

**EFFECTS OF LIBERALIZATION ON THE INVESTMENT PRACTICES OF
RESERVE FUNDS AND PAYMENT OF DIVIDENDS IN SAVINGS AND
CREDIT CO-OPERATIVES IN NAIROBI- COMPARATIVE SURVEY.**

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DECLARATION

This research project is my original work and has not been presented for a degree award in any University.

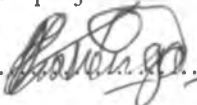
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DEDICATION

This project is dedicated to my wife Lydia, our children, Carol and Gerald and more so to my mother Marcella Nyakambi Bwoma who knew the value of education to her children.

Let the almighty Lord bless her.

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ABSTRACT

Savings and credit co-operative societies popularly known as SACCOs were set up with the objective of promoting thrift and to provide sources of credit to members at fair rate of interest. According to Co-operative societies Act Cap 490 section 45 of the laws of Kenya, each Sacco is to transfer 25% of the net surplus of each financial year before distribution to reserve fund. The Act restricts where these reserve funds should be invested. It also states that no more than 10% of members' deposits should be paid as dividends to members.

In 1997, through seasonal paper number 6, the co-operative sector was liberalized which entailed the transfer of services and functions initially done by the ministry of co-operatives to the Saccos. This project tries to find out whether liberalization caused any effects on investment practices of reserve funds and distribution of dividends.

In the study a sample of 30 Saccos were randomly selected from Nairobi Province, and the period of study was 1992 to 2001. From the findings mean reserve funds mean growth rate increased from 12.66% to 19.85% in pre and post liberalization respectively. Dividend payment rate increased from a mean of 4.12% to 5.12% in pre liberalization and post liberalization respectively. It is very clear that liberalization of the cooperative sector had a positive effect on the distributions and reserve funds. In terms of investment practices, 60% of the Saccos shifted to new areas of investment after liberalization allowed by the Act. Liberalization then had an effect on dividend payment and investment practices on Saccos. However more research needs to be done in this area.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

Most of the developing countries including Kenya are faced with many socio-economic problems such as unemployment, corruption, illiteracy, and shortage of investment funds due to low savings rate as a result of low income among the people. To alleviate these problems, calls have been made for mobilization of funds as a way to encourage savings. The co-operative sector is one source of mobilizing funds besides other financial institutions. Savings and credit cooperative societies (Saccos) have been used to mobilize the people to save. Saccos were established in order to promote thrift, provide sources of credit at a fair rate of interest and pay members a dividend in return for their funds invested (Oboun, 1988).

Saccos are part of the financial system. In Kenya, the other participants in this sector are commercial banks, non-banking financial institutions, building societies, and insurance companies. Saccos were started with the aim of satisfying the small-savers need for credit at fair terms than those offered by the other participants in the financial system. Saccos receive savings from members in the form of shares or deposits and from this they create a pool, where they serve the credit needs of members through personal loans. The principle underlying lending by Saccos is that not every member will request for a loan at the same time (Gachara, 1990).

In 1997, through the Sessional Paper number 6 of 1997, the Government decided to liberalize the cooperative sector. This involved the revision of the cooperative societies Act cap 490, which was to be operational in 1997. Some functions like; approval of the budgets, capital expenditure and allowances; auditing accounting and management systems were transferred from the ministry of cooperatives to cooperative societies themselves. Initially the government used to give financial and technical expertise support to the Cooperative sector. Through that paper the financial policies for Saccos was to aim at mobilizing as much savings as possible from the members. This will increase the amount of funds available for loans to finance as many loan requests as possible from the members and there by maintain the member incentives to save and borrow.

According to the Cooperative Societies Act, Cap 490 of the Laws every registered Society that can derive surplus from its transactions shall maintain a reserve fund. This is an account where every society is required to transfer 25% of each year surplus before any distribution to this account. It's also required to declare each year all bonuses due to members. If there is a need to reinvest in the Society for capital development the Society shall issue bonus certificates. No registered Society shall pay dividends or bonuses from its accumulated funds without a written acknowledgement of the commissioner and no registered Society shall pay a dividend exceeding ten percent per annum.

This paper seeks to take a comparative study on how Saccos invested their reserve funds, the distributions as dividends in pre and post liberalization.

1.2 STATEMENT OF THE PROBLEM

The Cooperative Societies Act, Cap 490 Section 45 requires each Sacco to maintain Statutory Reserve Fund (S.R.F). Unless otherwise resolved by the annual delegates meeting, the reserve fund shall be credited with 25% of the net surplus of each financial year before any distributions. It shall be indivisible and no member shall be entitled to claim a share of it. (Cap. 490, Laws of Kenya)

Section 43 of Cap. 490 states that, a registered society may invest or deposit its funds only in;

- *Post Office Savings Bank*
- *Shares for any other Registered Society*
- *Any Bank registered under the banking Act Cap 488 Laws of Kenya.*
- *In the stock of any statutory body established in Kenya and approved by the Commissioner.*
- *In any company approved by the commissioner which is incorporated in Kenya and operates as limited liability and whose business is analogous to that of the registered society.*
- *In any other manner which may be approved in writing by the commissioner, either generally or in any particular case.*

The transfer of a particular portion of each years surplus to reserve fund means that a Portion of each members' entitlement is left with the society. In effect a Sacco will increase substantial reserve funds over time, which are available for investment.

A wisely designed investment policy for these funds can earn the society substantial profits in the future. The members who build up these reserves do not have any claim over them even by the time one ceases to be a member. This could lead to inter-

generational transfer of wealth. (Simiyu, 1987). Membership in the society can pass from a member to his or her nominee. The nominee will continue to benefit from the investment the society had made in the past. In Saccos however the nominee of the member is unlikely to belong to the “common bond”, and membership will therefore cease the time a member ceases to be a member. This is because most Saccos are organized on employment lines.

In 1997, the Cooperative sector was liberalized. This entailed the transfer of services from the ministry to Saccos themselves. This resulted Saccos into designing ways of investing funds to increase their income. In this case Saccos were relatively free to choose areas to invest the reserve funds to generate more returns, which will increase the returns to members in form of dividends. This research project will take a comparative survey on how Saccos have invested reserve funds in the periods before liberalization and after liberalization, and it has caused effects on distributions.

1.3 OBJECTIVES OF THE STUDY

The following are the objectives of the study.

1. To document the investment and distribution practices of Saccos for each of the periods prior to and after liberalization.
2. To assess the effect of liberalization on investment and distribution practices of Saccos.

1.4 IMPORTANCE OF THE STUDY

The following is expected to benefit the following parties.

- a) To the management of Saccos as it will highlight the payment patterns of dividends among other Saccos.
- b) To the government as it may form a basis on which the law relating to reserve funds and payment of dividends can be revised.
- c) To the members as they will know how have they been affected by deregulation in terms of dividends they receive.
- d) It will form a basis for further research and investigation as to how future changes in government regulation can affect co-operatives.

CHAPTER TWO

LITERATURE REVIEW

2.1 HISTORICAL BACKGROUND OF COOPERATIVES

Formal co-operatives originated from Europe (Moody, 1971). Handloom workers formed the first society called Rochdale Society of Equitable Pioneers, England in 1844. Its main objective was to sell clean and high quality commodities to the members. It was formed under the principles of one-man one vote, sale at market price and division of profit among shareholders. Cooperative movement expanded very rapidly due to the formation of the International Co-operative Alliance (ICA) in 1895. This expansion was evidenced in countries like Sweden, Holland, USA, Denmark, Iceland, France, Belgium, Hungary, India, Germany and Italy.

In Africa Co-operatives started before independence but emphasis was put in them after independence (Obuon, 1988). French speaking African countries had Cooperatives as far back as 1919. In the British protectorates Cooperatives were started around 1932. The development was slow due to lack of qualified staff. In the earlier stages of co-operative development, East African countries performed better than most other African countries with respect to number of societies, membership and turnover. However when compared to other countries outside the continent of Africa they were not highly ranked.

Savings and credit cooperative societies have their origin in Germany unlike other co-operatives, which were formed in Britain. These German cooperatives shaped the

structure of savings and credit cooperative societies, but they incorporated the principles of democratic control, limited interest on share capital, and return of profits to members proportionate to their patronage (Oyoo, 2002).

2.2 PRINCIPLES OF CO-OPERATIVES

Rochdale Society of Equitable Pioneers was formed on the following operating principles, which were later adopted and modified to serve as guiding principles to the co-operative movement (Mucui, 1992).

Democratic Control. This principle states the supreme authority in running the affairs of the society is in the general meeting of members where every member has a right to attend and vote on all matters concerning the affairs of the society. Although the day-to-day functions are delegated to the management committee and hired employees, it is the general meeting, composed of all the members, which has the ultimate source of power. In addition to this power, the affairs of the society are conducted in such a way that each member has equal rights to every other member. Each member has only one vote to cast on all matters that require consent of the general meeting regardless of the number of shares in the co-operative. Further more, all important policy decisions as regards borrowing limits, budgets, investments, approval of final accounts and appointment of auditors must be passed in the annual general meeting.

Open Membership. According to the pioneers of co-operatives, this principle meant that society membership was open to all members who could benefit from the service of the societies. It does not however mean that every co-operative must remain open to every one who wants to join. It means that a co-operative should not limit the number of

members provided it includes all those who can benefit from its services. As such, membership to a co-operative society is usually limited to geographical proximity e.g. locations, village or district, and types of activity e.g. coffee farmers, employment etc. Saccos have a concept of “common bond”, which means that membership is open but confined to only those people who belong to a certain defined class, for example employees of a particular company or the inhabitants of a particular neighborhood.

Service at Cost. The services offered by cooperatives were intended to be at cost. If a cooperative sells goods above cost, it would in fact be trading with members and making a profit from them which would be against the principles of cooperation since it is not possible for management to accurately predict the revenues and expenditure. It is common practice to set prices high enough to avoid running at a loss. Any surplus that remains after covering the expenses should however be returned to the members in the form of patronage re-funds, dividends or bonuses.

Limited Interest on Capital. The capital invested in a cooperative society should only earn a limited interest. This principle was laid down to ensure that while payment must be made for the user of capital, capital should not be allowed to become a basis of control, or a means to supersede the interests of other members, consequently therefore, the rates of return on capital are normally set at very conservative rates. This contrasts very sharply with ordinary business practices where the mode of capital contributed determines the return and the voting strengths of business investors. In companies the amount of control a shareholder wields is in direct proportion to the size of his investment in the company.

Neutrality in Race, Religion, and Politics. According to this principle, co-operatives should exercise neutrality in relation to race, religion, nationality, sex, and politics in the conduct of their business. Operating decision and the conduct of business should be based on economic factors and sound management principles aimed at helping the members. Political interest however cannot be said to be nonexistent in co-operative movement. Cooperatives have also been politically involved especially where the interest of members is concerned. Religious neutrality can however be said to be scrupulously and generally observed.

Education to members. Education in co-operatives still remains a necessity to educate members and leaders in the co-operative movement. Policies and progress will depend on the quality of membership. Members need education so that they can exert their full influence and wisely for their mutual benefit. For example members see no contradiction in their behavior by refusing to contribute more capital to the organization yet expect the maximum benefits from the society. Such economic ignorance must be eliminated if the movement is to grow. They also need to be educated on the rights and responsibilities of members if we expect them to participate more fully on running their organization,

Co-operation with other co-operatives. Cooperatives actively cooperate with other societies, at local, national and international levels in order to best serve the interest of their communities and to propagate the co-operative ideally world wide. In Kenya, the co-operative movement is known to co-operate directly with the Nordic Cooperative movement. On the African continent, the cooperative movement is known to cooperate on regional basis.

The objectives of a cooperative society must be the promotion of the economic interest of the members Calvert (1959). Accordingly, the main duty of the registrar of co-operatives would be to study the economic interests of the class from which membership is drawn and to devise measures, on co-operative lines whereby these interests can best be promoted. This view, that the objective of the economic interests of the members is given recognition in Cap 490 (1963) Laws of Kenya section 5 which states.

“Subject to the provisions of this act, a society which has for its objectives the promotion of the economic interests of its members in accordance with the co-operative principles, and which in the opinion of the commissioner is capable of promoting these interests, be registered as a co-operative society under the Act with or without limited liability”.

