

IMPACT OF SAVINGS AND CREDIT COOPERATIVES ON TEACHERS
WELFARE. A STUDY OF MERU MWALIMU SACCO MEMBERS, KENYA

BY


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Declaration

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

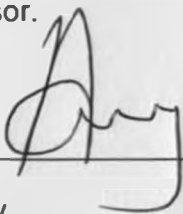
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This research project report has been submitted for examination with my approval as the university supervisor.

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Dedications

To my mother Martha Marogocho. On her knees, our family has been standing strong.

Acknowledgement

I give thanks to Almighty God for this far, he has brought me. He has been my strong tower where I ran for safety, guidance and comfort through this journey.

I appreciate our daddy for instilling in us the value for education and creating an amazing environment for our healthy mental and physical growth. For his financial and moral support and for the laughter we have always shared when things seemed hard.

I appreciate mum's selflessness towards supporting our family, her daily prayers, her financial support, her encouragement and for believing in me. For instilling in us the discipline, good morals and the fear of the Lord that has seen me through tough times.

I thank my siblings for being such a blessing and support to me.

Am forever grateful to my lecturer Dr. Anne Aseey for her support, guidance and for her valuable time.

May God bless you all.

Preliminary

SACCOs have increased and keep growing in numbers in most countries and most individual and groups have embraced this mode of savings.

Teachers as well have joined SACCOs which support their needs of savings and money borrowing.

This research was carried out to establish the impact that these SACCOs have on the teachers, a case of Meru Mwalimu SACCO. The study had four objectives; to establish the positive or negative effects that the Meru Mwalimu SACCO has had on its members, to establish the ways which the Meru Mwalimu SACCO use to educate the members and the impact there after, to establish the saving behavior of the members before and after joining the SACCO

To achieve this, the study randomly selected fifty participants from the Meru Mwalimu SACCO members and collected data by use of questionnaires which was computed, analyzed and presented in a report form

The findings established that the SACCO had positively impacted on the members trough social and economical factors. More so, the education received by the members enhanced their knowledge and the saving culture of the members had improved greatly.

ACRONYMS

SACCO Savings and Credit Co-operative

MMS Meru Mwalimu SACCO

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CHAPTER ONE

INTRODUCTION

1.1 Background

SACCO is the acronym for Savings and Credit Co-operative. There is no difference between a credit union and a SACCO. A Savings and Credit Co-operative (SACCO) is a democratic, unique member driven, self-help co-operative. It is owned, governed and managed by its members who have the same common bond: working for the same employer, belonging to the same church, labor union, social fraternity or living/working in the same community. A Savings and Credit Co-operatives membership is open to all who belong to the group, regardless of race, religion, color, creed, and gender or job status. These members agree to save their money together in the SACCO and to make loans to each other at reasonable rates of interest. Interest is charged on loans, to cover the interest cost on savings and the cost of administration. There is no payment or profit to outside interest or internal owners. The members are the owners and the members decide how their money will be used for the benefit of each other.

In 1849 in Germany Herman Schulze and William Raiffersen started the first savings and credit cooperatives to assist people overcome economic problems during the time of famine that was there that time. In 1850 in England, 'workers in a mill factory started savings and making loans, to help each other. In 1901 SACCOs spread to North America first to Canada by Alphonse Desjardine and then to the USA by E. Filen, a Boston merchant for his employees. In 1970 the World Council of Credit Unions was formed with their Headquarters in Madison Wisconsin, USA, to provide an International Forum for discussion and Association, provide assistance to new and developed movements, offer insurance and training on a large scale.

In 1959 the first SACCO was introduced in Africa by Father John Ncnulty in Ghana to assist villagers improve their economic conditions. In 1965 the Africa Confederation of Cooperative Society Savings and Credit Association was formed in Nairobi, Kenya as a Pan African body. It was formed to promote the SACCO principles, provide a forum for discussion, offer insurance to SACCO members on life savings and loan protection and educate affiliate members on a wide variety of credit union issues.

Savings and Credit Co-operatives can also be understood as democratic organizations and decisions are made in a structured democratic way. Members elect a board that in turn employs staff to carry out the day-to-day activities of the SACCO. The number of board members is between nine and fifteen. Members also elect a supervisory committee to perform the function of an internal audit.

These Co-operatives create the opportunity for people to take responsibility for their own financial organization. The democratic process is an integral part of the co-operative and encourages people to take control of their own financial affairs.

There are many advantages of SACCOs and they include the fact that savings are mobilized locally and returned to members in the form of loans. The ideal model invests 80% of mobilized savings to members in the form of loans. The money stays and works within the members.

