

**FACTORS AFFECTING SACCO PERFORMANCE IN MERU SOUTH  
DISTRICT: A CASE OF THARAKA NITHI TEACHERS SACCO**

**BY**

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**DECLARATION**

This research project report is my own original work and has not been presented for award of a degree in any other university.

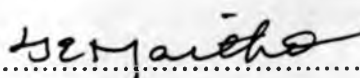
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ACKNOWLEDGEMENT

**DEDICATION**

**I dedicate this research report to my beloved wife Purity and my sons Robert and Kelvin for their patience and understanding during the entire period of study.**

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## **ABBREVIATIONS AND ACRONYMS**

<b>AGM</b>	Annual General Meeting
<b>BOSA</b>	Back Office SACCO Activity
<b>CODIC</b>	Cooperative Development and Information Technology
<b>ERS</b>	Economic Recovery Strategy
<b>FOSA</b>	Front Office SACCO Activity
<b>FSD</b>	Financial Sector Deepening Trust
<b>ICA</b>	International Cooperative Alliance
<b>ICT</b>	Information Communication Technology
<b>IFRS</b>	International Finance Reporting Standards
<b>KCC</b>	Kenya Cooperative Creameries
<b>KFA</b>	Kenya Farmers Association
<b>KNFC</b>	Kenya National Federation of Cooperative
<b>KNUT</b>	Kenya National Union of Teachers
<b>KPCU</b>	Kenya Planters Cooperative Union
<b>KUSSCO</b>	Kenya Union of Savings and Credit Society
<b>MOCDM</b>	Ministry Of Co-Operative Development and Marketing
<b>SACCO</b>	Savings and Credit Cooperative Society
<b>SPSS</b>	Statistical Package for Social Sciences
<b>SRA</b>	Strategy for Revitalization of Agriculture
<b>TNT</b>	Tharaka Nithi Teachers SACCO
<b>UK</b>	United Kingdom
<b>WOCCU</b>	World Council of Credit Unions

## ABSTRACT

The SACCO movement as for a long time performed below the members expectations thereby causing dissatisfaction among most of their members. Major policy reforms have been witnessed in these societies which have greatly impacted on the management of the SACCOs. In addition due to stiff competition from commercial banks, the SACCOs have embraced innovative and creative measures through product and services diversification to retain and attract more members. However, the government and various stakeholders have raised concerns over the performance of the SACCOs. The previous research studies showed that standardized tools for measuring performance are not available but some critical factors can be analyzed to give an indication of performance. The key movers of SACCO Financial Performance and growth include; Governance, education and training, market risks and membership base. This research study envisaged examining the Tharaka Nithi Teachers SACCO for the effects of these factors on its financial performance. The broad objective of the study was to investigate the effects management variables on SACCO's performance in the TNT SACCO. Descriptive research design was used in this study. Since the population was not homogeneous, stratified random sampling design was used as a technique to draw a sample from the sampling frame.. The total population was stratified into the SACCO members, management committee members and staff sub-samples. Questionnaires were used as data collection instruments and the data was analyzed using the SPSS. The results show that governance has enormous effects on the performance of the SACCO. Further, the results also indicate that the aspects of education and training play a major role on influencing governance structures. The researcher recommends that the SACCO diversifies its products to take into account the needs of the members and the available market as a means for resource mobilization. The findings of this study are useful to SACCO management since critical factors which affect performance have been identified. The major causes of misappropriation of funds which include political influence and wrangles can now be dealt with to save members funds. This study also shows that externalities such as inflation are not addressed by the management and could affect SACCO performance and need to be investigated.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

The International Cooperative Alliance the apex organization that represents cooperatives worldwide (ICA 2004) defines a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. They include agricultural, non-agricultural, unions or savings and credit cooperatives (SACCOs) (Sumelius, 2008). The first Co-operative Society in the world was formed in 1844 in a village in England known as Rochdale, by a group of people referred to as the Rochdale Pioneers, when Britain was undergoing the industrial revolution (KNFC website). SACCOs first appeared in south Germany in 1846 at the time of agricultural crisis and continuous heavy drought in Europe (Birchall, 2004). Ombado, 2009, remarks that the SACCOs were developed to meet the fundamental human need of saving and borrowing in a more cordial business environment. Today SACCO societies have significant role in empowering their members' social and economic status all over the world (Getachew, 2006). SACCOs are user-owned financial institutions that offer both savings and credit services to members. Members of these financial institutions can be both net savers and net borrowers (Getachew, 2006).

The Savings and Credit Co-operative Societies (SACCOs) were first introduced in Kenya in 1964 (Owen, 2007). However, due to operational problems, high loan delinquencies, and lack of workable systems, the precursors of the present day SACCOs were not economically tenable. In 1969, the government made a radical policy departure to register SACCOs strictly based on a secure crop or employment relationship which has seen the rapid growth of SACCOs in Kenya (Akide, 2005). Tharaka Nithi Teachers SACCO is one such society whose membership is drawn from government employees.

The Tharaka Nithi Teachers (TNT) SACCO Society was founded in June 1993. It was carved out of the Meru Teachers SACCO Society whose area of jurisdiction was the greater Meru district. Politics of the day have shaped up the SACCO since initiation and

have greatly influenced its performance and growth. Remarkably the interference from the teachers' politically active arm, KNUT; had hampered the everyday running of the society until the members intervened. TNT membership was previously restricted to teachers under TSC, O.O.P, Ministry of Education, SACCO staff and KNUT staff but now it is open to all government employees. (Tharaka Nithi Teachers SACCO Society Magazine, 2004).

For a long time, opportunities for accessing credit through mainstream financial institutions have been and still largely are out of reach for most people in Kenya. As a result SACCOs have emerged to breach the gap by opening to more people the access to savings, cheap affordable credit, and a chance for a secure tomorrow (Akide, 2005). The impact of these SACCOs Societies on the poor rural and urban populations, particularly the un-banked segment, has been felt and is evident. This has posed a great challenge to the SACCOs to provide high quality and diversified services, which members can easily access (Owen, 2007). The introduction of Front Office Service Activities (FOSA's) and other SACCO products have gone a long way in meeting this challenge.

Among the myriad of challenges facing most SACCOs is inadequate capacity and strained human resource largely due to lack sufficient budgetary allocation for specialized staff training and recruitment. In addition, sound corporate governance principles have not been embraced fully (Owen, 2007). It has also been noted that delay and in some cases non-remittance of member contributions is hampering the performance of the SACCOs. Finally, the HIV/AIDS pandemic that affects most the active age set of 20-55 which forms the membership base of the SACCOs and thus hindering the performance of these societies (Sumelius, 2008).

## **1.2 Statement of the problem**

Mudibo, (2005); pointed out that cross-cutting issues affecting performance of SACCOs in Kenya include, governance, inadequate human resource, weak regulations and supervision, limited products and services, low marketing, innovation and poor image. The other challenges have been low capitalization, poor information technology, and high taxation, lack of financial standards, HIV/AIDS and non remittance of deductions by

employers (Mudibo, 2005). Certainly, these issues are the factors that either undermine or support the running of SACCOs. However, in his research he has not identified the aspects of risk management that affect the performance of the SACCOs. In addition there are inadequate research findings on how and to what extent these factors influence the performance of the SACCOs in Kenya.

Bald, (2007); for instance argues that SACCOs must emphasize practical training and financial education for newly elected officials. The researcher further remarks that key positions holders as treasurer be taken through sufficient induction to enhance informed decision making. The level to which the training and education has affected the SACCOs performance is yet to be established. Significant growth and innovation with new services offered to an expanding SACCO membership base has been established over the years. However this development has been accompanied by an increasing level of risk and concern that the institutional capacity of many SACCOs to manage risk has not developed at the same pace (Sumelius, 2008). Further the raising levels of competition from a more vibrant banking system are bound to increase the potential threat faced by the SACCO movement. There is not sufficient literature available to show how governance, education, market risk and membership base and portfolios involved influence SACCO growth and performance; which this research study sought to fulfill.

### **1.3 The Purpose of the study**

The purpose of this study was to find out factors affecting SACCO performance on Tharaka Nithi Teachers SACCO.

### **1.4 Objectives of the Study**

The specific objectives of this study included;

- i. To assess the effect of governance on performance of Tharaka Nithi Teachers SACCO
- ii. To establish the effects of education on performance of Tharaka Nithi Teachers SACCO.
- iii. To assess how various market risks affect Tharaka Nithi Teachers SACCO Performance
- iv. To establish the effect of membership based on SACCO performance

## **1.5 Research questions**

The research questions of this study were

- a) How does governance affect SACCO Performance?
- b) How does education affect Sacco's performance?
- c) How do various market risks affect SACCOs' performance?
- d) How do membership base affect SACCO performance?

## **1.6 Significance of the research**

Co-operatives have made great contributions towards economic growth and employment creation in Kenya. They have enormous capacity to undertake cost effective procurement, distribution and acquisition of new technologies, products and services (MOCDM strategic plan 2008-2012). Further, Kenya's successive development plans; the Economic Recovery Strategy (ERS, 2003-2007), National Poverty Reduction Plan, the Poverty Reduction Strategy Paper (2001), Strategy for Revitalization of Agriculture (SRA) and now the Kenya Vision 2030; all recognize the SACCOs as an important player in national development.

The improved performance of this sector will therefore result in bankable nationwide poverty eradication and development. However, for this to happen, some critical factors affecting performance of SACCOs must be assessed for their effect. This research study envisaged investigating the effect of such factors on financial performance of SACCO Societies. The Tharaka Nithi Teachers SACCO was studied for this purpose.

## **1.7 Scope of the Study**

The scope of this research study encompassed the investigation of the effects of governance, education and training and market risks on performance of SACCOs. It takes into account the Kenyan setting of the SACCO environment. To achieve this goal, the running of the Tharaka Nithi Teachers SACCO located in Meru South district, Eastern Province in Kenya was studied.

## **1.8 Delimitation of the Study**

The factors of Governance, education and market risks are key movers of SACCO Performance and growth. This research study therefore contains great potential of



establishing 'how?', 'to what extent?' and 'in what relationships?' the factors affect performance of the SACCOs. In addition, the Tharaka Nithi Teachers SACCO is very representative since its membership is open to all clusters of the population including both rural and urban residents.

### **1.9 Limitation of the Study**

There are a number of limitations that were expected in this research study which included failure to respond to questionnaires and unwillingness by the respondents to give account of some information that they may consider sensitive. In addition, biased responses due to the respondents' vested interest on the SACCO were expected. However, the design of the questionnaire was such that sensitive issues were concealed from direct interpretation. This was meant to avoid biased response, failure of response and unwillingness of the respondents to participate.

### **1.10 Assumptions of the Study**

The assumptions of the study were that the respondents were to cooperate in filling in the questionnaire and the information gathered through the questionnaires was to be accurate, representative and true.

### **1.11 Definition of significant terms**

**Cooperative** is an association of persons who have come together with a common purpose of pooling their resources together for mutual economic and social benefit

**Government Policy** is a deliberate plan of action to guide decisions and achieve rational outcome(s) in SACCOs

**Loans** are money rendered to SACCO members by SACCO for personal development and repaid back at low interest rate.

**Market risk** is a possible reduction in value resulting from changes in market demand. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices

**Members** this are Share holders and those who have completed membership fees payment into the SACCOs.

**Mustaharabu Account:** The product is specifically designed to enable member to save for holiday such as Christmas, Easter, Idd etc. It is also good and convenient account to

save in for a planned project.

**Official:** means a director or any other person by whatever name or title he may be called or described, who carries out or is empowered to carry out functions relating to the overall direction of a deposit taking SACCO society or takes part in the general management thereof.

**Provision for Loan Losses:** An expense in the income statement to reflect an increase in the probability of losses due to uncollected loans.

**SACCO Financial Performance** is measuring the results of a SACCO's financial operation in monetary terms.

**SACCO:** A Savings and Credit Co-operative (SACCO) is a democratic, member driven, self-help cooperative; owned governed and managed by its members who have the same common bond: working for the same employer, belonging to the same labor union, social fraternity or living/working in the same community.

**SACCOs Governance** is the system by which a SACCO is directed, controlled and held to account for the manner in which power is exercised in the stewardship of its assets and resources to increase and sustain shareholder value and satisfy the needs and interests of all stakeholders

**Savings:** means deposits payable on demand.

**Shares** are money saved by SACCO members as security and acts as base for the loan borrowed by them.

**TEENS Account:** This account is designed to improve & educate the young star the important of saving at an early age. The account is opened in the name of the child below eighteen (18) years but operated by the parent or guardian of the child.

