

**THE RESIDUAL DIVIDEND POLICY: A TEST OF IT'S
APPLICATION IN SACCOS IN NAIROBI AREA**



BY

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DECLARATION

This research project is my original work and has never been presented for the award of another degree or diploma or certificate in this university or any other university or institution of learning

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LIST OF ABBREVIATIONS

FOSA	Front Office Services
ICA	International Co-operative Alliance
KUSCCO	Kenya Union of Savings and Credit Cooperative Society
MOCDM	Ministry of Co-operative Development and Marketing
NPV	Net Present Value
SACCO	Savings and Credit Co-operative
WOCCU	World Council of Credit Union

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DEDICATION

I dedicate this research project to my wife Christine, and children David and Eliud for offering a loving and harmonious home for me to pursue this degree. May God keep that harmony forever.

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ABSTRACT

SACCOs are significant financial institutions especially to individuals who cannot access finances from banks due to lack of collateral, their low incomes or banks other regulations. By members coming together to form an entity and mobilize their own savings, and then guarantee each other, they are able to secure credits. These kinds of institutions have grown into giant organizations posting large surpluses. If these surpluses are paid out as dividends without considerations of day to day cash requirements, it would cripple the operations of these institutions whereas if the SACCOs held excess liquidity, it would be a sign of inefficiency by the Finance Manager. Deciding the amounts of earnings to pay out as dividends one of the major decisions that a firm manager faces. Dividend policy determines the extent of internal versus external financing by a firm. (Gordon 1959).

This study was aimed at assessing whether SACCOs on realizing surpluses for the year, take into account funding of positive NPV projects before paying out cash dividends, to assess whether SACCOS have dividend policies in place and if so, whether they are being followed during dividend decisions and to assess whether there are viable institutions where SACCOs can borrow to fund positive NPV projects.

The study was a descriptive survey and was conducted in Nairobi area. Primary data collected through questionnaires which had four sections, section 1 dealt with respondents' information, section 2 with dividend information, section 3 with loaning information and section 4 dealt with borrowing information.

The list of SACCOs used as respondents was obtained from the Ministry Of Cooperative Development And Marketing. A sample of 50 SACCOs was selected through random sampling method and the questionnaire administered to them through drop and pick method. Data was analyzed using descriptive statistics model of SPSS version 17 package.

The findings were that SACCOs give priority to positive NPV projects on realizing surpluses for the year before paying dividends. It was also found that SACCOs have dividend policies in place and they follow them during dividend payments. The study also found that there exists viable institutions where SACCOs can borrow for on-lending purposes.

The study recommends that SACCOs should have up to date dividend policies in place and be reviewing them as situations demand. It also recommends SACCOs to develop policies of hedging the repayment periods of their borrowing against their on-lending repayment periods. The SACCOs should also have a clear policy on their lending interest rates and these interest rates should take into account related costs and the expected contribution margins.

CHAPTER 1

1.0 INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Management's primary goal is to maximize the company's stock price. The stock price is the present value of expected future cash flows, and the primary cash flow is the dividend stream. The dividend stream, in turn, depends on earnings, but it must also convince investors that future earnings will indeed be high. Dividends provide perhaps the best and most reliable signal. An increase in the dividend signals management's confidence that future earnings will be strong enough to support the new and higher dividend while a dividend cut is a signal that management is worried about the level of future earnings. However, if cash dividends are increased, then less money will be available for reinvestment, the expected future growth rate will be lowered, and this will depress the price of the stock. Thus, changing dividend has two opposing effects. The optimal dividend policy for a firm strikes the balance between current dividends and future growth which maximizes the price of the stock. (Brigham, 1978)

A number of factors influence dividend policy, including the investment opportunities available to the firm, alternative sources of capital, and stockholder's preferences for current versus future income. (Brigham, 1978) Other factors constraining payment of dividend include legal restrictions, liquidity, access to capital market, restrictions in loan agreements, management and agency controls (Pandey, 1988)

There are three theories of dividend policy: the dividend irrelevance theory, the "bird-in-the hand" theory, and the tax preference theory.

