

THE DETERMINANTS OF THE FINANCIAL PERFORMANCE OF SAVINGS
AND CREDIT COOPERATIVE ORGANIZATIONS IN NAIROBI- KENYA

BY

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DECLARATION

I declare that this research project is my original work and has never been submitted to any other institution for assessment or award of a degree.

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This project has been submitted with my authority as the university supervisor.

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ABSTRACT

The objective of this research was to establish those factors that influence the financial performance of SACCOs in Nairobi. Theoretically, it's assumed that Education and Training, Nature of the Business, Long Term Investment and Management Practice; when correctly put into place, greatly improve the Financial Performance of SACCOs. This research focused squarely on the Financial Performance of SACCOs operating in Nairobi. The study sampled 33 FOSA SACCOs in Nairobi; of which 28 responded and were considered for the purpose of this study. Comparative analysis of these 28 SACCOs financial performance was conducted to establish whether these SACCOs were reaching targeted profit or have improve financial performance. Primary data was collected for the 28 SACCOs.

The study found that the Education and Training of Staff, the Nature of the Business, Long Term Investment needs and Management Practice had a definite positive effect on the profitability of these SACCOs in Nairobi. The analysis of the profitability 28 SACCOs in Nairobi provided different positive results.

These results were attributed to the proper implementation of these factors. These four factors do not however determine fully the financial performance of SACCOs since they leave out 42.2% of some unexplained variance. Education and Training was found to have a direct relationship with Sacco's financial performance, whereas Management Practice, Nature of the Business and Long Term Investment has a positive relationship with the financial performance of these SACCOs.

There is need for senior level management staff to put in more effort towards improving the financial performance of SACCOs. There is a significant gap in the commitment shown by middle and junior managers to that shown by senior level managers and this needs to be addressed.

The four variables under consideration do not account for 100% of the financial performance of SACCOs. It will be important for SACCOs to find out more on the factors that determine their financial performance.

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LIST OF ABBREVIATIONS

CASE:	Centre for the Analysis of Social Exclusion
CMC:	Cooperatives Management Committee
EEE:	Economy, Effectiveness and Efficiency
FOSA:	Front Office Services Activities
KUSCCO:	Kenyan Union of Saving and Credit Co-operatives Ltd
MCDM:	Ministry of Co-operatives Development and Marketing
MOCD:	Ministry of Culture and Development
SACCO:	Saving and Credits Cooperatives Organization
SASRA:	Sacco Societies Regulatory Authority
SEU:	Social Exclusion Unit
UN:	United Nations

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

According to the World Bank report of 1996 as quoted by Adebayo et al. (2010), we live in an age when the question for poverty reduction echoes across the world. Millions of Africans, almost half of the population lives in abject poverty and this number is growing relentlessly. Consequently, poverty on the African scale is more than an individual phenomenon. Adebayo et al. (2010), further assert that the international community recommends that concerted efforts be made toward building individual and institutional capacities in developing nations. Through institutional capacity building, individuals and society will be increasingly able to control their own destinies and improve their material conditions. The goal of building capacities is to enable people to solve their own problems, gain self-confidence and self-reliance, and boost their quality of life.

The causes of poverty include lack of assets, lack of employment, unorganized labor, demographic factors and failure of transfer mechanisms to meet basic needs. However, poverty reduction is the most urgent task facing humanity today, and it is a challenge that no country among developing countries and Kenya in particular has an immediate solution to overcome it. In addition, because the available resources are inevitably constrained for all people, working in partnership is more important if developing countries have to be successful in reducing the misery and poverty faced by more than billion of people in the world today (World Bank, 1990).

According to former United Nations secretary General Kofi Annan, Savings and Credit cooperative organizations in their implementation of theoretically defined principles of successful microfinance have proved their value, in many countries, as a weapon against poverty and hunger. Cooperatives can change people's lives for the better - especially the lives of those who need them most. A small loan, a savings account, an affordable way to send a cheque back home can make all the difference to a poor or low-income family.

With access to Savings and Credit cooperative organizations, they can earn more, build up assets and better protect themselves against unexpected setbacks and losses. They can move beyond day-to-day survival towards planning for the future. They can invest in better nutrition, housing, health and education for their children. In short, they can break the vicious cycle of poverty. Annan further points out that Savings and Credit cooperative are not charity. It is a way to extend the same rights and services to low-income households that are available to everyone else. It is recognition that poor people are the solution, not the problem. It is a way to build on their ideas, energy and vision. It is a way to grow productive enterprises, and so allow communities to prosper (United Nations, 2004).

According to neoclassical growth theory by Harrod-Dommar and Robert Solow, savings are not an end in themselves, 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. Coupled with this, a high saving economy accumulates assets faster, and thus grows faster, than does of a low saving economy (Lipsey and Chrystal, 1995).

However, in developing countries like Kenya, there are low levels of saving culture owing to poor underdeveloped stock markets, dominance of urban-based commercial banks and non-regulated Micro finance institutions in the financial markets as vehicles for savings. Hence, Savings and Credit Cooperatives are intended to offer an alternative to improve this un-desirable situation in developing with low-income levels. Savings and Credit Co-operatives are community membership-based financial institutions that are formed and owned by their members in promotion of their economic interests. These institutions mobilize and intermediate savings exclusively within their membership under the co-operative statute. This has resulted to countries throughout the developing world to encourage the formation and implementation of Savings and Credit cooperative organizations as an effective development tool because they have the ability to empower

the poor, to create jobs, to raise incomes and to improve micro-enterprise performance (Ahimbisibwe, 2007).

1.1.1 The Concept of Performance

According to Armstrong (2006), performance is often defined simply in output terms- the achievement of quantified objectives. But performance is a matter not only of what people achieve but how they achieve it. The oxford English dictionary confirms this by including the phrase "carrying out" in its definition of performance. The accomplishment, execution, working out, carrying out of anything ordered or undertaken." High performance results from appropriate behavior, and the effective use of the required knowledge, skills and competencies. Performance means both behaviors and results. Behaviors emulate from the performer and transforms performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right- the product of mental and physical effort applied to tasks - and can be judged apart from results. This definition of performance leads to the conclusion that when managing performance both inputs (behavior) and outputs (results) need to be considered.

According to Daft (2000), performance is equivalent to the famous 3Es (economy, efficiency, and effectiveness) of a certain program or activity. In this context therefore, an organization's performance is its ability to attain its goals by using resources in an efficient and effective manner. This involves the recurring activities to establish organizational goals, monitor progress toward the goals, and make adjustments to achieve those goals more effectively and efficiently. Thus the term performance is broader based and it includes effectiveness, efficiency, economy, quality, consistency behavior and normative measures.

1.1.2 Determinants of Performance

There are various factors that can be used to determine the performance of SACCOs. The first is Management practice that deals with corporate governance in the SACCOs, education and training that deals with developing members, nature of business that

elaborates the types of businesses the SACCO is engaged in and long term investments that addresses investment decisions such as purchase of shares and properties (Ouma, 1990; Mwaura, 2005; Mbue, 2006; and Pandey, 2005).

1.1.3 Saving and Credit Cooperatives in Kenya

The co-operative movement in Kenya may be traced to the pre-independence times with accelerated development in the period immediately after the country attained independence. According to Owen (2007), the first Savings and Credit Cooperatives commonly known as SACCOs were registered in Kenya in 1964 after the country became independent in 1963. In the following years, several SACCOs based upon common bonds linked to residence, occupation and churches were formed. However, in 1969 the government required that SACCOs be strictly based on a secure crop or employment relationship. In this check off system, SACCOs received payments directly from employers, processors (cooperatives, parastatals or private companies) or marketing organizations. This system ensured that a member's income would have automatic deductions to repay loans and was a significant factor in the development of SACCOs. In the case of rural SACCOs, the exclusive right to trade for certain crops conferred on market cooperatives (monopsony) helped this arrangement. However, urban SACCOs proliferated at a much faster rate than rural SACCOs. Most of the large rural SACCOs operating now evolved from Union Banking Sections (UBSs) of the District Unions of cooperatives.

As the statistical overview of SACCOs in Africa shows, Kenyan Savings and Credit Cooperatives (SACCO) sector is by far the largest SACCO sector in Africa. It plays a significant role in Kenya's financial sector. Several of Kenya's largest SACCOs have capital large enough to become banks. In, 2005 there were around 2,700 SACCOs with an estimated membership of 2.5 million. These SACCOs together reported nearly US\$ 1.66 billion in share capital and deposits, and US\$ 1.24 billion in loans outstanding. The share capital and deposits in SACCOs accounted for over 24% of domestic savings (Owen, 2007).

The government has enacted the Co-operative Societies Act to regulate and oversee development of co-operatives. The Ministry of Co-operative Development and Marketing is the current Government's official agency for coordinating co-operative development in Kenya. As per the current policy, the main duties of the Ministry include: enforcement of the Co-operative Societies Act; registration and liquidation of all co-operatives registered under the Act; formulation of co-operative policy; supporting development of a conducive environment for co-operative growth; registration of co-operative audits; and carrying out of inquiries, investigations and inspections (Kuria, n.d.).

1.2 Research Problem

With more than half of the World's six billion people living on less than two dollars a day, alleviation of poverty has become the biggest challenge to the human society. In response, the global campaign against poverty has gained momentum, with various development actors suggesting the use of different instruments to alleviate poverty. There is an emerging consensus among many actors, that the co-operative enterprise is one of the few forms of organization that can meet all dimensions of poverty alleviation.

According to KUSCCO, (2000) cooperative societies in Kenya vary in size. The size of an enterprise is especially important in its economic aspects. One of the problem in every cooperative society is to reach a size which allows the economic effects or cooperation to gain their full advantage. The disadvantage of small scale cooperatives are that their unfavourable cost structure limits their ability and competitiveness such that they cannot afford qualified staff and the specialized equipment necessary to a high standard of service, that they have difficulties in gaining the access to credit and that they are restricted in their advertising techniques.

Ahimbisibwe (2007) also conducted a study on the effect of SACCOs on the saving culture of the members. It was concluded that SACCOs positively affect members' saving culture. The following major recommendations were made: 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.

Despite the above studies, there is no study that has been done to establish the Determinants of the performance of SACCOs in Nairobi. Hence, this study will seek to bridge this gap by examining the Determinants of performance of SACCOs in Nairobi. The study will answer the following questions: What factors influence the performance of SACCOs in Nairobi?

1.3 Objective of the Study

To establish those factors that influence the financial performance of FOSA SACCOs in Nairobi

1.4 Value of the Study

This study is aimed at developing an understanding on major factors determining the accessibility to funds to process and dispense all loan requisitions in time by saccos in Kenya. It is seeking to examine and underscore the salient principles that have a bearing in the success in similar or related areas of focus, and hence suggest ways and means of overcoming failure.

The study is aimed at benefiting, among others, the management teams. These are the people entrusted by the members to take care of their interests in saccos. They will study to understand and improve on policy setting and implementation for overall sustainability of the sector. The entire sacco membership will also get enlightened.