**Tusomeni Account:** The account is designed to help the member be able to save for future events such as school fees & other project.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter covers the literature review which relates to the subject of this study. It also includes the conceptual framework which highlights the variables under consideration. This chapter helps to identify and bring out the research gaps.

#### **2.2 Historical Background**

The International Cooperative Alliance (ICA 2004) defines a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (Gunga, 2009). This association is meant to embody the values of self-help, honesty, openness, self-responsibility, social responsibility, democracy, equality, equity, solidarity, mutual caring, efficiency, effectiveness, transparency and accountability. ICA further identifies the principles that ought to guide the formation, organization and activities of cooperatives as; voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among Cooperatives and concern for Community (Gunga, 2009).

The benefits which can accrue from adherence to the (ICA) principles include; enabling entrepreneurs achieve economies of scale, bargaining power and capacity to invest in more advanced stages of the value chain including storage, processing, marketing and distribution of products and services (Gunga, 2009). Through cooperatives, transaction costs are reduced and relationships with commercial enterprises are built. In addition, as community institutions, cooperatives devolve decision making to the community level, build social capital, nurture community spirit and pride (Reynolds 1998). Today many governments expect cooperatives to inform policy making and engage in advocacy while the cooperatives themselves seek a more pronounced, active and permanent role in decision-making (Mercoiret 1999). The shared spirit of cooperation and empowerment leads to engagement in larger projects for the economic gain of the society

The evolution of co-operatives worldwide is traced from time immemorial, beginning from the day individuals first joined hands for the advancement of common aspirations (Republic of Kenya 2007; International Monetary Fund 2007; The Kenya High Commission in the United Kingdom 2007). In Kenya, the co-operative movement in its modern state started in 1908. However, without a specific co-operative legislation at the time, the first society was registered under the business practices ordinance as legislated in the U.K, adopted in India and practiced in Kenya. It was not until 1931 that the first societies' ordinance was enacted. Immediately after independence in 1963, the government of Kenya embarked on a deliberate policy of Africanizing the economy whose major policy statement was contained in the Sessional Paper No. 10 of 1965. This policy document identified co-operatives as having the suitable institutional framework through which the indigenous Kenyans could participate in economic management and development upon attainment of self rule. This saw a rapid growth and expansion of co-operatives in Kenya

### **2.2.1 Evolution of SACCOS in Kenya**

The first SACCOS were registered in Kenya in 1964 after the country became independent in 1963. In the following years, several SACCOS based upon common bonds linked to residence, occupation and churches were formed. However, in 1969 the government required that SACCOS be strictly based on a secure crop or employment relationship. A check off system was introduced to help SACCOS receive payments directly from employers, processors (cooperatives, parastatals or private companies) and marketing organizations. This system ensured that a member's income would have automatic deductions to repay loans and was a significant factor in the development of SACCOS.

Kenya Union of Savings and Credit Cooperatives (KUSCCO) was started in 1973, initially as an umbrella organization for Urban Savings and Credit Societies (SACCOS) in Kenya (Akide, 2005). The SACCOS form by far the largest SACCO sector in Africa and plays a significant role in Kenya's financial sector. Today several of Kenya's largest SACCOS have capital large enough to become banks. For the last 100 years co-operatives have been instrumental in the generation of wealth and employment creation. Several

national strategies developed by government backed governance and institutional reforms have been implemented since 2003. The number of registered co-operative societies in Kenya has grown steadily, increasing from 9,443 in 2000, to 11,968 at the end of 2008 (Wanyama, 2009). These Co-operatives are essentially business organizations, observing universally accepted principles and values which underscore both the social and economic dimensions of their nature (Akide, 2005).

### **2.3 Potential of Cooperative Societies in Kenya**

Kenya's successive development plans; the Economic Recovery Strategy (ERS, 2003-2007), National Poverty Reduction Plan, the Poverty Reduction Strategy Paper (2001), Strategy for Revitalization of Agriculture (SRA) and now the Kenya Vision 2030; all recognize the co-operative movement as an important player in national development, with particular focus on mobilization of savings, investment of resources, wealth and employment creation (MOCDM strategic plan 2008-2012). Co-operatives enhance the optimal performance of key sectors by providing an important framework for mobilization of both human and financial capital. This has therefore shown the need to reform and strengthen the co-operative sector and transform co-operatives into vibrant social and business institutions (MOCDM strategic plan 2008-2012).

Co-operatives have made great contributions towards economic growth and employment creation in Kenya. They have enormous capacity to undertake cost effective procurement, distribution and acquisition of new technologies, products and services (MOCDM strategic plan 2008-2012). To date, there are over 11,200 registered cooperative societies country-wide (MOCDM strategic plan 2008-2012). The cooperatives have employed over 300,000 people besides providing opportunities for self-employment. Indeed, a significant number of Kenyans, approximately 63% draw their livelihood either directly or indirectly from cooperative-based enterprises (Republic of Kenya 2007; International Monetary Fund 2007; The Kenya High Commission in the United Kingdom 2007).

Through mobilization of savings and provision of loans, cooperatives have brought their members into the mainstream national economic grid. Besides, they are playing a vital role in financing education, medical services, household and investment needs. However,

the development of the co-operative movement in Kenya is confronted by challenges including poor governance, the consequent collapse or split of many cooperatives into small uneconomic units, and a low capital base that limits their scope for business expansion and innovation (Wanyama, 2009).

#### **2.4 SACCO Political Environment**

Scoones, *et al.*, (2005) states that policy reforms in countries in transition from authoritarian to democratic regimes are a result of negotiations between and among groups and are generally formulated to serve public good. This is true where the politicians are united in purpose and space allows them to exert their influence without being challenged by authoritarian tendencies. Policy processes, therefore, reflect growing demand for change and transformation of the society (Berhane, 2008). Kenya is such country, and politics have played a major role on positive reforms of the running of SACCOs.

Policies, an outcome of processes of negotiations between various interests which is what politics entails have been formulated to enhance performance and growth of SACCOs. However some forces win and others lose out depending on their social basis of support in the society when politics come into play (Berhane, 2008). For this reason, it may be argued that in as much as policies and their implementation are essentially negotiated outcomes, the involvement of multiple stakeholders with different interests must be taken into account (Scoones, *et al.*, 2005). When this is ignored especially in SACCOs the implementation of such policies achieve negatively to the mission of such society.

Success of the SACCO policy is dependent on the national economic and political contexts. It has been noted that political dynamics are catalytic to events happening at all sectoral levels. Politics usually have positive and negative impacts on the performance of SACCOs (Atieno, 2008.)

Atieno and kinyanjui (2008), notes that it is important to note that politics is indispensable for policy synchronization which is important for changes in one sector to be in tandem with changes in other sectors. This means that for any reforms in the cooperative sector to succeed there must be an enabling political environment and

supportive public. In addition economic objectives of the population provide an opportunity to achieve political goals (.). These opportunity natures the existence of political will to initiate and implement policy and it is critical for making the decisions to commit resources. By contrast, the absence of an enabling political environment constrains reform. For instance the relapse to corruption may undermine public confidence in government's reform initiatives. And if the public withdraws its support for reforms, then sustainability of reforms and gains become difficult (Atieno, 2008).

### **2.5 SACCOs' Policy and Institutional Environment**

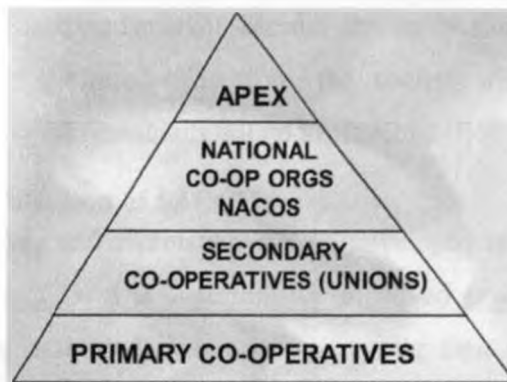
The original legal framework for SACCOs in Kenya was provided by the Cooperative Act Cap 490 of 1966. This Act gave the State extended powers to get involved in the day to day management of co-operatives. Following economic liberalization, the Co-operative Societies Act was revised in 1997 and went into effect on June 1<sup>st</sup> 1998 (Wanyama, 2009). The revised Act envisaged government giving up control of cooperatives, thereby enabling more autonomy to members. However, the absence of a regulatory framework that would provide prudential regulations, financial supervision, vetting for quality of leadership, audit reporting and very poorly monitored portfolio quality and financial statements resulted in several weaknesses in the system. This led to the initiation and enactment of Cooperative societies Act of 2008 (Wanyama, 2009).

To achieve Kenyans Vision 2030, there is need to initiate co-operative governance reforms, effectively capitalize co-operative societies, increase regional and global competitiveness of co-operative products, undertake market research and enhance market penetration by co-operatives and promote co-operative ventures (MoCDM, Strategic Plan 2008-2012)

### **2.6 Institutional Setting of SACCOs in Kenya**

The Apex is the Kenya National Federation of Co-Co-operatives (KNFC) which was formed in 1964 to be the spokesman for the cooperative movement, custodian of cooperative principles, promote development of the movement and promotes collaboration both locally and internationally (Wanyama, 2009). The National Co-operative Organizations comprise Secondary and Primary co-operatives that offer specialized services to affiliates such as commercial and financial services and represent

unions and societies at International levels. Secondary Co-operatives (Unions) have membership restricted to primary co-operative societies and serves as service agencies and operate on a district basis (Nicholas, 2008). It was formed to enhance economies of scale through shared goods and services as bulk purchase of inputs and provision of members' credit. The Primary Co-operatives have membership restricted to individual persons within a given locality. In Agriculture – agro processing and marketing i.e. coffee, milk, sugarcane, fish etc. Financial Co-ops formed on basis of employment, commodity, trade and transport and community i.e. SACCOS. Figure 2 shows the institutional setting of the SACCOS in Kenya (Nicholas, 2008).



**Figure 1 Institutional Setting of SACCOS in Kenya**

The national cooperative bodies include; Co-operative Bank dealing with Finance sector, Co-operative Insurance Co. dealing with Insurance sector, Co-operative Development and Information Centre (CODIC) dealing with ICT sector, Kenya Co-operative Creameries dealing with Dairy sector, Kenya Farmers Association dealing with Cereals, Kenya Planters Co-op Union dealing with Coffee, Kenya Rural SACCO Societies Union(KERUSSU), Kenya Union of Savings & Credit Co-operatives (KUSCCO), National Co-operative Housing Union(NACHU)

### **2.6.1 SACCO Society Act**

There is mounting pressure from the market for SACCOS to reform. Competition and internal pressure from members demanding sophisticated products and services means SACCOS must be managed in a more professional manner in tandem with trends in the market (Hoffmann, 2009). However, for this new law to become effective and therefore benefit SACCO members and the industry in general, SACCOS will require assistance



from sector stakeholders for them to meet the requirements of the Act and the prudential regulations thereto. It is in this light that WOCCU have set up the SACCO Capacity Building (SACCO Cap) project. The new Act seeks to address the future sustainability of SACCOs and in this regard, all stakeholders are required to support the SACCOs to ensure that they continue serving the Kenyan market (Hoffmann, 2009). And while it is clear that SACCOs need to modernize their business practices and product range and, critically review their market position, it is the duty of stakeholders in the cooperative sector to ensure that SACCOs remain competitive and relevant in the market. There is more than enough unmet demand for financial services in Kenya. According to Financial Access there is still an untapped market because the study shows that 38.4 percent of Kenyans are financially excluded. Therefore, the society will be well-served by a competitive marketplace with financially sound institutions (Hoffmann, 2009).

### **2.7 Monitoring and Evaluation of SACCOs**

An appropriate Monitoring and Evaluation system developed in order to investigate the performance level of SACCOs it is important for improved growth. SACCOs should be properly monitored and evaluated if they are delivering their services to members as planned. The proper and efficient utilization of their resource with the given time frame should be assessed (Porteous *et al.*, 2005). Besides, this assists to take corrective measures in time if deviations are identified; to ensure sustainability. In most SACCOs however properly monitoring and evaluation is non-existent due to inadequacy in structured and systematized monitoring and evaluation system, trained manpower and the required facilities, poor recording and handling of data, and inadequate knowledge and skill (Porteous *et al.*, 2005).

