THE EFFECT OF FUNDING STRUCTURE AND LIQUIDITY ON FINANCIAL PERFORMANCE OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN MURANG'A COUNTY

BY

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DECLARATION

This research project is my original work and has not been submitted for an award of a certificate, diploma or degree in any university or institution of learning.

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This research project has been submitted for examination with my approval as the candidate university supervisor.

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DEDICATION

I dedicate this project to my family who have stood with me and given me words of encouragement and sheer moral support during my study period.

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I acknowledge the support offered by my project supervisors especially Mr. Iraya for his endless positive criticism as well as invaluable advice and tolerance during the whole research period, Murang'a county co-operative office and the many Sacco societies from whom I sought valuable information from.

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LIST OFABBREVIATIONS

CA	Current Assets
CL	Current Liabilities
CR	Current Ratio
MBA	Master of Business Administration
NLB	Net Liquidity Balance
NSE	Nairobi Securities Exchange
ROA	Return on Assets
ROE	Return on Equity
SACCO	Savings and Credit Co-operative
SASRA	SACCO Societies Regulatory Authority
WC	Working Capital

ABSTRACT

The study sought to find out the effects of funding structure and liquidity on the financial performance of savings and credit societies in Murang'a County. The county has a total of sixty eight active SACCOs distributed in various segments which entail urban, transport, agricultural and rural. The study drew its consideration on the SACCOs which had member's deposits in excess of five million shillings. Secondary data in the form of financial statistics for the period of the year 2009- 2013 were considered. The study sought to find out how the members deposits to assets, leverage, liquidity and firm size affected the financial performance of the savings and credit co-operative societies. The study employed the regression coefficient and fitted all the variables on to the model used to confirm how they influenced the phenomena. The findings revealed that Liquidity was the most critical factor influencing Financial performance of SACCO societies in Murang'a county while members deposits to assets is the second most critical variable in influencing the financial performance of the SACCOs compared to the other variables. Most of the credit and savings societies were confirmed to have good leverage. This was occasioned by the fact that their debt levels were low in comparison to the total assets of the organizations. Most of the SACCOs had shareholder funds levels which conformed to the expected standards. This is because the SACCOs in many instances had equity levels which were lower than the total assets. Most of the organizations were found not to have good liquidity levels. This is because their cash and cash equivalents, short-term investments and the accounts receivables did not exceed their current liabilities. All the SACCOs had their revenue levels lower than the total members' deposits. It was thus an indication that they had impaired capacities with regard to the firm size. The study recommended that the savings and credit societies should seek to aggressively mobilize member's deposits with an aim of growing their capital reserves. The savings and credit societies should seek to manage their debt levels. This will inevitably give them good leverage. It may also assure them of capacity to grow their asset bases devoid of exposing the members to any undue risk with regard to eroding their asset values at the advent of failure to meet obligations to entities which have advanced them credit .The savings and credit societies should seek to manage their equity levels prudently. They should have access to capital in monetary form to effectively service their obligations to clients. Savings and credit societies should work towards ensuring that the total revenue accruing from the organization's activities effectively matches the members' deposits. This will see to it that the firm size is enhanced.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Funding structure may be equated to Capital structure in big firms. It is a financial tool that helps to determine how firms choose their funding. Most SACCOs in Kenya started off as community development agencies and had built significant supply side competencies, as such, funding structure had no relevance. However, with growth and commercialization, SACCOs have spanned off to become fully independent and hence the puzzle of funding structure that will ensure sustainability and profitability becomes relevant.

In this study, an attempt has been made to fill in the existing knowledge gap by determining effects of funding structure on the financial performance of SACCO Societies in Kenya. This study analyzes the funding structure and liquidity on financial performance of SACCO Societies in Murang'a County for the period 2009 to 2013. For the purpose of this study, the data was extracted from the individual SACCOs annual audit reports and financial statements for the 5 years under examination.

1.1.1 Funding Structure and Liquidity

Financing choice involves a trade-off between risk and return to maximize shareholder wealth (Berger, Bonime, Covitz and Hancock, 2000). Liquidity refers to the degree to which an asset or security can be bought or sold in the market without affecting its price (Denis, 2007). The objective of an optimal 2 financing choices for any firm is therefore to have a mix of debt, preferred stock, and common equity that

will maximize shareholders wealth and guarantee liquidity for a firm's operation, since changes in financial leverage affect firm value (Farrington and Abrams, 2002).In practice, different financial institutions may pursue different goals but the core objective of any financial institution is to minimize its cost. Although debt as a homogeneous source of SACCO funds is a powerful theoretical construct and a useful first step, this study goes beyond the leverage decision and investigates other dimensions of SACCO funding choice. Even with respect to debt, the nature of debt and its incentive properties can differ according to, for instance, maturity (long and short) and to the providers. Capital requirement as set by SACCO regulation, which sets a framework on how SACCOs must handle their capital. However, White and Morrison (2001) posited that the regulator ensures that SACCOs have enough of their own capital at stake. In recent years, with the maturing of the SACCO sector, large numbers of SACCOs have greatly increased their outreach and sustainability.

This usually requires fresh capital from outside investors, regulatory approval by relevant Government departments, improved governance and internal controls. The transformation process then typically allows SACCOs to mobilize member's deposits as an additional source of refinance and offer additional non-credit products (Frank, 2008). Furthermore, with the transformation and growth of their assets, SACCOs get improved access to new sources of funding in the financial markets and also product diversification which allows them then to broaden their outreach and serve more clients. Overall, the SACCO market currently faces a trend towards "commercialization" which is a broad term used to refer to the application of market-based business principles to SACCOs.

Regulated SACCOs, capital structure has also been maturing and is progressively approaching the structure that predominates in banks. While many SACCOs initially

depended on domestic borrowing sources, their main source of funds is now by far deposits. At the same time, borrowing has generally decreased in importance in the SACCO capital structure. The issuance of bonds, while promising, continues to be little used. Although precise estimates are not available, issuing stock to add new shareholders is a mechanism rarely used by SACCOs. SACCOs have not started trading in the stock market. Instead, the capital base of the SACCOs has been increased mostly by reinvesting a large share of the sizable profits that the SACCOs have generated (Jansson, 2003).

Many SACCOs also look to deposit financing and commercial debt as essential elements of funding future growth in the microfinance sector (de Sousa-Shields & Frankiewicz, 2004). Commercial debt financing is an important tool in SACCO funding and management; both short-term as well as longer-term debt financing. Access to these sources of funding requires transition to a regulated entity, a transition that can be challenging and expensive in the short run because of the management, capital, and technical requirements for a regulated entity.

In some cases, ordinary SACCOs receive grants and subsidized loans from development agencies and donors to finance the transition into deposit-taking SACCOs. Funds from development agencies may also be deployed as financial instruments designed to improve access for newly regulated entities. These instruments, such as bank loans, have made newly regulated SACCOs to prove their creditworthiness and borrow at cheaper rates (Counts, 2005). The importance of borrowing from public sector institutions and donors is that it allows SACCOs to enjoy interest rates and maturities that would be difficult to obtain from domestic or international commercial lenders (Jansson, 2003).

1.1.2 Financial Performance.

Financial performance is a depiction of how well a firm may use assets from its primary mode of business to generate revenues. It is used as a measure of a firm's financial health over a given period, and can be used to compare firms in aggregation (Githinji, 2011).In most cases, people tend to associate, join or invest in firms that show steady profitability or good financial performance. This is purely due to the going concern factor. However, no evidence has been shown to support the notion that investors prefer to invest in profitable firms (Tong and Ning, 2004).

In determination of financial performance of a firm; parameters such as debt ratios, revenue from operations, total sales, margin growth rates and cash flow from operations may be used to give an overview of the financial performance. Financial ratios such as Return on Equity (ROE), Return on Assets (ROA) and Return on Investment (ROI) are also commonly used to determine the financial performance of firms. In SACCOs, financial performance is measured by (PEARLS) meaning protection, effective finance structure, asset quality, rates of return and cost, liquidity and signs of growth

1.1.3 Relationship between Funding Structure and Liquidity on Financial Performance of SACCOs

Deposit to assets ratio is only relevant to SACCOs that mobilize deposits. The lower the ratio, the greater is the SACCO's capability to fund its assets base from deposits. A proportionally larger deposit base as a percentage of total assets will typically lead to an overall lower cost of funds, assuming that the deposits program is cost efficient in its operational and financial expense of deposits ratios. The higher the ratio, the

more the SACCO must rely on external funding, which is often a more costly source of funding than deposits. SACCOs may also effectively use local depositors as in the case of Irish loan funds (Hollis, and Sweetman, 2007) not just for funding, but also because of the important discipline that depositors can impose on expenses management which has an impact on profitability. The study postulates a positive relationship between SACCOs that accept deposits and profitability.

Portfolio to Asset ratio may affect profitability. In the empirical SACCO literature, portfolio to asset ratio is used both as a measure of credit risk and lending. Loans are less liquid and more risky than other assets in a SACCO's portfolio. The risk of default, and the additional costs incurred in managing credit risk, requires SACCOs to apply a risk premium to the interest rate charged for the loan. Larger share of loans to total assets may therefore translate to more interest revenue because of the higher risk. However, SACCO loans are subject to significantly lesser transaction costs than retail profit seeking banks, which include cost of funds for on-lending, the loan loss, and administrative costs (Cullet al, 2009). SACCO clients may often live in inaccessible locations.

Since SACCO operations are heavily dependent on personal contact for their execution which is very time-consuming, this translates to a higher absolute transaction cost per loan. That notwithstanding, profitability should increase with a larger share of loans to assets as long as interest rates on loans are liberalized and the SACCO applies mark-up pricing (Farrington & Abrams, 2002).