SACCO interest rates on both savings and loans are generally better than rates given by banks and the reason for this is that SACCOs have very low overheads as compared to banks that pay low interest on savings but charge a lot of interest to cover their overheads.

SACCOs encourage members to save, essential for economic empowerment and they educate their members on financial matters by teaching prudent handling of money, how to keep track of finances, how to budget and why to keep away from hire purchases and loan sharks.

SACCOs pay dividends on shares to their members once the SACCO is established and profitable. Members therefore take pride in owning their own SACCO.

From their website, Savings & Credit Cooperative League of South Africa states that SACCOs do not raise equity from outside interests. All money lent to members is money mobilized by members. Because it's members funds, members are committed to paying back their loans. These loans are insured and upon the death of a member, the estate will not have to repay any loans outstanding to the SACCO.

SACCOs perform a critical and unique function as financial intermediaries. They mobilise significant volumes of personal savings and channel them into small loans for productive and provident purposes at the community level.

They also state that operating a SACCO is basically the same as operating a bank, on a co-operative basis. The business is buying and selling money within its members. It is not a burial society. But a burial society could become a member of your SACCO. It is not a private company, but it is a privately owned co-operative. It is not an insurance company, but the members will enjoy the benefit of loans insurance.

In the operations aspects of League of Africa SACCO, it is stated that there are no management fees or commission to pay to anyone or any interest outside the co-operative movement. As a member of the co-operative you are an owner and as such you retain all the profits of the organization. You also decide what to charge for interest on loans and decide what to pay on savings. You decide what to do with the surplus. You are accountable only to yourselves, the members of your Savings and Credit Co-operative.

To run a SACCO a number of things will need to be organized, much of which depends on your group's ambitions to grow the SACCO. The SACCO will need to choose a name, open a bank account, and decide where it will operate from, decide who will do the bookkeeping and promotion and develop the policies for your SACCO.

Therefore, SACCOs being a cooperative owned, governed and managed by its members who have the same common bond: working for the same employer, teachers in Kenya have joined SACCOs which are based in different parts of the country for convenience. These SACCOs have been of great help to the teachers especially those with minimal wages.

SACCO's Common Bonds

It is essential for the success of a SACCO to have a common bond. There are two types of common bonds that exist in SACCOs. The Community Bonds are bonds which exist when members are resident in a particular locality or neighborhood. e.g. farmers; businessmen; fishermen etc. It caters for all people within the community while the Occupational/Association Bond is for people employed by the same employer or belonging to the same profession (Billy W. Ng'ombe & Edward Mikwamba, 2004)

They also stated that the common bond ensures that there exists among the members a sense of identity, mutual concern, co-operation, loyalty and trust. The common bond protects the SACCO because members know each other. This facilitates efficiency and effectiveness in credit management for the growth of business or farm enterprises and better access to social services like medical; i.e. a little bit of how the resources are used to improve the well being in reality.

1.2 Meru Mwalimu SACCO

Meru Mwalimu SACCO (MMS) split off from Meru Teachers SACCO in 1993. The latter was formed in 1976 as a cooperative of the teachers within the greater Meru District. When the District was divided into two (Tharaka and Meru Central Districts), the giant Meru Teachers SACCO also split into Tharaka Nithi Teachers and Meru Mwalimu SACCO.

MMS is based at Meru town and has 8,900 members. Although most of the members come from teachers under TSC, others are drawn from employees of TSC secretariat, Office of the President, Kenya National Union of Teachers, Meru Teachers House and Ministry of Education.

Initially, the products of MMS were restricted to savings mobilization through share capital and normal SACCO loans. After review of the SACCO's act that allowed them to diversify their services, MMS introduced more products to its basket. The SACCO now has a variety of loans which include, school fees, mkombozi, jisaidie and Mwalimu development loans.

1.3 Statement of the problem

The SACCO movement in Kenya is billed as the largest in Africa and among the top 10 globally. With over Ksh 230 billion in assets and a savings portfolio estimated at Ksh 190 billion, the SACCO movement in Kenya constitutes a significant proportion, about 20 per cent, of the country's domestic savings. SACCOs have thus become a vital component of Kenya's economic and social development.

The Sacco subsector is part of the massive Kenyan Co-operative movement comprising of both financial and non financial cooperatives. SACCOs are the financial cooperatives while non financial cooperatives include Dairy, livestock, coffee, fishermen, housing, multipurpose and many others which have made their indelible mark to the lives of Kenyans.

The uniqueness of the Sacco movement is its geographical distribution across Kenya. In all the 47 counties there are numerous SACCOs providing financial access to hitherto financially excluded Kenyans.

