

**EFFECTS OF FINANCIAL RESOURCE MOBILIZATION  
BY AINABKOI RURAL SACCO IN AINABKOI  
DIVISION UASIN GISHU COUNTY**

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## DECLARATION

### Declaration by the student

This project is my original work and has never been presented for a degree or any other award in any university.

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### Declaration by Supervisor

This project has been submitted for examination with my approval as the University Supervisors.

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## **DEDICATION**

I wish to dedicate this project to my beloved parents Mr. and Mrs. Daniel Kipkemei Cherogony.

God bless you abundantly.

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I am indeed grateful for my first supervisor, Dr. Paul A. Odundo for taking me through the research methods course which has gone a long way in assisting me write this project. I also want to thank him for his assistance while identifying the project topic and for his clear concern, assistance, and consistency, in guiding and directing me in the writing of this project.

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## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>AD</b>	Ainabkoi Division
<b>AR</b>	Ainabkoi Rural
<b>FAO</b>	Food and Agricultural Organization
<b>GDP</b>	Gross Domestic Product
<b>LDC</b>	Less Developed Countries
<b>SACCO</b>	Savings and Credit Co-operative
<b>FRM</b>	Financial Resource Mobilization
<b>SSDF</b>	Small Scale Dairy Farmers

## ABSTRACT

Financial resource mobilization is one aspect of an economy that must not be ignored. This is even more eminent when it is the economy of the rural small scale farmers. The study set out to investigate whether Ainabkoi Rural Savings and Credit Co-operative Society Ltd has had an effect on the resource mobilization of small scale dairy farmers in Ainabkoi Division Uasin Gishu County. Saving is a key component in any development endeavour as it is believed to be the surest way of increasing income and boosting productivity and investments in an attempt to break the vicious cycle of poverty. The study is of four objectives namely: to determine the effects of personal savings of small scale dairy farmers on financial resource mobilization by Ainabkoi Rural Savings and Credit Co-operative, to find out the effects of the default rates of small scale dairy farmers on financial resource mobilization by Ainabkoi Rural Savings and Credit Co-operative, to assess the effects of guarantors of small scale dairy farmers on the financial resource mobilization by Ainabkoi Rural Savings and Credit Co-operative, to evaluate the effects of membership of small scale dairy farmer on financial resource mobilization by Ainabkoi Rural Savings and Credit Co-operative and propose policy recommendations for funds mobilization and lending requirements in the context of Rural Savings and Credit Co-operatives. Previous studies have alluded that small scale farming is suppose to be the most profitable kind of farming and is expected that most small scale farmers are suppose to grow to large scale farmers. This has only existed in theory. The study employed a case study research design which is descriptive. To achieve these set objectives, the study used a sample of 132 members and 18 Savings and Credit Co-operative staff randomly selected. Data was collected by use of questionnaire instrument and interviews schedules and observation which were computed and analyzed using Pearson Chi-square tests and linear regression model in SPSS to test relationship and effects of the variables on Ainabkoi Rural Sacco activities and the resource mobilization. The findings were presented by use of frequency tables where percentages and means were used to analyze the data. The study summarized that, the duration one has stayed is key in providing loans, that default rates affects the membership of the Savings and Credit Co-operative, and the amount you have saved determines the loan you can get, that guarantorship is the only currently accepted mode of collateral accepted by the Savings and Credit Co-operative. The study also concluded that the guarantors of the loanees must be members of the Savings and Credit Co-operative. This study has recommended that the Savings and Credit Co-operative should model it services in order to accommodate different forms of membership to include business men women groups and youth groups so as to attract government funded programmes to assist in mobilization of resources.

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Overview**

This chapter discusses the background of the study, statement of the problem, purpose of the study, research objectives, research questions, significance of the study, basic assumptions, limitations and delimitation of the study, operational definition of terms and the organization of the study.

### **1.2 Background of the Study**

Financial resource mobilization (FRM) is one of the major determinants of growth in every sector of an economy. Kenya is not an exception to this. Agriculture sector being the backbone of the Kenyan economy plays a very important role in achieving the much needed economic growth. Agriculture, mainly the dairy sector has been the mainstay for Small Scale Dairy Farmers in the rural area. Dairy farming if well managed generates good income for farmers and will enable them make savings hence enhancing Financial Resource Mobilization. Financial Resource Mobilization in the rural areas can only be made possible through rural financial institutions, one being the rural savings and credit co-operatives.

Economic wealth that is generated in exchange for an individual's performance of agreed upon activities or through investing capital is said to be income according to Haig-Simons (2013), income is consumed to fuel day-to-day expenditures. He went ahead to say that in businesses, income can refer to a company's remaining revenues after all expenses and taxes have been paid. Income is the consumption and savings opportunity gained by an entity within a specified timeframe, which is generally expressed in monetary terms. Usage of the term "income" is very far from uniformity and it is always ambiguous when used without proper definition. So, in this study, income will be used to mean the amount generated from sales of dairy produce which in our case is milk. It will be used to describe the relative price of a unit of milk sold upon provision of the farmer with more capital to invest. It will also be used to denote the loans that farmers are given by financial institutions.

Financial resource mobilization refers to inputs used in the process, or activity of production, in this study, it will mean the loans that the Rural SACCOs can give farmers in terms of funds. Financial Resource Mobilization on the other hand refers to process of soliciting for resources to use in the process or activity of production. A

resource is not an end in itself; however, they play an important role in the production process. This means that all the loans that the Rural SACCOs can give to farmers to improve their dairy animals and hence their production and income from sale of milk. Through Financial Resource Mobilization, Small Scale Dairy Farmers get the resources which they can use as part of capital that they will invest in their dairy business. The capital accumulation will eventually lead to investments hence improve income generation (Chrystal, 2005).

Dairy exports in developed countries have increased in value by 43% between 1998 and 2001. Informal market traders handle over 80% of milk consumed in developing countries. Two thirds of total world milk is produced by Brazil, India, Pakistan, Poland, Russian Federation, USA, and 15 EU member states. Developing countries produce one third of total world milk production in 2000 (216 million metric tones) and it is increasing. Various animals including buffalos, cows, camel, sheep and goats produce milk. Total world milk production is dominated by cow's milk followed by buffalo, goat and sheep in small scale dairy. Most of developed countries like the United States, New Zealand and Britain produce milk in large scale. Most of the farmers in these countries practice large scale dairy farming, (Mwankemwa 2004). In this countries Small Scale Dairy Farmers are assisted by SACCOs to mobilize resources to enhance the viability of their dairy farming.

The livestock sector plays a vital role in the economies of many developing countries. It provides food or more specifically animal protein in human diets, income, employment and possibly foreign exchange. For low-income producers, livestock also serves as a store of wealth; provide draught power, and organic fertilizer for crop production as well as means of transport. Milk provides relatively quick returns for small-scale livestock keepers. It is a balanced nutritious food and is a key element in household food security. Smallholders produce the vast majority of milk in developing countries where demand is expected to increase by 25% by 2025, (Mwankemwa, 2004). However most of the dairy farmers in Sub-Saharan Africa face severe constant drought, the most notable of the drought is the one that was experience in Zambia 1980 where over 2 million cattle were lost and many herdsmen were left with nothing on their cowsheds (Chapoto, 2011).

The dairy sector currently accounts for eight percent (8%) of Kenya's GDP. With 1.5 million smallholder farmers producing milk, dairy has the potential to greatly contribute to economic growth and job creation. With technical assistance provided

by USAID, Kenya's financial institutions are gradually starting to lend into the sector, supporting needs of farmers and entrepreneurs once excluded from commercial finance. However poor performances have been recorded in the industry, Katwa, (2009). In addressing the problem of poor productivity and lack of capital by small scale dairy farmers, the government of Kenya has been encouraging farmers to start Savings and Credit Co-operative Societies (SACCOs), encouraging financial institutions offering micro-credits to farmers under less tough conditions (i.e group lending schemes). Therefore, SACCOs, one of the several types of co-operatives are unique, legal, member-based Financial Institutions (FIs) and unlike many other Micro-Finance Institutions, SACCO owners are also the users of the service that the SACCOs offer. The SACCOs have gained popularity as accelerators of development in the entire country and they cut across all sectors of the Kenyan economy (Koech et al., 2009).

### **1.3 Statement of the Problem**

In an ideal situation, Small Scale Dairy Farming (SSDF) ought to be a highly profitable industry, studies by Coelli, (2005) indicated that SSDF use relatively lower costs of production as compared to Large Scale Dairy Farmers(LSDF); hence they have a bigger profit margin. In a LSDF, feeds, machines and labour are acquired and maintained. On the other hand, SSDF grows most of the foodstuff used to feed the dairy animals, they do not require a manager because they manage the farm themselves and lastly, they provide most of the manual labour on their own. According to the profitability analysis conducted by, Mubi (2013), every Small Scale Dairy Farmer has to rise to a Large Scale Dairy Farmer within a period of ten to fifteen years. Analysis of dairy enterprise gross margins shows dairy production is not a walk in the park. The profits in dairying are derived from sales of milk and of stock. Stock may be heifers or bulls/steers and cull cows. For this reason, Small Scale Dairy Farmers should have enough of income to sustain their families and save for further investment on growth of their business.

However, this has never been the case; (Coelli, 2005) notes that Small Scale Dairy Farmers is more competitive and a powerful tool for reducing poverty, raising nutrition levels and improving the livelihoods of rural people in many developing countries. Rising milk demand, which is growing by about 15 million tons per year in developing countries, provides a chance for Small Scale Dairy Farmers to raise their

milk production, increase the nutritional status of their households and create jobs. The dairy sector in Kenya contributes 14 percent of agricultural Gross Domestic Product (GDP) and 4 percent of overall GDP, and is growing by 5 percent or more each year. During the periods of drought, scrawny-looking cattle and other livestock pick over the dry scrub at the roadsides in search of food, at this time milk production is at its lowest ebb. Milk production plummets along with harvests and start of rains. For many Small Scale Dairy Farmers during draught milk production is as lean as their cattle. In many parts of rural Kenya farmers habitually graze their cattle along the roadsides. But in order to increase milk production they need better fed animals. Concentrates and other commercial feeds should be used instead of roadside grazing, but these famers lack the capacity to provide for the same for lack of adequate finance.

The Dairy Sector Competitiveness Program has worked with the Government of Kenya to help produce a National Dairy Master Plan, which sets a target of 7 percent annual rate of growth in the sector especially in dry areas such as the Western and Rift Valley Provinces. They are working to ensured that almost every corner of this country has at least one Rural SACCO. However we cannot tell to what extent the Rural SACCOs are instrumental to its members in Financial Resource Mobilization. This is because improved credit access by individual Small Scale Dairy Farmers will lead to capital accumulation, investment, hence improved milk production and higher per capita income among the SSDF and households. Therefore, the study is intended to assess whether Ainabkoi Rural SACCO has had any effect as a result of Financial Resource Mobilization from Small Scale Dairy Farmers in Ainabkoi Division Uasin Gishu County, (Coelli, 2005).

#### **1.4 Purpose of the study**

The purpose of the study was to establish the effects of Finance Resource Mobilization by Ainabkoi Rural SACCO, on productivity of dairy farming in Ainabkoi Division. The study focused on how FRM can help in improving the amount of income the farmer may realize in form of profits.

#### **1.5 Research objectives**

The following were the objectives that the study sought to establish by the end of the research.



- 1) To determine the effects of personal savings of Small Scale Dairy Farmers on Financial Resource Mobilization by Ainabkoi Rural SACCO.
- 2) To find out the effects of default rates of Small Scale Dairy Farmers on Financial Resource Mobilization by Ainabkoi Rural SACCO.
- 3) To assess the effects of guarantors of Small Scale Dairy Farmers on Financial Resource Mobilization by Ainabkoi Rural SACCO.
- 4) To evaluate the effects of membership of Small Scale Dairy Farmers on Financial Resource Mobilization by Ainabkoi Rural SACCO.

### **1.6 Research Questions**

The study was guided by the following questions;

- 1) To what extent personal savings in Ainabkoi Rural SACCO, affect Financial Resource Mobilization for Small Scale Dairy Farmers.
- 2) To what extent default rates of Small Scale Dairy Farmers affect Financial Resource Mobilization by Ainabkoi Rural SACCO.
- 3) Extent to which guarantors of Small Scale Dairy Farmers affect Financial Resource Mobilization by Ainabkoi Rural SACCO.
- 4) To what extent membership of Small Scale Dairy Farmers affect Financial Resource Mobilization by Ainabkoi Rural SACCO.

### **1.7 Significance of the Study**

This study was important to the Small Scale Dairy Farmers of Ainabkoi Division because the information gathered will be used to establish the importance of joining Rural SACCOs, and accessing credit facilities in the Rural SACCOs. It also shades light to them on how membership and loans from Rural SACCOs will help them improve on the income from their small scale dairy farms.

It was particularly important to Ainabkoi Rural SACCO on dairy farmer's funds mobilization. Although some effort has been put into understanding of Kenya's funds mobilization Kabatalya, (2005), none has particularly focused on membership of small scale dairy farmers to Ainabkoi Rural SACCO. For this reason, the study was particularly important to the organization since it will assist in understanding the need to mobilize resources for the SSDF. The study was especially significant to the government of Kenya because it added onto scanty information about funds mobilization particularly by Rural SACCOs. The study was also significant at this

time because there is a strong push by the government through Vision 2030 on the economic pillar to deliver financial services through community based and locally owned organizations. Hence the study will guide policy makers in particular and the government in general to spearhead the formation, restructuring, strengthening and development of Rural SACCOs from an informed view point. It will also inspire other scholars to undertake a study on funds mobilization on other financial institutions such as commercial banks, SACCOs and Micro Finance Institutions (IMFs) particularly on how such mobilization of funds can contribute to income generation by individuals.

### **1.8 Basic assumptions**

In the study, it was assumed that Ainabkoi Rural SACCO facilitates financial resource mobilization to its members by offering credit facilities to members. This was held and it facilitated the study in the region.