1.1.4 Savings and Credit Co-operative Societies in Murang'a County

SACCOs first appeared in 1870s. Two men are considered as the founding fathers of credit co-operative movement. These are Herman Schultze-Delitsche, who established a credit co-operative for minor artisans and the middle classes, and Freidrich Reifeisen, the founder of rural credit co-operative (Galor, 1986). In Italy, Luigi Luzzatti established credit co-operatives which combined the principles established by his two German predecessors. Canada, the United States, Australia and Ireland have the most established movements. In many of these countries, SACCOs are much larger that commercial banks. There are 28 countries in Africa that have established credit unions. Globally, there are 100 million individual members in over 60 countries around the world who are members of co-operative movement. The idea of co-operatives grew in impoverished communities as an alternative to other savings schemes, where you could get cheap loans.

Co-operative movement in a Kenya can be traced back to 1908 when the European farmers at Lumbwa near Kericho first established a production and marketing co-operative. SACCOs are important form of financial intermediary, which over the years has played a vital role in provision of financial services to their members, (Mudibo, 2006).

Between 1961 to date, there has been a tremendous growth of co-operative societies which stands at more than 16200 registered co-operatives as of today (As per the register by Commissioner for Co-operative Development). More than 120 are co-operative Unions. Membership is in excess of 7Million people. Out of these 46% are Agricultural, 38% Financial based that is SACCOs and 16% are others. 63% of

Kenyan population depends on co-operative related activities directly or indirectly (International Monitory Fund, 2007).

After independence, the new Government came up with the Co-operative Societies Act Cap. 490 of the Laws of Kenya and used co-operatives as a strategy for mobilizing financial capital for acquiring the former white highlands and resettling many of its people evicted during the struggle for independence. From 1970's, a Government policy decision compelled employers to deduct and remit both members contributions as well as loan repayment through regular check off on the payroll. This was the birth of Savings and Credit Co-operative (SACCO) as are known today.

Co-operatives in Murang'a were introduced around the year 1953 when the first coffee co-operative society was formed and registered at Weithaga area. The county has an array of Savings and Credit co-operative societies which may be broadly classified under the following categories: Agriculturally-based, Youth, Bodaboda, Women, Urban, Rural, Transport, Jua Kali and others. There are a total of 68 SACCO societies in the county, of which a bigger number (48) are actively performing their cardinal duty of savings and offering credit to their members adequately as expected of them by the regulating framework and authority.

The Co-operative Societies Act and Co-operative Societies Rules act as the legal and regulatory documents for all Co-operative societies up to today. Those SACCO societies that accept members' savings in form of deposits are regulated by an authority which was established by an Act of Parliament called SASRA (SACCO Societies Regulatory Authority).SASRA is therefore a Semi-Autonomous Government Agency under the Ministry of Industrialization and Enterprise Development (Department of Co-operative Development). It is a creation of the

SACCO Societies Act 2008 and was inaugurated in 2009 and charged with the responsibility of licensing and supervising deposit taking SACCOs in Kenya.

In Murang'a County, out of the 68 registered SACCOs, only 2 are regulated by SASRA. These are Murata SACCO and Mentor SACCO. The rest are regulated through the legal provisions of the Co-operative Societies Act. This is the supreme and primary legal policy for all co-operative societies in Kenya. Majority of the SACCO societies in Murang'a County depend on borrowed funds from other financial institutions like banks to meet the high financial demands of their members and customers. This has made them unable to clearly relate the financial soundness of their business as some of the funds borrowed are far much expensive to the SACCOs than the actual returns from loaning to the members. This in the long run may lead to unprecedented returns if a clear financing policy is not put in place to guarantee surplus at the end of the borrowing and lending cycle.

1.2 Research Problem

Funding structure plays a bigger role in determining liquidity, risk and value of a firm. It focuses on the management of available funds and ways of sourcing of the same to ensure a firm remains both liquid and profitable for the benefit of the shareholders. This requires proper analysis on both application and investment of the available funds to avoid cases of firms falling to liquidity hitches whose lowest scenario would be bankruptcy. Decisions such as investments, capital structure and dividend policies therefore need to be taken very seriously by the managers of firm's funds.

The regulatory framework in SACCOs including the newly enacted SASRA and co-operative societies Act, 2004 and Rules have in a way led to increased confidence of many people in SACCOs as intermediation agencies of spurring growth. This is so

because with these frameworks in place, members' funds and interests have been further protected and enhanced. Now this study has been tailored to give a deeper investigative perspective with regard to any effect of funding decisions and liquidity on the financial performance of these SACCO societies.

Locally, Ouma (1988), Gachara (1990) and Oyoo (2002) have conducted studies and researches in SACCO operations. Irungu (2005) in his study opens up debate on the potent fear that SACCOs are operating at similar or better comparable efficiency levels as banks and offering over competing products. This has led to the reality that SACCOs are a threat in financial intermediation to Commercial Banks. Mudibo (2005) however brings other perspective of weak supervision, poor governance, limited product range and inadequate human resource capacity as some constraints that have limited SACCO performance and their operating at lower efficiency levels than commercial banks.

In many of the studies conducted, little has been done on the effect of funding structure and liquidity on financial performance of SACCOs. Studies that have been carried out by MBA students at the University of Nairobi, School of Business have lacked sufficient evidence on the effect of funding structure and liquidity and financial performance of SACCOs. In any case those studies that have been done on SACCOs be it on Funding structure, Liquidity or financial performance none has been on SACCO societies domiciled in Murang'a county which boasts of SACCO societies which is a mixture of SACCOs from different economic and sectorial backgrounds such as transport, agriculturally-based, urban and rural. This has led to the glaring interest in conducting studies in these areas. Therefore this study seeks to answer the following research question: What is the effect of funding structure and liquidity on financial performance of SACCO Societies in Murang'a County?

1.3 Objective of the Study

To determine the effect of funding structure and liquidity on financial performance of SACCO societies in Murang'a County.

1.4 Value of the Study

The study intended to help SACCO societies in Murang'a County in strengthening their management policies especially factors influencing funding and liquidity decisions; challenges in funding decisions and liquidity, and specifically the effect of funding structure and liquidity on financial performance in their SACCOs.

It will also be of help to financial controllers and managers in their role to manage their funds and cost structure in order to drive the SACCOs performance for the survival of the organization as well as help scholars and researchers to improve on literature on capital management policies in Kenya to provide further guidance in filling in the gaps on further studies.

General membership will be encouraged to fully participate in decision making and also enable them to acquire basic financial management skills requisite for interpretation of financial statements as well as to provide adequate direction and leadership in their SACCOs especially in advising the management on the best sources of funding.

The county Government in its agenda of promotion of the SACCOS in her area of jurisdiction especially as appertains to making decisions on offering both financial and advisory assistance to them.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter captures a review of literature on the effect of Funding Structure and Liquidity on financial performance of SACCO societies. It brings into focus numerous studies and reviews by various scholars and researchers in the two fields of concentration. First a theoretical review on funding structure and liquidity and financial performance followed by an empirical review of the variables. Lastly a summative overview is presented where a gap is identified. According to Eisenhardt (1989), on essential feature of theory building is comparison of the emergent concepts, theory or hypothesis with the existent literature.

2.2 Theoretical Review

Efficient and effective management of funding structure will guarantee good liquidity to a firm for its prosperity. This essentially ensures adequate balance of cash and near cash assets held, as well as cash inflows and outflows of these assets. Mcmahon and Stranger (1995), further emphasizes that the importance of liquidity in a firm as being "a matter of life and death for small businesses" since small businesses can survive for a long time without a profit but fails the day it can't meet a critical payment. However according to Hatcher (2003) this important issue has for some time been overlooked in some countries, with limited research in others. Posits that the efficient management of funding structure is crucial in respect of the prosperity and survival of SACCOs and SMES, and Drever (2005) sees the soundness of liquidity management

as the most critical influence on survival and financial wellbeing in small enterprises. Liquidity and financing structure management takes the form of cash management and credit management. Whilst the most important aspect of cash flow management involves not only the credit suppliers, but involves also the assessment of individual customers, the credit periods allowed and the steps to ensure that payments are made in time.

According to Deloof (2003) management of liquidity is important point of view in both working capital and profitability. Poor management of liquidity levels means that funds are tied up in idle assets hence reducing liquidity and also reducing the ability to invest in productive assets. Deloof (2003) argues that whilst providing credit to customers is an expensive source of finance for customers, the flip side is that money is locked up in WC.

2.2.1 The Agency Theory

Agency theory focuses on the costs which are created to conflicts of interest between shareholders, managers and debt holders. According to Jensen and Meckling (1976), capital structures are determined by agency costs. They discuss that optimal capital structure is the result of trade-off between the benefits (discipline management) and costs (excess risk-taking by shareholders) of debt financing. Following Jensen and Meckling model, other models such as Harris and Raviv (1990) and Stulz (1990) adopted that even if shareholders or debt holders prefer liquidation of a firm, managers always choose to continue the firm's business. This model provides rights to shareholders to force liquidation if cash flows are poor. On the other hand Stulz (1990) assumes managers always prefer to invest all usable funds even if paying out cash is better for shareholders. So debt constrains the amount of free cash flow

available for profitable payments. Therefore funding structure is determined by conflicts of interest between inside and outside investors. However, for small firms, agency conflicts between shareholders and lenders may be particularly severe (Ang, 1991). Since in small firms managers are mostly the owners, there are no or very few agency costs of equity. So small and medium enterprises are required to provide some kind of guarantees materialized in collateral. The type of assets that a firm has determines the cost of financial distress.

2.2.2 Pecking Order Theory

This theory was developed by Myers and Majluf (1984) which states that capital structure is driven by firms desire to finance new investments, first internally, then with low risk debt, and finally if it fails, with equity. Therefore, the firms prefer internal financing to external financing. It basically states that firms will consider all methods of financing available and use the least expensive source first (Myers, 1984) and (Brealey and Myers, 2000). The pecking order theory discusses the relationship between asymmetrical information and investment and financing decisions. According to this theory, informational asymmetry, which firm managers or insiders have about the firm's returns or investment opportunities, increases the leverage of the firm with the same extent. So due to the asymmetrical information and signaling problems associated with external financing, the financing choices of firms allows an order, with preference for internal over external and debt over equity.

