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IN A HISTORICAL AND DEVELOPMENT PERSPECTIVE

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CO-OPERATIVE CREDIT: THE KENYAN SACCOS
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ABSTRACT

SACCOS in Kenya are currently a leading source of the co-operative credit for socio-economic development

The phenomenal fast growth of the SACCOS in the last two decades to become a major co-operative type, particularly in Kenya is essentially due to the provision of credit for a wide range of purposes and on relatively very easy terms. The credit has furthermore suited different categories of borrowers including disadvantaged groups, especially women.

This discussion is aimed at establishing the facts and trends regarding Kenyan SACCOS. The idea is first to close the increasing knowledge gap on SACCOS as a co-operative institution; secondly, to highlight the emerging key role of SACCOS in development especially in terms of financial intermediation. The paper after putting credit into a development context therefore analyses the historical origins of co-operative credit focusing on the evolution and nature of Kenyan SACCOS.

INTRODUCTION.

There seems to be little debate on the need for credit to bring about faster economic development especially in the developing countries. The main problem, which is the crux of the matter, is just how best credit can contribute to development projects and enterprises both in the rural and urban areas. In this regard, there is currently a specific concern over how credit availability may be stimulated and credit secured. As a matter of fact, there continues to be lack of agreement on the various approaches to rely on when it comes to first, stimulating access to credit and secondly, the distribution arrangements or channels for increasing available credit, particularly for rural projects and enterprises. This paper, following a background discussion of credit mobilisation and financial intermediation in development, examines co-operatives as a channel for credit in Kenya focusing on SACCOs (savings and credit co-operatives).

Mobilization of Credit for Development.

The large international aid agencies and donor countries working with government of many developing countries, upto 1980 pumped funds in excess of US \$ 8 billion into specialised lending programs.¹ The basic aim of these programs has been over the years, to stimulate and secure growth in specific areas considered priority for investment or areas of "greatest need."

It has become apparent after some two decades of experience with international assistance that the policies and programs effected have not lived up to expectations as at the time of their inception. In many cases such programs have created problems and distortions which now need to be corrected before any progress can be made. For instance, the erroneous belief that credit is a free gift from the Government and need not to be repaid renders all revolving fund arrangements useless. This means, unfortunately, on the ^{one} hand trying still to resolve the initial genuine development constraints of capital that necessitated provision of credit in the first place. On the other hand, it underlines the requirement of much greater effort to at least make up for time lost particularly in the 1980s decade.²

The need to mobilise, generate and harness internal financial resources for development programs to supplement foreign financial resources in developing countries has continued to be a prime consideration in most discussions of credit for development. The mobilisation of domestic resources for rural development, it has been argued by most developing countries, is vital not only for their economic survival, but also for their ability to save and invest for enhanced growth in the future.³

The Role Financial Intermediation in Economic Development.

Views on the role played by finance in economic development have varied over time. For a long time, financial markets were viewed with hostility and usury was condemned. Both the Bible and Koran forbid charging of interest on loans.⁴ This hostility disappeared over time, and was initially replaced by a feeling that financial markets played a neutral and passive role in development.⁵ Other scholars of finance have argued that financial services emerge automatically and further that the demand for financial intermediation emerges due to growth in real economic activities. They have viewed loans only as a mere lubricant in the production process.⁶

A more recent view has replaced the earlier simplistic views that money is an irrelevant item in real growth; and alternatively that accumulation of it retards real growth. This more current view puts more complex considerations into the role of finance in general. In brief, it is held that finance affects the production process and that the financial system is a mobiliser and allocator which transforms and distributes inherent risks.⁷

A financial system performs four key functions.⁸ First, it mobilises and secures savings of many individuals and allocates the savings to a fairly small number of borrowers who undertake investments. Second, the financial system transforms and diversifies risks. Some investors are risk-averse and must be compensated for shouldering more risks. Some of them demand more compensation than others. The financial system, thus, allocates risks to those who charge least to bear it. Risk diversification is therefore possible by holding smaller participations in many portfolios rather than a large stake in just a few. Third, the financial system transforms maturities, offering savers the short term liquidity which they prefer, and simultaneously provides investors long term loans which are matched to the cashflows generated by their investments. Finally, the financial system helps to stabilise the economy. The authorities can manipulate the financial system depending on the situation at hand.

Today, many countries have realised the importance of financial intermediation in socio-economic development and many of them have attempted to use financial markets to force the pace of economic development.

Many policy makers have for long appeared to believe that rapid expansion in the supply of financial services coupled with concessionary interest rates and non-market loan rationing can be used to accelerate economic growth and development both in rural and urban areas.⁹

There are however, opponents of this strategy that have grown in numbers since the mid-80s. who have based their arguments particularly on interest rate policies. They argue that low and fixed interest rates on financial tools retard savings and capital formation, fragment financial markets, cause inefficient allocation of resources, and cause distortions in income distributions and asset ownership. Their recommendation is that flexible interest rates that adjust with inflationary charges be adopted. This policy is seen to be able to allow the financial markets to play a more positive role in economic development, particularly in developing countries' rural areas

In Kenya, the need to mobilise and secure financial resources for development generally was realised by the Government soon after independence in 1963. In order to realise the objectives set for rural development the Government encouraged the establishment of institutions which could offer various savings and credit facilities. One of these institutions is the co-operative movement where the notions of concessionary interest rates and non-market loans were prevalent especially among agricultural marketing co-operatives.

Savings and Credit Co-operatives in Africa: Origins.

In Africa, the idea of savings and credit societies was first discussed in 1955 in Jirapa, a small town in the Upper West Corner of Ghana which was then the Gold Coast. The idea was brought by a Roman Catholic priest, Father John McNulty from Ireland. He had studied in Canada where he learnt about savings and credit co-operative societies.

Father McNulty decided to assist the Jirapa villagers to form a savings and credit Co-operative. The co-operative had a specific aim of assisting the members to address their financial problems which they could hardly do individually. Father McNulty trained about 60 people, mainly teachers and catechists for about 6 months after which the first **inaugural** meeting was held. A committee was subsequently elected with McNulty serving as Treasurer/Advisor/organizer. These people in the committee were the first successful savings and credit co-operative pioneers on the African continent.

