

**FACTORS INFLUENCING PERFORMANCE OF SAVINGS AND CREDIT
COOPERATIVE SOCIETIES IN KENYA: A CASE OF COOPERATIVE
SOCIETIES IN BUNGOMA COUNTY.**

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DECLARATION

This research report is my original work and has not been presented for any other award in any other University.

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

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DEDICATION

I dedicate this work to my wife Emily A.M. Ondiayo and my children Geraldine and Shantel.

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LIST OF ABBREVIATIONS

ACCOSCA: African Confederation of Cooperative Savings Associations, Kenya

ADM: Annual Delegates Meeting

AGM: Annual General Meeting

BOD: Board of Directors

CBA: Collective Bargaining Agreement

CIC: Cooperative Insurance Company

CFIs: Cooperative Financial Institutions

FCs: Financial Cooperatives

FOSA: Front Office Service Activity

ICA: International Cooperative Alliance

ICT: Information, Communication and Technology

KERUSSU: Kenya Rural Savings and Credit Alliance

KES: Kenya Shilling

KUSCCO: Kenya Union of Savings and Credit Cooperatives

LCCUL: Lesotho Cooperative Credit Union

MOCD&M: Ministry of Cooperative Development and Marketing

RBA: Retirement Benefit Authority

SACCO: Savings and Credit Cooperative

SASRA: Sacco Societies Regulatory Authority

SMEs: Small and Medium Enterprises

SPSS: Statistical Package for Social Sciences

SRA: Strategy for Revitalizing Agriculture.

WOCCU: World Council of Credit Union

ABSTRACT

Co-operatives have long been recognized to play important roles in Societies that translates into the improvement of living conditions of their members. Being voluntary, democratic and self –controlled business associations, cooperatives offer institutional framework through which local Communities gain control over the productive activities from which they derive their livelihoods. Savings and Credit Cooperative Societies (SACCOs) in Kenya have been investing their funds with objectives of maximizing their wealth. Studies have shown that lack of sustained growth of SACCOs’ wealth has made it hard for them to absorb operational losses, which has threatened their sustainability. This failure to build enough SACCOs wealth, through accumulation of institutional capital was attributed to lack of corporate governance, low member commitment, lack of motivation, failure to follow cooperative principles and lack of appropriate technology. The purpose of this study was to assess the factors that influence the performance of savings and credit cooperative societies in Bungoma County. To achieve this objective, the study employed a survey involving a sample of 6 SACCOS in Bungoma County using a questionnaire and document review tools and was analyzed using both descriptive and inferential statistics. Correlation analysis was used to test the relationship between the independent variables and the dependent variable while regression analysis was used to determine the contribution of each independent variable to the dependent variable. Primary data was collected by structured questionnaires from Chief Executive Officers (CEOs) of these SACCOs owing to their Pivotal Positions in the Sacco.

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

The co-operatives movement brings together over 1 billion people around the world. The united Nations estimate that the livelihood of nearly 3 billion people is made secure by co-operative enterprise. These enterprises continue to play significant economic and social roles in their communities. In Kenya every one person in five is a member of a co-operative society. In addition, 5.9 million Kenyans directly and indirectly derive their livelihood from the Co-operative movement. (ICA, 2002).

In India Primary Agricultural Cooperatives Credit Societies (PACs) came into being after enactment of the cooperative credit societies Act in 1904. This Act was subsequently revised in 1912 to promote multi-purpose cooperatives and to organize non-credit cooperatives, the cooperatives picked up momentum only after the Reserved Bank of India recommended them in 1937 and the Five year plans provided state support for them, Money lenders-cum traders had dominated and it was realized that multi-purpose cooperatives which integrated credit with other services would be in a better position to counter the influence of such lenders. Cooperatives helped in reducing costs and risks of rural finance operations. These cooperatives were also to receive state partnership in both equity-capital and administrative leadership.

By early 1970s, the National commission on Agriculture recommended introduction of Farmers Service Societies (FSS) which diversified the commodity marketing and

processing and this performed better than PACs. Generally the main objective of both FSS and PACs is to extend credit integrated with modern inputs and commodity markets related services, improving rural poor, share in formal credit and organizing a force to counter the usurious power of village money lenders. The first Farmers Service Society (FSS) was promoted in mid 1970s .By first Primary Agricultural Cooperative Credit Society was promoted in early 1900s and by 1980s there were about 92,000 PACs.

In China, agricultural and rural cooperatives have experienced various challenges and changes as a micro-economic firm model. The road of development has been full of twists and turns since the founding of the People's Republic of China in 1949. Chinese agricultural and rural cooperatives also include rural credit cooperatives, rural community cooperative organizations, and new farmer specialized cooperatives. The history of China's SMCs can be divided into three main periods: the flourishing and growth period from 1949 to 1957, the zigzag and slow development period from 1958 to 1981, and the reform period from 1982 to present. The "Golden Age" of SMCs At the beginning of the Republic, from 1949 to 1957, SMCs developed smoothly and successfully. This period is called the "Golden Age" of SMCs in history. On November 1, 1949, the Central People's Government of the People's Republic of China set up the State Administration of Cooperative Business with responsibility for organization, guidance, and promotion of the development of supply and marketing, consumer, credit, transportation, fishery, and handicraft industry cooperatives for the whole country. In July of 1950, the State Administration of Cooperative Business held the first national soviet of cooperative staff, at which the United Headquarters of the Chinese Cooperatives was created and took charge in leading and controlling all types of cooperatives.

In July of 1954, the first national congress of China's cooperatives was convened under the new name of the All-China Federation of Supply and Marketing Cooperatives (ACFSMC) and set up a unitary system of supply and marketing cooperatives nationwide. In this way, the cooperative's leading bodies at all levels were established from the top down and a national organizational system took shape. At the same time, the SMC organizations at all levels were established from the bottom up and an independent, unitary and comprehensive supply and marketing cooperative system was completed. By the end of 1957, the number of primary societies of SMCs was 19,402; their 157,450,000 members accounted for 30 percent of rural population, with equity of 331.52 million yuan and 1.68 million employees.

During this period, the mission of SMCs was to serve the agricultural producers and to expand agricultural business. As a result, SMCs played a dominant position in the rural market and evolved into the main channel of commodity circulation. In 1957, the total purchase of farm products by SMCs amounted to 5.61 billion Yuan, accounting for 26% of the total farm products sold by farmers. Total retail sales of commodities amounted to 9.51 billion Yuan or 20% of the total retail sales in 1957 and 40% of the retail sales in rural areas. Total SMC sales of agricultural inputs amounted to 1.92 billion Yuan or 59% of the total agricultural inputs in China.

In July, 1950, the "Cooperative Law of People's Republic of China" was approved. In July, 1954, the "Bylaws of the All-China Federation of Supply and Marketing Cooperatives" were passed and, at the same time, the government gave SMCs financial, tax, and credit support. The central and local governments appropriated funds to new SMCs and were free of income taxes for the first year. The lending rate of state banks to

SMCs was discounted below the 10% interest rate for state-run commerce. A Difficult Developmental Period for SMCs From 1958 to 1981, SMCs entered a long period of slow development due to a misleading political ideology. During this period SMCs were reorganized as state-run commerce. The SMC form of collective ownership was replaced by ownership of the entire people. SMCs had deviated from the concept and principles of cooperatives, such as user-control and user benefits, and then sustained historic losses.

In February 1958, the National Supply and Marketing Cooperative and the Urban Service Department were amalgamated by the State Council and renamed as the Second Ministry of Commerce. From then on SMCs changed into a kind of business administrative organization of the government at all levels. Businesses the SMCs previously operated were placed under the control of the state-owned commercial sectors. The democratic arrangements within a cooperative, such as member meetings and boards of directors, were abolished. The cooperatives remained in name, but were actually operated by the Ministry of Commerce as public firms (Yao, 1958).

A departure from the aim of serving its members brought setbacks to SMCs. The Central Committee of the Communist Party of China decided to resume SMCs in 1961. SMCs were separated from the Ministry of Commerce to handle official business on July 1, 1962. Hence, the SMCs were reestablished and the internal democratic arrangement was restored. Some new changes had taken place after the resumption of SMCs. By the end of 1962, there were 25 provinces, 176 prefectures, and 2,042 counties which had resumed SMCs, and the primary societies returned to the system of SMCs again. SMCs were criticized as something like the capitalism and the revisionism after the Great Cultural Revolution began. The “Demonstration Regulations of the Grass Root Supply and

Marketing Cooperative” adopted in 1954 were abolished in September, 1966. On July 1, 1970, the National Supply and Marketing Cooperative Federation were combined with the Ministry of Commerce, the Ministry of Food, and the Bureau of Industry and Commerce Administration. At that time the national system of SMCs were merged with the state-run commerce. The SMCs lost their right of independent decision making and their businesses were once again combined under the control of the Ministry of Commerce. The SMCs of all levels had to turn in their profits to the Ministry of Finance and consequently suffered significant losses of capital and equity. While the SMCs still existed in name, they were no longer farmer-owned and managed economic organizations.