This theory is applicable for large firms as well as small firms (Bas, Muradoglu and Phylaktis 2009). Since small firms are opaque and have important adverse selection problems that are explained by credit rationing; they bear high informational costs (Psillaki, 1995). Also Pettit and Singer (1985) discussed that since the quality of small

firms financial statements vary, small firms usually have higher levels of asymmetrical information. Even though investors may prefer audited financial statements, small firms may want to avoid these costs. Therefore, when issuing new capital, those costs are very high, but for internal funds, costs can be considered to be none. For debt, the costs are in intermediate position between equity and internal funds. Therefore, firms prefer first internal financing (Retained Earnings) and then debt and choose equity as a last resort.

The important difference is that equity is divided in to two parts; Internal and External equity. Pecking order theory suggests that firms issuing send a positive signal about their future prospects. This also shows that the company has more investment opportunities and growth prospects than it can handle with internally generated funds. The reasoning being that managers who are unsure of the future profitability and liquidity of their firms would not want to subject them to unnecessary bankruptcy risks.

2.2.3 Trade-off Theory

This theory posits that a firm's optimal debt ratio is determined by a trade-off between the bankruptcy costs and tax advantage of borrowing, holding the firm's assets and investment plans constant. The goal is to maximize the firm value; for that reason debt and equity are used as substitutes. According to this theory, higher profitability decreases the expected costs of distress and let's firm increase their tax benefits by raising leverage; therefore, firms should prefer debt financing because of the tax benefits. However, it increases the risk of bankruptcy and financial distress (Scott, 1977). Therefore, based on this theory, firms would prefer debt over equity until the

point where profitability of financial distress starts to be important. This theory should be applicable for large firms which are more likely to generate high profits.

Since small firms are less likely to have high profits, they may not have an option to choose debt financing for the tax shield advantage (Pettit and Singer, 1985). The theory therefore suggests that firms with substantial amount of intangible assets should rely on equity financing, whereas those firms having tangible assets should rely on debt financing (Harris and Raviv, 1990). According to Myers, trade-off theory is easily accepted because it explains why firms do not use excessive debt (Myers, 1984).

2.3. Determinants of Financial Performance of SACCO Societies.

Financial performance in SACCOs is determined by the following factors which to a larger extend demonstrate how an organization is capable of effectively utilizing its assets to achieve maximum returns. It gives an overview of how well the organization is meeting its financial obligations thereby making maximum returns on shareholder equity and investment of the firm.

2.3.1 Financing structure.

Drever (2005) sees the soundness of financing structure and the liquidity management as the most critical influence on survival and financial wellbeing in firms. Liquidity and financing structure management takes the form of cash management and credit management. Whilst the most important aspect of cash flow management involves not only the credit suppliers, but involves also the assessment of individual customers, the credit periods allowed and the steps to ensure that payments are made in time. This ensures that the sources of funds being used by firms are not only cheaper but also

serviceable by the firm's business activities. The funding structure adopted by the firm should therefore guarantee better returns to the shareholders and give a positive financial prospectus to the firm in general.

2.3.2 Firm Size.

Hardwick (1997) argues that there is a positive relationship between financial performance and size of a firm due to the operating cost efficiencies through increasing output and economizing on unit cost. Large corporate size firms will therefore be able to diversify their assumed risks and respond more quickly to changes in market conditions. Large firms are also able to diversify their investment performance and portfolio and this could end up reducing their business risks (Bain, 1968). Grace and Timme (1992) suggested that large firms are able to generally outperform smaller ones because they manage to utilize economies of scale and have the resources to attract managerial talent. Therefore, it is expected that financial performance is positively related with size of the firm.

2.3.3 Solvency Margins

Solvency margin is the amount of capital which acts as a cushion to absorb the risk in firms. The capital or surplus is measured as the excess of assets over obligations. Consequently, SACCOS with higher solvency margin are considered to be more financially sound as it has more surpluses to cater for any unexpected losses. In theory, prospective members would prefer to make more deposits or increase their shareholding in financially sound SACCOs. According to Butsic (1994), many members and customers especially business customers would normally research on the financial soundness of firms before buying shares in those firms.

2.3.4 Liquidity

According to Shiu (2004), companies with more liquid assets are likely to perform better as they are able to realize cash at any point or time to meet their obligations and are less exposed to liquidity risks. By not having sufficient cash or liquid assets, firms (SACCOs) may be forced to sell investments, securities at a substantial loss in order to settle claims promptly. However there are contrasting views with regard to performance and liquidity in relation to the agency theory. According to Pottier (1998), high liquidity may increase agency costs to owners by providing managers with incentives to misuse excessive cash-flows by investing in projects with negative net present values and engaging in excessive prerequisite consumption. Therefore, having high liquidity obviates the need for management of SACCOs and other firms to improve their financial performance. Consequently, there is prior expectation on the direction of the relationship between performance and liquidity.

2.4 Empirical Review

Studies have shown contrasting findings on working capital management effect on a firm's profitability and financial performance.

Mohamad (1994) made a research on the relationship between capital structure and Profitability of listed industrial firms on the main board of the Kuala Lumpur Stock Exchange (KLSE). Mohamad used Ordinary Least Squares and Correlation Analysis to analyze the data which consisted of two sets. Profitability was measured by the Return on Investment, whereas capital structure had two indicators: debt to equity ratio and debt to total assets ratio. Once again, the M&M propositions were disputed as Mohamad made the following conclusions. The results showed that there were

significant relationships between market imperfections changes in capital structure on firm's profitability. "The study was also in agreement with the U.S. findings where debt and equity size were negatively related to firm's profitability

Nikolaos (1996) in an attempt to investigate the relationship between debts-to equity ratio and firm's profitability, taking into consideration the level of firms' investment and the degree of market power found that there is negative and statistically significant relationship between debt-to-equity ratio and profit margin. The negative sign indicated that either the cost of borrowed capital is higher than its benefit from investment, or that firms financed by retained profits are more profitable than those financed by borrowed capital. The negative relationship between the financial variable and the profit margin was in line with the results of Baker (1973), Hurdle (1974) and Oustapassidis (1998). The relationship between investment and profit margin is positive and statistically significant. This meant that there is an effective use of capital

Kiogora (2002) sought to find out whether capital structures of quoted companies were consistent over time and to ascertain whether companies quoted on the Nairobi stock Exchange in the same industry had similar capital structures. He found out that there were differences in capital structure among industry groups: there was a negative relationship between returns of firms quoted on the Nairobi Stock Exchange and their level of leverage and that companies in the Agricultural sector had consistent levels of equity from year to year. Firms within a given sector tended to cluster towards some target Equity/Total Assets ratio implying that an optimal capital structure exists. He also found out that returns increased with increased leverage hence supporting the traditionalists' view of an optimal capital structure.

Irungu (2005) in his study on the financial competitive strategies of SACCOs against commercial banks opens up debate on the potent fear that SACCOs are operating at similar or better comparable efficiency levels as banks and offering over competing products. This has led to the reality that SACCOs are a threat in financial intermediation to Commercial Banks. In his study, he sampled 40 Deposit taking SACCOS in Nairobi against 42 existing commercial banks and analyzed the results using both regression and correlation analysis method to come up at the above conclusion.

Makau (2006) carried out a study on the effect of capital structure on firm value: evidence from Nairobi stock exchange. From the study, the researcher concluded that there existed a regression equation that was relating the firms leverage to its own growth, profitability, liquidity, size and non-debt ratio tax shields, the study also concludes that there was a general increase in leverages from year 2003 to year 2007, The researcher also concluded that in order for firm to increase its leverage it should increase it factors that leads to increase in it size and growth. The study further concludes that the firm own capital structure affects is value. The study further concludes that profitability of the company affects leverage of the company

Hüttenrauch & Schneider, (2009) examine best practice liability management to control liquidity, rate and concentration risk, as well as to maximize profitability, also becomes a priority. The search for any kind of capital will ultimately have to satisfy the interests of investors, as well as meet the needs of medium firms. This will involve more complex and calculated funding considerations as firms work to secure the lowest cost and most appropriate form of capital possible. Each of the main types of capital available requires strategic cost and management decisions. To take on

savings, normally the least costly capital is a major decision that demands exceptionally strong product costing capacity, as well as a keen sense of

Rehman& Nasr (2007) analyzed effect of several variables on net operating profitability which included; average collection period, average payment period, and inventory turnover in days, CCC and CR in Pakistan. Control variables including debt ratio, size of the firm and financial asset over total assets were used and applied Pearson correlation and regression for purposes of data analysis. They sampled 94 Pakistan listed companies for a period of 6 years (1999-2004) strictly concluded that managers can maximize shareholder rate by effectively managing components of CCC. Study showed that indeed there is a strong relation between firm's profitability and measures of WCM.

Kibet (2009) carried out a study to establish whether there was a relationship between capital structure and profitability of MFIs in Kenya. This study used descriptive statistics. The study found out that the capital structure decision is crucial for any business organization. The decision is important because of the need to maximize returns to various organizational constituencies, and also because of the impact such a decision has on an organization's ability to deal with its competitive environment. From the findings the study found that that most of MFIs in Kenya were using equity and or donations as their main source finances in Kenya which accounted for by 72.42% and 27.58% in form of debt. The study further found that there exist a positive relationship between capital structure and profitability of MFIs in Kenya.