As envisioned in Kenya's development blueprint, Vision 2030, SACCOs are already playing their critical role of savings mobilization for investments. Many rural and urban

Kenyans now own homes and other business enterprises courtesy of funds through their SACCOs.

The value attached to SACCOs in Kenya reveals that they are of high importance and the impact they have had on their members is positive.

For instance, MMS has been praised by its members for the incredible development it's brought along. Most of its members recommend it to their fellow teacher and they have often talked about its benefits. However, there hasn't been an in-depth study of the impact that this SACCO has on its members and that is why I embark on this study.

1.4 Objective of the study

1. To establish the positive or negative effects that the Meru Mwalimu SACCO has had on its members.
2. To establish the ways which the Meru Mwalimu SACCO use to educate the members and the impact there after
3. To establish the saving behavior of the members before and after joining the SACCO

1.41 Research questions

1. What are the development impacts among the members of MMS
2. How have the SACCO's education helped the members of MMS
3. How have SACCOS encouraged savings to the Members of MMS
4. What are the challenges facing MMS

1.5 Importance of the Study

The findings of this are expected to be an opener to the teachers who are not yet members of the SACCO and enlighten them on the importance of membership and savings. It will also help the board members to have a view of the opinions that the members have concerning the services and this will enable them to either maintain or

improve on the services provided. It will also provide the SACCO members with more knowledge on what they might have known.

1.6 The scope of the study

The research will take place in Meru County, and it will involve the teachers who are members of The Meru Mwalimu SACCO

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature comprising of the impact that the SACCOs have had on the members and any related party.

2.2 Economical and Social growth and development Impact of SACCOs

According to neoclassical growth theory by Harrod-Dommar and Robert Solow's Savings are not an end in them however, they play an important role in sustaining growth and development. Through savings there will be capital accumulation leading to investments hence economic growth and ultimately development.

SACCOs are among of the financial intermediaries in the financial sector. There for they are very important for business and investment growth in the economy due to the fact that they have impact on capital accumulation including human and physical capital, and on the rate of technological progress. Also it has a direct impact on the poverty reduction, by widening access to the poor These impacts/effects arise from the intermediation role provided by financial institutions which enable the financial sector to; mobilize savings for investment, facilitate and encourage inflows of foreign capital and optimize the allocation of capital between competing uses, ensuring that capital goes to its most productive use. Levine (1997) identifies five basic functions of financial intermediaries which give rise to these effects. These effects are; Savings mobilization, Risk management, Acquiring information about investment opportunities, Monitoring borrowers and exerting corporate control and Facilitating the exchange of goods and services.

SACCOs are an important part of the financial sector in Kenya, providing savings, credit and insurance services to a large portion of the population. They have played an important role in the development of the Kenyan economy which has led to the uplifting

of the standards of living of the people. Through their SACCOs members are able to access quality education and medicare, funds for enterprise development, home purchase or construction and many other financial benefits.

Due to the rapid growth, the Government of Kenya's commitment to established SACCO legislation, implement international financial performance standards and begun supervision of SACCOs with the sole aim of providing the incentive for improvement of SACCO management and performance.

Social

SACCOs strengthen family ties thus promoting peace; this is true for the main factor of family instability is the financial problem, often caused by mismanagement of the family income. In SACCOs, people are shown how to avoid the pitfalls of money mismanagement; this no wonder strengthens love and family ties. (Syed , 1991)

SACCOs are a tested instrument for promoting integrated development through a self help scheme that makes man a total human being (Syed, 1991: 139).

This observation is reinforced by Adam smith (1937), views of hundreds of years ago that, 'the principle which promotes us to save comes with us from the womb and never leaves us till we go to the grave'

Never the less, the overriding factor to saving is the level of income. I.e. the higher the income the higher the savings and the reverse is true. This theory is supported by the findings of Obwona and Ssentamu (1998) that, people don't save because of the low income that they receive (49.7%) of the respondents.

Scholars (Obwona and Ssentamu, 1998) revealed that, high cost of living and social responsibility (20%) of rural respondents and 25% urban households was responsible for not saving. In the same research they also found out that family size affect saving in a negative form i.e. people with large families do rarely save compared to those with small families.

Furthermore it was also found out that social habits play significant role in influencing saving culture.

Growth and development

The Cooperative Movement has played a very big role in the development of our country by pooling resources for investments and wealth creation. The Movement remains the most important vehicle through which poor Kenyans can pull resources and eventually grown to cover various economic areas.

These include but not limited to Saccos, transport, housing, agricultural, manufacturing, warehousing, ICT amongst others. This way the movement controls 43% of our gross domestic product and contributes about Kshs.210b towards our national savings. At the same time, the co-operatives sector today employs over 300,000 Kenyans directly and many more indirectly.