In order to strengthen rural commerce and improve relations with farmers, the All-China Federation of Supply and Marketing Cooperatives, ACFSMC was created on March 1, 1975. But, in fact the ACFSMC was still, in reality, the Ministry of Commerce in rural areas and a department of the States Council. After the Third Plenary Session of the 11th CPC Central Committee, which reformed the rural economic system, farmers needed to buy more agricultural inputs and sell more products. Although farmers’ economic activity increased, the market share of SMCs descended due to abuse of the management system, as well as other problems. Compared with the 1974, the market share of retail sales of commodities of SMCs in relation to total retail sales and to that in rural areas decreased by 5.1 and 14.2 percentage points, respectively, and the market share of the purchase of farm products by SMCs of total farm products sold by farmers declined by 9.8 percentage points in 1981. A number of conclusions can be drawn from this difficult developmental period. First, the dominance of misunderstanding of the SMC cooperative structure led to the downfall of many SMCs. Second, the establishment of the planned economy

undermined SMCs' ability to own property. Third, that the organizational system was destroyed time and again was a direct obstacle to SMCs in accomplishing its aims of serving its members. Fourth, a lack of legal and statutory protection and the excessive government intervention resulted in the SMCs merging with the state-run commerce twice. And fifth, limited accountability and transparency resulted in less effective management and governance of SMCs.

In Nigeria, there are traditional and modern cooperative societies. The modern cooperative societies started in the country as a result of the Nigerian cooperative society law enacted in 1935 following the report submitted by C. F. Strickland in 1934 to the then British colonial administration on the possibility of introducing cooperatives into Nigeria. Cooperatives Societies in Nigeria like their counterparts all over the world are formed to meet people's mutual needs. Cooperative provide locally needed services, employment and input to farmers, cooperatives also provide opportunities to farmers to organize themselves into groups for the purpose of providing services which will facilitate output of members. According to Nweze (2002) cooperative societies serve as avenues for input distribution. Through their nation-wide structure, they have developed strong and reliable arrangements for the distribution of food crops, fertilizers, agro-chemicals, credits, seeds, and seedlings. Bhuyan (2007) stressed that rural cooperatives played an important role in mobilizing and distributing credit to the farmers. He further stressed that cooperative provide members with a wide range of services such as credit, health, recreational and housing facilities. Agricultural cooperatives are also useful in the dissemination of information about modern practice in agriculture. Hermida (2008) reported that

cooperatives provide functional education to members in the areas of production, processing and marketing of agricultural produce.

The most important reasons for cooperative failure in Nigeria according to Borgens (2001) include; the shortage of trained managers, lack of understanding of the principle and approaches of cooperatives and inability of cooperative member to cope with the modern methods and tools of production. Malthus (1999) also identified some of the problems facing cooperatives in Nigeria to include; shortage of skilled personnel, inadequate financing, excessive government control and lack of trust among members. Onje (2003) added that the problem of dishonesty among cooperative leaders is another factors retarding the growth of cooperative in Nigeria. According to Borgens (2001), the participation of cooperatives in marketing of agricultural produce is low as result of poor organizational structure, inadequate infrastructural facilities and administrative bottlenecks. Cooperative societies in Nigeria perform multipurpose functions. They are engaged in the production, processing, marketing, distribution and financing of agricultural products. The most popular agricultural cooperative societies available in Kogi State of Nigeria include; group farming cooperative, marketing cooperative, agricultural thrift and credit cooperatives, agricultural processing cooperative, consumer cooperatives, fishery cooperative and farmer's multipurpose cooperatives. Agriculture is mostly practiced in Kogi State of Nigeria by peasant farmers producing the bulk of food, fuel and fiber needs of the population. Rural farmers in Kogi state like their counterparts in other parts of Nigeria are trapped in perpetual poverty, malnutrition, unemployment and mass drift from rural to urban area. Hence the needs for farmers to form cooperative

societies to allow them pool their resource together for increased agricultural productivity. A lot of cooperatives have sprung up since the inception of Kogi state in 1991.

In Lesotho, Because of the lack of interest of the commercial banks, and the lack of success of development institutions and banks, the Basotho have had to rely largely on sources of informal finance. For rural people, the main vehicle for storing and accumulating savings has been livestock. With the monetization of the economy, lending among family and friends continued. Usually, no collateral and no interest were asked, repayment terms were flexible, and the practice was based on reciprocity.

Nowadays, many people participate in rotating savings and credit associations (ROSCAs). The most well-known are Setokofeles. The Basotho probably learned about these in the mines in South Africa. The members of Setokofeles meet every month and contribute a certain amount of money. Each month another member receives the total amount collected in that month, and repayment is automatic through the monthly contributions. In this way all members, except the last, receive a lump-sum of money much earlier than if they had saved individually. The Setokofele encourages savings discipline, and peer-pressure prevents defaults. A constraint is that the payment cycle cannot usually match the liquidity demand cycle of all individuals. The absence of interest rates also causes the costs of funds and inflation to be ignored. This means that the person who is last in receiving the money benefits least.

Another kind of ROSCA that is a widespread is the Christmas Savings Club. Members contribute a certain amount of money every month, and every month the money collected is lent out to one or more members against a high interest rate (10 to 20% per month).

Since access to formal finance is difficult, the demand for this kind of loans is high. The loans have to be paid back before the end of the year, and in this way the total fund grows. At the end of the year, just before the expensive Christmas-holidays, the total fund is divided among the members.

A third source of informal finance is moneylenders. Individuals or groups of individuals with a regular income or a certain saved capital lend out small amounts to people in need with a profit-making objective. Although no study has been done on the practices of moneylenders in Lesotho, it is widely known that lending is character-based, and interest rates charged are high.

There is a fourth source of informal finance, the importance of which is unknown, are burial societies or MpateSheleng. Burial expenses in Lesotho are high, and therefore people from a village or a neighborhood often try to find a way to insure themselves against those costs. They pay a monthly premium, and the society pays out at the moment a member or his or her family member dies. It is generally assumed that each of the 8000 villages in Lesotho has at least one burial society. Some of these burial societies are involved with lending out the funds that they accumulate from the premiums.

The credit union movement in Lesotho came about at a time when poor rural people had hardly any access to loans in the formal sector, and when their needs were no longer being met by the informal financial sector. It has its roots in 1960 when a team from Canada, working through the Pius XII University College (now the National University of Lesotho), began discussions with the government and started training courses for potential credit union leaders. By 1968, credit unions had grown to such an extent (there were then

some 30 unions) that the leadership decided they needed a national office. The Lesotho Cooperative Credit Union League (LCCUL) was established.

In Uganda, the beginning of the cooperative movement in Uganda can be traced as far back as 1913, when the first Farmers' Association was founded by African farmers. This was in response to the exploitative marketing systems that were against the native farmers. The colonial arrangement was that the native farmers would be engaged in the production of cash crops, such as coffee and cotton, while the Europeans and their Indian allies would concentrate on the processing and marketing of such produce. The racial division gave Europeans and Indians a chance to gain from the production of these crops at the detriment of the Africans. They then realized that forming cooperative would give them a common voice, purpose and strong bargain power (Mukasa, 1997). With the colonial administration forcing Africans to produce high quality crops and sell at low prices, some Baganda farmers in the Midwest of Buganda Region formed the above mentioned pseudo cooperative in 1913 (Kyamulesire, 1988). Nevertheless, the continued exploitation of African farmers ignited strikes that culminated in the formation of many other parallel farmers' associations, such as the Buganda Growers Association in 1923 and the Uganda Growers Cooperative Society in 1933. The proliferation of these associations saw Africans agitate for a law to address the injustice, which was enacted as the Cooperative Ordinance of 1946.

Uganda attained independence in 1962 and subsequently enacted the first Cooperative Societies Act in 1962, which made several amendments to the 1946 Ordinance. The Government then went on to vigorously promote the establishment and diversification of the cooperative movement in the country. With the government assertion's that "the

cooperative sector of the economy should attain a position of prominence”, agricultural cooperatives that engaged in marketing, processing and export of cash crops became prominent (Kyamulesire, 1988: 25). The practice of thrift through cooperative enterprises provided a medium for mobilizing local savings to finance some of the marketing, processing and credit activities of these agricultural cooperatives. The resultant growth was rapid, as the business handled by these cooperatives increased progressively and prosperity for the farmers was eminent.

However, the growth and prosperity of the cooperative movement was short-lived. Military governance under Idi Amin (1971 - 1978) was unfavorable for cooperative development. The absence of the rule of law, uncertainty of the future, the international embargo on Uganda and insecurity all culminated into bad internal governance to the detriment of not just cooperatives, but the economy as a whole (Brett, 1993). The subsequent periods were no better in terms of security and favorable conditions for cooperative performance. Some of the federations that had been formed in the 1960s and early 1970s, such as the Uganda Cooperative Central Union, the Uganda Wholesale Consumer Cooperative Union, and the Cooperative Bank, were adversely affected and most of them simply collapsed. By the time the Yoweri Museveni government introduced new policies, such as economic liberalization, decentralization, restructuring, downsizing of staff and autonomy of the cooperative movement in the late 1980s, the cooperative movement was largely unprepared for them (Beijuka, 1993; Mukasa, 1997). The result was the onset of another decline in the performance of cooperatives in Uganda.

Throughout the 1990s, cooperatives recorded a continuous decline in the volume of marketed agricultural produce, both at the primary and secondary levels. For instance, in

1992/93 cooperatives marketed only 22 per cent (i.e. 28,585 tons out of 130,068 tons) of the total agricultural exports from Uganda. By 2001/02, cooperatives were marketing only two per cent (3,868 tons out of 180,164 tons) of the agricultural produce. The volume of produce handled by cooperatives further declined to approximately one per cent (2,104 tons out of 162,254 tons) in 2006/07. It is worthwhile to note that while the performance of cooperatives declined steadily, the number of multinational companies handling the export of coffee increased from 14 percent (18,459 tons) to a massive 83 percent (134,589 tons) over the same period.