The members of the common bond will appreciate their role in sustaining their welfare through sacco as a vehicle. They will be more willing to take a center role instead of quitting when they feel their interests are not being taken care of by the people they

entrusted them with. It will also benefit the sacco staff/secretariat; these are the people who get their daily bread from the sacco. They will understand their role in the growth of the organization, hence acting to secure their source of livelihood.

It will also be of good use to the government department in charge of cooperatives. The report will bring to light issues requiring framework and only they can attend to for the overall sustainability of the Sacco industry.

Finally other researchers in this area will find this useful. They will get recommendations for further research from this study. The beneficiaries will have access to the information on the findings from the compiled report. The final report will be available in selected major libraries, organized groups; especially the respondents will get a copy of the report on the findings

CHAPTER TWO:

LITERATURE REVIEW

2.1 Introduction

This chapter seeks to provide understanding on the Theoretical Review, the benefits of Savings and Credit Cooperative Organizations in Nairobi, the Measurement of Performance, the Challenges facing Saving and Credit Cooperative Organization in Nairobi, the Empirical Review of Saving and Credit Cooperative Organizations in Nairobi and provide a conclusion about these reviews.

2.2 Theoretical Review

There are various approaches to the formation of SACCOs. Among these is the Exclusion theory that is seen as a process through which individuals or groups are wholly or partially excluded from full participation in the society in which they live (Lardechi 2003). According to Le Grand in Lardechi (2003) a person is excluded if he/she is: resident in society; cannot participate in normal activities of citizens in society; would like to do so. Others have argued that a person is excluded if the first and the second conditions hold, whether or not they actually desire to participate. It can be asserted that SACCOS perpetuate exclusion as the services only favour the middle class leaving the poor who 'badly need help' in dire need Social exclusion became dominant way of understanding poverty especially in developed industrialized countries and it is being used to describe the processes of marginalization and deprivation that can rise in countries without comprehensive social welfare provisions.

Each country has different ways of defining social exclusion but in general it has to relate to marginalization, deprivation that increases with the level of vulnerability of a given society. Exclusion applies in two ways: the poor are excluded by their poverty context and the services offered by SACCOS/requirements perpetuate the exclusion of the poor as SACCOS and MSC does not to micro credit especially how the conditions of operation

for SACCOs incorporate aspects surrounding excluded members of society into their policies and practices.

2.2.1 Social Exclusion Theory

Social exclusion is usually defined by a combination of factors; it is possible, of course, to be a "member" of a single demographic group only, and to be socially excluded. If you are long term unemployed, that may be the only factor that applies to you. You may subsist by the help of your family, and so not be poor, but you are in fact socially excluded by virtue of your long term unemployment. Nevertheless, a theme common to most, if not all, definitions of social exclusion is that social exclusion is multidimensional. That is, often, social exclusion will have multiple necessary conditions. So, it is usually the particular type of combination of factors that cause social exclusion. It is for this reason that the SEU refers to a "cycle" of social exclusion (SEU, 2004); it is what used to be called "poverty traps". Another way of putting the point is that social exclusion will always be defined by some multiplicative effect of a set of variables which represent participation.

The Social Exclusion Unit recently puts the point toughly: "Social exclusion is about more than income poverty. It is a short-hand term for what can happen when people or areas face a combination of linked problems, such as unemployment, discrimination, poor skills, low incomes, poor housing, high crime and family breakdown. These problems are linked and mutually reinforcing" (SEU, 2004).

Meanwhile, a definition of social exclusion which might be described as the academically canonical definition of social exclusion, which is from the introduction to the book *Understanding Social Exclusion*, a work by LSE's CASE (Centre for the Analysis of Social Exclusion) and written by Burchardt, Le Grand and Piachaud. If we assume that there is a set of core activities which constitute participation in society, then an individual is socially excluded in case two conditions are met: the individual is not participating for reasons beyond his/her control, and he or she would like to participate" (Burchardt et al., 2002b)

The areas of activity which constitute social exclusion include, according to the same set of authors: "Consumption: the capacity to purchase goods and services (including income and wealth- S WO).Production: participation in economically or socially valuable activities Political engagement: involvement in local or national decision making. Social interaction: integration with family, friends, and community" (Burchardt et al, 2002b:

2.3 Benefits of Savings and Credit Cooperative Organizations

Cooperatives developed historically because they performed a valuable role. That role remains as relevant as ever today. Without savings and credit cooperatives, many poor people have no safe home for their savings and nowhere to go for loans. Savings and Credit Cooperatives provide an alternative channel to ordinary people to improve their quality of life and to meet their basic needs at affordable cost. Members can get better and more secure return on their savings and access to loans at more affordable interest rates. The mission of the co-operative is to improve the welfare of its members unlike the commercial enterprises that make excessive profits at the expense of customers (Kuria, n.d.).

According to Magill (1994), Savings and Credit Cooperative Organizations play a significant role in the provision of financial services to the poor (target groups). They provide savings and credit and investment opportunities to individuals, institutions and group members. Thus; they perform an active financial intermediation function, particularly mediating from urban and semi-urban to rural areas, and between net savers and net borrowers while ensuring that loan resources remain in the communities from which the savings were mobilized. This is emphasized by Kuria (n.d.), who states that Savings and Credit Cooperative organizations can provide services to people far beyond the reach of current formal banks. They enable greater access and availability of vital financial services such as credit, and in some cases remittances (money transfer) and insurance, by providing outlets closer to where people need them and by allowing people to bank smaller deposits and open an account on a lower minimum salary. They equally provide low cost services. Savings and Credit Cooperative organizations are not just

profit maximizing entities and any surplus is used to offer members more affordable loans, higher returns on savings, lower fees or a wider range of products.

Savings and Credit Cooperative Organizations provide institutional development which is a major factor in financial development. Also, they bring institutional financial services to rural areas which are not offered generally by the formal financial sector. They also 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 Savings and Credit Cooperative Organizations people are shown how to avoid the pitfalls of money mismanagement; this no wonder strengthens love and family ties. Members are taught how to handle their finances in a responsible manner although this could be true only when they effectively economically patronize their cooperatives. Equally, they are primarily social policies with economic attachments to marketing and credit organizations in particular. This gives a good impression of cooperatives, which help people in weak positions to gather resources and carry out social and economic activities in conditions where it would have been virtually impossible for individuals in attaining any form of positive achievement ((Syed, 1991).

2.4 Financial Performance Measurement

Performance has been the most important issue for every organization be it profit or non-profit one. It has been very important for managers to know which factors influence an organization's performance in order for them to take appropriate steps to initiate them. However, defining, conceptualizing, and measuring performance have not been an easy task. Researchers among themselves have different opinions and definitions of performance, which remains to be a contentious issue among organizational researchers (Barney, 1997). The central issue concerns with the appropriateness of various approaches to the concept utilization and measurement of organizational performance (Venkatraman and Ramanuiam, 1986).

It is important to have a performance measurement system in any organization because such a performance system plays a key role in developing strategic plans and evaluating

the fulfillment of the organizational objectives (Ittner & Larcker, 1998). In the past years, organizations used the traditional performance measurement system that was based on the traditional management/cost accounting systems. Therefore, there have been critics on it. Johnson and Kaplan (1987) claim that performance measurement based on traditional cost or management accounting system that was introduced in early 1900s is not suitable in today's business environment anymore. The traditional performance measurement was mainly criticized due to its over reliance on cost information and other financial data which are short-term in nature and less emphasis, if any, was given to long-term value creation activities which are intangible in nature that generate future growth to the organization.

2.4.1 Return on Assets as a measure of financial performance

An indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Calculated by dividing a company's annual earnings by its total assets, ROA is displayed as a percentage. Sometimes this is referred to as "return on investment".

Return on assets (ROA) is a financial ratio that shows the percentage of profit that a company earns in relation to its overall resources. It is commonly defined as net income (or pretax profit) / total assets. ROA is known as a profitability or productivity ratio, because it provides information about management's performance in using the assets of the small business to generate income. ROA and other financial ratios can provide small business owners and managers with a valuable tool to measure their progress against predetermined internal goals, a certain competitor, or the overall industry. ROA is also used by bankers, investors, and business analysts to assess a company's use of resources and financial strength.

James O. Gill (1994) most entrepreneurs decide to start their own businesses in order to earn a better return on their money than would be available through a bank or other low-risk investments. If the ROA and other profitability ratios demonstrate that this is not occurring—particularly once a small business has moved beyond the start-up phase—

then the entrepreneur should consider selling the business and reinvesting his or her money elsewhere.

It is important to note, however, that many factors can influence ROA, including a firm's degree of capitalization. "ROA favors highly capitalized institutions," Steven Davidson (1997) "Especially for such institutions, the ROA measure treats equity capital as 'free funds'—there is no 'cost' associated with them. Financial theory as well as common sense tells us that this is certainly not the case." As a result of this and other limitations, it is advisable to combine ROA with other measures of profitability and performance.

2.4.2 Return on Equity as a measure of financial performance

A measure of a corporation's profitability; ROE reveals how much profit a company generates with the money shareholders have invested. It is also known as return on net worth (RONW).

ROE is useful for comparing the profitability of a company with that of other firms in the same industry. There are several ways for investors to use ROE: (1) Investors want to see the return on common equity so they may modify the formula shown here by subtracting preferred dividends from net income and subtracting preferred equity from shareholders' equity, giving the following: $\text{return on common equity (ROCE)} = \frac{\text{net income} - \text{preferred dividends}}{\text{common equity}}$. (2) Return on equity also may be calculated by dividing net income by average shareholders' equity. Average shareholders' equity is calculated by adding shareholders' equity at the beginning of a period to shareholders' equity at the end of the period and dividing the result by 2. (3) Investors also can calculate the change in ROE for a period by using the shareholders' equity figure from the beginning of a period as a denominator to calculate the beginning ROE: Then the end-of-period shareholders' equity can be used as the denominator to calculate the ending ROE. Calculating both helps investors determine the change in profitability over the period. (James O. Gill 1994, Steven Davidson (1997))

2.4.3 Net Income as a measure of Financial Performance

A company total earnings (or profit). Net income is calculated by taking revenues and adjusting for the cost of doing business, depreciation, interest, taxes and other expenses. This number is found on a company's income statement and is an important measure of how profitable the company is over a period of time. The measure is also used to calculate earnings per share. Often referred to as "the bottom line" since net income is listed at the bottom of the income statement. In the U.K., net income is known as "profit attributable to shareholders".

An individual's income after deductions, credits and taxes are factored into gross income. Deductions and credits are subtracted from gross income to arrive at taxable income, which is used to calculate income tax. Net income is income tax subtracted from taxable income.