However, (Bauner, 1966) views cooperatives to have more than just the economic interests of their members as their objective. He comments that cooperation has other aims than economic ones. The earnest cooperator seeks to apply cooperative methods to all purposes of social life, and does so because he believes that in working for a common good, man’s highest qualities are enlisted developed and in the employment and development and of these qualities the man becomes a better man and the quality of human race is improved as can be seen from above.

The main objective of cooperative societies should be to promote the economic interests of the members. There appears to be a subsidiary objective of the cooperative organization and that it should improve the social welfare of the community in which it operates. This subsidiary nature of cooperative enterprise separates them from other forms of business organization. (Simiyu, 1987)

2.3 COOPERATIVES IN KENYA

The co-operative movement in Kenya can be traced to 1908, when the European farmers at Lumbwa (Kipkelion) near Kericho established the first cooperative for production and marketing. In 1931, the first co-operative ordinance was enacted in order to regulate the operations of cooperative societies. There before cooperatives were registered under business law. In 1945, the new act came into being and the first commissioner of cooperatives was appointed in 1946. Those cooperatives organized by Africans were not found until 1960's and their development was very slow due to lack of encouragement by the colonial government (Oyoo, 2002).

For the first time, the indigenous Kenyans were allowed to form a joint co-operative and also to grow cash crops, which was earlier restricted to only white settlers. By the time Kenya attained its independence in 1963, there were 1030 co-operative societies with a turnover of KShs 100million (GoK, 1997). Cooperatives faced a number of problems like lack of integrity on the part of members and employees, misappropriation of funds, excessive costs in handling of members' produce and general inefficiency in the business operations of the government. The main causes of these problems were lack of technical and managerial skills lack of basic understanding among the cooperatives about their purpose and functions (Karanja, 1986).

The government committed itself towards the improvement of the cooperatives in the country. In its development plans mainly 1970, 1974 and 1978, the government was categorical that it will give every encouragement in the movement. Various policies were instituted to enable co-operatives improve their performance, enjoy marketing monopolies and consolidate the movement in those areas where it was active. For

example the government supported the cooperative in form of finance and technical expertise. The government entered into agreements with a number of donors like World Bank, United States and Germany who assisted on technical expertise, finance as loans and grants to needy societies (Gachara, 1990).

Since independence, the government adopted policies for development of the cooperative movement. The benevolence of the government and the policies adopted, have served the movement well and today Kenya has some of the well-developed cooperative societies in the region (GoK, 1997). However, a continually supposed movement is not likely to develop strategies for self sustenance in a turbulent environment because of the dependency syndrome sessional paper No. 6 of 1997 on “cooperatives in a liberalized economic environment” was therefore promulgated to liberalize the cooperative sector in order to professionalize and democratize the management of cooperatives to make them self-reliant, self controlled, self financing and commercially viable.

There was rapid growth of cooperatives since independence. This was fueled by heavy government support through direct support assistance and subsidized services. Heavy government involvement hindered emergence of member controlled and member managed cooperatives as members came to rely on the government to safeguard their interest through curbing mismanagement of funds and other resources. This compromised cooperation values that include self-help, self-democracy, equity and solidarity, within is embedded mutual trust and social control systems (Oyoo, 2002).

Cooperative have continued to rely on their traditional sources of operational and development financing, namely:

- Share capital from members
- Statutory reserves and surplus.
- Savings generated within the movement and harnessed through the Co-operative Bank.
- Government and international Aid agencies.

As at December 1984, the government had invested a total of Ksh 323,808,361 in the form of grants and loans to 551 co-operatives and co-operative Bank had invested Ksh 359,062,226 by way of loans and overdraft in the co-operative sector (Sessional Paper No. 4, 1987).

Tables one to five shows the trend in numbers of societies by type between 1992 and 2001.

Table 1. Number of societies and unions by type 1992 – 1996 (Before Liberalization)

Type	1992	1993	1994	1995	1996
Agricultural Coffee	211	213	213	215	222
Sugarcane	91	91	91	90	95
Pyrethrum	56	56	56	57	62
Cotton	82	82	82	78	79
Daily	197	207	210	267	291
Multi-product	1,038	1,111	1,123	1,131	1,236
Farm purchase	212	221	221	429	456
Fisheries	66	67	68	69	71
Others	556	599	619	744	758
Total agricultural	2,509	2,649	2,683	3,080	3,270
Non agricultural					
SACCOS	2,470	2,616	2,668	2,810	3,031
Others	778	818	848	896	1,116
Total non agricultural	3,248	3,434	3,516	3,706	4,147
Unions	76	76	77	81	83
TOTAL	5833	6,157	6,276	6,867	7,300

Source: Economic Survey Central Bureau of Statistics (1997).

Table one represents the number of co-operatives and unions by type. The total number of societies increased from 5,833 in 1992 to 7,300 in 1996 reflecting an increase of 25%.

The number of agricultural societies increased by 30% from 2,509 in 1992 to 3,270 in 1996, while Saccos increased by 23% in 1992 to 1996

Table 2. Number of societies and unions by type, 1997- 2001 (After Liberalization)

Type	1997	1998	1999	2000	2001
Agricultural Coffee	279	308	335	366	462
Cotton	78	78	86	86	71
Pyrethrum	65	66	71	73	152
Sugarcane	98	99	108	112	112
Daily	313	323	331	337	332
Multi product	1347	1446	1504	1560	1593
Farm Purchase	677	698	717	731	634
Fisheries	72	74	79	82	82
Others	860	915	968	1002	944
Total agricultural	3784	4007	4199	4349	4372
Non agricultural					
Saccos	3169	3305	3538	3627	3925
Others	1176	1272	1325	1378	1382
Total agricultural and non agricultural	8129	8484	8594	9354	9679
Unions	83	85	89	89	89
TOTAL	8212	8669	9151	9443	9768

Source: Statistical Abstract (2002) Central Bureau of Statistic

Table two shows the number of societies increased from 8,212 in 1997 to 9768 in 2001, reflecting an increase of 18.9%. The number of agricultural societies increased by 16.5% in the same period. While Saccos lead by increasing 24%.

Table 3. Membership of Cooperative societies by type of society (1997-2001) in '000

Type	1996	1997	1998	1999	2000	2001
Agricultural. Coffee	604	650	694	724	732	582
Cotton	30	28	28	29	29	30
Pyrethrum,	66	67	68	70	70	142
Sugarcane	19	19	19	22	23	38
Daily	302	318	332	344	350	204
Multi product	164	170	186	194	200	202
Farm Purchase	54	64	72	75	76	75
Fisheries	11	11	12	13	14	13
Others	55	56	58	59	60	60
Total agricultural	1305	1389	1469	1530	1554	1396
Non agricultural						
Saccos	3326	3366	3040	3438	3670	3607
Others	94	101	105	109	112	110
Total non agricultural	3420	3467	3145	3547	3782	3717
TOTAL	4725	4856	4614	5077	5336	5063

Source: Central Bureau of Statistics (2002).

Table 3 above shows membership of Cooperative societies by type of society (1996-2001). It is very clear that Saccos were leading with 70.4% in 1996 and in 2001 they had 71.2% of the whole population

Table 4. Total turnover of Societies and Unions (1996-2001) in Ksh millions.

Type of society	1996	1997	1998	1999	2000	2001
Agricultural	11,724	11,589	11,939	12,073	10,275	9,288
Non-agricultural (SACCOs)	3,408	3,373	3,381	3,386	3,389	4,882
Other non-agricultural	120	128	134	141	144	141
Unions	591	395	197	198	269	389
Total	15,248	15,485	15,651	15,798	14,077	14,700

Source: Central Bureau of Statistics (2002)

Table 4 above shows the total turnover of Societies and Unions (1996-2001) in Ksh millions. From the table agricultural sector was leading with 76.9% and 63.2% in 1996 and 2001 respectively, while Saccos had 22.4% and 33.2% in 1996 and 2001 respectively.

Table 5. Percentage share in turnover of Societies and Unions (1996-2001)

Type	1996	1997	1998	1999	2000	2001
Agricultural	72	72	74	76	73	69
Non-agricultural SACCOs	23	22	22	21	24	33
Other non-agricultural	1	1	1	1	1	1
Unions	4	4	3	1	2	2
Total	100	100	100	100	100	100

Source: Central Bureau of Statistics (2002).

Table 5 above shows Percentage share in turnover of Societies and Unions (1996-2001) Percentage share based on turnover. From the table although agricultural sector is leading it greatly declined in 2001 and Saccos increased.

2.4 ROLE OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES.

Savings are a gateway to economic progress for families, communities and nations (Obuon, 1998). From time in memorial, people have made some savings. In most societies, however, the shrewd clever ones usually took advantage of the others, if not by taking away their savings, then by taking control over such savings. In older societies ruled by dynasties, rulers would often take away from others for their own use through various methods or rules. For example it was not unusual that during harvesting a portion of each person's harvest would find itself in the granary of the ruler. In our society today the same principles apply but in a more "educated" way, usually we make our savings in form of money. Without the use of such savings we cannot make economic progress either as individuals, communities, or nations. Despite making such savings, however, some people fear to take control of their savings and become depended on close to whom they have entrusted control over such savings.

There are ways to change this. The savings and credit co-operatives are answers to this problem. A savings and credit co-operative is organized with the aim that members, will be able to control both their savings and lending. By pooling their savings of resources, members even those of limited means, are able to invest together and borrow from the organization. Finance companies would charge high interest rates in addition to the requirement for security compared to Saccos (Gachara, 1990).

By utilizing the savings of the group it becomes possible to meet the credit needs of individual members as they arise. Unlike commercial banks and other financial intermediaries, Saccos do not "create credit". They only lend money that has previously

been saved with them by the members and do not therefore contribute to inflationary pressures, created by credit expansion. Cooperatives do not increase interest rates or reduce it as economic circumstances change and do not therefore affect or become affected by government fiscal policy (Oyoo, 2002).

2.5 OPERATIONS OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES

Savings and Credit Co-operatives are not foreign to Africa. There existed indigenous savings associations known by different names “ekub” in Ethiopia, “saidok” in Sudan, “Esoss” in Nigeria, “chilimbe” in Zambia, but all of them consisted of a simple organization in which savings and the member administered credit in a simple rotating basis. These associations convened at fixed interval (weekly, or monthly) and each of the members would contribute a fixed amount. The whole amount collected was then given to one member who was chosen by lot or some other criteria or in accordance with the laid down procedure among the members (Obuon, 1988).

The drawn member would then reimburse the amount borrowed by contributing his/her periodic share to the fund until all the members in the group had been given their share. Such groups would then disband or would undertake another economic activity. Normally no interest was charged, such associations were however based on ethical grouping, even on clan lines unlike the modern savings and credit societies that are mostly formed on “common bond” basis (Obuon, 1988).

Savings in the modern savings and credit co-operative are known as shares and would from a legal point of view have the same nature as risk capital especially during

liquidation. That is a member savings would only be repaid after any other creditors have been paid. However, of late, there has been trend by most savings and credit co-operatives to divide the savings into 'shares' and deposits. This means that members' savings are divided into two portions, one to be known as shares and others deposits. The legal effect of such division is however unlikely to change the position of such savings unless a change in the law is envisaged (Gachara, 1990).

The "shares" or "deposits" that members place in their savings and credit co-operative are not withdraw able until the member withdraws from the society, retires from the "common bond" or dies. These shares or deposits are invested primarily as loans to members. But when the demand for loans has been satisfied, other investments may be made together with any surplus that the management committee may decide. The security for loans is usually composed of the member's own savings in addition to two or more guarantors whose combined shares and those of the member must exceed the amount of loan applied for. This is to ensure that in case of default the loan can be recovered (Gachara, 1990).

Repayment of loans is usually made by installments through salary deductions in case of the employed or direct deposits in the case of the unemployed (retired). The maximum rate of interest charged on loans is 1% per month on the outstanding balance, which translates into an annualized rate of 12% p.a. although some charge lower rate of interest. Members can also repay outstanding loans more especially where the member wants to clear an outstanding loan in order to qualify for another loan or where the member has left the common bond of the society (Obuon, 1988).

