INFLUENCE OF CORPORATE GOVERNANCE ON FINANCIAL PERFORMANCE OF COOPERATIVE SOCIETIES: A CASE OF SAVINGS AND CREDIT COOPERATIVE ORGANIZATIONS IN MERU COUNTY, KENYA

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DECLARATION

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

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DEDICATION

This research report is dedicated to my wife Caroline Kagendo and my sons Kevin Mwenda, Brian Mutugi and Derrick Munene who have always offered me support and encouragement throughout the studies. Thank you for being my pillars.

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LIST OF ABBREVIATIONS AND ACRONYMS

WOCCU	World Council of Credit Unions
SACCO	Savings and Credit Cooperative Organizations
IMF	International Monetary Fund
OECD	Organization for Economic Development and Cooperation
SOA	Sarbanese- Olyx Act
CGAP	Consultative Group for The Poor
KUSCO	Kenya Union Savings Credit Cooperative Union
OCDC	Overseas Cooperative Development Council
SPSS	Statistical Package for Social Scientists

ABSTRACT

Corporate governance is of great importance for financial performance. In Africa, Savings and Credit Cooperative Organizations (SACCOs) have been growing as a strong tool to meet financial needs. This is because, cooperatives are well placed to bring about equitable development and justice. However, SACCOs like any other business, are faced with challenges in their quest for growth and corporate governance stand as one of the main challenges facing SACCOs. Some of these SACCOs have come under spotlight for cases of mismanagement and a number of them have closed and therefore if this trend is not checked, it may lead to depletion of SACCOs' funds and collapse of more SACCOs in Kenya. This study therefore, investigated the influence of corporate governance on financial performance of cooperative societies a case of Savings and Credit Cooperative Organizations (SACCOs) in Meru County, Kenya. The study focused on influence of; risk management, democracy in management, training of directors and appraisal of directors. The findings of this study will hopefully be beneficial to executive members of SACCOs and other cooperative societies in improving the performance of cooperative societies and enable them to compete globally. This study applied a descriptive survey design. The study focused on 647 directors in all the 56 SACCOs in Meru County and 8 sub-county officers. The study applied a proportionate stratified random sampling method to select a sample of 247 directors. The study also focused on 8 sub-county officers therefore making the total sample to be 255. Data was collected through the questionnaire which comprised of both close ended and open ended questions. The data was coded in SPSS Vs 21 through which analysis was conducted and the results of the findings were presented in tabular form to reflect both descriptive and regression analysis. The study found out that 40.8% of directors said that credit risk in SACCOs was high. The study also found out that only 5% of financial performance of SACCOs can be explained by training of directors. Further the study also found out that 52.5% of directors are not appraised. The study also revealed that 31.9% of financial performance of SACCOs can be explained by democracy in management of the SACCO. The study recommended that directors of SACCOs need to put up strong credit controls so as to lower the credit risks in their organization. In addition, SASRA needs to regulate on the appraisal of SACCO directors to ensure that all SACCOs carry out directors' appraisal

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Corporate governance in cooperative societies is a sensitive and complex issue since cooperatives are underlined on the law of democracy regarding decision making and they have a wider ownership than other classical firms (Labie and Périlleux, 2009). Even with the stringent laws, the AMFIU Report (2008) observed that governance among Savings and credit cooperative organizations still faced challenges and that their risk was highest among other cooperative societies, since they are involved in collecting and intermediating members' savings. Consequently, Cuevas & Fischer (2006) explained that SACCOs operate under a high credit risk as well as operational risks.

Corporate governance is of great importance for corporate performance (Mohd, 2008). According to a report by AMFIU report (2008) globally, two out of at least three SACCOs formed earlier were not in operation since they have ceased operations or are basically dormant. A study conducted by WOCCU (2005-2008) indicated that the trend in the loans given by SACCOs had declined since 2008. The report showed that loans had increased by 23.15% in 2005-2006, increased by 26.71% in 2006-2007. However, the trend reduced in 2007-2008 by 3.46% and later 23.25%. Therefore IMF (2001) concluded that SACCOs had faced many problems which have destroyed their previous reputation as the providers of financial services.

Savings and Credit Cooperative Organizations (SACCOs) are member-owned and their main business to promote easy access to credit for the members. The members of the cooperative contribute resources which are pulled together and with this contribution, the SACCO uses them to offer small loans to the members (Were, 2009). This therefore makes them user-owned and in return offers all financial services to the members (WOCCU, 2005-2008). Unfortunately, like other private sector businesses, SACCOs have not been left out by corporate governance fiasco (Shaw, 2006). SSemwanga (2009) defined SACCO governance as the structure that leads SACCOs and which holds the leaders accountable for their activities and management of the SACCOs to the benefit of the members.

The debates on corporate governance were triggered by numerous corporate scandals which set the stage for the development of guiding principles in countries and supranational organizations such as OECD (Organization for Economic Development & Cooperation). This led to supranational organizations such as OECD releasing its guiding principles in 1999. In the United States of America (USA) the collapse of Enron led to Sarbanes- Oxley Act (SOA) in 2002 and in South Africa the Kings Committee on corporate governance makes notable progress on international governance (Atieno, 2009).

Over the years, there has been enormous funds fraud by the leaders of SACCOs (Mugisa, 2010) and felony in SACCOs had been to an increase (CGAP report, 2006) for instance, in Uganda, Alut Kot SACCO in Lira gave out loans worth Ugx 841,000,000 since 2002 but had only received 26% of the amount by 2010 (Ojwee, 2010). Further, in 2012 a SACCO based in Kisumu Kenya collapsed with more than 60 million of members' contributions. Audits carried out on this event, highlighted poor loan recovery and funds mismanagement as the reason behind the collapse (Otieno, 2012). Therefore this shows that failure to control risks, especially credit risk, could lead to collapse of SACCOs (Wenner, Navajas, Trivelli & Tarazona, 2007).

In Kenya, cooperative societies create an important part of the economy. Actually, the Vision 2030 of Kenya recognizes SACCOs as a prime mover in financial resource mobilization to create a vibrant and globally competitive financial sector in Kenya. SACCOs are led democratically and are designed to meet the social and the economic needs of their members. SACCOs operate across all sectors of the economy and it has been estimated that cooperative societies in Kenya, provide livelihood to 63% of Kenyans both directly and indirectly. The financial sector had mobilized estimated domestic savings amounting to Kshs. 150 billion by 2006 and the sector continues to grow at 20% per annum while at the same time, cooperative institutions contribute to the direct employment of over 250,000 people and indirectly through establishment of linkages between firms, farms, markets and through provision of collective and individual investments (Ministry of cooperative development and marketing, 2006)

Meru County is one of the counties in Kenya. Meru has the second highest number of SACCOs in Kenya (56), with Nairobi leading with a total of (85) SACCOs. Meru County has a large diversity of SACCOs which are classified into; rural, urban and transport (Olando, Jagongo and Mbewa, 2013).

1.2 Statement of the problem

Cooperative societies in Kenya have assisted several thousands of disadvantaged people and communities to create effective solutions to social and economic challenges. However as from the 1990s, cooperative societies faced a decline in their performance which has over time been associated partly to economic stagnation and partly to liberalization policies. To date, the cooperative sector in Kenya still experiences many challenges just like other businesses. Moreover, governance of cooperative societies has constrained their ability to reach full potential (VAS report, 2008). Therefore this study examined the influence of corporate governance on financial performance of cooperative societies in Meru County, a case of SACCOs.

The number of Cooperative Societies in Kenya have substantially increased and equally spread across both the urban and rural areas due to their substantial contribution to their members' economic lives. However, most of them are plagued by a number of challenges such as; constant wrangles, corruption and mismanagement resulting in poor service delivery and becoming bankrupt. This partly explains why literature on cooperatives is awash with more stories of cooperative failure than stories of cooperative success (Bwisa, 2004).

One of the principle challenges facing SACCOs is the establishment of proper governance systems. Good governance can improve the performance of a SACCO and help it assure its long term survival (Thosen, 2008) Therefore, the issue of corporate governance has become of increasing interest to SACCOs since it is considered one of the weakest areas in the industry of cooperative societies. Actually, the VAS report (2008) highlighted the governance of cooperative societies as one of main causes of cooperative failure. Some of the challenges that were highlighted by the report were; members receiving less money than the loans approved by authorities, poor management of loan portfolio, appraisal of loan applicants, subsequent loan monitoring among others.

The Sacco Movement in Kenya has faced a number of challenges that need to be addressed in order to enable them improve on; soundness and stability ,effectives and efficiency corporate governance ,product diversity and competition as well as integration to the formal financial system. The major challenges in the cooperative movement in Kenya include; poor governance and limited transparency in the management of cooperatives, lack of capacity in management, market intelligence and market research ,weak capital base and infrastructure weaknesses, high deployment and maintenance costs ,inadequate financing or adoption of financing models among others (KUSCCO 2010) .

Hence it is based on this background that this research examined the influence of corporate governance on financial performance of cooperative societies in Meru County, a case of SACCOs. In addition no research had been conducted on the influence of corporate governance on financial performance of cooperatives in Meru, with a narrow focus of SACCOs. This therefore created a gap that this research filled.

1.3 Purpose of the study

The purpose of this study was to examine the influence of corporate governance on financial performance of cooperative societies in Meru County a case of Savings and Credit Cooperatives.

1.4 Objectives of the study

This study was guided by the following objectives;

1. To examine the influence of risk management on financial performance of cooperative societies in Meru County, a case of SACCOs
2. To investigate the influence of democracy in management on financial performance of cooperative societies in Meru County, a case of SACCOs
3. To establish the influence of appraisal of directors on financial performance of cooperative societies in Meru County, a case of SACCOs
4. To establish the influence of training of directors on financial performance of cooperative societies in Meru County, a case of SACCOs

1.5 Research Questions

This study answered the following research questions;

1. How does risk management influence financial performance of cooperative societies in Meru County, Kenya?
2. How does democracy in management influence financial performance of cooperative societies in Meru County, Kenya?
3. To what extent does appraisal of directors influence financial performance of cooperative societies in Meru County, Kenya?
4. How does the training of directors influence financial performance of cooperative societies in Meru County, Kenya?

