGERTON SACCO SOCIETY LTD P.O. BOX 178 – 20115, EGERTON.

33. ELIMU SACCO SOCIETY LTD P.O BOX 10073 – 00100, NAIROBI.

34. ENEA SACCO SOCIETY LTD P.O. BOX 1836 – 10101, KARATINA.

35. FARIDI SACCO SOCIETY LTD P.O. BOX 448 – 50400, BUSIA.

36. FARIJI SACCO SOCIETY LTD P.O. BOX 589 – 00216, GITHUNGURI.

37. FORTITUDE SACCO SOCIETY LTD P.O. BOX 237 – 40305, MBITA.

38. FORTUNE SACCO SOCIETY LTD P.O. BOX 559 – 10300, KERUGOYA.

39. FUNDILIMA SACCO SOCIETY LTD P.O. BOX 62000 – 00200, NAIROBI.

40. GDC SACCO SOCIETY LTD P.O.BOX896 – 00216, GITHUNGURI.

41. GOLDEN PILLAR SACCO SOCIETY LTD P.O. BOX 3192 – 60200, MERU.

42. GOOD FAITH SACCO SOCIETY LTD P.O. BOX 224 – 00222, UPLANDS

43. GOODHOPE SACCO SOCIETY LTD P.O. BOX 158 – 20500, NAROK.

44. GOODWAY SACCO SOCIETY LTD P.O BOX 626 – 10300, KERUGOYA.

45. GUSII MWALIMU SACCO SOCIETY LTD P.O. BOX 1335 – 40200, KISII.

46. HARAMBEE SACCO SOCIETY LTD P.O. BOX 47815 – 00100, NAIROBI.

47. HAZINA SACCO SOCIETY LTD P.O. BOX 59877 – 00200, NAIROBI.

48. ILKISONKO SACCO SOCIETY LTD P.O BOX 91 – 00209, LOITOKITOK.

49. IMARIKA SACCO SOCIETY LTD P.O. BOX 712 – 80108, KILIFI.

50. IMARISHA SACCO SOCIETY LTD P.O. BOX 682 – 20200, KERICHO.

51. INVEST AND GROW (IG) SACCO SOCIETY LTD P.O. BOX 1150 –50100, KAKAMEGA.

52. JACARANDA SACCO SOCIETY LTD P.O. BOX 1767 – 00232, RUIRU

53. JAMII SACCO SOCIETY LTD P.O. BOX 57929 – 00200, NAIROBI.

54. JITEGEMEE SACCO SOCIETY LTD P.O. BOX 86937 – 80100, MOMBASA.

55. JOINAS SACCO SOCIETY LTD P.O. BOX 669 – 00219, KARURI.

56. JUMUIKA SACCO SOCIETY LTD P.O. BOX 14 – 40112, AWASI

57. KENCREAM SACCO SOCIETY LTD P.O. BOX 300131 – 00200, NAIROBI

58. KENPIPE SACCO SOCIETY LTD P.O. BOX 314 – 00507, NAIROBI.

59. KENVERSITY SACCO SOCIETY LTD P.O. BOX 10263 – 00100, NAIROBI.

60. KENYA ACHIEVAS SACCO SOCIETY LTD P.O. BOX 3080 – 40200, KISII.

61. KENYA BANKERS SACCO SOCIETY LTD P.O. BOX 73236 – 00200, NAIROBI.

62. KENYA HIGHLANDS SACCO SOCIETY LTD P.O. BOX 2085 – 002000, KERICHO.

63. KENYA MIDLAND SACCO SOCIETY LTD P.O BOX 287 – 20400, BOMET.

64. KENYA POLICE SACCO SOCIETY LTD P.O. BOX 51042 – 00200, NAIROBI.

65. KIMBILIO DAIMA SACCO SOCIETY LTD P.O. BOX 81 – 20225, KIMULOT.

66. KIMISITU SACCO SOCIETY LTD P.O. BOX 10454 – 00200, NAIROBI

67. KINGDOM SACCO SOCIETY LTD P.O. BOX 8017 – 00300, NAIROBI.

68. KIPSIGIS EDIS SACCO SOCIETY LTD P.O BOX 228 – 20400, BOMET.

69. KITE SACCO SOCIETY LTD P.O. BOX 2073 – 40100, KISUMU.