Nevertheless, the decline in the performance of agricultural cooperatives did not spill into the other types of cooperatives. For example 2,351 SACCOs were registered between 2004 and 2008, with savings of over USD 47,619,048 (UGX 100 billion); total share capital of over USD 10,952,381 (UGX 23 billion); and USD 36,666,667 (UGX 77 billion) in loans to members (Ministry of Tourism, Trade and Industry, 2009). Thus, while agricultural cooperatives faced a downturn in their performance, financial cooperatives seemed to prosper from liberalization policies.

The steady decline in the performance of agricultural cooperatives has often been attributed to a variety of factors, which may be classified into the internal and external causes of the poor performance. Among the internal causes include the mismanagement and embezzlement of funds by cooperative leaders and officials. There were instances where employees, especially of cooperative unions, misused assets such as vehicles and swindled funds for paying farmers for the delivered produce to satisfy personal interests. The result was the frustration of members who subsequently withdrew their participation. With inadequate membership oversight, management committee members connived with

employed staff to further embezzle funds. This was compounded by members' ignorance on their rights and obligations in the management of their cooperatives.

The causes that were external to the cooperative movement included wars and political instability that saw cooperatives lose assets such as vehicles, buildings, stocks of produce, livestock and personnel throughout the 1970s. Many more assets were lost or destroyed during the National Resistance Movement's armed struggle between 1981 and 1986 (Brett, 1993; Bejuka, 1993; Mukasa, 1997).

1.2 Statement of the problem

Investment is a prime component in any development effort as it is believed to be the surest way of enhancing income and promoting productivity with the intention to break through the vicious cycle of poverty (Keynes, 1936). The objective of SACCO societies is to empower members through savings mobilization, disbursement of credit and ensuring SACCOs' long-term sustainability through prudent financial practice. (Mudibo 2005, Ademba 2010, and Munjiri 2006). They however content that there are a number of challenges in promoting quality financial management such as limited capital funding sources loan delinquency and assessment and management of risks in addition to negative cash (liquidity), poor governance and poor investment decisions. That wealth generation is hampered by poor financial stewardship, under- capitalization of co-operative enterprises, delayed member payments.

Over time, SACCOs have been, trying to address members' demands by mobilizing funds and granting credit to members. However, they have not been able to grow their wealth

sufficiently through accumulation of adequate institutional capital to finance non-withdrawable capital funded assets, provide cushion to absorb losses and impairment of members/savings. According to Laudi and Venturelli (2002) diversification of financing sources improves the performance of the diversifying institution. The improved performance of SACCOs is assumed to translate into improved service delivery to members including affordable loans client should enhance the investment culture which is low in Kenya (Lawrence et al; 2009). This study therefore sought to investigate factors that influence the performance of savings and credit co-operative societies in Bungoma County.

In Kenya, cooperatives and in particular agricultural cooperatives do play a major role in production, primary processing and marketing of agricultural and livestock commodities. Formal cooperatives started as early as 1908 and membership was limited to white settlers. The first in cooperatives was established in Lumbwa –Riftvalley, in the present day Kipkelion area. In 1944, colonial officers opened the door for Africans to form and join cooperatives. It was recommended that a registrar of cooperatives be appointed in 1945, a new cooperatives Societies Ordinance was enacted which allowed African participation in the cooperative movement. In 1946, a department of cooperative was established and a registrar of cooperative appointed. In 1954, the growth of cooperatives was due to Swynnerton plan of 1954, on developing African Agriculture, Kenya Meat Commission and Kenya Cooperative Creameries.

The problems that affected cooperatives were; high transactions costs as result of inefficiencies in their operations, payment to cooperatives was then reduced and delayed for long period, in 1990, this caused an almost collapse of pyrethrum cooperatives in the

country, direct intervention by the Government in management of cooperatives compromised the principles of member owned and run organizations. The Sessional Paper no.6 of 1997 outlined the Government role as facilitative in nature and creating and enabling environment for cooperatives to operate .The other role was regulatory particularly in the pyramidal organizational Structure and the Kenya National Federation of Cooperatives (KNFC) at the top as apex body.SACCOs fall under Kenya Union of Savings and Credit cooperative Union (KUSCCO) under a similar structure. Also it was noted that factors that influence performance of cooperatives include; lack of training and preparedness by cooperatives, poorsequencing of the reform policy, loss of Government protection, politicalinterference, inadequate legal reforms, slow decision making process, Government policy and international prices, infrastructure ,weather conditions, competitions from other players such as hawkers and private processors.

The cooperative Societies Amendment Bill of 2004 sought to re-introduce some degree of government control and also the Sacco Societies Act 2008 which provides for licensing of deposit taking Saccos like Ng'arisha Sacco Society Ltd.

1.3 Purpose of the study

The main purpose of the study was to investigate factors influencing the performance of savings and credit co-operative Societies in BungomaCounty.

1.4 Objectives of the study

The research study was guided by the following specific objectives;

- (i) To determine how corporate governance influence performance of savings and credit co-operative societies in BungomaCounty.
- (ii) To determine the extent at which the members' commitment influence performance of savings and credit co-operative societies in BungomaCounty.
- (iii) To establish how motivation influence performance of savings and credit cooperative societies in BungomaCounty.
- (iv) To assess how cooperative principles influence performance of savings and credit co-operative societies in BungomaCounty.
- (v) To determine how technology influence performance of savings and cooperative societies in BungomaCounty.

1.5 Research Questions

The research study sought to get answers to the following research questions:

- (i) How does governance influence performance of savings and credit co-operative societies in BungomaCounty?
- (ii) How do members commitments influence performance of savings and credit co-operative Societies inBungomaCounty.
- (iii) How does motivation influence performance of savings and credit cooperative societies in BungomaCounty?
- (iv) How do the cooperative principles influence performance of savings and credit cooperative societies in BungomaCounty?
- (v) How does the technology influence performance of savings and credit cooperative societies in BungomaCounty?

1.6 Significance of the Study

This study was considered beneficial to co-operative development policy makers by providing valuable information on the extent to which factors such as governance, members' commitment, motivations, cooperative principles and technology affect the performance of savings and credit co-operatives. Secondly, the study would also benefit the cooperatives sector that will enhance service delivery to their members. Finally, the study will contribute to knowledge that can be explored by scholars studying cooperatives societies.

1.7 Assumptions of the Study

The study was carried on the basis of the following assumptions:

- (i) That all the respondents were to give genuine, truthful and honest responses to the questionnaires and interviews.
- (ii) That savings and credit co-operative society were facing challenges related to performance and therefore needs to be investigated.

1.8 Limitations of the Study

This study targeted chief executive officers of co-operatives, cooperative officers of the ministry and members of the selected cooperatives, therefore the bottlenecks anticipated were in terms of time and attention accorded to the study by the respondents due to the nature of their work which permits them little time in participating in the study. The researcher intended to effectively utilize the time accorded and was to carry out further

research from published information concerning co-operatives hence overcoming the limitations mentioned above.

1.9 Delimitations of the study

The study investigated factors influencing the performance of savings and credit co-operatives societies in Kenya. Co-operatives are distributed country wide and share similar operating environment, the researcher chose cooperatives societies in Bungoma County because of, first due to the limited time available to the researcher. Secondly, the cost of completing the project would be high if carried out in the whole country. Thirdly, the researcher used Bungoma County for the purpose generalization of the findings. The researcher acknowledged the fact that there are many other factors influencing performance of co-operative societies. This research therefore will focus on corporate governance, members 'commitment, motivation, cooperative principles and technology applied in the cooperative societies. The study targeted chief executive officers of co-operatives, cooperative officers of the Ministry and members of cooperatives who will provide the information for the study. The study used the questionnaire and interview methods because they were convenient and due to time limitations. Bungoma County was chosen for this study, since the researcher resides in Bungoma and hence in terms of logistics, the researcher could access every part of the county while doing the research. In addition Bungoma County has a reasonable number of SACCOs hence the data obtained could be representative and that researcher will be able to generalize his findings.

1.10 Definition of terms

Member commitment: this refers to the member willingness to support and patronize the Sacco products and services.

Performance of Savings and credit cooperative societies: This refers to how the Saccos are transacting their business to achieve their objectives.

Corporate Governance: Refer to the ways the savings and credit cooperative societies are managed.

Motivations: These are benefits the staff gets that improves their performance at work.

Cooperative principles: These refer to the guidelines upon which savings and credit cooperative societies follow in the conduct of their business.

Technology: This refers to the methods applied to run the business that improve efficiency and effectiveness.

1.11 The Organization of the study

The study was organized in three chapters as follows; chapter one giving background to the study and introduced the problem statement describing the specific problem and addressed in the study, as well as the purpose, objectives and research questions that the study will seek to answer. Chapter two presented a review of literature and relevant research associated with the problem addressed in the study giving theoretical foundations of the study and conception framework. Chapter three presented the methodology and procedures used for collecting data and analysis.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter outlined the literature as done from referenced books, journals, periodicals, magazines newspapers, reports, documentaries, dissertations and other publications. Their view covers the factors influencing the performance of savings and credit cooperative societies in Kenya, a case of cooperative societies in Bungoma County. This is in line with the following study objectives; corporate governance, members' commitment, motivations, cooperative principles, technology, theoretical framework and conceptual framework was used to operationalize the variables and lastly the gaps in literature explained.

2.2 Performance of cooperative societies

Sacco's were formed to serve its members with the guidance of cooperative principles like voluntary contributions and open membership, these principles have seen some Sacco performing and others facing challenges to the point of closing business. For Saccos to perform there are many factor that contribute to that and they include; good governance, members patronage to the Sacco products and services, staff competence, sound liquidity management, good internal controls, increased savings form members, improved technology, staff motivations. These factors if well guided make Sacco's to give high return to members' contributions and that assist to reduce poverty to the community through proper investment from members. This study has considered some of these factors

to investigate to what extent they affect the performance of Sacco's so that through the findings proper measures can be taken to improve Sacco performance in the country (Kenya).