The success of Jirapa savings and credit co-operative spread throughout Ghana. By 1968, the savings and credit co-operatives throughout the country came together to form a national association- the Credit Union of Ghana (CUA). CUA was basically set up to promote, organise, service and co-ordinate the activities of savings and credit co-operatives in Ghana. The Jirapa success story has been and is being replicated throughout the African continent.

There are other countries that vie with Ghana for the distinction of having initially promoted and organised successful savings and credit co-operatives in the African continent. But documented evidence to confirm such beginnings of savings and credit co-operatives in these countries is lacking. For instance, it is claimed that the first savings and credit co-operative was organised by Uganda Government officials and volunteers around 1946. In Nigeria, in the Eastern Provinces of Owerri and Calabar **there is** also a claim that the savings and credit co-operatives were formed between 1951 and 1953.¹¹

In any case, in Table 1 are listed the years in certain African countries have recorded as matching the establishment of their first successful savings and credit co-operatives. The indications are therefore that savings and credit co-operatives emerged in the continent in the last '40s and early 50s.

Table. 1 Establishment of Savings and Credit Co-operatives in Africa.

| Country | Year of establishing Savings and credit Co-operative |
|-----------|--|
| Ghana | 1955 |
| Tanzania | 1961/1954* |
| Mauritius | 1960 |
| Lesotho | 1961 |
| Malawi | 1962 |
| Cameroon | 1963 |
| Kenya | 1964 |

* First Private Credit Union

Early Attempts to Mobilise Savings in Kenya: The Thrift Associations.

The thrift companies were established in Kenya by the Africans as early as 1940s. They were, perhaps, the initial attempts by the then African elites who had some exposure to the monetary economy, to mobilise the local people into economic and political activities. The thrifts were organized largely on the basis of locality. They were registered either under the Companies Act (as was the case with Luo Thrift and Trading Corporation) or under the Co-operative Societies Ordinance/Act.¹²

The thrifts were seen as the initial attempts by the natives to organise themselves to venture into economic and political activities so as to counter the European dominance.¹³ The early mushrooming of thrift associations in the late 1940s and early 1950s coincided with the end of the World War Two. Many soldiers returned home after exposure to many countries, and carrying with them relatively large sums of money. With this money, it is reported that they started "floating companies" which failed as one would expect

due to lack of commercial knowledge and proper management.^{14.}

The majority of the thrift associations which were registered in the late 40s, and early 50s under the Co-operatives Act were not successful. Many of them were non-starters and were in fact liquidated after a short period. Available documentary evidence shows that the majority of the thrifts were liquidated between 1948 and 1958. Most of them being liquidated after one or two years of existence.¹⁵ As one key informant in the Ministry of Co-operative Development put it, some of the thrift associations did not have much in the form of assets apart from certificates of registration and small contributions made by their initiators. But this is not to suggest that there were hardly any successful thrifts. In any case, even those which were initially fairly successful, like the Luo Thrift and Trading Corporation, also experienced difficulties in the later years.¹⁶

The Thrift corporations/associations were significantly different from the modern savings and credit co-operatives apart from the similarity of savings. First, unlike the modern savings and credit co-operatives where the savings mobilised are used to extend credit to members on softer terms, savings mobilised by the thrifts were used to venture into commercial and trading activities like General Merchant, wholesale, retail, catering, transport and small scale manufacturing. Second, the idea of membership of the Thrifts being limited to those people with a common bond specifically in terms of employment did not exist as it does with modern savings and credit co-operations in Kenya. Third, in the modern savings and credit co-operatives, the general perception has been that they are institutions which provide their members with savings and credit facilities which are easily accessed by the majority of low income earners both in the rural and urban areas. The Thrifts were perceived as elite ventures and lacked consensus even on business initiatives. To some they were actually only economic means to political ends.¹⁷

Kenya Co-operatives: Origins and Expansion.

The history of co-operatives in Kenya dates back to 1908 with societies formed by white settlers. The indigenous Kenyans became involved in Co-operative activities much later with the passing of the Co-operative Societies Ordinance of 1945 which replaced the first Co-operative Societies Ordinance which was passed in 1931.

The earlier co-operatives were formed and encouraged to promote the interests of the European settlers and they were largely farming co-operatives. The initial attempt to encourage African farming co-operatives can be linked to the need to implement the recommendations of the 'Swynnerton Plan' of 1953. The application of Swynnerton Plan formulated to improve African farming, specifically the growing of cash crops is recorded to have encouraged the progress and growth of African cooperatives.

Today, the co-operatives are an integral part of the Government economic strategy aimed at creating income generating opportunities particularly in the rural areas. The co-operative movement has been recognised by the Government as a vital institution for the mobilisation of human and material resources for various development projects particularly in the rural areas where the majority of people reside, earning their livelihood mainly from agriculture.¹⁹

The co-operative movement now contributes well over 45 per cent of Kenya's GDP and it is estimated that at least one out of every two Kenyans directly or indirectly derives his/her livelihood from the co-operative movement.

Over the years, the co-operative movement remained predominantly agriculturally oriented. However, in the recent past, the co-operative movement has experienced significant diversification in activities and interests notably savings and credit. Other non-agro-based co-operatives have also emerged and ventured into areas such as housing; "Jua-Kali", building and construction, handicrafts, transport, small scale industries, etc.²⁰

Co-operatives and the Financial Sector in Kenya.

At the attainment of independence in 1963, there was already the need to mobilise domestic financial resources in the form of savings for the overall development in the country, particularly the rural areas which lagged behind during the colonial administration. Following the rapid growth and expansion of the co-operative movement, particularly after independence, it was deemed necessary to set up co-operative institutions which could provide financial services specifically, to the movement.