70. KITUI TEACHERS SACCO SOCIETY LTD P.O. BOX 254 – 90200, KITUI.

71. KOLENGE TEA SACCO SOCIETY LTD P.O BOX 291 – 30301, NANDI HILLS.

72. KORU SACCO SOCIETY LTD P.O. BOX PRIVATE BAG-40100, KORU

73. K-PILLAR SACCO SOCIETY LTD P.O. BOX 83 – 20403, MOGOGOSIEK.

74. K-UNITY SACCO SOCIETY LTD P.O. BOX 268 – 00900, KIAMBU.

75. KWETU SACCO SOCIETY LTD P.O BOX 818 – 90100, MACHAKOS.

76. LAINISHA SACCO SOCIETY LTD P.O. BOX 272 – 10303, WANG'URU.

77. LAMU TEACHERS SACCO SOCIETY LTD P.O. BOX 110 – 80500, LAMU

78. LENGO SACCO SOCIETY LTD P.O. BOX 1005 – 80200, MALINDI.

79. MAFANIKIO SACCO SOCIETY LTD P.O BOX 86515 – 80100, MOMBASA.

80. MAGADI SACCO SOCIETY LTD P.O. BOX 13 – 00205, MAGADI.

81. MAGEREZA SACCO SOCIETY LTD P.O. BOX 53131 – 00200, NAIROBI.

82. MAISHA BORA SACCO SOCIETY LTD P.O. BOX 30062 – 00100, NAIROBI.

83. MENTOR SACCO SOCIETY LTD P.O. BOX 789 – 10200, MURANG'A.

84. METROPOLITAN NATIONAL SACCO SOCIETY LTD P.O. BOX 871 – 00900, KIAMBU.

85. MMH SACCO SOCIETY LTD P.O. BOX 469 – 60600, MAUA.

86. MOMBASA PORT SACCO SOCIETY LTD P.O. BOX 95372 – 80104, MOMBASA.

87. MUDETE FACTORY TEA GROWERS SACCO

SOCIETY LTD

P.O. BOX 221 – 41053, KHAYEGA.

88. MUKI SACCO SOCIETY LTD P.O BOX 398 – 20318, NORTH KINANGOP

89. MWALIMU NATIONAL SACCO SOCIETY LTD P.O. BOX 62641 – 00200, NAIROBI.

90. MWIETHERI SACCO SOCIETY LTD P.O. BOX 2445 – 60100, EMBU.

91. MWITO SACCO SOCIETY LTD P.O. BOX 56763 – 00200, NAIROBI.

92. NACICO SACCO SOCIETY LTD P.O. BOX 34525 – 00100, NAIROBI.

93. NAFAKA SACCO SOCIETY LTD P.O. BOX 30586 – 00100, NAIROBI.

94. NANDI FARMERS SACCO P.O BOX 333 – 30301, NANDI HILLS

95. NANYUKI EQUATOR SACCO SOCIETY LTD P.O BOX 1098 – 10400, NANYUKI

96. NATION SACCO SOCIETY LTD P.O. BOX 22022 – 00400, NAIROBI.

97. NAWIRI SACCO SOCIETY LTD P.O BOX 400 – 60100, EMBU.

98. NDEGE CHAI SACCO SOCIETY LTD P.O. BOX 857 – 20200, KERICHO.

99. NDOSHA SACCO SOCIETY LTD P.O. BOX 532 – 60401, CHOGORIA–MAARA.

100. NEW FORTIES SACCO SOCIETY LTD P.O. BOX 1939 – 10100, NYERI.

101. NEXUS SACCO SOCIETY LTD P.O BOX 251 – 60202, NKUBU.

102. NG'ARISHA SACCO SOCIETY LTD P.O. BOX 1199 – 50200, BUNGOMA.

103. NOBLE SACCO SOCIETY LTD P.O. BOX 3466 – 30100, ELDORET.

104. NRS SACCO SOCIETY LTD P. O BOX 575 – 00902, KIKUYU.

105. NSSF SACCO SOCIETY LTD P.O. BOX 43338 – 00100, NAROBI.

106. NUFAIKA SACCO SOCIETY LTD P.O BOX 735 – 10300, KERUGOYA.

107. NYALA VISION SACCO SOCIETY LTD P.O BOX 27 – 20306,

NDARAGWA.