Mutisya (2010) in his research paper on investigation into the factors contributing to poor financial management in SACCOs in Kenya revealed that overreliance on borrowing negatively affected financial service delivery. He sampled 25 SACCO

societies in Nairobi County. He further noted that poor investment decisions also impacted negatively on SACCOs financial performance as it pushed them towards investing on non-profitable business ventures. He recommended a need for SACCOs to come up with investment policies, dividend policies and

Kar (2012) seeks to answer the question "Does capital and financing structure have any relevance to the performance of medium and micro financial institutions?" from an agency theoretic standpoint. The results of the study confirm the agency theoretic claim that an increase in leverage raises profit-efficiency. It also finds that cost efficiency decreases with decreasing leverage. Leverage has a negative significant impact on debt of outreach, but the study finds that capital structure does not have any noticeable impact on breadth of outreach. The study uses a panel dataset of 782 MFIs in 92 countries for the period 2000–2007. ROA, ROE and operating expenses per dollar lent (OEPL) are used as indicators for financial performance and some of the indicators for capital structure are capital-asset ratio, debt-equity ratio, loans asset ratio and PAR30.

2.5 Summary of Literature Review

The optimal level of Funding structure and liquidity could be achieved by a firm that manages well the trade-off between equity, deposits (internal funds) and debt (external funds). When the financing structure is not properly managed a firm may be faced with a lot of liquidity problems which may ultimately lead to poor financial performance and ultimately deepening of its market standing. This will lead to the firm struggling in its business sphere and may find it difficult to survive. It renders the management inefficient and reduces the benefits of both short term and long-term benefits. If financing is too much from external sources (borrowed funds), it limits the

amount he firm may use in investments or carrying out development plans and may at some point suffer short-term liquidity crisis in case the funds are not properly invested to guarantee returns of paying the loans. There may be also a scenario where the servicing of loans is too poor leading to default. This may also lower the credit worthiness of the firm which may lead to degeneration of company credit, as it cannot respond effectively to temporary capital requirements. It therefore means a firm needs to deal with a lot of concern on how it finances its operations and the sources of funding for the same. This is to ensure both liquidity, profitability and financial performance is not affected by the decision it takes.

From the empirical literature above, some studies dealt with governance problems that are affecting SACCOs and other forms of co-operative societies. While majority of the studies both in the empirical and theoretical reviews were on companies quoted in different stock exchanges and various localities, and although some were determining Capital structure, liquidity and financial performance relationships, it is worth noting that SACCOS operate in a completely different set-up from companies. Very few or no SACCO trades in the stock exchange. Nonetheless to say, even those studies which did research on the said relationships for SACCOs only dealt with specific sectional SACCOs especially deposit taking. None actually studied the effect of funding structure and liquidity on financial performance in all broad spectrums of SACCOs.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design and methodology that was used to carry out the research. It presents the research design, the population, sample size and sampling procedure, data collection and data analysis.

3.2 Research Design

Research design refers to the way the study is designed, that is the method used to carry out the research (Mugenda and Mugenda, 2003). Descriptive Research is the investigation in which quantity data was collected and analyzed in order to describe the specific phenomenon in its current trends, current events and linkages between different factors at the current time.

The major purpose of descriptive survey research design is to describe the state of affairs as it is at present. According to Mugenda and Mugenda (1999) a descriptive research is a process of collecting data in order to answer questions concerning the current status of the subjects in the study. The research design was selected as it could help in establishing the effects of SACCOs funding structures on financial performance.

3.3 Target Population

According to Kothari, (2008), a population is a well-defined or a set of people, services, elements, and events, group of things or households that are being investigated. This definition ensures that population of interest is homogeneous. Census population studies are more representative because everyone has equal chance to be included in the final sample that is drawn according to Mugenda and Mugenda (2003).

The population of interest in this case was all active SACCO societies in Murang'a County as registered under the co-operative societies Act, 2004. Active means they made annual returns as per the co-operative societies rules and were audited annually as per the provisions of the co-operative societies Act. The number stood at 68 as at December, 2013.

3.4 Sample and Sampling Method

A sample size is the total number of items to be selected from the universe to constitute a sample (Kothari, 2008). Due to factors uncontrollable by human nature such as time factor and financial constraints, it is not possible to base a sample on the whole population. It is therefore prudent to select a number that meet certain threshold to form the basis of your items under the preferred sample. In this case, a total of 22 SACCOs were selected. These are the ones with minimum members' deposits of Ksh.5million. This represented 32.4% of all Active SACCOs in the county.

3.5 Data Collection Procedure

Using secondary data from financial reports and statements of the sampled SACCOs, data was collected from SACCOs with deposits of more than Ksh.5 million for a period of 5 years (2009 to 2013). The data was registered in a pre-designed data sheet. The data which was collected for the purpose of conducting this research included the following: - Members Deposits, Total Debts, Average Assets, Total Assets, Equity, Cash & Cash Equivalents, Short-term Investments, Accounts Receivables, Current Liabilities and Total Revenue. Other data of critical importance included Returns on assets which were collected for the purpose of determining Financial Performance.

3.6 Data Analysis

A lot of literature on SACCO societies gives a lot of credence to the stage of the Sacco society in terms of growth. It posits that sources of SACCOs financing are linked to the stages of SACCO development. Therefore from this line of argument since the study's primary focus was on the impact different sources of funding have on the outcome of financial performance. The study therefore estimated the following basic regression:

$$Y_1 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

Where;

Y_1= Represents Return on Assets (ROA), (**ROA** was a measure of financial performance for the sample of SACCO societies and shall form the dependent variable. The other measures of funding structure and liquidity formed the independent variables for purposes of this study.

X_1, Represents **Members Deposits to Assets**, which was calculated as: Members Deposits

Average Assets

X_2, Represents **Leverage**, Calculated as: Total Debts

Total Assets

X_3, Represents **Shareholders funds** (equity) Determined by: Equity

Total Assets

X_4, Represents **Liquidity** which was determined by Quick-Ratio and calculated as:

Cash & Cash Equivalents + Short -Term Investments +Accounts Receivables

Current Liabilities

X_5, Represents **Firm Size** which was measured by: Total Revenue

Total Members Deposits

α = Constant

$\beta 1, \beta 2, \beta 3, \beta 4, \beta 5$=Regression Coefficients

ε = Error term

Studies on firm performance employ various measures to test the predictions of different Funding Structure hypothesis. Some of the measures of performance that have been used over the years include financial ratios (Madajewicz, 2008), stock market return and their volatility.

For the purpose of this study Return on Assets was used as the profitability proxy. ROA remained a valuable measure of Sacco's profitability.

The above equation was estimated using the regression-based framework pooled ordinary Least Squares (OLS) as employed by Shin and Soenen (1998).The study determined the effect of SACCO Societies funding structure on financial performance measured at 95% confidence level of P-Value > 0.05.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND PRESENTATION

4.1 Introduction

The study sought to find out the effect of funding structure and liquidity on the financial performance of savings and credit cooperative societies in Murang'a County. The study drew a consideration of the SACCOs which were active and mobilized member's deposits of up to five million shillings

4.1.1 Distribution of the Sampled SACCOs

The study had an emphasis on having SACCOs which had mobilized deposits of up to five million shillings considered. They were distributed in the following categories as captured in table 4.1.

Table 4.1: Distribution of the sampled SACCOs

Category	Frequency	Percentage
Transport	9	41
Agricultural	3	14
Urban	8	36
Rural	2	9
Total	**22**	**100**

The data captured in table 4.1 shows that most of the sampled SACCOs belonged to the transport and urban segments. This denotes the fact that the SACCOs drawing their membership from the urban and transport segments had effectively managed to mobilize member's deposits. It can be interpreted to show that the segments had outstanding performance thus the capacity of the members to continuously make the deposits in comparison to the other segments of agriculture, rural, women, bodaboda and youth.

The core areas of evaluation as regards the funding structure and liquidity on the performance of the sampled SACCOs were the amounts of member's deposits, the organizations equity, accounts receivables, the cash and cash equivalents and the total revenue accruing from the accessed funds.

4.2 Descriptive Statistics

The study sought to determine the descriptive of data that was used in terms of means and standard deviation. Table 4.3 presents the findings.

Table 4.2 Descriptive Statistics

	Mean	Std. Deviation	N
ROA	43.1687	117.25707	110
Members Deposits to Assets	11.7773	85.72922	110
Leverage	.3019	.95558	110
Shareholders' funds	.6782	3.17192	110
Liquidity	48.9730	192.45476	110
Firm Size	.7183	2.25307	110

From the findings, Return on Assets (ROA) had a mean score of 43.169; Members Deposits to Assets (11.78), Leverage (0.3019), Shareholders' funds (0.678), Liquidity (48.97) and Firm Size had a mean score of 0.718.

4.3 Correlation Analysis

Pearson correlation coefficient was used to examine if there is any correlation between Return on Assets (ROA), Members Deposits to Assets, Leverage, Shareholders' funds, Liquidity and Firm Size. Table 4.4 presents the findings.

Table 4.3: Correlation Analysis

			ROA	Members Deposits to Assets	Leverage	Shareholders' funds	Liquidity	Firm Size
Spearman's rho	ROA	Correlation Coefficient	1.000	.159	-.273**	-.154	.058	-.714**
		Sig. (2-tailed)	.	.097	.004	.108	.545	.000
		N	110	110	110	110	110	110
	Members Deposits to Assets	Correlation Coefficient	.159	1.000	-.221*	-.169	.084	-.567**
		Sig. (2-tailed)	.097	.	.020	.078	.385	.000
		N	110	110	110	110	110	110
	Leverage	Correlation Coefficient	-.273**	-.221*	1.000	-.064	-.260**	.223*
		Sig. (2-tailed)	.004	.020	.	.504	.006	.019
		N	110	110	110	110	110	110
	Shareholders' funds	Correlation Coefficient	-.154	-.169	-.064	1.000	.413**	.124
		Sig. (2-tailed)	.108	.078	.504	.	.000	.196
		N	110	110	110	110	110	110
	Liquidity	Correlation Coefficient	.058	.084	-.260**	.413**	1.000	-.045
		Sig. (2-tailed)	.545	.385	.006	.000	.	.643
		N	110	110	110	110	110	110
	Firm Size	Correlation Coefficient	-.714**	-.567**	.223*	.124	-.045	1.000
		Sig. (2-tailed)	.000	.000	.019	.196	.643	.
		N	110	110	110	110	110	110

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

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

Results indicated a weak positive relationship between members deposit to assets and ROA having a coefficient of 0.159. It also reported a weak positive relationship between liquidity and ROA having a coefficient of 0.058.