It was also assumed that the farmers keep records of their dairy farm produce and that they were willing to share the information with the researcher because this is where the past performance in the industry was derived from. This was so, as it was observed that most of the farmers provided records for the study.

It was also assumed that the members of Ainabkoi Rural SACCO were willing to fill questionnaires during the study. This was to ease the process of obtaining the information. This was so as the members filled the questionnaires as expected.

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

There were several limitations that were expected, to begin with was the accessibility of the area. The roads leading to AD were largely muddy and are impassable during the rainy season. The researcher therefore planned and did the data collection during the dry period.

The area of study had rough terrain and poor roads and there the researcher used the appropriate vehicle when touring the place to avoid unnecessary inconveniences.

Access to information was another major challenge since computer services and libraries were far away from the area of study and a lot of time was spent in collecting data. The researcher had to carry a laptop and a modem to use whenever it was necessary or there was need to research on anything in the secondary data.

### **1.10 Delimitation of the Study**

This study was limited to;

Farmers having not more than ten dairy cattle who fall under the category of small scale dairy farmers .the study was also delimited to registered members of Ainabkoi Rural SACCO; these are the legally registered members of the SACCO who by the time of the research, had fully completed the registration requirements and are also residents of Ainabkoi division only were studied; those people who reside within the boundaries of the division were considered as residence of the division

### **1.11 Definition of Significant Terms**

**Ainabkoi Division** Administrative area within Eldoret East District

**Effects** Is used in this study to mean changes expected in A D as a result of improved FRM

**Financial mobilization** is used in this study to mean those strategies that are treasured in saving for development and future consumption.(High marginal propensity to save).

**Members** Are used in this study to mean share holders and those who have completed membership fees payment into the rural SACCO.

**Rural SACCO** Financial services provider- type of a co-operative institution in the rural area.

**Saving** Amount that is generated today and set aside so that it will be consumed in future.

**Small Scale Dairy farmers** is used in this study to mean targeted population that has less than ten cows for production of milk as a means of living

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

In this chapter, a concrete review of income for small scale dairy farmers, and financial resource mobilization is given. A further review of factors of financial resource mobilization that impact on small scale dairy farmers' income in Kenya is given with the aim of shading knowledge about these factors. Income of the dairy farmers is looked at in terms of the number of cows, breed of the cows, volume of milk produced and dairy farm practices. Membership of Ainabkoi Rural SACCO in relation to the small scale dairy farmers in Ainabkoi Division is also discussed. The forms of membership, duration of membership, and members' participation in SACCO activities, in relation to accessing services from the SACCO. Guarantors as a security to the credit facilities offered by the SACCO is looked at in terms of membership and savings, other assets that the member can offer as security, and the creditworthiness of the guarantors. Personal savings in relation to the duration of savings, amounts saved, and the period required for one to qualify for credit. Default rates are assessed in relation to the duration for the repayment of the credit facility, requests for deferred payments and attachment of guarantors.

#### **2.2 Concept of Resource Mobilization of Small Scale Dairy Farmers income by Rural SACCOs**

Financial resource mobilization relates to how to obtain sufficient funding to meet a desired goal. The Road Map towards the implementation of the UN Millennium Development Goals, clearly points out that the mobilization of domestic resources is the foundation for self-sustaining economic development. Domestic resources finance domestic investment and social programmes which are essential for economic growth and for eradicating poverty. It is necessary to recommend steps that can be taken to supplement the flow of resources to small scale dairy farmers and to ensure that they receive the financial resources they need to adequately finance their investments (Mbugua, 2009). What policies must they adopt? What kind of help from the industrialized world will be most useful to them? Does the country have the right institutions? And if so, how can it ensure that they play their proper role? By looking at the resources for development available from all sources we can zero in on what really matters and what really works. The approach to development and better income

for small scale dairy farmers must reflect today's countries' financial economics realities, (De Soto, 2009). On the other hand, small scale dairy farmers that have not adapted and enhanced the role of financial mobilization in their economies, on average, have seen declining growth and decreased income. It is important for these dairy farmers that have had successful development experiences to contribute to improved policy formulation in developing countries and demonstrate that it can be done, (De Soto, 2009).

Hard-working small scale dairy farmers in developing countries produce goods and services valued at between \$6-18 trillion annually, and last year their domestic savings amounted to almost \$2 trillion. Unfortunately, domestic economic resources and capital have too often been squandered, sometimes by conflict, but also by economic and legal systems that do not give families and firms the incentive to save and invest in the future. For example, small farmers who want to improve their dairy animals, and entrepreneurs who want to start a business. (De Soto, 2009)

The generation of domestic resources to save and invest productively is the essential foundation of sustained development. A very low domestic savings rate is one of the main structural weaknesses to be overcome by most small scale farmers. There is neither enough domestic savings, nor enough high quality national investment, without macroeconomic discipline. Economic policy must be designed to make inflation and the current account balance consistent with sustained growth.

Fiscal discipline, too, is required at all times, so as to keep deficit financing small enough to avoid causing inflation, avoid excessive accumulation of debts and ensure that government borrowing does not crowd out the private sector from domestic credit markets. The most potent way to empower small scale farmers is to integrate them into the market economy, and hence to contribute to and benefit from growth is to make investments in broadly accessible programmes, and in the rural sector, where large proportions of small scale farmers typically live. These programmes need to have the first call on government resources should not be treated as marginal programmes whose budgets can be slashed when times are difficult, (Holmes, 2001).

Due to inability of domestic resource to meet the financing requirements, these small scale farmers have resorted to external sources to finance development projects and social programs. However, domestic resource mobilization can be managed more innovatively for greater effectiveness. In this context, a sound fiscal policy,

responsible social spending and a well functioning and competitive financial system are the crucial elements for their economic and social development, (Holmes, 2001).

### **2.2.1 Small Scale Dairy Farmers**

The small-scale dairy farmers are those farmers with limited resources, that have difficulty obtaining sufficient inputs to allow them to adequately use the available technology (Shanner, 2012); and that have less than one hectare of land for agricultural production (FAO, 2010). The SSDF are located worldwide, in Asia, Africa, Latin America and the Caribbean. Though approximately 75-80% of the world's farmers are small-scale farmers, they have not been the primary focus of agricultural development (FAO, 2010).

In Kenya, Agricultural extension has characteristically searched for and provided extension services for the innovative, progressive, wealthy, educated, commercial farmers. Agricultural research has sought out and generated technologies which were especially designed for the innovative, progressive, wealthy, and educated farmer and/or agriculturally favourable regions. Chambers, (2003) has stated that, much better recognized than a decade ago, decisions taken in agricultural research affect those benefits. Larger and more prosperous farmers can afford to obtain fertilizers, pesticides, irrigation water, and hybrid seeds. To many smaller and poorer farmers these are out of reach. Agricultural scientist has often regarded production as an end in itself, but they increasingly recognize that those who produce are at least as important as how much and with what risks, and thus the food supplies and incomes of millions of poor people. (p. 186)

Sustainability in Agricultural Development addresses world food production and the world environmental concerns. International agricultural research and extension are beginning to focus on the sustainable development of the small-scale farmer. A sustainable development is one that enhances quality of life, while improving productivity, encourages conservation of natural resources while presenting economically improved solutions, and must be maintained by the farmers' community, KARI, (2011). Agricultural development organizations must therefore focus on and involve some of the poorest farmers in the world. Sustainable SSDF predominates agricultural sector in Kenya, smallholder dairy production could be a powerful tool for reducing poverty, raising nutrition levels and improving the livelihoods of rural people in Kenya, small-scale milk producers compete with large-

scale, capital-intensive, dairy farming systems. With very few exceptions, smallholders achieve relatively high incomes per litre of milk. They are also comparatively resilient to rising feed prices as they usually only use small amounts of purchased feed. Growing consumer demand for dairy products in developing countries, driven by population growth and rising incomes, offers important market opportunities for smallholders. The latter could also benefit from expected higher world market prices for dairy products (Mbugua, 2009).

But smallholder dairy production will only be able to reach its full potential if some of the threats and challenges the sector is currently facing are addressed. In many developing countries, smallholders lack the skills to manage their farms as 'enterprises'; have poor access to support services like production and marketing advice; have little or no capital to reinvest with limited access to credit; and are handicapped by small herd sizes, low milk yields and poor milk quality. Massive policy interventions (price support, milk quotas, direct payments, investment support programmes, and export subsidies) in developed countries create a competitive advantage for the small scale dairy sector and penalize dairy farmers in developing countries, the report noted, (Shanner,2012).

Smallholders are also affected by trade liberalization which increasingly exposes them to competition from large-scale corporate dairy enterprises that are able to respond more rapidly to changes in the market environment. Creating value in every part of the chain ultimately also benefits consumers who are then able to obtain more dairy products for the same amount of money or need to spend less for the dairy products they consume (Shanner, 2012).

In addressing the problem of lack of capital by SSDF, the government of Kenya has been encouraging farmers to start Rural SACCOs, encouraging financial institutions offering micro-credits to farmers under less tough conditions. The main aim of the SSDF is poverty reduction. As in many other parts in Kenya, limited information is available on the performance of these schemes in improving household welfare of SSDF in the study area (Mbugua, 2009).

Previous studies in Uasin Gishu County as a whole concentrated on evaluating operational performance of the scheme as well as productive and reproductive performance of the animals. Similarly, this applies to most other parts of Kenya (Koech et al 2009). Finding external market for excess milk produced in the area could reduce the problem of milk marketing. However, this would require

encouraging private individuals or farmer groups to establish small scale milk processing plants for increasing shelf life of milk in which farmers could sell their milk there. In turn, processed milk from these plants could be sold to external markets. High prices of drugs and concentrates in the area have mainly been attributed to few veterinary shops in the area. Again encouraging private individuals to initiate more veterinary shops could help in reducing prices of these inputs, (Mbugua, 2009).

Income is the acquisition of money via a regular source, including money that you earn through work, or any allowance that you might receive on a regular basis (Holmes, 2001). It is the consumption and savings opportunity gained by an entity within a specified timeframe, which is generally expressed in monetary terms. However, for households and individual SSDF, income is the sum of all the profits, interests and payments earned from their sales and other forms of earnings received in a given period of time (Adedayo, 2005).

Small scale dairy farming is no doubt pivotal to the growth and development of any country. Various strategies have been adopted by the Kenyan Government in promoting the in SSDF the country to facilitate economic development process. Among them is the introduction and support of farmers SACCOs (Adedayo, 2005).

The majority of the population in Kenya either depends entirely on SSDF and farming activities for survival and generation of income, or depends on these activities to supplement their main sources of income. SSDF and their farms collectively form an important foundation on which the nation economy revolves. The significance of rural farming can thus, not be over emphasized as they areas form the food basket of the nation, and a major source of export materials.

### **2.2.2 Income of Small Scale Dairy Farmers**

The income of Small Scale Dairy Farmers can be determined by a number of factors. The initial distribution of income accruing to the SSDF stands out as the most accessible determinant of the standard of living, since it is most quantifiable factor and the most reliable as majority of the people are predominantly SSDF. The determinants of income among the SSDF population serve as social indicators of their standard of living. Adedayo, (2005) suggested that the income levels of SSDF may be attributed to certain crucial factors, and understanding these factors may hold the keys to effective development of the sector.



This in part led to the submission of Kupoluyi (2003), that a closer look at the determinants of SSDF's income provides an in-depth knowledge into the factors that explain low income yields and poverty in rural regions where these SSDF constitute about 90% of the total population. Rural development policy aimed at poverty alleviation should concentrate on farming, which is the main occupation of the poor, who lack access to credit, farm input and implements and are unable to save or own production infrastructure, (Kupoluyi 2003).

There is therefore the need to investigate more on those aspects that affect their incomes positively to facilitate proper aid to the dairy farmers. The average income of a dairy farmer is less than a dollar which means that the production level of the rural farmers is low and there the population that depend on small scale dairy farming live in poverty. There are some notable factors that can be isolated as determining the small scale dairy farmers' productivity by are out of the scope of this study, (Kupoluyi, 2003).

### **2.3 Effect of personal savings on the income of Small Scale Dairy Farmers and Financial Resource Mobilization**

Most SACCOs and financial institutions would want to establish the credit worthiness of an individual before deciding on the amount to give to the individual in terms of loan. The parameters used to measure the credit worthiness of the individuals are the amount of savings the individuals have. The more the savings one has the more the loans that one is likely to obtain. This simply means, those who are able to save more shall get more loans than those who do not save (Msemakweli, 2004).

The income not spent on consumption is defined as saving. Saving is the act of not consuming all of one's current income. Whatever is not consumed out of disposable income is by definition saving. A tri-lateral relationship among savings, consumption, and income is the key determinant of the amount of personal savings. On the first side, given a certain income, the decision to buy goods and services (consumption) negatively affects savings. Savings passively adjust to consumption and income. They represent a resource slack, buffering shocks in income and consumption desires, (Msemakweli, 2004).

According to personal finance concept, saving means keeping or conserving money to be used in future, whereby, usually the money is deposited, instead of investing it, where no factor is always involved. Saving is done with some pre-

determined investment objectives. In other words, saving is the act of conserving cash for any purpose or for future usage. On the other hand, savings means the cash saved to that very moment, (Msemakweli, 2004).

### **2.3.1 Duration of personal savings**

Generally, the real meaning of saving is seeking to preserve assets that you accumulate over time. For savers, stability of principal is a higher priority than return potential. A saver tends to be risk averse and typically stores money in instruments such as savings and call accounts, which facilities are offered by SACCOs and building societies. These types of low-risk vehicles ordinarily offer relatively low potential for return, but the principal and interest are guaranteed. While they may be suitable for your immediate and short-term liquidity needs, they are seldom the best choices for accomplishing your long-term financial objectives, due to their modest potential for returns, (Msemakweli, 2004).