1.6 Significance of the study

This study would be beneficial to directors of SACCOs and other cooperative societies in improving the performance of cooperative societies and enable them to compete globally. The study and recommendations given will hopefully be of importance to the government and especially the department of cooperatives in strengthening policy consideration regarding cooperative societies. The study will also hopefully open opportunities for future researchers who would want to carry out further research on cooperative societies and especially the SACCOs. The research could act as a stepping stone to further research in the same area.

1.7 Limitations of the study

The study was limited by time. Therefore the researcher sampled the target population to limit the number of respondents. The study was also limited by distance of distribution of the SACCOs; which made it challenging for the researcher to visit all the sampled SACCOs. Therefore, the researcher ensured proper scheduling to enhance enough time to visit all the sampled SACCOs.

1.8 Delimitation of the study

This study was delimited to Savings and Credit Cooperative Organizations that are based in Meru County and that have been operational for more than two years. The assumption was that a SACCO needs at least two years to start experiencing notable financial performance. Meru County was selected as the focus area since it has the second highest number of SACCOs in Kenya after Nairobi County and therefore is more susceptible to financial performance challenges than other counties. Meru County has 56 SACCOs that are registered with SACCO society's regulatory authority (SASRA)

1.9 Assumptions of the study

The researcher assumed that all the identified respondents would be supportive in answering the questions posed and they would answer questions correctly and truthfully

1.10 Definition of significant terms used in the study

Challenge: A dispute of success in financial performance of SACCOs

Cooperative societies: An association of persons in a SACCO who have come together to achieve a similar economic or social goal

Savings and Credit Cooperative organizations: private and cooperative financial intermediary where membership is open and voluntary

Risk Management: identification, assessment, and management of credit and operational risks in SACCOs

Democracy in management: Form in which all members of the Sacco participate equally and fairly in election and decision making

Directors' appraisal: Process of assessing the performance of directors

Directors' training: Impacting knowledge and skills to the directors

Corporate governance: The running and leadership of a SACCO

Financial performance: Business results related to SACCOs financial health, such as revenues, expenses, and profits.

1.11 Organization of the study

The study is organised in five chapters. Chapter one comprises of background of the study, statement of the problem, objectives of the study, research questions, scope of the study, limitation and delimitations of the study and assumptions of the study. Chapter two of the study comprises of the literature review which will present the past study by different scholars on family background and academic performance. The chapter also comprise of the theoretical framework of the study and the conceptual framework. The third chapter is the research methodology, which comprises of the research design, the sampling methods and the data collection and analysis methods. Chapter four of this study presents the research finding and summary of the study while chapter five comprises of discussions, conclusion and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section reviews the literature related to influence of corporate governance on financial performance of cooperative societies. The literature was discussed according to the research objectives which include; risk management, democracy, executives' training and executives' appraisal. This section also discusses the theory in which the study is grounded on which is the agency theory.

2.2 The concept corporate governance and financial performance of SACCOs

Branch & Baker (2008) noted that the basis for a self-sufficient or balanced financial intermediary comes as a result of the simultaneous presence of savers and the borrowers of funds. However, the conflict of interest are inherent in this balance as borrowers want low loan rates, low transaction costs and lax discipline while savers demand high deposit rates and strong prudential disciplines because savers have strong incentives to see the institutional viability strengthened by profitability yet the borrowers' short-term incentives favor conditions such as lax discipline, low loan rates, easy access to loans, which adversely affect the financial stability of the credit union.

Allen & Maghimbi (2009) observed that some cooperatives were finding it difficult to operate largely because of their poor financial state. This was confirmed by the findings of the African Microfinance Transparency (AMT) report (2008) that discovered that funding structures indicated growth in SACCOs being mostly funded by access to debt rather than by savings. This was in line with previous studies by AMFIU in 2007 which discovered that over indebtedness had been a problem to most SACCOs.

According to Branch and Baker (2008) profitability is not the primary concern for credit unions. However, the WOCCU report (2005) looked at profitability of credit unions from a different perspective. It stated that credit unions sought to generate profits in order to directly benefit the owners as they (members) serve as both the owners of the credit union and the recipients of the credit union services. Thus when credit unions maximize their profits, it results in the form of lower interest rates on loans, lower service fees and higher dividends for the members. In line with the WOCCU report (2005), Bauer (2007) stated that credit unions were financial cooperatives, organized to meet the needs of their members thus surpluses or profits were returned to members in the form of reinvestment in the credit union, dividends to members, or lower interest rates on loan products.

According to the IMF Report (2001) most SACCOs in Kenya had large portfolios in arrears, with overdue loan repayments stretching back into the distant past mainly because lending policies were usually poorly enforced and systems to track and manage arrears hardly existed. Many if not all SACCOs had experienced considerable difficulties realizing collateral. Allen & Makhumbi (2009) in their study maintained that the loan evaluation system and ability of members to repay within a specified timeframe had not always been considered sufficiently in the loan application process and that the cooperative model of finance relied to a certain extent on the common bonds shared by members, which fostered a trust between members.

Governance deals with structures and processes for; accountability, decision making, control and behavior at the top of organizations. Corporate governance involves practices that entail the organization of management and control of companies. In broad terms, corporate governance refers to the processes by which organizations are directed, controlled and held accountable. Corporate governance reflects the interaction among people and groups, which provide resources to the company and contribute to its performance such as shareholders, employees, creditors, long- term suppliers and subcontractors (Brownbridge, 2007).

Good corporate governance shields a firm from vulnerability to future financial distress (Bhagat and Jefferis, 2002). The argument has been advanced time and time again that the governance structure of any corporate entity affects the firm's ability to respond to external factors that have some bearing on its financial performance (Donaldson, 2003). In this regard, it has been noted that well governed firms largely perform better and that good corporate governance is of essence to firms' financial performance.

The emphasis placed on the role of cooperatives in national development varies from one country to the other and from one environment to another. Due to the changing roles of government in cooperative development, necessitated by rapid globalization and liberalization, it has become absolutely necessary that countries keep track of these changes lest the pace of cooperative development becomes hopelessly inconsistent with the rest of the sectors.

A report by CGAP (2005) indicated that cooperative societies are governed by board of directors who are elected by and from the membership. One of the governance conflicts according to Labie and Perilleux (2009) is what is commonly referred to as the 'moral hazard' conflict between the borrowers and savers. This means that some clients have loans that are more than savings. The main conflict here is that the borrowers are likely to dominate and the board might prefer too favourable conditions in the disbursement of loans which might affect the credit union viability and the net savers could dominate hence the board creates too restrictive conditions for the allowance of credits.

Consequently, Branch and Baker (2008) viewed the challenges facing governance from a different point. They pointed out that society owners double up as the customers. Following this, the borrowers demand low loan rates, low transaction costs and lax discipline while the savers ask for high deposit rates and strong prudential disciplines.

2.3 Risk management and financial performance of SACCOs

Good corporate governance practice gives a way to achieve the goal of eliminating risk and optimizing on performance at the same time (Vrajlal, 2006). Implementation of good governance according to Tandelilin (2007) is not only about better returns but also management of risks. This is because organizations can make financial losses if the risks are not well managed and they may even fail to achieve their objectives.

Risk according to Deelchard and Padgett (2009) is the variability of returns that are associated with a certain asset and that must be minimized or else controlled. Risk is generally considered as the possibility of output that deviates from the expected and is usually negative outcomes that organizations need to look into. Spira (2003) pointed out that risk taking is important for every business, however cooperative financial institutions have higher exposure to credit risk and taking this credit risk is part of financial intermediation hence effective management by financial intermediaries is important to institutional viability and sustained growth. A study conducted by

Okwee (2008) in Uganda revealed that 19.7% of the SACCOs had their portfolios being recovered as per agreed while the risk have their portfolios at risk of default.

Cooperative societies change the available savings deposits into loans instantly, which have longer maturity transformation. Individual savings deposits are typically much smaller than an average loan and therefore requires multiple deposits to fund a single loan and these savings deposits are then changed by the societies with an absolute expectation of safety and repayment into credit-risky loans to members. Most importantly, the loans advanced by these societies carry a fixed interest rate for their entire term, as opposed to those of commercial banks that can be adjusted at any time according to changes in market interest rates. Unfortunately, all these financial transformations are quite risky (Bald, 2007). Further, a study conducted by Ngaira (2011) in Nairobi found out that 58.0% of the members in SACCOs have a loan portfolio of over Ksh. 100 million while 50.0% of the members have a savings portfolio of over Kshs. 100 million.

Apart from the transformations, cooperative societies are also faced with operational risk which are losses caused by internal failures or shortcomings of people, processes, and systems, as well as the inability of people, processes, and systems to cope with the adverse effects of external events. Mutesasira, *et al* (2009) observed that informal savings and credit mechanisms are often characterized by high transaction cost and high risks. As a consequence, the poor regularly lose their savings to fraudulent schemes; However, Deelchand & Padgett (2009) offers a relief stating that credit risk can be controlled whereas operational risk can only be minimized.

According to Brogi (2008) the governance system of financial intermediaries is more important because these institutions are mainly in the business of risk acceptance. However, many firms are yet to implement practices for better risk management (Kleffner *et al*, 2003). Tandelilin (2007) maintains that implementation of good corporate governance is not only concerned about better expected return but is also concerned about better managing of risk. The most important types of operational risk involve breakdowns in internal controls and corporate governance (Vrajlal, 2006). For instance,

In a survey on the status of missing SACCOs in Uganda, 23% of the SACCO collapse was explained by fraud and mismanagement by board executives and management (AMFIU report, 2007). Governance challenges still existed, particularly among SACCOs where risk was highest, given that they collected and intermediated members' savings (AMFIU Report, 2008). This confirmed earlier studies by AMFIU in 2007 which discovered that poor management of the loan portfolio, poor appraisal of loan applications and subsequent loan monitoring by SACCO management had led to depletion of institutional funds due to high default rates. Therefore this study explored risk management of cooperate societies in Meru County to find out whether the findings observed in Uganda can be replicated in Kenya and specifically Meru County.