Net income is calculated by starting with a company's total revenue. From this, the cost of sales, along with any other expenses that the company incurred during the period, is removed to reach earnings before tax. Tax is deducted from this amount to reach the net income number. Net income, like other accounting measures, is susceptible to manipulation through such things as aggressive revenue recognition or by hiding expenses. When basing an investment decision on net income numbers, it is important to review the quality of the numbers that were used to arrive at the value. (James O. Gill 1994, Steven Davidson (1997))

2.5 Challenges Facing Savings and Credit Cooperative Organizations

Savings and Credit Cooperative Organizations, like other many organizational entities in the world, are faced with challenges in their quest towards survival and growth. There are varied internal and external challenges. The major internal challenges include: deficiency in contemporary skills; leadership and governance problems; inadequacy of resources; insufficient technological development; quality service demand; HIV/Aids pandemic; and ethics and integrity. The major external challenge is the market served. Savings and Credit Cooperative organizations, deal with a market which is usually marginalized by conventional insurers. In particular the micro insurance sector is ignored by most companies. This is because of considerable developmental and marketing expenses

besides the low premiums making the building of critical mass challenging for break even. Other external challenges are: economy; competition; political /government; technological; social; global; and common bond (Kuria, n.d).

On the issues of completion, Owen (2007) points out that the primary competition for Savings and Credit Cooperative organizations comes from banks and micro-finance institutions. The banks are seen by clients to be more transparent, and having better governance and operational systems as opposed to Savings and Credit Cooperatives. Nowadays, banks have changed their policies to attract clientele. Many provide loans quicker, with less paperwork, less charges and less collateral requirements. Banks can now provide an employee with a same day personal loan based upon a pay slip. Many Savings and Credit Cooperative organizations have liquidity problems because of not having withdrawable savings products and large amounts of funds invested in non-earning assets. On the other hand Savings and Credit Cooperative Organizations, partner with the many banks to use their financial products and services, but compete for the same clients. Savings and Credit Cooperative organizations also have been slow in increasing their competitiveness by correcting operational and governance issues, developing new products and services, and pricing them competitively (Owen, 2007).

2.6 Theoretically Expected Relationship

According to Njihia (2005), to perform is to do a piece of work to the community. It is to act in an official way, to work or to function. Performance is an action or achievement considered in relation to how successful it is; It is the ability to operate efficiently or to react quickly.

2.6.1 Management Practice

According to Tsloebere (2000) all studies of business failure points to poor management as the main cause. The success of a firm is measured by its profitability which depends on the efficiency of its management.

According to Kibera (1996), management can be defined as a set of activities directed at the efficient and effective utilization of resources in pursuit of one or more objectives. The resources are usually people, machines, materials, time and managerial know-how.

A need to embrace good corporate governance and the by-laws need to be reviewed to provide for minimum qualification standards for both the board members and delegates for efficient and sound management (KUSCCO 2003)

According to Ouma(1980), a structure for the organization of cooperatives has evolved over the years since Kenya achieved its independence in 1963. At the lower end we have primary cooperative units, which are composed of at least 12 individual persons. Primary cooperative societies are governed by the cooperative societies Act.

2.6.2 Education and Training

According to Armstrong (2006), training is the use of systematic and planned instruction activities to promote learning. The approach can be summarized in the phrase "learner based training". It involves the use of formal processes to impart knowledge and help people to acquire the skill necessary for them to perform their jobs satisfactorily.

Learning is the process by which a person acquires and develops new knowledge, skills, capabilities and attitudes. "Learning has happened when people can demonstrate that they know something that they did not know before (insights, realizations as well as facts) and when they can do something they would not do before (skills)"

Development has been defined as "Learning experiences of any kind, whereby individual and groups acquire enhanced knowledge, skills, values or behaviors. Its outcomes unfold through time, rather than immediately, and they tend to be long-lasting."

For the purpose of cooperation, broadly, education includes academic education of more than one kind. It should include both what people learn and how they learn it. Every phase of experience which adds to people knowledge, develops their faculties and skills, widens their outlook, train them to work harmoniously and effectively with their fellows. The cooperative education and training aim at ensuring that members of cooperative

societies, including cooperative officials, employees and the general public are well informed about cooperative affairs.

The programme for cooperative education and training should include education and training on cooperative principles, business methods and general management of cooperatives, to all who are involved and concerned with the promotion, supervision, guidance and management of cooperatives. Those who are engaged in cooperative practice should participate in the process of education and re-education. These are the members, office holders, who include the members elected representatives or professionals, employed by the cooperatives.

2.6.3 Long-Term Investment

According to Weston & Brigham (1982), demand forces relate to the investment opportunities open to the firm, as measured by the stream of revenues that will result from an investment decision. Uncertainty enters the decision because it is impossible to know exactly either the cost of capitals or the stream of revenues that will be derived from a project.

According to Pandey (2005) an efficient allocation of capital is the most important finance function in the modern times. It involves decisions to commit the firm's funds to the long term assets. Investment decisions are of considerable importance to the firm since they tend to determine its value by influencing its growth, profitability and risks. The long term assets are those that affect the firm's operations beyond the one year period. The firm's investment decisions would generally include expansion, acquisitions, modernization and replacement of the long term assets. Investment decisions require special attention because of the following reasons: they influence the firm's growth in the long run, they affect the risks of the firm, they involve commitment of large amount of funds, they are irreversible or reversible at substantial loss and they are among the most difficult decisions to make.

According to Muchemi (2005), non profitable investments should be discouraged because, despite the enormous amount of resources input in such projects, returns are almost nil,, hence reducing the capital base where interest is drawn from.

According to Mwaura (2005), the annual delegates meetings and the ministry of cooperatives are to blame for investment activities undertaken by SACCOS because they are the ones who are suppose to approve the same investment.

Cooperative Management Committees are notorious for diverting members' funds into investments of dubious value. The law hence needs to be amended to strengthen the minister's regulatory hand. It should clearly prohibit investments that are not related to the core objective of the society. (KUSCCO 2003)

2.6.4 Nature of the Business

SACCO societies usually operate through a common bond. This means that members must be working under the same employer. It is possible with a definite arrangement for, say, an irrevocable banker's order, that people who have no common bond may be allowed to form one.

According to Ouma (1990) Savings and Credit Cooperatives are sometimes referred to as SACCO societies. These enable members to have facilities through which they are able to make regular savings from their salaries or some other sources of income. The system usually referred to as check-off system, enables members savings or loan repayments to be deducted by the employer at source. It is more or less a "forced" saving. However it enables members to form the saving habit from which loan could be obtained.

According to Sambu (2006), non-remittance or delayed remittance of cooperative dues has led to inconveniences and loss of income by societies. By October 2005 he noted that over Kshs. 4 billion was being held by employers. However the new law provides for stiff penalties for errant employers. He further said that KUSCCO was lobbying for the SACCO Act which will enforce prudential standards and enhance safety of members' funds. The SACCO act if enacted should also improve on the controls over payments of

monies to societies by members who are not under one employer, like the societies whose members are traders.

According to Njihia(2005) there is a positive relationship between the non-remittance of members' salary reductions, and the performance of the cooperative societies.

A legal battle looms as the government prepares to sue more than 150 employers who are withholding more than Kshs. 5 billion in members' contributions to their cooperative societies (KUSCCO 2005)

2.7 Empirical review

SACCO societies usually operate through a common bond. This means that members must be working under the same employer. It is possible with a definite arrangement for, say, an irrevocable banker's order, that people who have no common bond may be allowed to form one. According to Ouma (1990) Savings and Credit Cooperatives are sometimes referred to as SACCO societies. These enable members to have facilities through which they are able to make regular savings from their salaries or some other sources of income. The system usually referred to as check-off system, enables members savings or loan repayments to be deducted by the employer at source. It is more or less a "forced" saving. However it enables members to form the saving habit from which loan could be obtained.

Masaku traders SACCO do not have a common bond because individual members agree to contribute a certain amount towards shares. Whenever a loan is given, the concerned loanee enters into an agreement with the society on the modalities of the loan repayments, including use of guarantors and collateral. According to Sambu (2006), non-remittance or delayed remittance of cooperative dues has led to inconveniences and loss of income by societies. By October 2005 he noted that over Kshs. 4 billion was being held by employers. However the new law provides for stiff penalties for errant employers. He further said that KUSCCO was lobbying for the SACCO Act which will enforce prudential standards and enhance safety of members' funds. The SACCO act if

enacted should also improve on the controls over payments of monies to societies by members who are not under one employer, like the societies whose members are traders.

According to Njihia (2005) there is a positive relationship between the non-remittance of members' salary reductions, and the performance of the cooperative societies. A legal battle looms as the government prepares to sue more than 150 employers who are withholding more than Kshs. 5 billion in members' contributions to their cooperative societies (KUSCCO 2005).

According to Mwaura (2005), actions of top management affect performance. He also recommended that members, when electing office bearers, including delegates, should ensure that they elect trustworthy persons. Success and hence performance depends on the calibre of the officials that they elect. Corporate governance seeks to find appropriate mechanisms for governing relationships for constituent groups with the company so as to generate a long term value. It also seeks to reduce conflict of interests among the stakeholders by making sure that right people make the decisions. Corporate governance is to create and implement internal organization of the company and define more closely and represent more pressing interests to which the management should respond and goals towards which they should strive. Therefore it implies that corporate power is exercised in the best interest of the society. The focus of corporate governance is on the systems by which companies are directed and controlled. Corporate governance is the process by which organizations are directed, controlled and held accountable.

According to Mbue (2006), SACCOs should educate the members, staff and committee members on the affairs of cooperative movement, their rights and obligations, the legal framework, business ideas, good governance, leadership and investment among others. He also found out that the general members were trained by facilitators from the ministry of cooperatives, KUSCCO and CIS officials, the committee and staff members. The Annual General Meetings and Special General meetings were also forums for exchanging ideas, where the management normally gave annual financial reports, the budgets for the following year, which had to be approved in the meetings. The rate of dividends is

approved as well. The major capital projects are also approved as well as the borrowing power. Mbue also found out that staff courses are organized monthly by KUSCCO, Cooperative College, Strathmore University and any other private consulting firms, accounting colleges and computer training institutions. Committee members similarly undertake short courses and seminars.

According to MOCD (1976), it is felt generally that a responsible committee can only be found from a well-informed membership, and that efficient management can only be achieved by qualified personnel and capable committees. The government would not be able to supervise and guide the movement if it did not have appropriately qualified staff. The intensive cooperative education and training is therefore directed at the departmental staff, movement staff, the committees and members of cooperative societies/ unions. The cooperative college undertakes the in-service training for the intermediate level personnel of both the movement and the department. This training is augmented by seminars and specialized courses organized locally and abroad. The commissioner for cooperative development directs and formulates all the cooperative education policies and programmes in the country through the head of education and training division of the department of cooperative development.

These can be in the form of shares, treasury bills, Bonds, Unit trusts, Land and Buildings, etc. Money is therefore diverted from the core business of savings and lending to members. Feasibility studies should be carried out before any long term investment is undertaken. The CCD should approve the proposed investments.

According to Weston & Brigham (1982), demand forces relate to the investment opportunities open to the firm, as measured by the stream of revenues that will result from an investment decision. Uncertainty enters the decision because it is impossible to know exactly either the cost of capitals or the stream of revenues that will be derived from a project.