From the mid 1960s, there developed in Kenya a tripartite system of mobilising savings among the co-operative and availing the same in the form of short and medium term softer loans to co-operative members. The co-operative savings systems that is still evolving is today comprised of the Co-operative Bank of Kenya (CBK), the Union Banking sections (UBS) and the SACCOS - Urban Savings and credit Co-operative and the rural savings and credit co-operatives. There is in addition the Co-operative Insurance Services (CIS) which provides loan protection insurance and insurance for members savings among other insurance fields specifically for co-operatives.

1. The Co-operative Bank of Kenya.

The Co-operative Bank of Kenya (CBK) is an outstanding milestone in the overall development of Kenya's Co-operative movement and financial sector. The CBK historically marks the first major private sector initiative toward control of the financial sector by indigenous Kenyans.

The idea of a co-operative bank can be attributed to the fact that commercial banks in which co-operatives had accumulated large sums of money applied tight and rigid lending conditions. The small land-holders co-operative members were in fact not benefiting satisfactorily from the loan arrangements of commercial banks.²¹

The Co-operative Bank of Kenya Limited was registered in 1965 under the Co-operative Societies Act and started its operations in January 1968, licensed as a commercial bank under the Banking Act, but registered as a co-operative, not as a company as is normally with commercial banks in Kenya.

The main objectives of the bank was to mobilise and pool financial resources of the co-operative movement, and to give financial assistance and carry out banking services for the benefit of the co-operative members.

The bank has experienced rapid growth and expansion since 1968. With only a small capital base of Kshs. 225,000 and a government interest-free loan of Kshs. 214,000 in 1968, the bank's share capital reached Kshs 92.3 million by 1988, while its loan portfolio stood at Kshs 1.2 billion. The bank has also expanded its branch network to cover virtually all provinces of Kenya. There are currently 11 operational full branches in the country.

2. UBS - The Result of Co-operative Savings Scheme (CSS).

Rural savings and credit co-operatives emerged and became formalised in Kenya soon after independence to fill the gap for agricultural credit for farm inputs because the existing credit institutions were not in favor of providing funds for rural credit. The beginning was marked by the launching of the Co-operative Promotion and Credit Scheme (CPCS), which had a savings component, co-operative savings scheme (CSS), which became known as Union Banking Sections (UBSs).

Co-operative Savings Scheme (CSS) was established to mobilise funds held by the co-operators to provide finances for CPCs and other local small scale farmers' aid projects. In co-operative unions operating both the CPCS and CSS, Union Banking Sections (UBSs) were established. By the end of 1985, there were 16 UBSs, throughout the country with 540,700 savings accounts and Kshs. 725,800,000 in the form of members deposits.

The CPCS was established in order to create a system and organization which could enable small scale farmers to obtain loans through their marketing co-operatives, and to provide a system for collecting savings from individual members of these societies.

The CPCS has been working with funds obtained from the Co-operative Bank in addition to funds raised with the Co-operative Unions from members' savings. The UBSs have operated independently and are now able to finance 100 percent

of their lendings from members' savings.²²

3. Savings and Credit Co-operatives: Historical Background

In the late 1940s and early 50s a number of local associations were formed and in some cases registered by the Africans. The majority of these were in the form of welfare societies, burial societies and thrift associations. They were initially formed on the basis of locality or clanism, and it is documented that they had a lot of support from the members. These associations were formed and encouraged by the African ^{elites} mainly to improve the welfare of the members, to help bereaved families and to venture into business activities. In some cases they provided spring boards for political activities. Savings was therefore inevitable in these local associations. However, no documentary evidence shows that they provided credit facilities. But this aspect of credit may not be ruled out completely.

One of the informants, who worked with the Department of Co-operative Development and subsequently the Ministry of Co-operative Development, reported that there were attempts by some of these earlier associations to register them as savings and credit associations under the Department of Co-operative Development. Such attempts met stiff resistance from the colonial administration as it did not favor credit to Africans. The colonial administration argued that the Africans were not yet ready to form such associations/societies.

In the late 50s and early 60s the struggle for independence in Kenya intensified. It is reported that many Kenyan politicians realised that co-operation among the Africans was necessary. By then the African produce marketing co-operative societies and welfare societies were on the increase. They were seen as capable of providing such co-operation. In the early 60s, the Kenya African National Union (KANU) as a political party, is reported to have sponsored a number of Kenyan students to study abroad where they learnt more about co-operatives in general and savings and credit co-operatives in particular.²³

By the time of independence in 1963, the ground had been laid for a new start with revised legislation and a comprehensive re-organization and revitalisation of the co-operative movement. There were already plans to register some of the welfare associations as savings and credit co-operative societies and to encourage the formation of such new societies.²⁴ The first savings and credit co-operative societies in Kenya was then registered in 1964.

In its Sessional Paper NO.4 of 1987 on *Accelerated Growth Through the Co-operative Movement*, the Government expressed its desire to streamline the SACCOs and stated inter alia that:

In order to streamline and harmonize the development of a viable co-operative banking system capable of serving its members efficiently and safeguarding their money the same time, the Government, in consultation with the co-operatives concerned and the co-operative Bank of Kenya, will re-organize and incorporate the present banking sectors into autonomous SACCO societies with their own board of directors elected by their members.²⁵

In addition, it was the intention of the Government and the Co-operative Bank of Kenya to assist the new institutions with management systems and in recruitment, training and deployment of management staff responsible for their operations.

Also the Government was to re-organise and revitalise the Kenya Union of Savings and Credit Co-operatives Ltd. (KUSCCO), registered in 1973, to be the apex body for all SACCOs to which they will affiliate and through which they will affiliate to other appropriate national and international bodies.

The savings and credit co-operative societies, now commonly referred to as SACCOs in Kenya, are found both in urban and rural areas. The primary objectives of SACCOs is to provide savings and credit facilities easily accessed by the members. It is out of the savings mobilised that credit is extended to the members on softer terms than what is offered by the existing financial institutions in Kenya.