2.3 Governance and performance of savings and credit co-operative societies.

According to the International journal of Business and commerce vol.1, No.11: July 2012(40-63), it studied on the effect of Sacco's strategies on the members' savings mobilizations in Nairobi, Kenya, the objectives of the study was; to determine the effect of financial strategies on savings mobilizations, to assess the effect of member training on savings mobilizations, to evaluate the effect of investment opportunity on savings mobilizations, to analyze the effect of intervening variables such as family size and income level on savings mobilizations.

The explanatory research was used in the study and only the questionnaire was used as the instrument for data collection, also in the suggestions for further research, the researcher indicated that a research should be carried out on the influence of governance on Saccos performance which is in agreement with this research where the researcher had chosen to investigate governance as a factor that influence the performance of Saccos.

Also the study from the interdisciplinary journal of contemporary research business vol.4.No.2, April 2012, it studied the challenges facing deposit-taking Saccos regulatory compliance in Kenya. A case of the Gusii region, its objectives included; assessing the challenges of meeting the capital adequacy requirement, assessment the challenges to effective liquidity management in Sacco's, assessment the challenges of implementing

efficient and effective management information systems for Sacco's, establishing the governance challenges that impede regulatory compliance in Saccos.

The study adopted a descriptive survey design, and the findings was that governance challenges constituted; political interference and managerial capacity at board and staff level. This research seek to find out more on governance and the researcher chose variables like ;number of board meetings held, role of committees and budget control as some of the influencers of governance on the performance of Saccos which should be investigated in this study.

2.4 Members commitment and performance of savings and credit cooperative societies

Member commitment is seen as a qualitative feature of a member's relationship with her/his co-operative (Byrne, McCarthy, Ward, &McMurtry, 2012; Fulton &Giannakas, 2001; Stephenson, 1967) – the co-operative society in particular being the object of commitment (Jiménez, Martí, & Ortiz, 2010; cf. Becker, 1992). Further, member commitment is seen as a voluntary individual state, which means it cannot be forced (Fulton &Adamowicz, 1993). To some extent, it is also a measure of how well the co-operative has been able to (in the member's perception) differentiate itself from investor-owned firms (later referred to as IOFs). In this sense, it is something that particularly relates to being a member and does not involve non-members (Fulton, 1999). Importantly, member commitment is considered to be manifested in continuance of patronage and affiliation with the co-operative (Jiménez et al., 2010; Fulton &Adamowicz, 1993). In other words, member commitment can be generally seen as a variable that captures the

extent to which the member is likely to choose maintaining her/his membership (patronage) in the co-operative.

According to AzmanOthma, Fatmah Kari, RohanaJani and Rosita Hamdan, 2008 carried out research on factors influencing cooperative membership and share increment: An application of the Logistic Regression Analysis in the Malaysia Cooperatives. In their study they examined two issues; first, the factors that might influence cooperatives' membership preferences such as their age, income level, types of occupation, educational background and level of outside involvement, second, the factors that affect and influence members' decisions to increase share capital contribution such as capital ownership in a cooperative, members shopping habits at cooperative store, the duration of membership, attendance at annual general meetings (AGM), familiarity with board of directors (BOD), involvement in other cooperative activities, and involvement in other voluntary activities. In their findings they agreed that cooperative success not only relied on the strength and efficiency of board of governance and management but more importantly on membership commitment and this is the area the researcher wants to explore on how the member commitment influence the performance of savings and credit cooperative societies.

2.5 Motivation and performance of savings and credit cooperative societies

The term "motivation" is derived from the word "motive" which means a reason for action. A vast array of literature exists examining the concept of motivation within organizations. The term has been used to mean "...the contemporary (immediate) influences on the direction, vigor and persistence of action" (Atkinson, 1964), "...how behavior gets started, is energized, is sustained, is directed, is stopped, and what kind of

subjective reaction is present in the organization while all this is going on.” (Jones, 1955), “...a process governing choices made by persons or lower organisms among alternative forms of voluntary activity.”(Vroom, 1964), “...psychological processes that cause the arousal, direction, and persistence of voluntary actions that are goal directed.”(Mitchell, 2002), “...a set of processes concerned with the force that energizes behavior and directs it toward attaining some goal.”(Baron, 1983), “...an internal drive to satisfy an unsatisfied need” (Higgins, 1994). All these different definitions offer some implications about human behavior. First, there are some drives (needs) that make individuals behave in certain ways, and second, individual behavior is goal oriented. Motivation is a continuous process which starts with needs, continues with goal-oriented behavior and ends with the satisfaction of needs.

While a general definition for motivation can be given as “the degree to which an individual wants and chooses to engage in certain specified behaviors”; motivation in the work place refers to “the degree to which an individual wants and tries hard to do well at a particular task or job” (Mitchell, 2002). Motivation of employees is a focus of attention because it may be a means to reduce and manipulate the gap between employees’ actual and desired state of commitment to the organization and to inspire people to work both individually and in groups. The challenge for the organization is to find out what its employees’ values and goals are and where they overlap with the organization.

According to Patrick Lumumba (2012) in his research about an assessment of the effectiveness of non-monetary incentives in motivating Sacco society staff : A case study of Front office savings account workers in Nairobi county had the following objectives; to establish the influence of promotion on employees, to establish the extent to which

teamwork motivates staff, to determine the extent to which career development motivates staff and to assess the effect of fringe benefits in motivating staff. In his research he used questionnaire to collect data for front office staff and the motivating factors were for staff and included promotion, teamwork, career development and fringe benefits.

In this research the researcher intends to investigate into other motivating factors like appreciations, training and conducive environment and also use other instruments like interview to collect more data in other areas and the researcher chose Bungoma County.

2.6 Cooperative principles and performance of savings and credit cooperative societies

Cooperative principles are guidelines that assists the cooperative societies in the manner they conduct their business to avoid confusion and these principles are well captured in the cooperative by-laws.

According to R.D., Pathak professor and head of department of management and public administration in Fiji, the research was carried out on 'The key factors contributing toward successful performance of cooperative in Fiji for Building a Harmonious society' in the research it was stated that Rochdale Pioneer developed practical rules as the following; open and voluntary membership, democratic control, limited interest on capital, dividend paid on purchases made from the cooperative.

Also the interview schedules were used to collect data and it was confirmed that the rules contributed to the successful performance of cooperative in Fiji and the researcher intends to consider three principles; the concern for community, education, training and

information to members and voluntary and open membership. The data collection will use other instruments like questionnaire which will be administered in the Bungoma County – Kenya to find out to what extent it influences the performance of savings and credit cooperative societies

2.7 Role of technology and performance of savings and credit cooperative societies

Information, Communication and Technologies (ICTs) are defined as technologies that facilitate communication and the processing and transmission of information by electronic means. They have an enormous potential as tools for increasing information flows and empowerment of poor people.

According to Samson O. Gunga, chair of Department of Educational Foundation, University of Nairobi, Kenya in his research on ‘The cooperative movement in Kenya and its potential for enhancement of ICT livelihoods’ he noted that ICT is an important medium for communication and exchange as well as a tool for development. ICTs, whether older ICTs such as telephone, radio and television, or the newer ICTs such as VCDs, computers or the Internet, can help in several dynamic ways to bridge gaps in livelihood opportunities by providing localized and relevant information to the community. In his literature evidence from developed countries has shown that ICT can play a dramatic role in enhancing economic and social development by acting as a production sector for economic growth and an enabler for social development (The Ministry of Information & Communications 2006). ICT applications have enabled these countries to make substantial improvements in both productivity and quality in agriculture, manufacturing, infrastructure, public administration and services such as

finance, trade, distribution, marketing, education and health. The Government's key objective is to transform the Kenyan economy through ICTs by promoting and facilitating the private sector to serve as the driver for economic development through innovation in the ICT sector. The strategic focus of Kenya's ICT Strategy for Economic Growth is to simultaneously target the development of the ICT sector and to use ICTs for employment creation, poverty reduction as well as a broad-based enabler for economic recovery and the achievement of national developmental goals.

Due to its dynamism, ICTs promise fundamental change in all aspects of human life including knowledge dissemination, social networking, economic and business practices, political engagement, education, health, leisure, and entertainment (Duncombe&Heeks 2005). ICTs are also useful either as tangible goods in their own right or as value-adding services that improve efficiency and effectiveness (Stiglitz 1989; Romer 1993; World Bank 1998). More specifically, ICTs can provide reliable access to markets (local, regional and international) through increased use of affordable communications (phone, fax, email). ICT, broadly, allows for a reduction in transactions costs, improved access to timely and usable knowledge, improved communications with markets and within the supply chain, acquisition of appropriate skills for enhancement of productivity and improved information about new opportunities.

ICTs may be used to assist the poor by providing the following among others; first, better access to market and other production technology information such as prices for their inputs and outputs. Its impact is measured in terms of improved incomes, profits and sales, lower costs for all business transactions, increased efficiency, competitiveness and market access, secondly, better understanding of the distribution systems, rights and policy

enforcement mechanisms, the impact is measured in terms of improved access and quality of the services obtained,thirdly, better enhancement of social networks measured in terms of improved perceptions of connectedness, empowerment and reduced isolation, fourthly exposure to the E-mail/Internet/Websites appropriate to the livelihoods of the members of the particular cooperative society or group, fifthly,enhanced use of the telephones, SMS text, beeping and creation of a telephone address using mobile communication facilities, for instance. Those who are in the service provision such as telephone kiosks would be able to create partnerships and have a better understanding of the needs of each other through collaboration, sixthly, improved social interaction which contributes to efficiency. The impact is that services will be rendered promptly and regularly: For instance, the rural nurses and doctors would be able to receive information and render timely services, seventh, improved information flows and communication services. The impact is felt through availability, cost effectiveness, quality, diversity, spread and relevance of information, eighth, improved strategy for education and training through strategic application of technologies and ICT enabled skills development and in-service support. The impact is measured in terms of availability of quality educational materials/resources that improves input, process and product, ninth, increased awareness of the links between traditional and modern ICTs. For instance, entrepreneurs may create a database which has the telephone numbers of potential customers saved in a mobile phone.