The Dividend irrelevance theory advanced by Merton miller and Franco Modigliani (MM) argues that dividend policy has no effect on either the price of a firm's or its cost of capital – that is, that the dividend policy is irrelevant. They argued that the value of the firm is determined only by its basic earning power and its business risk. The bird in hand theory emerged from arguments from MM's fifth assumption. The fifth assumption in

MM's dividend irrelevance theory is that dividend policy does not affect the required rate of return on equity, K_s . This particular assumption has been hotly debated in academic circles. In particular, Myron Gordon and John Lintner argued that K_s decreases as the dividend payout is increased because investors are less certain of receiving the capital gains which should result from retained earnings than they are of receiving dividend payments. Gordon and Lintner said, in effect, that investors value a dollar of expected capital gains because of the dividend yield component, dividend in time one divided by price of the share (D_1/P_0), is less risky than the growth (g) component in the total expected return equation, $K_s = D_1/P_0 + g$. MM disagreed. They argued that K_s is independent of dividend policy, which implies that investors are indifferent between D_1/P_0 and g and, hence, between dividends and capital gains. They called the Gordon – Lintner argument the bird-in-the hand fallacy because, in MM's view, most investors plan to reinvest their dividends in the stock of the same or similar firms, and, in any event, the riskness of the firm's cash flows to investors in the long run is determined only by the riskness of its operating cash flows and not by its dividend payout policy. The tax preference theory argues that investors might prefer a low dividend payout to a high payout because long term capital gains are taxed at a lower rate than dividend income. Therefore, wealthy investors (who own most of the stock and receive most of the dividends paid) might prefer to have companies retain and plow earnings back into the business. If so, investors would be willing to pay more for low – payout companies than for otherwise similar high–payout companies. (Brigham, 1978)

Two other theoretical issues that could affect views toward dividend policy are the information content, or signaling hypothesis and the clientele effect. According to MM, a larger – than expected dividend increase is taken by investors as a “signal” that the firm's management forecast improved future earnings. Thus, MM argued that investors' reactions to changes simply indicate that important information is contained in dividend announcements. This theory is referred to as the information content, or signaling, hypothesis. MM also suggested that a clientele effect might exist, and, if so, this might help explain why stock prices change after announced changes in dividend policy. Their argument was that if a firm sets a particular dividend payout policy, which then attracts a

“clientele” consisting of those investors who like this particular dividend policy, MM concluded from all this that those investors who desired current Investment income would purchase shares in high – dividend - payout firms, whereas those who did not need current cash income would invest in low – payout firms. This suggests that each firm should establish the specific policy that its management deems most appropriate, and then let stockholders who do not like this policy sell their shares to other investors who do. (Brigham, 1978)

From the above, there are three conflicting theories as to what dividend policy firms should follow. Also noted is that dividend payments send signals to investors - an expectedly large dividend increase conveys management optimism, whereas a cut conveys pessimism – and that companies’ dividend policies attract clienteles of stockholders who are seeking a dividend similar to the one the company is following. All of this provides insights that aid corporate decision makers. However, no one has been able to develop a formula that can be used to tell management how a given dividend policy will affect a firm’s stock price. Even though no dividend policy formula exists, managements must still establish dividend policies. There are several alternative policies that are used in practice namely, residual dividend policy, constant or steadily increasing dividends, constant payout ratio and low regular plus extras. (Brigham, 1978)

By definition, a Savings and Credit Cooperative Society is a form of financial institution formal in nature, owned, controlled, used and democratically governed by members themselves. Its purpose is to encourage savings among members and using the pooled funds to make loans to its members at reasonable rates of interest, and providing related financial services to enable members improve their economic and social conditions. One peculiar feature about the SACCOS is that they are not for profit and also not for charity but for service to members. SACCOS are essentially interest groups that are homogenous in nature and constitute membership of 10 or more People with a common interest to save and obtain loans in a group for which they seek to afford members the opportunity to learn to manage their own resources, thereby, improving their economic and social conditions. Co-operatives are autonomous association of persons united voluntarily to

meet their common economic, social, and cultural needs and aspirations through jointly-owned and democratically-controlled enterprises (ICA, 2010). Manyara (2003) defined a Co-operative Society as an association of persons who have voluntarily joined together to achieve a common end through the formation of a democratically controlled organization, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in which the members actively participate. The first Co-operative Society was founded in 1844, by a group of 28 weavers and other artisans in Rockdale England to sell food items. There after, more Co-operatives emerged. Co-operatives are based on the Co-operative values of "self-help, self-responsibility, democracy and equality, equity and solidarity" and the seven Co-operative principals which are: Voluntary and Open Membership, Democratic Member Control, Member Economic Participation, Autonomy and Independence, Education, Training and Information, Cooperation among Co-operatives and Concern for Community. Currently in Kenya, there are over 12,000 registered Co-operative Societies with a membership of over 7 million. About 63% of the Kenya population directly or indirectly depends on the Co-operative related activities for their livelihood. The sector has mobilized over Ksh.170 billion in savings which is about 31% of the national saving (MOCDM, 2010). This shows that the sector controls a substantial share of national resources and cannot be ignored.