The urban savings and credit co-operative societies are formed by salary and wage earners who have a common bond and whose employer has agreed to effect "check off" system for members' monthly contributions and loan repayments. The growth of urban SACCOs has changed the overall pattern of co-operative growth which was dominated by agricultural co-operatives. The urban SACCOs are now found practically in all Government ministries, local authorities, parastatal organizations, private sector organization, educational institutions and NGOs. They constitute the greatest majority of savings and credit co-operatives.²⁶

11 Evolution of SACCOs Facts and Trends.

In Kenya, the first successful Savings and Credit Co-operative society was registered in 1964. By the end of the year- 1964, there were a total of 7 of what were in 1986 formally renamed SACCOs registered in Kenya. Three of them were registered in Nairobi, one in Central province and one in Western province. The available documentary evidence does not show where exactly the other two were registered. At any rate these particular two SACCOs have been liquidated. Table 2 shows the registration of SACCOs by Provinces between 1964 and 1969 period. The table shows that with only 7 SACCOs registered in 1964, the number reached 85 SACCOs in 1969. There was a remarkable registration in 1966. The table further shows that more SACCOs were registered in Nairobi than any other province during the 1964/69 period.

Table 2 Registration of Savings and Credit Co-operative Societies 1964/69.

| PROVINCE | YEAR | | | | | | Total |
|--------------|----------|----------|-----------|-----------|-----------|-----------|-----------|
| | 1964 | 1965 | 1966 | 1967 | 1968 | 1969 | |
| Nairobi | 3 | 1 | 13 | 7 | 4 | 7 | 35 |
| Central | 1 | - | 7 | 3 | 3 | 1 | 15 |
| Western | 1 | - | 3 | - | 2 | 1 | 7 |
| Nyanza | - | - | - | 2 | 1 | 2 | 5 |
| R.Valley | - | 1 | 1 | - | - | 2 | 4 |
| Coast | - | - | 4 | 3 | 2 | 4 | 13 |
| Eastern | - | - | 3 | 1 | - | - | 4 |
| N.Eastern | - | - | - | - | - | - | - |
| N A* | 2 | - | - | - | - | - | 2 |
| Total | 7 | 2 | 31 | 16 | 12 | 17 | 85 |

Source: Kenya Co-operative Directory, MOCD, March, 1990

* Place of registration not defined.

This pattern of registration shows that SACCOs in Kenya are predominantly in the urban centres as opposed to the rural areas .

In 1965, a National Promotion Committee was established by the Government to formulate policies on Savings and Credit Co-operative Societies and to regulate their promotion.²⁷ The following year, 1966, there was a remarkable increase in their registration as 31 SACCOS were registered compared to only 2 in 1965 (Table 2). In 1967 only 16 SACCOS were registered; 12 and 17 were registered in 1968 and 1969 respectively.

In 1969, the Government established a statutory requirement limiting the registration of new SACCOS to those in which members had a common board.²⁸ Initially, the common bond was referring to wage and salary earners who had a common employer, who accepted or had given assurance of the willingness to effect a "check-off" system to members' monthly contributions and loan repayments. This statutory regulation it can be argued was a major factor behind the widespread emergency of work place societies.

In 1970, the Government issued a policy paper on Co-operatives entitled Sessional Paper No.8 on Co-operative Development Policy for Kenya. In this paper, the Government emphatically stated the important role SACCOS were expected to play in the socio-economic development and stated, inter alia that:

The encouragement of thrift among the salaried community and the accumulation of savings through savings and credit co-operatives can make significant contribution towards providing local development capital and thereby reduce the need for borrowing from outside the country.²⁹

The Government initiatives that followed the introduction of the check-off system in 1969 and the publication of the official paper in 1970 seem to have led to growth and expansion of the number and activities of the SACCOS in the country.

The number of registered societies, membership, and the volume of savings mobilised and loans to members grew significantly. Tables 3.4 and 5 give an indication of this growth.

Table 3. Registration of Savings and Credit Co-operative Societies by Provinces.

| Province | Year of Registration | | | | | | | TOTAL | |
|----------------|----------------------|-----------|-----------|-----------|-----------|-----------|---------|-------|-----|
| | Up to 1963 | 1964-1969 | 1970-1975 | 1976-1980 | 1981-1985 | 1986-1989 | 1990* | No. | % |
| Nairobi | 3 | 35 | 99 | 239 | 369 | 342 | 7 | 1094 | 51 |
| Coast | 3 | 13 | 32 | 75 | 62 | 78 | - | 263 | 12 |
| Central | - | 15 | 16 | 50 | 58 | 58 | 4 | 201 | 9 |
| Nyanza | 2 | 5 | 14 | 29 | 24 | 43 | - | 117 | 5 |
| Western | 1 | 7 | 4 | 19 | 11 | 22 | - | 64 | 3 |
| R.Valley | 2 | 4 | 42 | 83 | 80 | 106 | 3 | 320 | 15 |
| Eastern | - | 4 | 17 | 15 | 15 | 25 | - | 76 | 4 |
| N.Eastern | - | - | - | 2 | - | 2 | - | 4 | 0.2 |
| Not Available. | 3 | 2 | - | - | - | - | - | 5 | 0.2 |
| TOTAL | 14(0.7%) | 85(4%) | 224(10%) | 512(24%) | 619(29%) | 575(32%) | 14(.7%) | 2144 | 100 |

Source: Kenya Co-operative Directory. Ministry of Co-operative Development, March, 1990.

* Registration upto March, 1990.

Table 4 Membership of SACCOS by provinces - 1988.

| Province | Membershi | % |
|---------------|-----------|-----|
| Nairobi | 547,327 | 56 |
| Central | 42,205 | 4 |
| Western | 34,809 | 3.5 |
| Nyanza | 36,480 | 3.6 |
| Rift Valley | 205,801 | 21 |
| Eastern | 77,604 | 8 |
| Coast | 35,898 | 3.7 |
| North Eastern | 2163 | 0.2 |
| Total | 982,287 | 100 |

Source: Ministry of Co-operative Development, File Records.