2.4 Democracy in management and financial performance of SACCOs

Cooperative societies are vehicles for broad democratization and empowerment in developing countries. This is because; they instill basic democratic values and methods, they foster self-reliance through collective action and shape relationships between institutions and civil society that usually encourage participation and conflict management. Cooperative societies promote democratic values by instilling; democratic member control (one member, one vote);

participatory management practices; transparency in decision making and financial accountability; devolution of power and collective action and bargaining power. In cooperative societies, members own their business so that they can have a stake in policies and decisions. In most cases, the members have equal voting rights (one member, one vote). They provide share capital, elect a board of directors and receive the benefits of ownership through patronage refunds based on extent of their transactions with the cooperative (OCDC, 2007).

Cooperative societies enable people with limited resources to pool them so as to competitively participate in the mainstream of the country's economic and political life. As democracies emerge, decisions become subject to the push and pull of different groups. Cooperatives usually create an economic pressure group that usually transcends caste, class and religion hence drawing together people that have vested interests in progress and policies that enable economic growth (OCDC, 2007). A study conducted by Umurenge Sacco (2010) in Rwanda found out that due to the nature of democracy within SACCOs, it is important to have an informed membership, since uninformed membership is the greatest threat to SACCOs.

Cooperative societies are managed on democratic lines. The society is managed by a group of board of directors who are elected representatives of the society. Each member of the cooperative society has a single vote irrespective of the number of shares held. In order to achieve a democratic ownership and control of cooperatives, the following structures are applied; society by-laws, general membership meetings, elected board of Directors, committees of board, cooperative advisors and use of delegates and other voting structures

Democratic Control in organizations entails organizations that are controlled by their members, who actively participate in setting their policies and making decision. In this case, members are the source of all authority in cooperative and therefore the basic units in democratic control are the members. Decision in democratic control are made jointly by members irrespective of their financial consideration or position without any respect to the amount of shares or others capital interest that he may have in the society; Every member owns only one vote. The control of the organization therefore is in the hands of members, whose loyalty and activeness are necessary in setting their policies and making decision (Chidiebere, 2013).

In democratic societies according to Chidiebere (2013), men and women serving as elected representative have equal voting right (one member, one vote). The Democratic Principle emanates from the Rockdale equitable pioneers as it was seen that every member interest needs to be covered and to maintain the importance of each and every one decision making in order to improve upon member loyalty. This democratic principle is held by many authors as the foremost principle of cooperation. The belief at this principle is that every member is equal as a person and as a human being. The peculiarities of cooperative societies is that they belong to the members and have the right to manage it in such a way that the organization functions like a democratic institution and hence, the supreme authority is vested on the entire members irrespective of one's financial position (Chediebere, 2013).

2.5 Appraisal of directors and financial performance of SACCOs

Supervisors, managers, officials at all levels including the General Manager of cooperative societies should be evaluated regularly as in other companies. The essential difference, however, is that in a cooperative society the appraisal should be carried out by those working for the person being appraised? Each subordinate receives a standard form with carefully prepared standard questions, marks each question on a five-point scale and posts it completely anonymously (Chediebere, 2013).

Appraisal according to Hannah (2009) is a formal management structure by which the performance of an employee or executive is scrutinized and evaluated, with the objective of realizing their strength and weaknesses for future and continuous improvement. Hannah (2009) suggests that it is the usual practice in most places that appraisals is conducted just to justify remuneration, forgetting that the sole purpose of appraisal is not salary increase or decrease, but the development of skills and the improvement of work in the office. In fact, a study conducted by Ondieki et. al (2012) in Gusii Kenya, showed that 25.7% of variation in financial performance of SACCOs could be explained appraisal of executive members in the society. The study also showed that a unit change in appraising of executives led to an increase in 50.7% in the financial performance of the society.

Smither (2008) pointed out that there are eight features for a successful appraisal system; they ensure that the appraisal criteria are applicable to the job, ensure that appraisal criteria are defined clearly, train appraisers on the appraisal practice and educate them about management of impression, conduct frequent appraisals and give enough time for raters to appraise ratees thoroughly, ensure that appraisals are fit for individual or team objectives, avoid general appraisals, use more than one rater if possible; and make raters accountable for their appraisals. Levinson (2005) identified five steps in an ultimate appraisal processes as; individual discussion with the superior about the job description, establishment of short-term goals, meet to discuss progression, establish checkpoints to measure progress, discussion at the end of a defined period to assess the results.

Hall (2009) describes merit rating also called executive appraisal or executive reporting as a method of assessing an executive in regards to the manner in which he performs his work and the various qualities essential for carrying out of his task. He further pointed out that the main objective is to make a systematic record of the judgment made on executives for the purpose of enabling the management to exercise control over and guide working force.

According to Bamber *et al,* (2004) there is a variety of techniques used to carry out appraisals, from the simplest of ranking methods to complex ability and/or behavioral secured ratings systems as shown in Table 2.1:

Table 2.1 Appraisal Methods

1.	Alphabetical Numerical	Assess the executive's performance against rating criteria on a scale ranging from high to low performance e.g. 1-5, A-F e.t.c.
2.	Trait rating scales	Assess the executive against a list of personality traits
3.	Behavioural Anchored Rating Scale (BARS)	Assess the executive on a rating scale anchored to specific descriptions of work behavior.
4.	Forced distribution rating	Rating of executives on scales with a fixed percentage of executive stipulated for each scale point or range of points.
5.	Ranking	Rater lists the appraisees from the best to worst, often using a

		single global performance trait.
6.	Paired comparisons	The rater compares every possible pair of individuals; rating one as a superior performer, producing an overall ranking by summing across all paired comparisons.
7.	Management By Objectives/Results-based (MBO)	Setting of future objectives and action plans jointly between appraiser/appraisee and measuring subsequent performance against objectives. Systems vary in extent to which objectives are accompanied by agreed action plans.
8.	Work Standards Appraisal (WSA)	Comparing actual performance against expected level of performance.
9.	Written report/Narrative/Essay	Written commentary describing strengths, weaknesses and achievements.
10.	Critical incidents methods	Rating documents key positive and negative events that have occurred during a given period. May be used as a basis for a written report.

Source: Adapted from Snap *et. al* (1994). Managing Managers; Strategies and Techniques for Human Resource Management Oxford: Blackwell Business.

However, Kaplan and Norton (2002) in their study pointed out that a performance measurement system which enables managers to examine the accomplishment of the business from four different perspectives; financial perspective, customers' perspective, internal business perspective and innovating and learning perspective.

2.6 Training of directors and financial performance of SACCOs

Cooperative societies like every economic organization must keep books, use financial resources effectively, and organize production so that resources are used efficiently among other tasks. One of the biggest challenge cooperative societies face is the fact that the majority of the executives have no enough formal know how to executive their work. This leads to a challenge in conducting simple management skills.

Training is the process of upgrading of a person's skill or addition of a new skill which in turn is expected to bring about the desired change an agency is seeking. A significant element of building up an effective performance scheme is training for those individuals engaged as raters (Boice and Kleiner, 2007). Evans (2001) recommends that training should slot in coaching and counseling, conflict determination, setting performance norms, connecting the system to the pay and giving employee the feedback. However in many cases, executives in corporative societies skip training. For instance, Neo et.al (2000) in his study revealed that 16% of executives in corporative societies have never received ant training from their societies.

Farr (2003) notices the need for the requirement of training to be given to executives of a cooperative society in order to get feedback in a non-defensive way. Bretz, Milkovich and Read, (2002) also recommend that a lack of training of executives may ground discrepancies between the expected and the real performance of the procedures, and related satisfaction. Overall, training should add the success of the organization and guide to greater organizational success.

Trainings are provided to executives of cooperative societies to foster growth and development, to provide opportunities for executives to accept greater challenges, to help executives in contributing to the achievement of societies' goals and the agency's mission and vision, to build executives' self-confidence and commitment, to produce a measurable change in performance and to bring about desired change that can solve a variety of problems (Evans, 2001). However as highlighted by Large (2005) executives have the principal responsibility for developing their skills, knowledge and experience to be adaptive, flexible and focused on the future due to the challenges associated with the changing nature of work and the workplace environment. In addition, the supervisors' responsibility is to assess, inform, refer, guide and develop.

Rerve (2005) explained that executives' appraisal can help executives of a cooperative society to improve their work skills; this is because evaluation reveals the type of training and development required. After all, Providing training to an executive benefits both the employer and the employee by improving an executives' performance, develop the group and team skills needed to achieve organizational goals, increasing overall efficiency, motivating executives to achieve higher standards, enhancing executives' morale, motivation and creativity

Developing employees as pointed by Ducker (2007) is a shared responsibility between the executive and the organization in that, executives have the principal responsibility for developing their skills knowledge and experience. According to the American Management Association

(2000), the cost of training a new executive can vary from 25 to 200% annual compensation. The turnover cost for executive can be 15% which means it costs $2,500 to lose an $ 8 hour executive and hence, the more the executives earns the more it costs to replace them.

The objective of development is to increase knowledge and skills and to change the performance level of people on their tasks. This in turn boosts the executives' confidence, motivation, satisfaction, commitments and feeling of personal achievement. Consequently, it improves the level of organization performance and helps to reconcile the gap between what should happen and what is happening between desired targets or standard or actual level of work performance (Mullins, 2003). In fact Black and Lynch (2006) in their study indicated that training of executives raised subjective productivity and performance measure by almost 16%. Moreover, Large (2005) contends that providing executives with training and development opportunities encourages good performance, strengthens job related skills and competencies and helps executives to keep up with changes in the market place such as introduction of new technology or work methods.

2.7 Theoretical framework: Agency theory

The debate about corporate governance is traced to the early 1930s when Berle and Means published *The Modern Corporation and Private Property*. Berle and Means (1971) noted that with the separation of ownership and control, and the wide dispersion of ownership, there was no effective check-upon executive autonomy of corporate managers. In the 1970s these ideas were further refined in what came to be known as Agency Theory. Writers such as Jenesen and Meckling (1976) offered a variety of explanations of the dilemmas faced by the 'principal' who employs an 'agent' to act on his or her behalf.