According to the Kenya economic report 2009, of the 20 million Kenyan adult population 22.5% are served by commercial banks and MFIs while 17.6% are served by Saccos. Due to this large coverage and focus on small income class it made it imperative for Saccos to be regulated.

It should be noted that Saccos are distributed widely across the counties in the country and therefore better positioned to bring more Kenyans under financial inclusion compared to other financial services providers. This position will be enhanced by the adoption of prudential and non prudential regulations as envisioned in the Sacco Societies act of 2008.

2.2 Poverty eradication among the SACCO members

Without saving people are likely to face severe problem of survival when they are no longer able to work (RogerLeRoymiller, 1978:89). It is also argued that, when poor households' desire and need to save meets, a safe, easily accessible opportunity to do so, their capacity to save, commitment to saving, and the amounts they manage to save

are remarkable. High incomes lead to alleviation of poverty in households, ultimately resulting into improved quality of life of people in rural communities.

Both Thillarajah (1994) and Gulli (1998) assert that, low income earners and generally the poor do save contrary to the previous perceptions amongst many that ,they are “too poor to save” and also prefer to consume than to save (Robinson, 1994: 28). So, the SACCOs come in handy in helping the poor save and hence reduce the poverty.

In another study carried out by Ouma and Hans (2003) on Small and Medium Enterprises (SMEs) in urban and rural areas it was observed that, only about 8% of urban SMEs members do not save due to their small, irregular incomes and large family sizes. Thus savings is a valuable financial service that low income earners like urban SMEs properties and by extension, the poor need.

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2.3 How SACCOs encouraged savings

It is one of the objectives of SACCOs to promote a saving culture amongst their members since savings have a close relationship with wealth. Higher rates of saving today, lead to faster accumulation of wealth and, the wealthier a nation is, the higher its standard of living (S.O.L) in the future (Frank Bernanke, 2001 p.251).This is supported by Richard Pelrine (2005)

The critical role of SACCOs has been recognized under vision 2030 of mobilization of savings for investments. It is therefore expected under the new SACCO legislation and adoption of prudential regulations growth of SACCOs will quickly improve. The Sacco movement has entrenched the culture of savings to Kenyans which is a pre-requisite for wealth creation. On retirement employees of various organizations walk home smiling with savings accumulated in their SACCOs during their employment period.

Saving constitutes the key elements on which the development of the community depends. Local savings provide the asset for the community's investment in future. Without it the community and the economy at large cannot grow and, get out of poverty, unless the alternative sources of investment such as foreign capital from donors are

injected in the community (UCA-Micro finance Unit training Manual 2005). This is further supported by Lipsey and Chrystal (1995:634)

It is desirable that SACCOs' membership embraces a saving culture so as to increase their low incomes, leading to improved quality of life. Further still, development is induced by saving in that, high levels of saving leads to capital accumulation, later on investment leading to high income levels, ultimately breaking through the vicious cycle of poverty, hence, development in the long run.

Rutherford (1996), asserts that, people don't save because of the reasons centered around two main points i.e. access and psychological factors.

Accessibility

While considering the point of access, the following are critical:

- Proximity of the institution,
- Terms and conditions governing an institution i.e. opening and minimum balance,
- Opening hours of the institution,
- Queues and how long it takes to make transactions and
- The forms that must be filled.

Psychological factors

- How staff treats potential and actual customers, who come at the premises,
- Appearance of the institution plus the layout of the entire bank and atmosphere and
- Ease of complexity of paper work and process or services.

Throughout time, all around the world, households have saved: as insurance against emergencies, for social and religious obligations for investments and for future consumption (Rutherford, 1999).

Saving ought to have started before the birth of Jesus Christ in the Roman Empire. Its adventure is very much linked with the origin of money where merchants used to keep (save) their precious metals with the gold smiths who would give them back their gold when they are back after their businesses (Cox, 1996:84).

Because such precious metals were used as a medium of exchange that time, and were mainly kept with the gold smiths, the merchants would fore go consumption; it is from this adage that, the culture of saving evolved. Also it should be noted that, from this, formal banking and saving in general and intermediation between surplus and deficit money holders evolved (Cox, 1996:84).

The importance that poor people attach to savings is demonstrated by many ingenious but often costly ways they find to save in addition to keeping small amounts of cash secreted at home. These include investing in assets that can be sold in case of emergency(for example corrugated iron sheets ,livestock or jewelry),participating in local initiatives such as Revolving Savings and Credit Associations (ROSCAs) or funeral funds .or by lending between family and friends (Wright, September, 1999).