The control in the management of the savings and credit co-operatives is in the hands of the general meeting of members. Where by each member has a right to attend and vote during that meeting (democratic control). Each member has only one vote irrespective of the numbers of shares held (Mucui, 1992).

Of late, societies have resorted to the delegate's method of general meeting due to “practical problems in decision making”. In this system, a given numbers or members will elect one member among them who will attend the general meeting on their behalf. Cooperative leaders claim that this is a more efficient method of conducting a general meeting than having all members attend. However, the legality of such a system has not been challenged nor has the law been amended to incorporate the system (Mucui, 1992).

Management committee who are elected by the general meeting of the society over sees the day-to-day operations, of the savings and credit cooperative. Apart from the general meeting, the committee is the main policy making body of the society. It decides on the amounts of loan to grant and how any excess funds are to be invested. Committee work in the co-operative is voluntary but not entirely not rewarded as there are both tangible and intangible benefits attached to these posts e.g. prestige, expense allowances for travels lunch and diners. In addition most societies will pay an “honoraria” from the surplus of each year to the committee (Gachara, 1990).

2.6 LITERATURE BY AUTHORS ON SACCOs

Campbell (1957) briefly discussed cooperatives, as they exist in Asia and Africa, he gave a brief idea about Saccos on analysis in terms of performance, activities, structure and administration. The payment of dividend should be based on performance of the society

after taking into account the future needs of the society. However the management has the final say in determining how much to pay. A society may perform very well and ends up paying lessor or no dividends.

Karanja (1986) conducted a study on the operations of the Kenya Union of Savings and credit cooperatives (KUSSCO). He found that the services rendered by the organization like education, bookkeeping, stationary supply were relevant and vital to the needs of Saccos. He suggested changes within the organization that were meant to strengthen the organization and improve the services provided like advising them on how to invest the reserve funds.

Obuon (1988) carried out a study on the determinants of savings in Saccos in Kenya. He concluded that to expand their share-capital deposits or to raise the demand for their shares, Saccos should not only raise their loans to members, membership, number of branches, but also the average monthly contribution for members while at the same time pay out more dividends to create an incentive on the part of members. To expand the amount of loans advanced to members, Saccos should expand their share-capital while at the same time reduce their investment undertakings in variable areas and minimize the loan outstanding in order to create excess loan able funds.

Mwarania and Mutugu (1986) focused on the role Saccos would play in Kenya's economic development. They argued "the one percent interest charged on loans gives a misleading signal on the relative scarcities of funds". They saw Saccos as part of Kenya's financial attention. According to them funding of Saccos is no more than the responsibility of any deposit/share capital of the members but also of corporate savings.

Hence there is need for dividend and retained earning policies to be streamlined. Thus they have raised the issue of need to increase corporate saving even though they did not specify how that could be done.

Mutugu and Munishi (1986) also reviewed the role of co-operatives in agricultural development, especially the marketing of agricultural products. They also commented on the potential role of co-operatives in agro-business nature of co-operative movement and reasons for poor performance in Kenya. But the above scholars have not done any empirical analysis to give binding and testable conclusion.

Oyoo (2002) focused on the performance of Saccos in Nairobi before and after deregulation. He said that co-operatives seemed to perform better after deregulation. He analyzed the performance of Saccos in Nairobi over a ten-year period in terms of income generation and liquidity. However he did not mention how these Saccos have used the Reserve Funds in their investments and how dividends have been paid over this period.

Gureshi (1983) looked at the determinants of corporate savings in Pakistan. Its objective was to establish firm's behavior with respect to retention and distribution of profits. He lamented about the neglect of this area. He wanted to know the role of these factors and whether it was significant or not. He used multi-regression analysis and time series data to estimate the dividend and retained earnings functions. His results summarized firms favored stable dividend policy. Profit was the main determinant of retained earnings. Fixed investment outlays and rates of expansion were positively and significantly related to retained earnings.

2.7 RESERVE FUNDS AND DISTRIBUTION FOR SACCO SOCIETIES

Co-operative Societies Act Cap 490, Section 44 stipulates

- i) Every registered Society shall declare each year all bonuses due to members, but where the bonuses are required for reinvestment by the Society for capital development, the Society shall issue bonus certificates to its members in lieu of cash payment, redeemable from a revolving fund established by the society for the purpose.
- ii) No registered society shall pay dividend or bonus or distribute any part of its accumulated funds without the written acknowledgement of the Commissioner that a balance sheet has been lodged with him disclosing the surplus funds out of which the dividend bonus to distribute is to be made.
- iii) No registered Society shall pay a dividend exceeding the maximum rate prescribed under this act, which shall not in any case exceed 10 percent per annum.

Co-operative investments can be financed by

- a) Directly using the share capital contribution from the members.
- b) Using retained earnings surpluses to acquire such investments.
- c) Using any excess liquid funds to invest.
- d) Asking members to contribute directly for any investment to be undertaken
- e) Borrowing loans and investing.

While it is possible to identify the beneficiaries of projects financed through (d) above, and to distribute any future benefits to them. The beneficiaries of projects financed through (a), (b), (c) and (e) cannot be identified and benefits accruing from such investments can only be considered with surplus from the main activity and distributed to all members as dividends.

Ogola (1986) argues that the mandatory reserve fund percentage of 25% of each years surplus to be arbitrary and too high. Saccos were not formed to create reserves but to make loans to members. The Saccos should be free to give loans to members for productive purposes. The legal requirement for reserves was constraining the growth of Saccos as the reserve could create idle funds in these Organizations. No study has been conducted to establish the investment of these funds after liberalization.

2.8 INVESTMENTS BY CO-OPERATIVE ORGANIZATIONS

In 1983, the Ministry of Cooperative Development carried out a major study to establish the nature, trends and implications of past investment projects by various categories of co-operative societies (Gachara, 1990). It also studied the future potential of such investments the modes of financing and investment process a guiding such investments.

The findings were:

- a) There was no coherent document containing policy guidelines and regulations on investments.
- b) The law guiding investments was inadequate.
- c) The by-laws to guide investments could no longer handle recent developments as societies were just expanding their scope and area of operation.

- d) About 75% of all unions in the country was too dependent on borrowed funds.
- e) Savings and credit co-operatives were unable to provide loans to members because large amounts of funds were invested on low-return projects, which had not clear benefit to members.
- f) Investment decision were made solely by committee members without the approved of members in the general meeting.

As a result of these finding, the ministry of co-operative Development issued policy and guidelines on Co-operative investments through commissioners circular dated 25th November 1985.

Savings and Credit Co-operatives were expected to:

- a) Invest funds in activities that promote member's thrift and satisfaction of their financial needs by providing savings and loan services at the most favorable terms.
- b) Undertake other investments when the primary objective has been fulfilled.

Investment by SACCOs in expensive office blocks must be discouraged because such investments are not in line with the primary objectives of the societies. Such investments have not been very profitable' for co-operatives and such investments tend to endanger the liquidity position of societies so that they will often not be able to give loans as required by the members. If society has excess funds it should seek to improve conditions of the loans to any savings by the members of the loans to and savings by the members or invest in fixed bank deposits (Gachara, 1990).

Co-operatives are free to invest in various types of projects including real estate or financial investment. While doing so, however they will be encouraged to give priority to the pursuit of their original goals and objectives through their core activities.

Investment in secondary activities will be expected to supplement the achievement of original objectives of Co-operative societies. The exception will however be in cases where certain members through the society wish to invest in certain ventures. In such cases, the society will provide an institutional framework for doing so without mixing the activity with the normal functions of the society. Investments are risk-taking ventures and require detailed evaluation to determine their economic viability for this reason all investment proposals must be appraised by the members (Session Paper No. 6, 1997).

2.9 LIBERALIZATION OF THE CO-OPERATIVE SECTOR

In 1975, when seasonal paper No. 14 on co-operative Development policy for Kenya was published, the Government stated its continued recognition of Co-operatives as vital institutions for mobilizing the natural human and financial resources for national development. The Government reiterated its commitment to pursue and promote expansion of co-operative activities on conformity with respective sector objectives. Many changes took place in both the political and socio – economic framework. Of more important is the structural Adjustment Programmes (SAPs).

Sessional Paper No.1 of 1986 on economic management for renewed growth emphasized the important of unfettered economy to accelerate and sustain Development Sessional Paper No. 1 1994 on recovery and sustainable development to the year 2016, re-affirms the need for private sector led development of Kenya economy.

There rapid growth of co-operatives since independent. This was fuelled by heavy government support through direct assistance and subsidized services. The Government assistance, though well-intentioned and produced positive results, IT also created many other problems related to dependency (Sessional Paper No. 6, 1997). Some of the problems were:

Direct intervention of Government in the day-to-day management of co-operatives highly compromised the universally accepted co-operative principles and values.

Heavy Government involvement, hindered emergency of member – controlled and member managed co-operatives as members relied on the Government to safeguard their interest through curbing mismanagement of funds and other resources.

Government involvement in co-operative inform of free technical and financial assistance as well as development of management and financial systems, the movements came to be almost wholly dependent on the government. Heavy government involvement hindered the development of co-operation between co-operatives. Co-operatives failed to develop strong horizontal linkages between themselves. Arising out of the foregoing, there arose a need for the Government involvement in co-operatives to be substantially reduced, therefore free technical and financial assistance to the movement and was no longer sustained. The policy was to liberalize the Kenyan Co-operative movement in line with the national liberalization policy and enable it to be more efficient and effective to the service in their members (Sessional Paper No. 6, 1997).

Liberalization involved the revision of the co-operative societies Act, Cap 490 of the Laws of Kenya. Before liberalization the ministry of Co-operative Development carried out the following functions.

- i) Co-operative policy and implementation
- ii) Co-operative Registration and Extension services.
- iii) Accounting and Auditing for Co-operative societies
- iv) Co-operative Education and Training
- v) Co-operative Bank.

The above functions entailed the involvement of the Ministry in the following duties and responsibilities.

- a) Registration of societies
- b) Enforcement of the co-operative societies Act.
- c) Policy formulation and implementation.
- d) Advisory management services
- e) Audit supervisors
- f) Inspection, inquiries and investigations
- g) Liquidation of societies
- h) Education and training
- i) Auditing, Accounting and Management Systems
- j) Co-operative Credit and Finance
- k) Co-operative Bank
- l) Approval of Budgets, Capital Expenditure and Allowances.
- m) Hiring and Dismissal of Graded staff.

- n) Removal and Election of Management Committees after enquiry
- o) Inspections and Investigations.
- p) Settlement of Disputes and Institution of charges.

In order to make the Co-operative member based and member controlled self-reliant organizations and promote efficiency in the sector, the Government transferred from the Ministry to Co-operative movement the following functions:

- a) Education and Training
- b) Auditing Accounting and Management Systems
- c) Co-operative Credit and Finance.
- d) Co-operative Bank
- e) Approval of Budgets, Capital Expenditure and Allowances.
- f) Hiring and Dismissal of Graded staff.
- g) Removal and Election of Management Committees after enquiry
- h) Settlement of Disputes and Institution of charges.

The role of the Ministry was largely regulatory and facilitative in nature aimed at creating conducive environment main duties of the Ministry remained.

- a) Registration of liquidation
- b) Enforcement of the co-operative societies Act.
- c) Formulation of co-operative policy
- d) Advisory and creation conducive environment for growth and development.
- f) Registration of Co-operative Audits

- g) Carrying out of inquiries and investigations and inspection.

The consequence of restructuring was expected to make co-operatives autonomous self reliant, self controlled and commercially viable institution, where as the Government was interested in a healthy growth and development of co-operatives and not involved in their day to day management as before. (Sessional Paper No. 6 1997).

Kenya Union of Savings and Credit Cooperatives (KUSCCO) is the national organization for urban Sacco societies. The union promotes the growth and development of the Sacco movement through various mandates given to it by the members. It will also spearhead the diversification of services in member societies as outlined by their loans and deposit schemes. Part of prudent financial and other resources management includes risk management through insurance. In view of the liberalization programmes, societies are at liberty to seek insurance cover on loans, member savings or any other property from the Cooperative Insurance Services (CIS) and risk management programmes operated by KUSCCO (Karanja, 1986).