The researcher intends to carry out research on internet, computer and mobile banking to find out to what extent it influences the performance of savings and credit cooperative societies in BungomaCounty.

2.8 Theoretical Framework

Evidence obtained from the literature shows that the social capital theory is relevant to this study. This study considered the theory and adopted it as theoretical framework, useful for our understanding of the role of cooperative societies in economic development.

The social capital theory emanates from social capital which the World Bank (1998: 2) defined as “the institutions, the relationships, the attitudes and values that govern interactions among people and contribute to economic and social development”. Social capital has to do with the relationship that exists among people which is expected to lead to social and economic development. According to Basargekar (2010: 27), social capital is “the abilities of people to work together towards resolving community/social issue and promote equitable access to benefits of development”. Social capital can therefore be considered as a tool of economic development among people which also affects their environment and community (Anderson et al., 2002; Rankin, 2002; Basargekar, 2010) either positively or negatively based on their “collective action for mutual benefit”.

Although, it can be argued that the developmental progress of a community or a group, cannot be accomplished without the individuals that made up the group and the community. Hence, the individuals cannot stay aloof from the social, financial and physical development of a group and/or a community. “Social capital is the effect of people’s relations in social groups that often unknowingly results in fulfillment of their goals” (Torfi et al., 2011: 5513). Social capital also relate to the promotion of cooperation and unity among members of the same association which leads to trust in the network.

The social capital theory covers various aspects of social capital which include the type of social networking, relationship and interaction which comprises the rules, regulations and

norms that govern social actions and the trust among members including the benefits that accrue to them (Anderson et al., 2002; Jainaba et al., 2005; Basargekar, 2010) either as an individual, for the community or for the association that they belong to. The theory focuses also on collective responsibility that enhances better loan repayment (Basargekar, 2010). The social capital theory postulates that when people act or function in a group as in a cooperative society or self-help group, it leads to the economic and social development of the group, individuals in the group and the immediate community where such group operates from (World Bank, 1998; Anderson et al., 2002). Social development is the improvement in relationship between people while the economic development is divisible into two parts as improvement in financial condition and physical progress such as material acquisition. This is significant because economic development does not take place without increase in physical material acquisition and financial resources (Jainaba et al., 2005; Holmgren, 2011). The economic development in social capital includes improvement in economic condition of the people which may be physical and financial. Relating to this the assets acquisition is physical economic development while enterprise profit, living is an indication that participation in an association such as a cooperative can lead to physical capital and financial capital (Anderson et al., 2002).

2.9 Conceptual Framework

Conceptual framework involves forming an idea about the relationship between variables in the study and showing relationship graphically or diagrammatically (Mugenda&Mugenda, 2003).The conceptual frame work of this study was based on an idea that the savings and credit cooperative societies performance is influenced by several

factors and the ones identified will act as a guide to improve the performance of cooperative societies and at the same time benefits the members.

The conceptual frame working figure 1 portrayed the relationship between the independent and the dependent variables. The study proposed that the factors influencing the performance of cooperative societies were determined by governance, members 'commitment, motivation, cooperative principles and technology. Furthermore, there were other factors which could not be controlled by the SACCO's but could intervene in the growth of SACCO's wealth and these included; government policies, level of competence and skills. The society's regulations were moderating variables.

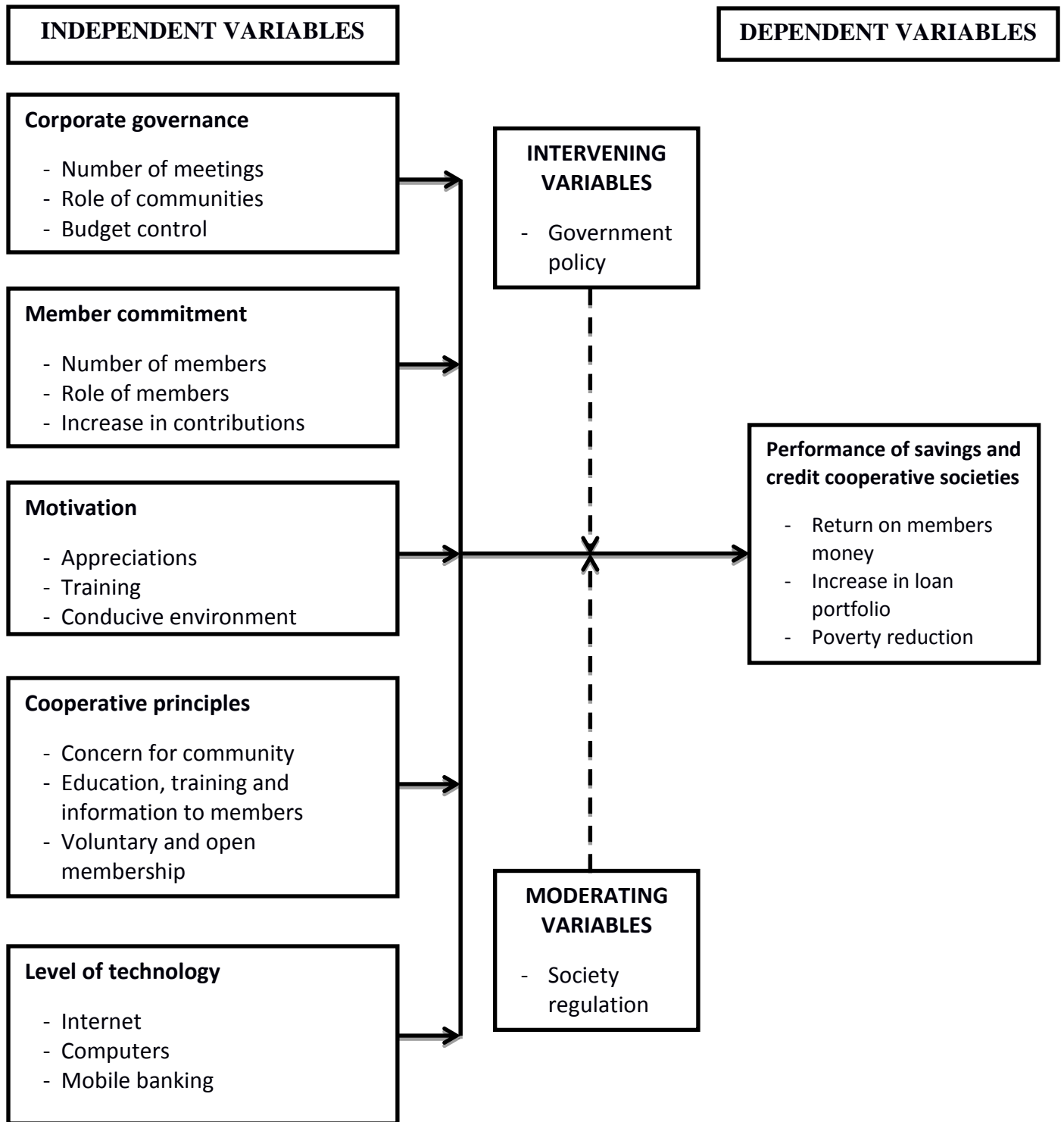


Figure 1: Source: Researcher (2014)

2.10 Knowledge gap

Cooperatives in Kenya have continued to play a very important role in the economy by providing employment to the youth and enhancing economic activities in the rural areas by improving the living standards of the people. The government through the cooperative Act has guided cooperatives to continue discharging its mandate.

Although, many Saccos have achieved its objectives many have also been faced with challenges of mismanagement leading to the collapse of Saccos, banks have offered competition and thus making Saccos to lose members who prefer to borrow from the bank due to quick services but when you compare the interest rate and the return on investment Saccos are more cheap and they pay better dividends than banks. This has raised concerns on what should be done to ensure Saccos remains competitive. This study seeks to fill this gap by establishing the factors that hinder the effective performance of Saccos so that it can compete effectively.

2.11 Summary of literature

It has been the purpose in this review to highlight the impact of liberalization measures on the status, structural organization and performance of cooperatives in Africa. Evidence from the field suggests that cooperatives in Africa have survived the market forces and continued to grow in number and membership. Whereas the number of cooperatives in many countries is increasing, cooperative membership is now lower than it was a decade ago when liberalization measures were initiated.

The market forces have, however, triggered a transformation in the structural organization of cooperatives on the continent, particularly in the Anglophone countries. Due to their inability to provide members with competitive services that the market demands, state-imposed federative and apex cooperative organizations are increasingly fading away. To reclaim the services that were previously provided by such federative and apex organizations, cooperative societies are forming alternative independent voluntary trade- or activity-based unions and networks through a bottom-up consensual networking and integration process. This tendency is clearly leading to the slow, but sure erosion of the unified model of cooperative development, where it existed, and the adoption of the social economy model.