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the long term assets. Investment decisions are of considerable importance to the firm since they tend to determine its value by influencing its growth, profitability and risks. The long term assets are those that affect the firm's operations beyond the one year period. The firm's investment decisions would generally include expansion, acquisitions, modernization and replacement of the long term assets. Investment decisions require special attention because of the following reasons: they influence the firm's growth in the long run, they affect the risks of the firm, they involve commitment of large amount of funds, they are irreversible or reversible at substantial loss and they are among the most difficult decisions to make.

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Cooperative Management Committees are notorious for diverting members' funds into investments of dubious value. The law hence needs to be amended to strengthen the minister's regulatory hand. It should clearly prohibit investments that are not related to the core objective of the society. (KUSCCO, 2003).

2.8 Conclusion

Further research should be undertaken to establish whether the factors determining the performance of SACCOS affect the big SACCOS and the small SACCOS equally. It should also be found out whether the factors impact the same on urban, semi- urban and rural SACCOS. For societies which operate under a check-off system, all the members are known to each other. In society where there is no check-off system, not all members are known to each other. This research seeks to establish among others, the impact of long term investments, check-off system, the effect on the calibre of committee to be elected and their management practices and Education and training. The research also seeks to establish why, despite past researches, problems still persist. Exploration of the

possibilities to overcome the persistent factors affecting performance should continue. The study therefore seeks to generally explore these factors and to give suggestions as to how negative influences can be eliminated and advice as to how to take advantage of them for the well being of the SACCO movement. The study also assesses the applicability of the reforms taking place in the sector. Suggestions earlier put forward by other researchers, which have not been considered to date, will also be looked into.

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that is to be employed in the study. The methodology will include the research design, the target population, the sampling design and the sample size, the data collection instruments as well as the data analysis techniques that were used to analyze the data.

3.2 Research design

The researcher carried out a descriptive design of Savings and credit cooperative organizations (SACCO) in Nairobi. Descriptive research, also known as statistical research, describes data and characteristics about the population or phenomenon being studied. Descriptive research answers the questions who, what, where, when and how. Although the data description is factual, accurate and systematic, the research cannot describe what caused a situation. Thus, descriptive research cannot be used to create a causal relationship, where one variable affects another. In other words, descriptive research can be said to have a low requirement for internal validity. The aim of conducting a survey is to examine how various SACCOs in Nairobi are performing. A descriptive design will be more appropriate since there will be more than one SACCO involved in the study. The design also allowed the researcher to observe the elements in their natural set up without manipulating them.

3.3 Population of the study

Due to the expansive nature of the registered SACCOs, the study was focused on those within Nairobi. There are 33 FOSAs SACCOs as per SASRA currently operating in Nairobi. The 33 FOSAs SACCOs as per the SASRA found the population of this research. The researcher reviewed the determinants of performance of the 33 FOSAs SACCOs as per SASRA currently operating in Nairobi. Hence, this Population of the Study was a census.

3.4 Data collection

Primary data was collected through a structured questionnaire. The questionnaire is considered appropriate because it is easy to administer. The questionnaire contained both open and closed ended questions. It was administered through a drop-and-pick method. The questionnaire was divided into three sections. Section A contained questions on the personal information of the selected respondents; section B contained data on the performance of SACCOs while section C contained data on the determinants of SACCOs.

3.4.1 Validity

Validity addresses the accuracy with which the research instrument measures what it is supposed to. This study used a questionnaire and tested its validity by use of content validity. This was done through logical analysis which involved careful and critical examination of the questions in the questionnaire. The researcher selected a few managers from some commercial banks to examine the questionnaires to ensure they have the right content.

3.4.2 Reliability

The research questionnaire used in this study was able to give reliable information that can be used in decision making. It should therefore produce the same results if used by other researchers. To determine the reliability of the research questionnaire, a re-test of the same shall be done among few branches. The results will be compared to establish if there are any variances.

3.5 Data analysis

The data collected from this study was subjected to both quantitative and qualitative data. Frequencies and percentages were generated from the descriptive data whereas qualitative analysis was done for the qualitative data that were collected from the open ended questions. The SPSS Version 17 was used for data analysis using the Multivariate regression model to establish the determinants of SACCO performance. The following multivariate regression model was used to establish the relationship between performance

of savings and credit cooperative organizations (SACCOs) and the factors that determine the performance of the SACCOs. $Y = a + b_1 x_1 + b_2 X_2 + b_3 X_3 + b_4 x_4 + E_e$ (Error Term).

The researcher conducted a regression analysis in using the following multivariate regression model that established the relationship between performance of savings and credit cooperative organizations (SACCOs) and the factors that determine the performance of the SACCOs. $Y = a + b_1 x_1 + b_2 X_2 + b_3 X_3 + b_4 x_4 + E_e$ (Error Term).

Where Y was the dependent variable that represented performance of SACCOs using general profitability (Net Income), a was the Y intercept when x is zero, b_1 , b_2 , b_3 and b_4 are the weights associated with the factors whereas X_1 , x_2 , X_3 and x_4 are the major factors that determine the performance of SACCOs and E_e (Error Term).

Where:

X_1 = Education and Training

x_2 = Management Practice

X_3 = Nature of the Business

x_4 = Long Term Investment

E_e = (Error Term)

b_1 = is the weight associated with Education and Training

b_2 = is the weight associated with Corporate Governance

b_3 = is the weight associated with the Nature of the Business

b_4 = is the weight associated with the Long Term Investment

In order to test the strength of the model, the Independent Variables, the researcher used coefficient of the determination R^2 and correlation coefficient (R).

3.5.1 Analytical Model

By pure definition and in terms of being applied to computer systems, it is a set of equations describing the performance of a computer system. In practical terms, it describes a collection of measured and calculated behaviors of different elements over a finite period of time within the computer system - workloads, hardware, software, and the CPU itself, and can even include the actions and behaviors of its users and support personnel, in most instances, the capacity planner constructs the model using activity measurement information generated and collected during one or more time intervals. It is critical that an interval or series of intervals be used that contain significant volumes of business-critical activity. Units of work are then characterized by type and grouped into workloads. The capacity analyst can then translate future business requirements into measurable units of computing resource consumption, and calculate capacity and performance projections for workloads.

Some users will construct analytical models to merely gain an understanding of the current activity on the system and to measure performance and analyze behavior of the workload and hardware within it. Others will use them as a basis for prediction of behavior of certain elements of work within a system by inputting changes to different components of the system; one might include changes to faster or slower hardware, configuration changes, increased or decreased or altered workload arrival patterns.

The following Regression Model $Y = a + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + E_e$ (Error Term), were analyzed using the Analytical Model that also look at the Performance of businesses.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND INTERPRETATION

4.1 Introduction

This chapter provides the empirical findings gleaned from the data collected. It provides demographic information of the respondents and the statistical analysis of the information collected from them. The data was collected and analyzed using quantitative analysis and presented in tables and bar charts. Additionally, this is followed by the interpretation and discussion about our findings.

4.2 Demographic Information of the respondents

The study focused on the factors that determine the financial performance of SACCOs in Nairobi. We had a questionnaire that we provided to management who operate these SACCOs. Out of the 33 SACCOs where we provided the questionnaires, only 28 were answered and there was no response from 5. This represents 84.84% response rate.

4.3 Education and Training

In this section, the study sought data concerning the perceptions of the respondents who participated in the study on the education and training programs carried out by SACCOs in Nairobi-Kenya such as education and training of the staffs that are running the day-to-day affairs of the SACCOs, the aspect of the policy that speaks of continuing professional education of the staff who handle the financial aspects of the SACCOs, the effectiveness of the policy on education and training of the SACCOs, the frequency of the regular in house training for staff and continuing professional education and the impact of the annual budget percentage for training and education. The findings are presented and explained below.

The study sought to find out from the respondents on how they rate the policy on education and training for the staffs that are running the day-to-day affairs of the savings and credit cooperative organizations in Nairobi- Kenya. The findings that have been tabulated below indicate that majority of the respondents' rate very high the policy on

education and training of the staff. They represent 53.6% of the total number of respondents who participated in the study.

Table 4.1: Rating of staff education and training policy

Rating of staff education and training policy					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High scale	13	46.4	46.4	46.4
	Very high scale	15	53.6	53.6	100.0
	Total	28	100.0	100.0	

Source: Research Findings

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Table 4.2: Rating of continuing professional education policy

Rating of continuing professional education policy					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Moderate scale	5	17.9	17.9	17.9
	High scale	14	50.0	50.0	67.9
	Very high scale	7	25.0	25.0	92.9
	Highest scale	2	7.1	7.1	100.0
	Total	28	100.0	100.0	

Source: Research Findings

The study also sought to find out from the respondents on how they rated the aspect of the policy that speaks of continuing professional education of staff who handle the financial aspect of the savings and credit cooperative organizations in Nairobi- Kenya. The findings that have been tabulated below indicate that 50% of the total number of

respondents who participated in the study rates the aspect of the policy that speaks of continuing professional education of staff on the high scale.

Table 4.3: Rating of Effectiveness on Education Policy

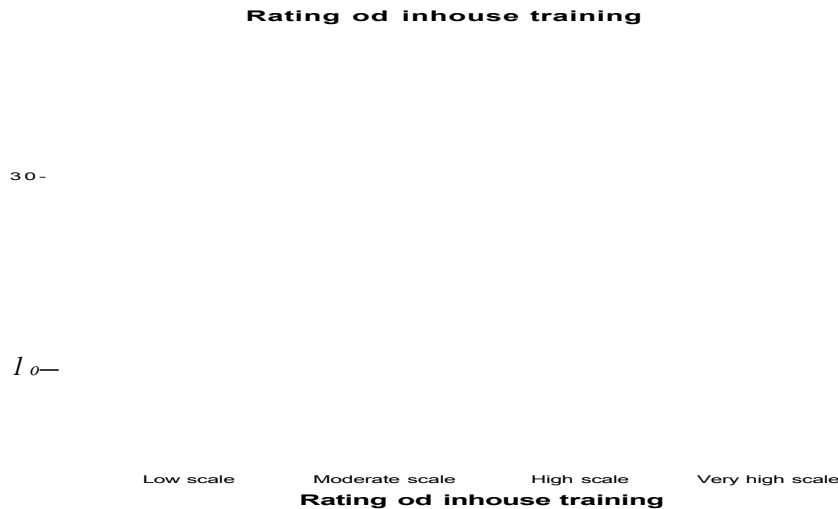
Rating of effectiveness on education policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	High scale	16	57.1	57.1	57.1
	Very high scale	10	35.7	35.7	92.9
	Highest scale	2	7.1	7.1	100.0
	Total	28	100.0	100.0	

Source: Research Findings

The study sought to determine from the respondents how they rate the effectiveness of the policy on education and training of the SACCOs in Nairobi-Kenya. From our findings as presented on the table below indicate that 57.1% of the respondents rate the effectiveness on education and training of the SACCOs to be on the high scale.