Table 5. Accumulated SACCOS Share Capital (1988) by Provinces.

| Province | Share Capital (Kshs) | % |
|---------------|----------------------|------|
| Nairobi | 5,994,826,442 | 75.4 |
| Central | 250,123,110 | 3 |
| Western | 204,937,836 | 2.6 |
| Nyanza | 236,686,157 | 3.0 |
| Rift Valley | 724,313,786 | 9.1 |
| Eastern | 200,225,553 | 2.5 |
| Coast | 329,187,448 | 4.1 |
| North Eastern | 5,306,174 | 0.1 |
| Total | 7,954,606,506 | 100 |

Source: Ministry of Co-operative Development, File Records.

Past 1970 Rapid Growth and Expansion.

There was a progressive and rapid growth of SACCOs between 1970 and 1990. From only 85 registered by the end of 1969, this number increased by 224 between 1970 and 1975, totalling 309 by the end of 1975. Between 1976 and 1980 a total of 512 SACCOs were registered giving a total registration of 821 SACCOs at the end of 1980. There was even a higher growth in the number of SACCOs in the 1980s, to the extent that about 1295 new SACCOs were registered. These are shown on Table 3.

A further revelation is that out of a total of 2144 SACCOs registered in the country by March, 1990, 51% have been registered in Nairobi alone, 15% and 12% have been registered in Rift Valley and Coast Provinces respectively. The rest have been registered in Central (9%), Nyanza (5%), Eastern (4%), Western (3%) and North Eastern (0.2%) Provinces.

Membership:

The membership of SACCOs has also grown and expanded over time. Table 6 indicates the growth of Savings and Credit Co-operative Societies over 1971/89 period. From only 36,000 members in 1971, there has been a progressive expansion over the years. The membership had more than tripled by end of 1975. Over a period of only three years, the membership had grown from 101,000 in 1975 to about 387,000 by end of 1978. There has been a positive growth since then and it has been estimated that by the end of 1989, the membership had risen to over one million. This rapid growth in membership has been attributed to the easy access to credit enjoyed by the members.

Table 4 shows membership of SACCOs by Provinces as at end of 1988. The table reveals that by 1988, 56% of all SACCOs membership was in Nairobi. This was followed by Rift Valley which had 21 %

Savings and Loans to Members

As Table 6 shows SACCOs have become important mobilisers of savings in the Kenyan economy. They are therefore playing an important role in financial intermediation. The savings mobilised by the SACCOs have experienced rapid growth over the 1971/89 period. With only Kshs.8 million in 1971, the savings reached Ksh.118 million after only 4 years (end of 1975). Savings mobilised tripled between 1975 and 1978 Kshs.351 million. Between 1978 and 1980 the figure rose to Kshs.898 million. In 1981 SACCOs had mobilised well over

Table 6. Growth of Savings and Credit Co-operative Societies - 1971/1989

| | 1971 | 1972 | 1975 | 1978 | 1980 | 1981 | 1982 | 1984 | 1985 | 1986 | 1988 | 1989 |
|-------------------------------------|------|------|------|------|------|------|------|------|------|----------|------|------|
| No. of Societies | 129 | 101 | 230 | 520 | 731 | 716 | 900 | 1022 | 1350 | 1462 | NA | 2130 |
| Membership ('000) | NA | 36 | 101 | 387 | NA | 403 | 500 | 600 | 694 | 930(982) | 1000 | |
| Savings (Kshs Million) | 8 | 16.2 | 118 | 357 | 898 | 1500 | 1600 | 2700 | 3300 | 3500 | 7900 | 9000 |
| Loans to Members (Kshs. Million) | 5 | NA | 92 | NA | 724 | 940 | 1440 | 2200 | NA | 2800 | NA | 7600 |

Source: Statistics for Co-operatives in Kenya, Various Issues, MOCD.

Kshs. 1.5 billion and since then the growth has been very rapid. By end of 1986 over Kshs 3.5 billion had been mobilised and by the end of 1989, it was estimated that over Kshs 9 billion had been mobilised.

Loans to members has also experienced a similar growth as the savings. From only about Kshs 5 million loaned to members in 1971, over Kshs 940 million had been loaned out to members by end of 1981. By end of 1984 over Kshs 2.2 billion were loaned out. By end of 1989 this figure was more than trippled - over Kshs 7.6 billion loaned to members.

Savings and Credit Co-operatives Turnover

Savings and credit co-operative societies turnover has experienced a rapid increase over the years. Table 7 shows turnover for savings and credit co-operative societies in Kenya between 1977 and 1989. In 1977 the turnover was Kshs 44 million. There was a decline in 1978 and 1979 with annual turnover of Kshs 21 million and Kshs 2.2 million respectively. The figure rose to Kshs 59 million in 1980. There was a remarkable growth in 1981 when the turnover increased from only Kshs 59 million to Kshs 327 million in 1981. After seven years in **1983** the annual turnover peaked to well over Kshs 1500 million in 1989. From the past performance of SACCOs in Kenya, one would expect that this growing trend will at least be maintained.

Table 7: Total Turnover (Income) for Savings and Credit Co-operatives
1977/89

| Year | Turnover (Kshs Million) |
|------|-------------------------|
| 1977 | 44 |
| 1978 | 21 |
| 1979 | 22 |
| 1980 | 59 |
| 1981 | 76 |
| 1982 | 327 |
| 1983 | 236 |
| 1984 | 312 |
| 1985 | 517 |
| 1986 | 557 |
| 1987 | 702 |
| 1988 | 1355 |
| 1989 | 1500* |

Source: Statistics for Co-operatives, MOCD, Various Issues.

* Provisional

Table 8 shows SACCOs turnover by Provinces in 1988, while Table 9 shows SACCOs average District turnover by Provinces for 1988. Table 9 reveals that Central Province had the highest average district turnover of about Kshs 153 million per district followed by Western with about Kshs 7 million per district. Nairobi area had an average figure of Kshs 457 million. Nairobi Province has no administrative districts as such.

Table 8: SACCOs Turnover - by Provinces - 1988

| Province | Turnover (Kshs) | Percentage |
|---------------|-----------------|------------|
| Nairobi | 457,373,513 | 3.4 |
| Central | 763,284,399 | 5.6 |
| Western | 21,117,033 | 2 |
| Nyanza | 5,691,184* | 0.4 |
| Rift Valley | 46,127,671 | 3 |
| Eastern | 37,859,044 | 2.8 |
| Coast | 22,446,094 | 1.7 |
| North Eastern | 607,176 | 0.04 |
| Total | 1,354,506,714 | 100 |

Source: Ministry of Co-operative Development: File Records

* The figure is for only one (Kisumu) of the 4 Districts.