The power of saving and compounding interest is incredible when done consistently for long period of time. You should always be saving some percentage of your income no matter how small or large. Getting started is the hardest but you can do it.

2.4 Saving behavior

According to Shetty (1996: 34) saving behavior is fundamental aspect of human survival particularly in rural areas where incomes are unsecured.

He further noted that, agricultural production is seasonal because the period of income flows and expenditure are different. In here, the intervals between income and expenditure and funds available to carry over from one period to the next, provides good potential for mobilization of saving in rural areas.

Recent World Bank household country studies in sub-Saharan Africa showed that, rural households in Africa have higher average and marginal propensity to save.

Long term financial security starts with a regular savings plan for emergencies, unexpected bills, replacement of needed home items and the purchase of special goods and services, such as a boat, a vacation home or college education. Once a saving component has been established, additional money saved may be used for investments that offer greater potential returns. In the same endeavor, one scholar observes that, a certain amount of savings must be readily available to meet individual or family needs (Kapoor et al, 1988:21)

2.5 Savings mobilization strategies

According to Mauri (1983), governments in many African countries neglected personal savings in the 1960s. In the wake of the “vicious circle” model (Nurkse, 1953), aid programs were considered the only tool for fighting underdevelopment for more than three decades (Adams, Graham and Von Pischke, 1984), while the mobilization of savings was “the forgotten half” of development finance programs (Vogel 6, 1984). The awareness that poor people are potential savers, resulting from studies of micro finance activities, is leading to a new paradigm in development issues (Adams, Vogel, 1997). The mobilization of domestic savings for economic development is the next century’s challenge for Africa. Indeed, “no country is too poor to save if the available potential is effectively used” (Adera, 1995). SACCOs could be a vehicle for this task because they are currently the only formal financial institutions able to provide financial services to remote areas of Africa.

The role of financial markets in mobilizing savings and in channeling funds into productive investments is central to a successful strategy for economic and human development (Musinguzi, 2000). In the rural areas of many developing countries the lack of access to effective formal financial markets may be seen as a severe constraint

that prevents low-income households from improving their lot and leads to the persistent poverty.

To mobilize savings and enhance their operation in the market Rural Financial Institutions including SACCOs, have undertaken various measures.

(a) SACCOs have sought financial support from organizations. These organizations lend money to SACCOs which extend loans services to their respective members. This motivates members to save since they will be assured of the loans.

(b) SACCOs have engaged in recruitment drives aimed at expanding their client base. Among the SACCOs, members have been encouraged to purchase shares giving an automatic increase in savings with the growth of membership.

(c) The institutions have also introduced a minimum balance deposited by any client opening an account. Some groups save money whenever they have group meetings which have basically helped to improve savings in the community.

g) Give material gifts to members who save regularly and relatively more than others in the SACCOs. Other motivators could be awarding the best savers with certificates.

h) The SACCOs organize free training for members which encompasses business management, saving, health, HIV and education. This creates more value to members hence motivation to save.

i) Payment of relatively attractive interest rates act as good mobilization strategy for savings mobilization as it will provide for the opportunity cost and time value of the amount saved. And the reverse is true as (Fischer, 1989) observes: 'It is mainly due to high inflation rates and artificially low kept nominal interest rates that the willingness to hold savings in financial assets is hardened'.

The key for successful approaches to promote domestic savings for development purposes lies in a reversal of the financial and monetary policies hitherto pursued in most of the developing countries (Fischer et al, 1989). He further notes that, excessive

administrative interventions into domestic financial markets like low interest rate policies, high reserve requirements and selective credit policies have not only hindered domestic savings mobilization but, also impeded an effective allocation of scarce capital.

There is good reason to suppose that the potential of savings institutions to stimulate financial savings has not yet been exhausted. Moreover there is no indication that, the propensity to save is significantly lower for rural than for urban households (Fischer, 1989: 118).

However, it is noted that, in LDCs a standstill in structural changes and easy access to development aid tend to discourage private savings mobilization. This is again true for low income countries in particular, where growth of development aid as the only major source of external savings helped recipient countries to neglect internal economic determinants of savings formation.

Private savings especially in the form of financial assets are generally far less restricted by low income than has been assumed before, both by economists and policy makers. On the contrary there is strong empirical evidence that, the saving behavior of all private households is highly sensitive towards attractive incentives to save (Fischer, 1989:119). He further observes that, higher interest rates can stimulate financial savings substantially.

Nevertheless, this is contradicting with Richard Pelrine (2005) which revealed that, access to credit and positive interest rates were not priorities for rural savers.