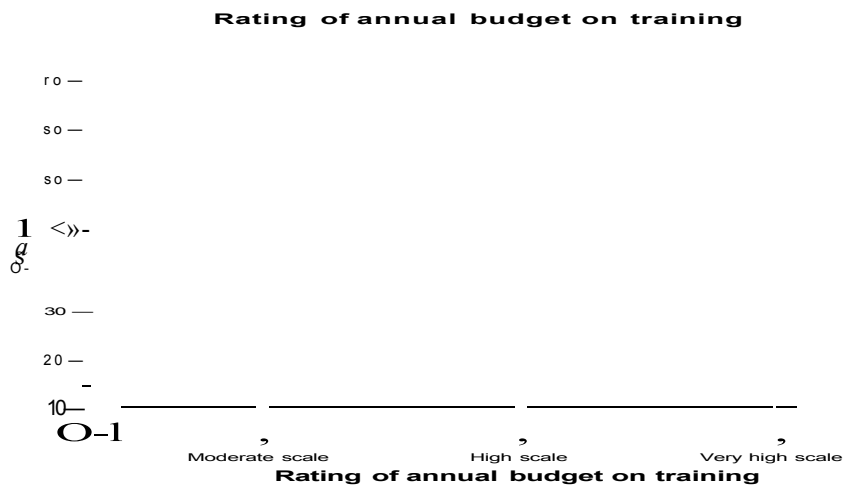
Figure 4.1: Rating of in house training for staff and continuing professional education.



Source: Research Findings

The study was aimed at determining from the respondents how they rate the frequency of the regular in- house training for staff and continuing professional education provided by the SACCOs in Nairobi-Kenya. From our findings as presented on the graph below, majority of the respondents rate the frequency of the regular in house training for staff and continuing professional education provided by the SACCOs in Nairobi-Kenya to be on the high scale.

Figure 4.2: Rating of Annual Budget on Training



Source: Research Findings

The study was aimed at finding out from the respondents on how they rate the impact of the annual budget percentage of SACCOs in Nairobi-Kenya for training and education. As shown from the study findings presented on the graph below, majority of the respondents rate the impact of the annual budget percentage for training and education on the high scale.

Figure 4.3: Percentage of Education and Training that Contribute to the Performance of SACCOs



Source: Research Findings

The study sought to find out from the respondents the percentage of education and training that contribute to the performance of SACCOs in Nairobi-Kenya. The findings of the study as presented in the graph below indicate that majority of the respondents indicated that 41-60% of education and training contributes to the performance of SACCOs in Nairobi-Kenya.

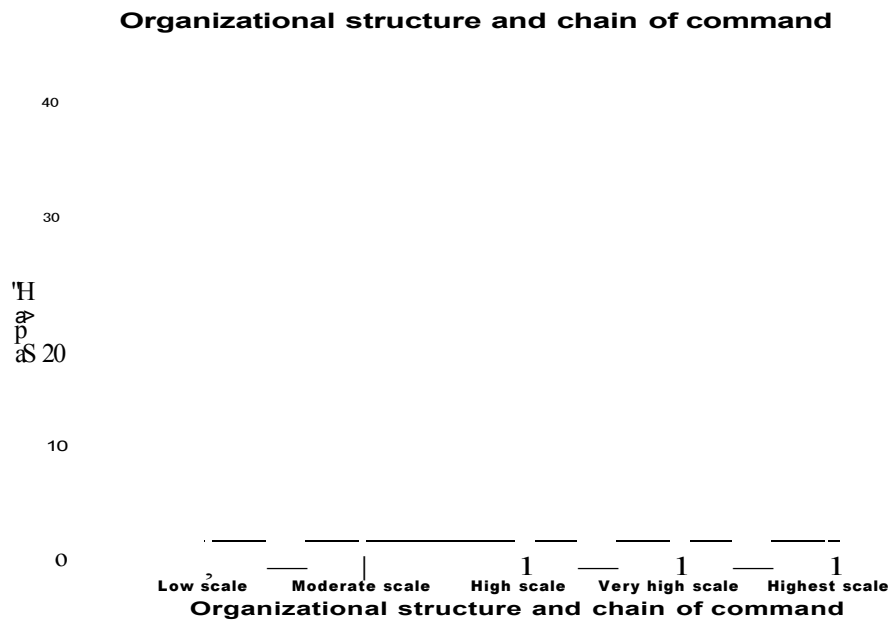
4.4 Management Practice

This section sought the views of respondents who participated in the study on how they rate various management practices such as the appropriateness of the organizational structure, the complexity of the organization structure, the audits, the overall performance of senior management as well as middle and lower level staff among the savings and credit cooperative organizations in Nairobi- Kenya. The findings are presented and explained below.

The study sought to find out from the respondents how they rated the appropriateness of **the organizational structure within the SACCOs in Nairobi-Kenya to enhance a definite**

chain of command. The findings that have been presented on the graph below indicate that majority of the respondents rated the organizational structure within the SACCOs in Nairobi-Kenya to enhance a define chain of command on a high scale. This may be attributed to the fact that a number of these SACCOs have clear and well defined governance guidelines.

Figure 4.4: Rating of Organizational Structure and Chain of Command



Source: Research Findings

The study sought to find out from the respondents how they rated the appropriateness of the organizational structure within the SACCOs in Nairobi-Kenya to enhance a definite chain of command. The findings that have been presented on the graph below indicate that majority of the respondents rated the organizational structure within the SACCOs in Nairobi-Kenya to enhance a define chain of command on a very high scale. This may be attributed to the fact that a number of these SACCOs have clear and well defined governance guidelines.

Figure 4.5: Rating of the Complexity of the SACCOs Organization Structure

Complexity of organizational structure

30 –

5; 20-

Low scale Moderate scale High scale Very high scale
Complexity of organizational structure

Source: Research Findings

The study also sought to find out from the respondents how they rated the complexity of the SACCOs organization structure. The findings that have been presented by the graph below indicate that majority of the respondents rated the complexity of the SACCOs organization structure to be on a moderate scale.

Table 4.4: Rating of the SACCOs Audit Committees

Rating of audit committee

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Low scale	2	7.1	7.1	7.1
Moderate scale	8	28.6	• 28.6	35.7
High scale	12	42.9	42.9	78.6
Very high scale	6	21.4	21.4	100.0
Total	28	100.0	100.0	

Source: Research Findings

The study was aimed at finding out from the respondents on how they rate the SACCOs in Nairobi-Kenya's audit committees in effectively and efficiently implementing audit recommendations. The findings as presented on the table below indicate that 42.9% of the respondents agree that their audit committees perform well.

Table 4.5: Rating of the Overall Performance of Senior Management

Overall performance of senior management

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid High scale	16	57.1	57.1	57.1
Very high scale	12	42.9	42.9	100.0
Total	28	100.0	100.0	

Source: Research Findings

The study was aimed at finding out from the respondents on how they rate the overall performance of senior management among the SACCOs in Nairobi. The findings as presented on the table below indicate that majority of the respondents rate the overall performance of senior management among the SACCOs in Nairobi-Kenya to be on a high scale. They represent 57.1% of the total number of respondents who participated in the study.

Table 4.6: Rating of the Overall Performance of Middle and Lower Level Staff

Rating of middle and lower level staff

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Moderate scale	2	7.1	7.1	7.1
High scale	7	25.0	25.0	32.1
Very high scale	19	67.9	67.9	100.0
Total	28	100.0	100.0	

Source: Research Findings

The researcher also wanted to find out from the respondents on how they rate the overall performance of middle and lower level staff among the SACCOs in Nairobi. The findings

as presented on the table below indicate that majority of the respondents rate the overall performance of middle and lower level staff among the SACCOs in Nairobi-Kenya to be on a very high scale. They represent 67.9% of the total number of respondents who participated in the study.

Table 4.7: Percentage of Management Practice that contributes to the Performance of SACCOs

		Management practice			Cumulative Percent
		Frequency	Percent	Valid Percent	
Valid	1-20%	5	17.9	17.9	17.9
	21-40%	5	17.9	17.9	35.7
	41-60%	7	25.0	25.0	60.7
	60%+	11	39.3	39.3	100.0
Total		28	100.0	100.0	

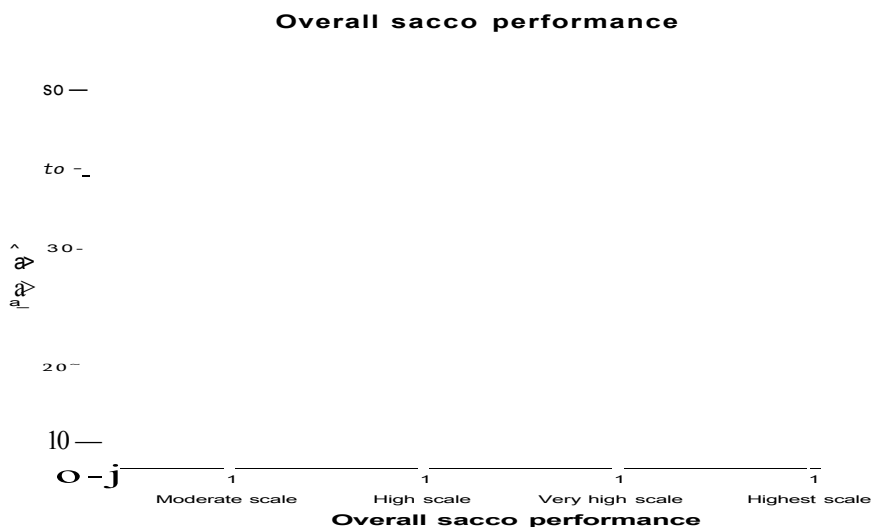
Source: *Research Findings*

The study sought to determine from the respondents the percentage of management practice that contributes to the financial performance of SACCOs in Nairobi-Kenya. The findings of the study as presented in the table below indicate that majority of the respondents indicate that 60%+ of management practice contributes to the Financial performance of SACCOs in Nairobi-Kenya. This therefore means that the type of management practice adopted by the SACCOs in Nairobi-Kenya play a crucial role in influencing the SACCOs financial performance.

4.5 Nature of the Business

In this section, the study sought to ascertain from the respondents who participated in the study on how they rate the nature of the business among the savings and credit cooperative organizations in Nairobi- Kenya. The findings are presented and explained below.

Figure 4.6: Rating of the Overall Nature of the SACCOs Performance



Source: Research Findings

The study sought to establish from the respondents on how they rate the overall nature of the SACCOs performance. It is evident from the findings as shown in the graph below that most of the respondents rate the overall nature of the SACCOs performance in Nairobi-Kenya to be on a very high scale. This is an indication that most of them have good business performance.

Table 4.8: Rating of the External Audit Functions

		External Audit functions			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Moderate scale	5	17.9	17.9	17.9
	High scale	14	50.0	50.0	67.9
	Very high scale	9	32.1	32.1	100.0
	Total	28	100.0	100.0	

Source: Research Findings

The study also wanted to establish from the respondents on how they rate the external audit functions of the Sacco, if required; to the nature of the business to ensure quality of internal audits, objectivity and performance. It is evident from the findings as shown in

the table below that majority of the respondents rate the external audit functions of the Sacco, if required; to the nature of the business to ensure quality of internal audits, objectivity and performance on a high scale. They represent 50% of the total number of respondents who participated in the study.