The effects of dividend payment by SACCO shareholders can be the same or vary from the listed company's shareholders reaction. Also application of such dividend policies that are used in practice namely, residual dividend policy, constant or steadily increasing dividends, constant payout ratio and low regular plus extras can also be applicable in the SACCO Societies. The aim of this study is to investigate if the residual Dividend policy is applied when SACCOs management are deciding to pay dividends.

1.2 STATEMENT OF THE PROBLEM

Deciding on amounts of earnings to pay out as dividend is one of the major decisions that a firm's manager faces. Dividend policy determines the extent of internal versus external financing by a firm. The finance manager decides whether to release corporate

earnings from the control of the enterprise. If he releases such funds, he has to consider the cost of borrowing from external sources and the hedging of such costs to the returns of the projects to be financed. Because dividend policy may affect such areas as the financial structure, the flow of liquid funds, firm liquidity and the payment of maturing liabilities, it is an important aspect of financial management. Gordon (1959), and Karanja (1987) see lack of investment opportunities as a condition for adequate returns, as a reason why firms should pay dividends. But some firms constantly pay dividends. Is true that these firms that constantly pay dividends lack positive NPV projects for investment purposes during all the times they pay dividends or they have external sources of financing that they will always borrow from while they use their internally generated funds to pay dividends?

One of the greatest challenge facing SACCOs today is competition from commercial banks. (KUSCCO, 2010). Due to cash flow problems, most SACCO members wait for a long time after applying for loans as opposed to commercial banks where the funds are availed within a very short duration. This lures loan applicants to shift to banks. SACCO Societies are popular for their low interest loans as compared to other financial institutions. Having their lending interests being low, they also face a major problem of seeking external financing from other financial institutions for onward lending because other institutions would lend to them at almost the same or higher interest rate as the SACCOs would on-lend to its members. The SACCOs also have a policy of cooperation with other Cooperatives which requires them to borrow from other Cooperatives. Given that most cooperative are similarly cash strapped, few cooperatives would afford to lend their fellow cooperatives. One of the alternatives is to join apex societies like KUSCCO, who also have their conditions for lending, and do not have sufficient fund to fulfill the SACCOs loan demands. For example one of the products by KUSCCO which is among the ones with longest loan repayment duration has the following conditions: granted three times the savings made by the SACCO at an interest rate of 15% per year on reducing balance with a maximum loan of fifty million and maximum repayment duration of thirty six months.(KUSCCO, 2010). Given that most SACCOs lend for duration of forty eight months and a lower interest rate than 15%, this loan might not be viable. In practice,

dividend policy is very much influenced by both investment opportunities and then availability of funds with which to finance new investments (Brigham, 1978). Given such scenario, if SACCO management distributes the entire surplus as cash dividend, they may have problems for external financing. Given that the demand for loan in the SACCO is also high, proper policies for distribution of surplus needs to be in place.

Kimani (2007) did a study on sources of competitive advantage for transport SACCOs in the P.S.V industry and studied the case for MTN SACCO. He found that the greatest source of competitive advantage was the concentration of core business namely savings and loan schemes. Tokei (2007) did a study on use of cooperate governance as a post liberalization strategy by SACCOs in Kenya; a case study of selected SACCOs in Nairobi area. His objective was to determine the use and effectiveness of corporate governance as a post liberalization strategy among SACCOs in Nairobi area. He found that corporate governance was adopted by many SACCOs as a way of guiding them to efficient and effective management practices. Julius (2007) did a study on the effects of lending interest rates on SACCOs in Kenya. His objective was to investigate the relationship between lending interest rates and profitability of Co-operative societies in Kenya. He found that there was a positive correlation between interest rates and profits. Kamau (2010) did a study on determinants of performance of SACCOs in Kenya. The objective of the study was to establish the determinants of financial performance of SACCOs in Kenya. The findings were that demand for loans was the most variable determinant of financial performance. Mutuku (2010) did a study on relationship between benchmarking and financial performance of SACCOs in Nairobi area. The purpose of the study was to investigate the relationship between benchmarking and financial performance. She found that benchmarking is used at the SACCOs as an incremental continuous improvement tool. Benchmarking was found to enhance the overall business performance in SACCOs by helping to change internal paradigms. Wambugu (2010) did a study on credit risk management practices in SACCOs offering front office service activities (FOSA) in Kenya. The objective was to examine credit risk management in SACCOs with FOSA. The findings were that loan portfolio management, risk

identification, risk analysis, risk assessment as well as risk monitoring were instrumental in credit risk management process.