Further, bear in mind that the modest return potential of many low-risk savings instruments might not even keep pace with inflation. As the cost of living increases, you will need more money to buy goods and services and meet your financial goals. Your money should have the potential to grow faster than inflation if you are to gain ground achieving your long-term financial objectives (Kyamulesire, 2008).

### **2.3.2 Amounts of Personal Savings in the Rural SACCO**

Saving and the rate of interest is one of the very important factors which exercises influence on the volume of saving. If the rate of interest is high, it generally induces people to save more money and if it is low, the saving is discouraged. However, there will of course be a few people who will try to save more when the interest rate is low save less when the interest rate is high just to provide for themselves a certain annual income for their old age or for their dependants. In other terms, savings can arise from a compulsory tendency of renouncing and postponing even balance consumption (greediness) or, instead, they can be the result of sharply rising income, with higher consumption taking place meanwhile (Kyamulesire, 2008).

Cumulated and invested personal savings give rise to personal wealth stock. Savings left in SACCOs accounts are an important part of money. To the extent the SACCOs decide to finance business investment with respect to the amount of deposits they received, an increase of personal savings could foster investment by the

established firms. If money deposited is converted in subscription to equity in one's own firm, savings serve for personal careers and independence, again with a possible link to investment in a macroeconomic sense (Kyamulesire, 2008).

Invested in Treasury bonds, savings finance public expenditure. Invested in shares, they can directly or indirectly finance the firms. Savings can also be transferred abroad by remittances, giving rise to a new choice their between consumption and savings. Power to save depends upon the level of income which a person earns. In case of a nation, power to save depends on proper utilization of natural resources. It is because when the income is low, then almost the whole amount is spent on meeting the bare necessities of life so saving is very nominal. But in case of high income, one can save if he likes because he has got the surplus income over consumption (Kyamulesire, 2008).

### **2.3.3 Period required for personal savings to have been in the Rural SACCO**

People save money as a provision against some unforeseen circumstances which might arise in the future. A few others accumulate wealth for their dependants and others save basically to access credit. All these prudential considerations can be constituted under the heading foresight. There is a significant difference between the terms "saving" and "savings". While the former implies addition to the value of any asset, the latter represents a part of a particular asset. Hence, "saving" is a flow concept and "savings", a stock concept (Kyamulesire, 2008). The small scale dairy farmers must save for a predetermined period of time in their Rural SACCOs before they access credit.

### **2.4 Effects of membership to Rural SACCOs Financial Resource Mobilization on income of Small Scale Dairy Farmers**

A co-operative society is a voluntary association started with the aim of offering service to its members. It is a form of business where individuals belonging to the same class join their hands for the promotion of their common goals. They are generally formed by the people of same class such as small scale farmers in certain locality. It reflects the desire of the dairy farmers to stand on their own legs or own merit. The philosophy of the formation of co-operative society is "all for each and each for all" (Kyamulesire, 2008).

A cooperative society is an organization of people who have voluntarily come together for the purpose of solving their socio-economic problems through self-help initiatives, mutual support and investment ventures aimed at equally benefiting the group/members. This is a cooperative whose objective is to pool savings for its members and in turn provide them with credit facilities. SACCOs also aim at encouraging thrift amongst their members and to guide them on prudent financial management and investment practices.

In the context of agriculture, a farmers' cooperative refers to an organization of farmers residing in the same locality, that is established, for their mutual benefit in regard to the cultivation and harvest of their products, the purchase of farm equipment and supplies at the lowest possible cost, and the sale of their products at the maximum possible price. There are certain organizations which undertake business activities with the prime objective of providing service to the members. Although some amount of profit is essential to survive in the market, their main intention is not to generate profit and grow. They pool available resources from the members, utilize the same in the best possible manner and the benefits are shared by the members.

#### **2.4.1 Forms of membership in a Rural SACCO**

Rural SACCO is one type of a co-operative society that provides financial services in the rural areas. Producers' Rural SACCOs are formed to protect the interest of small producers by making available items of their need for production like raw materials, tools and equipments, machinery which is offered in form of credit by the Rural SACCOs. Farmers' Co-operative societies are formed by small scale farmers to work jointly and thereby enjoy the benefits of economies of scale. The types of membership traditionally, are those farmers who farm the same kind of produce which is basically bulked and marketed jointly. Their means of contributing savings are usually from the proceeds of the sales.

The main task of these Rural SACCOs is to arrange for short term credit for its members in order to help them to improve their agriculture and other trade and business. They also arrange supply of to the member's seeds, fertilizers, agriculture implements etc. They also arrange for irrigation facilities for the purposes of fodder production so that the members may be able to have higher agricultural yields (Kyamulesire, 2008).

These societies not only help the farmers to improve their agriculture but also help them for marketing of the goods. Through such facilities they get proper price for the agricultural products and other goods produced by its members. These societies help their members to set up other trades and industries such as milk processing plants. Through these cottage industries and small-scale industries, the income condition of the members is improved and they are able to improve their standard of living.

#### **2.4.2 Duration of membership in a Rural SACCO**

Dairy farmer's co-operative societies by providing various types of facilities for their members, improve their standard of living. They also carry out the programme of health, education and social education. They make arrangements for health and economic facilities, education and recreation for their members. These societies act as saving agencies and encourage their members to save a part of their income for their future needs. Through these savings, the members of such co-operative societies are able to get loans and also invested in treasury bonds, savings finance small scale farmers 'expenditure. Invested in shares, they can directly or indirectly finance the dairy farms. Savings can also be transferred abroad by remittances, giving rise to a new choice their between consumption and savings (e.g. in the form of purchasing an existent farm or animals in funds for entrepreneurial activity).

Small scale farmers' cooperatives as a form of business organization are distinct from the more common investor-owned firms. Both are organized as corporations, but the latter pursue profit maximization objectives, whereas cooperatives strive to maximize the benefits they generate for their members.

Agricultural cooperatives are therefore created in situations where small scale farmers cannot obtain essential services from investor-owned (because the provision of these services is judged to be unprofitable by the investor-owned), or when investor-owned provide the services at disadvantageous terms to the Small scale farmer (i.e., the services are available, but the profit-motivated prices are too high for the farmers).

The former situations are characterized in economic theory as market failure or missing services motive. The latter drive the creation of farmers 'cooperatives as a competitive yardstick or as a means of allowing these farmers to build countervailing market power to oppose the investor owned ones. The concept of competitive

yardstick implies that farmers, faced with unsatisfactory performance by credit lenders, may form a cooperative firm whose purpose is to force the IOFs, through competition, to improve their service to farmers.

A practical motivation for the creation of agricultural cooperatives is sometimes described as “overcoming the curse of smallness”. A cooperative, being an association of a large number of small dairy farmers, acts as a large business entity in the market, reaping the significant advantages of economies of scale that are not available to its members individually. Three typical examples are a machinery pool, a marketing cooperative, and a credit union.

A family farm may be too small to justify the purchase of a tractor or another piece of farm machinery for its own use; a machinery pool is a cooperative that purchases the necessary equipment for the joint use of all its members as needed. A small farm does not always have the means of transportation necessary for delivering its produce to the market, or else the small volume of its production may put it in an unfavourable negotiating position with respect to intermediaries and wholesalers; a cooperative will act as an integrator, collecting the output of its small members and delivering it in large aggregated quantities downstream through the marketing channels. A small farmer may be charged relatively high interest rates by commercial SACCOs, which are mindful of high transaction costs on small loans, or may be refused credit altogether due to lack of collateral; a farmers’ credit union will be able to raise loan funds at advantageous rates from commercial SACCOs because of its large associative size and will then distribute loans to its members on the strength of mutual or peer-pressure guarantees for repayment.

### **2.4.3 Members participation in the activities of the Rural SACCO**

Apart from avoiding the difficulty, red tape and sometimes even outright impossibility of obtaining credit from a SACCO, the answers are many. The credit co-operative satisfies the requirements of its members without undue complications. Thus, it provides them with interest on their respective shares and rewards for participating in its operations. The credit cooperative helps to prevent or overcome poverty. It furthers members’ education, as well as a spirit of mutual aid and self-reliance. This form of co-operative also encourages productive activity by providing credit required by its members and, in particular, leads to a greater understanding of democracy and the democratic process. Credit and saving co-operative is a co-

operative which encourages its members to save money and enables them to obtain loans they may require for various purposes from their accumulated savings. This definition provides an indication of the two main tasks of the co-operative.

The first task is to enable members to save their money on a regular basis, or according to their needs. The member saves money within the framework of the co-operative. As they save, members know that they will receive suitable returns for their effort, in the form of interest on their savings. Accordingly, in order to encourage savings, it is desirable to pay members interest at a higher rate than that obtainable at any other type of financial institution. The member will then realize that it is preferable to save with his/her own co-operative. Co-operatives in many countries make the mistake of paying interest on their members' savings at a lower rate than that offered elsewhere.

Co-operative society is often regarded as one of the microfinance institutions that promote dairy farming entrepreneurship and rapid industrialization. Co-operative financing strategies are very good at promoting sustainable small scale dairy farming. However the government has not fully utilized the potentials of co-operative societies in this regard, cooperative societies of today suffer a lot of setbacks in performing their economic functions. Co-operative societies being groups are made up of members from other groups. Cooperatives society in agricultural production had been encouraged among farmers.

Co-operatives all over the world are instruments of social and economic transformation (Ijere, 1992). The relevant social aspects of people from Africa, according to Ijere (1992) are those aspects that deal with their attitudes of life and themselves, their modes of behaviour and relationship with one another as well as their modes and customs. These issues should be typified by such norms as honesty, fairness, equity, democracy and mutual fellow feelings (Ofuoku et al., 2009).

## **2.5 Effects of default rates in Rural SACCO's Financial Resource Mobilization on income of Small Scale Dairy Farmers**

It was noted by (Ramesh, 2010) that the objective of SACCOs is to promote the habit of saving among its members. It provides financial assistance or credit to its members when they need. Participation in rural SACCOs, non-farm income; farming experience had major effect on repayment ability while family size, farm size and return on investment, had a minimal effect on repayment ability. Poor record keeping,

low literacy, and fear of high interest rates were some of the problems and constraints encountered by the farmers and the credit institutions. It is recommended that farmers should be encouraged to keep good records; financial institutions should also ease the process of loan acquisition to enable farmers with low educational background better access to funds. It is also recommended that credit worthiness of to be beneficiaries should be calculated in advance to reduce the frequency of loan default.

The second task of the cooperative is to grant loans to its members. Loans are granted from the members' accumulated savings. Obviously, not all the members can take out loans, or obtain them immediately or simultaneously. Members are granted loans in accordance with their seniority within the cooperative and the amount of their savings. Generally speaking, the size of loans granted from the cooperative's fund is governed by the liquidity regulations of the country in which it is located (Ramesh, 2010).

Clearly therefore, the size of loans granted to members does not exceed the total of their savings. But there are some exceptional cases where the cooperative serves as an intermediary for obtaining additional credit for members. This subject will be discussed more extensively later. The member pays the (cooperative) fund interest on the credit he receives. The rate of interest will be lower than that at other, commercial financial institutions, for this is part of the service the cooperative provides to its members. The interest rate is calculated according to a simple formula: the total interest paid on the loans granted by the fund must cover the total amount of interest paid to members on their savings as well as the fund's total operating cost. Clearly, the more efficiently the fund is managed, the smaller the difference between the interest charged on loans and the interest paid to members on their savings - a factor which also encourages members to save more.

Let us take an example where the SACCOs pay interest of 7% on savings, while the interest charged on loans is 15%. On the basis of this 8% differential, therefore, the cooperative must cover its entire operating expenses, plus a certain reserve for unforeseen circumstances. It also follows that these operating expenses must be much lower than the 8% differential, in order to ensure that the interest paid on members' savings will be higher than that available elsewhere and that the interest on loans granted to them will be lower. A common misunderstanding among cooperative members is that the cooperative should earn profits in the course of the year in order to pay interest to members. Making profits is not the objective of the cooperative,



which is actually intended to be a system that exclusively serves its members. Theoretically, it could be said that the ideal cooperative is one which ends the year with zero profits or surplus. This means that it would have served its members in the best possible manner, by collecting the minimum amount necessary to cover its operating costs while enabling members to obtain the maximum service from it.

Thus brings us to another task of the credit cooperative. As it is built on the principles of mutual aid and responsibility, the cooperative effectively acts as a guarantor for its member's loans. An individual requiring a loan, which is usually for productive purpose, will find it very difficult to negotiate with a SACCOs. He will often receive a negative reply and even if his loan application is approved, he will have to produce a large number of guarantors and fulfil numerous conditions aimed at assuring the SACCOs that the loan will be repaid.

### **2.5.1 Duration for repayment of loans advanced by the Rural SACCOs to the Small Scale Dairy Farmers**

The agricultural sector is the largest sector of the State's economy, employing over 70% of the adult labour force. The sector impacts on many aspects of development in the state. Apart from striving to meet the food needs of the citizenry, the agricultural sector impacts strongly on the needs of the people, the state's industrialization efforts, particularly agro-industrial sector and the overall quality of life of the people. At the same time, agricultural production and productivity depends largely on the access to finance to facilitate the acquisition of the resources required for production. Consequently, there is a need to make agriculture economically viable by seeking a balance between efficient and productive agricultural enterprise and environmental protection and sustainability (Olawepo, 2003).

Duration for payments for any credit amounts advanced to the small scale dairy farmers is of great importance since this among other criteria will determine the amounts so advanced. Rural SACCOs while appraising members who require credit must ascertain the proper repayment period that will enable the member acquire the deserved amounts. The duration of repayment if not considered well may eventually lead to the loans being defaulted.