Cooperatives were however expected to continue utilizing the services of CIS, which is a specialized co-operative insurance institution in line with this expectation; the corporate mission of CIS is to provide financial seconding in order to sustain socio-economic welfare of customers, shareholders and the community at large. It is achieved through promotion of loss prevention measures and extension of insurance awareness (Sessional Paper No. 6, 1997). Saccos, which decline the alternative available, their management should opt for internal insurance arrangements commonly referred to as sinking fund.

This is where a society sets aside a pre-determined amount of money on regular basis.

This money set aside is used to offset loan balances in the event of a member's death.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 POPULATION

The population of Interest in this study consisted of all the Saccos in the Register of Cooperatives for Nairobi Province as at December 31, 2001 maintained at the Provincial Cooperative office in Nairobi. Nairobi province was selected because most cooperatives have their offices in Nairobi. So Nairobi province may have more representative sample than any other province. There were 579 Co-operative societies as at 31st December 2001.

3.2 THE SAMPLE

The sampling frame consisted of the Saccos that were registered before 1st January 1992 and those, which were in the register as at 31st December 2001. Those registered after 1992 were eliminated because data needed is for ten consecutive years. A sample of 50 Saccos was selected. Random method was used to select those ones studied.

3.3 DATA COLLECTION METHOD

Data was collected from the initial sample using data collection sheet and questionnaires (see Appendices). Data collection sheet was used to collect the following data; total net surplus per year, total amount transferred to reserve fund per year, total amount paid as dividends per year, and percentage paid as dividends on members deposits per year.

3.4 DATA ANALYSIS

The data collected was edited for accuracy, uniformity consistence and completeness to enable coding and tabulation before statistical analysis was done. Data collected was analyzed using percentages, means, proportions and a graph.

a) INVESTMENT PRACTICES AND RESERVE FUNDS

Investment practices and reserve funds was analyzed as follows:

- i) Areas of investment allowed by the Act. Each area was analyzed as percentages to the total number of Saccos that invested in that area pre liberalization and post liberalization and comparison was made.
- ii) Reserve funds: Reserve funds were analyzed in terms of its percentage growth per Sacco and the mean growth rate pre liberalization and post liberalization and then on the overall Saccos. Means and standard deviations were calculated on all the Saccos in pre and post liberalization. Comparison was then made to determine whether there was any significant difference between percentage growth in pre and post liberalization.

Percentage growth in Reserve funds was calculated as follows:

$$rt = (Rt - Rt-1) / Rt-1 * 100$$

Where **rt**: Is the % growth of reserves at any given year (t)

Rt: Is the total reserve funds at any given year (t)

Rt-1: Is the total reserve funds in the previous year (t-1)

b) DISTRIBUTIONS OF DIVIDENDS

Since dividends are paid in terms of percentage based on members' deposits, mean percentage paid was calculated per Sacco on pre and post liberalization and on the overall Saccos. Sacco's mean and standard deviation was calculated on pre and post liberalization.

Using t-test statistic, tests were done to determine whether there was any significant difference in the payment of dividend.

CHAPTER FOUR

DATA RESULTS AND PRESENTATION OF FINDINGS

4.1 GENERAL FINDINGS

The data was collected by the use of questionnaires and data collection sheet. Out of 50 Saccos sampled for the study, 40 returned the questionnaires reflecting 80% respondent rate. Out of those 40, 30 had fully completed questionnaires. These 30 completed were the one used for the study.

4.2 CAPITAL INVESTMENTS FINDINGS

In terms of capital investments, **75%** of the Saccos had undertaken capital investments and **25%** had not undertaken any investment in the period under study. In terms of how many capital investment projects each had undertaken, the study showed **25%** did not undertake any capital investment projects at all, **25%** had undertaken between one and three capital projects, **20%** had undertaken between four and seven, while **30%** had undertaken more than ten capital investment projects. The major reason why they had to undertake capital investments was to provide welfare services needed by the members which rated 70% of the Saccos, while to generate additional funds scored 25% and others scored 5%.

4.3 DIVIDEND PAYMENT FINDINGS

From the study, 70% of the Saccos improved the payment of dividends after liberalization while 30% paid less than what they had paid before liberalization. On

average, there was an improvement of 48.657%, from pre to post liberalization in terms of dividend payment.

In pre liberalization on average Saccos paid 4.055% as dividends on the members' deposits. The highest recorded was 10% which is the highest allowed by the Act Cap 490 and the lowest was 0.40% while in post liberalization period on average Saccos paid 5.0308% as dividends on members deposits. This reflected an improvement of 24.06%

4.4 STATUTORY RESERVE FUND FINDINGS

The law on statutory reserves requires that balances in the statutory reserve fund be invested in any of the ways allowed in section 43 Cap 490. Any increase in statutory reserves will be expected to increase income as a result of investment which can then be subsequently used to distribute to members in form of dividends.

Growth of statutory reserve fund, on average grew by 12.66% pre liberalization and 19.85% post liberalization. This reflected an increase of 56.79%. It's clear that Saccos' performance improved in terms of reserve funds transfer after liberalization.

4.5 INVESTMENT OF RESERVE FUND PRESENTATIONS

Table 6 and 7 shows the number of Saccos studied that invested in each area allowed by the Act Cap 490 Pre liberalization.

Table 6. Number of Saccos that invested per area in pre liberalization period.

	Area of investment	No. invested	(%)	Not Invested %	Total
a)	Post office saving Bank (POSB)	3	(10%)	27 (90)	30
b)	Shares in other registered society	25	(83%)	5 (17)	30
c)	Bank registered under Cap 488	30	(100)	0 0	30
d)	Stock approved by the commissioner	5	(17)	25 (83)	30
e)	Limited liability company	5	(17)	25 (83)	30
f)	Any approved by the commissioner	1	(3)	29 (97)	30

Table 6 above shows the number that invested per area allowed by the Act Cap 490 in pre liberalization period. It's apparent that 100% of all the Saccos had their investment in (c) that is in the bank registered under cap 488. It seems that this area was more preferred by Saccos than any other. This was followed by (b), investment in shares in other registered society, which recorded 83% of all the Saccos studied. The least invested area was that of (f), in any approved by the commissioner, which recorded 3%.

Table 7. Number that invested per area in Post liberalization

	Area of investment	No. invested	(%)	Not Invested %	Total
a)	Post office the saving Bank (POSB)	1	(3)	29 (97)	30
b)	Shares in other registered society	26	(87)	4 (13)	30
c)	Bank registered under cap 488	20	(67)	10 (33)	30
d)	Stock approved by the commissioner	20	(67)	10 (33)	30
e)	Limited liability company	15	(50)	15 (50)	30
f)	Any approved by the commissioner	20	(67)	10 (33)	30

From table 6 and 7, when compared, it can be seen that investment in (c), that is in the bank greatly decreased from 100% to 67% post liberalization. Investment in (f), that is in any manner approved by the commissioner greatly improved from 3% to 64%. This shows that the Saccos were discovering new areas of investment. This area (f) was more preferred so long as the commissioner approves it.

4.6 DISTRIBUTION OF BENEFITS FROM ASSETS PRESENTATIONS

Table 8 below presents a summary of the methods used to distribute any surplus or profit realized from the assets held in the organization.

Table 8 Prevalent Practice in Distribution

	Method	No. Of saccos	%
a)	Consolidated with the rest of surplus and distributed as dividends	10	33
b)	To members who contributed in relation to their contribution	7	23
c)	In relation to members share capital	5	17
d)	Others	8	27

Table 8 shows that the practice most prevalent in the distribution of any incomes from assets held is that of (a), that is consolidated with the rest of the surplus and distributed as dividends, which is surplus from the primary activity, that is income from interest on members' loans and distribute it. This practices was found to be 33%.

In Saccos, shares held by a member remain at the par value. However if a Sacco accumulates reserves or retained earnings overtime, this will allow a Sacco to own wealth in excess of the total claims of members. That extra wealth actually belongs to the members in proportion to how much they helped to build up reserves. To limited companies there is no problem as any balance left over is distributed to shareholding in proportion to share holdings. Such changes are reflected in the share price in the market.

In terms of share valuation, the findings showed 5 out of 30 i.e. (15%) did valuation periodically while 25 out of 30 i.e. (85%) did not. If Saccos do not issue shares for assets acquired during the period when one is a member and shares do not change in value it means a member who pulls out only gets a refund of the face value. A member ends up losing his wealth because it is not reflected in the face value. Although members are allowed to retain their membership, in respect to this it was found out that 25% allow members to remain shareholders while 75% do not. This shows that majority of Saccos do not allow members to continue being members.

4.7 TEST OF SIGNIFICANT DIFFERENCES

Statistical tests were carried out to find out whether there was any significant difference between means computed for the Saccos pre and post liberalization.

The hypothesis can be stated as:

H₀: Null hypothesis

H₁: Alternative hypothesis

\bar{X}_1 = means ratio for Sacco pre liberalization.

\bar{X}_2 = means ratio for Sacco post liberalization.

H₀: $\bar{X}_1 = \bar{X}_2$ i.e. there is no statistical significant difference between means ratio of pre and post liberalization.

H₁: $\bar{X}_1 \neq \bar{X}_2$ i.e. there is statistical significant difference between mean ratio of pre and post liberalization.

Test of statutory Reserve Fund (S.R.F)

Table 9 below shows the test of significant on S.R.F for pre and post liberalization

Table 9 Significant Test of Statutory Reserve Funds

One-Sample Test

	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
PRE	5.705	29	.000	12.6594	8.1209	17.1980
POST	4.807	29	.000	19.8505	11.4048	28.2962

From table 9 above we note the following.

Mean growth rate pre liberalization. 12.6594%

Mean growth rate post liberalization. 19.8505

Ho: 12.6594 = 19.8505

H1: 12.6594 \neq 19.8505

Since the 12.6594 falls within the lowest and highest limits in post liberalization, we accept the null hypothesis Ho: That is not statistically significant difference between the mean growth rate of statutory reserve fund in pre liberalization and post liberalization. So liberalization of the sector had no statistical significance as far as reserve fund growth is concerned.

Test of dividend payment rate.

Table 10 below shows test of significant in dividend payment rate for pre and post liberalization.

Table 10 Significant Test of Dividend Payment

One-Sample Test						
	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
PRE	10.373	29	.000	4.1171	3.3054	4.9289
POST	12.179	29	.000	5.1193	4.2596	5.9789

Ho: 4.1171 = 5.1193

H1: 4.1171 \neq 5.1193

Since 4.1171 falls within the lower and upper limits in post liberation, we accept the null hypothesis Ho: that liberalization of the co-operative sector had no statistical significant effect on the payment of dividends.

Saccos have been set up with the primary objective to satisfy members with loans.

However other objectives do follow even though they are not part of the primary objective, but very important like payment of dividends. This payment of dividends to members is not a primary objective for Saccos however dividends payment can act as an incentive to attract more members to join

In the current environment the act that is regulating the co-operative sector (Cap 490) need to be reviewed by all stakeholders. In most cases only the management of Saccos are involved. Members are neglected yet they are the most affected. Members should be allowed to air their views.

Statutory reserve fund should be utilized for payment of dividends after the commissioner's approval. Again the highest 10% as a limit to pay dividends on members' deposits should be reviewed. Those able to pay more than 10% should be free to do so.

CHAPTER FIVE

SUMMARY CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

This chapter presents a summary of the findings of the research project as regards the objectives of the study. Based on the findings, recommendations are given as regards the effects of liberalization on the investment of reserve funds and distributions. The limitations of the study and the area for further research are also discussed.

The two objectives of the study were: first to document the investment and distribution practices of Saccos pre and post liberalization and secondly to assess the effect of liberalization on investment and distribution practices.

The first objective was achieved by collecting data on areas where reserve funds were invested by each Sacco studied over the period (1992-2001). The Act Cap 490 of the laws of Kenya gives various areas. Data on distributions of dividends based on members' deposits were collected and recorded. The percentages of Saccos which had undertaken investments were calculated and those that had made any distributions recorded.

The second objective was achieved by analyzing the growth rates of reserve funds and dividend distribution. It was achieved by comparing the two periods prior to liberalization and after liberalization. The comparison was to establish if there was any effect on investment practices and effect on investment practices and distribution of dividends as a result of the liberalization of the co-operative sector. From the study 60% of the Saccos shifted their areas of investment immediately after liberalization. In terms of distributions, there was an increase in dividend payment percentage. It increased from 4.12 % to 5.12% in pre to post liberalization period respectively.