The above studies show that SACCOs concentrate on their core business, have adopted corporate governance and also that there's a positive correlation between interest rates and profits. The studies also show that loans were the most variable determinant of financial performance in SACCOs and that SACCOs use benchmarking for incremental continuous improvements and also that loan portfolio management risk identification, risk analysis, risk assessment as well as risk monitoring were instrumental in credit risk management process. But the studies did not examine the residue dividends policy case in the SACCOs. There was no study which had been done to establish whether SACCOs consider funding positive NPV projects after realizing surpluses for the year before declaring cash dividends. Thus a knowledge gap existed.

This study is aimed at examining whether SACCO managers invest the surplus earnings for the year at their disposal first in priority projects which have positive NPV and then pay the remaining funds as cash dividend. Loaning, being a core activity for the SACCOs is deemed to be a priority projects. For the sake of this study the SACCO projects will be limited to advancement of loans which are also deemed to be positive NPV projects. The study is also aimed at assessing whether the SACCOs have a dividend policy which they follow.

1.3 OBJECTIVES OF THE STUDY

The main objective of this study is to assess whether the SACCOs, on realizing surpluses for the year, give priority to positive NPV projects which would need financing before paying the remaining surplus as cash dividends as per the residue dividend policy.

The specific objectives are:

- i) To assess whether SACCOs on realizing surpluses for the year, take into account funding of positive NPV projects before paying out cash dividends

ii) To assess whether SACCOS have dividend policies in place and if so, whether they are being followed during dividend decisions.

iii) To assess whether there are viable institutions where SACCOs can borrow to fund positive NPV projects incase they pay out the whole or part of their surpluses as dividends.

1.4 SIGNIFICANCE OF THE STUDY

To SACCO management, the study will reveal whether their Societies are prioritizing reinvestment of surpluses to maximize on returns to shareholders if external financing is not available or they pay cash dividends then resort to delayed projects.

To the Ministry Of Co-operative Development and Marketing, the study will highlight the problems inhibited by SACCOs for not projecting future funds requirements before spending what they have in paying dividends.

To Academicians, the study will add to the body of knowledge in the Co-operatives Sector and form a basis for further research

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter highlights the theories of dividends in place, the cooperative literature on dividends and past studies in the area of SACCOs.

2.2 THEORIES OF DIVIDEND POLICY

Dividend policy determines the extent of internal financing by a firm. The finance manager decides whether to release or re-invest corporate earnings from the control of the enterprise. Because dividend policy may affect such areas as the financial structure, the flow of liquids funds, corporate liquidity, stock prices and investor satisfactions, it is clearly an important aspect of financial management (Weston and Bringham, 1981). Deciding on amount of earnings to pay out as dividend is a major decision that firm managers face and proper understanding of dividend policy is crucial for many other areas of financial economics. Ergungor (2004) call attention to the fact that “Economist cannot fully explain why firms choose one method of distributing cash to shareholders over another, but the important point for investors to keep in mind is that each method provides one piece of a giant information puzzle. Dividends can help investors see the big picture if they can tie all the other bits and pieces of information together. A dividend increase or initiation alone does not make a good firm. Neither does a lack of dividends necessarily make a bad firm”.

A number of factors influence dividend policy. These are the investment opportunities available to the firm, alternative sources of capital and stockholder’s preferences for current versus future income. (Brigham, 1978). Other factors constraining payment of dividend include legal restrictions, firm’s liquidity, restrictions in loan agreements, management and agency controls (Pandey, 1988)

There are three theories of dividend policy: the dividend irrelevance theory, the “bird-in-the hand” theory, and the tax preference theory.