As applied to corporate governance the theory suggests a fundamental problem for absent or distant owners/shareholders who employ professional executives to act on their behalf. In line with neo-classical economics, the root assumption informing this theory is that the agent is likely to be self-interested and opportunistic. This raises the prospect that the executive, as agent, will serve their own interests rather than those of the owner principal. To counter such problems the principal will have to incur agency costs which are costs that arise from the necessity of creating incentives that align the interests of the executive with those of the shareholder, and costs incurred by the necessity of monitoring executive conduct to prevent the abuse of owner interests (Roberts, 2009).

Agency theory is deductive in its methodology. Agency theorists take self-interested opportunism as a given. They feel no need to explore the attitudes, conduct and relationships that actually create board effectiveness. Instead they have busied themselves with exploring the effectiveness of the various mechanisms designed to make executive self-interest serve shareholder interests. To date such studies have proved entirely equivocal in terms of the relationship between good governance and firm performance (Roberts, 2009).

Agency Theory according to Sachs (2014) explains how to best organize relationships in which one party determines the work while another party does the work. In this relationship, the *principal* hires an *agent* to do the work, or to perform a task the principal is unable or unwilling to do. For example, in corporations, the principals are the shareholders of a company, delegating to the agent *i.e.* the management of the company, to perform tasks on their behalf. Agency theory assumes both the principal and the agent are motivated by self-interest. This assumption of self-interest dooms agency theory to inevitable inherent conflicts. Thus, if both parties are motivated by self-interest, agents are likely to pursue self-interested objectives that deviate and even conflict with the goals of the principal. Yet, agents are supposed to act in the sole interest of their principals.

2.8 Conceptual framework

This section presents the conceptual framework of the study. The section shows that relationship between the independent and the dependent variables of the study. The dependent variable of this study was financial performance of cooperative societies in Meru County with a focus of Savings and Credit Cooperatives (SACCOs). The independent variable of this study was corporate governance which are composed of; directors' training, directors appraisal, democracy and risk management.

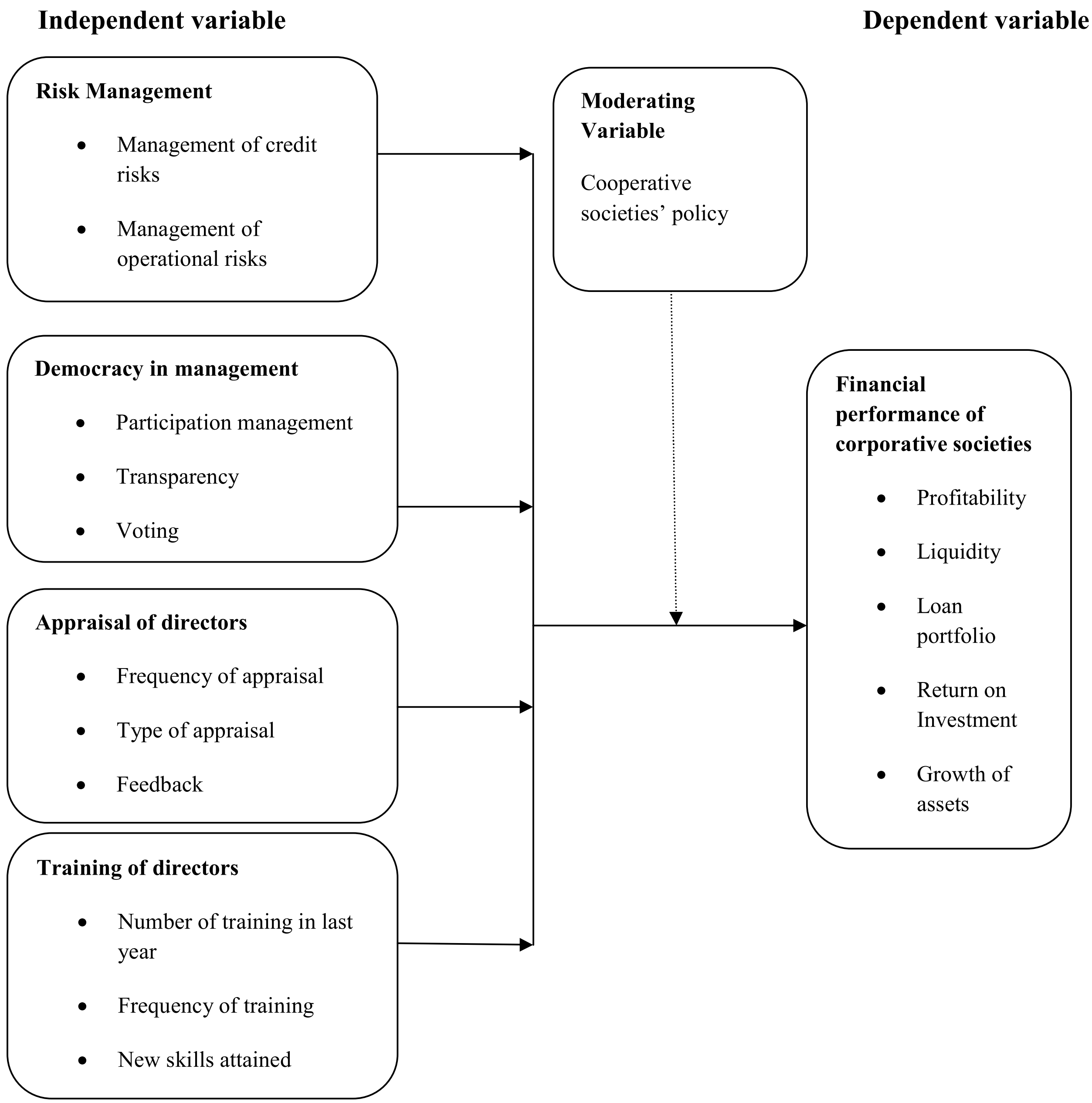

Figure 1. Conceptual framework

The dependent variable of this study was financial performance of cooperative societies. Financial performance is influenced by corporate governance of corporative societies which is comprised of risk management, democracy in management, appraisal of executive management and training of executive members. Risk Management was measured by management of credit risks and management of operational risks. Democracy in management was measured by participation in management and Transparency in voting. On the other hand, appraisal of directors was measured by Frequency of appraisal, type of appraisal and feedback given by appraisers while Training of directors was measured by number of training in last year, frequency of training and new skills attained by directors.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used to conduct the study. This include; the research design, target population, sample size and sampling procedures, research instruments, pilot testing of instruments, validity and the reliability of instruments. The section also covers data collection methods, data analysis techniques, ethical considerations and operational definition of variables.

3.2 Research Design

This study adopted a descriptive survey research design. Descriptive survey is the process in which data is collected in order to test hypothesis or to answer questions concerning the current status of the subject under study. Descriptive study according to Mugenda and Mugenda (2003) also engages an assessment of the situation of affairs describing, analyzing and reporting conditions that exist or that existed.

3.3 Target Population

The study population comprised of directors in all the fifty six (56) SACCOs in Meru County that have been in operation in at least the past two years. The population also included eight (8) sub-county cooperative officers in Meru County. The unit of analysis was the SACCOs.

Table 3.1: Distribution of executives' population

District	Number of SACCOs	Directors
Igembe South	9	103
Tigania West	4	42
Tigania East	4	46
Meru Central	5	63
Imenti South	10	116
Imenti North	18	211
Buuri	6	66
Total	56	647

3.4 Sampling procedure and Sample Size

This section represents the sampling procedure that was applied in this study as well as the sample size.

3.4.1 Sample Size

This study used a sample size of two hundred and forty seven (247) directors drawn from a target population of six hundred and forty seven (647) directors by applying of the formulae suggested by Israel (1992). The study studied the entire population of sub county cooperative officer which is eight (8), representing 100% of the cooperative officers. Therefore this study targeted a total sample size of two hundred and fifty five (255)

3.4.2 Sampling Procedure

This study applied a proportionate stratified Random Sampling to select the sample size of the directors where the unit of study was the directors while the strata were the districts. The study applied the formulae suggested by Israel (1992) to compute the sample size. The formulae was as follows;

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

Where n = sample size

N = Target population

e = Acceptable error (5% for this study)

When substituted in the formula above, the sample for officers will be;

$$n = \frac{647}{1 + 647 \times 0.05 \times 0.05}$$

n = 247

The sample size was distributed as shown in table 3.2

Table 3.2: Sample size of directors' distribution

District	Population size	Sample size	Percentage
Igembe South	103	39	37.9
Tigania West	42	16	38.1
Tigania East	46	18	39.1
Meru Central	63	24	38.0
Imenti South	116	44	37.9
Imenti North	211	81	38.3
Buuri	66	25	37.9
Total	**647**	**247**	**38.2**

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3.5 Research instruments

Data was collected mainly from primary sources gathered through the use of questionnaires that was distributed to the respondents. Secondary sources were also used to gather information on annual SACCOs' reports. The questionnaire had 5 sections. Section 1 was on the demographic information; Section two measured risk management in SACCOs, section three measured the training of directors, section three measured appraisal of directors, section four measured democracy in management while section six measured the financial performance of SACCOs.

3.5.1 Pilot testing of the instruments

This study conducted a pilot study of the questionnaires before using the questionnaire. The instruments were pre-tested to determine the accuracy, clarity, validity and reliability. Piloting of the instruments was done to estimate the time the respondents would take to respond to the questions. The researcher conducted a pilot study on ten (10) directors who were not included in the sample. The researcher measured the amount of time that the respondents took to fill the entire questionnaire. The researcher also evaluated how the directors answer the questions and made amendments on any level of ambiguity before administering the questionnaires to the respondents. Amendments were made until the point where directors were able to answer the questions clearly and fluently without difficulties and in a timely manner.

3.5.2 Validity of research instrument

Data validity refers to the degree to which results obtained from analysis of data actually represents phenomenon under study (Mugenda and Mugenda, 1999). The study made use of university supervisor as the team of experts to enhance content validity. The researcher consulted with the supervisor and made adjustments in the content of the study that were raised and advised by the supervisor.