### **2.8 Major Challenges facing SACCOs in Kenya**

The major challenges inherent in the SACCO in Kenya are the poor governance and limited transparency in the management of cooperatives; lack of capacity in management, market intelligence and market research; weak capital base; infrastructural weaknesses (International Monetary Fund 2007). There is also limited infrastructure, high deployment and maintenance costs, inadequate financing or adoption of 'high-margin low volume' financing models, lack of awareness and 'disposable' income for ICTs within

rural areas (Okello 2006). All these challenges may be easily overcome by employing an administrative approach that exploits the potential public private partnership (PPP) in ICT and management information system environments.

Non remittance problems have also been experienced since the advent of liberalization where members join and transact with any society of choice. This led to lack of commitment on the part of the members. Loan defaulting is common in SACCOs that do not use a check off system. The other challenge is lack of diversity in services and products offered i.e. no variety. This implies a fear by the management to invest or trying new things. For instance computerization is challenge of technological change. The manual systems operated by SACCOs are slow and cause a number of problems because of human errors. Consideration of cost-effectiveness and improvement of quality of service would justify computerization of operations in many SACCOs (Porteous et al., 2005). There are great gains to be made in terms of systems development and implementation costs, inspections, audit, staff training etc. A well developed computer system, like Micro-banker can be organized to provide regularly updated information on the SACCO's financial situation and performance.

## **2.9 SACCO Performance**

The performance of SACCOs depends on their operational efficiency (Nyanjwa, 2008). Performance of SACCOs is greatly hampered by low capacity to operate and manage their activities. There is no standardized performance measurement tool to evaluate the status of SACCOs. In spite of this measurement using certain indicators, such as profitability, asset quality, signs of growth and rates of return and costs, some indication of performance can be found.

The important indicator of performance is the rates of return and costs where the members' dividends, operating expenses and return on assets are put into consideration. Compared to other finance institutions, SACCOs have low operating expense ratios- the primary ratio to determine efficiency (Nyanjwa, 2008). These societies have low levels of institutional capital; they are not generating sufficient profit to maintain a strong capital position. This is explained also by their low level of saving mobilization due to the fact that their members are poor sections of the society. The limited capacity of members to

utilize loan able funds and deterring lending procedures to utilize the available fund effectively has led to poor performance of the SACCOs (Nyanjwa, 2008).

Loan demands and diversification of loans types is another important indicator of the SACCO Performance. It is undeniable fact that member's loan demand is very high and incompatible compared with the availability of loan able funds. This means that only a small percentage of the loan-demand by the members of the SACCO is usually satisfied. Since the problem of the poor (low income earners) is multifaceted and diverse, the demand for loans cannot be met at the present state of most SACCOs.

In regard to the prevailing loan demand, SACCOs remain far behind to shoulder this needs. As regards to loans limitation due to diversity in type and number is observed for the following reasons; Scarcity of capital (finance) to finance numerous ventures and inadequacy of entrepreneurial skills. This makes loan types to be limited in diversity and peculiarity in character within all SACCOs (Wanyama, 2008).

The other indication of SACCO Performance is the impact of on income and asset position of the SACCO. In spite of capital shortage, SACCOs are generating income and also have increased their assets. However, this may not be felt in the coverage and share of the financial market (Wanyama, 2008). From the available literature, SACCOs have seen a tremendous change in their assets and income in which most progress is obtained from increase in number of SACCOs and with that membership size.

Loan repayment performance is one of the most important indicators of sustainability of SACCOs. The repayment performance of almost all SACCOs has been recognized as encouraging and satisfactory. However, according to the DAILY NATION Wednesday April 21, 2010, the Harambee savings and credit society, member deposit grew from Ksh 7.9 billion to Ksh 8.6 billion. The society's loan book grew from Ksh 7.9 billion to Ksh 8.8 billion. The growth in loans to members has not been very impressive compared to growth in members' deposits due to the stringent loan application process introduced by the department of defence and strict adherence to the two-third rule by the government. To mitigate this situation the SACCO has introduce other new loan products through FOSA.

Available literature reveals that member's repay their loans promptly without much delay. This is because members are mostly permanent employees their debts are deducted from payroll leaving no room for defaulting. The risk free lending rules and procedures that dictate that the members borrow amounts proportional to their savings and the guarantor's security are meant to curb defaulting opportunities (Wanyama, 2008).. The members' sense of ownership also plays a major role in ensuring repayment. However defaulting cases are still experienced within most SACCOs and this hampers performance.

### **2.10 Factors that influence SACCO growth and performance**

Understanding what influences SACCO performance has been a topic of much research in the world. Much of the existing research on performance of SACCOs discusses factors which contribute to the evolution and spread of SACCOs. The factors of governance, education and awareness, membership size and portfolio, and market risks are synonymous to reflection of SACCO performance.

Governance is the system by which a SACCO is directed, controlled and held to account for the manner in which power is exercised in the stewardship of its assets and resources to increase and sustain shareholder value and satisfy the needs and interests of all stakeholders (Mudibo, 2005). The SACCO governance can be considered at various levels of management namely; board level, staff level and at members' level. At the staff level, job insecurity weakens terms and conditions of service usually leading to poor performance. Further, unprofessional process of recruitment that encourages favourism, tribalism, and nepotism sometimes attracts incompetent personnel (Nicholas, 2008).

Kinyanjui, (2010) indicates that education and awareness creation is key to demystify misconceptions about SACCOs as dysfunctional or problem-creating entities that breed clientelism, corruption and patrimonialism, and hence undermining the performance of SACCOs. This shows that education and training is a great requirement in the running of the SACCO societies to abate against this negative developments. Market risk on the other hand gives an indication of the level of SACCOs Safety. It comprises of inflation, credit risk and interest rate risk (*kenyasacconet website*).

### **2.10.1 SACCO Governance**

At the board level the oversight and management operational responsibilities are inadequately defined in the by-laws of Co-operative Societies (Mudibo, 2005). This gap opens room for major concerns as making key decisions on urgent as change in interest rates, introduction of new products and services to await approval by the Annual General Meeting. Most board members are un-professional volunteer who assume highly technical responsibilities as loan analysis and disbursement, budgeting and financial expenditure control. The Board members sometimes are bound to succumb to political pressure from external forces to implement activities that are against the management ethics and standards (Mudibo, 2005).

It has been pointed out that the board of directors is sometimes prone to conflict of interest when making decision and this translates to corruption. In most cases this has resulted to gross mismanagement and misappropriation of funds by some elected officials who abuse the trust of the members (Mudibo, 2005). Due to lack of professionalism sometimes illegal and unauthorized investments are experienced in SACCOs. Further, Sile, 2009; Remarks that reluctance to acknowledge the need for change and competencies are unsuited to strategic challenges and leadership roles. Lastly, leadership wrangles and endless litigations due to conflicts end up to wastage of resources and loss of focus in terms of the sound development of the Co-operative (Wanyama, 2009).

At the staff level, Job insecurity and instances of illegal dismissal of employed staff cause loss of loyalty from the other staff and this hinders performance (Sile, 2009). Lobbying and canvassing for the election of certain Board members who may be relatives, friends or appear to favour their working arrangements is detrimental to the functioning of the Co-operative Society.

At members' level, inadequacy of resources, lack of Education and Training force members to exert pressure on the Board members to implement issues in a manner that abuses the spirit of good governance (Sile, 2009).. It has also been identified that the members are usually unwilling to offer salaries higher than what they earn and as a result the salaries of staff are not competitive. In addition where a Co-operative is very large,

members may fail to look closely at the prudential actions of their Board members (Mudibo, 2005).

### **2.10.2 Education**

The education and training is pivotal for the improvement of loan utilization (WUCCO, 2009). This is because effective utilization of loan depends upon the knowledge and skill of the borrower. The borrower should know the appropriate timing, planning, budgeting and proper implementation of the project or investment they make with the loans. It is indicated that poor repayment conditions are revealed where borrowers fail to properly utilize their loans due to weak entrepreneurial and business development skills (WUCCO, 2009). This call for members demand driven and tailor made trainings on proper and efficient utilization their loans.

The governance structure of an organization assumes its legitimacy via the vote of its shareholders/investors who surrender their wealth and/or the prospect of acquiring it to a management board (WUCCO, 2009). The Board can therefore make or break the wealth aspirations of the SACCO's membership. One way through which SACCOs can improve governance is through provision of education to their members. Education therefore plays an important role in SACCO development. The benefits of education to the societies are enormous, making investments in education not only a consumptive venture, but also transformative and distributive (Sen 1999). It is largely argued that institutions as SACCOs stand for the financial market gaps created commercial institutions i.e. banks (Helmke and Levitsky 2004; Stiglitz 2000). This calls for the dire need for proper education and training of the staff, the board and the membership fraternity. This is because the SACCOs continue to persist in society and play critical roles in coordinating markets and organizing society in both developed and developing economies.

Kinyanjui, (2010) states that two analytical views of SACCOs stand out: one treats these institutions as functional or problem-solving entities, while the other treats them as dysfunctional or problem-creating entities that breed clientelism, corruption and patrimonialism, and hence undermine the performance of markets. It is true indeed that much of the corruption and inefficiency existing in this SACCO sector are attributed to

the existence of informal relationships in the SACCOs, such as clanism and patron-client relationships that arrest the performance of the institutions (Sexsmith, 2009). This shows that education and training is a great requirement in the running of the SACCO societies to abate against this negative developments.

The education and training is pivotal for the improvement of loan utilization (WUCCO, 2009). This is because effective utilization of loan depends upon the knowledge and skill of the borrower. The borrower should know the appropriate timing, planning, budgeting and proper implementation of the project or investment they make with the loans. This can only be achieved through education and training of the borrowers. Besides, the marketability of the initiative for which the member takes a loan should be taken into consideration. It is indicated that poor repayment conditions are revealed where borrowers fail to properly utilize their loans due to weak entrepreneurial and business development skills (WUCCO, 2009). This call for members demand driven and tailor made trainings on proper and efficient utilization their loans.

Kariuki, (2009) remarks that the attitude of the beneficiaries is a key attribute that education can instill into the fabric of the SACCO members. For instance the member's attitude towards their SACCOs is a very important factor that influences the performance of the organizations. This can be achieved through; timely approval and disbursement of loans, accessibility of the service to members, limited and short procedures, flexibility of the type of loans, meeting members social needs and enhanced members ownership (WUCCO, 2009). All this require comprehensive education and training programmes for the entire SACCO society to achieve.

### **2.10.3 Market risk**

Safety of SACCOs refers to the ability to collect 100% of the investments plus interest earned in a given period. This indicates the various levels of risks borne by the SACCOs. Market risk is a possible reduction in value resulting from changes in market demand. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk (kenyaSACCOnet website).

When considering interest rate risk, a possible reduction in value can result from increases in interest rates. It can also be described as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Also known as asset and liability management risk, interest rate risk is a critical treasury function, in which financial institutions match the maturity schedules and risk profiles of their funding sources (liabilities) to the terms of the loans they are funding (assets) (kenyaSACCO.net website).

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation (IFRS). It can also be defined as a possible loss if the issuer of an investment defaults. This could result from imprudent investments in savings and loan associations and banks in excess of insured limits, or investments in weak financial institutions where deposits are not guaranteed (kenyaSACCO.net website).

Price-Level Risk refers to a possible reduction in purchasing power of the shilling as a result of inflation. SACCO's can reduce investment risks by fully evaluating each type of investment prior to purchase, including the issuer, analyzing the financial condition and reputation of any intermediary to the transaction, such as a broker/dealer; and diversifying the investment portfolio by type, maturity, geographical location, and guarantor (kenyaSACCO.net website).

There are other substantial risks incurred in all investments. This may include prepayment risk which is the most common of the secondary risks incurred by SACCOs and can lead to increased interest rate risk. Prepayment offsets the positive gains a liability-sensitive SACCO can reap in a falling interest rate cycle because fixed rate instruments would be refinanced into lower-priced instruments. Thus, the net interest margin is squeezed. Therefore, management must carefully price its products in a falling rate cycle or at a time when the cycle is in a trough. Building a loan portfolio from low priced obligations will ill-prepare a SACCO for future market upswings. After a SACCO understands the risks of managing the balance sheet, it must be able to quantify the level of risks existing. The size and complexity will govern the tools required to do so (kenyaSACCO.net website).