2.2.1 THE DIVIDEND IRRELEVANCE THEORY

The Dividend irrelevance theory, advanced by Merton Miller and Franco Modigliani (MM) argues that dividend policy has no effect on either the price of a firm's or its cost of capital – that is, that the dividend policy is irrelevant. They argued that the value of the firm is determined only by its basic earning power and its business risk; in other words, MM argued that the value of the firm depends only on the income produced by its assets, not on how this income is split between dividends and retained earnings (and hence growth). MM based their proposition on theoretical grounds. However, as in all theoretical work, they had to make some assumptions in order to develop a manageable theory. Specifically, they assumed that there are no personal or corporate income taxes, that there are no stock flotation or transaction costs, that financial leverage has no effect on the cost of capital, that investors and managers have identical information about the firm's future prospects, that the distribution of income between dividends and retained earnings has no effect on the firm's cost of equity, and that a firm's capital budgeting policy is independent of its dividend policy. Obviously, these assumptions do not hold in the real world. Firms and investors do pay income taxes; firms do incur flotation costs; managers often know more about the firm's future prospects than outside investors know; investors do incur transactions costs; and both taxes and transactions costs may cause K_s to be affected by dividend policy. MM argued that all economic theories are based on simplifying assumptions, and that the validity of a theory must be judged by empirical tests, not by the realism of its assumptions.

2.2.2 THE BIRD IN HAND THEORY

The bird in hand theory emerged from arguments from MM's fifth assumption. The fifth assumption in MM's dividend irrelevance theory is that dividend policy does not affect the required rate of return on equity, K_s . This particular assumption has been hotly debated in academic circles. In particular, Myron Gordon and John Lintner argued that K_s decreases as the dividend payout is increased because investors are less certain of receiving the capital gains which should result from retained earnings than they are of receiving dividend payments. Gordon and Lintner said, in effect, that investors value a dollar of expected capital gains because of the dividend yield component, D_1/P_0 , is less

risky than the growth (g) component in the total expected return equation, $K_s = D_1/P_0 + g$. MM disagreed. They argued that K_s is independent of dividend policy, which implies that investors are indifferent between D_1/P_0 and g and, hence, between dividends and capital gains. They called the Gordon – Lintner argument the bird-in-the hand fallacy because, in MM's view, most investors plan to reinvest their dividends in the stock of the same or similar firms, and, in any event, the riskiness of the firm's cash flows to investors in the long run is determined only by the riskiness of its operating cash flows and not by its dividend payout policy.

2.2.3 THE TAX PREFERENCE THEORY

The tax preference theory argues that investors might prefer a low dividend payout to a high payout because long term capital gains are taxed at a lower rate than dividend income. Therefore, wealthy investors (who own most of the stock and receive most of the dividends paid) might prefer to have companies retain and plow earnings back into the business. Then, earnings growth would presumably lead to stock price increases, and lower – taxed capital gains would be substituted for higher- taxed dividends. Taxes are not paid on gains until a stock is sold. Due to time value effects, a dollar of taxes paid in the future has a lower effective cost than a dollar paid today. If a stock is held by someone until he or she dies, no capital gains tax is due at all – the beneficiaries who receive the stock can use the stock's value on the death day as their cost basis and thus escape the capital gains tax. (Brigham, 1978) Because of these tax advantages, investors may prefer to have companies retain most of their earnings. If so, investors would be willing to pay more for low – payout companies than for otherwise similar high-payout companies.

2.3 THEORETICAL ISSUES ON DIVIDENDS

There are two theoretical issues that could affect views toward dividend policy. These are the information content, or signaling hypothesis and the clientele effect.



2.3.1 INFORMATION CONTENT OR SIGNALING HYPOTHESIS

If investors expect a company's dividend to increase by 5 percent per year, and if the dividend is in fact increased by 5 percent, then the stock price will not change significantly on the day the dividend increase is announced. Such a dividend increase would be 'discounted' or anticipated, by the market. However, if investors expect a 5 percent increase but the company actually increases the dividend by 25 percent, this would generally be accompanied by an increase in the price of the stock. Conversely, a less than - expected dividend increase, or a reduction, would generally result in a price decline (Brigham, 1978). The fact that the unexpectedly large dividend increases cause stock price increases suggests to some that investors in the aggregate prefer dividends to capital gains. However, MM argued differently. They noted the well established fact that corporations are always reluctant to cut dividends and, consequently, that managers do not raise dividends unless they anticipate higher, or at least stable, earnings in the future. Therefore, according to MM, this means that a larger – than expected dividend increase is taken by investors as a "signal" that the firm's management forecast improved future earnings. Thus, MM argued that investors' reactions to changes simply indicate that important information is contained in dividend announcements. This theory is referred to as the information content, or signaling, hypothesis. (Brigham, 1978)