5.2 RECOMMENDATIONS

In the light of the findings of the study, I recommend the following:

- i) In the future, any change of the law on co-operatives should be done gradually and all those affected should participate in reviewing the act. This is because the Sessional paper of 1997 has been criticized by many that it has loopholes
- ii) The 25% transfer to reserve fund should be looked into as it leaves a lot of wealth in the hands of other members apart from the ones who generated that wealth. When a transfer has been made in each year, each member's proportion should be noted and credited to his or her shares account. Such will avoid inter generational transfer or wealth.
- iii) Cooperatives should be encouraged to invest more in other areas other than those that are presently allowed by the Act. This will make them to be competitive in the current dynamic environment. This is possible only if the current Act is reviewed.

- iv) Saccos should be free to decide how much they should pay members as dividends. Because in the current Act they cannot pay more than 10% of the members deposit. This gives the management with a cover and always declaring less than 10%. Those over which are able to pay more than should be free to do so.
- v) Saccos should have competent management people in the office. Leaders who are visionary because the environment is changing
- vi) Saccos should be free to admit members from outside the “common bond”. This will make them to be competitive and market oriented. Saccos are financial institutions, like the rest of the private sector they must strive to be efficient and able to provide competitive services in order to attract and retain members.
- vi) The management should appreciate that investment decisions require special attention as they influence the growth in the long run. This is so because investment involves large funds. So before an investment is made proper evaluation should be made on; Estimation of cash flows and estimations of the required rate of return

5.3 LIMITATIONS OF THE STUDY

The followings are the limitations of the study. Its usual that users by aware of some of them when making their decisions.

- i) The study only covered Nairobi province and not all the Saccos of Nairobi province was studied. Only a sample of 30 Saccos was studied. A sample cannot be a representative of the whole population.
- ii) The study only covered the investment practices and distribution of dividends. As it were, these are single items in the capital structure and appropriate account respectively. A more study encompassing more items in the capital structure and appropriate account would have been better.
- iii) No stratification was done among the Saccos. Saccos exist in different sectors where they draw their members. We have Saccos of different sizes in terms of either their membership, turnover or capital base.
- iv) The data was extracted from financial the financial statements. The reliability of the financial statements was assumed to be free from material misstatements, however not all financial statements can be 100% correct.
- v) The fact that management is still subject to and constrained by the Act still reduces their management discretion in investment and dividend decisions

5.4 SUGGESTIONS FOR FUTURE RESEARCH

The data collected by the central bureau of statistics indicates that Saccos have high growth rate than any other category of co-operatives. This shows that their membership is greatly increasing hence they contribute a lot to the Kenyan economy. However, this sector has been neglected. As such the researcher feels more research is needed in this area because of its role to the economy. The researcher then recommends further researcher on the effect of the new Law, which is to be put into practice. Again further research is needed on the performance of Front office services (Fos) of Saccos as a way of generating additional revenue to the Saccos.

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APPENDICES

APPENDIX I

ABBREVIATION.	NAMES OF SACCOS STUDIED.
1 AGP	AGIP SACCO
2 ADH	ARDHI SACCO
3 ASIL	ASILI SACCO
4 BM	BELL MWANGI SACCO
5 BLK	BLOCK HOTELS SACCO
6 CNO	CANNONQUEENS SACCO
7 CHAI	CHAI SACCO
8 CHUN	CHUNA SACCO
9 CMC	COMOCO SACCO
10 CSM	COSMOS SACCO
11 FNLM	FINNLEMM SACCO
12 HZN	HAZINA SACCO
13 IDB	IDB SACCO
14 KRN	KAREN COUNTRY CLIB SACCO
15 KCK	KENCHIC SACCO
16 BKR	KENYA BANKERS SACCO
17 KGZ	KINGSIZE SACCO
18 LMG	LAMPASAGO SACCO
19 MGRZ	MAGEREZA SACCO
20 MSB	MHASIBU SACCO
21 NSRN	NASERIAN SACCO
22 NTN	NATION STAFF SACCO
23 NYT	NYOTA SACCO
24 SFR	ON SAFARI SACCO
25 XFD	OXFORD SACCO
26 PGS	PEGASUS SACCO
27 PGT	PEUGEOT SACCO
28 PRIL	PRI UPENDO SACCO
29 SRK	SHRIKA SACCO
30 WNG	WANAANGA SACCO

APPEDDIX II

S.R.F GROWTH RATE AND DIV % PAYMENT PER SACCO.

<u>BELL MWANGI</u>				
Year	S.R.F	%g	DIV	MEMBERS
1991	215,633			
1992	226,251	4.9241	5.2	150
1993	242,521	7.1911	4.2	159
1994	254,152	4.7959	5.6	173
1995	270,722	6.5197	6.4	155
1996	286,590	5.8614	7.1	150
TOTAL	1,280,236	29.3	29	787
MEAN	256047.2	5.9	5.7	157.4
1996	286,590			
1997	301,102	5.0637	6.4	143
1998	320,820	6.5486	10	145
1999	332820	3.7404	10	147
2000	355983	6.9596	10	165
2001	393,990	10.6766	10	173
TOTAL	1,704,715	33.0	46	773
MEAN	340943	6.6	9.3	154.6

<u>IDB SACCO</u>				
Year	S.R.F	% g	DIV	MEMBERS
1991	189,160			0
1992	205,157	8.4569	0	113
1993	211,497	3.0903	6.5	109
1994	215,654	1.9655	3.5	68
1995	222,484	3.1671	4.8	105
1996	240,155	7.9426	4.5	76
TOTAL	1,284,107	24.6224	19.3	471
MEAN		4.9245	3.86	94.2
1996	240,155			
1997	248,258	3.3741	4.2	94
1998	256,202	3.1999	5.3	114
1999	270,695	5.6569	5.1	111
2000	273,460	1.0214	4.3	100
2001	289,989	6.0444	1.04	82
TOTAL	1,578,759	19.2967	19.9	501
MEAN		3.8593	3.99	3.988

<u>AGIP SACCO</u>				
Year	S.R.F	%g	DIV	MEMBERS
1991	299,531			
1992	363,531	21.367	6	240
1993	379,531	4.4013	5.3	257
1994	403,665	6.3589	5.8	254
1995	430,249	6.5857	4.4	249
1996	469,936	9.2242	10	242
TOTAL	2,346,443	47.937	32	1242
MEAN		9.5874	6.3	248.4
1997	518,127	10.255	5.1	245
1998	578,017	11.559	4.7	236
1999	642,730	11.196	5	218
2000	728,834	13.397	6.1	175
2001	762,776	4.657	6	159
TOTAL	3,230,484	51.063	27	1033
MEAN		10.213	5.4	206.6

<u>BLOCK HOTELS SACCO</u>				
Year	S.R.F	%g	DIV	MEMBERS
1991	274625			
1992	292292	6.43314	4.5	895
1993	311481	6.56501	4	985
1994	328510	5.46711	2.65	1088
1995	357928	8.95498	2.9	958
1996	387604	8.29105	5	958
TOTAL		35.7113	19.1	4884
MEAN		7.14226	3.81	976.8
1997	1952440	403.72	5	967
1998	325407	-83.333	5	910
1999	422716	29.9038	4.5	840
2000	444200	5.08237	4.5	746
2001	484348	9.03827	4	632
TOTAL		364.411	23	4095
MEAN		72.8823	4.6	819

KENCHIC SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	162,330			
1992	196,579	21.098	2.2	270
1993	228,052	16.01	2	252
1994	273,587	19.967	1.8	261
1995	325,285	18.896	2.6	229
1996	418,187	28.56	2	229
TOTAL	1,604,020	104.53	11	1241
MEAN		20.906	2.1	248.2
1997	519,576	6.3209	2	229
1998	638,041	22.8	3.6	192
1999	659,017	3.2876	5	230
2000	673,651	2.2206	8	237
2001	690,786	2.5436	9	271
TOTAL	3,181,071	37.173	28	1159
MEAN		7.4346	5.5	231.8

KAREN COUNTRY CLUB

Year	S.R.F	%g	DIV	MEMBERS
1991	14,821			
1992	19,933	34.4916	0	90
1993	26,530	33.0959	0	100
1994	35,375	33.3396	0	110
1995	45,635	29.0035	0	112
1996	53,566	17.3792	3.7	114
TOTAL		147.31	3.7	526
MEAN		29.462	29.5	105.2
1997	92,204	72.1316	2.1	133
1998	169,596	83.9356	3.5	118
1999	172,241	1.55959	4	123
2000	174,885	1.53506	5	125
2001	176,230	0.76908	6	119
TOTAL		159.931	20.6	618
MEAN		31.9862	4.12	123.6

NYOTA SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	107,482			
1992	124,319	15.665	1	128
1993	127,521	2.5756	3.6	120
1994	130,102	2.024	4.1	119
1995	131,565	1.1245	3.3	125
1996	140,399	6.7146	3.3	118
TOTAL		28.104	15	610
MEAN		5.6207	3.1	122
1997	145,458	3.6033	2.5	117
1998	151,870	4.4081	2.5	117
1999	152,254	0.2528	3	116
2000	152,421	0.1097	2.5	116
2001	169,615	11.281	4.6	115
TOTAL	771,618	19.655	15	581
MEAN		3.9309	3	116.2

LAMPASAGO SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	334,074			
1992	334,074	0	0	940
1993	334,074	0	0	950
1994	334,074	0	2	960
1995	344,354	3.07716	0	982
1996	344,354	0	0	982
TOTAL	2,025,004	3.07716	2	4814
MEAN		0.61543	0.4	962.8
1997	350,715	101.847	0	990
1998	423,262	20.6855	1	997
1999	423,262	0	0	1000
2000	423,582	0.0756	0	1009
2001	463,083	9.32547	0	1090
TOTAL		131.934	1	5086
MEAN		26.3868	0.2	0.2

OXFORD SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	15,925			
1992	21,144	32.772	5	33
1993	29,278	38.47	0	43
1994	32,343	10.469	5.5	54
1995	35,995	11.291	5.5	51
1996	40,758	13.232	5.5	53
TOTAL		106.23	22	234
MEAN		21.247	4.3	46.8
1997	45,408	11.409	7	53
1998	50,047	10.216	6	459
1999	74,572	49.004	6	64
2000	229,804	208.16	6	66
2001	443,842	93.139	3.3	65
TOTAL		371.93	28	707
MEAN		74.386	5.7	141.4

COMOCO SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	1278991			
1992	1294563	1.21752	2.9	
1993	1377822	6.43144	3	
1994	1530040	11.0477	3	
1995	1630441	6.56199	3.2	
1996	1709154	4.82771	3.6	1602
TOTAL		30.0864	15.7	
MEAN		6.01728	3.14	
1997			3.6	1697
1998	1961398	14.7584	3.1	1468
1999	2013216	2.64189	3.2	1520
2000	2179034	8.23647	5.3	1524
2001	2329826	6.92013	5.5	1449
TOTAL		32.5569	20.7	
MEAN		6.51138	4.14	

CHAI SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	9852483			
1992	10493483	6.506	3.5	15678
1993	13048816	24.352	4	16058
1994	15895718	21.817	3.9	16433
1995	18694271	17.606	5	16923
1996	21953618	17.435	4.4	17647
TOTAL		87.716	21	82739
MEAN		17.543	4.2	16547.8
1997	26069304	18.747	4.5	17956
1998	31210178	19.72	5.3	18837
1999	33812293	8.3374	5.2	19082
2000	37621069	11.264	6.4	19200
2001	39629109	5.3375	7.1	19457
TOTAL		63.407	28	94532
MEAN		12.681	5.7	18906.4

HAZINA SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	6299351			
1992	6309491	0.16097	3	5629
1993	6439462	2.05993	3	5619
1994	6564462	1.94116	2	5577
1995	6747532	2.7888	3	5032
1996	7133904	5.72612	2	5054
TOTAL		12.677	13	26911
MEAN		2.5354	2.6	5382.2
1997	7808840	9.46096	3.6	5112
1998	8119436	3.97749	4.3	5300
1999	8360178	2.96501	5	5319
2000	8520266	1.91489	5	5200
2001	8653592	1.56481	3.4	5199
TOTAL		19.8832	21.3	26130
MEAN		3.97663	4.26	5226