#### 2.10.4 SACCO Membership

There are various factors that determine membership these include; easy availability of loans and other benefits; prejudices and discrimination against gender; illiteracy and lack of awareness; factionalism and heterogeneity of population; disparities in wealth and social status; interference by politicians; and misunderstanding about the motivation member perception and objectives of people's organizations. Mishra *et al.*, (1984) classify the factors affecting people's participation and membership into six categories, namely, physical and biological; economic; political; social; cultural; and historical. Further, Korten (1983) identifies three categories of obstacles to people's participation, namely, obstacles within the (programme) agency; obstacles within the community; and obstacles within the society. All this factors can be summarized into resource-specific, user community-specific, agency-specific, programme-specific and environment-specific factors.

Resource centrality (importance of the resource as a means of survival), resource scarcity (quantity of the resource/resource products/resource benefits available vis-a-vis the local demand), ownership of the resource(s), gestation (waiting time involved) and uncertainty about availability of the resource/benefits, location of the resource, divisibility of the resource/resource products, and feasibility of exclusion of free riders from sharing the benefits from the resource are the major resource-specific factors affecting people's participation (Korten, 1983).

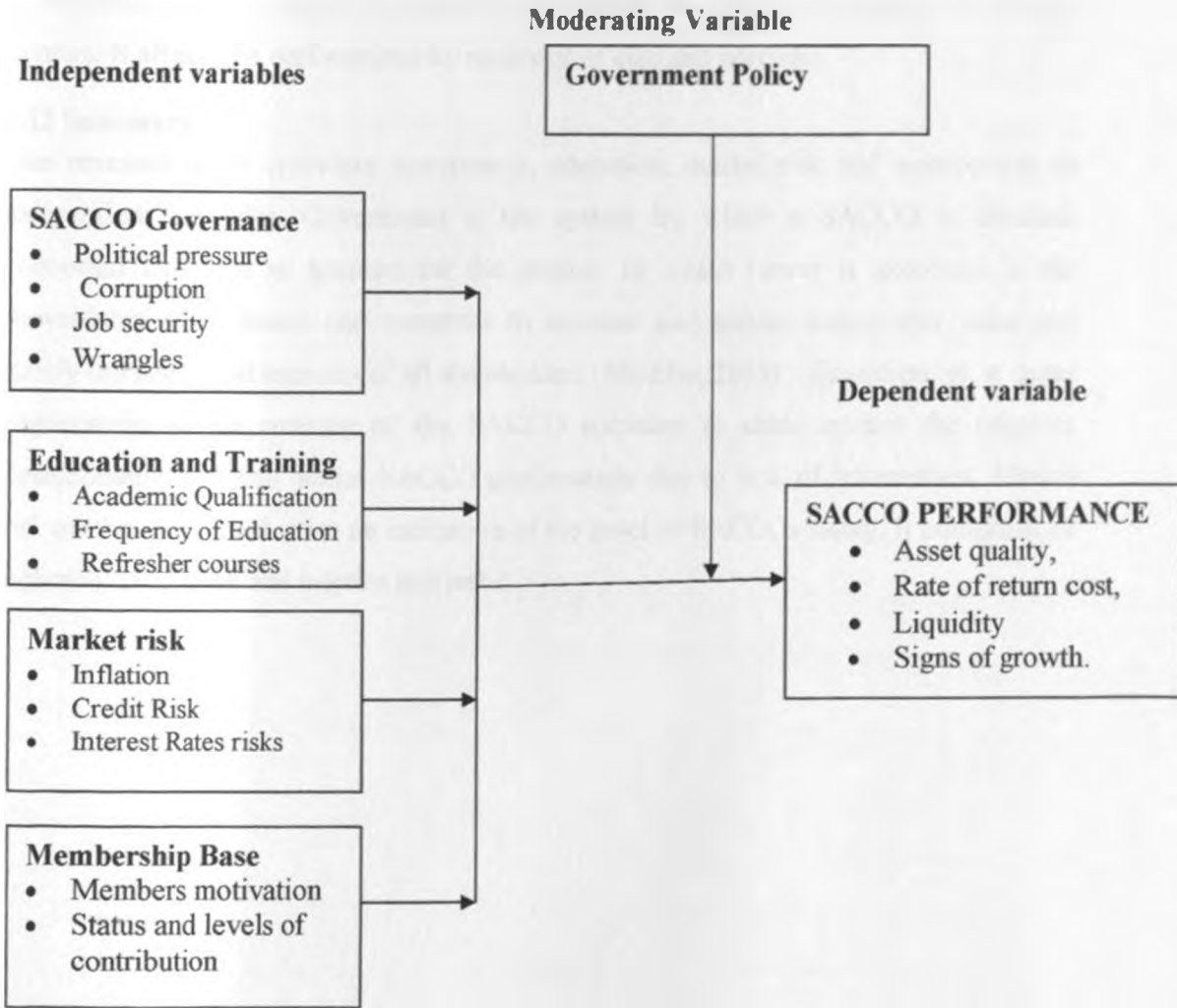
A number of socio-cultural characteristics including beliefs and values of the community affect their participation in SACCO programmes. The most important community-specific factors determining people's participation and membership include socio-economic structures for instance Homogeneity and heterogeneity of a community in terms of caste, class, ethnicity, assets, income, etc., (CIRDAP1984). Values and beliefs that are rooted in its culture, tradition, and history, inculcate attitude and behaviour and as such influence membership (Korten, 1983). Awareness of locals is conceded as another factor that influences membership either for or against the SACCO.

Mishra *et al.*, (1984), recognizes the SACCO-specific factors affecting membership

which include; their structures, systems, norms, and personnel policies. The most important is that the locus of decision-making should be centrally placed with the members for the purposes of securing and sustaining membership. Devolution of Financial and Administrative Power is another factor which enhances people's participation and ownership. Lastly, Attitudes, Values and Skills of SACCO Personnel and personnel policies can also make or break membership depending on the perceptions conceived by members upon interaction with personnel.

### 2.11 Conceptual Framework

Figure 3 below shows the independent, moderating and dependent variables and how they relate with each other.



**Figure 2 Conceptual Framework**

This research study considers SACCO governance, education and training, membership base and market risk as independent variables. Governance is the system by which a SACCO is directed, controlled and held to account for the manner in which power is exercised in the stewardship of its assets and resources to increase and sustain shareholder value and satisfy the needs and interests of all stakeholders (Mudibo, 2005). Education is a great requirement in the running of the SACCO societies to abate against

the negative developments that can hinder SACCO performance due to lack of information. Market risk on the other hand gives an indication of the level of Sacco's safety. It comprises of inflation, credit risk and interest rate risk. Finally membership base is important since it forms the platform on which the SACCOs mobilize funds and savings. It affects the performance by means of its size and portfolio.

## **2.12 Summary**

This research study considers governance, education, market risk and membership as independent variables. Governance is the system by which a SACCO is directed, controlled and held to account for the manner in which power is exercised in the stewardship of its assets and resources to increase and sustain shareholder value and satisfy the needs and interests of all stakeholders (Mudibo, 2005). Education is a great requirement in the running of the SACCO societies to abate against the negative developments that can hinder SACCO performance due to lack of information. Market risk on the other hand gives an indication of the level of SACCOs safety. It comprises of inflation, credit risk and interest rate risk.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

This chapter describes the methodology which was used to carry out the study. The chapter also gives methods, techniques and tools used in collecting the data, analyzing data and offers a description of the population of the study from which a sample is selected. The type and sources of data are also described.

#### 3.2 Research Design

The study used a descriptive research design. Questions based on the research objectives were administered to the respondents. Descriptive statistics provide a description of the sample as it is and is used to represent the population. The results hold consistently if the research was conducted over and over again each time with new sample subjects. (Paul, 1996)

#### 3.3 Target Population

The population was drawn from TNT SACCO staff, management committee and SACCO members. There are 16 staff, 12 management committee and 4200 SACCO members from which a sample was drawn.

#### 3.4 Sampling Procedure

The population of 4,228 people which consisted of 16 staff, 12 management committee and 4200 SACCO members was considered in this study. The sample size of 263 respondents which consists of 254 SACCO members, 5 staff and 4 management committee was randomly selected to ensure that all the units of the sampling frame had an equal chance. According to Gay, (1981) 10% of the accessible population in a descriptive study is enough samples. In this research 30% of the population was tested for employees and management. Since stratified random sampling was used SACCO members samples size was determined using Table 5 in the appendix (Bartlett *et al.*, 2001). The sample size for a population of 4200 is approximately 254

**Table 3.1 Sampling Frame**

Type of Sample	Total Population	Sample size
SACCO Employees	16	5
SACCO Management	12	4
SACCO Members	4200	254
<b>Total</b>	4228	263

### **3.5 Data Collection Methods and Instruments.**

The following data collection methods and instruments were applied in this study.

#### **3.5.1 Data Collection Instruments**

Data was collected using questionnaire and interview schedules. In formulating research instruments the researcher considered the objectives of the study and the research questions. Data was collected by use of questionnaires administered to employees, management committee and SACCO members. The questionnaire method was mainly employed in primary data collection although observation method was also used. The questionnaire method helped in the study to find out what the respondents did, thought or felt about SACCO performance.

Unstructured interviews were also employed. These were informal and conversational methods of data collection. The aim was to enable the informants open up and the researcher to stimulate the informant to produce more information. Observation method provided the means of verifying information answered in the questionnaires and a detailed understanding of values, motives and practices of the respondents. With the aid of this method, this research was able to draw comparisons among respondents from the SACCO that used. Secondary data was collected from society magazines, management reports and other available literature.

#### **3.5.2 Data Collection Procedure**

The researcher furnished the respondents with an introductory letter certified by the university in order to ensure that the respondents have confidence in the study. The respondents were not required to give their names. This was to make them give accurate and reliable information without any bias. The researcher administered the questionnaire to the respondents and later picked them. The target population was assumed to be literate

hence no interpretation was required. The questionnaires had both open and close-ended questions so as to collect as much information as possible.

### **3.6 Piloting**

Piloting was done to test for any ambiguities and inadequacies. The piloting exercise was being carried out on three SACCO members, one staff and one management committee member of MUGUNI SACCO society. One of the advantages of conducting this piloting study was to give advance warning about where the main research project could fail. This was anticipated where research protocols may not be followed or whether proposed methods or instruments were inappropriate or too complicated. This piloting study was used as the pre-testing instrument of this research study (Baker 1994).

#### **3.6.1 Validity of the Research Instruments**

Lacity and Jansen (1994) defined validity of findings as those that make sense, are persuasive and seem right to the reader. According to Polkinghome (1988), validity of a theory refers to results that have the appearance of truth or reality. The results of this research were validated in consultation with the supervisors. Since the researcher randomly selected the respondents, it is believed that the results of the study were valid and without any ambiguities.

#### **3.6.2 Reliability of the Research Instruments**

Reliability is the measure to which a research instrument yields consistent results after repeated trials (Mugenda and Mugenda, 2003). The researcher used split half technique of assessing reliability. Scores from one part were correlated with scores from the second part thus eliminating chance of error due to differing test conditions. A coefficient of 0.8 was used.

### 3.7 Operational Definition of Variables

**Table 3.2 Operationalization of Variables**

Research Objectives	Type Of Variable	Indicator	Measuring of Indicators	Data Collection Methods	Level Of Scale	Types Of Analysis	Level Of Analysis
1. To determine how Governance affects SACCO financial performance	Dependent	Asset quality, Rate of return and cost, Liquidity, growth Signs.	Types of available asset	Observation			
		1. Political pressure	Divided paid	Questionnaire	Nominal	Non-Parametric	Descriptive
	Independent	2. Corruption	1. Bribery 2. Biased recruitment 3. Misappropriation of funds	1. Questionnaire 2. „ 3. „	Nominal	Non-Parametric	Descriptive
		3. Wrangles 4. Job security	1. Demonstrations 1. No. of Staff turnover 2. Staff benefits	Questionnaire Questionnaire	Nominal Ordinal Ratio	Parametric Parametric Parametric	Descriptive Descriptive
2. To assess the effect of Education and Training on SACCO financial performance	Independent	1. Academic and professional qualification of staff and board	No. with PhD, MA/MSc, BA/BSc., Diploma, Certificate, CPA(K), CPS(K), KATC	Questionnaire	Nominal	Parametric	Descriptive
		2. Frequency of Education/training to members	No. of Trained members per year on SACCO matters.	Questionnaire	Ordinal	Parametric	Descriptive
		3. Refresher courses	Number taken to refresher courses in a year	Document analysis Questionnaire	Ordinal	Parametric	Descriptive



<b>Research Objectives</b>	<b>Type Of Variable</b>	<b>Indicator</b>	<b>Measuring of Indicators</b>	<b>Data Collection Methods</b>	<b>Level Of Scale</b>	<b>Types Of Analysis</b>	<b>Level Of Analysis</b>	
3. To investigate the effect of Market risks on SACCO Financial performance.	Independent	1. Inflation	No. of foregone investment due to inflation	Questionnaire	Ordinal Nominal	Parametric	Descriptive	
		2. Credit Risk	No. of loan defaulters	Questionnaire	Ordinal Nominal	Parametric	Descriptive	
			-Amount of dividend not paid on investment -No. of stalled investments	„ „				
4. How do membership base affect SACCO performance	Independent variable	3. Interest Rates risks	-Interest paid against expected on loan borrowed from bank	Questionnaire	Nominal	Non-Parametric	Descriptive	
		Members motivation	-Reason and purpose for membership	Questionnaire	Ordinal	Parametric	Descriptive	
5. To assess how Government policy affect SACCO financial performance	Moderating	Policy framework on SACCOS	Status and levels of contribution of members	-No of members contributing within a given range	Questionnaire	Nominal	Parametric	Descriptive
			Policy awareness	Compliance to government policies	Questionnaire	Nominal	Parametric	Descriptive

### **3.8 Data Analysis**

The objective of data analysis was to prepare raw data for statistical interpretation and presentation. The collected data was subjected through a sequence of operations which included editing, coding, classification and analysis using statistical package for social sciences (SPSS). The data was analyzed through descriptive statistics such as percentages and averages, and inferential statistics. Pearson correlation coefficients were used to determine significant relationships between the study variables.