### **2.5.2 Members requests in the Rural SACCOs for deferred loan repayment**

Assessment of creditworthiness of loanees is paramount to having the loans repaid in full. While most efforts to save are voluntary repayment of loans in full is compulsory. In the SACCOs industry while the holding of a savings account is voluntary in some cases the holding of savings account is compulsory especially for those who must access the loans. Funds mobilization strategies according to Mauri (2008), governments in many African countries neglected personal savings in the 1960s. In the wake of the “vicious circle” model (Nurkse, 2003), aid programs were considered the only tool for fighting underdevelopment in the last three decades (Von Pischke, 2004), while the mobilization of savings was “the forgotten half” of development finance programs (Vogel 6, 2004). The awareness that poor people are potential savers, resulting from studies of micro finance activities, is leading to a new paradigm in development issues (Vogel, 2007). The mobilization of domestic savings for economic development is the next century’s challenge for Africa. Indeed, “no country is too poor to save if the available potential is effectively used” (Adera, 2005). Rural SACCOs could be a vehicle for this task because they are currently the only formal financial institutions able to provide financial services to remote areas of Africa.

The role of financial markets in mobilizing savings and in channelling funds into productive investments is central to a successful strategy for economic and human development (Musinguzi, 2000). In the rural areas of many developing countries the lack of access to effective formal financial markets may be seen as a severe constraint that prevents low-income households from improving their lot and leads to the persistent poverty. To mobilize savings and enhance their operation in the market Rural Financial Institutions (RFIs) including SACCOs, have undertaken various measures .These include the following (RURAL SPEED, 2005).

### **2.5.3 Attachment of guarantors by the Rural SACCOs**

On application for loans by members of Rural SACCOs key security to these loans is the prescribed number of guarantors. These guarantors must be members of the SACCO and must have put in savings which when added with the loanees savings should be equal or more than the loan requested for. The attachment of guarantors will always come as the last resort in case of a loan default. The SACCO will resort to this after written demand notices have been send to the loanee and copies given to the

guarantors. Rural SACCOs have engaged in recruitment drives aimed at expanding their client base. Among the Rural SACCOs, members have been encouraged to purchase shares giving an automatic increase in savings with the growth of membership. The institutions have also introduced a minimum balance deposited by any client opening an account. Some groups save money whenever they have group meetings which have basically helped to improve savings in the community. 'There is a fee deposited whenever one is opening an account that is not supposed to be withdrawn' (SACCO Mbarara). Conditions on loan application have been put in place such that every borrower has to have at least an equivalent of 10% of principle loan amount as savings before they qualify for a loan. 'For one to borrow should first maintain at least 10% savings for the loan to be borrowed' (SACCO-Nebbi) The staff and field officer have sensitized the rural population on the benefits of saving money with RFIs and discouraged cash savings in the home. 'Discourage the culture of keeping money at home' (Umubuga majjambere, Kisoro)

## **2.6 Effects of guarantors in Rural SACCO's Financial Resource Mobilization on the incomes of Small Scale Dairy Farmers**

A guarantor is a person or company that guarantees that a loan or other type of debt will be paid. Usually, this person or company agrees to pay another person's debt or perform that person's duty if he or she should fail to do so himself or herself. The term is most commonly used in reference to financial assistance. A parent who consigns a student loan for a child could be considered a guarantor; if the child defaults on his or her debt, the parent would be held liable for the remainder of the loan (Ketty, 2011). Generally, loan applicants use guarantors if they believe that they will be unable to secure a loan on their own. This might be the case for applicants who have poor credit or no credit history. Individuals and businesses can serve as guarantors or can have guarantors for their loans. In the case of multiple guarantors, each one usually is liable for the entire amount of the debt. Some lending institutions require guarantors to be bonded for a certain amount usually a percentage of the loan so that the institution can be confident that the money is recoverable (Msemakweli, 2010).

The use of a guarantor on a loan application does not ensure that the loan will be approved, because the person who guarantees the loan is considered part of the loan application, so the credit rating of that person or company must be evaluated along

with the loan applicant or applicants. If the SACCOs believe that the guarantor cannot make good on the debt if the primary applicant defaults on the loan, then the lending institution will not approve the loan. When seeking a guarantor, someone who needs a loan should keep this in mind, rural speed, (2005). Before agreeing to serve as a guarantor, a person should assess the primary borrower's credit, income and expenses to determine whether he or she is capable of paying back the loan. The person who guarantees the loan must be prepared to repay the entire amount if necessary and should not agree to guarantee a loan if he or she is financially unable to do so. Most people who consider whether to guarantee loans for others obtain copy of the loan contract and should be sure to read and fully understand it before signing it. After signing the contract, there is no way for him or her to back out of the agreement, (SPEED 2010).

### **2.6.1 Membership and savings of Small Scale Dairy Farmers in Rural SACCOs**

On application for loans by members of Rural SACCOs key security to these loans is the prescribed number of guarantors. These guarantors must be members of the SACCO and must have put in savings which when added with the loanees savings should be equal or more than the loan requested for. The attachment of guarantor's savings will always come as the last resort in case of a loan default. The SACCO will resort to this after written demand notices have been sent to the loanees and copies given to the guarantors.

As a SACCO's finances improve, they may be open to cancelling the personal guarantee. However, this is not likely to happen unless the SACCOs have equal or greater security from elsewhere (Bandiera and Rasul, 2006). The release of a personal guarantee is done in writing. The guarantor must always insist that the SACCOs give a written confirmation of the termination; otherwise, he/she may remain liable for the debt. A guarantor must make sure that they are comfortable with the amount that they guarantee to the SACCOs. If the company defaults on the payment of the loan, the SACCOs will demand payment under the guarantee, and if the guarantor cannot pay the SACCOs can seek a bankruptcy order against the guarantor. The SACCOs can ultimately force the personal guarantor to sell any of his/her assets in order to pay the amount owed, (Bandiera and Rasul, 2006).

A personal guarantee allows a company to borrow money without additional encumbrances on its business or assets. If the company keeps up its payments, there is

no need for the SACCOs to enforce a personal guarantee. Most SACCOs and reputable financial institutions will insist that the director and/or shareholder giving the personal guarantee obtain independent legal advice in respect of the implications of giving such a guarantee (Kaliba, Verkuijl and Mwangi, 2000). This will ensure that the signatory to a personal guarantee understands the terms and consequences of giving the guarantee. The burden of a personal guarantee stays with the director and/or shareholder who gives it. It does not affect the assets of the company. The SACCOs can therefore demand payment from the person giving the guarantee, rather than from the company. The guarantee is usually given on a full-indemnity basis, which means that to initiate an order for payment the SACCOs will only have to prove that the money is owed and that the loan repayments have not been made. Until the SACCOs recovers the money owed by the company in full the person giving the personal guarantee remains liable in full (Bandiera and Rasul, 2006).

Even though the loan is made for the benefit of the person borrowing the loans, if that debt goes into arrears, a negative entry may be added to the guarantors. This is usually more of a concern if you are a usually more of concern to potential guarantors default on the debt can have an immediate impact on your credit rating. Guaranteeing a loan or other debt obligation where a second person is given credit often say that personal guarantee, as it could have a major effect on your personal wealth (Mwangi, 2000).

Many people would not wish to give a personal guarantee without understanding its terms and fully weighing the consequences of giving. They don't give the SACCOs written notice to terminate the guarantee if they are not prepared to pay the SACCOs the outstanding debt. Most guarantors don't forget that when a SACCOs agrees to release a personal guarantee it must do so in writing do not accept anything less than written confirmation from the SACCOs (Kaliba, Verkuijl and Mwangi, 2000).

### **2.6.2 Credit worthiness of Small Scale Dairy Farmers in Rural SACCOs**

The financial strength of the guarantor may also be used determinant of the amount of loan to be submitted to the borrower, for this reason, the rate of loan to be given to the borrower may be large or small depending on the financial strength of the guarantor. Private savings especially in the form of financial assets are generally far less restricted by low income than has been assumed before, both by economists and

policy makers. On the contrary there is strong empirical evidence that, the saving behaviour of all private households is highly sensitive towards attractive incentives to save (Fischer, 2005). He further observes that, higher interest rates can stimulate financial savings substantially.

Chamwada, (2012) argues that endemic poverty, especially in the rural areas in Kenya is due to failure of SACCOs to deliver. He is not surprised at the failure of the SACCOs to deliver, financial SACCOs and other mainstream financial institutions often shun group, as they lack collateral and, therefore, can't secure loans. The executive secretary of the Savings and Credit Cooperative Union League of Tanzania Mshaweji (2012) said the problem was serious and urged the authorities to quickly intervene and redress the situation.

According to Bliss (2011), the more one is able to save the more he/she can be able to pay over a given period of time. He gives an example of an individual who get barely enough to eat over a given period say one year, and argues that such an individual given a loan may not be able to repay back as he or she will be straggling to satisfy basic want at the time when they will be required to pay back the loan. Bliss argues that the more one is able to save the more loans they should be given. According to Bliss, rich individuals should access more loans to expand their already mechanized farms, while small scale farmers are better when they remain small, (Bliss, 2011).

### **2.6.3 Other Assets that Small Scale Dairy Farmers may Offer the Rural SACCOs as Security**

In a normal situation, an individual who has ever defaulted repayment of a loan is not likely to be trusted again to be given loans in future. However Ketii, (2010) argues that such individuals will have learnt a lesson by the time they come for the second loan and are not as most likely to default as the newer individuals or simply those individuals who have never defaulted. She argues that those who have ever defaulted will be careful in investment and management of the resources given a second opportunity.

A guarantor is a person or company that guarantees that a loan or other type of debt will be paid. Usually, this person or company agrees to pay another person's debt or perform that person's duty if he or she should fail to do so himself or herself. The term is most commonly used in reference to financial assistance (Ketii, 2010).

Generally, loan applicants use guarantors if they believe that they will be unable to secure a loan on their own. This might be the case for applicants who have poor credit or no credit history. Individuals and businesses can serve as guarantors or can have guarantors for their loans. In the case of multiple guarantors, each one usually is liable for the entire amount of the debt. The use of a guarantor on a loan application does not ensure that the loan will be approved, because the person who guarantees the loan is considered part of the loan application, so the credit rating of that person or company must be evaluated along with the loan applicant or applicants (Keti, 2010).

If the lending institution believes that the guarantor cannot make good on the debt if the primary applicant defaults on the loan, then the lending institution will not approve the loan. Before agreeing to serve as a guarantor, a person should assess the primary borrower's credit, income and expenses to determine whether he or she is capable of paying back the loan. The person who guarantees the loan must be prepared to repay the entire amount if necessary and should not agree to guarantee a loan if he or she is financially unable to do so. Anyone who is considering whether to become a guarantor should obtain a copy of the loan contract and should be sure to read and fully understand it before signing it. After signing the contract, there is no way for him or her to back out of the agreement (Bliss, 2011).

A study by Odongo (2010) established that the effects of unsecured SACCO loan on Mombasa teachers' SACCO services is a reality and the SACCO has already suffered from the effects as evidenced by some of its members having moved to commercial banks hence affecting the SACCOs. The major factor contributing to the effects was the SACCOs lack of strong capital base with sufficient funds to meet the increasing demand of loans from the members due to its weak cash flows attributed to low monthly savings. This means that by virtue of being a member of a SACCO one is not tied to solicit for loans in the same organization for a number of reasons, (Odongo, 2010).

## **2.7 Theoretical framework**

According to Shetty theory (2006) profit earned is directly proportion to input, provided that all other factors of production are held constant and the firm still enjoys the economies of scale. If this theory is to hold, given material gifts to members who save regularly and relatively more than others in the Rural SACCOs other motivators could be awarding the best savers with certificates. The SACCOs organize free

training for members which encompasses business management, saving, health, HIV and education. This creates more value to members hence motivation to save. Payment of relatively attractive interest rates act as good mobilization strategy for funds mobilization as it will provide for the opportunity cost and time value of the funds saved. The reverse is true as (Fischer, 1989) observes: ‘It is mainly due to high inflation rates and artificially low kept nominal interest rates that the willingness to hold savings in financial assets is hardened’.

The key for successful approaches to promote domestic savings for development purposes lies in a reversal of the financial and monetary policies hitherto pursued in most of the developing countries (Fischer et al, 1989). He further notes that, excessive administrative interventions into domestic financial markets like low interest rate policies, high reserve requirements and selective credit policies have not only hindered domestic funds mobilization but, also impeded an effective allocation of scarce capital.

There is good reason to suppose that the potential of savings institutions to stimulate financial savings has not yet been exhausted. Moreover there is no indication that, the propensity to save is significantly lower for rural than for urban households (Fischer, 2009). However, it is noted that, in LDCs a standstill in structural changes and easy access to development aid tend to discourage private funds mobilization. This is again true for low income countries in particular, where growth of development aid as the only major source of external savings helped recipient countries to neglect internal economic determinants of savings formation.

Both Thillarajah (2004) and Gulli (2008) assert that, low income earners and generally the poor do save contrary to the previous perceptions amongst many that ,they are “too poor to save” and also prefer to consume than to save (Robinson, 2008). In a study carried out by Ouma and Hans (2003) on Small and Medium Enterprises (SMEs) in urban and rural areas it was observed that, only about 8% of urban SMEs members do not save due to their small, irregular incomes and large family sizes. Thus savings is a valuable financial service that low income earners like urban SMEs properties and by extension, the poor need. This observation is reinforced by Adam smith (1937), views of hundreds of years ago that, ‘the principle which promotes us to save comes with us from the womb and never leaves us till we go to the grave’

Saving is common to all human societies, even if savings practices differ from one to another. Motivations also vary, but caution, social pressures and ambitions for



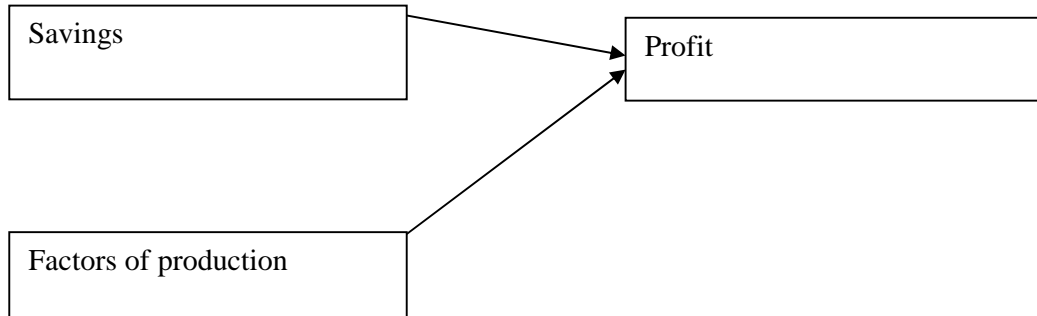
future consumption are the key drivers encouraging people to save (Keynes, 1936; Friedman, 1957). Yet, the experience of industrialized countries in the early stages of development showed that people of lower income levels were precluded from depositing their savings at commercial SACCOs. The focus of commercial SACCOs on industry, trade and the wealthier classes led to a division in society between those who had access to financial services and those who had not (Vittas 1994; Wysocki et al, 1996). However motivators for saving are twofold; motivators for saving in cash form and non cash form.