SHIRIKA SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	1353100			
1992	1436123	6.1358	6	2890
1993	1542524	7.4089	7	2774
1994	1605289	4.069	6	2663
1995	1660154	3.4178	5.5	2491
1996	1719629	3.5825	6.5	2394
TOTAL		24.614	31	13212
MEAN		4.9228	6.2	2642.4
1997	1758589	2.2656	6.5	2336
1998	1803109	2.5316	6.3	2291
1999	1850617	2.6348	7.8	1706
2000	1889285	2.0895	7	1478
2001	8753592	363.33	8	1460
TOTAL		372.85	36	9271
MEAN		74.57	7.1	1854.2

PEGASUS SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	431698			
1992	507728	17.6118	6.2	126
1993	584457	15.1122	4.4	136
1994	713079	22.0071	5.9	159
1995	847526	18.8544	4.7	171
1996	1020328	20.389	4.8	174
TOTAL		93.9746	26	766
MEAN		18.7949	5.2	153.2
1997	1285869	26.0251	5.5	182
1998	1595607	24.0878	5.5	170
1999	1980935	24.1493	5.1	178
2000	2421703	22.2505	5	188
2001	2678789	10.6159	5	190
TOTAL		107.129	26.1	908
MEAN		21.4257	5.22	181.6

KENYA BANKERS SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	6109100			
1992	6200125	1.49	7.9	13002
1993	6379147	2.8874	8	13100
1994	6446448	1.055	8	13281
1995	6866246	6.5121	8	13937
1996	8087228	17.782	8.9	14646
TOTAL		29.727	41	67966
MEAN		5.9454	8.2	13593.2
1997	9068243	12.13	9.2	14968
1998	9611520	5.991	9.3	15292
1999	13744642	43.002	5.3	15185
2000	19642622	42.911	6.4	14787
2001	28368138	44.421	6.7	15408
TOTAL		148.46	37	75640
MEAN		29.691	7.4	15128

WANA ANGA SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	670493			
1992	680493	1.49144	4	
1993	691031	1.54858	4.6	
1994	722065	4.49097	5	
1995	741785	2.73106	7	
1996	780908	5.27417	7	
TOTAL		15.5362	27.6	
MEAN		3.10724	5.52	
1997	823370	5.43752	7	
1998	873694	6.11195	8.5	
1999	936224	7.15697	10	
2000	1004814	7.32624	10	
2001	1124457	11.907	10	
TOTAL		37.9397	45.5	
MEAN		7.58793	9.1	

<u>COSMOS SACCO</u>					<u>NATION STAFF SACCO</u>				
Year	S.R.F	%g	DIV	MEMBERS	Year	S.R.F	%g	DIV	MEMBERS
1991	15,291				1991	225700			
1992	19,117	25.021	0	129	1992	238700	5.75986	0	350
1993	21,587	12.92	0	130	1993	250600	4.98534	0	456
1994	35,393	63.955	2.2	140	1994	272500	8.73903	4	452
1995	36,810	4.0036	3	160	1995	307600	12.8807	5.3	458
1996	38,022	3.2926	2	165	1996	380000	23.5371	5.8	470
TOTAL	150,929	109.19	7.2	724	TOTAL		55.902	15.1	2186
MEAN		21.839	1.4	144.8	MEAN		11.1804	3.02	437.2
1997	39,753	4.5526	4.4	179	1997	459800	21	6	510
1998	42,273	6.3391	4.5	189	1998	514704	11.9408	6.5	665
1999	48,670	15.133	5	207	1999	975676	89.5606	7.5	601
2000	50,035	2.8046	6.3	199	2000	1700000	74.2382	10	655
2001	53,321	6.5674	4.7	216	2001	2500000	47.0588	10	725
TOTAL	234,052	35.396	25	990	TOTAL		243.798	40	3156
MEAN		7.0793	5	198	MEAN		48.7597	8	631.2

<u>PRIL UPENDO SACCO</u>					<u>ASILI SACCO</u>				
Year	S.R.F	%g	DIV	MEMBERS	Year	S.R.F	%g	DIV	MEMBERS
1991	22,044				1991	12450991			
1992	22,044	0	1.5	69	1992	13340496	6.66771	2.5	22454
1993	22,163	0.5398	1.3	76	1993	13440496	0.74402	3	21596
1994	23,363	5.4144	4.8	78	1994	13540422	0.73798	2.5	21256
1995	23,362	-0.0043	3.9	81	1995	13644794	0.76492	2	20226
1996	38,271	63.817	2	81	1996	15226336	10.3869	1.2	18985
TOTAL	129,203	69.767	14	385	TOTAL		19.3015	11.2	104517
MEAN		13.953	14	77	MEAN		3.8603	2.24	20903.4
1997	40,918	6.9165	2.6	83	1997	16004935	4.86474	0	17133
1998	44,867	9.651	3.4	84	1998	16229835	1.38572	2	10058
1999	48,828	8.8283	4.2	84	1999	16230525	0.00425	1.2	10671
2000	49,587	1.5544	2.5	98	2000	16034479	-1.2227	0	9661
2001	49,851	0.5324	1.8	98	2001	16304479	1.65599	0	9500
TOTAL	234,051	27.483	15	447	TOTAL		6.68805	3.2	57023
MEAN		5.4965	2.9	89.4	MEAN		1.33761	0.64	11404.6

ON SAFARI SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	5,588			
1992	6,520	16.679	0	47
1993	8,349	28.052	0	62
1994	16,473	97.305	0	49
1995	24,858	50.901	2.9	47
1996	37,889	52.422	3.3	38
TOTAL	94,089	245.36	6.2	243
MEAN		49.072	1.2	48.6
1997	63,913	68.685	0	34
1998	94,805	48.334	6.9	40
1999	129,996	37.119	5.1	37
2000	179,320	37.943	4	38
2001	248,330	38.484	4.5	48
TOTAL	716,364	230.57	21	197
MEAN		46.113	4.1	39.4

KINGSIZE SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	409500			
1992	410500	0.2442	5.5	559
1993	415100	1.12058	5.9	620
1994	425102	2.40954	6.7	622
1995	489576	15.1667	5.5	568
1996	540002	10.2999	3.35	756
TOTAL		29.241	27	3125
MEAN		5.84819	5.39	625
1997	1014361	87.8439	3.29	789
1998	1730890	70.6385	4.91	652
1999	2792549	61.336	6.15	577
2000	2921031	4.60089	9	575
2001	2004888	-31.364	8.7	619
TOTAL		193.056	32.1	3212
MEAN		38.6111	6.41	642.4

CHUNA SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	5781960			
1992	5948798	2.8855	10	595
1993	6153969	3.4489	10	6178
1994	6717660	9.1598	10	6318
1995	7165117	6.6609	10	6285
1996	7567675	5.6183	10	6297
TOTAL		27.773	50	25673
MEAN		1.1237	10	5134.6
1997	7996069	5.6608	10	6495
1998	8475788	5.9994	10	6678
1999	4471662	-47.242	10	6584
2000	4500477	0.6444	10	6404
2001	4821434	7.1316	10	4900
TOTAL		-27.806	50	31061
MEAN		-5.5611	10	6212.2

PEUGEOT SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	852676			
1992	930800	9.16221	5.44	1002
1993	946991	1.73947	5	1007
1994	976982	3.16698	4.7	1004
1995	1065624	9.07304	5.13	933
1996	1117040	4.82497	5.7	800
TOTAL		27.9667	26	4746
MEAN		5.59333	5.19	949.2
1997	1157843	3.65278	3.7	720
1998	1197512	3.42611	3.7	628
1999	1354375	13.0991	4.3	415
2000	1418980	4.7701	3.2	415
2001	1480086	4.30633	3.3	463
TOTAL		29.2544	18.2	2641
MEAN		5.85088	3.64	528.2

MAGEREZA SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	1014072			
1992	1028005	1.374	6.2	13307
1993	1059807	3.0936	7.5	14590
1994	1082745	2.1644	7.3	14700
1995	1051430	-2.8922	7.3	16059
1996	1073093	2.0603	8	15628
TOTAL		5.8	36	74284
MEAN		1.16	7.3	14856.8

1997	1222355	13.91	8	14888
1998	1278417	4.5864	8.2	15647
1999	1283942	0.4322	7.6	15868
2000	2213942	72.433	7.5	15209
2001	2227064	0.5927	4.6	16280
TOTAL		91.954	36	77892
MEAN		18.391	7.2	15578.4

ARDHI SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	5397057			
1992	5854593	8.47751	7.2	10264
1993	6200940	5.91582	4.3	9138
1994	6515684	5.07575	3.5	8809
1995	6834652	4.89539	4.4	8266
1996	7156478	4.70874	4.4	7913
TOTAL		29.0732	23.8	44390
MEAN		5.81464	4.76	8878

1997	7398722	3.38496	2.9	7962
1998	7673138	3.70896	3.3	7920
1999	7988650	4.1119	3.9	7763
2000	8335871	4.34643	4.4	7596
2001	8657840	3.86245	4.1	6596
TOTAL		19.4147	18.6	37837
MEAN		3.88294	3.72	7567.4

CANNO QUEENS SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	137936			
1992	148423	7.6028	0	131
1993	154620	4.1752	0	232
1994	166666	7.7907	6.1	210
1995	177598	6.5592	6.5	227
1996	187500	5.5755	6.8	207
TOTAL		31.703	19	1007
MEAN		6.3407	3.9	201.4

1997	192956	2.9099	6	201
1998	199272	3.2733	6.5	228
1999	201114	0.9244	6.7	231
2000	214691	6.7509	6.9	252
2001	236884	10.337	6.2	225
TOTAL		24.196	32	1137
MEAN		4.8391	6.5	227.4

FINNLEMM

Year	S.R.F	%g	DIV	MEMBERS
1991	692118			
1992	808009	16.7444	0	185
1993	936431	15.8936	3	179
1994	1115414	19.1133	3.4	204
1995	1239031	11.0826	3.4	232
1996	1387371	11.9723	2.9	224
TOTAL		74.8062	12.7	1024
MEAN		14.9612	2.54	204.8

1997	1539452	10.9618	3.5	317
1998	1781586	15.7286	3.8	364
1999	1982761	11.2919	3.2	416
2000	2573563	29.7969	4	523
2001	3276058	27.2966	3.5	592
TOTAL		95.0758	18	2212
MEAN		19.0152	3.6	442.4

MHASIBU SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	325433			
1992	472328	45.138	5.5	537
1993	691591	46.422	0	590
1994	998787	44.419	5.5	627
1995	1467996	46.978	5.5	744
1996	2164995	47.48	5.5	839
TOTAL		230.44	22	3337
MEAN		46.087	4.4	667.4
1997	2879180	32.988	4.5	899
1998	4115272	42.932	4.5	942
1999	4860078	18.099	4.5	853
2000	6017897	23.823	4.5	917
2001	4689272	-22.078	4	958
TOTAL		95.764	22	4569
MEAN		19.153	4.4	913.8

NASERIA SACCO

Year	S.R.F	%g	DIV	MEMBERS
1991	488798			
1992	605460	23.8671	4.8	432
1993	740338	22.2769	2.9	453
1994	938990	26.8326	2	464
1995	1188029	26.522	6.1	453
1996	1449243	21.9872	4.7	494
TOTAL		121.486	20.5	2296
MEAN		24.2972	4.1	459.2
1997	1719914	18.6767	3.7	469
1998	1737456	1.01993	2.5	501
1999	1757669	1.16337	0.3	530
2000	1792669	1.99127	4.3	553
2001	1815991	1.30097	3.7	635
TOTAL		24.1523	14.5	2688
MEAN		4.83045	2.9	537.6