### **3.9 Summary**

In the methodology descriptive research design was used. The questionnaire, interviewing schedules and observations was used as instruments of data collection. The targeted sample size was 254 made of SACCO staff, management committee and SACCO members of Tharaka Nithi Teacher SACCO. Data collected was analyzed using statistical package for social sciences (SPSS).

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND INTERPRETATION

#### 4.1 Introduction

The questionnaire was designed to solicit vital information regarding the general members, staff and the management committee members and how aspects of governance, education and training, market risks and membership base characteristics affect the performance of the SACCO. All these research was coined against the expedition to establish the number of trade-offs that are emerging from proper management of SACCO in the Kenya. These focused mainly on the TNT SACCO members and how it relates to the issues of governance, education and training, market risk and membership.

This chapter covers data analysis and findings of the research. The data was summarized and presented in the form of frequencies, proportions, percentages and Tables. Data was collected from TNT SACCO members, staff and the management committee members. Consequently, the collected data was analyzed and interpreted in line with the aims.

Of the 264 questionnaires distributed for this research, 215 useable questionnaires were returned giving a response rate of 81.44 per cent, which was considered satisfactory for subsequent analysis.

#### 4.2 Profile of the respondents

The respondents profile was analyzed as follows.

##### 4.2.1 Age Bracket

The researcher sought to establish the age bracket of the respondents. This was supposed to enable the researcher to get varied responses from different age groups. The result was as shown in Table 4-1:

**Table 4.1 Age bracket**

Age in Years	Frequency	Percent	Cumulative Percent
20-29	5	2.3	2.3
30-39	70	32.6	34.9
40-49	105	48.8	83.7
50-59	35	16.3	100.0
<b>Total</b>	<b>215</b>	<b>100.0</b>	

The research findings indicated that the majority of the respondents (48.8%) lied in the age

bracket between 40-49 years. The respondents between 50-59 years of age were 16.3% while those between 30-39 years, and 20-29 years 32.6 and 2.3% respectively.

#### 4.2.2 Gender

The researcher wanted the respondents to indicate their gender in order to get a balanced view of responses. This was also meant to assist the researcher to compare responses since the sex difference may have different perceptions on various management issues and Table 4-2 shows the results.

**Table 4.2 Gender**

	Frequency	Percent	Cumulative Percent
<b>Male</b>	130	60.5	60.5
<b>Female</b>	85	39.5	100.0
<b>Total</b>	215	100.0	

The results indicated that out of the 215 respondents interviewed, 60.5% were male while the rest 39.5% were female counterparts. This was a clear indication the study received a mixed view on the responses for making unbiased inferences.

#### 4.2.3 Marital Status

The results shown in Table 4.3 indicate the marital status of the respondents.

**Table 4.3 Marital Status**

	Frequency	Percent	Cumulative Percent
<b>Married</b>	180	83.7	83.7
<b>Single</b>	35	16.3	100.0
<b>Total</b>	215	100.0	

The majority of the respondents at 83.7% were married while 16.3% of them were single. The results show that the majority of the members and staff are married.

### 4.3 Governance

The following were analysed to find how governance affect SACCO performance..

#### 4.3.1 SACCO By-laws

The respondents at 100% indicated that they were aware of the SACCO by-laws. Further the research sought for the compliance levels to the bylaws. Table 4.4 shows the compliance to SACCO by-laws.

**Table 4.4 compliance to SACCO bylaws**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>Regularly</b>	170	79.1	79.1
<b>Sometimes</b>	40	18.6	97.7
<b>Not Adhered to</b>	5	2.3	100.0
<b>Total</b>	215	100.0	

It was indicated by 79.1% of the respondents that the by-laws are complied with regularly. A very small section at 2.3% of the respondents felt that the laws were not being adhered to while the rest at 18.6 % indicated that sometimes the bylaws were followed.

#### **4.3.2 Number of terms an elected official can occupy office**

The researcher inferred to get an indication of the number of terms the member can be elected to occupy office to establish how the governance and politics is affecting the performance levels of the SACCO. The respondents were required to give an account of the maximum number of terms an official can be elected to serve in the management committee and the results shown in Table 4-5.

**Table 4.5 Maximum Number of Terms an Official Can Occupy Office**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>One Term</b>	25	11.6	11.6
<b>Two Terms</b>	50	23.3	34.9
<b>Three Terms</b>	35	16.3	51.2
<b>Infinite</b>	100	46.5	97.7
<b>Not sure</b>	5	2.3	100.0
<b>Total</b>	215	100.0	

It was indicated that there is no limit according to 46.5% of the respondents. However 23.3% of the respondents felt that 2 terms were the limit for an elected official to occupy office while 16.3% and 11.6% suggested that three terms and one term respectively. The rest 2.3% of the respondents were not sure.

#### **4.3.3 Chance for Re-election and Bribery**

The researcher asked the respondents to provide information on the chance for re-electing committee members and the results are shown in Tables 4-6 and 4-7

**Table 4.6 Non-Re-election**

	Frequency	Percent	Cumulative Percent
<b>Yes</b>	65	30.2	30.2
<b>No</b>	150	69.8	100.0
<b>Total</b>	215	100.0	

**Table 4.7 Chance for Non-Re-election**

	Frequency	Percent	Cumulative Percent
<b>Very Often</b>	15	7.0	7.0
<b>Often</b>	20	9.3	16.3
<b>Rarely</b>	180	83.7	100.0
<b>Total</b>	215	100.0	

It was revealed that for non-re-election was quite slim. The participants at 69.8 % indicated that there was high chance for re-election while 30.2% agreed that an official could not be re-elected. It can be noted that the results in Table 4-7 re-affirm the fact that an official can be re-elected easily as the majority of the members at 83.7% felt that non-re-election can rarely occur. However 7% and 9.3% of the respondents felt that non-re-election can occur very often and often.

Concerning the bribery, 65.1% of the respondents pointed out that of it do not exist while 34.9% agreed that it does exist but at lower levels as shown in Table 4-8.

**Table 4.8 Bribery**

	Frequency	Percent	Cumulative Percent
<b>Low</b>	75	34.9	34.9
<b>None</b>	140	65.1	100.0
<b>Total</b>	215	100.0	

#### 4.3.4 Staff Recruitment

The researcher wanted to find out the state of staff recruitment in terms interference from the political and other governance circles as shown in Table 4-9.

**Table 4.9 Biased Recruitment**

	Frequency	Percent	Cumulative Percent
<b>Low</b>	70	32.6	32.6
<b>Moderate</b>	10	4.7	37.2
<b>High</b>	5	2.3	39.5
<b>None</b>	130	60.5	100.0
<b>Total</b>	215	100.0	

It was pointed out in response by 60.5% of the participants that there was no biasness in staff recruitment while 36.6%, 4.7% and 2.3% of them felt that there was a low, moderate and high biasness level in staff recruitment respectively.

#### 4.3.5 Misappropriation of funds

In the pursuit to establish the extent of misappropriation of SACCO funds, the researcher sought for the information from the respondents that indicate the various levels of misuse as shown in Table 4.10.

**Table 4.10 Misappropriation of funds**

	Frequency	Percent	Cumulative Percent
<b>Low</b>	65	30.2	30.2
<b>Moderate</b>	50	23.3	53.5
<b>High</b>	10	4.7	58.1
<b>None</b>	90	41.9	100.0
<b>Total</b>	215	100.0	

It was indicated that there was no misappropriation by 41.9% of the respondents. A very low percentage at 6.7% of the participants indicated high misappropriation while 30.2% and 23.3% of them indicated low and moderate embezzlement. Table 4-10 shows the results on SACCO funds embezzlement.

#### 4.3.6 Existence of wrangles

The researcher inferred for the existence of wrangle and demonstrations in the SACCO administration as shown in Table 4-11.

**Table 4.11 Wrangles and Demonstrations**

	Frequency	Percent	Cumulative Percent
<b>Low</b>	45	20.9	20.9
<b>Moderate</b>	5	2.3	23.3
<b>None</b>	165	76.7	100.0
<b>Total</b>	215	100.0	

It was found out in response from 76.7% of the participants that wrangles never exist while 20.9 and 2.3% felt that low and moderate levels of disputes in administration existed.

#### 4.3.7 Staff Turnover

The results shown in Table 4-12 indicate the recorded responses on staff turnover.

**Table 4.12 Staff Turnover**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>Low</b>	65	30.2	30.2
<b>Moderate</b>	65	30.2	60.5
<b>High</b>	20	9.3	69.8
<b>None</b>	65	30.2	100.0
<b>Total</b>	215	100.0	

The respondents in giving account of the turnover of staff revealed that only 9.3% of the respondents believed that the turnover was high. The rest indicated that the turnover was low and moderate at 30.2% each. The remaining 30.2% of the participants felt that there was no staff turnover.

#### **4.3.8 Political Influence**

When considering the political influence on the running of the SACCO businesses, the results are shown in Table 4.13.

**Table 4.13 Level of Political Influence**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>Low</b>	70	32.6	32.6
<b>Moderate</b>	25	11.6	44.2
<b>High</b>	5	2.3	46.5
<b>None</b>	115	53.5	100.0
<b>Total</b>	215	100.0	

It was revealed that there was no political influence by 53.5% of the participants while 32.6% of them felt that low level of political influence played part in the running of the SACCO. However 11.6% and 2.3% of the respondents indicated that there exist moderate and high political influences respectively.

#### **4.3.9 Staff Benefits**

Further, the researcher sought to establish the view of the respondents on the staff benefits as shown in Table 4.14.

**Table 4.14 Staff Benefits**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>Good</b>	125	58.1	58.1
<b>Very Good</b>	90	41.9	100.0
<b>Total</b>	215	100.0	



About 58.1 % of the participants felt that the staff benefits were good while 41.9% of them felt that the staff benefits were very good. It is worth noting that none of the participants felt that the staff received poor benefits.

#### 4.4 Education

The education level of the members, staff and committee members was considered in this study to assess its effects on the performance of the SACCOs

##### 4.4.1 Education Level

The researcher inquired about the academic level of the participants to give indication of the level of education of the SACCO members, staff and management. In respect to academic education and professional training of the respondents, Table 4.15 shows the results of the response concerning the academic levels of the participants.

**Table 4.15 Members Education Level**

	Academic Level			
	Frequency	Percent	Valid Percent	Cumulative Percent
P 1	43	20.9	20.9	20.9
Masters	6	2.9	2.9	23.8
O-Level	76	36.9	36.9	60.7
Bachelors degree	27	13.1	13.1	73.8
A-Level	12	5.8	5.8	79.6
Diploma	12	5.8	5.8	85.4
KATC	30	14.6	14.6	100.0
Total	206	100.0	100.0	

It can be noted that most of the participants at 27.91% have O-level education. The participants with P1 Certificate and those with bachelor`s degrees were indicated to form 16.28 and 13.95% of the respondents. Equal numbers of the respondents at 11.63% each have a master`s degree and a KATC certificate respectively. The rest at 9.30%, 6.98% and 2.33% have A-Level education, Diploma and CPA training respectively.