Thus, the indication was that liberalization has given cooperatives the impetus to re-examine their organizational formations with a view to reorganizing in their best interest rather than the interest of the state as had been the case in the past era. It is in this regard that cooperatives are increasingly diversifying their activities in order to respond to the challenges of the market as they endeavor to satisfy the interests and demands of their members. Those cooperatives that have managed to adapt to the new market system, the number of which continue to increase in many countries, are recording better performance than they did in the past era of state control. Such cooperatives seem to have reinvented the business wheel that they had lost in the past era when they were prematurely arrested by the state. Whereas the future of cooperative development in a liberalized economic environment seems to be bright, the challenge is how to inculcate the business virtues in the less-adapted cooperatives in order to spread the benefits of the 'new' mode of cooperation to a wider population on the continent.

CHAPTER THREE

RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter outlined the methodology, which was used in carrying out the study. Aspects covered included the research design, target population, sample size and sampling procedure, data collection methods, validity and reliability and data analysis technique and presentation.

3.2 Research Design

This study used descriptive survey and applied qualitative and quantitative approach that was used to carry out the research. Kothari (2004) state that research design is the arrangement of conditions for collecting and analyzing data in a manner that is aimed to combine relevance to the research purpose with economy in procedure. Cooper and Schindler (2005) observed that a design is a plan for selecting the sources and the type of information used to answer the research question and a framework for specifying the relationship among the study variables.

Descriptive design was used to enable the study collect comprehensive data on the population under study and thus providing relevant and specific information. The design was suitable because the study dealt with the relationship between the variables and development of generalization that have collective validity.

3.3 Target Population

The study targeted members of savings and credit cooperative societies in Bungoma from each of 9 sub counties. This totaled to 45 and 15 key informants consisting of 5 CEOs, 5 sub county administrators and 5 government officers. The questionnaire were administered to member of the Sacco's where as key informants were interviewed. The study focused on the members of Sacco's and cooperative officers in Bungoma County.

3.4 Sample Size and Sampling Procedure

This section discussed sample size and sampling procedures.

3.4.1 Sample size

A sample is a smaller group of subjects obtained from the accessible population (Mugenda, 1999). Kerlinger (1975) suggested that the main factors considered in determining the size is to find a sizable and manageable sample. This enabled the research to derive detailed information at an affordable cost in terms of time, finances and human resources (Mugenda, et al, 1999). Therefore the study applied census method in sample determination this is because the population was small. Therefore the study use a sample size of 45 respondents, 5 members from each sub-county, 5 CEOs, 5 sub county administrators, 5 sub-county cooperative officers.

3.4.2 Sampling procedure

The researcher adopted the census sampling in order to ensure all the relevant groups in the study were selected. According to Nkrapa (1997), if the population is small then the entire population should be used.

3.5 Data Collections instruments

The research instruments employed in the study as tools for data collection are questionnaires and interviews guide. There were two types of questionnaires doused to obtain qualitative and quantitative data. Mugenda (1999) argue that the use of questionnaire ensures that respondents are faced with identical stimulus this facilitating reliability.

According to Mugenda(2003), an interview schedule makes it possible to obtain data required to meet specific objectives of the study. The instruments were designed to address issues relating to performance of savings and credit cooperative societies. Since interview schedule are expensive in terms of time and money, only specific respondents were orally interviewed. The questionnaires were administered to the members of the savings and credit cooperative societies while the interview schedule was conducted among Government officials.

3.5.1 Validity of instruments

Wierma (1995) stated that all assessments of validity are subjective opinions based on judgments of the researcher. The research design aimed at enhancing internal, construct

and external validity. To test the validity of the research instruments, the questionnaires and the interview schedules were prepared and submitted to the supervisor and other experts for cross checking and also assessed the reliance of content. The questionnaires were pre-tested through a pilot study which was done a week earlier before the commencement of the actual study to free the findings from ambiguity.

3.5.2 Reliability of the instruments

Before the actual data was collected, the researcher conducted a pilot study among the respondents who were not included in the final study population. The respondents were randomly selected for this pilot study. The purpose of this pilot study was to enable the researcher ascertain the reliability and validity of instruments and to familiarize with the administration of the questionnaires during the study. The pilot study also enabled the researcher to assess the clarity of the questionnaires and interview schedule items so that, those found to be inadequate or vague were modified to improve their quality hence increasing reliability.

3.6 Ethical Considerations

To ensure the maintenance of ethical standards, from the beginning to the completion of the study, the researcher will obtain informed consent from the respondents and ensure that all the respondents participated voluntarily in the study. Privacy and anonymity of the respondents will be maintained throughout the study. Openness and honest disclosure of information concerning the purpose and the benefits of the research to the respondents was also maintained.

3.7 Data Analysis Technique

The data collected was edited, coded, and analyzed using descriptive statistics with the aid of SPSS program. In this case data analysis was done by use of tabulations, scoring by hand, manual tallying, totaling and grouping as appropriate. The researcher computed relevant frequencies and percentages in rates as appropriate. The data was presented using tables and narrative form in order to bring out the information in line with the research objectives .The data collected from open-ended questions and interviews was analyzed qualitatively to meaningfully describe the distribution of measurements under study.

3.8 Operationalization of variables

Table 3.1 Operation definition of variables as used in the study

Objective	Variable	Indicators	Scale	Statistics
(i) To determine how governance influence the performance of savings and credit co-operative societies in Kenya.	Independent Governance issues Dependent Performance of Sacco societies in Kenya.	a) Political stability b) Policy formulation. c) Low staff turnover	Nominal Ordinal Interval	Descriptive
(ii) To determine the extent at which the members' commitment influence the performance of savings and credit co-operative societies in Kenya.	Independent Member commitment. Dependent Performance of Sacco societies in Kenya.	a) High loan issuance b) Low withdrawal cases c) High member savings	Nominal Nominal Nominal	Descriptive
(iii) To establish how motivation influence the performance of savings and credit cooperative societies in Kenya.	Independent Motivation Dependent Performance of Sacco societies in Kenya.	a) Low staff turnover b) High surplus c) Satisfied members	Nominal Nominal Ordinal	descriptive
(iv) To assess how cooperative principles influence the performance of savings and credit co-operative societies in Kenya.	Independent Cooperative principles Dependent Performance of Sacco societies in Kenya.	a) Compliance to regulatory deadlines b) Low loan default rate c) Low complaints from customers	Nominal Ratio Interval	Descriptive
(v) To determine how technology influence the performance of savings and cooperative societies in Kenya.	Independent Technology Dependent Performance of Sacco societies in Kenya.	a) Computer usage level b) Internet usage level c) Software usage level	Ordinal Ordinal Ordinal	Qualitative

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, DISCUSSION AND INTERPRETATION

4.1 Introduction

This chapter is based on the findings of the research, its presentation, interpretation and analysis. Data analysis was done by the use of quantitative and qualitative method. The data is presented in tables and figures. All the findings are wholly based on the responses obtained from the subjects in the study.

4.2 Response Rate

Questionnaire and interview guide were used as tools for the data collection. The sample size was 60. The researcher distributed 45 questionnaires to the respondents. Forty (40) questionnaires were returned and were found to be useful for data analysis. The interview targeted 5 CEO's, 5 Government Officials and 5 Sub-County Administrators. Out of the possible, target sample among the informant respondents (interviewees), 5 (100%) CEO's responded, 4 (80%) sub-county Administrators and 4 (80%) Government Officials responded. The response rate was 88.33%. According to Nachmias (2000) this percentage was found to be adequate.

Table 4.1: Response Rate

Category	Target	Response Rate	Rate of Response in %
Sub-county Administrators	5	4	80
CEO's	5	5	100
Government Officers	5	4	80
Members	45	40	88.9
TOTAL	60	53	88.3

4.3. Demographic Information of respondents

The study sought to find the demographic information of the respondents, by focusing on gender, age, education level and occupation of respondents.

4.3.1 Gender of respondents

Table 4.2 below shows the response rate (gender) for the study showing how the respondents participated in the research. In the table below males who participated in the study were 40 (75.47%) and 13 (24.53%) females and therefore indicating that more males than females work in the cooperative societies in Bungoma County.

4.3.2 Age of respondents

In table 4.2 below, the cooperative societies were dominated by workers aged 40 and above 25 (47.17%), followed by those falling between the age bracket of 34 – 39 years 15 (28.30%). Employees and members of 26 – 33 years 9 (16.98%) and 18 – 25 years 4 (7.54%) formed the least representation in the strata respectively.

Table 4.2: Demographic details of members of Bungoma County Cooperative Societies

	Category	Frequency	Percent
Gender	Male	40	75.47
	Female	13	24.53
	Total	53	100.0
Age	18 – 25 years	4	7.54
	26 – 33 years	9	16.98
	34 – 39 years	15	28.30
	40 and above	25	47.17
	Total	53	100.0
Level of education	University	12	22.64
	College	30	56.60
	Secondary	10	18.87
	Primary	1	1.90
	Total	53	100.0

4.3.3 Level of education

From table 4.2 above, member level of education was impressive. 12 (22.64%) among the members were graduate and post graduate fellows, 30 (56.60%) had graduated from college, 10 (18.86%) among the members attained secondary education while a minima 1(1.90%) possessed primary level education.