An important condition to raise savings in rural areas is to initiate price policies for agricultural products which offer incentives for production and opportunities to invest. According to studies by Thillairajah (1994), banks should provide open and full access to their savings when ever required. This would reduce the volume of savings kept at home/ place of work purposely for liquidity reasons to the levels they require for meeting an expected expenditure. He further observes that, link banks should however

reciprocate by not only giving them open and full access to their savings but also good return on them.

Having said that however, it's important to recognise the findings revealed by Rural speed study, on saving habits, needs and priorities in rural financial institutions (RFIs) to mobilise savings (Pelrine ,September,2005).

2.6 Forms of savings products offered by SACCOs

The SACCOs' savings products can be broadly grouped into three categories:

a) Liquid Accounts Demand deposits.

- These are deposits that allow funds to be deposited and withdrawn any time.
- -Usually no interest rate is paid
- -Require substantial bookkeeping
- -They are no stable source of funds. Only a limited portion can be used to provide loans.

b) Semi-liquid accounts:

- These are deposits that allow some liquidity and some returns
- The member can withdraw funds for a limited number of times and deposit at any given time.
- A nominal rate of interest is paid based on the minimum balance in the account over a given period (monthly, yearly).This encourages a member to hold a certain amount of money in the account.

c) Fixed term deposit.

- The savings accounts are locked in for specific amount of time.
- They provide lowest liquidity to the member but highest return in form of interest.
- They are stable sources of funding for the SACCO which pays the highest rate of return to the several months /years.
- Term deposits range from one month to several years.
- They make liquidity management easy.

d) The Old Age savings insurance scheme.

- This is a product which was developed by UCA newly introduced in SACCOs. It involves locking in savings for a period of not less than ten years.

However, potential clients are encouraged and satisfied by the quality of products rendered. This in turn increases the scale of operation leading to higher income for a SACCO. Ways of providing quality product to the clients among others include:

- Provision of appropriate loan products with the right size, term and benefit.
- Provision of saving services,
- Put in place responsive procedures, that is, client should be allowed to repay earlier than planned.
- Put in place appropriate procedures to entertain repeat loans earlier and,
- Attempt to introduce innovative products that will address the needs of clients, like insurance and livestock.

2.7 Challenges facing SACCOs

Sacco star - issue 16: July 2011 indicates that the current challenges facing the sector are similar to those of the cooperative movement which include weak governance, low uptake of information technology, and low level of professional skill development in management in both senior and junior staff. There is also a challenge of strong competition from the mainstream commercial banks and lack of institutional capacity development.

It also indicated that the current legal framework comprising of the Sacco act and regulations is meant to address this challenges. However a multi pronged approach to addressing these challenges encompassing the sector stakeholders and the authority would be more appropriate.

The new constitutional dispensation also places responsibility on the citizens through a devolved government system will also indirectly addresses the challenges facing the

Sacco subsector. The county system will also require financial provider's including SACCOs to be competitive enough in order to attract resources at the county level.

Competition from commercial banks and Computerization – the manual systems operated by rural SACCOs are slow and cause a number of problems because of human errors. Consideration of cost-effectiveness and improvement of quality of service would justify computerisation of operations in many SACCOs. There are great gains to be made in terms of systems development and implementation costs, inspections, audit, staff training etc. A well developed computer system, like Microbanker can be organised to provide regularly updated information on the SACCO's financial situation and performance. The administrator of Kenya union of Savings & Credit Co-operative, 2011 indicated that the challenges facing SACCOs in Kenya includes, among others, competition from commercial banks in Kenya, insufficient capital base, lack of or slow rate of Information Technology (IT) adoption, and inefficient loan pricing strategies.

SACCOs face political interference. A reporter of The New Vision Uganda wrote, Many SACCOs were also formed by politicians who used their positions to get loans that they did not repay, causing the collapse of many SACCOs.

In 2008, during their Afraca Technical Workshop, the Cooperarative Bank indicated that the following as the challenges faced by SACCOs.; Changing legal environment, Stiff Competition from MFIs and Banks , Members ever changing needs/demands, Frauds and Forgeries due to weak internal controls, Financial Management, Information Technology, Decline in membership through Deaths, Withdrawals and Retirement

3.0 CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The research will use different methods in carrying out the study more effectively comprehensively by using systematized logical method as indicated in this chapter.

3.1 Research Design

The research will use survey design where information will be collected systematically using designed questionnaire and interview schedule and the research will also apply observation method where phenomenal are to be observed from the field of study.

The researcher will apply the naturalized design which will help in studying the population as it naturally occurs.

Information will be collected, organized and presented inform of report.

3.2 Target Population

The target population of the study constitutes 50 teachers who are members of the Meru Mwalimu SACCO.