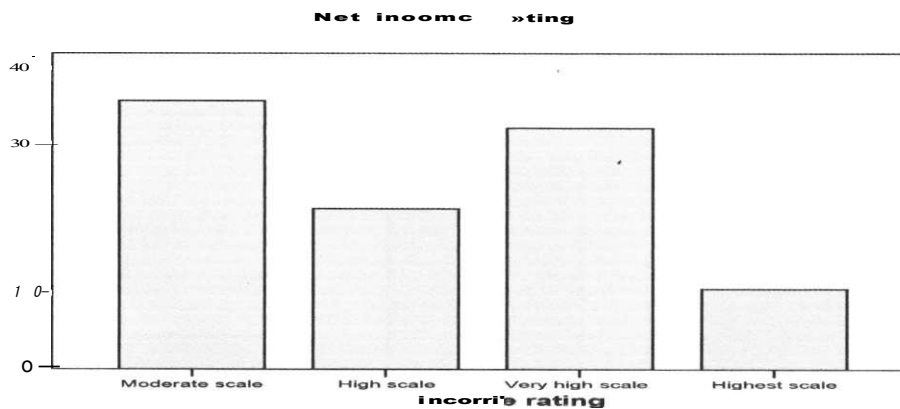
Table 4.9: Rating of the Control Procedures

		Control procedures			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low scale	2	7.1	7.1	7.1
	Moderate scale	3	10.7	10.7	17.9
	High scale	13	46.4	46.4	64.3
	Very high scale	7	25.0	25.0	89.3
	Highest scale	3	10.7	10.7	100.0
	Total	28	100.0	100.0	

Source: Research Findings

The study was interested in finding out how the respondents rate the control procedures over the deposit, withdrawal and loaning of funds among SACCOs in Nairobi-Kenya. The findings as tabulated below indicate that 46.4% and 25% of the respondents rate the control procedures over the deposit, withdrawal and loaning of funds among SACCOs in Nairobi-Kenya to be on the high and very high scales respectively.

Figure 4.7: Rating of the Overall Output of Profits (Net Income) among SACCOs



Source: Research Findings

The study sought to find out how the respondents who participated in the study rate the overall output of profits (Net Income) among SACCOs in Nairobi-Kenya. The findings as presented in the graph below indicate that on average, majority of the respondents rate the overall output of profits (Net Income) among SACCOs in Nairobi-Kenya to be on the moderate scale.

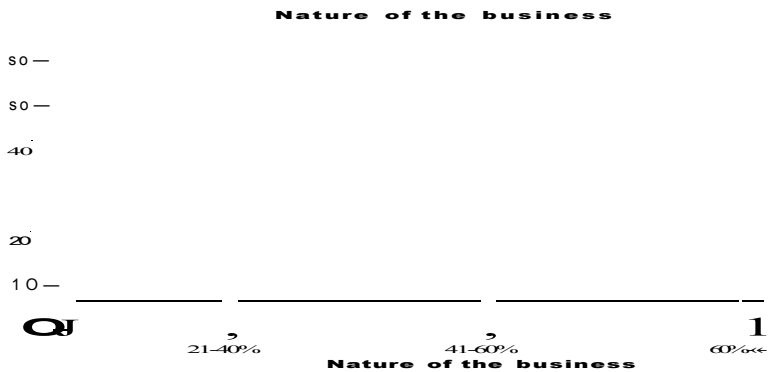
Table 4.10: Rating of the Qualification of Internal Auditors

Qualification of internal auditors					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low scale	2	7.1	7.1	7.1
	Moderate scale	10	35.7	35.7	42.9
	High scale	6	21.4	21.4	64.3
	Very high scale	10	35.7	35.7	100.0
	Total	28	100.0	100.0	

Source: Research Findings

The study sought to establish how the respondents rate the qualification, independence and objectivity of internal auditors recruited among SACCOs in Nairobi-Kenya. The findings as tabulated below indicate that 35.7% of the respondents rate the qualification, independence and objectivity of internal auditors recruited among SACCOs in Nairobi-Kenya to be on the moderate and very high scales.

Figure 4.8: Percentage of Business Nature that Contributes to the Financial Performance of SACCOs



Source: Research Findings

The study sought to determine from the respondents the percentage of the nature of the business that contributes to the performance of SACCOs in Nairobi-Kenya. The findings of the study as presented in the graph below indicate that majority of the respondents indicate that 41-60% of the nature of the business contribute to the performance of SACCOs in Nairobi-Kenya.

4.6 Long Term Investment

In this section, the study sought to establish from the respondents who participated in the study how they rate issues concerning long term investment among SACCOs in Nairobi-Kenya such as the effectiveness of the policy for the going concern principle within the operations of the SACCOs, the overall savings of the SACCOs that could allow for the businesses to survive for the next 10 years, the investment climate of the SACCOs to attract future investment, the properties, financial position, and customer's position of the SACCO businesses to continue their operations in the future, the maintainability and sustainability positions of the businesses like loans, properties, among others that the SACCOs can survive in for the next 10 years.

In addition, this section also sought to establish what percentage of education and training, management practice, nature of business and long term investments contribute to the performance of SACCOs in Nairobi- Kenya. The findings are presented and explained below.

Table 4.11: Rating of the Policy for the Going Concern Principle

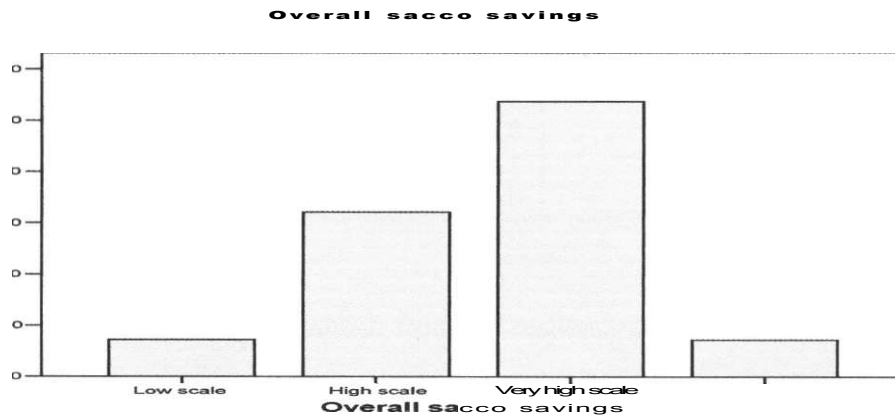
		Policy for going concern principle			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Moderate scale	3	10.7	10.7	10.7
	High scale	18	64.3	64.3	75.0
	Very high scale	7	25.0	25.0	100.0
	Total	28	100.0	100.0	

Source: Research Findings

The study was interested in establishing how the respondents rate the effectiveness of the policy for the going concern principle within the operations of the SACCO businesses in

Nairobi- Kenya. It is evident from the findings in the table below that majority of the respondents rate the effectiveness of the policy for the going concern principle within the operations of the SACCO business in Nairobi- Kenya on the high scale. They represent 64.3% of the respondents who participated in the study.

Figure 4.9: Rating of the Overall Savings of the SACCOs



Source: Research Findings

The study was interested in establishing how the respondents rate the overall savings of the SACCOs in Nairobi-Kenya that could allow the SACCO business to survive in the next 10 years. From the findings of the study as presented in the graph below, majority of the respondents who participated in the study, rate the overall savings of the SACCOs in Nairobi-Kenya on a very high scale.

Figure 4.10: Rating of the Investment Climate of the SACCOs



Source: Research Findings

It was also determined from the study findings as presented in the graph below that majority of the respondents rate the investment climate of the SACCOs business in Nairobi-Kenya to attract future investment on a high scale.

Table 4.12: Rating of the Properties and Financial Position

Property and Financial position					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Low scale	2	7.1	7.1	7.1
	High scale	11	39.3	39.3	46.4
	Very high scale	12	42.9	42.9	89.3
	Highest scale	3	10.7	10.7	100.0
	Total	28	100.0	100.0	

Source: Research Findings

Also, the study wanted to establish from the respondents on how they rate the properties, financial position, and customer's position on the SACCOs business in Nairobi-Kenya to continue their operations in the future. From the findings of the study as presented in the table below, majority of the respondents rate the properties, financial position, and customer's position on the SACCOs business to continue their operations in the future on a very high scale. They represent 42.9% of the respondents who participated in the study.

Figure 4.11: Rating of the Maintainability and Sustainability Positions



Source: Research Findings

The study was interested in finding out from the respondents on how they rate the maintainability and sustainability positions of the SACCOs business including all other functions such as loans, properties among others that the businesses can survive in the next 10 years. It is clear from the findings of the study as shown in the graph below that majority of the respondents who participated in the study rate the maintainability and sustainability positions of the SACCOs in Nairobi-Kenya on high scales.

Table 4.13: Rating of the Financial Performance of SACCOs

Sacco performance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Good	4	14.3	14.3	14.3
	Better	22	78.6	78.6	92.9
	Best	2	7.1	7.1	100.0
	Total	28	100.0	100.0	

Source: Research Findings

The study equally sought to determine from the respondents on how they rate the financial performance of SACCOs in Nairobi-Kenya. The findings of the study as presented in the table below indicate that 14.3%, 78.6% and 7.1% of the respondent who participated in the study rate the Financial performance of FOSA SACCOs in Nairobi-Kenya as good, better and best respectively.

Table 4.14: Percentage of Long Term Investment that Contributes to the Financial Performance of SACCOs

Long term investment					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-20%	2	7.1	7.1	7.1
	21-40%	3	10.7	10.7	17.9
	41-60%	15	53.6	53.6	71.4
	60%+	8	28.6	28.6	100.0
	Total	28	100.0	100.0	

Source: Research Findings

The study also sought to establish from the respondents the percentage of long term investment that contributes to the performance of SACCOs in Nairobi-Kenya. The findings of the study as presented in the table below indicate that majority of the respondents indicate that 41-60% of the long term investment contribute to the performance of SACCOs in Nairobi-Kenya.

Table 4.15: Regression Model Summary

Model Summary						Change Statistics		
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2
	.760 ^a	.578	.152	.429	.578	2.209		23

a. , Nature of the business, Education and training, Management practice

b. Dependent Variable: Sacco performance Predictors: (Constant), Long term investment

Source: Research Findings

As shown in the regression model summary table above, the SACCO performance variance service is accounted by 57.8% of the following variables: long term investment, nature of business, education and training, and management practice. This clearly shows that apart from these four variables, there are other variables that account for the remaining 42.2% of the variance in SACCO performance.