4.4. Corporate governance

The research sought to find out how corporate governance influence performance of savings and credit cooperative societies in BungomaCounty. The findings were shown in table 4.3 below,

Table 4.3 Corporate governance

Variable	Category	Frequency	Percent
	0 – 4	31	58.49
Board Meetings held in a year	4 – 9	12	22.64
	10 – 14	10	18.86
	Total	53	100.0
Role of committees	Negative	42	79.25
	Positive	11	20.75
	Total	53	100.0
Budget control	Delegates	12	22.64
	Board	11	20.75
	Others	30	56.60
	Total	53	100.0

4.4.1 Board meetings held in a year

Table 4.3 above shows that 31 (58.49%) indicated the board meets between 0-4 times in a year, 12 (22.64%) indicated that they were aware of meetings and indicated that the board meets between 4- 9 times in a year , and 10(18.86%) indicated that the boards meets between 10-14 times in a year The findings indicated that more members in the

cooperative societies were well informed about the operation of the board members, so the number of times the members meets has influence on the performances of the cooperative societies . 79.25% were positive about the role of the societies and 20.75% were negative about the role of the committee member, 22.64% agreed that the budgetary committee has a good role in the Sacco's, 20.75% were of the opinion that it influence Sacco performance, This could be attributed to the posts they might have been holding in the organizations, a further breakdown of communication channels could easily be proven as there were not many members aware of the functions of the board, whereas communication is an essential tool in leadership and governance.

4.4.2 Role of committee members

Corporate societies board members indicated that 42(79.25%) indicated that they understand their roles and 11(20.75%) indicated that committee does not understand their roles. The findings indicated that more members understand the role of committee members in corporate governance.

4.4.3 Who approves the budget?

About who approves the budget 12 (22.64%) indicates that delegates approves the budget, 11(20.75%) indicates that board members approves the budget, and 30(56.60%) indicates that others approves the budget. The findings indicate that more members are not familiar with who approves the budget and indicates further that members may not understand their responsibilities.

4.5. Member Commitment

The research sought to find out how member commitment influence performance of savings and credit cooperative societies in BungomaCounty. The findings were shown in table 4.4 below;

Table 4.4 Member Commitment

Variable	Category	Frequency	Percent
Number of Sacco members	0 – 1000	30	56.60
	1001 – 2000	5	9.43
	Above 2000	18	33.96
	Total	53	100.0
Role played by Sacco members	Increase of monthly contribution	16	30.19
	Earnings through FOSA	12	22.64
	Portraying Sacco products and Services	5	9.43
	Attending member education	10	18.87
	Others	10	18.87
	Total	53	100.0
Increase of monthly contribution	Yes	31	58.49
	No	22	41.51
	Total	53	100.0

4.6.1 Members in a Sacco

Table 4.4 shows that 30(56.60%) indicated that they were more Sacco having members below 1000, 5 (9.43%) indicated that they were few Sacco having members no more than 2000 and 18 (33.96%) indicated that Sacco having members above 2000 are less than those having below 1000. The findings indicate that membership in Sacco is still low in many Sacco.

4.6.2 Role played by Sacco members

Table 4.4 shows that 16(30.19%) indicated that members increase their monthly contributions, 12 (22.64%) indicated that members earn through FOSA, 5(9.43%) indicates that members patronize Sacco products and services, 10 (18.87%) indicates that members attend members education, and 10(18.87%) indicates that members play other roles apart from the ones indicated. The findings indicate that members play various roles in the Sacco.

4.6.3 Do members increase their contributions?

Table 4.6 shows that 31(58.49%) indicated that members increase their contributions and 22 (41.51%) indicated that members do not increase their contributions. The findings indicate that more members are aware of increasing their contributions.

4.7 Motivation

The research sought to find out how motivation influence performance of savings and credit cooperative societies in Bungoma County. The findings were shown in table 4.5

Table 4.5: Motivation on performance of Sacco's

Variable	Category	Frequency	Percent
Competitive salary	Yes	43	81.13
	No	10	18.87
	Total	53	100.0
Members training	Yes	31	58.49
	No	22	41.51
	Total	53	100.0
Best working environment	Policy directed	22	41.51
	Managers attention	6	11.32
	Reward for innovation and creativity	12	22.64
	Lack of harassment at work	8	15.10
	Quiet environment	5	9.43
	Total	53	100.0

4.7.1 Competitive salary

Table 4.5 shows that 43 (81.13%) indicates that more people are paid competitive salary, 10 (18.87%) indicates that few people are not paid competitive salary.

4.7.2 Training of members

Table 4.5 shows that 31(58.49%) indicates that more members receive training, 22 (41.51%) indicates that some member are not aware of the training. The members were

also asked about the frequency in the training whereby most of them were satisfied with the organizations plans as far as training is concerned.

4.7.3 Environment for staff

Table 4.5above indicated that 22 (41.51%) indicates that more people believe that policy directed work is good environment for staff,6(11.32%) indicates that mangers attention is a good environment, 12 (22.64%) indicates that reward for innovation and creativity is a good environment, 8 (15.10%) indicates that lack of harassment at work is a good environment, 5 (9.43%) indicates that quiet environment is good for staff.

4.8 Cooperative Principles

The research sought to find out how corporate governance influence performance of savings and credit cooperative societies in BungomaCounty. The findings were shown in table 4.8

Table 4.6 corporative principles

Variable	Category	Frequency	Percent
Do community around you appreciate the society's existence	Yes	42	79.25
	No	11	20.74
	Total	53	100.0
Do members receive education	Yes	40	75.47
	No	13	24.53
	Total	53	100.0
Do members join voluntarily	Yes	47	88.68
	No	6	11.32
	Total	53	100.0

4.8.1 Effect of society to surrounding community

Table 4.6 shows that 42(79.25%) indicates that more people appreciate the society existence, 11(20.74%) indicates that few people do not see the reason for the society existence. The respondents further stated that a large portion of the community believed that the good work carried by the societies (SACCOs) made the community around appreciate their presence and that only a few didn't recognize the importance of the cooperative societies around them.

4.8.2 Member education

Table 4.6 further outlines that 40 (75.47%) indicates that more people receive education, while 13 (24.53%) people do not receive education. Education forms part of awareness

creation and knowledge imparting and was necessary for any organization in pursuance of its independent objectives. Respondents further acknowledged that more often training programs were conducted by the societies for their members.

4.8.3 Member voluntary joining

Table 4.6 shows that 47(86.68%) indicates that more members joining voluntarily, 6(11.32%) indicates that few joined Saccos unwillingly. The respondents moreover stated that most members do minimal deposits in contributions.

4.9 Role of technology

The research sought to find out how corporate governance influence performance of savings and credit cooperative societies in BungomaCounty. The findings were shown in table 4.6.

Table 4.7 Role of technology

Variable	Category	Frequency	Percent
Role of Technology	Mobile banking	22	41.51
	Internet	11	20.75
	Computing services	20	37.74
Total		53	100.0

4.9.1 Nature of technology

Table 4.9 shows that 22 (41.51%) indicates that people use mobile banking, 11(20.75%) indicates that people use internet, 37 (37.74%) indicates that more people use the computer.

4.10 Summary of the chapter

The chapter summarized questionnaire return rate, demographic information, statistical analysis and interpretation of objectives (corporate governance, member commitment, motivation, cooperative principles and role of technology). The results reflect a true complexion of the performance of Saccos and the same could be a percentage of the overall Kenyan Saccos considering costs of living, economic inclination and inflation and other macro-economic variables.

CHAPTER FIVE

SUMMARY OF FINDINGS, DISCUSSION, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This chapter deals with the summary of the findings, discussions, conclusions and recommendations of the study.

5.2 Summary of the findings

Regarding corporate governance, the findings indicated that members were aware of the number of meetings held in a year and many approximated below one year and few indicated correctly this shows the level the sensitization help in running the society. More of the respondents were aware of the role of committees of the Sacco and only a few could not tell what the committees do in the Sacco. On spending using approved budget more members were aware that any expenditure is based on approved budget, only a few were not sure whether the budget was used, This shows that majority of the member are aware how Sacco's are operated.

Many respondents when asked on who approves budgets they indicated other officers like internal auditors, board members and a few indicated correctly to be delegates. This is also as a result of lack of proper knowledge of how management takes place in the cooperative society. To correct this there is need to give education to the member of the Sacco in Bungoma. Focusing on the members' commitment, the findings indicated that many Sacco have low membership below 1000 and only a few had members above 2000. Also it indicated that members played various roles like; increasing of monthly contributions, earning through FOSA, patronizing Sacco products and services, attending members'

education, it revealed that more members participated greatly in increasing of monthly contributions. Findings further revealed that more members agreed on increasing monthly contributions.

Regarding motivation, the findings indicated that competitive salary motivated staff, although a few indicated that they are not satisfied and other factors from the findings were; policy directed environment to avoid confusion, manager attention to work by giving correct direction, reward for innovation and creativity was also indicated to motivate staff, lack of harassment at work and a quiet environment was confirmed to motivate staff. The findings also indicated that members received frequent training.

Cooperative principles from the findings indicated that more Sacco applied the principles like it indicated that the community appreciated the Sacco for giving the good services like loans for developments, it was also revealed that members received education more frequently and thus more members understood the services offered by the Sacco's. The findings further indicated that members joined the Sacco voluntarily and contributed their savings on monthly basis.

Focusing on the role of technology the findings indicated that technology was used like mobile banking, internet, and computers. It indicated that computers were more used than other technology. It also indicated that internet is less exploited by the Sacco and thus less applied.

5.3 Discussions of the Findings

The findings on the influence of governance on the performance of Saccos is in agreement with the interdisciplinary journal of contemporary research business vol.4 No. 2, April 2012 which indicated that governance challenges constituted political interference and

managerial capacity at board and staff level ,therefore the members need more information about the operations of the board to enable them understand their roles to hold the board accountable to their action and also be able to know the role they need to play on the implementation of the budget, the findings on member commitment are in agreement with (Byrne, McCarthy, Ward, &McMurtry, 2012; Fulton &Giannakas, 2001 which suggested that Member commitment is seen as a qualitative feature of a member's relationship with her/his co-operative and Further, member commitment is seen as a voluntary individual state, which means it cannot be forced (Fulton &Adamowicz, 1993).