2.3.2 CLIENTELE EFFECT

MM also suggested that a clientele effect might exist, and, if so, this might help explain why stock prices change after announced changes in dividend policy. Their argument was that if a firm sets a particular dividend payout policy, which then attracts a "clientele" consisting of those investors who like this particular dividend policy. For example, some stockholders such as university endowment funds and retired individuals prefer current income to future capital gains, so they want the firm to pay out a higher percentage of its earnings. Other stockholders have no need for current investment income – they would simply reinvest any dividend income received, after first paying income taxes on it, so they favor a low payout ratio. If the firm retained and reinvested earnings rather than paying dividends, those stockholders who need current income would be disadvantaged. They presumably could realize some capital gains, but they would have to go to the

trouble and expense of selling some of their shares to obtain cash. Since brokerage costs are quite high on small transactions, selling a few shares to obtain periodic income would be expensive and inefficient. Also, some institutional investors (or trustees for individuals) are precluded from selling stock and then “spending capital.” On the other hand, if the firm paid out most of its income, those stockholders who did not need current cash income would be forced to receive such income, pay tax on it, and then go to the trouble and expense of reinvesting what’s left of their dividends after taxes. MM concluded from all this that those investors who desired current income would purchase shares in high – dividend - payout firms, whereas those who did not need current cash income would invest in low – payout firms. This suggests that each firm should establish the specific policy that its management deems most appropriate, and then let stockholders who do not like this policy sell their shares to other investors who do. However, investor switching is costly because of brokerage costs, the likelihood that selling stockholders will have to pay taxes on their capital gains, and a possible shortage of investors who like dividend policies changes frequently, because such changes will result in net losses due to brokerage costs and capital gains taxes. However, if there is a really good business reason for a change, and if there are enough investors in the economy who favor the new policy, then demand for the stock could more than offset the costs associated with a given change and thus lead to an increase in the stock price.

2.4 DIVIDEND POLICIES IN PRACTICE

There are three conflicting theories as to what dividend policy firms should follow as noted above. Also, dividend payments send signals to investors - an expectedly large dividend increase conveys management optimism, whereas a cut conveys pessimism – and that companies’ dividend policies attract clienteles of stockholders who are seeking a dividend similar to the one the company is following. All of this provides insights that aid corporate decision makers. However, no one has been able to develop a formula that can be used to tell management how a given dividend policy will affect a firm’s stock price. Even though no dividend policy formula exists, managements must still establish dividend policies. (Brigham, 1978). There are several alternative dividend policies that

are used in practice namely: constant or steadily increasing dividends, constant payout ratio, low regular dividend plus extras and residual dividend policy.

2.4.1 CONSTANT OR STEADILY INCREASING DIVIDENDS

For Constant, or steadily increasing, dividends many firms in the past used to set a specific annual dollar dividend per share and then maintained it, increasing annual dividends only if it seemed clear that future earnings would be sufficient to allow the new dividend to be maintained. A corollary of that policy was the rule. “Never reduce the annual dividend”. More recently, inflation plus reinvested have tended to push earnings up, so many firms that would otherwise have followed the stable dividend payment policy have switched over to what is called the “Stable growth rate” policy. Here the firm sets a target growth rate for dividends (for example, 5 percent per year, which is a little above the long-run average inflation rate) and strives to increase dividends by this amount each year. Obviously, earnings must be growing at a reasonably steady rate for this policy to be feasible, but where it can be followed, such a policy provides investors with a stable real income.

2.4.2 CONSTANT PAYOUT RATIO

The dividend payout ratio is calculated by dividing the firm’s cash dividend per share by its earnings per share indicating the percentage of each dollar earned that is distributed to the owners in form of cash. With constant payout ratio policy, the firm establishes that a certain percentage of earnings are paid to owners in each dividend period (Gitman, 2000). It would be possible for a firm to pay out a constant percentage of earnings but since earnings will surely fluctuate, this policy would mean that the dollar amount of dividends would vary.