3.3 Data Collection Method

The researcher will use the following instruments

Questionnaire

A carefully design questionnaires will be administered to the target population to collect information from the sample. The researcher will collect the information.

Interviews

It will be carried out for in depth information from the respondent and administered especially for those who, for some reasons, are not able to read and answer the questions in the questionnaire.

Observation

The research also will observe the situation at hand this will help the researcher to examine the situation out of experience.

Literature

Literature written by different personality relevant to the topic of research was used by researcher especially from news papers and internet.

3.4 Sampling size and sampling procedure

The research employed the following methods in sampling size and procedure:

Strategically random sampling

This was used in order to get sample for the study. The researcher divided the population in different strata drew randomly a total number of 10 units and from each unit, smaller groups of 5 member were selected to make a total of 50 members in the research study.

Cluster sampling

This method entails the division of the elements of the population in the groups for interview so those units sampled contained more than one individual of the population.

3.5 Research instrument

The researcher applied questionnaires and interview guides.

3.6 Data Analysis

All the interview guide forms were collected and inspected to ensure that they are complete and consistent and then coded. The data was then arranged in an orderly way using tables and charts.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRATATION

4.0 Introduction

This chapter contains an interpretation and presentation of the collected and analyzed data

4.1 Characteristics of The Study Population

Table 4.1

Sex of the Respondents

NO. OF MEN	NO. OF WOMEN	TOTAL NO. OF RESPONDENTS
20	30	50

The researcher involved fifty correspondents, twenty of them were men and the rest were women.

Table 4.2

Marital Status

Marital Status	Widowed	Single	Married
Percentages	15%	35%	50%

Out of the forty Correspondents, 15% were widowed, 35% were single and 50% were married.

Table 4.3

Education Level of the Correspondents

Education Level	College	University	Postgraduate
Percentages	80%	15%	5%

80% of the correspondents had college education while 15% of them had university education while only 5% had post graduate education .

Period of correspondent with the SACCO

5 of the correspondents had been members for less than five years, 10 of them had between 6 to 10 years as members, 5 of them between 11 and 15 years and 15 of them had been members for over 16 years.

4.4 Benefits of Being a Member

From the research, most of the members appeared happy and contented with what the SACCO enabled them to do. They admitted to improved living standards and economical status.

Housing

Most of the member indicated that the SACCO had helped them afford to either pay for the houses they were living in through loans, while others indicated that through the loans offered by the SACCO, they were able to acquire building material from which they their houses.

Schooling

The correspondents indicated that the loans they got from the SACCO enabled them improve on their education because their salaries alone could not have facilitated for

that. A large number of them agreed to having put their children through colleges and universities through the SACCO loans. Most of the single and widowed indicated that was the core pillar of their children's education.

Land ownership

Most of the female and single correspondents indicated that they owned land which otherwise they could not have owned. This was possible because they had savings with the SACCO which enabled them to get loans which helped them buy land for both residence and commercial purposes.

Economical benefits

Most of the correspondents were involved in economical activities like shop keeping, poultry keeping, farming among other. These economical activities were set up as a result of loans from savings with the SACCO. The correspondents agreed to economical boost through the SACCO. Most of the female correspondents had saloons and small cafeterias which they indicated was started from the savings.

Social benefits

Through the saving with the SACCO, most of the correspondent said that they were able to meet the needs of their own and their children's social life requirement like trips with friends and parties for graduation and other celebrations.

Through the loans, they were able to hold weddings for their children which otherwise would not have been possible.

They are in other social groups which in the end help build the society like harambees for constructing schools in the community and churches.

4.5 Saving behavior

Most of the members of MMs admitted to having not been saving before the SACCO was introduced. They indicated that their salaries were little and could not be saved in banks because of high interest rates. They admitted that the SACCO had helped them start saving because of the low rates. More so, because the SACCO will have their saving deducted directly from their salaries and this is done in small amounts of money.

They also admitted that SACCO has encouraged them to save through the dividends they get over period of time and the low interest rates of loans they get from the SACCO.

4.6 Knowledge of the customers

All the participants admitted to receiving training concerning the SACCO and modes of savings in one way or the other.

The SACCO either provides the manuals or handouts with the information that is of help to the members. These manuals have the different modes of savings and services the SACCO offers and this helps the members have a variety of options when they want to make a decision on any loan acquisition.

More so, the SACCO organizes seminars for the members, which has helped the members get acquainted with more knowledge regarding savings.

The SACCO also has internet services where they post messages for its members and any changes in the services offered.

There are annual general meetings for the management and the members where the management informs the members of the happens and incase of any change in the management team.

In short, the participants admitted to the SACCO putting effort towards availing knowledge for the members.