##### 4.4.2 Training

The researcher sought to know if the participants were being considered for any training by the SACCO and the results are shown in Table 4-16.

**Table 4.16 Attendance to trainings**

	Frequency	Percent	Cumulative Percent
Yes	170	79.1	79.1
No	45	20.9	100.0

<b>Total</b>	<b>215</b>	<b>100.0</b>
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In response 79.1% of the participants agreed that there are organized trainings for them while 20.9% pointed out that they have never attended any of such trainings.

#### 4.4.3 Frequency of training

The respondents indicated the frequency of the trainings as shown in Table 4-17.

**Table 4.17 frequency of training**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>Quarterly</b>	15	7.0	7.0
<b>Semi-Annually</b>	80	37.2	44.2
<b>Annually</b>	45	20.9	65.1
<b>No Training</b>	5	2.3	67.4
<b>not answered</b>	70	32.6	100.0
<b>Total</b>	<b>215</b>	<b>100.0</b>	

From the study, it was established that 37.2 percent of the participants pointed out that the trainings were carried out semi-annually while 32.6% chose not to answer indicating that they were not aware. 20.9% and 7% of the respondents remarked that the trainings were carried out annually and quarterly respectively. A very small proportion of respondents at 2.3% felt that there was no training programme that they were aware of.

#### 4.4.4 Subject of Training

The researcher asked the respondents to indicate the subjects of the trainings the results are as shown in Table 4-18.

**Table 4.18 Subject of Members Training**

	<b>Subject of Training</b>			
	<b>Frequency</b>	<b>Percent</b>	<b>Valid %</b>	<b>Cumulative %</b>
<b>Financial Management</b>	48	23.3	23.3	23.3
<b>Record Keeping</b>	13	6.3	6.3	29.6
<b>Information Technology</b>	6	2.9	2.9	32.5
<b>Marketing</b>	36	17.5	17.5	50.0
<b>Others</b>	13	6.3	6.3	56.3
<b>not answered</b>	78	37.9	37.9	94.2
<b>Banking &amp; Customers care</b>	6	2.9	2.9	97.1
<b>HIV/AIDS</b>	6	2.9	2.9	100.0
<b>Total</b>	<b>206</b>	<b>100.0</b>	<b>100.0</b>	

From the study, it was shown that 37.9 percent of the respondents did not give any answer due to lack of awareness of any training, 23.3% and 17.5% attended a financial management and a marketing training respectively. A further 6.3% each attended record keeping and other trainings while 2.9% attended HIV/AIDS, Banking and customer care, and Information technology

#### 4.4.5 Training of Members

The respondents were asked to indicate the frequency of the training offered to the members as shown in Table 4-19.

**Table 4.19 Frequency of Members Training**

	Frequency	Percent	Cumulative Percent
Quarterly	20	9.3	9.3
Semi-Annually	110	51.2	60.5
Annually	60	27.9	88.4
No Training	15	7.0	95.3
Not Answered	10	4.7	100.0
<b>Total</b>	<b>215</b>	<b>100.0</b>	

From the study, it was established by 51.2% of the respondents that the trainings are carried out semi-annually while 27.9% indicated that the trainings are conducted annually. The rest of the respondents at 9.3% remarked that the training was conducted on quarterly basis, 7% of them said that there no such trainings while 4.7% did not respond this question.

#### 4.4.6 Training of Management

The respondents were further asked to give account of the regularity with which the management trainings were carried out results is shown in Table 4-20.

**Table 4.20 Management Training**

	Frequency	Percent	Cumulative Percent
Quarterly	35	16.3	16.3
Semi-Annually	90	41.9	58.1
Annually	45	20.9	79.1
No Training	15	7.0	86.0
not answered	30	14.0	100.0
<b>Total</b>	<b>215</b>	<b>100.0</b>	

From the research findings it was established 41.9 percent of the participants felt that the trainings were carried out semi-annually while 20.9% and 16.3% of them indicated that the trainings were carried out annually and quarterly respectively. The rest 7% indicated that they were not aware of such trainings while 14% failed to respond to the question.

**4.5 Market Risk**

The market risks involved in the running of the SACCO which include inflation and interest rates were considered in this study to assess their effects on the performance of the SACCOs

**4.5.1 Inflation**

The researcher wanted the staff and the management committee members to indicate the average level of inflation in order to have the view of inflation rates and its impact on the running of the SACCO and this is shown in Table 4-21.

**Table 4.21 Inflation Rate**

	Rate of Inflation		
	Frequency	Percent	Cumulative Percent
Very High	3	33.3	33.3
High	4	44.4	77.8
Moderate	1	11.1	88.9
Low	1	11.1	100.0
Total	9	100.0	

This was also meant to assist the researcher to identify ways in which the inflation affects the performance of the SACCO. The results indicated that out of the nine (9) respondents interviewed, 44.44% pointed that inflation rate were high while 33.33% felt that it was very high. The rest indicated that the inflation rates were moderate and low at 11.11% each.

**4.5.2 Effect of Inflation**

Further the researcher inquired from the participants for information about the effect of the inflation on the SACCO performance and the results are shown in Table 4.22.

**Table 4.22 inflation effects on the SACCO**

	Frequency	Percent	Cumulative Percent
Yes	7	77.8	77.8
No	2	22.2	100.0

<b>Total</b>	<b>9</b>	<b>100.0</b>
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In response the participants at 77.2% agreed that inflation indeed affects the SACCO performance. The rest 22.2% pointed out that the inflation does not influence the performance in any way.

#### 4.5.3 Loan Defaulting

The researcher sought to establish whether the SACCO was experience any cases of defaulting and results are as shown in Table 4-23.

**Table 4.23 Level of Defaulting**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Moderate	3	33.3	33.3
Low	6	66.7	100.0
<b>Total</b>	<b>9</b>	<b>100.0</b>	

In response all the participants agreed that there exist some loan defaulting in the SACCO. The researcher further inferred for the extent of the loan defaulting that SACCO experiences. The research findings as indicated by the majority of the participants 66.7% show that defaulting is at a low level while the rest at 33.33% remarked that there was a moderate loan defaulting.

#### 4.5.4 Payment of Dividends

In response to the researcher's quest for information on whether the members of the SACCO receive dividends, 100% of the participants indicated that the members receive dividends. Further all of them indicated that there were no arrears of the dividends for the members that were retained.

#### 4.5.5 Bank Credit

The researcher wanted to know the dependence of the SACCO on credit from commercial banks, and in response all the participants indicated that the SACCO depends on the bank credit to fund the demands of the members especially on loan applications and the results are as shown in Table 4-24.

**Table 4.24 bank credit dependence**

	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
<b>Bank Credit</b>	<b>Yes</b>	<b>9</b>	<b>100.0</b>
<b>Satisfied with</b>	<b>Yes</b>	<b>3</b>	<b>33.3</b>
<b>bank rates</b>	<b>No</b>	<b>6</b>	<b>66.7</b>
	<b>Total</b>	<b>9</b>	<b>100.0</b>

The respondents also pointed out that the majority (66.7%) of them were not satisfied with bank interest rates as they considered them to be high while 33.3% of them remarked that they did not have any reservations against the bank interest rates.

#### 4.6 Membership Base

The researcher also considered the SACCOs membership profile in this study to assess how its characteristics affect the performance of the SACCOs

##### 4.6.1 Position held by a member

The results shown in Table 4-25 show the responses indicating the positions held by each respondent.

**Table 4.25 position held in the SACCO**

Position	Frequency	Percent	Cumulative Percent
General Member	206	95.81	95.81
Committee Member	4	1.86	97.67
Staff	5	2.33	100.0
<b>Total</b>	<b>215</b>	<b>100.0</b>	

It can be deduced that 95.81% of the respondents were general members while 2.33% were staff members. The committee members formed the least proportion of the participants at only 1.86%.

##### 4.6.2 Mode of Saving Adopted by Members

In the quest to establish the mode of saving adopted by the members, staff and committee members at TNT, the researcher sought for the information from the respondents that indicate the various saving accounts that they have opened and running with the SACCO and the results are as shown in Table 4-26.

**Table 4.26 Staff and Member Saving with TNT Sacco**

	Frequency	Percent	Cumulative Percent
<b>Saving at TNT</b>	<b>9</b>	<b>100.0</b>	<b>100.0</b>
<b>Shares A/C</b>			
Shares	9	100.0	100.0
<b>Mustaharabu A/C</b>			
With Mustaharabu	1	11.1	11.1
Without Mustaharabu	8	88.9	100.0
Total	9	100.0	
<b>Ordinary A/C</b>			
With Ordinary	7	77.8	77.8
Without Ordinary	2	22.2	100.0
Total	9	100.0	

<b>Teens A/C</b>			
With Teens	4	44.4	44.4
Without Teens	5	55.6	100.0
<b>Total</b>	<b>9</b>	<b>100.0</b>	
<b>Tusomeni A/C</b>			
Without Tusomeni	9	100.0	100.0
<b>Frequency of Saving</b>			
Monthly	9	100.0	100.0
<b>Monthly Share Contribution</b>			
Ksh. 1000-3000	7	77.8	77.8
Ksh. 5001 and Above	2	22.2	100.0
<b>Total</b>	<b>9</b>	<b>100.0</b>	

It was indicated that all the respondents had at least a shares account with the TNT SACCO. A very low percentage at 11.1% of the staff and committee members had a Mustaharabu account as compared to 77.8% of them who ran the Ordinary savings account. An average of 44.4% of the respondents operated a Teens account while none of the staff and committee member operated a Tusomeni account. The researcher further found out from the respondents that the most staff and the committee members at 77.8% had their monthly contribution of shares in a range of Ksh. 1000-3000. The rest at 22.2% contributed to their shares account more than Ksh 5000 on a monthly basis. The researcher wanted the general members to indicate the accounts they hold with the Sacco and their monthly contribution. This was also meant to assist the researcher to identify the members' preferences in saving with and how these affect the performance of the Sacco. The results in Table 4-27 indicated that out of the (206) respondents interviewed, all contribute to shares account.

**Table 4.27 General Member Saving with TNT SACCO**

<b>General Members Saving</b>	<b>Frequency</b>	<b>Percent</b>	<b>Cumulative Percent</b>
Yes	206	100.0	100.0
<b>Shares A/C</b>			
Shares	206	100	100
<b>Mustaharabu A/C</b>			
Without Mustaharabu	206	100.0	100.0
<b>Ordinary A/C</b>			
Ordinary	125	60.7	60.7
Without Ordinary	81	39.3	100.0

Total	206	100.0	
<b>Teens A/C</b>			
With Teens	20	9.7	9.7
Without Teens	186	90.3	100.0
Total	206	100.0	
<b>Tusomeni A/C</b>			
With Tusomeni	39	18.9	18.9
without Tusomeni	167	81.1	100.0
Total	206	100.0	
<b>Contribution of shares</b>			
Ksh. 1000-3000	188	91.3	91.3
Ksh. 3001-5000	18	8.7	100.0
Total	206	100.0	

As opposed to the staff and committee members, none of the general members held the Mustaharabu account with the SACCO. Further 60.7% of the general members had the Ordinary account with the SACCO while the rest 39.3% did not subscribe to the account. Most of the general members at 90.3% did not run the Teens account with the SACCO while 9.7% of them directed their savings to the account. A sizable number of the members at 18% contributed to the Tusomeni account while the majority of them at 81.1% did not. The researcher further found out from the respondents that most of the general members at 91.3% had their monthly contribution of shares in a range of Ksh. 1000-3000. The rest at 8.7% contributed to their shares account in the range of Ksh3001 to 5000 on a monthly basis

#### 4.6.3 Frequency of Saving

The frequency of saving at the SACCO is shown in Table 4.28

**Table 4.28 Frequency of Saving**

<b>Frequency of Saving</b>			
	Frequency	Percent	Cumulative Percent
Monthly	187	90.8	90.8
Quarterly	6	2.9	93.7
Semi-Annually	7	3.4	97.1
Annually	6	2.9	100.0
Total	206	100.0	

It was found from the respondents that most of them at 90.78% contributed to the Sacco on a monthly basis while 3.4%, 2.91% and other 2.91% of the participants save on semi



annually, quarterly and annually basis.

#### 4.7 Effects of Poor Management of Funds on Performance

Researcher applied the Pearson correlation for inferential data analysis to have the implication of poor management of funds. The results Table 4.29 show that incase of misappropriation of funds relates positively with the increase biased recruitment, wrangles, staff turnover and political influence all of which negatively affect the performance of the SACCO.