However, there was a strong negative relationship between Firm size and ROA having a coefficient of –0.714. A weak negative relationship also exists between

leverage and ROA having a coefficient of -0.273 as well as Shareholders' funds and ROA having a coefficient of -0.154.

The strongest relationship existed between Liquidity and shareholders' funds having a correlation coefficient of .413 which was significant at the 0.01 level. The weakest relationship existed between Firm size and ROA as well as liquidity and shareholders' funds all having a correlation coefficient of -0.714 which was significant at the 0.01 level.

4.4 Regression Analysis

A multivariate regression model was used to determine the relationship between Members Deposits to Assets, Leverage, and Shareholders' funds, Liquidity, Firm Size and Return on Assets (ROA). This involved the use ordinary least squares (OLS). The resultant regression model was as follows;

$$Y_1 = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \varepsilon$$

To conduct regression analysis using ordinary least squares, the researcher ran a model in which all the variables under study were included. Table 4.5 presents the model summary.

Table 4.4: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.196[a]	.039	-.008	117.70383

a. Predictors: (Constant), Firm Size , Shareholders funds , Members Deposits to Assets, Leverage, Liquidity

The model shows the extent to which independent variables influence the dependent variable. The results in the above table indicate that a combination of Members Deposits to Assets, Firm Size, Shareholders funds, Leverage and Liquidity have 3.9% (R square= 0.039) predictive potential for ROA. This means that 3.9% of the variance in ROA is attributed to Firm Size, Shareholders funds, Leverage, Members Deposits and Liquidity.

The findings in table 4.6 presents the ANOVA results which reveal that Firm Size, Shareholders funds, Leverage and Liquidity have no significant effect on ROA.

Table 4.5: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	57829.053	5	11565.811	.835	.528[b]
	Residual	1440835.853	104	13854.191		
	Total	1498664.906	109			

a. Dependent Variable: ROA

b. Predictors: (Constant), Firm Size , Shareholders funds , Members Deposits to Assets, Leverage, Liquidity

Table 4.6 presents the Analysis of Variance (ANOVA), which provides the F-test indicating whether the model is statistically significant. With a significant level of less than 0.05 the equation is significant, in this case the value is 0.528 and thus the model is not statistically significant.

The findings in table 4.7 presents the coefficients of the regression model.

Table 4.6: Coefficients of the Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	46.516	13.204		3.523	.001
	Members Deposits to Assets	.005	.132	.004	.040	.968
	Leverage	-9.012	11.842	-.073	-.761	.448
	Shareholders' funds	-1.471	3.559	-.040	-.413	.680
	Liquidity	.084	.059	.138	1.423	.158
	Firm Size	-5.286	5.026	-.102	-1.052	.295

a. Dependent Variable: ROA

These are the values for the regression equation for predicting the dependent variable from the independent variable. The regression equation is presented below.

$$Y_1 = 46.516 + 0.005x_1 - 9.012x_2 - 1.471x_3 + 0.084x_4 - 5.286x_5$$

From the regression analysis the study deduced that the regression equation which shows that the financial performance of the SACCOs is influenced by members deposits to assets, leverage, shareholders' funds, liquidity and firm size.

Given that all independent variables (Members Deposits to Assets, Firm Size, Shareholders funds, Leverage and Liquidity) are at zero, ROA will reduce by 46.516.

Any unit change in Members Deposits to Assets results to 0.005 units increase in RAO. The study also shows that any unit change in liquidity results to 0.084 units increase in ROA.

However, any unit change in leverage, shareholders' funds and firm size results in 9.012, 1.471 and 5.286 units decrease in ROA respectively

4.5 Discussion of Findings

The study found a weak negative relationship also exists between leverage and ROA having a coefficient of -0.273 as well as Shareholders' funds and ROA having a coefficient of -0.154. Kiogora (2002) sought to find out whether capital structures of quoted companies were consistent over time and to ascertain whether companies quoted on the Nairobi stock Exchange in the same industry had similar capital structures. He found out that there were differences in capital structure among industry groups: there was a negative relationship between returns of firms quoted on the Nairobi Stock Exchange and their level of leverage and that companies in the Agricultural sector had consistent levels of equity from year to year. Firms within a given sector tended to cluster towards some target Equity/Total Assets ratio implying that an optimal capital structure exists. He also found out that returns increased with increased leverage hence supporting the traditionalists' view of an optimal capital structure.

The findings presented a strong negative relationship between Firm size and ROA. Makau (2006) concluded that there existed a regression equation that was relating the firms leverage to its own growth, profitability, liquidity, size and non-debt ratio tax shields, the study also concludes that there was a general increase in leverages from year 2003 to year 2007. The researcher also concluded that in order for firm to increase its leverage it should increase it factors that leads to increase in its size and growth. The study further concludes that the firm own capital structure affects is

value. The study further concludes that profitability of the company affects leverage of the company.

The study also found a negative relationship between Shareholders' funds and ROA having a coefficient of -0.154. Nikolaos (1996) in an attempt to investigate the relationship between debts-to equity ratio and firm's profitability, taking into consideration the level of firms' investment and the degree of market power found that there is negative and statistically significant relationship between debt-to-equity ratio and profit margin. The negative sign indicated that either the cost of borrowed capital is higher than its benefit from investment, or that firms financed by retained profits are more profitable than those financed by borrowed capital. The negative relationship between the financial variable and the profit margin was in line with the results of Baker (1973), Hurdle (1974) and Oustapassidis (1998). The relationship between investment and profit margin is positive and statistically significant. This meant that there is an effective use of capital.

The leverage for the sampled SACCOs for the period of 2009-2013 fluctuated with tendencies towards growth. The growth in leverage was an indicator of enhanced debt levels which were aptly matched with the total assets. It was an indication that the SACCOs conveniently employed debt as a tool to grow their assets. The use of debt to spur greater growth of assets shows that the SACCOs were starved of other sources of funding which they could utilize to infuse enhanced performance.

The highest value for shareholders' funds was evident in the first year with fluctuations towards decline in the subsequent years. The decline in shareholders' funds reflects a situation whereby the SACCOs continuously depleted the equity levels. The scenario reflects a situation whereby they did not have idle funds lying in

their accounts but they put it in activities geared towards assuring them capacity to meet their obligations to members. It can thus be interpreted to mean that they prudently put their resources in to good use with an aim of shoring up their fortunes and assure them enhanced performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECCOMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings; it also presents conclusions drawn from the findings and make recommendations on further research.

5.2 Summary of Findings

The objective of this study was to find out the effect of funding structure and liquidity on financial performance of savings and credit cooperative societies in Murang'a County. Based on literature review and theoretical framework the study identified five variables that were critical on the financial performance of the savings and credit cooperative society which included members deposits to assets, leverage, shareholders funds, liquidity and firm size.

The findings revealed that members deposits to assets is the second most critical variable in influencing the financial performance of the SACCOs compared to the other variables. The most important aspect of members' deposits is the capacity to assure the credit and savings societies of ability to access funding from the deposits accruing from members. It may be an avenue for sustained growth of the assets for the organizations.

Most of the credit and savings societies were confirmed to have good leverage. This was occasioned by the fact that their debt levels were low in comparison to the total assets of the organizations. This was a factor which assured them of sustainable capital levels.

The study found out that most of the SACCOs had shareholder funds levels which conformed to the expected standards. This is because the SACCOs in many instances had equity levels which were lower than the total assets. It was an indicator that the organizations had prudently invested the shareholders' deposits to tangible assets as opposed to having the funds lay idle in the organization's accounts.

Most of the organizations were found not to have good liquidity levels. This is because their cash and cash equivalents, short-term investments and the accounts receivables did not exceed their current liabilities. It was thus an indicator that they could not easily access funds to meet all their liabilities.

All the SACCOs had the revenue levels lower than the total members' deposits. It was thus an indication that they had impaired capacities with regard to the firm size. Instances whereby the members' deposits outstripped the revenue levels by very far were many and it was a pointer to situations of low revenue accruing from the deposits made by members and other activities carried out by the SACCOs.

5.3 Conclusion

Given the findings of the study, the essence of member's deposits, leverage, equity, and firm size on the funding structure and liquidity of SACCOs cannot be gainsaid. They were confirmed to be great contributors to the performance of the credit and

savings societies in terms of influencing their financial performance. The ability of the SACCOs to mobilize members' deposits is key to its capacity to access funding for meeting the obligations to members. Good leverage assures the entities of capacity to manage their debt levels. Situations whereby the debt levels do not exceed the assets give the SACCOs ability to fully manage and meet their obligations to members.

The capacity of the SACCOs to have equity levels which are in line with the envisaged standards with regard to not exceeding the total assets are an indication of the capacity of the entities to fully manage their access to capital not tied into tangible assets. It's an indication of prudent planning and management of the monetary resources.

Access to cash and cash equivalents and short term investments which can be liquidated at a short notice and capacity to have access to monies accruing from debtors gives the SACCOs enhanced liquidity levels. Most of the SACCOs on the other hand had current liabilities which exceeded the funds which they would have accessed on a short notice.

5.4 Recommendation

Given the findings this study recommends the following: The savings and credit societies should seek to aggressively mobilize member's deposits aggressively with an aim of growing their capital reserves. This may assure the organizations enhanced capacities as regards availing funds for meeting credit obligations to clients and day to day running costs. It may also assure the organizations of capacity to have the requisite capital reserves requirements being fully met as per the statutory regulations.