3.5.3 Reliability of research instruments

Reliability of data is the consistency of measures in a study. It is the degree to which research instruments yields consistent results of data after trials (Bryman and Bell, 2003). In this study reliability of data was tested by using test-retest method on the questionnaire. A pre-test comprising of ten (10) directors was selected randomly from the accessible population and used to carry out the test-pretest of the questionnaire.

3.6 Data Collection methods

This research used both qualitative and quantitative data. The researcher obtained a transmittal letter from the University of Nairobi, offering the researcher authority and permission to carry out the research. The researcher made appointment with directors, from which he visited them in their offices. The researcher presented the letter of introduction to the respondents to introduce the research as well as verify that the study is for academic purposes only. The researcher left the directors with the questionnaires to give them enough time to fill the questionnaire, from which they were collected by an appointed assistant after 24 hours.

3.7 Data Analysis techniques

The data obtained from this study was explored on the basis of specific objectives by use of quantitative techniques. The data was structured to answer set objectives in the study. Data was then analyzed using both descriptive and inferential statistics. For descriptive statistics, frequency distributions and percentages were used while for inferential statistics regression analysis was applied. The SPSS computer software (Version 21) aided the analysis. Qualitative data was used to get in depth information and probe for further information. The results of the survey were presented using tables.

3.8 Operationalization of variables

This section presents the objectives of the study in a tabular form, by identifying the indicators of the variables that the researcher used, the data collection method, the scale applied in measuring the variables and data analysis procedures used.

Table 3.3 Operationalization of variables

Objective	**Variable**	**Indicator(s)**	**Data collection method**	**Measurement Scale**	**Data Analysis**
Risk Management	Independent	Management of credit risks Management of operational risks	Questionnaire	Nominal	Descriptive Inferential
Democracy	Independent	Participant management Transparency of elections Voting structure	Questionnaire	Nominal	Descriptive Inferential
directors appraisal	Independent	Frequency of appraisal Types of appraisal Feedback	Questionnaire	Nominal	Descriptive Inferential
directors training	Independent	Number of training in the last year Frequency of training New skills attained.	Questionnaire	Nominal	Descriptive Inferential

The research variables were studied independently to answer the research questions. The main measurement scales used by this study were nominal and ordinal scales. The variables were analyzed by use of descriptive and inferential statistics.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the review of the data collected. The chapter is organized in various sections; first the questionnaires response return rate, then the findings of the study which are discussed according to the objectives of the study. The findings are explained using percentages and figures in tabular form and in descriptions form. The questionnaires were divided into sections. Section A focused on respondents' personal information on demographic variables and Section B focused on the dependent variable while Section C focused on the independent variables.

4.2 Questionnaire Return Rate.

The total number of questionnaires delivered to household representatives was 247 out which 240 (97.2%) were returned. This number is considered to be sufficient according to Dilliman (2000) who stated that researchers should seek to achieve at least a 60% return rate of research instruments The distribution of questionnaires was as shown in table 4.1

Table 4.1 Questionnaire return rate

District	Frequency	Percentage
Igembe South	39	16.3
Tigania West	16	6.7
Tigania East	18	7.5
Meru Central	24	10.0
Imenti South	44	18.3
Imenti North	74	30.8
Buuri	25	10.4
Total	**240**	**38.2**

4.3 Demographic information of directors

This section presents the demographic characteristics of the respondents. The characteristics discussed in this section are; gender and the category of age of the directors.

4.3.1 Gender of the respondents

The study sought to establish the gender distribution of the directors who participated in this study. This was in order to ensure a fair distribution between the two genders. The findings are in table 4.2

Table 4.2 Gender of SACCO directors

Gender	Frequency	Percentage
Male	178	74.2
Female	62	25.8
Total	**240**	**100**

The study showed that over half of the directors 178 (74.2%) are male while only a quarter of them 82 (25.8%) are female. This is an indication of the gender disparity in leadership of SACCOs despite the gender mainstreaming programmes that have been launched in SACCOs in the previous years.

4.3.2 Distribution of directors by age

The study wanted to find out the age distribution of the directors in SACCOs. This is because different age groups usually portray different opinion on matters. Therefore, this study wanted to find out the ages covered by this study. The findings are summarized in table 4.3

Table 4.3 Age distribution of directors

Age	Frequency	Percentage
26-33 yrs	40	16.7
34-41 yrs	49	20.4
42-49 yrs	66	27.5
Above 49	85	35.4
Total	**240**	**100**

The findings showed that majority of the directors 85 (35.4%) are above 49 years of age with only 40 (16.7%) of the directors being between 26-33 years. This age is above to the age highlighted by *Forbes* (2010) where they explained that the average age of directors was 48.8 years from 54 years.

4.4 Influence of risk management on financial performance of cooperative societies

The first objective of this study was to establish the influence of risk management on the financial performance of cooperative societies. Risk management in this study was examined as; general risk, credit risks, operational risks and fraud monitoring.

4.4.1 General risks in Cooperative societies

The study sought to establish the general risk levels in the SACCOs. Risk according to Deelchard and Padgett (2009) is the variability of returns that are associated with a certain asset and that must be minimized or else controlled. The findings are presented in table 4.4

Table 4.4 General risk levels in SACCOs

General risk levels	Frequency	Percentage
High	24	10.0
Neutral	66	27.5
Low	120	50.0
Very low	30	12.5
Total	**240**	**100**

The findings illustrated that half of the directors 120 (50.0%) felt that the general risk levels at their SACCOs is low with slightly over a quarter of them 66 (27.5%) having a neutral opinion. In addition, 120 (50.0%) of them said the risk was low while 30 (12.5%) said that it was very low.

This study therefore went further to investigate on the risk level by studying on the credit risk and operational risks separately in order to establish the situation of risk levels in SACCOs.

4.4.2 Credit risks in cooperative societies

The study sought to investigate the levels of credit risks in the SACCOs. Credit risk is the risk that borrowers fail to pay off loans or delay payments. Information on credit risk was important in establishing the influence of credit risk on financial performance of cooperative societies. Therefore the researcher sought to get information on credit risks in cooperative societies. The findings are summarized in table 4.5.

Table 4.5 Credit risks in cooperative societies

Credit risks	Frequency	Percentage
High	98	40.8
Neutral	95	39.6
Low	35	14.6
Very low	12	5.0
Total	**240**	**100.0**

The findings showed that majority of the directors 98 (40.8%) said that credit risks were high and only 35 (14.6%) of them said that credit risk was low. 95 (39.6%) said that credit risk was neutral while only 12 (5.0%) said that credit risk was very low. This therefore shows that there is high risk of borrowers failing to pay off their loans. According to Okwee (2008) high credit risks reflects on poor financial performance of SACCOs.

4.4.3 Operational risks in cooperative societies

The study sought to establish the operational risk levels in cooperative societies. Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is a component of risk in SACCOS; therefore this information will help in establishing the effect of operational risks on financial performance of cooperative societies. The findings are illustrated in table 4.6

Table 4.6 Operational risks in cooperative societies

Operational risks	Frequency	Percentage
High	26	10.8
Neutral	89	37.1
Low	102	42.5
Very low	23	9.6
Total	**240**	**100**

The study showed that slightly over half of the directors 125 (52.1%) had the opinion that operational risks in the SACCOs were low and very low, while 26 (10.8%) said that it was high while 89 (37.1%) had a neutral opinion. This finding negates the claim made my Mutetasira *et.al (*2009) that operational risks in SACCOs are usually very high.

The study further constructed a cross tabulation analysis of credit risk to find out whether there was a relationship between credit risk and operational risks in SACCOs. The findings are shown in table 4.7.

Table 4.7 Cross tabulation of operational risks and credit risks of SACCOs

		Operational risks			
Credit risks	**High**	**Neutral**	**Low**	**Very low**	**Total**
High	0 (0%)	0 (0%)	75 (76.5%)	23 (23.5%	98 (100%)
Neutral	14 (14.7%)	66 (69.5%)	15 (15.8%)	0 (0%)	95 (100%)
Low	12 (34.3%)	23 (65.7%)	0 (0%)	0 (0%)	35(100%)
Very low	0 (0%)	0 (0%)	12 (100%)	0 (0%)	12 (100%)
Total	**26 (10.8%)**	**89 (37.1%)**	**102 (42.5%)**	**23 (9.6%)**	**240 (100%**

The study deduced that majority of the directors 23 (65.7%) who said that operational risks were neutral felt that credit risks were low and 12 34.3% of the directors who were of the opinion that operational risks high also felt that credit risk were low. This indicates that while SACCOs tend to concentrate in reducing risk that arises from internal processes, they tend to ignore the external risk which constitutes the credit risk.

4.4.4. Cases of Fraud or mismanagement

The study sought to establish whether there had been any cases of fraud or mismanagement in the SACCOs. The findings are summarized in table 4.8.

Table 4.8 Cases of fraud or mismanagement

Cases of fraud	Frequency	Percentage
Yes	153	63.8
No	87	36.3
Total	**240**	**100**

The study found out that over half of the directors 153 (63.8%) said that there had been cases of fraud and mismanagement in their SACCOs while 87 (36.3%) said tthat there were no cases of fraud or mismanagement. When probed on the type of fraud, majority of the respondents said that some employees failed to remit cash collected. A few cases of fraud were from outsiders who cooperated with employees to steal money. Therefore this shows that majority of fraud cases are internal and therefore could be reduced by improving on internal controls.