Table 9: SACCOs Average District Turnover by Provinces - 1988

| Province | Average Turnover (Kshs) |
|---------------|-------------------------|
| Nairobi | 457,373,503 |
| Central | 152,656,880 |
| Western | 7,039,011 |
| Nyanza | 5,691,184* |
| Rift Valley | 5,765,959 |
| Eastern | 6,309,841 |
| Coast | 3,741,116 |
| North Eastern | 303,588 |

Source: Ministry of Co-operative Development: File Records.

* Not an average figure as only Kisumu District turnover figure is indicated.

SACCOs and Farming Co-operatives

Although SACCOs are relatively recent institutions in Kenya compared to the farming co-operatives, they have had a remarkable impact in mobilising savings. By the end of 1989, the SACCOs had mobilised well over Kshs 9 billion compared to only Kshs 750 million by farming co-operatives.*

In terms of turnover, SACCOs have performed much better compared to other individual type of co-operative societies and Unions. Table 10 shows turnover in co-operative societies by type of society for 1983/89 period. It is revealed that between 1983 and 1989 turnover of SACCOs has been increasing and their overall ranking is second only after coffee co-operatives. SACCOs are followed by Multi-Produce and dairy co-operatives.

Table 10: Turnover (in Million Kshs) in Co-operative Societies by Type of Society 1983/89

| Type of Society | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 |
|-------------------|------|------|------|------|------|------|-------|
| Coffee | 1732 | 2582 | 2756 | 2680 | 3082 | 3277 | 3256 |
| Savings & Credit | 236 | 312 | 517 | 557 | 702 | 1355 | 1500* |
| Multi-Produce | 326 | 270 | 298 | 320 | 387 | 417 | 421 |
| Dairy | 131 | 142 | 143 | 196 | 231 | 522 | 699 |
| Pyrethrum | 43 | 22 | 20 | 76 | 95 | 106 | 128 |
| Cotton | 37 | 46 | 52 | 61 | 75 | 88 | 78 |
| Sugar-Cane | 20 | 37 | 33 | 70 | 83 | 92 | 110 |
| Farm Purchase | 49 | 34 | 30 | 45 | 52 | 50 | 45 |
| Fisheries | 22 | 22 | 35 | 40 | 46 | 49 | 54 |
| Consumers | 14 | 18 | 19 | 21 | 23 | 23 | 23 |
| Housing | 17 | 5 | 24 | 24 | 26 | 26 | 29 |
| Craftsmen | 8 | 7 | 10 | 9 | 15 | 17 | 19 |
| Timber & Charcoal | 7 | 16 | 17 | 10 | 4 | 3 | 3 |
| Transport | 5 | 2 | 6 | 5 | 4 | 6 | 7 |

Source: Ministry of Co-operative Development, Statistics Division, Various Records.

* Provisional

Kenyan SACCOs in a Global Perspective

Below are listed the first four countries of the world with the largest number of savings and credit co-operative societies by the end of 1989, according to the latest WOCCU statistical report:

| | |
|-----------|-------------|
| Sri Lanka | 6761 SACCOs |
| Kenya | 2000 |
| Indonesia | 1489 |
| Korea | 1286 |

Globally, in terms of membership, Kenya is ranked third, and is ranked second in terms of accumulated deposits which is currently at the tune of Kshs 9 billion. In terms of assets owned by the SACCOs, Kenya ranks second in the world with present total asset valued at Kshs 7 billion. Also Kenya ranks second in the world in terms of total loans disbursed to members - about Kshs 7.6 billion. Korea is leading in the world in terms of membership, deposits, assets and loans disbursed to the SACCO members.

In Africa, Kenya has the highest number of SACCOs (over 2000) compared to Benin with six and Seychelles with only one. Uganda and Ethiopia rank second and third with 751 and 433 SACCOs respectively.

Co-operative Credit: A Case Study of Selected SACCOs in Nairobi

In this section an analysis of some selected SACCOs supported by readily available statistics is presented. The purpose of this particular section is to bring into perspective the actual credit practices of some of the SACCOs operating in the leading urban centre, Nairobi. Some of the SACCOs, however, have countrywide membership.

Some basic information about the SACCOs that were studied are presented on Table 11. The table shows membership, share capital, loans to members, amount of loans repaid, outstanding loans and turnover as at 30th June 1990. The nine SACCOs had a membership of 251,718 and accumulated share capital of Kshs 2,586.3 million. Their loans to members amounted to Kshs 803.9 million of which Kshs 530.1 million had been repaid by 30 June 1990. Total loans outstanding was Kshs 2,070 million and their biannual total turnover was Kshs 115.9 million.

A close look at file records of each of these SACCOs revealed that as at 30th June, 1990 well over 70 per cent of the members had loans for a variety of purposes.

Table 11: Membership, Share Capital, Loans to Members, Loans Repaid, Outstanding Loans and Turnover of Some SACCO Societies in Nairobi as at 30-6-1990.

| SACCO Society | Member-ship | Share Capital (Ksh.Million) | Loans to Members (Kshs Mill.) | Loans Repaid (Kshs.Mill.) | Loans Out- Standing (Ksh.Mill.) | Turnover (Ksh.Mill.) |
|---------------|----------------|--------------------------------|----------------------------------|------------------------------|---------------------------------------|-------------------------|
| A. | 98,950 | 927.6 | 291.3 | 178.2 | 27.8 | 1.6 |
| B. | 51,000 | 460 | 147.4 | 92.6 | 453.5 | 15.4 |
| C. | 41,848 | 510 | 116.0 | 121.2 | 428.9 | 22.8 |
| D. | 28,482 | 310.7 | 113.6 | 77.6 | 288.6 | 16.0 |
| E. | 20,297 | 136 | 87 | - | 144 | 11.3 |
| F. | 4,521 | 128.9 | 12.5 | 21.6 | 659.3 | 27.9 |
| G. | 4,000 | 43 | 8.0 | 8.7 | 40.0 | 2.7 |
| H. | 1,290 | 40.6 | 14.0 | 19.7 | 12.7 | 2.4 |
| I. | 1,330 | 29.5 | 14.1 | 10.5 | 15.2 | 1.4 |
| TOTAL | 251,718 | 2,586.3 | 803.9 | 530.1 | 2,070.0 | 115.9 |

Loan Purposes

The loans obtained from the nine SACCOs are put to a wide range of uses of direct economic and social benefits to the borrowers and their families.