The savings and credit societies should seek to manage their debt levels. This will inevitably give them good leverage. It may also assure them of capacity to grow their asset bases devoid of exposing the members to any undue risk with regard to eroding their asset values at the advent of failure to meet obligations to entities which have advanced them credit. It may also assure the SACCOs of sound relations with their peers and institutions which lend to them. This may impact positively on the growth of the organizations in a sustainable manner.

The savings and credit societies should seek to manage their equity levels prudently. They should have access to capital in monetary form to effectively service their obligations to clients. They should at the same time seek to invest the capital in sound programmes which mature fast without exposing the organizations to the risk of loss. This will give them a good balance as regards growing their asset bases which may impact positively with regard to infusing new revenue streams and at the same time unlock capital for transmission to clients.

The savings and credit societies should ensure that they have access to cash and cash equivalents which they can access with ease. They should also have short term investments which mature fast and assure them of access to funds on a short notice. Capacity to effectively manage the credit advanced to debtors and recovering it may also impact positively on the performance of the organizations. The organizations should strive to ensure that the funds which can be accessed at a short notice can comfortably meet all the current liabilities. This may assure them of enhanced liquidity and capacity to fully sustain all their obligations.

Savings and credit societies should work towards ensuring that the total revenue accruing from the organization's activities effectively matches the members' deposits.

This will see to it that the firm size is enhanced. It will assure the members enhanced profitability and sustainable growth which may impact positively on the capacity of the savings and credit societies with regard to fully servicing and meeting the credit demands from their clients.

5.5 Limitations of the Study

The researcher encountered the challenge of access to secondary information from the sampled SACCOs. This was occasioned by the fact that financial information from the organizations was handled in a highly confidential manner. The researcher surmounted the challenge by way of providing an introductory letter from the institution indicating that he was a bonafide student undertaking authentic research which had been duly approved by the institution.

The distribution of the SACCOs in the vast area traversing the whole of Murang'a County was equally a challenge to the researcher. This was occasioned by the fact that the SACCOs were dispersed in the whole county and the sampling criterion demanded that the researcher visits all the SACCOs which had member's deposits in excess of five million shillings. This forced the researcher to innovate and operate a rigorous programme which entailed visiting SACCOs located in one sub-county to reduce on the cost of travel on the same days.

Failure to keep updated accounts by some of the SACCOs was a challenge occasioned to the researcher. This forced the researcher to patiently implore upon the accountants of the affected SACCOs on the essence of their participation in the study. This aided win their confidence and had them duly provide the summarized financial statements and accounts for the success of the study.

5.6 Suggestions for Further Study.

The study suggests that research should be carried out on the effects of the statutory regulations requiring retention of cash ratio reserves on the financial performance of SACCOs.

The study equally suggests that further research should be carried out on the effectiveness of the internal controls employed by the SACCOs in terms of enhancing their financial performance.

The researcher also suggests that further studies should be carried out to determine the optimum liquidity levels that SACCOs should maintain for enhanced financial performance.

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APPENDICES

Appendix 1: List of Sacco Societies in Murang'a County

S/No	Sacco Name	Nature	Sampled/Not Sampled
1	Kwihota Sacco	Urban	N/S
2	Murang'a Trs Staff Sacco	Urban	N/S
3	Nicola Sacco	Agricultural	N/S
4	Rubet Sacco	Rural	S
5	Makuyu CBO Sacco	Rural	N/S
6	Kirimiri Jamii Sacco	Rural	N/S
7	Kenol United Sacco	Bodaboda	N/S
8	Kigumo Travelers	Transport	S
9	Murang'a South Women Sacco	Women	N/S
10	Maragua Bodaboda Sacco	Bodaboda	N/S
11	Kiharu Women Sacco	Women	N/S
12	Makuyu Bodaboda Sacco	Bodaboda	N/S
13	Ithiru CBO Sacco	Urban	N/S
14	PCEA Kandara Sacco	Urban	N/S
15	Victory Sacco	Urban	N/S
16	Aberdares Sacco	Urban	N/S
17	Kamuna Sacco	Transport	S
18	Kangema Travelers Sacco	Transport	S
19	Katoc Sacco	Urban	N/S
20	Kacomo Women Sacco	Rural	N/S
21	Kahuro Jua Kali Sacco	Urban	N/S
22	Kahuro Women Sacco	Women	N/S
23	Kandara Women Sacco	Women	N/S
24	Zena Sacco	Agricultural	S
25	Simbi Roses Sacco	Agricultural	S
26	Real I Pm Sacco	Agricultural	S
27	All Churches Sacco	Urban	S
28	Gatanga Travelers Sacco	Transport	S
29	G.M.T.Sacco	Transport	S
30	Mentor Sacco	Urban	S
31	Murata Sacco	Rural	S
32	M.T.N.Sacco	Transport	S
33	Namukika Sacco	Transport	S
34	Emuki Sacco	Transport	S
35	Muna Sacco	Transport	S
36	Kamucii Sacco	Urban	S
37	Kimuri Sacco	Urban	S
38	Mumathi Staff Sacco	Urban	S
39	A.C.K .Mwangaza Sacco	Urban	S
40	Farmnut Sacco	Urban	S

41	Bunge Sacco	Youth	N/S
42	Mathioya Women Sacco	Women	N/S
43	Pio Com Sacco	Urban	**S**
44	Lower Gatanga Women Sacco	Women	N/S
45	Z Travelers Sacco	Transport	N/S
46	Kangema Women Sacco	Women	N/S
47	Rwakanju Sacco	Urban	N/S
48	Namuka Sacco	Urban	N/S
48	Upper Gatanga Women Sacco	Women	N/S
49	Murwaka Sacco	Bodaboda	N/S
50	Lower Gatanga Women Sacco	Women	N/S
51	United Murang'a Youth Sacco	Youth	N/S
52	Kangema Jua Kali Sacco	Urban	N/S
53	Mukuyu Umoja Sacco	Urban	N/S
54	3-K Matatu Sacco Ltd	Transport	N/S
55	Muwamu Transport Sacco	Bodaboda	N/S
56	Ngokaga Sacco	Bodaboda	N/S
57	Kinship Sacco	Urban	N/S
58	Muigana Sacco	Transport	N/S
59	Intercounty Sacco	Urban	N/S
60	Kanyitu Sacco	Urban	N/S
61	N.T.K. Sacco	Transport	N/S
62	K.S.T. Sacco	Transport	N/S
63	Kandara Youth Sacco	Youth	N/S
64	Kandara Bodaboda Sacco	Bodaboda	N/S
65	Ahadi Sacco	Urban	N/S
66	Gakaga Sacco	Bodaboda	N/S
67	Kamuruthi Sacco	Urban	N/S
68	Kanyitu Sacco	Rural	N/S

(**SOURCE:** Sacco societies audited accounts)

KEY:

S - SAMPLED

N/S - NOT SAMPLE

Appendix 2: Statistical Data for Selected SACCOs

Members Deposits

Members Deposits	2009	2010	2011	2012	201
Mentor Sacco	967,940,889.00	1,068,455,306	1,224,910,000	1,412,967,000	1,633,626,00
MTN Sacco	39,657,060	40,066,122	43,420,896	52,499,657	63,269,017.0
MUNA Sacco	19,579,798.00	20,323,682	19,800,737.00	19,945,930.00	13,939,112.0
Emuki Sacco	12,326,000	13,026,226	11,021,897	10,661,793	10,495,12
NAMUKIKA Sacco	7,070,509.00	9,899,521	7,791,421	13,491,913	15,701,44
Kangema Travellors	8,730,440	9,006,302	9,451,337	9,964,400	10,599,31
Gatanga Travellors	5,009,550	5,750,700	5,890,600	6,267,668	64,564,22
GMT Sacco	6,393,458	8,849,352	9,273,608	10,486,818	12,025,00
Kigumo Travellors	20,818,250	24,429,922	23,598,995	24,880,848	31,920,47
Simbi Roses Sacco	7,295,987	9,387,404	10,976,415	12,393,648	13,659,74
All Churches Sacco	10,684,946	12,084,669.00	14,361,068.00	18,365,251.00	23,284,388.0
ACK Mwangaza Sacco	1,017,653.00	403,824	22,973,442	27,721,911.00	24,240,375.0
Kamucii Sacco	11,531,084.00	12,936,674	15,617,149	19,093,357	20,307,85
Kamuna Sacco	5,002,110	5,402,600	5,870,900	6,718,524	9,450,69
Kimuri Sacco	7,260,320.00	8,000,600.00	10,796,021.35	16,077,962.70	12,868,269.0
Murata Sacco	570,164,519	718,263,097	890,273,200	1,008,189,427	1,051,691,82
Mumathi Staff Sacco	7,430,200	7,840,300	8,293,468.75	8,736,798.10	9,329,593.3
PIO COM Sacco	5,094,220	5,067,630	5,556,703	7,141,293	1,993,07
Zena Sacco	4,892,453	5,890,501	7,777,048	9,048,302	11,017,71
RUBET Sacco	5,586,327	6,220,585	6,439,827	7,033,999	7,222,33
Real IPM Sacco	2,526,418.00	4,384,863	5,572,649.00	7,700,577.00	9,763,825.0
Farmnut Sacco	7,860,400	8,250,300	8,736,600	12,286,862	7,007,60
Average	78,812,390.50	91,088,190.00	107,654,726.46	123,712,451.76	138,998,955.6