4.4.5 Relationship between risk management and financial performance of SACCOs

The study conducted a regression analysis to establish the relationship between risk management and financial performance of SACCOs. The findings are summarized in table 4.9

Table 4.9 Regression analysis of risk management and financial performance of SACCOs

Variable	Beta	Significance
Credit risks	-0.322	0.00
Operational risk	-0.140	0.118
Fraud	-0.011	0.855

The study found out that only credit risk was statistically significant in explaining financial performance of SACCOs. This is because the P- value of credit risk (0.000) is less that the Alpha-level (0.05) of this study which is at 95% confidence level while the p-values of operational risks and fraud were 0.118 and 0.855 respectively. The study also found out that credit risk, operational risk and fraud were weakly and negatively related to financial performance of SACCOs at beta values of -0.322, -0.140 and -0.011 respectively. This implies that higher risks and fraud led to low financial performance. Further the study established the model summary of risk management and financial performance to find out what level of financial performance is explained by risk management. The results are showed in table 4.10

Table 4.10 Model summary of risk management and financial performance

R	R^2	Significance
0.435	0.189	0.000

The findings showed that risk management explained only 18.9% of financial performance of SACCOs and therefore 81.1% of financial performance of explained by other factors. On the other hand, the findings showed that risk management was statistical significant in explaining financial performance of SACCOs since the p- value (0.000) is less than the Alpha-level (0.05) at 95% level of confidence.

4.5 Influence of the level of training of directors on financial performance of cooperative societies

The study sought to examine the influence of the level of training of directors on the financial performance of cooperative societies. The study focused on; seminars attended, training attended and the attainment of new skills after training on the job.

4.5.1 Seminars attended

The study sought to establish whether directors in SACCOs had attended any seminars in the past one year of this study. Seminar is one of the variables of training of directors and therefore the study wanted to establish the level of attendance in seminars. The findings are shown in table 4.11

Table 4.11 Attended seminar in the last one year

Attended seminar	Frequency	Percentage
Yes	184	76.7
No	56	23.3
Total	**240**	**100**

The study found out that over three quarters of the directors 184 (76.7%) had attended seminar between the year 2013 and 2014 while 56 (23.3%) said that they had not attended any seminar between 2013 and 2014. A further probe showed that all the directors had attended between 1 and 3 seminars. According to the study's attendance, these are a good number of attendances.

4.5.2 Training attended

The study sought to establish whether directors in SACCOs had attended any training between the years 2013 and 2014. Trainings are provided to directors of cooperative societies to foster growth and development. The findings are shown in table 4.12

Table 4.12 Training attended

Attended training	Frequency	Percentage
Yes	163	67.9
No	77	32.1
Total	**240**	**100**

The study found out that over half of the directors 163 (67.9%) had attended training between the year 2013 and 2014 while 77 (32.1%) of them had not attended any training between the year 2013 and 2014. However, a study conducted by Ngaira (2011) showed that one of the main staff offences in SACCOs is missing of periodical trainings. A further probe showed that all the almost half of the directors said that training were not offered so often in the SACCOs. This therefore shows that training attendance of directors was not good.

4.5.3 Attainment of new skill after training on-the-job

The study wanted to find out whether directors in SACCOs had attained any new skill after training on the job. This was important in establishing whether directors got any skills out of regular training and seminars. The findings are shown in table 4.13

Table 4.13 Attained new skill after training on-the-job

Attended training	Frequency	Percentage
Yes	157	65.4
No	83	34.6
Total	**240**	**100**

The study found out that over half of the directors 157 (65.4%) had attained a new skill after training on the job while 83 (34.6%) had not attained a new skill after training on the job. A further probe showed that most of the directors had attained risk management, debt recovery and financial management skills.

4.5.4 Relationship between training of directors and financial performance of cooperative societies

The study sought to establish the relationship between training of directors and financial performance of cooperative societies. This is importance in establishing the influence that training of directors has on financial performance of cooperative societies. Therefore the researcher carried out a regression analysis on training of directors and financial performance of SACCOs. The findings are summarized in table 4.14.

Table 4.14 relationship between training of directors and financial performance of directors

Variables	Beta	Significance
Attended seminar in last 1 yr	0.236	0.011
Attended training in last 1 yr	-0.294	0.002
Attained new skill on the job	-0.026	0.704

The study found out that only attendance to training in the past one year was statistically significant in explaining the financial performance of SACCOs since the p-value (0.002) is less than the Alpha level (0.05) at 95% confidence level while the p-values of attendance to seminars and attainment of new skill on the job was 0.011 and 0.704 respectively which are both more than 0.05 which is the confidence level. Further the study found out that there was a weak negative relationship between attainment of a new skill on the job and financial performance (-0.026) and attendance of training in the last one year (-0.294). This could be due to the costs and time incurred in training staff and developing skills. However, the relationship between attendances for seminars in the last one year has a weak positive relationship (0.236) with financial performance of cooperative societies.

The study further conducted a model summary to establish what proportion of financial performance of SACCOs can be explained by training of directors. The findings are shown in table 4.15.

Table 4.15 Model summary of training of directors and financial performance of SACCOs

R	R^2	Significance
0.224	0.050	0.007

The findings of the study demonstrated that only 5% of financial performance of SACCOs can be explained by training of directors. However, directors' training is statistically significant in explaining financial performance of SACCOs at 95% confidence level, since the p-value (0.007) id less that the alpha level (0.05)

4.6 Influence of appraisal of directors on financial performance of cooperative societies

The study sought to examine the extent to which appraisal of directors influence financial performance of cooperative societies. The study examined whether directors are appraised, whether directors received any feedback from appraisers and the frequency of appraisal.

4.6.1 Are directors appraised?

The study wanted to establish whether directors in SACCOs are appraised. Appraisal has been highlighted as one of ways to ensure continuous improvement of directors. The findings are presented in table 4.16.

Table 4.16 Are you appraised?

Appraised	Frequency	Percentage
Yes	114	47.5
No	126	52.5
Total	**240**	**100**

The study found out that over half of the directors 126 (52.5%) were not appraised while 114 (47.5%) said that they were appraised. The study further conducted a cross tabulation analysis, to establish whether the directors who were apprised received feedback from the appraisers. The findings are in table 4.17.

Table 4.17 Cross tabulation of appraisal and feedback from appraisers

	Do you receive feedback?			
Are you appraised	**Yes**	**No**	**N/A**	**Total**
Yes	80 (70.2%)	34 (29.8%)	0 (0%)	114 (100%)
No	0 (0%)	0 (0%)	126 (52.5%)	126 (52.5%)
Total	**80 (33.3)**	**34 (14.2)**	**126 (52.5%)**	**240 (100%)**

The study found out that slightly over a quarter 34 (29.8%) of the directors who were appraised did not receive any feedback from the appraisers whole 80 (70.2%) of them received feedback.

Further 126 (52.5%) of the directors who said were not appraisal did not have a response as to whether they receive feedback.

4.6.2 Relationship between appraisal of directors and financial performance of cooperative societies

The study sought to establish the relationship between appraisal of directors and financial performance of cooperative societies. This is important in finding out the influence that appraisal of directors has on financial performance of cooperative societies. Therefore the researcher carried out a regression analysis on appraisal of directors and financial performance of SACCOs.

The findings are summarized in table 4.18.

Table 4.18 relationship between appraisal of directors and financial performance of directors

Variables	Beta	Significance
Appraised	0.040	0.668
Feedback	-0.118	0.317
Frequency of appraisal	0.553	0.000

The study found out that only the frequency of appraisal was statistically significant in explaining the financial performance of SACCOs since the p-value (0.000) is less than the Alpha level (0.05) at 95% confidence level while appraisal of directors and receiving feedback from supervisors are not statistically significant in explaining performance of cooperative societies since the p-values are more than 0.05 at 0.668 and 0.317 respectively. Further the study found out that there was a weak negative relationship between reception of feedback and financial performance (-0.118). However, there is a weak positive relationship between appraisal and frequency of appraisal and financial performance of cooperative societies at 0.040 and 0.553 respectively. This is an indicator that the directors who received feedback did not take it as honest feedback and therefore it affected their performance negatively.

The study further conducted a model summary to establish what proportion of financial performance of SACCOs can be explained by appraisal of directors.

The findings are shown in table 4.19.

Table 4.19 Model summary of appraisal of directors and financial performance of SACCOs

R	R^2	Significance
0.485	0.235	0.000

The findings of the study demonstrated that 23.5% of financial performance of SACCOs can be explained by appraisal of directors. This is a close observation as that made by Ondieki *et. al* (2012) in Gusii Kenya who showed that 25.7% of variation in financial performance could be explained by appraisal of directors. In addition, appraisal of directors is statistically significant in explaining financial performance of SACCOs at 95% confidence level, since the p-value (0.000) is less that the alpha level (0.05)

4.7 Influence of the level of democracy in management on financial performance of cooperative societies

The study sought to find out the influence of level of democracy in management on financial performance of cooperative societies. The study focused on; classification of management, transparency in management and transparency in the voting system.

4.7.1 Classification of management

The study investigated the classification of management styles in SACCOs. This was important in establishing the democracy practices in management of cooperative societies. The findings are summarized in table 4.20

Table 4.20 Classification of management style

Management style	Frequency	Percentage
Participatory	215	89.6
A bit of both	25	10.4
Total	**240**	**100**

The study found out that almost all the directors 215 (89.6%) agreed that the management style in their SACCO was participatory while the remaining 25 (10.4%) said that it was a mix of participatory and non-participatory to some degree. This observation supports the claim made by OCDC (2007) that cooperative societies ensured democracy by practicing a participatory management.

4.7.2 Transparency of management

The study sought to establish whether there was transparency in the management of SACCOs. The findings are summarized in table 4.21

Table 4.21 Transparency in management

Transparency in management	Frequency	Percentage
Yes	225	93.8
No	15	6.3
Total	**240**	**100**

The study found out that almost all the directors (93.8%) agreed that management in their SACCO is transparent while the remaining 6.3% said that it is not. A further probe showed that majority of the directors were of the opinion that management is transparent since all matters are discussed openly in meetings and all directors are involved in the decision making process.

4.7.3 Transparency of voting system

The study investigated whether there was transparency in the voting of leaders in SACCOs. The study found out that all the directors (100%) agreed that the voting system in their SACCO is transparent. A further probing showed that all the directors said that voting in their SACCOs was by secret ballot.

4.7.4 Relationship between democracy in management and financial performance of cooperative societies

The study sought to establish the relationship between democracy in management of SACCOs and financial performance of cooperative societies. This is important in finding out the influence that democracy in management has on financial performance of cooperative societies. The findings are summarized in table 4.22.