2.4.3 LOW REGULAR DIVIDEND PLUS EXTRAS

Low regular dividend plus extras is a policy of paying a low regular dividends plus a year-end extra in good years which is compromise between a stable dividend (or stable growth rate) and a constant payout rate. Such a policy gives the firm flexibility, yet investors can count on receiving at least a minimum dividend. Therefore, if a firm’s

earnings and cash flows are quite volatile; this policy may well be its best choice. The directors can set a relatively low regular dividend-low enough so that it can be maintained even in low-profit years or in year when a considerable amount of retained earnings is needed and then supplement it with an extra dividend in years when excess fund are available.

2.4.4 RESIDUAL DIVIDEND POLICY

In practice dividend policy is very much influenced by both investment opportunities and then availability of funds with which to finance new investments. This fact has led to the development of a residual dividend policy which forms the main focus of this study. The policy states that a firm should follow the following steps when deciding on its payout ratio: first, determine the optimal capital budget. Second, Determine the amount of capital needed to finance that budget. Third, use retained earnings to supply the equity component to the extent possible. And lastly, Pay dividends only if more earnings are available than are needed to support the optimal capital budget. The word residual means left over” and the residual policy implies that dividends should be paid only out of “left over” earnings.

The basis of the residual policy is the fact that investors prefer to have the firm retain and reinvest earnings rather than pay them out in dividends if the rate of return the firm can earn on reinvested earnings exceeds the rate investors, on average, can themselves obtain on other investments of comparable risk. For example, if the corporation can invest retained earnings at a 14 percent rate of return, whereas the best rate the average stakeholders will prefer are passed on in the form of individuals is 12 percent, then stockholders will prefer to have the firm retain the profits. The cost of retained earnings is an opportunity cost which reflects rates of return available to equity investors. If that firm’s stakeholders can buy stocks of other equally risky companies and obtain a 12 percent dividend plus capital gain yield, then 12 percent is that firm’s cost of retained earnings.

Most firms have a target capital structure that calls for at least some debt, so new financing is done partly with debt and partly with equity. As long as the firm finances with the optimal mix of debt and equity and as long as it uses only internally generated equity (retained earnings), its marginal cost of each new dollar of capital will be minimized. Internally generated equity is available for financing a certain amount of new investment, but beyond that amount, the firm must turn to more expensive new common stocks. At the point where new stock must be sold, the cost of equity and consequently the marginal cost of capital rises.

2.5 EMPIRICAL STUDIES ON SACCOS

Manyara (2003) differentiated the Co-operative societies from companies limited by shares in that the said company is an association of capital where voting is in accordance with the number of shares one has whereas the Co-operative is an association of persons where equality of voting is guaranteed irrespective of one's shares in the Society. He also argued that the Co-operative societies can and are required to cooperate with other societies and not any other persons reason being to adhere to the Co-operative tenants such as non-profit motivated and service to the members. Dividend in relation to a member of a Cooperative Society means that member's share of the surplus of the Society which is divided amongst its members, calculated by reference to the proportion which that member's share capital bears to the total share capital of the Society; (Cooperative Act, 2008). Section 46 subsection 1 of the Act states that, every Co-operative Society shall declare each year all bonuses due to members. Subsection 2 states that no Co-operative Society shall pay a dividend, bonus; or distribute any part of its accumulated funds without a balance sheet and audited account and report disclosing the surplus funds out of which the dividend, bonus or distribution is to be made. Subsection 3 states that a Co-operative Society shall pay a dividend at such rate as may be recommended by the management committee and approved by the annual general meeting of the Society.

The SACCO Societies Regulatory Board has written the proposed SACCO Societies (deposit-taking SACCO business) regulations, 2010, whose purpose is to provide

minimum operational regulations and prudential Standards required of a deposit-taking SACCO Society. It provides that Shares may earn dividends paid from net surplus after required transfers to reserves at the end of a financial year in accordance with the dividend policy of a SACCO Society. A SACCO Society shall not pay dividends unless it has complied with the prescribed capital adequacy and any other requirements that the Authority may impose'

Kimani (2007) did a study on sources of competitive advantage for transport SACCOs in the P.S.V industry and studied the case for MTN SACCO. He found that the greatest source of competitive advantage was the concentration of core business namely savings and loan schemes. This was manifested through practices such as timely disbursement of loans, low cost of loans, strategic location to the terminus, committed management and staff, member's loyalty, effective route management, the SACCO brand name, service legacy built over the years and friendly savings schemes used as security for loans. Parcels delivery and timely services between destinations were other sources of competitive advantage. From this, savings mobilization and low cost loans forms the basis of co-operative popularity.