Total Debts

TOTAL DEBTS	2009	2010	2011	2012	2013
Mentor Sacco	0	90,000,000	49,167,000	0	0
MTN Sacco	5,741,177	9,551,709.00	4,924,540.40	6,353,486.65	3,424,334.85
MUNA Sacco	138,062.00	6,472,376.00	8,562,561.00	6,641,738.20	7,390,555.35
Emuki Sacco	57,285	603,462	503,293	480,653	12,300
NAMUKIKA Sacco	689,561	712,482	612,382	609,282	608,182
Kangema Travellors	486,201	486,603	342,627	357,700	155,450
Gatanga Travellors	0	0	0	0	0
GMT Sacco	7,139,578	9,908,470	10,519,840	11,839,504	13,408,293
Kigumo Travellors	50,000	61,500	0	0	0
Simbi Roses Sacco	167,021	520,708	481,119	346,204	1,373,560
All Churches Sacco	0	0	500,000.00	402,600.00	349,320.00
ACK Mwangaza Sacco	1,986,657	1,786,809	2,025,348	2,561,645.00	23,752,885.00
Kamucii Sacco	4,100,356	121,350,400	5,137,497	15,303,627	16,700,204
Kamuna Sacco	6,100	12,000	20,400	300,741	450,340
Kimuri Sacco	1,674,456.00	1,894,356.80	6,008,837.60	6,318,515.60	5,995,148.70
Murata Sacco	94,734,548	105,741,890	93,389,706	101,270,657	108,490,422
Mumathi Staff Sacco	25,368,292	25,258,381.23	25,653,481.95	25,295,321.05	24,702,057.70
PIO COM Sacco	4,386,226	6,008,614	7,712,536	10,936,616	13,501,744
Zena Sacco	33,080	36,600	29,790	54,790	54,410
RUBET Sacco	0	0	0	0	0
Real IPM Sacco	0	0	0	0	0
Farmnut Sacco	723,250	573,834	668,254	656,169	922,704
Average	6703720.455	17317281.59	9829964.225	8624056.795	10058723.21

Average Assets

AVERAGE ASSETS	2009	2010	2011	2012	2013
Mentor Sacco	1,526,059,095	1,623,068,086	1,819,840,687	2,070,347,000	2,421,853,000
MTN Sacco	2,954,366	3,864,377	5,022,081.70	3,422,968.53	7,023,830.50
MUNA Sacco	36,232,234.00	37,641,724.50	35,195,629.35	45,355,182.35	26,804,308.82
Emuki Sacco	6,221,278	9,085,548.50	12,278.50	12,814,040	13,304,601.50
NAMUKIKA Sacco	7,298,217	8,097,545.50	9,631,705	12,964,966	16,137,324
Kangema Travellors	2,756,103.05	3,754,106	5,759,146.50	9,294,070.50	12,118,049.50
Gatanga Travellors	1,325,160	1,291,410	1,229,275	1,176,050	1,176,050
GMT Sacco	187,883	260,749	269,739	269,079	297,562
Kigumo Travellors	22,419,067	25,376,021	27,121,730	28,979,330	33,867,097
Simbi Roses Sacco	7,306,849	8,738,473	11,157,155	13,233,715	15,123,541
All Churches Sacco	11,408,799.00	12,908,311.50	19,023,213.00	30,518,812.00	37,769,742.00
ACK Mwangaza Sacco	24,059,550	26,942,606	32,551,927.70	36,396,671.70	86,964,631.20
Kamucii Sacco	12,000,448	13,227,950	17,946,363.50	23,210,347.50	23,359,022
Kamuna Sacco	5,228,049.50	6,131,068.50	6,345,064	7,170,089.50	9,678,472
Kimuri Sacco	25,544,731.00	29,773,934.50	29,839,952.25	33,987,922.90	38,888,141.15
Murata Sacco	904,677,838	980,638,371	124,546,262	1,486,874,874	1,532,364,868
Mumathi Staff Sacco	57,414,662.30	62,378,212.10	62,259,749.20	59,873,772.43	58,784,483.85
PIO COM Sacco	4,208,285	5,437,466	6,831,259	9,095,140	12,432,213
Zena Sacco	6,235,879	6,427,159	7,465,816	9,124,876	10,513,804
RUBET Sacco	3,238,235	3,803,860	6,352,977	9,969,473	13,796,524
Real IPM Sacco	2,346,815.00	5,648,072.00	7,765,080.00	10,486,901.00	13,614,113.00
Farmnut Sacco	5,758,515.06	6,969,709.50	9,462,857	13,333,522	19,648,250.50
average	121,585,548	130,975,671	102,074,089	178,540,855	200,250,892

Total Assets

TOTAL ASSETS	2009	2010	2011	2012	2013
Mentor Sacco	1,395,367,816.00	1,656,750,374	1,982,931,000	2,157,763,000	0
MTN Sacco	40,844,836	52,719,366.00	52,766,020	64,828,186.81	79,219,474.30
MUNA Sacco	36,785,684.00	38,497,765.00	31,893,493.70	29,408,435.50	24,200,182.15
Emuki Sacco	9,859,111	11,949,816	13,034,741	12,593,350.20	13,795,155.70
NAMUKIKA Sacco	7,746,762.00	8,448,329.00	10,813,881.00	15,116,051.00	17,158,597.00
Kangema Travellors	3,402,268	4,302,558	7,215,765	11,372,406	12,863,693
Gatanga Travellors	1,300,320	1,282,500	1,176,050	1,176,050	1,176,050
GMT Sacco	7,139,578	9,908,470	10,519,840	11,839,504	13,408,293
Kigumo Travellors	23,273,814	27,478,228	26,765,232	30,993,428	36,740,766
Simbi Roses Sacco	7,689,166	9,787,781	12,526,529	13,940,902	16,306,180
All Churches Sacco	11,785,499	14,031,124.00	24,075,302.00	36,962,321.00	38,577,162.00
ACK Mwangaza Sacco	24,009,000	29,375,712	35,728,143.45	37,065,200.00	49,899,431.20
Kamucii Sacco	12,453,948.00	14,001,952.00	21,890,775	24,529,920	22,188,124
Kamuna Sacco	5,768,045	6,494,092	6,196,037	8,144,142	11,212,802
Kimuri Sacco	30,494,481.00	29,053,388.00	30,625,670.25	37,350,173.55	40,426,100.75
Murata Sacco	926,792,460	1,034,484,280	1,456,440,691	1,515,309,056	1,530,024,161
Mumathi Staff Sacco	62,428,712.60	62,327,711.60	62,191,786.80	57,555,658.05	60,013,309.65
PIO COM Sacco	4,413,982	6,460,950	7,201,569	10,988,712	13,875,715
Zena Sacco	6,427,159	6,427,159	8,504	9,745,270	11,902,733
RUBET Sacco	3,450,823	4,156,898	8,549,056	11,389,891	16,203,158
Real IPM Sacco	2,526,418.00	4,384,863	5,572,649.00	7,700,577.00	9,763,825.00
Farmnut Sacco	6,208,465	7,730,954	11,194,760	15,472,284	23,824,217
average	119,553,107	138,184,285	173,605,341	187,329,296	92,853,597

Equity

EQUITY	2009	2010	2011	2012	2013
Mentor Sacco	1,395,734,330	1,629,119,440	1,982,931,000	646,128,000	440013000
MTN Sacco	1,195,369	2,701,545.00	2,966,635.70	3,763,227.20	9,090,522.41
MUNA Sacco	36,785,684.00	6,937,840.00	1,459,221.70	2,712,424.30	2,592,225.80
Emuki Sacco	9,801,826	11,346,354	1,067,607	1,634,165.70	1,690,488.20
NAMUKIKA Sacco	65,064	267,358	484,064	910,543.00	1,449,257.00
Kangema Travellors	3,344,069	4,299,058	7,211,165	10,698,506	1,686,425
Gatanga Travellors	319,900	335,660	385,000	385,000	455,000
GMT Sacco	207,601	212,925	214,359	224,582	249,082
Kigumo Travellors	21,246,080	24,973,733	24,323,217	2,941,965	872,496
Simbi Roses Sacco	393,179	400,377	431,618	457,232	492,911
All Churches Sacco	441,196.00	994,708.00	8,311,808.00	6,538,606.00	7,187,702.00
ACK Mwangaza Sacco	24,509,500	26,066,162	5,117,504.95	5,557,468.60	8,444,312.70
Kamucii Sacco	544,266	591,144.00	628,456.70	674,129.25	581,640.15
Kamuna Sacco	5,636,400	6,482,012	6,175,637	1,111,377	1,207,349
Kimuri Sacco	200,227,396.00	22,736,809.10	12,997,089.30	16,608,750.45	17,058,189.70
Murata Sacco	226,912,384	189,489,320	363,837,119	399,906,856	325,395,644
Mumathi Staff Sacco	30,988,200	20,898,410	12,900,553.40	7,298,973.20	9,658,826.25
PIO COM Sacco	16,119	21,338	29,033	52,096	373,971
Zena Sacco	190,236	210,632,000	219,032,000	218,223	229,609
RUBET Sacco	2,812,447	3,452,744	4,456,276	8,878,676	9,499,952
Real IPM Sacco	37,751.00	117,331	76,638.00	12,104.00	14,362.00
Farmnut Sacco	2,164,140	7,157,120	1,248,633	1,685,930	2,006,740
average	89,253,324	98,601,518	120,740,211	50,836,311	38,193,168