Table 4.22 relationship between democracy in management and financial performance of directors

Variables	Beta	Significance
Classification of management	-0.544	0.000
Transparency	0.111	0.040

The study found out that both management style and transparency were statistically significant in explaining the financial performance of SACCOs since the p-values were 0.000 and 0.040 respectively which are less than the Alpha level (0.05) at 95% confidence level. The study also found out that there was a weak negative relationship between classification of management and financial performance of cooperative societies (-0.544) while transparency in voting had a weak positive relationship with financial performance of cooperative societies.

The study further conducted a model summary to establish what proportion of financial performance of SACCOs can be explained by democracy in management. The findings are shown in table 4.23.

Table 4.23 Model summary of democracy in management and financial performance of SACCOs

R	R^2	Significance
0.565	0.319	0.000

The findings of the study revealed that 31.9% of financial performance of SACCOs can be explained by democracy in management of the SACCO. In addition, democracy in management is statistically significant in explaining financial performance of SACCOs at 95% confidence level, since the p-value (0.000) is less that the alpha level (0.05)

4.8 Financial performance of cooperative societies

The dependent variable of this study was financial performance of cooperative societies. The study therefore investigated on the financial performance of cooperative societies. The study looked into; credit liquidity problems and the rate of loan repayment.

4.8.1 Credit liquidity problems

The study asked directors to explain whether they had experienced credit liquidity problems in their SACCOs. The findings are shown in table 4.24

Table 4.24 Experienced credit liquidity problems

Credit liquidity problems	Frequency	Percentage
Yes	174	72.5
No	66	27.5
Total	**240**	**100**

The study found that only 27.5% of the directors said that they had not experienced credit liquidity problems while 72.5% of them had experienced credit liquidity problems. This supports the finding made by African Microfinance Transparency (AMT) report (2008) who claimed that credit liquidity was a major problem among SACCOs that majority of them managed to service credit by use of debts.

4.8.2 Loan repayment on SACCO

The study asked directors to rate the loan repayment in their SACCOs. The findings are shown in table 4.25

Table 4.25 Loan repayment rating

Loan repayment	Frequency	Percentage
Very good	5	2.1
Good	181	75.4
Neutral	54	22.5
Total	**240**	**100**

The study found that 181 (75.4 %) of the directors said that loan repayment in their SACCOs was good while 54 (22.5%) of the directors were of neutral opinion meaning neither is the loan repayment good nor is it bad while only 5 (2.1%) said that loan repayment was very good. This is an indication that the loan recovery systems in SACCOs are working well

CHAPTER FIVE

SUMMARY, FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The overall aim of this study was to examine the influence of corporate governance on financial performance of cooperative societies. This chapter presents the summary of the findings, conclusions of the study, recommendations of the study and suggestions for further research on financial performance of SACCOs. The section comprises of findings according to the objectives of the study.

5.2 Summary and discussion of findings

This section presents the summary and discussion of the findings of this study according to the objectives of the study. The objectives of this study were; to examine how the level of risk management influence financial performance of cooperative societies, to determine how the level of democracy in management influence financial performance of cooperative societies, to establish the extent to which appraisal of directors influence financial performance of cooperative societies and to assess how the level of training of directors influence financial performance of cooperative societies.

5.2.1 Influence of the level of risk management on financial performance of cooperative societies

The study sought to establish the general risk levels in the SACCOs. Where risk is defined as the variability of returns that are associated with a certain asset and that must be minimized or else controlled by Deelchard and Padgett (2009). The findings found out that 50.0% of the directors felt that the general risk levels at their SACCOs is low with 27.5% of the directors had a neutral opinion. These findings contradicted the claim made by Okwee (2008) that SACCOs are generally high risk with a coverage ratio between 0% and 40% only.

The study investigated the levels of credit risks in the SACCOs. Credit risk is the risk that borrowers fail to pay off loans or delay payments according to Cuevas and Fischer (2008). The findings showed that majority of the directors (40.8%) said that credit risks were high and only 14.6% of them said that credit risk was low. This therefore shows that there is high risk of borrowers failing to pay off their loans. According to Okwee (2008) high credit risks reflects on poor financial performance of SACCOs. This findings supports the claim made by CGAP (2008) that majority of the SACCOs are running or very high credit risk.

The study further sought to establish the operational risk levels in cooperative societies. Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events (Cuevas and Fischer, 2008). The study showed that slightly over half of the directors (52.1%) had the opinion that operational risks in the SACCOs were low and very low. This finding negates the claim made my Mutetasira *et.al (*2009) that operational risks in SACCOs are usually very high. The study deduced that majority of the directors (65.7%) who said that operational risks were neutral felt that credit risks were low and 34.3% of the directors who were of the opinion that operational risks high also felt that credit risk were low. This indicates that while SACCOs tend to concentrate in reducing risk that arises from internal processes, they tend to ignore the external risk which constitutes the credit risk. This is a wrong approach according to Delchard and Pelchatt (2009) who explained that operational risks can only be minimized while credit risks can be controlled.

The study sought to establish whether there had been any cases of fraud or mismanagement in the SACCOs. The study found out that 63.8% said that there had been cases of fraud and mismanagement in their SACCOs. When probed on the type of fraud, majority of the respondents said that some employees failed to remit cash collected. This finding supports the report presented by AMFIU (2009) which explained that 27% cases of SACCOs failure was due to fraud and mismanagement. The findings also showed that risk management explained only 18.9% of financial performance of SACCOs and therefore 81.1% of financial performance of explained by other factors.

5.2.2. Influence of training of directors on financial performance of cooperative societies

The study found out that 76.7% of directors had attended seminar between the year 2013 and 2014. A further probe showed that all the directors had attended between 1 and 3 seminars. The study also found out that 67.9% of directors had attended training between the year 2013 and 2014. This finding is in line with the finding made by Neo *et.al* (2000) in their study which revealed that over 16% of executives in corporative societies have never received any training from their societies. A further probe showed that all the almost half of the directors said that training were not offered so often in the SACCOs. Training is the process of upgrading of a person's skill or addition of a new skill which is expected to bring about the desired change a SACCO is seeking. Training offers a significant element of building up an effective performance scheme for those individuals engaged as raters (Boice and Kleiner, 2007).

However, a study conducted by Ngaira (2011) showed that one of the main staff offences in SACCOs is missing of periodical trainings.

The study found out that over half of the directors (65.4%) had attained a new skill after training on the job. A further probe showed that most of the directors had attained risk management, debt recovery and financial management skills.

The study found out that only attendance to training in the past one year was statistically significant in explaining the financial performance of SACCOs since the p-value (0.002) is less than the Alpha level (0.05) at 95% confidence level. Further the study found out that there was a weak negative relationship between attainment of a new skill on the job and financial performance. This could be due to the costs and time incurred in training staff and developing skills. Ducker (2007) supported this claim and explained that the cost of training a new executive can vary from 25 to 200% annual compensation. However, Bretz, Milkovich and Read, (2002) explained that a lack of training of executives in SACCOs may ground discrepancies between the expected and the real performance, therefore claiming that training on the job is significant for financial performance which counteracts the findings of this current study.

5.2.3 Influence of appraisal of directors on financial performance of cooperative societies

The study found out that 52.5% of directors were not appraised while 47.5% said that they were appraised. In a cooperative society, directors are usually appraised by subordinates unlike in other situations. The main objective appraising according to Hannah (2009) is to realize the directors' strength and weaknesses for future and continuous improvement. Therefore this implies that whenever there is no appraisal then it is not possible to achieve continuous improvement.

The study also found out that 29.8% of the directors who were appraised did not receive any feedback from the appraisers 70.2% of the them received feedback. The study found out that only the frequency of appraisal was statistically significant in explaining the financial performance of SACCOs since the p-value (0.000) is less than the Alpha level (0.05) at 95% confidence level. Further the study found out that there was a weak negative relationship between reception of feedback and financial performance. This is an indicator that the directors who received feedback did not take it as honest feedback and therefore it affected their performance negatively. This explains the reason why Farr (2003) noted that there is need for training to be given to executives of a cooperative society on the appraisal system in order to get feedback in a non-defensive way.

The findings of the study demonstrated that 23.5% of financial performance of SACCOs can be explained by appraisal of directors. This is a close observation as that made by Ondieki *et. al* (2012) in Gusii Kenya who showed that 25.7% of variation in financial performance could be explained by appraisal of directors. In addition the study found out that appraisal of directors is statistically significant in explaining financial performance of SACCOs at 95% confidence level, since the p-value (0.000) is less that the alpha level (0.05). Therefore, this shows that in order for financial performance to be achieved, it is necessary for SACCOs to adopt frequent and regular appraisal of directors.

5.2.4 Influence of the level of democracy in management on financial performance of cooperative societies

The study found out that 89.6% of directors agreed that the management style in their SACCO was participatory while the remaining 10.4% said that it was a mix of participatory and non-participatory to some degree. This observation supports the claim made by OCDC (2007) that cooperative societies ensured democracy by practicing a participatory management. However this finding counteracts the finding made by Okwee (2011) in his study, who found that only 55.7% of directors said that they were involved in the decision making.

The study found out that 93.8% agreed that management in their SACCO is transparent while the remaining 6.3% said that it is not. A further probe showed that majority of the directors were of the opinion that management is transparent since all matters are discussed openly in meetings and all directors are involved in the decision making process. This finding does not support the observation made by Okwee (2011) who found out that only 9.8% of the directors in SACCOs said that the line of communication was open and transparent.

The study further found out that there was transparency in the voting of leaders in SACCOs. The study found out that all the directors (100%) agreed that the voting system in their SACCO is transparent. A further probing showed that all the directors said that voting in their SACCOs was by secret ballot. This finding is in line with the claim made by Chidiebere (2013) that men and women serving as elected representative have equal voting right; one member, one vote. Further, the study revealed that 31.9% of financial performance of SACCOs can be explained by democracy in management of the SACCO which makes sense since cooperatives are based on the principle of democracy.

5.3 Conclusion of the study

The following conclusions were made from this study.