To some extent, it is also a measure of how well the co-operative has been able to (in the member's perception) differentiate itself from investor-owned firms .In this sense, it is something that particularly relates to being a member and does not involve non-members (Fulton, 1999). Importantly, the finding was in agreement to the sense that member commitment is considered to be manifested in continuance of patronage and affiliation with the co-operative (Jiménez et al., 2010; Fulton &Adamowicz, 1993). In other words, member commitment can be generally seen as a variable that captures the extent to which the member is likely to choose maintaining her/his membership (patronage) in the co-operative.

According to AzmanOthma, Fatmah Kari, RohanaJani and Rosita Hamdan, 2008 carried out research on factors influencing cooperative membership and share increment: Similar studies also revile that an application of the Logistic Regression Analysis in the Malaysia Cooperatives yield the same results. In their study they examined two issues; first,the factors that might influence cooperatives' membership preferences such as their age, income level, types of occupation, educational background and level of outside

involvement, second, the factors that affect and influence members' decisions to increase share capital contribution such as capital ownership in a cooperative, members shopping habits at cooperative store, the duration of membership, attendance at annual general meetings (AGM), familiarity with board of directors (BOD), involvement in other cooperative activities, and involvement in other voluntary activities. In their findings they agreed that cooperative success not only relied on the strength and efficiency of board of governance and management but more importantly on membership commitment and this is in agreement with the findings in this study which revealed that member commitment is key in the Sacco operation.

The findings on the influence of motivation agreed with the views of (Jones, 1955) who defined motivation as, "...a process governing choices made by persons or lower organisms among alternative forms of voluntary activity." And also by Mitchell, 2002 "the degree to which an individual wants and tries hard to do well at a particular task or job. Motivation of employees is a focus of attention because it may be a means to reduce and manipulate the gap between employees actual and desired state of commitment to the organization and to inspire people to work both individually and in groups. The challenge for the organization is to find out what its employee values and goals are and where they overlap with the organization. The findings indicated that salary and working environment motivated employees which was in agreement with Patrick Lumumba (2012) in his research about an assessment of the effectiveness of non-monetary incentives in motivating Sacco society staff : A case study of Front office savings account workers in Nairobi county had the following objectives; to establish the influence of promotion on employees, to establish the extent to which teamwork motivates staff, to determine the

extent to which career development motivates staff and to assess the effect of fringe benefits in motivating staff. He researched on factors like appreciations, training and conducive environment.

While focusing on the cooperative principles , the findings agreed with R.D. Pathak professor and head of department of management and public administration in Fiji, the research was carried out on ‘The key factors contributing toward successful performance of cooperative in Fiji for Building a Harmonious society’ in the research it was stated that Rochdale Pioneer developed practical rules as the following; open and voluntary membership, democratic control, limited interest on capital, dividend paid on purchases made from the cooperative. This rules formed the basis of the formation of cooperative societies and in this research , member education and voluntary membership and community social responsibility was emphasized and it was revealed members actively participated to the application of the principles.

‘The findings on the role of technology was in agreement with Samson O. Gunga, chair of Department of Educational Foundation, University of Nairobi, Kenya in his research on ‘The cooperative movement in Kenya and its potential for enhancement of ICT livelihoods’ he noted that ICT is an important medium for communication and exchange as well as a tool for development. ICTs, whether older ICTs such as telephone, radio and television, or the newer ICTs such as VCDs, computers or the Internet, can help in several dynamic ways to bridge gaps in livelihood opportunities by providing localized and relevant information to the community. In his literature evidence from developed countries has shown that ICT can play a dramatic role in enhancing economic and social development by acting as a production sector for economic growth and an enabler for

social development (The Ministry of Information & Communications 2006).The revealed that the mobile banking, internet and computer were used by Saccos and this approves communication as well as information preservation.

5.4 Conclusion

Most respondents were not aware of the operation of the Saccos on the board meetings held in a year, the role of committees and also the budget approval process, some even indicated that internal auditors approved budgets which showed that they lacked education. Many knew that spending must be based on the approved budget.

On focusing on member commitment, the study showed that membership in many Saccos is very low, although members played their roles very well like increasing of contributions, earning through FOSA,patronizing Sacco products and services and attending member education, the study indicated that the attending education to members was very poor which may contribute to low membership and this need to be enhanced to boost membership.

On motivation, the study showed that salary is a major component that motivate staff among others like training, rewards, policy directed work, managers attention to proper governance, lack of harassment and a quiet environment .The respondents gave more attention to policy directed work to motivated more among the other motivators.

Regarding cooperative principles, the study showed that most of the respondents were aware of the principles like the community social responsibility, education to members and voluntary membership and more members contributed their savings monthly.

The role of technology according to the findings showed that Sacco's applied the three; mobile banking, internet and computer, it indicated that computer was the most used.

5.5 Recommendations to the study

The study recommends that:

There is need for enhanced education to members of the Sacco to increase the membership base.

The board of directors of Sacco should embrace transparency to enable members understand the operations of the committees of the Sacco that discharge very important function in the Sacco.

The digital era should be embraced by all stakeholders; the internet facility which is the current tool to get information should be encouraged to be used by all Saccos.

5.6 Suggestions for Further Research

The same study can be carried out but focusing on the internal structure of the Saccos

The research can be carried out on factors influencing the performance of Agricultural savings and credit cooperative societies,

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APPENDICES

APPENDIX 1:

LETTER OF INTRODUCTION

CHRISPINUS BARASA

BUNGOMA

DATE:

TO,

.....

.....

RE: LETTER OF INTRODUCTION

I am BarasaChrispinus; an MA (Project Planning and Management) student of the University of Nairobi, registration number L50/62242/2013.I am conducting a study to investigate factors influencing the performance of cooperative societies in Bungoma County.

You have been randomly selected as a participant in this study.

Please kindly you are requested to participate in answering the questions in the questionnaire honestly and completely. The information you give shall be treated with confidentiality and will be used only for the purpose of this study.

Thank you.

Yours Faithfully,

ChrispinusBarasa.

Tel: 072821 9226

APPENDIX II: QUESTIONNAIRE

QUESTIONNAIRE FOR FACTORS INFLUENCING PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN BUNGOMA COUNTY

INSTRUCTIONS

Fill in the space provided and tick where APPROPRIATE

Part I: Demographic information

Personal details of respondent

a. Gender;

(i) Male []

(ii) Female []

b. Age in years;

(i) 18-25 []

(ii) 26-33 []

(iii) 34-39 []

(iv) Over 40 []

c. Level of education;

(i) Primary []

(ii) Secondary []

(iii) Post-secondary []

(iv) Vocational training for special handicaps []

(v) Others []

d. Occupation;

(i) Teachers []

(ii) Farmer []

- (iii)Business []
- (iv)Civil servants []
- (v) Others []

PART II: CORPORATE GOVERNANCE

1. How many board meetings are held in a year?
2. Do committee members understand their roles?
 - (i) YES []
 - (ii) NO []
3. Do you spend using approved budget?
 - (i) YES []
 - (ii) NO []

If yes who approves the budget.....

PART III: MEMBER COMMITMENT

1. How many members has your Sacco?
 - (i) 0 – 1000 []
 - (ii) 1001 – 2000 []
 - (iii)Above 2000 []
2. What role is played by members in the Sacco?
 - i. Increase of monthly contribution []
 - ii. Earning through FOSA []
 - iii. Patronizing Sacco products and services []

- iv. Attending member education []
- v. Others []

3. Do members increase their contributions?

- (i) YES []
- (ii) NO []

PART IV: MOTIVATION

1. Does your society give competitive salary?

- (i) YES []
- (ii) NO []

If yes are staffs satisfied?

- (i) YES []
- (ii) NO []

2. Do members receive training?

- (i) YES []
- (ii) NO []

If yes how often?.....

3. What environment is good for a staff?

- (i) Policy directed work []
- (ii) Managers attention []
- (iii) Reward for innovation and creativity []
- (iv) Lack of harassment at work []
- (v) Quiet environment []

PART V: COOPERATIVE PRINCIPLES

1. Do community around appreciate the society existence?

(i) YES []

(ii) NO []

If yes what makes them appreciate?.....

2. Do members receive education?

(i) YES []

(ii) NO []

If yes how often?.....

2. Do members join voluntarily?

(i) YES []

(ii) NO []

If yes what is the minimum contributions per month?.....

PART VI: ROLE OF TECHNOLOGY

1. What is the nature of technology used

(i) Mobile banking []

(ii) Internet []

(iii)Computers []

(iv)Others (specify)

APPENDIX III: INTERVIEW

SECTION(A) SUB-COUNTY ADMINISTRATOR

- (i) Which societies have you have given consultancy services?
- (ii) Which cooperative society do you save with?
- (iii) Which financial products are offered?
- (iv) What do you like /dislike about cooperative society products and services?
- (v) What changes can you recommend for cooperative societies?

SECTION (B) INTERVIEWS FOR COOPERATIVE SOCIETIES (CEO)

- (i) Is your cooperative society recognized in terms of providing financial services?
- (ii) Which services have you offered to the surrounding community?
- (iii) In which area have you succeeded/failed to deliver?
- (iv) Which product (one) is most popular with the members?
- (v) What are some of your future changes?

SECTION(C) GOVERNMENT OFFICERS

- (i) Which organizations are working in the community to alleviate poverty?
- (ii) What role does the ministry play to cooperative societies?
- (iii) Who are the beneficiaries of government subsidies?
- (iv) Which barriers are experienced by cooperative societies?
- (v) Does the government supervise organizations?
- (vi) What plans are there to improve service delivery?