Cash and Cash Equivalents

CASH AND CASH EQUIVALENTS	2009	2010	2011	2012	2013
Mentor Sacco	89,807,112	105,093,595	283,849,000	110,263,000	201,351,000
MTN Sacco	3,653,835	4,322,461	10,654,796.45	7,996,737.70	7,938,292.00
MUNA Sacco	5,950,575.00	1,023,464.00	1,820,572.00	1,676,215.40	1,875,756.35
Emuki Sacco	1,470,237	1,132,647	2,152,186	5,699,354.70	3,056,161.20
NAMUKIKA Sacco	2,766,186.00	3,036,071.00	3,106,851.00	4,441,356	3,807,540.00
Kangema Travellors	1,120,722	2,215,626	3,066,157	5,331,702	1,908,258
Gatanga Travellors	621,244	689,340	583,432	1,074,221	117,474
GMT Sacco	1,516,279	1,516,279	2,880,541	3,484,552	2,079,118
Kigumo Travellors	3,292,644	6,631,928	5,854,369	6,255,012	6,944,537
Simbi Roses Sacco	594,851	1,203,369	1,450,446	1,115,965	639,335
All Churches Sacco	7,244,897.00	8,607,788.00	14,605,268.00	21,258,742.00	16,459,508.00
ACK Mwangaza Sacco	1,653,384	753,328	531,534.45	1,804,108.30	3,527,443.00
Kamucii Sacco	85,999.00	37,629.00	53,856.65	920,985.50	1,658,111.40
Kamuna Sacco	1,249,780	565,534	2,181,257	1,586,083	1,000,996
Kimuri Sacco	1,299,017.00	3,055,967.05	2,024,148.40	1,580,943.55	2,644,652.50
Murata Sacco	53,322,034	84,640,205	226,335,433	143,078,271	124,876,821
Mumathi Staff Sacco	302,880.60	201,972.75	668,165.05	38,073.60	231,781.45
PIO COM Sacco	150,000	168,544	200,746	783,961	1,044,996
Zena Sacco	434,302	33,557	6,885	1,771	648
RUBET Sacco	829,936	1,000,022	1,554,251	1,139,580	2,504,469
Real IPM Sacco	882,368.00	869,596.00	176,247.00	464,569.00	675,978.00
Farmnut Sacco	22,535	1,306,930	713,054	619,044	3,117,611
average	8,103,219	10,368,448	25,657,691	14,573,375	17,611,840

Short Term Investments

SHORT TERM INVESTMENTS	2009	2010	2011	2012	2013
Mentor Sacco	157,978,758	158,416,053	140,316,000	276,260,000	361,850,000
MTN Sacco	3, 616, 635	3,616,633	3,636,777	3,636,777	3,636,777
MUNA Sacco	928,821.00	928,821.00	266,321.00	266,321.00	266,321.00
Emuki Sacco	106,500	106,500	106,500	106,500	106,500
NAMUKIKA Sacco	57,500	57,500	57,500	57,500	57,500
Kangema Travellors		-	-	-	-
Gatanga Travellors	957,980	957,980	957,980	957,980	500
GMT Sacco		54,000	108,000	108,000	908,000
Kigumo Travellors	191,817,440	20,367,440	22,467,440	22,607,440	23,107,440
Simbi Roses Sacco	40,000	40,000	40,000	50,000	50,000
All Churches Sacco					
ACK Mwangaza Sacco	62,500	62,000	62,500.00	112,500.00	112,500.00
Kamucii Sacco	88,551	88,551	88,551	88,551	88,551
Kamuna Sacco	4,866,890	5,474,950	5,786,586	650,000	700,000
Kimuri Sacco	409,023.00	409,023.00	409,023.00	760,023.00	760,023
Murata Sacco	191,817,440	20,367,440	22,467,440	22,607,440	23,107,440
Mumathi Staff Sacco	614,178	614,178	624,178	187,578	187,578
PIO COM Sacco	12,000.00	14,500.00	10,500.00	14,000.00	17,821.00
Zena Sacco	25,000	25,000	25,000	30,000	30,000
RUBET Sacco	7,377	10,980	30,000	10,000	10,000
Real IPM Sacco	12,000.00	14,500.00	10,500.00	14,000.00	17,821.00
Farmnut Sacco	155,500	155,500	155,500	155,000	155,500
Average	30,553,192	10,589,077	9,881,315	16,433,981	20,758,514

Accounts Receivables

ACCOUNTS RECEIVABLES	2009	2010	2011	2012	2013
Mentor Sacco	53,454,613	58,518,316	80,742,000	157,802,000	201,557,000
MTN Sacco	5,741,177	7,737,793	3,148,765.45	5,319,381	884,523.00
MUNA Sacco	18,778,624.00	9,772,126.00	10,213,770.00	7,114,763.40	6,631,473.25
Emuki Sacco	745,289	764,314	928,785	1,920,514	478,994
NAMUKIKA Sacco	0	0	0	152,669	0
Kangema Travellors	1,076,930	2,086,932	1,460,595	2,269,993	2,269,995
Gatanga Travellors	316,190	300,240	280,060	564,297	1,677,127
GMT Sacco	20,913	0	0	0	0
Kigumo Travellors	0	0	0	0	0
Simbi Roses Sacco	-28,982	-28,982	-28,982	-620,721	-1,021,812
All Churches Sacco	0	0	503,951.00	969,353.00	795,122.00
ACK Mwangaza Sacco	1,420,326.00	2,567,625	2,672,454.00	2,561,645.00	2,372,885.00
Kamucii Sacco	1,622,342.00	1,852,528.00	3,112,714	7,767,219	3,336,674
Kamuna Sacco	880,034	990,064	522,325	1,848,783	734,014
Kimuri Sacco	1,211,300.00	2,988,957.00	5,411,598.00	2,003,233.00	2,993,106.00
Murata Sacco	9,050,585	5,188,824	5,756,849	10,951,926	17,132,069
Mumathi Staff Sacco	33,020,625	38,031,849	39,631,045.10	36,074,177.30	37,927,239.05
PIO COM Sacco	887,164	904,962	1,208,413	1,226,617	1,104,246
Zena Sacco	10,000	10,000	10,000	10,000	10,000
RUBET Sacco	6,200	39,435	15,339	45,506	46,249
Real IPM Sacco	0	0	0	769,338.00	0
Farmnut Sacco	22,300	26,423	0	1,350,470	0
average	5,828,892	5,988,700	7,072,258	10,913,689	12,678,587

Current Liabilities

CURRENT LIABILITIES	2009	2010	2011	2012	2013
Mentor Sacco	353,609,562	495,280,492	1,597,204,000	1,717,750,000	2,039,815,000
MTN Sacco	48,649,468	50,017,821	49,799,384.40	61,064,959.65	70,128,951.85
MUNA Sacco	28,035,530.00	31,559,925.00	30,434,272.00	26,696,010.00	21,607,956.35
Emuki Sacco	57,285	603,462	11,967,134	12,160,990	10,902,872
NAMUKIKA Sacco	432,482.00	8,180,971.00	10,329,817.00	14,205,508	15,709,340
Kangema Travellors	2,600	3,500	4,600	10,698,506	1,686,425
Gatanga Travellors	32,440	46,077	33,668	32,216	1,318,842
GMT Sacco	9,009,711	9,694,111	10,295,258	11,590,422	13,141,211
Kigumo Travellors	2,027,734	2,504,495	2,442,015	3,170,615	3,947,797
Simbi Roses Sacco	643,240	1,192,629	12,114,213	1,090,022	2,153,531
All Churches Sacco	842,770.00	1,563,291.00	1,941,880.00	1,826,937.00	1,768,652.00
ACK Mwangaza Sacco	2,479,083.00	3,309,000	30,610,638.50	31,507,731.70	41,455,118.50
Kamucii Sacco	12,364,963.00	13,410,808.00	21,262,318.35	23,855,791	21,606,475
Kamuna Sacco	9,440	12,080	20,400	7,032,765	10,005,533
Kimuri Sacco	9,985,150.00	6,316,578.90	17,626,580.95	20,634,323.10	23,367,915.05
Murata Sacco	699,880,076	844,494,900	1,092,603,572	1,159,929,259	1,199,167,288
Mumathi Staff Sacco	57,752,714	41,429,301	49,287,253.40	50,256,684.85	50,354,483.40
PIO COM Sacco	12,947,000	1,415,792	1,415,792	3,333,467	3,422,767
Zena Sacco	225,172	326,026	508,394	478,703	655,410
RUBET Sacco	638,375	109,418	105,806	842,561	874,847
Real IPM Sacco	2,826,233.00	5,649,287	7,688,473.00	5,649,287.00	9,622,463.00
Farmnut Sacco	500,634	573,834	9,946,127	13,786,354	21,817,477
Average	56,497,803	68,986,082	134,438,254	144,436,051	162,024,107

Total Revenue

TOTAL REVENUE	2009	2010	2011	2012	2013
Mentor Sacco	260,946,000	225,590,000	273,737,000	315,395,000	391,908,000
MTN Sacco	878,356	998,909.00	1,753,954	2,359,745	2,172,454
MUNA Sacco	164,240,172.00	179,340,183.00	158,369,367.00	192,240,173.40	217,786,109.40
Emuki Sacco	320,495	1,229,888	1,496,820	5,811,007	5,142,021.80
NAMUKIKA Sacco	410,089	459,900	1,003,264.00	2,578,256	3,708,053
Kangema Travellors	14,000	15,000	551,575	465,259	493,690
Gatanga Travellors	226,354	126,300	140,980	1,904,881	1,296,557
GMT Sacco	21,688	27,434	33,223	43,500	85,000
Kigumo Travellors	311,296	441,593	431,857	385,172	416,665
Simbi Roses Sacco	631,036	828,143	924,928	957,399	1,099,963
All Churches Sacco	842,770.00	1,563,291.00	1,941,880.00	1,826,937.00	1,768,652.00
ACK Mwangaza Sacco	1,845,549.00	2,822,677	3,698,017.00	3,743,398.70	6,793,963.00
Kamucii Sacco	878,356	998,909.00	1,753,954	2,359,745	2,172,454
Kamuna Sacco	422,352	509,362	580,305	910,494	742,189
Kimuri Sacco	4,396,644.00	4,398,733.30	4,533,665.40	9,841,359.60	6,656,473.55
Murata Sacco	1,223,220	1,450,340	502,075,860	376,975,123	210,608,590
Mumathi Staff Sacco	7,230,715	7,234,614	7,424,586.70	6,024,421.45	9,244,426.10
PIO COM Sacco	783,119	844,600	801,944	575,463	1,584,130
Zena Sacco	378,689	401,797	641,053	633,755	779,137
RUBET Sacco	836,744	729,344	1,365,162	2,532,413	367,033
Real IPM Sacco	198,576.00	290,135	417,469.00	639,877.00	789,990.00
Farmnut Sacco	720,220	690,140	1,006,696	1,560,356	2,176,023.90
Average	20,352,565	19,590,513	43,849,253	42,261,988	39,445,072