**Table 4.29 Effect of the Management of Funds on Performance of the Sacco**

	Misappropriation of funds	
	Pearson Correlation Coefficient	Sig. (2-tailed)
Misappropriation of funds	1	
Biased Recruitment	.592**	.000
Wrangles/Demonstrations	.507**	.000
Staff Turnover	.491**	.000
Political Influence	.536**	.000
Staff Benefits	.120	.086
Academic Level	.278**	.000
On-job Training	.152*	.030
Frequency of Training	-.002	.981
Subject of Training	.307**	.000
Training of Members	-.033	.639
Training of Management	-.148*	.033
Position Held in Sacco	.199**	.004

\* Correlation is significant at the 0.01 level (2-tailed).

\*\* Correlation is significant at the 0.05 level (2-tailed).

a. List wise N=206

The relation is shown to be significant at 5% probability level. The reduction in diversity training subjects, training of general members and the management results in increased misuse of funds. This is basically due to lack of information resulting either taking advantage gaps by the authority or simply misappropriation due to lack of informed decision making. These relations are shown to be significant at 5% probability level except for the subjects of training which is significant at 10% probability level.

#### 4.8 Effect of the Governance on Performance of the SACCO

The researcher further considered the effect of chances of re-election as an indicator of governance, on performance of SACCO and what factors influence it. The results in Table 4-30 show that the academic level relates positively to re-election which affects SACCO performance since academic qualification are shown to have a role in the chance for re-election.

**Table 4.30 Effect of the Governance on Performance of the SACCO**

	Re-election	
	Pearson Correlation Coefficient	Sig. (2-tailed)
Re-election	1.000	
Staff Turnover	-.068	.331
Staff Benefits	-.280**	.000
Academic Level	-.140*	.045
On-job Training	.068	.329
Frequency of Training	-.169*	.015
Subject of Training	-.305**	.000
Training of Members	.241**	.000
Training of Management	.090	.196
Ordinary A/C	-.273**	.000
Teens A/C	-.215**	.002
Tusomeni A/C	.034	.627
Frequency of Saving	-.024	.731
Monthly Share	-.022	.755
Contribution		
Benefit from Sacco	.177*	.011

\* Correlation is significant at the 0.01 level (2-tailed).

\*\* Correlation is significant at the 0.05 level (2-tailed).

a. List wise N=206

Further the increased training of members and management committees enhances the chances for re-election. This can be due to creation of informed membership that realizes the importance of re-electing leaders. On the other hand reduced subjects of training and frequency of training can also enhance the chances for re-election due to lack of information creating room for political influences. This shows that re-election is not necessarily a bad idea especially when it is done by an informed electorate. These relations are shown to be significant at 5% probability level except for the frequency of

training that is significant at 10%.

The results also show that with increased frequency of savings and increased Tusomeni accounts tend to prefer the status quo of governance by re-electing their leaders. There is a significant negative relationship between the ordinary accounts holding and the chance of re-electing leaders. This shows that the members holding ordinary accounts will rather prefer change of guard than recycling of officials.

#### 4.9 Effect of the Membership base on Performance of the SACCO

The researcher further considered the age of the members as an indicator of members' potential to cause effects on the performance of the SACCO. The results in Table 4-31 show that there is a negative relationship between the age of members and training.

**Table 4.31 Effects of Membership Base on Performance**

	Age	
	Pearson Correlation Coefficient	Sig. (2-tailed)
Age	1.000	.
Staff Turnover	.017	.804
Staff Benefits	-.161*	.021
Academic Level	.156*	.025
On-job Training	-.218**	.002
Frequency of Training	.151*	.030
Subject of Training	.134	.055
Training of Members	-.097	.164
Training of Management	-.085	.227
Position Held in Sacco	-.236**	.001
Shares A/C	-.236**	.001
Ordinary A/C	.190**	.006
Teens A/C	-.087	.214
Tusomeni A/C	.010	.881
Frequency of Saving	-.103	.140
Monthly Share Contribution	-.111	.111
Benefit from Sacco	.076	.277

\*. Correlation is significant at the 0.01 level (2-tailed).

\*. Correlation is significant at the 0.05 level (2-tailed).

a. List wise N=206

This implies that there is skewed access to training opportunities that favour the younger members. This is meant for ensuring that the SACCO invests in its future. Further it can be noticed that the frequency of saving decreases with advancing age. It also seen that

there is more preference to ordinary account holding for the senior in age.

#### 4.10 The Effect of education on Performance

The researcher further considered the effect of education level on the performance of SACCO and on how it influences the daily running of the SACCO. The results in Table 4.32 show that the academic level relates positively to re-election of the members which affects the performance the SACCO as this enhances the retaining of leadership.

**Table 4.32 Effect of Education on Sacco Performance**

	Academic Level	
	Pearson Correlation Coefficient	Sig. (2-tailed)
Academic Level	1.000	.
Bribery	-.156*	.025
Re-election	-.140*	.045
Biased Recruitment	.077	.270
Misappropriation of funds	.183**	.008
Wrangles/Demostrations	-.075	.287
Staff Turnover	.106	.129
Political Influence	-.168*	.016
Staff Benefits	.092	.189
On-job Training	-.016	.824
Frequency of Training	.192**	.006
Subject of Training	.218**	.002
Training of Members	.102	.145
Training of Management	.031	.663
Position Held in Sacco	-.048	.491
Saving with TNT	.	.
Shares A/C	-.246**	.000
Monthly Share	.110	.114
Contribution		

\* Correlation is significant at the 0.01 level (2-tailed).

\*\* Correlation is significant at the 0.05 level (2-tailed).

The education level is shown to be negatively related to Political influence, Staff turnover, Bribery, Biased Recruitment, Misappropriation funds and level of Wrangles in the SACCO. This enhances performance of the SACCO the causes of conflict and mismanagement are minimized through education and training. Further it can be observed that the members training decreases with higher academic qualification. This shows that the SACCO spends resources to train members of the lower academic levels. Conversely, training of the management relates significantly with the academic level in a

positive manner meaning that the management officials have better education and are further trained to become more relevant to the SACCO issues. The Tusomeni and Teens accounts holder are seen to increase with the level of education meaning that education enhances the will of the members to try new and unique ventures and further enhancing the diversification of the services offered.

#### 4.11 Effect of Market Risks on performance of the Sacco

Researcher also applied the Pearson correlation for inferential data analysis to have the implication of market risks as inflation. The results Tables 2-33 show that inflation influences are not significant on the performance of the Sacco.

**Table 4.33 Effect of Market Risks on performance**

	Rate of Inflation	
	Pearson Correlation Coefficients	Sig. (2-tailed)
Rate of Inflation	1	
Age	.000	1.000
Gender	-.375	.320
Marital Status	-.375	.320
Max-terms in committee	-.375	.320
Re-election	.250	.516
Chance for Re-election	.000	1.000
Bribery	.237	.539
Biased Recruitment	.663	.052
Misappropriation of funds	.563	.115
Wrangles/ Demonstrations	.283	.460
Staff Turnover	.166	.670
Political Influence	.208	.591
Staff Benefits	-.375	.320
Academic Level	.195	.615
On-job Training	-.375	.320
Frequency of Training	.416	.265
Subject of Training	-.349	.357
Training of Members	.000	1.000
Training of Management	.289	.451
Position Held in Sacco	.375	.320
Effect of Inflation	.000	1.000

Level of Defaulting	.250	.516
Satisfied with bank rates	.250	.516
Mustaharabu A/C	.000	1.000
Ordinary A/C	-.283	.460
Teens A/C	.000	1.000
Monthly Share Contribution	-.283	.460

This shows that the SACCO management does not consider the incidences of inflation to affect the performance of the SACCO. It further implies that the management and the staff have not recognized external factors affecting the flow of funds.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

In this chapter the researcher examines how the objectives of the project were addressed through this study. In this chapter a summary of the findings of the study and the contributions of the research on the factors affecting the SACCO's performance that revolve around governance, education and training, market risk and membership base are discussed. This chapter also provides the conclusion and recommendation of the research together with the suggestions on the gaps for future research.

#### **5.2 Summary of the Study**

The key movers of SACCO Performance and growth as Governance, education and training, market risk and members base were used as the variables of this research study. The Tharaka Nithi Teachers SACCO was studied for the effects of these variables on its performance. The broad objective of the study was to investigate the effects of these management variables on SACCO's performance in the TNT SACCO.

The descriptive research design methodology was used. The questionnaire, interviewing schedules and observations was used as instrument of data collection. The target sample size was 254 made of SACCO staff, management committee and SACCO members of TNT SACCO. Data collected was analyzed using SPSS statistical packages.

#### **5.3 Summary of the Findings**

There are limited saving opportunities for the senior members in the SACCO and this hinders the performance of the with respect to savings mobilization which is a key requirement for any financial institution including SACCOs. Further, it was noticed through this research that some products as the Mustaharabu account commands a very small segment of the market and this negatively affects the performance of the SACCO. Though the SACCO has numerous savings options, it should diversify its products to take into account the needs of the members of advanced age since this segment has only the

ordinary accounts as a favorable option for saving.

In this research governance is reflected an intricate intercourse of SACCOS aspects of authority and control since it affects most of the variables tested. It is therefore important that proper policy framework be put in place to tame the management and decision making.



**Table 5.1 Summary of Findings**

Research objective	Findings	Remarks
a) To assess the effect of governance on performance of Tharaka Nithi Teachers SACCO	<ul style="list-style-type: none"> <li>i. Misappropriation of funds relates positively with the increase biased recruitment, wrangles, staff turnover and political influence all of which negatively affect the performance of the SACCO.</li> <li>ii. Informed membership realizes the importance of re-electing leaders.</li> <li>iii. Re-election is not necessarily a bad idea when it is done by an informed electorate.</li> <li>iv. There is increased frequency of savings and increased membership of Tusomeni accounts with preference to status quo of governance by re-electing their leaders.</li> <li>v. The members holding ordinary accounts will rather prefer change of guard than recycling of officials.</li> <li>vi. The SACCO management does not hold in arrears any dividends.</li> </ul>	<ul style="list-style-type: none"> <li>i. The governance in the SACCO is relatively good as it stares up the performance of the society, however bad politics and biased recruitment should be checked as it may down fall the achievement.</li> </ul>
b) To establish the effects of education on the performance of Tharaka Nithi Teachers SACCO.	<ul style="list-style-type: none"> <li>i. The reduction in diversity training subjects, training of general members and the management results in increased misuse of funds.</li> <li>ii. Academic level relates positively with re-election which affects the performance the SACCO since academic qualification are shown to have a role in the chance for re-election.</li> <li>iii. The education level is shown to be negatively related to Political influence, Staff turnover, Bribery, Biased Recruitment, Misappropriation funds and level of Wrangles in the SACCO.</li> <li>iv. The causes of conflict and mismanagement are minimized through education and training.</li> </ul>	<ul style="list-style-type: none"> <li>i. For the SACCO to benefit from education and training it should tailored its training to suit its operation.</li> </ul>

	<ul style="list-style-type: none"> <li>v. The members training decreases with higher academic qualification showing that the SACCO spends resources to train members of the lower academic levels.</li> <li>vi. Conversely, training of the management relates significantly with the academic level in a positive manner meaning that the management officials who have better education are more likely to be considered for further training to become more relevant to the SACCO issues.</li> <li>vii. The Tusomeni and Teens accounts holder are seen to increase with the level of education meaning that education enhances the will of the members to try new and unique ventures and further enhancing the diversification of the services offered.</li> </ul>	
<p>c) To assess how various market risks affect Tharaka Nithi Teachers SACCO Performance</p>	<ul style="list-style-type: none"> <li>i. The findings show that inflation influences are not significant on the performance of the SACCO.</li> <li>ii. There is an implied notion that the SACCO management does not consider the incidences of inflation to affect the performance of the SACCO.</li> <li>iii. It further implies that the management and the staff have not recognized external factors affecting the flow of funds.</li> <li>iv. On the issue of minimum share contribution, the members were comfortable with the current limits but a few felt that it should be increased</li> <li>v. The respondent largely said that they were comfortable with the bank loans but a few remarked that the bank loan interest rates were exorbitant</li> </ul>	<ul style="list-style-type: none"> <li>i. It is important for SACCO staff and management to be carrying SWOT analysis regularly for them to know the effect market changes.</li> </ul>
<p>d) To establish the effect of membership based on SACCO performance</p>	<ul style="list-style-type: none"> <li>i. There is skewed access to training opportunities that favour the younger members which could be meant for ensuring that the SACCO invests in its future.</li> <li>ii. Educated general members do not require much of the</li> </ul>	<ul style="list-style-type: none"> <li>i. To increase membership base the society should be aggressive on marketing and</li> </ul>

- 
- training programmes for the members
- iii. The frequency of saving decreases with advancing age.
  - iv. It also seen that there is more preference to ordinary account holding for the senior in age.
  - v. Most members are motivated to join SACCO for the reasons of getting reasonable loans, salary advances, saving for school fees and routinely and product diversity.
  - vi. The members are quite satisfied with the management of the SACCO
- 

diversifying the product to cater the need of many of its members.