<u>MAGEREZA SACCO</u>					<u>ARDHI SACCO</u>				
Year	S.R.F	%g	DIV	MEMBERS	Year	S.R.F	%g	DIV	MEMBERS
1991	1014072				1991	5397057			
1992	1028005	1.374	6.2	13307	1992	5854593	8.47751	7.2	10264
1993	1059807	3.0936	7.5	14590	1993	6200940	5.91582	4.3	9138
1994	1082745	2.1644	7.3	14700	1994	6515684	5.07575	3.5	8809
1995	1051430	-2.8922	7.3	16059	1995	6834652	4.89539	4.4	8266
1996	1073093	2.0603	8	15628	1996	7156478	4.70874	4.4	7913
TOTAL		5.8	36	74284	TOTAL		29.0732	23.8	44390
MEAN		1.16	7.3	14856.8	MEAN		5.81464	4.76	8878
1997	1222355	13.91	8	14888	1997	7398722	3.38496	2.9	7962
1998	1278417	4.5864	8.2	15647	1998	7673138	3.70896	3.3	7920
1999	1283942	0.4322	7.6	15868	1999	7988650	4.1119	3.9	7763
2000	2213942	72.433	7.5	15209	2000	8335871	4.34643	4.4	7596
2001	2227064	0.5927	4.6	16280	2001	8657840	3.86245	4.1	6596
TOTAL		91.954	36	77892	TOTAL		19.4147	18.6	37837
MEAN		18.391	7.2	15578.4	MEAN		3.88294	3.72	7567.4

<u>CANNO QUEENS SACCO</u>					<u>FINNLEMM</u>				
Year	S.R.F	%g	DIV	MEMBERS	Year	S.R.F	%g	DIV	MEMBERS
1991	137936				1991	692118			
1992	148423	7.6028	0	131	1992	808009	16.7444	0	185
1993	154620	4.1752	0	232	1993	936431	15.8936	3	179
1994	166666	7.7907	6.1	210	1994	1115414	19.1133	3.4	204
1995	177598	6.5592	6.5	227	1995	1239031	11.0826	3.4	232
1996	187500	5.5755	6.8	207	1996	1387371	11.9723	2.9	224
TOTAL		31.703	19	1007	TOTAL		74.8062	12.7	1024
MEAN		6.3407	3.9	201.4	MEAN		14.9612	2.54	204.8
1997	192956	2.9099	6	201	1997	1539452	10.9618	3.5	317
1998	199272	3.2733	6.5	228	1998	1781586	15.7286	3.8	364
1999	201114	0.9244	6.7	231	1999	1982761	11.2919	3.2	416
2000	214691	6.7509	6.9	252	2000	2573563	29.7969	4	523
2001	236884	10.337	6.2	225	2001	3276058	27.2966	3.5	592
TOTAL		24.196	32	1137	TOTAL		95.0758	18	2212
MEAN		4.8391	6.5	227.4	MEAN		19.0152	3.6	442.4

<u>MHASIBU SACCO</u>					<u>NASERIA SACCO</u>				
Year	S.R.F	%g	DIV	MEMBERS	Year	S.R.F	%g	DIV	MEMBERS
1991	325433				1991	488798			
1992	472328	45.138	5.5	537	1992	605460	23.8671	4.8	432
1993	691591	46.422	0	590	1993	740338	22.2769	2.9	453
1994	998787	44.419	5.5	627	1994	938990	26.8326	2	464
1995	1467996	46.978	5.5	744	1995	1188029	26.522	6.1	453
1996	2164995	47.48	5.5	839	1996	1449243	21.9872	4.7	494
TOTAL		230.44	22	3337	TOTAL		121.486	20.5	2296
MEAN		46.087	4.4	667.4	MEAN		24.2972	4.1	459.2
1997	2879180	32.988	4.5	899	1997	1719914	18.6767	3.7	469
1998	4115272	42.932	4.5	942	1998	1737456	1.01993	2.5	501
1999	4860078	18.099	4.5	853	1999	1757669	1.16337	0.3	530
2000	6017897	23.823	4.5	917	2000	1792669	1.99127	4.3	553
2001	4689272	-22.078	4	958	2001	1815991	1.30097	3.7	635
TOTAL		95.764	22	4569	TOTAL		24.1523	14.5	2688
MEAN		19.153	4.4	913.8	MEAN		4.83045	2.9	537.6

APPENDIX 3.**STATUTORY % GROWTH RATE PER SACCO PRE AND POST LIBERALIZATION****PRE LIBERALIZATION**

YEAR	BM	IDB	AGP	BLK	KCK	KRN	NYT	LMG	XFD	CMC	CHAI	HRN	SRK	PGS	BKR	WNG
1992	4.924	8.457	21.367	6.433	21.098	34.492	15.665	0.000	32.772	1.218	6.506	0.161	6.136	17.612	1.490	1.491
1993	7.191	3.090	4.401	6.565	16.010	33.096	2.576	0.000	38.470	6.431	24.352	2.060	7.409	15.112	2.887	1.549
1994	4.796	1.966	6.359	5.467	19.967	33.340	2.024	0.000	10.469	11.048	21.817	1.941	4.069	22.007	1.055	4.491
1995	6.520	3.167	6.586	8.955	18.896	29.004	1.125	3.077	11.291	6.562	17.606	2.789	3.418	18.854	6.512	2.731
1996	5.861	7.943	9.224	8.291	28.560	17.379	6.715	0.000	13.232	4.828	17.435	5.726	3.582	20.389	17.782	5.274
MEAN	5.858	4.924	9.587	7.142	20.906	29.462	5.621	0.615	21.247	6.017	17.543	2.535	4.923	18.795	5.945	3.107

PRE LIBERALIZATION

YEAR	CSM	NTN	PRIL	ASIL	SFR	KGZ	CHUN	PGT	MGRZ	ADH	CNO	FNLM	MSB	NSRN	MEAN
1992	25.021	5.760	0.000	6.668	16.679	0.244	2.885	9.162	1.374	8.478	7.603	16.744	45.138	23.867	11.648
1993	12.920	4.985	0.540	0.744	28.052	1.121	3.449	1.739	3.094	5.916	4.175	15.894	46.422	22.277	10.751
1994	63.955	8.739	5.414	0.738	97.305	2.410	9.160	3.167	2.164	5.076	7.791	19.113	44.419	26.833	14.903
1995	4.004	12.881	-0.004	0.765	50.901	15.167	6.661	9.073	-2.892	4.895	6.559	11.083	46.978	26.522	11.323
1996	3.293	23.537	63.817	10.387	52.422	10.300	5.618	4.825	2.060	4.709	5.576	11.972	47.480	21.987	14.673
MEAN	21.839	11.180	13.953	3.860	49.072	5.848	5.555	5.593	1.160	5.815	6.341	14.961	46.087	24.297	12.660

APPENDIX 4**POST LIBERALIZATION**

YEAR	BM	IDB	AGP	BLK	KCK	KRN	NYT	LMG	XFD	CMC	CHAI	HRN	SRK	PGS	BKR	WNG
1997	5.064	3.374	10.255	403.720	24.245	72.132	3.603	1.847	11.409	0.000	18.747	9.461	2.266	26.025	12.130	5.438
1998	6.549	3.200	11.559	-83.333	22.800	83.936	4.408	20.685	10.216	14.758	19.720	3.977	2.532	24.088	5.991	6.112
1999	3.740	5.657	11.196	29.904	3.288	1.560	0.253	0.000	49.004	2.642	8.337	2.965	2.635	24.149	43.002	7.157
2000	6.960	1.021	13.397	5.082	2.221	1.535	0.110	0.076	208.164	8.236	11.264	1.915	2.089	22.251	42.911	7.326
2001	10.677	6.044	4.657	9.038	2.544	0.769	11.281	9.325	93.139	6.920	5.338	1.565	363.328	10.616	44.421	11.907
MEAN	6.598	3.859	10.213	72.882	11.019	31.986	3.931	6.387	74.386	6.511	12.681	3.977	74.570	21.426	29.691	7.588

POST LIBERALIZATION

YEAR	CSM	NTN	PRIL	ASIL	SFR	KGZ	CHUN	PGT	MGRZ	ADH	CNO	FNLM	MSB	NSRN	MEAN
1997	4.553	21.000	6.916	4.865	68.685	87.844	5.661	3.653	13.910	3.385	2.910	10.962	32.988	18.677	29.857
1998	6.339	11.941	9.651	1.386	48.334	70.638	5.999	3.426	4.586	3.709	3.273	15.729	42.932	1.020	12.872
1999	15.133	89.561	8.828	0.004	37.119	61.336	-47.242	13.099	0.432	4.112	0.924	11.292	18.099	1.163	13.645
2000	2.805	74.238	1.554	-1.223	37.943	4.601	0.644	4.770	72.433	4.346	6.751	29.797	23.823	1.991	19.968
2001	6.567	47.059	0.532	1.656	38.484	-31.364	7.132	4.306	0.593	3.862	10.337	27.297	-22.078	1.301	22.908
MEAN	7.079	48.760	5.497	1.338	46.113	38.611	-5.561	5.851	18.391	3.883	4.839	19.015	19.153	4.830	19.850

DIV. % PAYMENT PER SACCO

PRE LIBERALIZATION

YEAR	BM	IDB	AGP	BLK	KCK	KRN	NYT	LMG	XFD	CMC	CHAI	HZN	SRK	PGS	BKR	WNG
1992	5.2	0	6	4.5	2.2	0	1	0	5	2.9	3.5	3	6	6.2	7.9	4
1993	4.2	6.5	5.3	4	2	0	3.6	0	0	3	4	3	7	4.4	8	4.6
1994	5.6	3.5	5.8	2.65	1.8	0	4.1	2	5.5	3	3.9	2	6	5.9	8	5
1995	6.4	4.8	4.4	2.9	2.6	0	3.3	0	5.5	3.2	5	3	5.5	4.7	8	7
1996	7.1	4.5	10	5	2	3.7	3.3	0	5.5	3.6	4.4	2	6.5	4.8	8.9	7

MEAN	5.700	3.860	6.300	3.810	2.120	0.740	3.060	0.400	4.300	3.140	4.160	2.600	6.200	5.200	8.160	5.520
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YEAR	CSM	NTN	PRIL	ASIL	SFR	KGZ	CHUN	PGT	MGRZ	ADH	CNO	FNLM	MSBU	NSRM	MEAN
1992	0	0	1.5	2.5	0	5.5	10	5.44	6.2	7.2	0	0	5.5	4.8	3.535
1993	0	0	1.3	3	0	5.9	10	5	7.5	4.3	0	3	0	2.9	3.417
1994	2.2	4	4.8	2.5	0	6.7	10	4.7	7.3	3.5	6.1	3.4	5.5	2	4.248
1995	3	5.3	3.9	2	2.9	5.5	10	5.13	7.3	4.4	6.5	3.4	5.5	6.1	4.574
1996	2	5.8	2	1.2	3.3	3.35	10	5.7	8	4.4	6.8	2.9	5.5	4.7	4.798

MEAN	1.440	3.020	2.700	2.240	1.240	5.390	10.000	5.194	7.260	4.760	3.880	2.540	4.400	4.100	4.114
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APPENDIX 6

POST LIBERALIZATION

YEAR	BM	IDB	AGP	BLK	KCK	KRN	NYT	LMG	XFD	CMC	CHAI	HZN	SRK	PGS	BKR	WNG
1997	6.4	4.2	5.14	5	2	2.1	2.5	0	7	3.6	4.45	3.6	6.5	5.5	9.2	7
1998	10	5.3	4.7	5	3.6	3.5	2.5	1	6	3.1	5.3	4.3	6.3	5.5	9.3	8.5
1999	10	5.1	5	4.5	5	4	3	0	6	3.2	5.2	5	7.8	5.1	5.32	10
2000	10	4.3	6.1	4.5	8	5	2.5	0	6	5.3	6.4	5	7	5	6.36	10
2001	10	1.04	6	4	9	6	4.6	0	3.3	5.5	7.1	3.4	8	5	6.68	10

MEAN	9.280	3.988	5.388	4.600	5.520	4.120	3.020	0.200	5.660	4.140	5.690	4.260	7.120	5.220	7.372	9.100
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YEAR	CSM	NTN	PRIL	ASIL	SFR	KGZ	CHUN	PGT	MGRZ	ADH	CNO	FNLM	MSBU	NSRN	MEAN
1997	4.4	6	2.6	0	0	3.29	10	3.7	8	2.9	6	3.5	4.5	3.7	4.426
1998	4.5	6.5	3.4	2	6.9	4.91	10	3.7	8.2	3.3	6.5	3.8	4.5	2.5	5.154
1999	4.97	7.5	4.2	1.2	5.1	6.15	10	4.3	7.6	3.9	6.7	3.2	4.5	0.3	5.128
2000	6.28	10	2.5	0	4	9	10	3.2	7.5	4.4	6.9	4	4.5	4.3	5.601
2001	4.7	10	1.8	0	4.5	8.7	10	3.3	4.6	4.1	6.2	3.5	4	3.7	5.291

MEAN	4.970	8.000	2.900	0.640	4.100	6.410	10.000	3.640	7.180	3.720	6.460	3.600	4.400	2.900	5.12
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APPENDIX 7

S.R.F SUMMARIES PER SACCO PRE AND POST LIBERALIZATION.