Table 4.16: Coefficients

Coefficients											
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	5% Confidence Interval for		Correlations		
		B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	P
1	(Constant)	.806	.457		1.762	.091	-.140	1.752			
	Education and trainir	-.349	.190	-.772	-1.831	.080	-.743	.045	.121	-.357	
	Management practic	.069	.173	.169	.398	.694	-.289	.426	.258	.083	
	Nature of the busine	.329	.222	.473	1.486	.151	-.129	.787	.280	.296	
	Long term investmer	.281	.200	.505	1.404	.174	-.133	.694	.386	.281	

Dependent Variable: Sacco performance

Source: Research Findings

Based on the coefficients in the table above, the study derived the following equation that will help explain the relationship between the performance of savings and credit cooperative organizations (SACCOs) and the factors that determine the performance of the SACCOs in Nairobi-Kenya: $Y = 0.806 - 0.349x_1 + 0.69x_2 + 0.329x_3 + 0.281x_4$

4.7 Interpretation of findings

4.7.1 Education and Training

When the respondents were asked regarding their opinion about the performance of the SACCO in relationship to the Education and Training Policy of the SACCOs, majority of the respondents indicated that the SACCOs were performing very high. They represented 53.6% of the total respondents who participated in the study. On the other hand, 46.4% rated the policy on Education and Training as been high.

The response of 53.6% means that majority of the SACCOs were seen as performing excellently. Most of the respondents indicated that the reason behind the performance of their SACCO was creative and responsible management or otherwise, economic factors of the country and cooperation (teamwork) among the members of the SACCO both the management and the staff.

On the issue of meeting up with their financial obligation, majority of the respondents indicated that their SACCO paid them as stipulated every year.

4.7.2 Continuing Professional Education Policy

When the respondents were asked regarding their opinion about the Financial Performance of the SACCO in relationship to the policy on Continuous Professional Education, 50% of the total respondents rated the policy on a high scale, 17.9% rated the policy as being moderate, 25% of the respondent rated the policy as being very high and 7.1% of the respondents rated the policy on the highest scale. Majority of the respondents indicated that the reason behind the improved financial performance of the SACCO was the level of leadership and supervision being exercised by both management and staff.

4.7.3 Effectiveness of the Educational Policy

When the respondents were asked regarding the Financial Performance of the SACCO in relationship to the Effectiveness of the Educational Policy, 57.1% of the total respondents rated the policy on a high scale, 35.7% of the total respondents rated the policy on a very high scale and 7.1% of the total respondents rated the policy on a highest scale. This indicates that the respondents were fairly distributed in their response regarding the Effectiveness of the Educational policy of their SACCO Financial Performance. The respondents indicated that such instrument has greatly improved the financial position of the SACCO. This reason behind this improvement as indicated by the respondents was the professional handling of the day to day operation the SACCO by both management and staff.

4.7.4 Rating on a Frequency basis the In- House Training for Staff and Continuous Professional Education

When the respondents were asked regarding the rating on a frequency basis of the in-house training and continuous professional education of the SACCO, majority of the respondents rated it on a high scale.

4.7.5 Rating on the Annual Budget on Training

When the respondents were asked regarding the rating on a frequency basis of the in-house training and continuous professional education of the SACCO, majority of the respondents rated it on a high scale.

4.7.6 Rating of the Organization Structure and the Chain of Command

When the respondents were asked to rate the appropriateness of the organization structure and the chain of command on a frequency basis, majority of the respondents rated the appropriateness on a very high scale. This is because of the organized organizational structure and defined chain of command that the SACCOs have in place. This has greatly helped in the improvement of the financial performance of the SACCO as indicated by the respondents.

4.7.7 Rating of the complexity of the SACCOs Organizational Structure

When the respondents were asked to rate the complexity of the organization structure on a frequency basis, majority of the respondents rated the complexity on a moderate scale. This is because of the organized organizational structure that the SACCOs have in place. This has greatly helped in the improvement of the financial performance of the SACCO as indicated by the respondents.

4.7.8 Rating of the Audit Committee of the SACCOs

When the respondents were asked regarding the Financial Performance of the SACCO in relationship to Audit Committee Performance, 42.9.1% of the total respondents rated the Audit Committee performance on a high scale, 21.4% of the total respondents rated the Audit Committee performance on a very high scale, 7.1% of the total respondents rated the Audit Committee on a low scale and 28.6% of the total respondent rated the Audit Committee performance on a moderate scale. This is an indication that Audit Committee is fairly performance its duty in regards to the Financial Performance of the SACCOs.

4.7.9 Rating the Overall Performance of Senior Management

When the respondents were asked regarding the Financial Performance of the SACCO in relationship to Senior Management Performance, 57.1% of the total respondents rated the Senior Management performance on a high scale and 42.9% of the total respondents rated the Senior Management performance on a very high scale. This is an indication that Senior Managements are comprehensively performing their duties in regards to the Financial Performance of the SACCOs.

4.7.10 Rating of the Overall Performance of Middle and Lower Management

When the respondents were asked regarding the Financial Performance of the SACCO in relationship to the Performance of Middle and Lower level staff, 25.0.1% of the total respondents rated the performance of the Middle and Lower level staff on a high scale, 67.9% of the total respondents rated the performance the Middle and Lower level staff on a very high scale and 7.1% of the total respondents rated the performance of the Middle and Lower level staff on a moderate scale. This is an indication that Middle and Lower

staff are highly committed to their jobs, which is a positive signal to the financial performance of SACCOs.

4.7.11 Percentage of Education and Training that Contribute to the Performance of SACCOs

When the respondents were asked to rate the overall percentage of education and training that contribute to the performance of the SACCOs, the total of the respondents rated the percentage on training and education as between 41-60%. This is an indication that the SACCOs have good level of percentage for training and education.

4.8 Nature of the Business

4.8.1 Rating of the Overall Nature of the SACCOs Performance

When the respondents were asked to rate the overall nature of the SACCOs performance on a frequency basis, majority of the respondents rated the overall nature of the SACCOs performance on a very high scale. This is because of the organized organizational structure that the SACCOs have in place and the easy comprehension of the day to day affairs of Sacco's operation. This has greatly helped in the improvement of the financial performance of the SACCO as indicated by the respondents.

4.8.2 Rating the External Audit Functions

When the respondents were asked to rate the external audit functions of the SACCOs, if required; to the nature of the business to ensure quality internal audit objectives are been achieved and the objectivity and independent of the internal audit function, most of the respondents rated the External Audit Functions on a 50.0% on a high scale, 17.9% on a moderate scale and 32.1% on a very high scale. This is an indication that there is a middle-level reasonability regarding the objectivity and independence of the external audit functions of the SAACOs.

4.8.3 Rating the Control Procedures

When the respondents were asked to rate the control procedures of the SACCOs in relationship to the nature of the business to ensure that there is an adequate control procedure in the daily operations of the SACCOs, 7.1% of the total respondents rated the

control procedures on a low scale, 10.7% of the total respondents rated the control procedures on a moderate scale, 46.4% of the total respondents rated the control procedures on high scale, 25.0% of the total respondents rated the control procedures on a very high scale and 10.7% of the total respondents rated the control procedures on a highest scale .This is an indication that these SACCOs have a fairly control procedures in place.

4.8.4 Rating of the Overall Output of Profit (Net Income) among SACCOs

When the respondents were asked to rate the overall output of profits (Net Income) of the SACCOs performance on a frequency basis, majority of the respondents rated the overall output of profits (Net Income) SACCOs performance on a moderate scale. This is an indication that these SACCOs are not operating on a lost. They are effectively and efficiently management the cash in appropriate way that ensure long term investment

4.8.5 Rating of the Qualification of Internal Auditors

When the respondents were asked to rate the Qualifications of Internal Auditors of the SACCOs in relationship to the nature of the business to ensure productivity in the daily operations of the SACCOs, 7.1% of the total respondents rated the qualification of internal auditors on a low scale, 35.7% of the total respondents rated the qualification of internal auditors on a moderate scale, 21.4% of the total respondents rated the qualification of internal auditors on high scale and 35.7% of the total respondents rated the qualification of internal auditors on a very high scale. This is an indication that these SACCOs have fairly qualified internal auditors in place.

4.8.6 Percentage of Business Nature that Contributes to the Financial Performance of SACCOs

When the respondents were asked to rate the overall percentage of the nature of the business that contributes to the financial performance of the SACCOs, the total of the respondents rated the percentage as between 41-60%. This is an indication that the SACCOs have a good level of percentage of the business nature that contributes to their financial performance.

4.9 Long Term Investment

4.9.1 Rating of the Policy for the Going Concern Principles

When the respondents were asked to rate the policy for the going concern of the SACCOs to meet future demands for profitability, 10.7% of the total respondents rated the policy for the going concern on a moderate scale, 64.3% of the total respondents rated the policy for the going concern on a high scale and 25.0% of the total respondents rated the policy for the going concern on a very high scale. This is an indication that the SACCOs have a place appropriate policy for the future existence of the business.

4.9.2 Rating of the Overall Savings of the SACCOs

When the respondents were asked to rate the overall savings of the SACCOs on a frequency basis, majority of the respondents rated the overall savings of the SACCOs on a very high scale. This is an indication that these SACCOs have adequate funds to meet future demands.

4.9.3 Rating of the Investment Climate

When the respondents were asked to rate the investment climate of the SACCOs on a frequency basis, majority of the respondents rated the investment climate of the SACCOs on a high scale. This is an indication that these SACCOs have an adequate investment climate.

4.9.4 Rating of the Properties and Financial Positions

When the respondents were asked to rate the property and financial positions of the SACCOs to meet future demands for profitability, 39.3% of the total respondents rated the property and financial positions on a high scale, 7.1% of the total respondents rated the property and financial positions on a low scale, 42.9% of the total respondents rated the property and financial positions on a very high scale and 10.7 rated the property and financial positions on a highest scale.. This is an indication that the SACCOs have a place appropriate property and financial positions for the future existence of the business.

4.9.5 Rating of the Maintainability and Sustainability

When the respondents were asked to rate the maintainability and sustainability of the SACCOs on a frequency basis, majority of the respondents rated the maintainability and sustainability of the SACCOs on a high scale. This is an indication that these SACCOs have an adequate level of management to keep the business functioning.

4.9.6 Rating the Financial Performance

When the respondents were asked to rate the overall financial performance of the SACCOs, 14.3% of the total respondents rated the financial performance as good, 78.6% of the total respondents rated the financial performance as better and 7.1% of the total respondents rated the financial performance as best. This is an indication that the SACCOs have a place appropriate financial performance for the future existence of the business.

4.9.7 Percentage of Long Term Investment that Contributes to the Financial Performance of SACCOs

When the respondents were asked to rate the overall percentage of the Long Term Investment that contributes to the financial performance of the SACCOs, the total of the respondents rated the percentage of Long Term Investment as between 41-60%. This is an indication that the SACCOs have good level of percentage for Long Term Investment needs.

4.10 Management Practice

4.10.1 Percentage of Management Practice that contributes to the Performance of SACCOs

When the respondents were asked to rate the overall percentage of management practice that contributes to the performance of the SACCOs, the total of the respondents rated the percentage on management practice as 60+%. This is an indication that the SACCOs have good level of percentage of management practice that contributes to the performance of the SACCOs.

CHAPTER FIVE: SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings that were derived from the study. The study sought to establish the determinants of financial performance among SACCOs in Nairobi. Data was collected from 28 SACCOs based in Nairobi. The conclusions for the findings as well as recommendations are also discussed in this chapter.