108. NYAMBENE ARIMI SACCO SOCIETY LTD P.O. BOX 493 – 60600, MAUA.

109. NYAMIRA TEA FARMERS SACCO SOCIETY LTD P.O. BOX 633 – 40500, NYAMIRA

110. NYATI SACCO SOCIETY LTD P.O. BOX 7601 – 00200, NAIROBI

111. OLLIN SACCO SOCIETY LTD P.O BOX 83 – 10300, KERUGOYA.

112. ORIENT SACCO SOCIETY LTD P.O. BOX 1842 – 01000, THIKA.

113. PATNAS SACCO SOCIETY LTD P.O BOX 601 – 20210, LITEIN.

114. PRIME TIME SACCO P.O. BOX 512 – 30700, ITEN

115. PUAN SACCO SOCIETY LTD P.O BOX 404 – 20500, NAROK.

116. QWETU SACCO SOCIETY LTD P.O BOX 1186 – 80304, WUNDANYI

117. RACHUONYO TEACHERS SACCO SOCIETY LTD P.O. BOX 147 – 40332, KOSELE

118. SAFARICOM SACCO SOCIETY LTD P.O. BOX 66827 – 00800, NAIROBI.

119. SHERIA SACCO SOCIETY LTD P.O. BOX 34390 – 00100, NAIROBI.

120. SHIRIKA DEPOSIT TAKING SACCO SOCIETY LTD P.O BOX 43429 – 00100, NAIROBI.

121. SHOPPERS SACCO SOCIETY LTD P.O. BOX 16 – 00507, NAIROBI

122. SIMBA CHAI SACCO SOCIETY LTD P.O. BOX 977 – 20200, KERICHO.

123. SIRAJI SACCO SOCIETY LTD P.O. BOX PRIVATE BAG, TIMAU.

124. SKYLINE SACCO SOCIETY LTD P.O. BOX 660 – 20103, ELDAMA RAVINE.

125. SMART CHAMPIONS SACCO SOCIETY LTD P.O BOX 64 – 60205, GITHINGO

126. SMART-LIFE SACCO SOCIETY LTD P.O BOX 118 – 30705, KAPSOWAR.

127. SOLUTION SACCO SOCIETY LTD P.O. BOX 1694 – 60200, MERU.

128. SOTICO SACCO SOCIETY LTD P.O. BOX 959 – 20406, SOTIK.

129. SOUTHERN STAR SACCO SOCIETY LTD P.O BOX 514 – 60400, CHUKA

130. STAKE KENYA SACCO SOCIETY LTD P.O. BOX 208 – 40413, KEHANCHA

131. STAWISHA SACCO SOCIETY LTD P.O BOX 27 – 50203, KAPSOKWONY.

132. STIMA SACCO SOCIETY LTD P.O. BOX 75629 – 00100, NAIROBI.

133. SULUHU SACCO SOCIETY LTD P.O BOX 489 – 90400, MWINGI.

134. SUPA SACCO SOCIETY LTD P.O. BOX 271 – 20600, MARALAL.

135. TABASAMU SACCO SOCIETY LTD P.O. BOX 123 – 80403, KWALE.

136. TABASURI SACCO SOCIETY LTD P.O. BOX 80862 – 80100, MOMBASA.

137. TAI SACCO SOCIETY LTD P.O. BOX 718 – 00216, GITHUNGURI.

138. TAIFA SACCO SOCIETY LTD P.O. BOX 1649 – 10100, NYERI.

139. TAQWA SACCO SOCIETY LTD P.O. BOX 10180 – 00100, NAIROBI

140. TARAJI SACCO SOCIETY LTD P.O. BOX 605 – 40600, SIAYA.

141. TELEPOST SACCO SOCIETY LTD P.O. BOX 49557 - 00100, NAIROBI

142. TEMBO SACCO SOCIETY LTD P.O. BOX 91 – 00618, RUARAKA NAIROBI.