The dairy industry is constrained due to a number of factors that include low genetic potential of animals, animal health, improper feeding and housing for animals, transportation and quality of milk. Lack of commercial dairy farms is also a limiting factor in the dairy sector. The current process of collecting milk from a large number of subsistence farmers is time-consuming, costly and prone to adulteration. There follows the main reasons of underdeveloped dairy industry. Low genetic potential of local breeds of animals is one of the major constraints in increasing milk productivity. Establishment of medium to large commercial dairy farms is hindered due to this constraint. No fruitful effort has been made to improve the breeding of cows and buffaloes towards being more efficient milk producing animals. Even the purity of local breeds has been endangered through indiscriminate, unplanned cross breeding.

A large number of animals are grazed on marginal lands. Stall-feeding includes large amounts of wheat straw that has little nutritional value. Concentrate of feed use is very limited. Affordability of cattle feed is an important issue. Dirty, non-potable and limited water is offered to the heat stressed animals thereby radically affecting their productivity. Milk yield per lactation is much lower than that in many other countries. The efficient feed resources are a key to livestock improvement. The provision of feeding stuffs of adequate nutritional quality is the most limiting factor in increasing livestock production in the developing countries. Younas and Yaqoob (2005) review the extent of feed resources available and their potential in meeting the animal needs and maintaining their health status. They dealt with the different aspects of fodder crops, concentrate feeding, range resources, non-conventional feed resources, and nutrient requirements of farm animals.

Animal housing is a low priority area for the farmers. A large number of farmers cannot afford any housing for their animals, which are left out in the weather, especially in the heat. Lack of manure management and dirty water are the major

sources of diseases and infections in the animals. The Livestock Department is responsible for disease prevention and cure of the animals. There is an acute shortage of funds in the government for dealing with such diseases, which ultimately affects the quality of animals and their production.

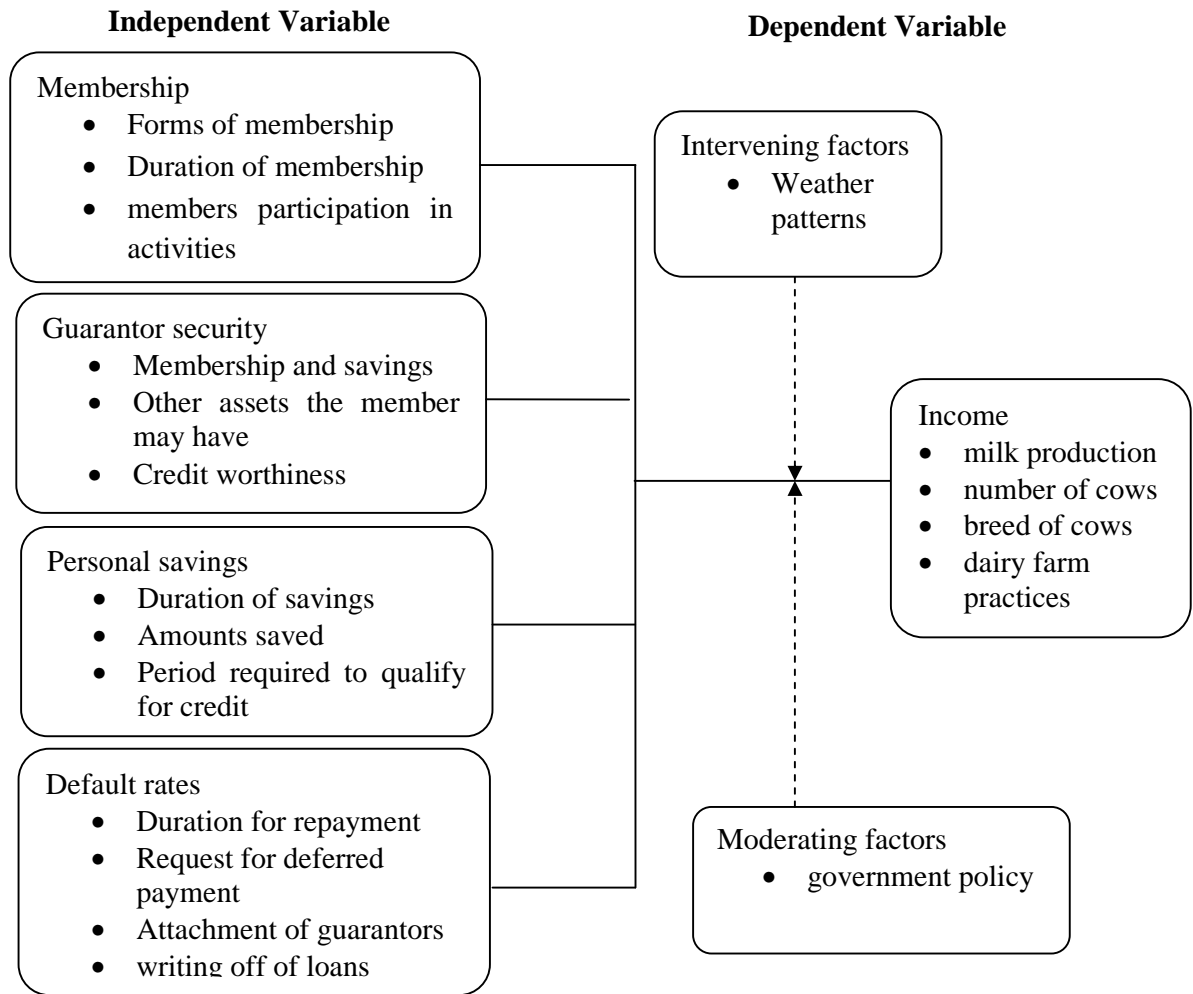


**Figure 2.1 Theoretical framework**

**Source:** Researcher (2013)

## **2.8 Conceptual framework**

The study adopted the following framework that illustrates the dependent and the independent variables. The independent variables include those factors that affect the financial resource mobilization of organizations that included the following, membership of individuals, guarantors, personal savings and default rates. The dependent variable is the income.



**Figure 2.2 Conceptual Framework**

Source: Author (2013)

### 2.9 Gap in literature review

The analyzed literature review indicated that for a rural financial institution to effectively mobilize resources from small scale farmers the necessary structures and a conducive environment is paramount. It was also imperative that the organization must go out of its way to motivate the target group to appreciate savings. The government also on the other hand must enact laws that guard against the mismanagement of community institutions and assist in capacity building to enable the management of these organizations to function competitively and attract savings.

The tendency by small scale farmers to spread their resources in various financial institutions, make them not to enjoy economies of scale. It was in the light of this that this study sought to assess and verify by documenting related literature.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Introduction**

This chapter discusses the research methodology, procedures and modalities that were adopted by the study. It describes the research design that was used the target population, sample size, and sample design. The data collection instruments, data collection procedures, validity and reliability of the research instruments and the methods that were used to analyze data.

#### **3.2 Research Design**

Francis (2010) defines research design as an organized and systematic way of carrying out research. Patton (2011) define it in terms of structure that is followed in the process of conducting it constitutes blue print for collection, measurement and analysis of data. According to Tromp (2006), a research design can be regarded as an arrangement of conditions for collection and of data in a manner that aims at combining relevance with the research purpose. The study employed a case study research design which is descriptive. This approach seeks to collect data without manipulating the research variables or the respondents in an attempt to assess the effects of AR SACCO Society, on funds mobilization, for SSDF in AD. The researcher chose this research design since inferences about relations among variables are made, without direct intervention from connected variation of independent and dependent variables (Patton, 2000). In this study, variables were investigated without any manipulation or alteration and descriptive methodologies were used.

#### **3.3 Target Population**

This is the population or group the researcher wish to study, it is from the results of this group that the generalization was drawn (Mugenda and Mugenda, 2003), defines population as an entire group of individuals, events or objects having common observable characteristics. The study targeted 114 Rural SACCO Society members who should be farmers in AD and 18 staff of AR SACCO. The target group is selected because this is the group that has the right information about effects of financial resource mobilization on income of the SSDF in AD. The targeted

population in this research is therefore 132 which shall be distributed to the groups to be studied as follows.

**Table 3.1 Target Group**

<b>Target group</b>	<b>Number per Group</b>
Staff members of AR SACCO	18
SSDF from AD who are members of the SACCO	114
<b>Total</b>	<b>132</b>

Source: District Co-operative Office (2012)

### 3.4 Description of the Sample and Sampling Procedures

Kothari, (2004) defined a sample design as a definite plan for obtaining a sample from the sampling frame. It refers to the technique or the procedure the researcher adopted in selecting some sampling unit from which inferences about the population is drawn. Sampling is the part of statistical practice which is concerned with the selection of individual observations intended to yield some knowledge about a population of concern, especially for the purposes of statistical inference (Kothari, 2008). Mugenda and Mugenda's (2003) formula was used in determining the sample size of this population as shown below;

$$n = \frac{n^2}{(1 + n/N)}$$

Where;

$n^2$  = Sample size (where the total population does not exceed 10,000).

$n$  = Sample size (where the total population does not exceed 10,000); 114

$N$  = Estimated target population size; 132

Therefore the sample size of the study was therefore;

$$n = \frac{114^2}{1 + \frac{114}{132}} = \frac{12996}{1 + 0.8636} = \frac{12996}{1.8636} = 6974.8$$

Recommended Sample Size according to Mugenda and Mugenda (2003) for the targeted population was 98. The respondents were as distributed as follows;

**Table 3.2 (Sample Size)**

<b>Target Group</b>	<b>Target Population</b>	<b>Procedure</b>	<b>Sample Size</b>
Staff of AR SACCO	18	18/132 * 98	13
SSDF in AD	114	114/132 * 98	85
<b>Total</b>	<b>180</b>	<b>132/132* 98</b>	<b>98</b>

The fraction of sampling technique was used to ensure that a proportionate sample size of the targeted group was sampled to participate in the study. The study therefore sought to sample 13 SACCO staff and 85 SSDF in Ainabkoi Division who were also member of the Rural SACCO. This study used purposive sampling technique to select the SACCO staff. Simple random sampling was used to select the SSDF who are members of the SACCO in the region. This ensured that there is no bias in the data collected from the various respondents and that the ideas collected are varied.

### **3.5 Data Collection Research Instruments**

These are tools that were used to collect data from the targeted population. The researcher collected first hand information Questionnaires and interview schedule were used to collect the primary data.

#### **3.5.1 Questionnaires:**

This forms the major source of primary data used in the study. The data collected from the source was obtained through use of questionnaires constructed by the researcher and approved by the supervisor. The questionnaires in the study was filled by Rural SACCO members, board of members and management staffs who were sampled for the study in an attempt to generate the information required by the study, both open ended and closed ended questions were used.

### **3.5.2 Interviews Schedules**

Dwivedi (2006) defines interview as face to face interpersonal role situation in which one individual (interviewer) asks the other individual (respondent) questions designed to obtain answers relevant to the research problem. The study used the interview schedule for gathering data because it permits much greater depth than other methods of data collection. It also provides a true picture of opinions and feelings; however they are time consuming, expensive to conduct and sincere answers to please the interviewer. The study used open-ended questions to elicit verbal responses from the Management staff of the Rural SACCO.

### **3.6 Pilot Testing of the Research Instruments**

Pilot testing of the research instruments was the trial of the instruments that was used in the data collection process to test if they will bring in the intended data. This was a procedure that was to undertaken in Rupa Savings and Credit Co-operative Society Ltd. The questionnaires and interview schedules were administered and the collected data analyzed to see if it brings the kind of results expected.

### **3.7 Validity of the Research Instruments**

Predictive validity of scores was employed to test the validity of the study instruments. This was examined to determine the extent to which a particular measure is a good predictor of the other variable. This was done by correlating scores (x is continuous) with scores or classifications from the measure you are predicting (y). Appropriate correlation coefficient was computed (depending on the measurement scale). If correlation value is greater ( $>$ ) 0.80 for variables positively related or less than ( $<$ ) -0.80 for variables inversely related, data (x) was said to have good concurrent validity. The Pearson Product Moment Correlation (PPMC) was employed to determine the predictive validity of the data. The PPMC was used to describe the strength and direction of the linear relationship between the independent and the dependent variables in the study.

### **3.8 Reliability of Research Instruments**

Research instruments are the tools used in a study to collect data. These instruments have to satisfy some criteria of reliability. Orodho (2004) notes that reliability of research instruments concerns the degree to which a particular measuring



procedure gives similar results over a number of repeated trials. Reliability is a measure of how consistent the results from a test are Kombo and Tromp, (2006). According to Mugenda and Mugenda (2003), the reliability of an instrument is the measure of the degree to which a research instrument yields consistent results or data after repeated trials. The study employed the Cronbach's alpha coefficient to measure the internal consistency of the questionnaire. As a general rule a value of  $> 0.7$  was determined as reliable enough for each of the data sets where  $\alpha$  is the item being tested for reliability.