5.2 Summary

The study considered several factors that were likely to affect the financial performance of SACCOs in Nairobi. Among these factors were the staff education and training policy adopted by the organization. The findings illustrated that most of the SACCOs have in place a sound staff and training policy that plays a very important role in the financial performance of the organization. It was also clear from the study that most of the SACCOs encouraged continuing education among their employees. Employees are encouraged to involve themselves in education programmes that can improve self development. It is also important to note that the respondents agreed that their organizations allocated enough funds towards continuing education and training.

Concerning management practice as a factor that determines the financial performance, organizational structure and chain of command were found to be important. The study established that most of the SACCOs in Nairobi had well defined organizational structure that greatly improved the chain of command. The employees are therefore well aware of their place in the organization and the people they-must report to. The respondents also indicated that the structure of their organizations was not all that complex. The main reason is because majority of the SACCOs are not very big hence a simple organization structure.

The study found out that most of the senior management employees of the SACCOs are very much committed to their work. Slightly more than one half of the respondents agreed that their senior management were very much committed to their roles. It is

however surprising to note that the middle and lower level management employees of SACCOs were found to be more committed to their roles than the senior level managers of the organizations. The reasons for this kind of trend are not very clear from the study.

The nature of business was also found to be a very important determinant of SACCO financial performance in Nairobi. The various aspects considered under the nature of business include the overall nature of the financial performance of SACCOs, external audit functions, qualifications of internal auditors, control procedures as well as the overall output in terms of profits. All the above were found to have a high rating among SACCOs in Nairobi.

The study also established that long term SACCO investments play an important role in the determination of financial performance of the organization. The study showed that majority of the SACCOs has the required investment climate that can enhance their long term investments. Most of the SACCOs have also invested in properties in order to secure their contributions made by the members. It was clear from the findings that most of the SACCOs have a solid financial foundation hence is able to sustain their performance into the foreseeable future.

the study derived the following equation that will help explain the relationship between the performance of savings and credit cooperative organizations (SACCOs) and the factors that determine the performance of the SACCOs in Nairobi-Kenya: $Y = 0.806 - 0.349x_1 + 0.69x_2 + 0.329x_3 + 0.281x_4$. This equation does not however explain fully the performance of SACCOs since it caters for 57.8% of the variance. Therefore, other factors will be able to explain the difference in variance.

5.3 Conclusions

It is clear from the findings that education and training; management practice; nature of business and long term performance are factors that determine the financial performance of SACCOs in Nairobi. These four factors do not however determine fully the financial performance of SACCOs since they leave out 42.2% of some unexplained variance. Education and training was found to have an inverse relationship with SACCO financial

performance whereas management practice, nature of business and long term investments have a positive relationship with performance.

5.4 Recommendations for Policy

There is need for senior level management staff to put in more effort towards improving the financial performance of SACCOs. There is a significant gap in the commitment shown by middle and junior managers to that shown by senior level managers and this needs to be addressed.

The four variables under consideration do not account for 100% of the financial performance of SACCOs. It will be important for SACCOs to find out more on the factors that determine their financial performance. This will enable them to comprehensively address the issue of dismal financial performance in the industry.

5.5 Limitation of the Study

The study was restricted to SACCOs operating only in Nairobi and hence can only be generalized for a similar urban setup under governance such as Nairobi. The sample covered 33 SACCOs operating in Nairobi.

Another problem encountered in the field had to do with reluctance of the respondents to cooperate due to suspicion that disclosing information may lead to exposing them to their competitors in the industry. In addition, some of the respondents adopted nonchalant attitudes toward providing information as they did not perceive possible and immediate benefits to them and their institutions.

5.6 Suggestions for Further Research

This study is not an end to itself. There are many Issues that arise from the findings and may require further research in order to address them. For instance a study should be carried out to establish the other factors that can explain the 42.2% variance in the regression model.

It will also be important to carry out a study to establish the reasons why middle and junior level staffs are more committed towards performance of their SACCOs than the

senior management staff. Such a study will enable the SACCOs to take appropriate measures to make improvement in the area.

This same study may be replicated later in order to find out if the situation is still the same or there are any substantial changes. The business environment is dynamic hence the future may present other factors that can also affect the financial performance of SACCOs.

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APPENDICES

Appendix I: Questionnaire

Section A: Demographic data

Name of institution:

Name of Respondent:

Position:

Duration of
Employment:

Section B

Rating Scales:

1=Low scale, 2=moderate scale, 3=highscale,4=very high scale and 5=highest scale

Education and Training Section

1. How can you rate the policy on Education and Training for the staffs that are running the day-to-day affairs of the Sacco?.

1 2 3 4 5
() () () 0 ()

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

2. How can you rate the aspect of the policy that speaks of continue professional education of staff that handle the financial aspect of the Sacco?

1 2 3 4 5
() () () () ()

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

3. How can you rate the effectiveness of the policy on education and training of the Sacco?

1 2 3 4 5
0 () 0 0 0

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

4. How can you rate the frequency of the regular in house training for staff and continue professional education?

1	2	3	4	5
0	0	0	()	()

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

5. How can you rate the impact of the annual budget percentage for Training and Education?

1	2	3	4	5
0	()	0	0	0

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

Management Practice

1. How can you rate the appropriateness of the organizational structure within the Sacco to enhance a define chain of command?

1 2 3 4 5
() () () () 0

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

2. How can you rate the complexity of the organization Structure?

1 2 3 4 5
0 () 0 () 0

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

3. How can you rate the audit committee, if any; in effectively and efficiently implementing audit recommendations?

1 2 3 4 5
() () 0 () ()

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

4. How can you rate the overall performance of Senior Management?

1	2	3	4	5
()	()	()	()	()

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

5. How can you rate the overall performance of middle and lower level staff?

1	2	3	4	5
0	0	()	0	0

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

Nature of the Business

1. How can you rate the overall nature of the Sacco Performance?

1	2	3	4	5
0	0	0	0	0

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

2. How can you rate the external audit functions of the Sacco, if required; to the nature of the business to ensure quality of Internal audits, objectivity and Performance?

1	2	3	4	5
0	0	0	0	0

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

3. How can you rate the control procedures over the deposit, withdrawal and loaning of funds?

1	2	3	4	5
()	0	()	()	()

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

4. How can you rate the overall output of profits (Net Income)?

1	2	3	4	5
0	()	()	()	0

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

5. How can you rate the qualification, independence and objectivity of internal auditors recruited by these Sacco's?

1	2	3	4	5
0	0	0	()	0

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

Long Term Investment

1. How can you rate the effectiveness of the policy for the going concern principle within the operation of the business?

1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

2. How can you rate the overall savings of the Sacco that could allow for the business to survive in the next 10 years from now?

1	2	3	4	5
<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

3. How can you rate the investment climate of the business to attract future investment?

1	2	3	4	5
()	0	0	0	()

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

4. How can you rate the properties, financial position, and customer's position of the business to continue its operation in the future?

1	2	3	4	5
()	()	()	()	()

Comments:

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

5. How can you rate the maintainability and sustainability positions of the business, including all other functions (Loans, Properties, etc) that the business can survive in the next 10 years?

1	2	3	4	5
()	()	()	()	0

Comments:.

Note: the space provided for comments is necessary in the case where there is no policy or aspect in the direction of the question.

Appendix II: Listing of Licensed SACCOs operating in Nairobi as per SASRA.

No.	Name of Society	Postal Address	Date Licensed
1	Stima Sacco Society Ltd	P.O. Box 75629-00100 Nairobi	19/12/2011
2	U.N Sacco Society Ltd	P.O. Box 30552-00100 Nairobi	19/12/2011
3	Chai Sacco Society Ltd	P.O. Box 278-00200 Nairobi	19/12/2011
4	Nacico Sacco Society Ltd	P.O. Box 34525-00100 Nairobi	19/12/2011
5	Mwito Sacco Society Ltd	P.O. Box 56763-00200 Nairobi	19/12/2011
6	Comoco Sacco Society Ltd	P.O. Box 30135-00100 Nairobi	19/12/2011
7	Mwalilu National Sacco Society Ltd	P.O. Box 62641-00200 Nairobi	19/12/2011
8	Wanandegge Sacco Society Ltd	P.O.Box 19074-00501 Nairobi	19/12/2011
9	Kenya Police Staff Sacco Society Ltd	P.O Box 51042-00200 Nairobi	19/12/2011
10	National Staff Sacco Society Ltd	P.O. Box 22022-00400 Nairobi	19/12/2011
11	Orthodox Development Sacco Society Ltd	P.O. Box 43582-00100 Nairobi	19/12/2011
12	Kingdom Sacco Society Ltd	P.O Box 8017-00300 Nairobi	19/12/2011
13	Afya Sacco Society Ltd	P.O. Box 11607-00400 Nairobi	19/12/2011
14	Harambee Sacco Society Ltd	P.O Box 47815-	19/12/2011

		00100 Nairobi	
15	Jamii Sacco Society Ltd	P.O. Box 57929-00200 Nairobi	19/12/2011
16	Sheria Sacco Society Ltd	P.O. Box 34390-00100 Nairobi	19/12/2011
17	Asili Sacco Society Ltd	P.O. Box 49064-00100 Nairobi	19/12/2011
18	Safaricom Sacco Society Ltd	P.O. Box 66827-00800 Nairobi	19/12/2011
19	Kenpipe Sacco Society Ltd	P.O. Box 314-00507 Nairobi	19/12/2011
20	Airport Sacco Society Ltd	P.O. Box 19001-00501 Nairobi	19/12/2011
21	Chuna Sacco Society Ltd	P.O. Box 30197-00100 Nairobi	19/12/2011
22	Ukulima Sacco Society Ltd	P.O. Box 44071-00100 Nairobi	19/12/2011
23	Wana-anga Sacco Society Ltd	P.O. Box 34680-00100 Nairobi	19/12/2011
24	Naku Sacco Society Ltd	P.O. Box 78355-00507 Nairobi	19/12/2011
25	Waumini Sacco Society Ltd	P.O. Box 66121-00800 Nairobi	19/12/2011
26	Hazina Sacco Society Ltd	P.O. Box 59877-00200 Nairobi	19/12/2011
27	Kenyan Bankers Sacco Society Ltd	P.O. Box 73236-00200 Nairobi	16/3/2012
28	Nassefu Sacco Society Ltd	P.O. Box 43338-00100 Nairobi	15/06/2012

29	Fundi lima Sacco Society Ltd	P.O. Box 6200-00200 Nairobi	15/06/2012
30	Maisha Bora Sacco Society Ltd	P.O. Box 30062-00100 Nairobi	15/06/2012
31	Nafaka Sacco Society Ltd	P.O. Box 30556-00100 Nairobi	15/06/2012
32	Kenversity Sacco Society Ltd	P.O. Box 10263-00100 Nairobi	15/06/2012
33	Magereza Sacco Society Ltd	P.O. Box 53131-00200 Nairobi	15/06/2012

Source: *SASRA*