Moreover, the correspondents indicated that the information provided to them by the SACCO was of help and has improved their knowledge and perspectives on saving. It has improved their saving behavior because they learnt that the more that saved the higher the benefits.

Most of the respondents indicated that, although the information they received from the training was of importance to them, they would still appreciate if more was availed to them.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSION AND RECOMMENDATION

5.1 SUMMARY OF FINDINGS

This research involved 50 respondents from whom 30 were women and 50% of them were in marriages. Most of them had been members of the Sacco for more than 5 years. The researcher found out that the members benefited greatly from the SACCO through their improved living standard and financial status. The members received training through different media and the training had a positive impact on them.

5.2 DISCUSSION

From the findings, it has been noted that the SACCO is most preferred mode of saving among teachers. It has encouraged most of the teachers to save and this has improved their living standards and enabled them afford most of the things they would not have acquired. There was evidence of improvement in areas of social and economical life. They had good homes and their children went to good schools through the loans borrowed from the SACCO.

The researcher also found out that most of the correspondents were not saving before and had no means of saving but with the introduction of the SACCO, most of them are now saving as much as they can.

From the findings, the members are enjoying a variety of services which are helping them in different ways like economical and social life. Most of them indicated growth in matters concerning finance. These services include dividends they receive from their shares and loans.

Most participants had a college level of education while just a few were graduates. The ones who had the post graduate indicated that they had earned through the loan had taken to pay for the school fees. From the findings, the teachers who had college level of education indicated they had taken loans which were most for their children education and for the welfare of their families. It was evident that the education was boosted by the SACCO.

More so, the largest number of people who were members of this SACCO were women and mostly married. It was evident that those with families valued the services more.

There was training that the SACCO offered the members and the members admitted to gaining from the various forms of training they received and from the variety of information media availed by the SACCO.

5.2 CONCLUSION

Being a member of SACCO is of essence especially for those teachers whose salaries are at the lower edge. This is because the SACCO enables them to save as little depending on the amount one is earning and the little adds up to some large amount that enables them to do bigger things in life.

The training received by the members of SACCOs is of importance because it helps the members open their mind to ways they can benefit from their savings and how they can improve on their savings.

The SACCOs have helped improve the social and economical lives of teachers and those of other people in their lives.

5.3 RECOMMENDATION

Since most of the members had college education, I would recommend that the SACCO comes up with other services with lesser interest rates to facilitate for the upgrading of the teachers.

SACCOs should develop varied products that meet various categories of membership needs. Reward of best and regular savers by management should be taken seriously in SACCOs and so is payment of interest on savings deposits and the government should strengthen supervision and licensing and facilitate SACCOs to acquire bank codes to handle salaries for the professional members so as to attract new professionals and retain old ones in SACCOs.

More so, I would recommend that the SACCO spread its roots to reach out to the other teachers who are employed in private schools and those that are newly employed so that they can also benefit from the goodness of the SACCO.

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APPENDIX I: INTERVIEW GUIDE

Tick Where Appropriate and For Explanation, Please Be Brief

SECTION A: PERSONAL INFORMATION

1. Gender Male Female

2. Which of the following describes your marital status?

Single Married Divorced Widowed

3. Which of the following describes your highest education level?

Secondary College university graduate
Post Graduate



4. For how long have you been a member of Meru Mwalimu SACCO?

Less than a Year 1 Yr-5Yrs 6 Yrs – 10 Yrs
11Yrs – 15 Yrs 16 Yrs – 20 Yrs Over 21 Yrs

SECTION A: BENEFITS OF MEMBERSHIP

1. How has the establishment of Meru Mwalimu SACCO improved standards of living among the members?

.....
.....

2. Describe the impact that being a member with the MMS has in the economical life of the members.....

.....
.....

3. To your opinion, how is being a member of MMS compared to other saving methods?

.....
.....

SECTION B: SAVING BEHAVIOUR

1. Were you saving before you joined the SACCO?-Yes No

.....
.....

2. How does your SACCO help you to save?

.....
.....

3. Does your SACCO encourage you to save? Yes No

If yes, how has it encouraged you?

.....
.....

If no, suggest ways the SACCO could encourage you increase your savings.

.....
.....

SECTION C: KNOWLEDGE OF CUSTOMERS

1. Have you ever received any training on saving? Yes No

.....
.....

2. What are the efforts made by your organization to create the knowledge required?

.....
.....

3. What changes (if any) did the training course make on improving your saving habits?

.....
.....

4. Would you require any /more training from your SACCO? Yes No

.....
.....

MAY GOD BLESS YOU!

Thank you!

DAINAH NCABIRA