Risk management is importance in achieving financial success in every SACCO. The study found out the general risks of SACCOs in Meru County is low; however credit risks are quite high while operational risks are low. Good corporate governance calls for reduced risks; however while operational risks can be minimized, credit risks should be avoided. This raises a risk on SACCOs in Meru County since their operational risks are reduced and credit risks are high.

Training is important in improving the financial performance of SACCOs. The directors of SACCOs in Meru County have gone through seminars and training in the past one year as well as attained on the job skills. However, the study noted that there was a negative relationship between attaining skills on the job and financial performance of SACCOs which shows that the training on-the job is not cost efficient.

The study has shown that directors in SACCOs are not usually appraised although for the ones who were appraised, the study showed that they did receive feedback from the appraisers. The study also found out that the directors who received feedback did not take it as honest feedback and therefore it affected their performance negatively.

The study found out that the management style in SACCOs was mostly participatory meaning that directors were all involved in decision making processes and other processes in the SACCOs. The study also revealed that management and the voting systems in SACCOs were transparent since voting was done on secret ballot and one member one vote principle.

5.4 Recommendation of the study

This study recommends the following;

1. The directors of SACCOs need to put up strong credit controls so as to lower the credit risks in their organization. They should target towards eliminating credit risk completely since it poses a great danger in the financial performance of the SACCO. The SACCOs should also have strong controls to eliminate fraud completely.

2. There is need to conduct frequent training of directors within the SACCOs. The study recommends that the education and experience requirements of directors should be reviewed in order to reduce on the job training which is costly for the SACCO.

3. SASRA needs to regulate on the appraisal of SACCO directors, to ensure that all SACCOs carry out directors' appraisal. In addition, directors should be trained on the appraisal system and operation in order to ensure that they have a positive response towards feedbacks given by their appraisers.

4. Finally, transparency can be improved in SACCOs by including staff and members representatives in the decision making meetings.

5.5 Suggestion for further research

The study recommends that a similar study to be conducted on the influence of corporate governance on general performance of SACCOs. This will help to identify whether the effects observed on financial performance are the same as those observed on general performance. In addition a similar study can be constructed in a different County to find out whether the findings observed in Meru County are replicable in other areas.

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APPENDICES

Appendix 1: Questionnaire for directors and sub-county cooperative officers

Kindly tick where appropriate.

SECTION I : Demographic characteristics

1. What is your gender?   Male [ ]   Female [ ]

2. What is your educational level?

   Primary [ ] Secondary [ ] Diploma/certificate [ ] Graduate [ ]

3. What is your age category?

   Below 18 years [ ] 18-25 [ ]   26- 33 [ ]   34-41 [ ]   42-49 [ ] Above 49 [ ]

4. In what district is your SACCO?________________________________

5. What is your designation in the SACCO?

   ____

6. How long have you served in that position?

   Less than one year [ ]   1- 5 years [ ]   More than 5 years [ ]

SECTION 2: Risk management

1. How would you classify the general risk levels in your SACCO

a. Very High [ ] 2 High [ ] 3 Neutral [ ] 4 Low [ ] 5 Very low [ ]

2. How would you classify the credit risks in your SACCO?

b. Very High [ ] 2 High [ ] 3 Neutral [ ] 4 Low [ ] 5 Very low [ ]

3. How would you classify the operational risks in your SACCO?

1. Very High [ ] 2 High [ ] 3 Neutral [ ] 4 Low [ ] 5 Very low [ ]

4. Have you had any cases of fraud or mismanagement in your SACCO in the past two years?

Yes [ ] No [ ]

5. If yes, please explain

____

____

____

6. Do you conduct loan monitoring at you SACCO?

Yes [ ] No [ ]

7. If yes, explain

____

____

____

8. Do you carry out a due diligence of loan applicants?

Yes [ ] No [ ]

9. Justify your answer____

10. How would you classify the control levels in your SACCO?

1. Very High [ ] 2 High [ ] 3 Neutral [ ] 4 Low [ ] 5 Very low [ ]

11. Explain your response above

____

SECTION 3: Directors training

1. What is your education level?

Primary Level [ ] High school level [ ] College level [ ] University graduate [ ]

2. Have you attended any seminars provided by your SACCO in the last one year?

Yes [ ] No [ ]

3. If yes, how many seminars have you attended?

1-3 [ ] 4-6 [ ] 7-9 [ ] 10- 12 [ ] more than 12 [ ]

4. Have you attended any workshops provided by your SACCO in the last one year?

Yes [ ] No [ ]

5. If yes, how many workshops have you attended?

1-3 [ ] 4-6 [ ] 7-9 [ ] 10- 12 [ ] more than 12 [ ]

6. Have you attended any training provided by your SACCO in the last one year?

   Yes [ ] No [ ]

7. How often do you get trained in your place of work?

   1. Very often [ ] 2. Often [ ] 3. Just often [ ] 4. Not so often [ ] 5. Never [ ]

8. Do you feel that you have attained any new skills after training on-the-job?

   Yes [ ] No [ ]

9. If, yes which ones?

   ____

   ____

   ____

SECTION 4: Appraisal of directors

1. Are you appraised at your SACCO?

   Yes [ ] No [ ]

2. If yes, how many credits did you achieve in the last performance appraisal?
   (________________________)

3. Is this an improvement from the previous appraisal?
   Yes [ ] No [ ]

4. Do you receive feedback from your appraisers?
   Yes [ ] No [ ]

5. Do you feel that this feedback is honest?

6. Yes [ ] No [ ]

7. How often is the appraisal conducted?

   Less than quarterly [ ] Quarterly [ ] Yearly [ ] More than a year [ ]

SECTION 5: Democracy in Management

1. How would you classify the management of your SACCO?

   Participatory [ ] Non-participatory [ ] A bit of both [ ]

2. Who is in charge of the management of your SACCO?

   Committee [ ] Executives [ ] Directors [ ] Others [ ]

3. If others, please specify____

4. Do you feel that there is enough transparency in your SACCO?

   Yes [ ] No [ ]

5. Please explain your answer

   ____

   ____

   ____

6. Do you feel that the voting system in your SACCO is transparent?

Yes [ ] No [ ]

7. Explain your answer in question 6.

____
____
____
____

SECTION 6: Financial Performance

1. Have you ever experienced credit liquidity problems in your SACCO?

   Yes [ ] No [ ]

2. If yes, how often?

   1. Very often [ ] 2. Often [ ] 3. Neutral [ ] 4. Not so often [ ] 5. Not often

3. Are you able to process all credit requests promptly?

   Yes [ ] No [ ]

4. Justify your answer____

5. Do you monitor on your loans?

   Yes [ ] No [ ]

6. If yes, how ____

7. How would you rate loan repayment on your SACCO?

   1. Very good [ ] 2. Good [ ] 3. Neutral [ ] 4. Poor [ ] 5. Very poor [ ]

8. Have you experienced profits in the past one year?

   Yes [ ] No [ ]

9. What was the profit/loss margin?____

   Explain what led to the profit/loss _______________________________________

10. Give any other comment

    ____
    ____
    ____

Thanks for your assistance

Appendix 2: Introduction Letter

Micheni Kibati

P.O Box 91

Meru.

20 March 2014

Dear Respondent,

RE: REQUEST TO FILL THE QUESTIONNAIRE

I am a student of University of Nairobi, currently conducting a research study as a complement for the requirement of Masters of Arts in Project Planning and Management. I am therefore requesting that you provide the required information as it will only be used for academic reasons. Thank you for your co-operation

Yours Faithfully,

Micheni Kibati

Appendix 3: List of SACCOs in Meru County

IGEMBE SOUTH

NAME	NO. OF DIRECTORS	EXECUTIVE
1. Mwireri Nyambene Sacco	5	4
2. Igembe/Tigania Matatu Sacco	7	4
3. Nyambene Catholic Sacco	7	4
4. Akinga farmers Sacco	5	4
5. Nyambene Jua Kali Sacco	9	4
6. Menofas Sacco	7	4
7. Thabiti Sacco	9	4
8. Nyambene Arimi Sacco	9	4
9. MMH Sacco	9	4
TIGANIA WEST		
10.Meru University Sacco	7	4
11.TVT Sacco	5	4
12.Tigania West Women Sacco	7	4
13.Tigania West Youth Sacco	7	4
TIGANIA EAST		
14.Tiwosa Sacco	9	4
15.Michiimiguri Sacco	9	4
16.Benjalu Sacco	5	4
17.3MN	7	4

MERU CENTRAL

18.Githongo Majani Sacco	9	4
19.Kariene Biashara Sacco	9	4
20.Meru Green Sacco	9	4
21.Makiri bodaboda Sacco	7	4
22.Denterity	9	4

IMENTI SOUTH

23.Yetu Sacco	9	4
24.Times U Sacco	9	4
25.Kathera Rural Sacco	9	4
26.Wagop Sacco	7	4
27.Kamanku Sacco	7	4
28.Kagumone Sacco	7	4
29.Mitunguu Nissan Sacco	7	4
30.Imenti Animal Health Sacco	7	4
31.Meru Vision Sacco	7	4
32.Intertwin Sacco	7	4

IMENTI NORTH

33.Solution Sacco	9	4
34.Capital Sacco	7	4
35. Imenti Sacco	7	4
36. Ntiminyakiru Sacco	9	4
37.Centenary Sacco		
38. Ntethio Sacco	9	4

39.Mema Sacco	9	4
40.Kemu Sacco	9	4
41. MCK – Kinoru Sacco	7	4
42.Mafuko Sacco	9	4
43.New season Sacco	9	4
44.Pillars Sacco	9	4
45.Pacific Sacco	7	4
46.Menany Sacco	9	4
47.Menya Saco	9	4
48.Kibantu Sacco	9	4
49.Dilligence Sacco	9	4
50.Mega Sacco	7	4
BUURI		
51 . Wangu Sacco	7	4
52. Batian Sacco	7	4
53. Lobera Sacco	5	4
54. Kimenti Sacco	7	4
55. Lewa Down Sacco	9	4
56. Wilderness Trail Sacco	7	4