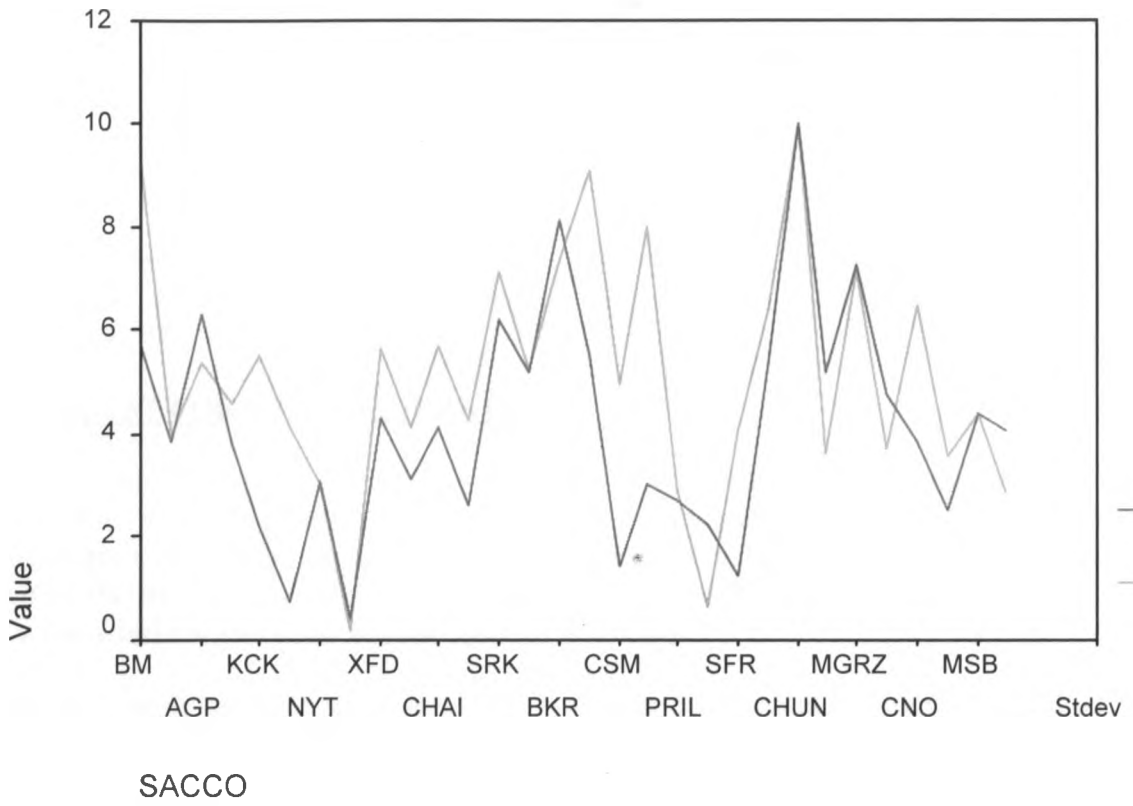
Sacco Name			
	Pre	Post	Variance
BM	5.858	6.598	12.632
IDB	4.924	3.859	-21.629
AGP	9.587	10.21	6.5297
BLK	7.142	72.88	920.47
KCK	20.91	11.02	-47.293
KRN	29.46	31.99	8.567
NYT	5.621	3.931	-30.066
LMG	0.615	6.387	938.54
XFD	21.24	74.39	250.18
CMC	6.017	6.511	8.2101
CHAI	17.54	12.68	-27.715
HZN	2.535	3.988	57.318
SRK	4.923	74.57	1414.7
PGS	18.8	21.43	13.998
BKR	5.945	29.69	399.43
WNG	3.107	7.588	144.22
CSM	21.84	7.079	-67.586
NTN	11.18	48.76	336.14
PRIL	13.95	5.497	-60.603
ASIL	3.86	1.338	-65.337
SFR	49.07	46.11	-6.0299
KGZ	5.848	38.61	560.24
CHUN	5.555	-5.561	-200.11
PGT	5.593	5.851	4.6129
MGRZ	1.16	18.39	1485.4
ADH	5.815	3.883	-33.224
CNO	6.341	4.839	-23.687
FNLM	14.96	19.02	27.097
MSB	46.09	19.15	-58.442
NSRN	24.3	4.83	-80.121
MEAN	12.66	19.85	
STDEV	11.95	22.24	

APPENDIX 8

DIVIDEND DATA SUMMARIES PER SACCO PRE AND POST LIBERALIZATION

Sacco Name			
	Pre	Post	Variance
BM	5.70	9.28	62.8
IDB	3.86	3.99	3.3
AGP	6.30	5.39	-14.5
BLK	3.81	4.60	20.7
KCK	2.20	5.50	150.0
KRN	.74	4.12	456.8
NYT	3.06	3.02	-1.3
LMG	.40	.20	-50.0
XFD	4.30	5.66	31.6
CMC	3.14	4.14	31.8
CHAI	4.16	5.69	36.8
HZN	2.60	4.26	63.8
SRK	6.20	7.12	14.8
PGS	5.20	5.22	0.4
BKR	8.16	7.37	-9.7
WNG	5.52	9.10	64.9
CSM	1.44	4.97	245.1
NTN	3.02	8.00	164.9
PRIL	2.70	2.90	7.4
ASIL	2.24	.64	-71.4
SFR	1.24	4.10	230.6
KGZ	5.39	6.41	18.9
CHUN	10.00	10.00	0.0
PGT	5.19	3.64	-29.9
MGRZ	7.26	7.18	-1.1
ADH	4.76	3.72	-21.8
CNO	3.88	6.46	66.5
FNLM	2.54	3.60	41.7
MSB	4.40	4.40	0.0
NSRN	4.10	2.90	-29.3
MEAN	4.12	5.12	24.3
STDEV	2.137	2.264	5.9

APPENDIX 9



The graph above shows the mean percentage dividend payment (Value) per Sacco on pre and post liberalization.

APPENDIX 10

LETTER OF INTRODUCTION

University of Nairobi
Department of Accounting
Faculty of Commerce
P.o Box 30197
Nairobi.

To Whom It May Concern:

Dear Respondent,

RE: REQUEST FOR RESEARCH DATA.

I am a postgraduate student at the University of Nairobi, Faculty of Commerce. In partial Fulfilment of the requirements for the award of the degree of Masters of Business Administration, am conducting a study entitled “ a survey on the investment practices on reserve funds and payment of dividends in savings and credit co-operatives in Nairobi”. Your society has been selected to participate in this study.

For the purpose of completing my research, I wish to collect data through the attached questionnaire. I shall be grateful if you would kindly assist me by completing this questionnaire.

This information is purely for the purpose of my project and I pledge to you that it shall be treated with strict confidentiality. A copy of the final research report will be availed to you upon request.

Thank you for your cooperation.

Yours faithfully

BWOMA, BENARD NYAKUNDI
MBA STUDENT

APPENDIX 11

QUESTIONNAIRE

Name of the Society.....

Date of Registration

Title of the respondent

(Please tick in the box [] the appropriate answer).

1. Have you ever undertaken capital investments in your society for the last Ten years prior to the year 2001?
 - a) Yes []
 - b) No []

2. How many capital investments have you undertaken for the last 10 years prior to the year 2001 December?
 - a) None []
 - b) Between 1 and 3 []
 - c) Between 4 and 7 []
 - d) Between 7 and 10 []
 - e) Above 10 []

3. Why did the society had to undertake the investments?

		Very Important	Important	Not important
a)	Generate additional funds in form of surplus	[]	[]	[]
b)	Provide welfare and services needed by member.	[]	[]	[]
c)	Create employment	[]	[]	[]
d)	Others specify.....	[]	[]	[]

4. What was the total estimate cost of the investment undertake in the following periods?

Year	Less than Ksh5 million	Ksh5 - 10 million	Ksh10 – 20 million	Above Ksh20 million
1992	[]	[]	[]	[]
1993	[]	[]	[]	[]
1994	[]	[]	[]	[]
1995	[]	[]	[]	[]
1996	[]	[]	[]	[]
1997	[]	[]	[]	[]
1998	[]	[]	[]	[]
1999	[]	[]	[]	[]
2000	[]	[]	[]	[]
2001	[]	[]	[]	[]

5. How frequently have you utilized the following sources of funds to finance capital investments?

		Most frequently	Frequently	Less frequently	None at all
a)	Share capital from members	[]	[]	[]	[]
b)	Asking members to contribute	[]	[]	[]	[]
c)	Retained surpluses	[]	[]	[]	[]
d)	Borrowing loans	[]	[]	[]	[]
e)	Excess liquid funds	[]	[]	[]	[]

6. Are the members allowed to retain shares in the investment after retirement, withdrawal, or death?

a) Yes []

b) No []

7. Is the project registered and run as a separate entity?

a) Yes []

b) No []

8. How are the returns from the investments utilized?

a) Consolidated with the rest of the surplus and distributed as dividends []

b) To members who contributed in relation to their contribution []

c) In relations to members share capital []

d) Other (specify) []

9. Has the Society's annual general meeting fixed the value of the shares for retiring members?

a) Yes []

b) No []

10. If yes, what is the value? Explain

.....
.....

11. What percentage from the surplus has been transferred to reserve fund in the years shown?

Year	Less than 25%	25%	More than 25%
1992	[]	[]	[]
1993	[]	[]	[]
1994	[]	[]	[]
1995	[]	[]	[]
1996	[]	[]	[]
1997	[]	[]	[]
1998	[]	[]	[]
1999	[]	[]	[]
2000	[]	[]	[]
2001	[]	[]	[]

12. Please tick against a, b, c, d, e and f if there was any investment held in the years shown. (You can tick more than one in any year).

(Use the following to tick against each year in the spaces provided)

- a) Post office Savings Bank or
- b) Shares in other registered society
- c) Bank registered under banking Act Cap 488 Laws of Kenya
- d) Stock of any body approved by the commissioner.
- e) Limited liability Company business analogous to the society
- f) Any manner approved by the commissioner

Year	(a)	(b)	(c)	(d)	(e)	(f)
1991	[]	[]	[]	[]	[]	[]
1992	[]	[]	[]	[]	[]	[]
1993	[]	[]	[]	[]	[]	[]
1994	[]	[]	[]	[]	[]	[]
1995	[]	[]	[]	[]	[]	[]
1996	[]	[]	[]	[]	[]	[]
1997	[]	[]	[]	[]	[]	[]
1998	[]	[]	[]	[]	[]	[]
1999	[]	[]	[]	[]	[]	[]
2000	[]	[]	[]	[]	[]	[]
2001	[]	[]	[]	[]	[]	[]

13. In your opinion, would you have invested the reserve funds differently from the one (12) above if allowed?

a) Yes []

b) No []

14. If yes in what areas and why? Areas.....

.....

Why

.....

THANK YOU VERY MUCH FOR YOUR CO-OPERATION.

APPENDIX 12

DATA COLLECTION SHEET

NAME OF THE SOCIETY.....

YEAR	TOTAL SURPLUS AFTER TAX (SH)	STATUTORY R. FUNDS		DIVIDENDS		OTHERS (OTHER THAN DIVIDENDS & STATUTORY RESERVES (SH)	TOTAL NUMBER OF MEMBERS YEAR END
		TRANSFERRED TO S.R.F IN THE YEAR (SH)	TOTALS.R.F AT YEAR END (SH)	TOTAL AMOUNT PAID IN THE YEAR (SH)	% PAID ON MEMBERS DEPOSITS		
1991							
1992							
1993							
1994							
1995							
1996							
TOTAL							
MEAN							
1997							
1998							
1999							
2000							
2001							
TOTAL							
MEAN							