#### 5.4 Discussion

The researcher achieved the objectives of the study using a number of techniques in data collection and analysis. Identification of shortcomings with the current approaches of running the SACCOs at TNT was carried out. Thorough literature review was carried out to identify variables as Governance, Education and training, Market risks and membership base for inclusion in data analysis. Comprehensive questionnaires were designed and used for collecting the data from the SACCO members who included the staff and the management committee. This study finding identified the cross-cutting issues affecting performance of SACCOs in Kenya to include; governance, inadequate human resource and skills, weak regulations and supervision, limited products and services, and low marketing as also pointed out by Mudibo (2005).

Overall TNT shows good operational and financial performance with significant weaknesses noted in governance, information and risk management. Good governance is hampered by the tendency the members over relying on a few individuals to run the SACCO through the pronounced re-election of the committee members and a poor planning process in the education and training which are seen to be linked to political influences.

Through data analysis it was identified that, though the SACCO has numerous savings options, it should diversify its products to take into account the needs of the greater market. The SACCO should include consideration of the special needs of the advanced in age since this segment has only been relegated to ordinary accounts as a favorable option for saving. According to Sen, (1999) benefits of education to the SACCOs are enormous, making investments in education a transformative and distributive gain. This fact was identified in this study, showing education and training will improve governance in SACCOs twofold as enlightened SACCO members will elect knowledgeable and trustworthy boards to manage their wealth and secondly, the institution of the SACCO will be strengthened enabling it to operate within the confines of existing policy. Further, a knowledgeable membership base has the power to influence future policy and skill. The board members should be willing to go through a comprehensive training

program to acquire basic financial skills needed to strengthen the SACCO and provide adequate direction and leadership. Board members should also show their commitment to the SACCO by adhering to the policies, contributing to the success of the institution and speaking with one voice.

Poor members appear to primarily value financial services of the SACCO as a tool for building up basic assets and coping with risk and crises. Access to finance as provided by the SACCO, both savings and credit, helps to provide the lump sums required to invest in basic household assets such as land, housing, health and education. Assets which can be drawn from the SACCO upon times of crisis serve as a form of protection against risk. This may include physical assets (land, housing, and equipment), financial assets (savings), human assets (education) and social assets (friends, neighbors, networks, relationships). People also protect against risk by diversifying their income savings into various products available. When struck by external crises (death, theft, fire, drought), access to savings, credit or insurance can prevent erosion of the household asset base.

### **5.5 Conclusions**

The study identified pertinent issues that affect the performance of the SACCO. This study challenges the SACCO management to consider the role of governance, diversity of the membership base, education and training and market risks in the performance of the institutions in the in Kenya. It also shows that these institutions are vital in the economic growth of the country as it involves the lower cadre of citizens.

The increasing attention given to financial management practices alone will not be of much benefit if the whole business environment is not brought into the picture. This will have to include the demographic changes and related interest and needs which can only be realized through the study of the membership base with the objective of opening up the market or sealing up unproductive market. Considerations should also be made to train and educate entrepreneurship to members who are taking loans to build their capacity in management of resources to avoid incidences of defaulting.

It has been identified that strengthened decision-making capacity by increasing the financial and technical skills of management committee and improving the quality and

consistency of information flow which can cultivate trust, solidarity, high degree of adaptability, space for positive activism and a transformative environment.

## **5.6 Recommendations**

- 1) The researcher recommends that the SACCO diversifies its products to take into account the needs of the members and the available market as a means for resource mobilization and any product development needs to be informed by market realities with a clear understanding of their members' needs. This can be achieved through market research and future projection of market trends.
- 2) It is further recommended that good marketing strategies be formulated to introduce the available products to the market to ensure continuity, flexibility and efficient decision making processes in the SACCO,
- 3) The board of directors should delegate technical operational matters to specialized staff because they are closer to membership, can be held more accountable and are up-to-date with market trends. This should be clearly stated in the bylaws and policies. In addition, a strong sense of integrity should be expected from board members and senior staff for them to work in the best interest of the society and its members. This can be achieved through board members signing a code of conduct to ensure personal integrity while running the SACCO to avoid potential conflicts of interest, nepotism and other unethical practices.
- 4) It is also recommended that for full participation in decision-making, board members must have basic financial skills to interpret financial statements and standards. Further, to realize positive financial education outcomes and ensure checks and balances within the SACCO ranks, it is important that all stakeholders get exposed to key financial education tools that include; Savings - understanding the dynamics of savings; Planning - understanding the dynamics of budgeting; Debt management - understanding the dynamics of borrowing; Banking services- understanding the dynamics of banking Operations; Investment services - understanding the dynamics of short and long term wealth acquisition and management.
- 5) A basic premise of a market-oriented financial system is that financial service

providers whether specialized in microfinance institutions, banks, credit unions or NGOs, strive to become commercially viable and this research recommends that SACCO must attempt going this direction. This will entail considerably higher interest rates on loans which are effected through market forces to allow for the development of financial institutions capable of covering all of their costs through interest and other incomes paid by their clients.

- 6) It is recommended that laws that put a ceiling on interest rates should be alleviated for SACCO's financial services while still encouraging them to reduce interest rates through competitive pressure and performance targets.

#### **5.6.1 Recommendations for Further Research**

- 1) It is recommended that further research on the effect of externalities including inflation, on the performance of the SACCO should be done since its business environment is subject to much external market forces.
- 2) Further research on the effects of HIV/AIDS on the performance of SACCO should be done. This is because HIV/AIDS pandemic is reaching unimaginable proportions and many of the widespread effects of the disease are still to be seen. SACCOS particularly in Sub-Saharan Africa are already affected by HIV/AIDS. Clients' loan repayment and saving capacity was hampered by their working ability which was reduced because of HIV related infections.

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## APPENDICES

### Appendix 1: Letter of Introduction

Martin Muriuki,  
P.O. BOX 15, CHUKA.  
Mobile phone: 0725817466.

Dear Respondent,

**Re: Research Report Questionnaire**

This is to introduce to you the academic based research study being conducted by **Martin Muriuki**. The research topic is the assessment of factors that affecting **SACCOs performance**. I kindly request for your assistance in filling the attached questionnaire to enable me complete my research. The questionnaire is strictly for academic purposes and any information given shall be treated with strict confidentiality; please give the information as accurately as possible. Thanking you in advance and I look forward for your support and cooperation.

Yours sincerely

**Martin Muriuki**

**Registration; L50/72404/08**



## Appendix 2: Questionnaire for Tharaka Nithi Teachers SACCO

The questions below are meant to be answered by staff, committee members and SACCO members of Tharaka Nithi Teachers SACCO.

- i. Do not write your name in the questionnaire.
- ii. Where there are boxes please tick the appropriate boxes as per your SACCO
- iii. Where there are lines please give your views as per the questions.

### SECTION A

#### Respondent Profile

1. Age bracket (Years):

20-29

30-39

40-49

50-59

60-69

70 and above

2. Gender:

Male

Female

3. Marital status: Married

Single

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## SECTION B

### Effect of governance on performance of Tharaka Nithi Teachers SACCO

1. Does the SACCO have any by-laws

YES  NO

2. If yes, to what level are the by-law adhered to?

Regularly  Sometimes  Not adhered to

3. According to by laws, what are the maximum number of terms should a committee member serve

One term  Two terms  Three terms  Infinite

a. If more than one term, are there incidences of non re-election of some members  
Yes  No

b. If yes what are the reasons.....

.....  
.....

c. How do you rate the chances of committee member not being re-elected

Very often  Often  Rarely

4. In what terms can you describe the following aspects about your SACCO (Tick where appropriate)

Bribery	Low	Medium	High	None
Biased recruitment	Low	Medium	High	None
Improper use of funds	Low	Medium	High	None
Wrangles/demonstrations	Low	Medium	High	None
Staff turnover	Low	Medium	High	None
Political influence	Low	Medium	High	None
Staff benefits	Poor	Good	Very good	

**SECTION C**

**Effects of education and training on the performance of Tharaka Nithi Teachers SACCO.**

1. What is your highest academic qualification.....
2. Have you been to any training?                      Yes                       No
3. At what frequency are the staff taken for training ( for staff only)  
    Quarterly                       Semi-annually                       Annually                       No training
4. what was the subject of the training  
    Financial Management     Record Keeping     Information Technology   
    Marketing  (please specify.....)
5. At what frequency are the training conducted for members  
    Quarterly     Semi-annually     Annually     No training
6. At what frequency are the management committee taken for training ( for  
    management and staff only)  
    Quarterly                       Semi-annually                       Annually                       No training

**SECTION D**

**(FOR STAFF AND MANAGEMENT ONLY)**

**Effects of market risk on performance of Tharaka Nithi Teachers SACCO.**

1. What is your position in the SACCO?

Committee member  Staff

2. How would you rate the level of inflation in you country for the last 2 years

Very high  high  moderate  low

3. Has the level of inflation affected the in investment in your SACCO

Yes  No

4. If yes, in what ways, please indicate -----

-----  
-----

5. If no what measure has your SACCO undertaken to mitigate the effect -----

-----  
-----

6. Are there any loan defaulters in your SACCO?

Yes  no

7. If yes how would rate the level defaulting

Very high  high  moderate  low

8. What do you think are the reason for loan defaulting-----

-----  
-----  
-----

9. Do you pay dividend to your members

Yes  No

10. What has been the average rate of dividend in the last 2 years-----

11. Are there any dividend in arrears not paid to the members

Yes

No

12. If yes what are the reason of not paying -----  
-----  
-----

13. Have you sourced any credite from the commercial bank

Yes

No

14. If Yes, are you satisfied by the rate at which the bank charges you

Yes

No

15. If no what are the reasons -----  
-----  
-----

**SECTION E**

**Effect of membership base on performance of Tharaka Nithi Teachers  
SACCO**

1. What is your position in the SACCO?

Member  Committee member  Staff

2. what prompted you to join the SACCO society-----  
-----  
-----

3. Do you save with TNT yes  no

a) Please tick the accounts you have in TNT

Shares  Teens account  Tusomeni account

Ordinary savings  Mustaharabu account

b) How often do you save in the accounts?

Monthly  quarterly  semi annually  annually

4. How much do you contribute as shares per month

1000 to 3000  3001 to 5000  5001 and above

5. What is your view about the minimum monthly compulsory contribution?

6. are there any benefits that you derive from the SACCO

Yes  no

7. if yes, what are these benefits you derive from the SACCO ( please rank them in order of priority )

A ----- B-----

C----- D-----

8. If no what are the reasons -----  
-----  
-----

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**Appendix 3: Tabular method for determining minimum sample size**

Table 5.2 Table for Determining Minimum Sample Size for a given population Size for Continuous and Categorical Data

Population size	Sample size					
	Continuous data (margin of error = .03)			Categorical data (margin of error = .05)		
	alpha = .10 t = 1.65	alpha = .05 t = 1.96	alpha = .01 t = 2.58	p = .50 t = 1.65	p = .50 t = 1.96	p = .50 t = 2.58
100	46	55	68	74	80	87
200	59	75	102	116	132	154
300	65	85	123	143	169	207
400	69	92	137	162	196	250
500	72	96	147	176	218	286
600	73	100	155	187	235	316
700	75	102	161	196	249	341
800	76	104	166	203	260	363
900	76	105	170	209	270	382
1,000	77	106	173	213	278	399
1,500	79	110	183	230	306	461
2,000	83	112	189	239	323	499
4,000	83	119	198	254	351	570
6,000	83	119	209	259	362	598
8,000	83	119	209	262	367	613
10,000	83	119	209	264	370	623

NOTE: The margins of error used in the Table were .03 for continuous data and .05 for categorical data. Researchers may use this Table if the margin of error shown is appropriate for their study; however, the appropriate sample size must be calculated if these error rates are not appropriate. Table developed by Bartlett, Kotrlik, & Higgins.

rtlett, Kotrlik, & Higgins.