### **3.9 Data Collection Procedures**

Data collection procedure simply refers to the steps that were used in the study while collecting the data from the respondents. It is a step by step process that guided the study while the field work was being undertaken (Kothari, 2008). A letter was requested for from the university to collect data. The letter explained what the study was all about and why it was conducted. This enabled the respondents to agree to participate in the study. This eluded any suspicion from the respondents compared to if the study could have been conducted without. Then questionnaires were administered on the sample population, and clarifications were made where need be. The questionnaires were left with the respondents who wished to answer the questions later and were collected the questionnaires after 2 hours. Interviews were conducted as per the dates that were agreed by the management staff and were conducted for a period of 30 minutes.

### **3.10 Data analysis techniques**

The analysis of data went through a number of closely related operations namely establishment of categories, application of these categories to raw data through coding, tabulation and lastly drawing statistical inferences. Editing was done to detect errors and omissions thus ensuring that the data are accurate, consistent with other facts gathered, uniformly entered, as complete as possible and arranged to facilitate and improve the quality of the data for coding and tabulation by reading through and correcting any topographical errors resulting from respondents not having been too careful when responding. Then coding followed that helped to transform categories of data into symbols that was tabulated and counted. Tabulation procedure, which is a technical application, was used to put classified data into tables.

The study adopted both the qualitative and quantitative analysis in order to achieve the objective of the study. The former used descriptive statistics where graphs and tables were used. According to Cooper, (2006) qualitative research includes an array of interpretive techniques, which seek to describe, decode, translate, and it seeks to develop understanding through a detailed description. Patton, (2002) asserts that interpretive research is qualitative seeking to unearth collective frames of reference, or construed realities that guide the attribution of meaning and help account for how respondents create, enact and interpreted the reality they inhabit. It will assist in answering the three research objectives in the interview schedules.

For quantitative techniques, inferential statistics are used to answer cause-and-effect questions, make predictions and investigate differences between and among groups. However, inferential statistics by themselves do not prove causality, thus such proof is always a function of a given theory, and it is vital that such theory be clearly stated prior to using inferential statistics.

Multiple regression analysis technique was used to determine the effect of independent variables on the dependent variable, it was used to measure the relative influence of each independent variable based on its covariance dependent variable and was useful in forecasting. Usually, it is most appropriate when both the independent and dependent variables are interval, though some social scientists also use regression on ordinal data. Like correlation, regression analysis assumes that the relationship between variables is linear.

### **3.11 Ethical Issues**

Before the study was done permission was sought from The Ministry of Co-operative Development and Marketing and Ainabkoi Rural SACCO for data collection. This was facilitated through a letter of introduction from University, and why the study was being carried out. The letter also confirmed that the study was solely meant for academic purposes. It was declared that the data collected will not be revealed to any unauthorized person; otherwise it would lead to breach of confidence. It was also declared that the identity of the respondents will not be revealed in any way. Information on the nature and purpose of the study was explained to the respondents as a means of providing sufficient information before they decide to participate. Any errors due to omission or commission while compiling the report of the study will be accepted.

## **CHAPTER FOUR**

### **DATA ANALYSIS, REPRESENTATION, INTERPRETATION AND DISCUSSION**

#### **4.1 Introduction**

This chapter describes the effects of Financial Resource Mobilization of Ainabkoi Rural SACCO on the income of Small Scale Dairy Farmers in Ainabkoi Division. The data was collected using questionnaires and interview schedules. The qualitative data was organized in broad themes that answered the research objectives. The quantitative data was organized in frequency counts and converted to percentages for clear presentation.

#### **4.2 Response rate of the Small Scale Dairy Farmers and the management staff of Ainabkoi Rural SACCO**

The data was collected within Ainabkoi Rural SACCO area of operation and the target population was 85 Small Scale Dairy Farmers who are members. Out of the 85 expected respondents in the study, 83(97.6%) participated. While out of the 13 management staff expected respondents 11(84.6%) participated.

#### **4.3 Demographic characteristics of Small Scale Dairy Farmers**

The preliminary stage of this study was done through the administration of a questionnaire. The Small Scale Dairy Farmers were disaggregated by gender, marriage status and their age brackets. The area of operation of the society was divided into zones A and B according to the society's milk collection points.

#### **4.4 The effect of Small Scale Dairy Farmers gender on Financial Resource Mobilization of Ainabkoi Rural SACCO**

The study sought to find out the gender of the SSDF based on the zonings. From the findings, out of 85 respondents, 55(64.7%) were male, while 20(35.3%) were female. The findings are as presented on Table 4.1

**Table 4.1 Genders of Small Scale Dairy Farmers**

<b>Genders</b>	<b>Male</b>	<b>Female</b>
Zone A	40	15
Zone B	20	10
<b>Total</b>	<b>60</b>	<b>25</b>

**Source:** Author (2013).

These findings show that zone A has more members in the society than zone B and majority from each zone are males. This is so because membership in the SACCO is based on land ownership and land in this community is owned by men. The few women members are mostly widows. In this community all property belongs to the males hence they came to respond to issues to do with their property. Female members should be encouraged to participate in the activities of the SACCO so that their contributions can be felt.

#### **4.5 The effect of Small Scale Dairy Farmers marital statuses on Financial Resource Mobilization of Ainabkoi Rural SACCO**

The study sought to find out the marital statuses of the respondents based on the zonings. From the findings, out of 85 respondents, 12(14.1%) were single, 63(74.1%) were married while 10(11.8) were widowed.. The findings are as presented on table 4.2

**Table 4.2 Marital Status of SSDF**

<b>Marital Status</b>	<b>Single</b>	<b>Married</b>	<b>Widowed</b>
Zone A	7	33	6
Zone B	5	30	4
<b>Total</b>	<b>12</b>	<b>63</b>	<b>10</b>

**Source:** Author (2013).

The study showed that majority of the respondents from both zones A and B who participated were married. This could be because they are the majority of people who have settled and practice dairy farming as an economic activity hence they had joined the SACCO to do savings and get credit. It also revealed that there were more married respondents both in zone A and B. The few widowed members are women who have inherited land as well as membership from the husbands.

#### **4.6 The effect of Small Scale Dairy Farmers age on Financial Resource Mobilization of Ainabkoi Rural SACCO**

The study sought to find out the age brackets of the respondents based on the zones A and B. From the findings, out of 85 respondents 2(2.4%) were aged below 18 years, 24(28.2%) were aged between 18-30 years, 31(36.5%) were aged between 31-45 years while 38(32.9%) were aged 46 years and above. The findings are as presented on Table 4.3

**Table 4.3 Ages of Small Scale Dairy Farmers**

<b>Ages</b>	<b>less than 18 years</b>	<b>18-30 years</b>	<b>31-45 years</b>	<b>46 years and above</b>
Zone A	2	11	20	15
Zone B	0	13	11	9
<b>Total</b>	<b>2</b>	<b>24</b>	<b>31</b>	<b>24</b>

**Source:** Author (2013).

Zone A had the majority of the members who are between age 31-45, more still in a rare occasion one youth interjected loudly and commended that him he will not join the SACCO and neither will he participate in dairy farming as his father has made him his slave, to work on his farm and not give him a piece of land or half a cow. The findings showed majority of the respondents were aged between 31-45 years because they consist of people who have married and settled hence they own land for practicing dairy farming as an economic activity. The commend made by the young man may also explain the scenario that the people of ages 18-30 were not members of the SACCO because their fathers merely use them as labourers on the farms and have basically nothing of their own.

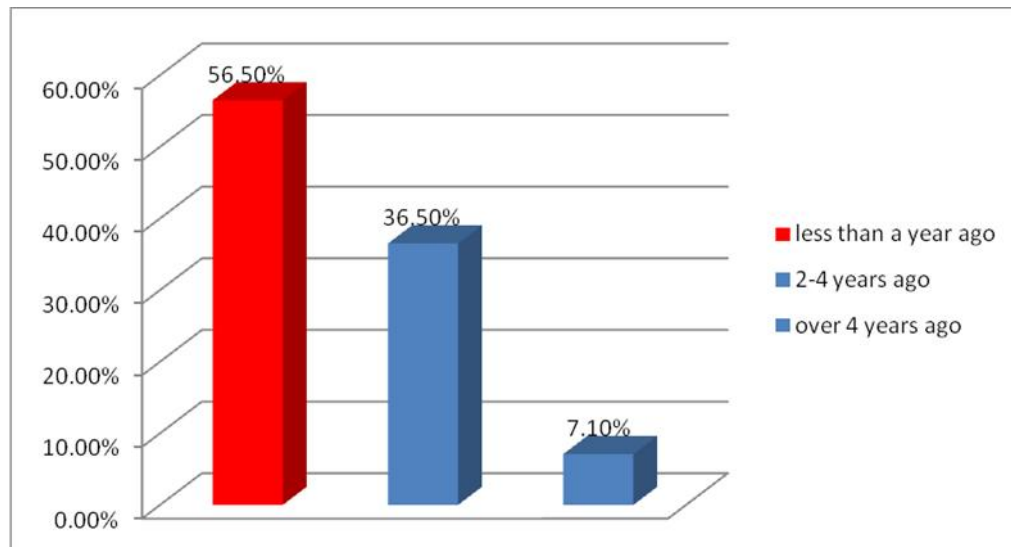
#### **4.7 Specific information**

##### **4.7.1 Personal information of SSDF in relation to membership of the SACCO**

This section of the study will focus on the duration the respondents joined the SACCO, whether they were saving before joining the SACCO and mode of saving for those who were saving before joining the SACCO. The membership of the SACCO, loan guarantor ship, personal savings, default rates and measure of income is also analyzed and discussed.

#### 4.7.2 The effect of the duration the SSDF have had on FRM of AR SACCO.

The study sought to establish the duration the respondents joined the SACCO whereby, out of the 85 respondents who participated in the study, 48(56.5%) had joined the SACCO less than one year ago, 31(36.5%) had joined the SACCO between 2-4 years ago while 6(7.1) had joined the SACCO over 4 years ago. The findings are as presented on Figure 4.1



Source: Author (2013).

Figure 4.1 Duration the SSDF have been in the SACCO

From the findings majority of the respondents joined the SACCO in less than a year ago, this is so because there were governance issues in the SACCO. To confirm this, while the respondents were filling the questionnaires, one female member quipped that they can now comfortably remain in the membership of the SACCO since the governance issues that had plagued it had been sorted out and the government through the Ministry of Co-operative Development and Marketing is keeping a close eye on the SACCO.

The above statement may explain why the majority of the respondents had joined the SACCO less than a year ago and the fact that most of the farmers enjoyed the benefits of serious dairy farming and that of the SACCO over the past year.

#### 4.7.3 Establish if SSDF were saving before joining the SACCO

The study sought to find out if the respondents who participated in the study were saving before joining the SACCO. The study revealed that out of the 85 SSDF,

46(54.1%) were saving before joining the SACCO while 39(45.9%) were not. The findings were as presented on Table 4.4

**Table 4.4 SSDF who were saving before joining the SACCO**

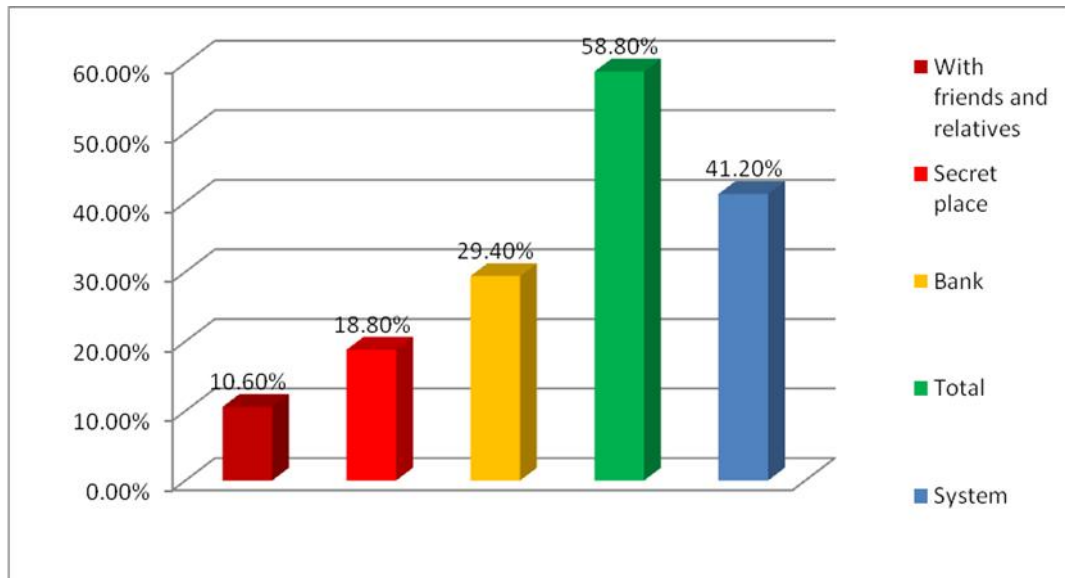
<b>Savings</b>	<b>Yes</b>	<b>No</b>
Zone A	30	20
Zone B	16	19
<b>Total</b>	<b>46</b>	<b>39</b>

**Source:** Author (2013).

The above analysis show that majority of the respondents from Zone A were saving before joining the SACCO as compared to those in Zone B. It was also established that most of the respondents were in other financial institutions where they saved in. From the statistics it can be concluded that in all the Zones half of the respondents were saving with the SACCO while half were in other financial institutions. This is supported by the statement that was made by one of the members that the community did not have confidence in the management of the SACCO.

#### **4.7.4 The effect of the mode of saving for the SSDF who saved before joining the SACCO**

The study sought to establish the mode of saving for the respondents who were saving before joining Ainabkoi Rural SACCO. The study's findings showed that out of 50 SSDF who were saving before joining the SACCO in both zones, 9(10.6%) were saving with friends and relatives, 16(18.8%) were saving in a secret place, 25(29.4%) were saving in the bank, 41.20% were not saving. The findings are as presented on Figure 4.2,



Source: Author (2013).