The main uses were found to include purchase of houses in urban areas, purchase of commercial plots, building of residential houses both in urban and rural areas, investment in small businesses particularly in urban areas, e.g. shops, butcheries and hotels. The other uses are purchase of smallholder farms, farm improvements such as fencing and zero grazing shades, purchase of graded cows, and purchase of farm inputs such as fertilizer and seeds.

The loans are also used for social purposes ranging from paying school fees, paying hospital bills, funeral arrangements, buying of cooking equipment, buying clothing, to buying furniture. The loans given by the SACCOs are also used to service other loans taken by the members from elsewhere, as well as purchase of shares and similar investments. The loans are also used for the purchase of personal cars as well as "Matatus".

In the case of one of the SACCOs, the loans obtained for small scale business undertakings comprised of dressmaking/tailoring, hair/beauty saloon, grocery shop, retail shop, etc.

The loans take members an average of two weeks to obtain, i.e. from the date the loan applications are received in their respective Headquarters. The SACCOs reported in this section reported improvements in the procedures of processing and granting of loans to members. Delays in processing and granting of loans has over the years been a problem reported by many of the SACCO society members.

In Table 13 is presented a list of the first one hundred SACCOs in Nairobi in terms of membership and share capital as at 1st January 1988. The list, furthermore, demonstrates the fact that SACCOs are found both in the public sector as well as private sector organizations. The leading SACCOs are however located in the public sector within ministries and parastatals that also have large numbers of employees in their payroll.

Harambee, Afya and Ukulima SACCOs in the government ministries are by far the leading SACCO societies in the country in terms of membership and share capital. The membership of these three SACCOs has increased an average of 15% during the last two years and one-half. Even more striking is the growth in share capital which has been phenomenal averaging nearly 65% during the same period.

Table 12: The 1st 100 SACCO Societies in Nairobi in Terms of Share Capital and Membership as at January 1988.

| SACCO Society | Organization | Membership | Share Capital (Ksh. Million) |
|-------------------|-------------------------------------|------------|------------------------------|
| 1. Harambee | Office of the President | 84,400 | 535.2 |
| 2. Afya | Ministry of Health | 37,287 | 322.0 |
| 3. Ukulima | Ministry of Agric. & Livestock | 43,895 | 287.1 |
| 4. Mwalimu | Teachers | 14,798 | 195.4 |
| 5. Reli | Kenya Railways | 21,537 | 182.1 |
| 6. Posta | Kenya Posts & Telecommunication | 22,952 | 181.4 |
| 7. Ufundi | Ministry of Public Works | 29,852 | 138.0 |
| 8. Asili | Ministry of Energy/Nat. Resources | 20,297 | 136.0 |
| 9. Tembo | Kenya Breweries | 3,780 | 86.1 |
| 10. Magereza | Kenya Prisons | 9,900 | 72.2 |
| 11. Kenya Bankers | Commercial Banks | 10,010 | 62.0 |
| 12. Kenya Police | Kenya Police | 10,054 | 60.7 |
| 13. Nacico | Nairobi City Commission | 9,200 | 57.0 |
| 14. Stima | Kenya Power & Lighting | 6,245 | 53.9 |
| 15. Transcom | Min. of Transport & Communication | 9,672 | 50.9 |
| 16. Chuna | University of Nairobi | 5,749 | 48.7 |
| 17. Hazina | Min. of Finance & Econ. Planning | 4,192 | 45.1 |
| 18. Jamii | Min. of Culture and Social Services | 6,140 | 45.0 |
| 19. Wanandegge | Kenya Airways | 2,256 | 40.8 |
| 20. Elimu | Ministry of Education | 7,760 | 39.3 |
| 21. Tena | Nairobi Teachers | 2,770 | 32.6 |
| 22. Mwito | Min. of Tourism and Wildlife | 6,826 | 32.0 |
| 23. Sauti | Ministry of Inform. & Broadcasting | 3,100 | 29.6 |
| 24. Ulinzi | Dept. of Defence (Civilian) | 3,798 | 23.7 |
| 25. Shirika | Min. of Co-operative Development | 2,620 | 23.3 |
| 26. Huruma | Kenya Bus Service | 420 | 22.5 |
| 27. Sheria | A.G's Chambers | 2,616 | 22.4 |
| 28. Maziwa | K C C Ltd. | 2,378 | 21.4 |
| 29. Cuew | Customs Dept. | 2,100 | 21.4 |
| 30. B.A.T | B.A.T (K) Ltd | 1,397 | 21.2 |
| 31. Nafaka | National Cereals and Produce Board | 2,987 | 20.7 |
| 32. Kenversity | Kenyatta University | 1,728 | 16.6 |
| 33. Sheloyees | B P Shell (K) Ltd. | 732 | 14.6 |
| 34. Comoco | CMC K (Ltd) | 1,395 | 13.1 |
| 35. Ufanisi | A.F.C. | 1,127 | 11.5 |
| 36. Jogoo | Ministry of Home Affairs | 1,340 | 11.1 |