143. TENHOS SACCO SOCIETY LTD P.O. BOX 391 – 20400, BOMET.

144. THAMANI SACCO SOCIETY LTD P.O. BOX 467 – 60400, CHUKA.

145. THE APPLE SACCO SOCIETY LTD P.O BOX 153 – 50305, SIRWA.

146. TIMES-U SACCO SOCIETY LTD P.O. BOX 310 – 60202, NKUBU.

147. TOWER SACCO SOCIETY LTD P.O. BOX 259 – 20303, OL'KALOU.

148. TRANS- ELITE COUNTY SACCO SOCIETY LTD P.O BOX 547 – 30300,

KAPSABET.

149. TRANS NATION SACCO SOCIETY LTD P.O. BOX 15 – 60400, CHUKA.

150. TRANS-COUNTIES SACCO SOCIETY LTD P.O. BOX 2965 – 30200, KITALE.

151. TRANS-NATIONAL TIMES SACCO SOCIETY LTD P.O. BOX 2274 – 30200, KITALE

152. UCHONGAJI SACCO SOCIETY LTD P.O. BOX 92503 – 80102, MOMBASA.

153. UFANISI SACCO SOCIETY LTD P.O BOX 2973 – 00200, NAIROBI.

154. UKRISTO NA UFANISI WA ANGLICANA SACCO SOCIETY LTD P.O BOX 872 – 00605, NAIROBI.

155. UKULIMA SACO SOCIETY LTD P.O. BOX 44071 – 00100, NAIROBI.

156. UNAITAS SACCO SOCIETY LTD P.O. BOX 38791 – 00100, NAIROBI.

157. UNI-COUNTY SACCO SOCIETY LTD P.O BOX 10132 – 20100, NAKURU

158. UNISON SACCO SOCIETY LTD P.O BOX 414 – 10400, NANYUKI.

159. UNITED NATIONS SACCO SOCIETY LTD P.O. BOX 2210 - 00621, NAIROBI.

160. UNIVERSAL TRADERS SACCO SOCIETY LTD P.O. BOX 2119 – 90100, MACHAKOS.

161. USHURU SACCO SOCIETY LTD P.O. BOX 52072 – 00200, NAIROBI.

162. VIHIGA COUNTY FARMERS SACCO SOCIETY LTD P.O BOX 309 – 50317, CHAVAKALI.

163. VIKTAS SACCO SOCIETY LTD P.O BOX 2183 – 20300, NYAHURURU.

164. VISION AFRICA SACCO SOCIETY LTD P.O BOX 18263 – 20100, NAKURU.

165. VISION POINT SACCO SOCIETY LTD P.O. BOX 42 – 40502,

NYANSIONGO.

166. WAKENYA PAMOJA SACCO SOCIETY LTD P.O. BOX 829 – 40200, KISII.

167. WAKULIMA COMMERCIAL SACCO SOCIETY LTD P.O. BOX 232 – 10103, MUKURWENI.

168. WANA-ANGA SACCO SOCIETY LTD P.O. BOX 34680 – 00501, NAIROBI.

169. WANANCHI SACCO SOCIETY LTD P.O. BOX 910 – 10106, OTHAYA.

170. WANANDEGE SACCO SOCIETY LTD P.O. BOX 19074 – 00501, NAIROBI.

171. WASHA SACCO SOCIETY LTD P.O. BOX 83256 – 80100, MOMBASA.

172. WAUMINI SACCO SOCIETY LTD P.O. BOX 66121 – 00800, NAIROBI.

173. WEVARSITY SACCO SOCIETY LTD P.O BOX 873 – 50100, KAKAMEGA

174. WINAS SACCO SOCIETY LTD P.O. BOX 696 – 60100, EMBU.

175. YETU SACCO SOCIETY LTD P.O. BOX 511 – 60202, NKUBU.