**Figure 4.2 Mode of saving for the SSDF who saved before joining the SACCO**

The findings revealed that majority of the respondents were saving in other financial institutions because they felt that these institutions were the only secure mode of saving their funds so as to get credit. They also did not have confidence in the SACCO management because of the governance issues that existed before. The study also revealed that most people do not have trust in the local financial institutions. The relevant government institution should capacity build to enable them participate effectively in the management of these institutions.

#### **4.7.5 The effect of membership of SSDF in Ainabkoi Rural SACCO**

The study sought to find out the membership of the respondents in the SACCO. The responses were as follows; Out of the 85 SSDF, 80.5% supported the opinion that the duration one has stayed is key to provision of loans, 76.2% supported the statement that members need to be encouraged to participate actively to get loans while 72.9% felt that the SACCO has different forms of membership that assists in the mobilization of funds. The findings were as presented on table 4.6.



**Table 4.5 Membership of the SACCO**

	<b>Mean</b>	<b><i>f</i></b>	<b>%</b>
The SACCO has different forms of membership	3.6	1:5	72.9
The duration one has stayed is key in providing loans	4.0	0:5	80.5
Members are encouraged to be active members to get loans	3.8	4:5	76.2

**Source:** Author (2013).

The study sought to find out the membership of the SACCO. The responses were as follows; Out of the 85 respondents, 80.5% supported the opinion that the duration one has stayed is key in providing loans, 76.2% supported the statement that members need to be encouraged to participate actively to get loans while 72.9% felt that the SACCO has different forms of membership that assists in the mobilization of funds.

The findings evidently confirmed that the duration one has stayed in the SACCO is key in the provision of loans. This means that the members who have stayed longer in the SACCO definitely could have more savings and their account activity has been evaluated to ensure one is eligible for the loan. The account transaction activity is always used by financial institutions to gauge creditworthiness of loanees. Period of membership to the SACCO, is key to qualifying for loans, as it determines the amounts of savings, thus the majority of the respondents supported the statement that the duration one has stayed in the SACCO is key in providing loans.

Martin (2011) states that the duration of membership in the SACCO determines the loans given as long time members have more savings and higher dividends. He also insists that being a long time members of an institution, there is a way of awarding for loyalty for example by giving them a priority during loan evaluation. This could be a move to retain members who are loyal to the institution. He further affirms that the institution would have identified the operation trends of the members' account through members' ability to repay outstanding loans. The study therefore becomes relevant to the findings as it explains why the duration of being a member of a SACCO is key in determining the loans given and as a result there will be continued profit and defaults are minimized.

#### 4.7.6 The effect of loan guarantorship of SSDF in Ainabkoi Rural SACCO

The study sought to find out about loan guarantor ship in the SACCO. Out of the 85 respondents who participated in the study, 81.1% were of the opinion that the guarantors of the loans have to be members of the SACCO who have saved amounts equal or more than the loan granted, 74.6% were of the statement that other assets of the member can be used as a security in the SACCO when borrowing a loan to safeguard the SACCO funds and save the guarantors, while 67% were of the opinion that the guarantor of the loans should be credit worthy in the SACCO in all aspects so that when the loans are defaulted they can easily shoulder the burden. The findings are as presented on Table 4.6.

**Table 4.6 Loans guarantor ship at the SACCO**

Statement	MEAN	<i>f</i>	%
Your guarantor has to be the member of the SACCO	4.1	1:5	81.1
Your guarantor should be credit worthy in the SACCO	3.4	8:5	67
Other assets of the member can be used as a security in the SACCO when borrowing a loan	3.7	4:5	74.6

Majority of the respondents supported the statement that the guarantors of the loans have to be members of the SACCO. This could be a measure to ensure that the guarantors of the loans are easily accessible by the SACCO in case of default by the loanees as he/she's savings are within the reach of the SACCO. This could be a security measure to ensure efficiency in collection of loans from the members. The can also ensure that the SACCO is able to monitor the activities of both the guarantor and the loanees so as to ensure the proper payment procedures are followed and when the loan is defaulted it is easy to pressure the guarantor to ensure that the loan is paid on time by the loanee.

Marcus (2001) affirms that for some loans to be issued, institutions may request as a condition that you provide one guarantor or more before the loan is approved and must be a member of the same institution. A guarantor is required as a safeguard to ensure that money being loaned out is recovered in the instance that the

borrower (the person taking the loan) does not repay the loan thus being the member of the same institution ensures that the guarantor is well aware of the borrower's ability to repay the requested loan. He further affirms that complaints received by the institutions shows that the implications of being a guarantor are not fully understood by the public. As for the case of those who have been asked to be a guarantor or is considering whether or not to guarantee a loan, it is important that they are aware of the implications and what they are committing themselves to. In most instances the borrower will approach one to be a guarantor because one is a family member, a friend or a work colleague. Also in many cases a decision to accept to be a guarantor is based on the fact that one knows the person and wishes to help the person that is taking the loan. However, one is encouraged to consider other things or aspects before taking a decision to become a guarantor as even a friend or a family member will at times tend to disappear in order to avoid loan repayment thus the bank emphasizes that one must be a member in order to be a guarantor as it gives someone an opportunity to know the borrowers' ability.

#### **4.7.7 The effect of personal savings of Small Scale Dairy Farmers in Ainabkoi Rural SACCO**

The study sought find out about personal savings at Ainabkoi Rural SACCO. Out of the 85 SSDF who participated in the study, 79.3% were of the opinion that the amount you have saved determines the loan you can get from the SACCO, 76.9% were of the opinion that the time you have saved is considered when calculating your loan while 75.8% were of the opinion that there is a fixed period which one must save before withdrawing or getting a loan from the SACCO. The findings were as presented on Table 4.7

**Table 4.7 Personal savings of SSDF in Ainabkoi Rural SACCO**

	Mean	<i>f</i>	%
The time you have saved is considered when calculating your loan.	3.8	1:5	76.9
The amount you have saved determines the loan you can get from the SACCO.	4.0	5:5	79.3
There is a fixed period which one must save before withdrawing or getting a loan.	3.8	3:5	75.8

**Source:** Author (2013).

The findings evidently shows that the amount you have saved determines the loan you can get from the SACCO this could be as a result of the SACCO's savings and lending policy on giving loans that ensures the amount one has saved determines the loan to be given. This could be interpreted to mean that at times the savings one has saved act as guarantees to the loan that has been given out and in case of defaulting, the shares are always taken to compensate part of the loans defaulted. It could also be interpreted to mean that the SACCO has put up measures of saving more to get more loans in order to encourage its members to save more in the SACCO and as a result there is always enough money to give out loans.

Richard (2010) cites that that the amount one has saved determines the loan one can get from the financial institutions. He further explains that the some financial institutions have put up policies that ensure giving loans according to the amount saved by the borrower in order to encourage more savings by the members. Considering the fact that most members would want to be given more loans, it becomes their responsibility to save more in order to have more loan and as a result, the bank would benefit from more savings which are always circulated to the institution to enable efficiency of finances finance. At times the savings one has saved act as part of collateral to the loan that has been given out in case of defaulting. The savings are always taken to compensate part of the loans defaulted (Richard 2010) hence the reasons why the institutions have made policies to save more in order to get more loans. Thus this study is therefore relevant to the findings as it gives clear reasons why most financial institutions employ on using savings to determine the loans issued.

#### 4.7.8 The effect of default rate by Small Scale Dairy Farmers in Ainabkoi Rural SACCO

The study sought find out about the default rates at the SACCO. Out of the 85 SSDF who participated in the study, 80.5% were of the statement that there is a fixed time that one is given to repay a loan, 77.4% were of the opinion that there is a method that is used to request for payment while 63.1% were of the opinion that when one is not able to pay, the loan is written off. The findings were as presented on Table 4.8

**Table 4.8 Default rates at the SACCO**

	MEAN	<i>f</i>	%
There is a fixed time that one is given to repay a loan.	4.0	6:5	80.5
There is a method that is used to request for payment	3.9	5:5	77.4
When one is not able to pay, the loan is written off.	3.2	3:5	63.1

**Source:** Author (2013).

From the presentations most of the SSDF were of the opinion that there is a fixed duration for repayment of loans in Ainabkoi Rural SACCO. It was evident from the study that there is a fixed time that one is given to repay a loan. This could be because SACCO has a policy of fixed repayment of loans in order to ensure circulation of money to the loaned so that it's not exhausted. It could also be because the SACCO gives the members fixed time to repay the loan in order to ensure that they fully invest on the money loaned by the SACCO before repayment. After the investment the member would have fully paid for the loan and at the same time still running the investment thus will be of help to both the SACCO and the member thus the reason why the SACCO gives a fixed time for repayment of the loan by its members.

Evert (2001) affirms that most institutions have employed having fixed time that one is given to repay loans. The policies have been developed to ensure that there is a time and valid recovery of the loans in order to ensure no exhaustion of the money given out by the institutions as loans. Rodgers (2001) observes that most financial institutions have also employed the said procedures in order to ensure that the members are given enough room to fully invest and profiteer from the loan issued

by the institution with an aim of rewarding the customers and ensure that they fully benefit from the loans given through the profit generated from the investment. The study therefore is relevant to the findings because they give out the reasons why most of the financial institutions have employed on having fixed time for the repayment of the loan by its customers.

#### **4.7.9 The effect of income for Small Scale Dairy Farmers in Ainabkoi Rural SACCO**

The study sought find out the measure of income by members. Out of the SSDF who participated in the study, 88.9% were of the opinion that income of members is measured through the amount of milk they are able to produce from their cows, 85.6% were of the statement that the income of the members is measured by their ability to buy different breeds of cows, 84.7% were of the statement that income of members is measured through the dairy farming practices they are able to employ. The findings were as presented on table 4.9

**Table 4.9 Measure of income by members**

	<b>MEAN</b>	<b>F</b>	<b>%</b>
In your ability to buy different breeds of cattle	4.2	1:5	85.6
Through the amount of milk you are able to produce from your cattle	4.4	3:5	88.9
Through the number of cows you have	4.1	1:5	82.8
Through the dairy farming practices you are able to employ	4.2	7:5	84.7

**Source:** Author (2013).

From the study it is evident that most of the respondents are of the opinion that the SACCO uses the quantity of the milk delivered to gauge income. It was evident therefore that majority of the respondents supported the statement that incomes of members are measured through the amount of milk they are able to produce from their cows. This could be because this could be as a result of the fact that since the SACCO majorly depends on the milk produced by its members, it is therefore key to note that the income is therefore determined by the milk the members produce as the milk is

taken to the SACCO where it is measured hence the more the quantity of the milk, the more the money given thus the reasons why the amount of milk produced by the member determines the income the member of the SACCO acquires.

Soy (2008) confirms that income of members in a milk society SACCO is always measured through the amount of milk they are able to produce from their cows. Since the asset of the members in the SACCO is milk most of the organization measures their income therefore in terms of milk they produce. it is therefore key to note that the income is therefore determined by the milk the members produce as the milk is taken to the SACCO where it is measured hence the more the quantity of the milk, the more the money given thus the reasons why the amount of milk produced by the member determines the income the member of the SACCO acquires. Mark (2009) however disputes the idea of using the measurement of the customers income through the material they produce as it will seek to undermine other members in terms of material wealth instead, he comes with a solution that ensures that such institutions in the case of the need to measure the income, should be measured through the savings they have inputted at the institution. The study therefore becomes relevant to the findings as it explains how measure of income is measured at such institutions. It also however puts forward different means of measuring the income so as to ensure good relationship between the members of the said institution and the institution as a new knowledge for the study

During the study, interviews were carried out on the management staff of Ainabkoi Rural SACCO, and from their responses most of them affirmed the opinion that the duration of membership is key while appraising loans. However, some had supported the statement that members are encouraged to actively participate in SACCO activities to get loans while others felt that the SACCO has different forms of membership which assists the society to mobilize funds. The management affirmed that it is the policy of the SACCO to do the evaluation of loans with the duration of membership. This could be a security measure that ensures that one's account activity would have been properly monitored to ensure one is eligible to pay for the requested loan.

On loan guarantor ship at the SACCO, the responses were that, majority of the management staff were of the opinion that the guarantor of the loan has to be a member of the SACCO, others felt that other assets of the member can be used as security in the SACCO when borrowing, while a few were of the opinion that the

guarantor of the loan should be credit worthy in the SACCO. Most of the management staff agreed that the guarantor of the loans have to be the member of the SACCO. This is so because in case of a default or disappearance by the borrower, the SACCO would easily trace the guarantor as he/she is a member of the SACCO.

Majority of the management affirmed that the amount one has saved determines the loan one can qualify for from the SACCO, some were of the opinion that the time one has saved is considered when appraising loans, while the rest confirmed that there is a predetermined fixed period which one must save before withdrawing or accessing a loan. This is so because the amount saved acts as collateral in case of defaulting.

Most of the management staff confirmed that there is a fixed period for loan repayments, others felt that there is a method that is used to request for payment while a few were of the opinion that when one is unable to pay, the loan is written off. It is evident from the interview that there is a fixed time that one is given to repay loans. This could be because fixed term of loan repayments gives room for the circulation of funds in the SACCO as well as it gives the borrower time to invest with the loans as has been supported by the majority of the management staff interviewed.

From the findings of the interview, majority of the staff were of the opinion that income of members is measured through the amount of milk they produce from their cows, others were of the statement that the income of the members is measured by their ability to buy different breeds of cows, while a few were of the statement that income of members is measured through the dairy farming practices they are able to employ. The above responses could be because the SACCO relies on the milk produced and delivered to gauge the income of the members hence the milk produced and delivered determines the income of the member. All the transactions of the SACCO revolve around the milk produced and delivered by members to gauge their incomes as well as loans qualified and ability to repay.