| SACCO Society | Organization | Membership | Share Capital (Ksh.Million) |
|----------------------|-----------------------------------|------------|--------------------------------|
| 37. Bima Ya Taifa | Kenya National Assurance | 862 | 10.8 |
| 38. Unga | Unga Group of Companies | 1,250 | 10.5 |
| 39. Dudu | ICIPE | 402 | 9.9 |
| 40. Extelcoms | External Communications | 844 | 9.9 |
| 41. Peogeut | Marshals E.A. Ltd. | 922 | 9.5 |
| 42. Uchumi | I.C.D.C | 662 | 9.1 |
| 43. Ukaguzi | Exchequer and Audit Dept. | 1,109 | 7.4 |
| 44. Unito | U.T.C K(Ltd) | 351 | 6.3 |
| 45. Irrigation | NIB | 1,004 | 6.3 |
| 46. Balozí | US Embassy (Kenyan Employees) | 322 | 6.2 |
| 47. Intercon | International Hotel | 488 | 6.0 |
| 48. King Size | Coca-Cola (K) Ltd | 499 | 5.9 |
| 49. Gailey & Roberts | Gailey & Roberts Ltd. | 310 | 5.9 |
| 50. Musafiri | O.T.C (East Africa Road Services) | 397 | 5.3 |
| 51. Wanadawa | Welcome (K) Ltd. | 251 | 5.1 |
| 52. NRB Hospital | Nairobi Hospital | 490 | 5.0 |
| 53. Bank Kuu | Central Bank | 712 | 5.0 |
| 54. Town Printers | Printers in Nairobi | 1,151 | 4.5 |
| 55. Nahiho | Hilton Hotel Nairobi | 500 | 4.3 |
| 56. A R T | A.R.T. K(Ltd) | 444 | 3.9 |
| 57. Topees | Topies Clearing & Forwarding | 236 | 3.7 |
| 58. Casdeve | Casino International | 354 | 3.7 |
| 59. Bunge | Parliament (Employees) | 351 | 3.6 |
| 60. Esso | Esso (K) Ltd | 151 | 3.5 |
| 61. Agdeco | A.D.C | 603 | 3.4 |
| 62. Nation Staff | Nation Group | 280 | 3.4 |
| 63. Tobina | Tobina Ltd | 135 | 3.4 |
| 64. Viwanda | Kenya Industrial Estate | 602 | 3.2 |
| 65. Uzazi Bora | Family Planning Ass. of Kenya | 218 | 3.0 |
| 66. KenyuCo | Kenya Utalii College | 336 | 3.0 |
| 67. Prudia | Prudential Insurance Co. | 357 | 3.0 |
| 68. Minet | Minet Insurance | 225 | 3.0 |
| 69. Afco | Armed Forces Canteens | 558 | 2.9 |
| 70. Standard | Standard Publishers | 321 | 2.8 |
| 71. General Motors | G.M. (K) Ltd | 335 | 2.8 |
| 72. Alico | Alico (K) Ltd | 244 | 2.5 |
| 73. Maktaba | Kenya National Library Services | 290 | 2.5 |
| 74. Nyumba | HFCK | 246 | 2.4 |
| 75. Wanambao | Timsales (K) Ltd. | 370 | 2.4 |
| 76. Pan Staff | Pan African Group | 245 | 2.3 |

| SACCO Society | Organization | Membership | Share Capital (Ksh.Million) |
|------------------|-------------------------------------|------------|--------------------------------|
| 77. Concorde | Foreign Airlines | 138 | 2.3 |
| 78. Avon | Avon (K) Ltd | 306 | 2.2 |
| 79. Dhobi | White Rose Dry Cleaners | 362 | 2.1 |
| 80. Ziba | | 462 | 2.1 |
| 81. Haraka | Express K (Ltd) | 197 | 2.1 |
| 82. Litho | Kenya Litho Ltd. | 206 | 2.0 |
| 83. Vision | World Vision International | 178 | 1.9 |
| 84. Wana Hiza | Auditing Firms | 344 | 1.9 |
| 85. Battery | Associated Battery Manufacturers | 167 | 1.7 |
| 86. Pegasus | Mobile Kenya Ltd. | 104 | 1.7 |
| 87. Tetra Pak | Tetra Pak (K) Ltd. | 155 | 1.6 |
| 88. Mpira | Orbit Chemicals | 369 | 1.6 |
| 89. Wan-aero tec | Intern. Airport Kenya Aerotec Ltd | 210 | 1.6 |
| 90. Methodist | Methodist Church | 298 | 1.6 |
| 91. Nacareco | N.C.R. (K) Ltd | 106 | 1.6 |
| 92. Utalii | KTDC | 196 | 1.4 |
| 93. Mateso | Industrial Plant E.A. Ltd. | 115 | 1.3 |
| 94. Amref Staff | Amref | 172 | 1.3 |
| 95. Compair | Colmans Brothers E.A. Ltd. | 128 | 1.2 |
| 96. Energy | Ministry of Energy | 245 | 1.1 |
| 97. Fundilima | Jomo Kenyatta College of Agric&Tec. | 105 | 1.1 |
| 98. Aftours | African Tours & Hotels | 167 | 1.1 |
| 99. Sarova | Sarova Hotels | 104 | 1.1 |
| 100. H & M | | | 1.0 |

Women Access to Co-operative Credit.

A major concern and hence the focus of many different analyses of women in development over the years has been the access by women to productive resources particularly credit, land and extension services.³³ Many of these analyses have pointed out that only a small percentage of women have had access to credit - particularly institutionalised credit. In the recent period this phenomenon has drastically changed particularly with respect to co-operative credit. In Kenya, for instance, more and more women are getting easy access to co-operative loans through membership of savings and credit co-operatives. This has been possible due to increasing popularity of savings and credit co-operative societies particularly among the salaried women in Kenya.

loans from SACCOs are put such as farming, building rural houses and establishing businesses in the rural areas are concrete evidence of this trend. However, SACCOs still remain largely urban based co-operative institutions for mostly wage earners.

The driving force behind the fast growth in any case is the fact that co-operative credit offered by SACCOs has proved popular with virtually all income categories of borrowers including women. The favourable terms and conditions of borrowing have meant much easier access to credit from SACCOs as compared particularly to commercial banks. Furthermore the credit obtained has been put to a wide range of uses of direct economic and social benefits to the borrowers and their families. There is therefore an emerging key role of SACCOs in development specifically in terms of financial intermediation.

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