## **CHAPTER FIVE**

### **SUMMARY, DISCUSSIONS, CONCLUSIONS AND THE RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter will give a summary of the objectives of this study; discussions and conclusions drawn from the observations of the study and finally give recommendations for improvements.

#### **5.2 Summary of the Findings**

According to the findings out of the 85 SSDF, 80.5% supported the opinion that the duration of membership is key in appraising of loans, 76.2% supported the statement that members are encouraged to participate actively so as to enable them access loans while 72.9% felt that the SACCO has different forms of membership. This was interpreted to mean that the members who have been in the SACCO longer definitely could have more savings and their account activity has been evaluated longer to ensure one is eligible for the loan. The operation of an individual's account is always used by financial institutions to gauge repayment abilities. Out of the 85 SSDF who participated in the study, 81.1% were of the opinion that the guarantor of the loans has to be a member of the SACCO, 74.6% were of the statement that other assets of the member can be used as a security when borrowing, while 67% were of the opinion that the guarantor of the loans should be credit worthy in the SACCO. Majority of the respondents supported the statement that guarantors have to be members of the SACCO. This could be a measure to ensure that the guarantor of the loan is easily accessible to the SACCO in case of default. This could be a security measure to ensure efficiency in collection of loans by the SACCO. It could also be to ensure that the SACCO is able to monitor the activities of both the guarantor and the loanee so as to ensure the proper payment procedure is followed and when the loan defaults it is easy to pressure the guarantor to ensure that the loan is paid on time.

Out of the 85 SSDF who participated in the study, 79.3% were of the opinion that the amount you have saved determines the loan one can get from the SACCO, 76.9% were of the opinion that the time you have saved is considered when calculating one's loan while 75.8% were of the opinion that there is a fixed period for saving, withdrawing or qualifying for a loan. The findings evidently shows that

amounts one has saved determines the loan one can get from the SACCO this could be as a result of the SACCO policy on savings and credit that ensures the amount one has saved determines the loan qualified. This could be interpreted to mean that the savings one has act as guarantee to safeguard defaulting. It could also be interpreted to mean that the SACCO has put up measures of saving more to get more to encourage members to save.

The findings of the 85 SSDF who participated in the study, 80.5% agreed with the statement that there is a fixed time for loan repayment, 77.4% responded to the affirmative that there is a method that is used to determine repayment period, while 63.1% were of the opinion that when one defaults, the loan is written off. It is evident from the study that there is a fixed period for loan repayments. This could be for SACCO to comply with its policy on savings and loan to maintain its liquidity. The fixed repayment period is to assist the members have time to invest the loans before repayments

From the findings out of the 85 SSDF, 88.9% supported the statement that income of members is measured through the amount of milk they are able to produce and deliver, 85.6% were of the opinion that the income of the member is measured by their ability to buy different breeds of cows, 84.7% agreed that income of members is measured through the dairy farming practices they are able to employ. It is evident therefore that majority of the respondents supported the statement that income of members is measured through the amount of milk they are able to produce and deliver. This could be as a result of the fact that since the SACCO majorly depends on the milk produced by its members, it is key to note that the income is therefore determined by the milk the members produce and deliver, hence, the more the quantity of the milk determines the members income.

### **5.3 Conclusions of the findings**

The members who have stayed longer in the SACCO definitely could have more savings and their account activity has been monitored to ensure one is eligible for the loan. The account transaction activity is always used by financial institutions to gauge the amount of loans one can qualify. Longer period of membership in the SACCO means more shares and savings, hence one can qualify for bigger loans. The guarantor of the loaned has to be a member of the SACCO. This could be a measure to ensure that the guarantor of the loan is easily accessible to the SACCO in case of default.

This could be a security measure to ensure efficiency in collection of loans from the members. The reason also could be to ensure that the SACCO is able to monitor the activities of both the guarantor and the loanee so as to ensure the proper payment procedure is followed and when the loan defaults it is easy to pressure the guarantor to ensure that the loan is paid on time.

The amount you have saved determines the loan you can get from the SACCO this could be as a result of the SACCO policy on giving loans that ensures the amount one has saved determines loan qualified. This could be interpreted to mean that at times the savings one has saved act as guarantees to the loan that has been given out and in case of defaulting, the shares and savings are always used to offset the loans defaulted. It could also be interpreted to mean that the SACCO has put up measures of saving more to get more loans in order to encourage its members to save in the SACCO to improve on its liquidity. There is a fixed loan repayment period. This could be because the SACCO has a policy that has fixed the repayment period for loans in order to ensure the liquidity of the SACCO is always maintained. The fixed repayment period also allows members ample time to invest the loans so as to have funds to repay the loans.

The income of members is measured through the amount of milk they are able to produce from their cows and deliver. This is as a result of the fact that the SACCO majorly depends on the income from milk produced and delivered by its members. The income from the deliveries is used for savings as well as for loan repayments. The SACCO maintains regular and updated record of each member to allow them assess their eligibility at any given period.

#### **5.4 Recommendations**

1. From the study it can be recommended to the Kenyan Government through the Ministry of Co-operative Development and Marketing (Now a department under the Ministry of Industrialization and Enterprise Development ) to assist the Rural SACCOS to come up with policies that are able to safeguard particularly guarantors to recover what they pay for defaulted loans.
2. SACCO managements should open their membership and model their services in order to accommodate different forms of membership including business men. This can be done by amendment of bylaws. This will ensure that the SACCO achieves its competence in the market as it will have attracted more

members of different classes this results in an increase in mobilization of resources hence more loans and increased profits. The amendment of bylaws will also open membership for woman and youth groups so as to attract government funding to be channelled to the said groups. This will ensure the SACCO achieves sustainability in the financial sector which is key for stability and growth.

3. The SACCO should implement its loaning measures to ensure all the guarantors of the loaned are credit worthy at the SACCO. This will be meant to ensure there is adequate security in the loans issued as the guarantors savings will be taken as collateral in case of default by the member.
4. The SACCO should put up saving procedures to ensure that there is a fixed period where one must save before withdrawing. This will enhance the savings department of the SACCO and at the end the SACCO will achieve better service delivery.
5. The SACCO should embark on measure to ensure all loans are insured in order to avoid cases of the loans being written off considering the fact that the SACCO is still growing in terms of assets thus writing of loans will lead to loss and failure by the SACCO hence there is a need to insure all the loans so that in case of disappearance by the loaned and the guarantor, the insurance company will be able to pay on behalf.
6. There should be other ways at the SACCO for measuring of income of its members. This will ensure that some other members are not intimidated by the wealth as a measure of income. Other measures should be savings at the account by individual members at the SACCO and as a result, there will be positive relationship between the SACCO and its members.

### **5.5 Suggestion for further study**

From the study recommended suggestion that the strategies used by Rural SACCOs to mobilize funds viz a viz the strategies used by Micro finance Institutions can be studied in future. The challenges that rural financial organizations use in advancing credit and the process of recoveries should also be studied. The above recommendations will go a long way to assist the Rural SACCOs being one of the rural financial institutions to improve in mobilization of funds.

## 5.6 Contribution to the body of knowledge

**Table 5.1 Contribution to the body of knowledge**

<b>OBJECTIVE</b>	<b>CONTRIBUTION</b>
To determine the effects of personal savings on FRM of SSDF in Ainabkoi Division	The stakeholders can understand why the level of FRM by Rural SACCOs has been too slow. It can also be noted that the sources of income for the small scale dairy farmers are limited and need a lot of boosting for them to cope up with the challenges of the industry.
To find out the effects of default rates of members on FRM in AR SACCO of SSDF in Ainabkoi Division	The only security for loans in the Rural SACCOs is the guarantors. The need for other avenues to be sought to find ways and means of accepting other form securities
To assess the effects of guarantors SSDF in Ainabkoi Division as far as FRM of AR SACCO	That the guarantors of loans in Rural SACCOs have to resort to the courts if they are to recover what they have paid for loans defaulted.
To evaluate the effects of membership of Ainabkoi Rural SACCO by SSDF of Ainabkoi Division on FRM.	That Rural SACCOs still depends on the traditional kind of membership and has not amended their bylaws to diversify its membership.

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**REPUBLIC OF KENYA**



**MINISTRY OF CO-OPERATIVE DEVELOPMENT & MAJ**

County Co-operative Commissioner  
Uasin Gishu County  
P.O. Box 84  
**ELDORET**

When replying please quote

Ref. No. **SOC/2/GEN/(160)**....  
and date

**APPENDICES**

....4<sup>th</sup> June,..... 2013....

Tel: 02063314

To whom it may concern,

**RE: INTRODUCTION LETTER**

This is to confirm that Druscillah J. Cherogony is currently a student at Nairobi University undertaking Master of Arts in project planning and management. She is in the process of collecting data for her project in part fulfilment of the University requirements.

This is therefore to request you to allow her to collect data from your organization to allow her fulfil this requirement.

Your assistance will be highly appreciated.

Yours,

**LUCY N. SISENDA  
COUNTY CO-OPERATIVE COMMISSIONER  
UASIN GISHU COUNTY**

**APPENDIX I: INTERVIEW SCHEDULE FOR MANAGEMENT STAFF OF  
AINABKOI RURAL SACCO**

Interview schedule on the effects of Ainabkoi rural SACCO on small scale dairy farmer's funds mobilization in Ainabkoi Division.

Tick or write answers in full where applicable.

1. Position in the SACCO.....
2. How long have you been in the SACCO?
  - Less than a year. [ ]
  - One year. [ ]
  - Two years. [ ]
  - Three years [ ]
  - Four years . [ ]

Others specify.....

3. Do you hold management meetings?
  - Yes [ ] No [ ]
  - If yes how often?

- Weekly. [ ]
- Effort night. [ ]
- Monthly. [ ]
- Quarterly. [ ]

Others specify.....  
.....

**Section B) Specific Information**

4. Kindly rate the extent to which you agree with the following information on membership

- i. The Rural SACCO has different forms of membership.....  
.....
- ii. The duration one has stayed is valued.....  
.....
- iii. Members are encouraged to be active.....  
.....

5. Kindly rate the extent to which you agree with the following information on loans guarantorship in Ainabkoi Rural SACCO.

- iv. Your guarantor has to be a member of the SACCO.....  
.....
- v. Your guarantor should be credit worthy in the SACCO.....  
.....
- vi. Other assets of the member can be used as security in the SACCO.....  
.....

6. Kindly rate the extent to which you agree with the following information on personal savings in Ainabkoi Rural SACCO.
- vii. The time you have saved is considered when calculation your interest.....  
.....
  - viii. The amount one has saved determines the loans.....  
.....
  - ix. There is a fixed period which one must save before withdrawing.....  
.....
7. Kindly rate the extent to which you agree with the following information on default rates in Ainabkoi Rural SACCO.
- x. There is a fixed time that one is given to repay the loan.....  
.....
  - xi. There is a method that is used to request for payment.....  
.....
  - xii. When one is not able to pay the loan is written off.....  
.....
8. Kindly rate the following statements on ways in which member measure their income.
- xiii. Through the breeds of cattle they buy.....  
.....
  - xiv. Through the amount of milk they produce.....  
.....
  - xv. Through the number of cows they buy.....  
.....
  - xvi. Through their dairy farm practices.....  
.....

## APPENDIX II: QUESTIONNAIRE FOR MEMBERS OF AINABKOI RURAL

### SACCO

Questionnaire for the effect of Ainabkoi rural SACCO on small scale dairy farmers funds mobilization in Ainabkoi Division.

(For members of the rural SACCO)

**Tick or write answers in full where applicable.**

#### (Section A) Background

1. What is your Sex?  
Male [ ] Female [ ]
2. What is your marital status?  
Single [ ] Married [ ]  
Widowed [ ]
3. What is your age  
26-35 years [ ]  
36-45 years [ ]  
46-55 years [ ]  
56 and Above [ ]
4. When did you join Ainabkoi rural SACCO?  
Less than 1 year ago [ ]  
1-2 years ago [ ]  
3-4 years ago [ ]
5. Were you saving before you joined Ainabkoi rural SACCO?  
Yes [ ] No [ ]
6. If yes, how were you saving?  
With friends, relatives [ ]  
Secret place [ ]

**(Section B) Specific Information**

7. Kindly rate the extent to which you agree with the following information on membership.

**Key:**

5- Strongly agree                      4- Agree                      3- undecided  
 2- Disagree                              1- Strongly disagree

	1	2	3	4	5
The Ainabkoi Rural SACCO has different forms of membership					
The duration one has stayed is valued					
Members are encouraged to be active					

8. Kindly rate the extent to which you agree with the following information on loans guarantorship in Ainabkoi Rural SACCO.

**Key:**

5- Strongly agree                      4- Agree                      3- undecided  
 2- Disagree                              1- Strongly disagree

	1	2	3	4	5
Your guarantor has to be a member of the SACCO					
Your guarantor should be credit worthy in the SACCO					
Other assets of the member can be used as security in the SACCO when borrowing a loan					

9. Kindly rate the extent to which you agree with the following information on personal savings in Ainabkoi Rural SACCO.

**Key:**

5- Strongly agree                      4- Agree                      3- undecided  
 2- Disagree                              1- Strongly disagree

	1	2	3	4	5
The time you have saved is considered when calculation your interest					
The amount you have saved determines the loans that you get from the SACCO					
There is a fixed period which one must save before withdrawing					

10. Kindly rate the extent to which you agree with the following information on default rates in Ainabkoi Rural SACCO.

**Key:**

5- Strongly agree      4- Agree    3- undecided      2- Disagree  
 1-Strongly disagree

	1	2	3	4	5
There is a fixed time that one is given to repay the loan					
There is a method that is used to request for payment					
When one is not able to pay the loan is written off					

11. Kindly rate the following statements on ways in which members measure their income

**Key:**

5- Strongly agree      4- Agree      3- undecided  
 2- Disagree      1- Strongly disagree

	1	2	3	4	5
Through the breeds of cattle they buy					
Through the amount of milk they produce					
Through the number of cows they buy					
Through their dairy farm practices					