Tokei (2007) did a study on use of corporate governance as a post liberalization strategy by SACCOs in Kenya; a case study of selected SACCOs in Nairobi area. His objective was to determine the use and effectiveness of corporate governance as a post liberalization strategy among SACCOs in Nairobi area. His specific objectives were to determine whether SACCOs use corporate governance practices to combat liberalization effects, to determine areas where corporate governance has registered positive and negative results, to determine the challenges faced by SACCOs in implementing corporate governance and to make recommendations on how to promote its implementation in SACCOs. He found that corporate governance was adopted by many SACCOs as a way of guiding them to efficient and effective management practices. He found that it has positive impact on management practices; it enhanced efficiency, productivity, reduced cost of production, enhanced faster decision making process, and increased wealth creation. The key inhibitors and constraints to its implementation was the quality of human resources, lack of resources, communication breakdown, and

unmotivated staff. Conflict of interest, political interference and leadership wrangles posed serious threats to corporate governance.

Julius (2007) did a study on the effects of lending interest rates on SACCOs in Kenya. His objective was to investigate the relationship between lending interest rates and profitability of Co-operative societies in Kenya. He developed a null hypothesis: there is no significant relationship between lending interest rates and profits in Co-operative societies in Kenya. The alternative hypothesis was: there is significant relationship between SACCO lending interest rates and profits of Co-operative societies in Kenya. He found that there was a positive correlation between interest rates and profits. He also found that slightly increasing the interest rates would not affect demand for loans but would increase profits. This was a departure from the conventional economic theory which argues that lowering interest rates increases profitability through increased loaning.

Kamau (2010) did a study on determinants of performance of SACCOs in Kenya. The objective was to establish the determinants of financial performance of SACCOs in Kenya. A sample of thirty five SACCOs drawn from Nairobi province was used in the study. The findings were that demand for loans was the most variable determinant of financial performance. Other determinants were capital adequacy, competition from other institutions and infrastructure management.

Mutuku (2010) did a study on relationship between benchmarking and financial performance of SACCOs in Nairobi area. A sample of Thirty five SACCOs drawn from Nairobi area was used in the study. She found that benchmarking is used at the SACCOs as an incremental continuous improvement tool. Benchmarking was found to enhance the overall business performance by SACCOs by helping to change internal paradigms. The study concluded that financial benchmarking had the highest relationship with the SACCOs' performance.

Wambugu (2010) did a study on credit risk management practices in SACCOs offering Front Office Service Activities (FOSA) in Kenya. The objective was to examine credit risk management in SACCOs operating FOSA. The study was done using a sample of forty SACCOs from Nairobi province. The findings were that loan portfolio management, risk identification, risk analysis, risk assessment as well as risk monitoring were instrumental in credit risk management process.

2.6 CONCLUSION

From the literature, it's clear that making the right dividend decision for a firm is important so as to balance growth and returns to shareholders. Cash flow management is key in any firm and decision to pay cash dividend in the face of immediate or future cash flow problems may seem imprudent as can be viewed from the residue dividend policy.

The literature shows that management of SACCOs recommend dividends to be paid thus management advice is vital in actualization of payment of dividends, deducing that if they did proper cash forecast and advice the Annual General Meetings accordingly, the right decision could be made.

The research studies show that SACCOs concentrate on their core business, have adopted corporate governance and also that there's a positive correlation between interest rates and profits. The studies also show that loans were the most variable determinant of financial performance in SACCOs and that SACCOs use benchmarking for incremental continuous improvements and also that loan portfolio management risk identification, risk analysis, risk assessment as well as risk monitoring were instrumental in credit risk management process. But the studies did not examine the dividends case in the SACCOs. There was no study which had been done to establish whether SACCOs consider funding positive NPV projects after realizing surpluses for the year before declaring cash dividends. Thus a knowledge gap existed

The theories of dividend do not suggest any one best way of dividend payment given the diversity of shareholder's objectives while diverse dividend policies in practice may be applicable to different SACCOs depending on the circumstances. Literature further shows that SACCOs are significant as resource mobilization organizations in an economy and a source of individual and societal development from the loans they advance. Given the importance of SACCOs, dividend decisions which directly impact on the day to day operations of SACCOs have great effects. The need to scrutinize the availability of borrowing opportunities and the employment of residue dividend policy in SACCOs becomes eminent.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter describes the study area, research design which was adopted, the target population, sampling procedure, data collection instruments and procedures and how data was analyzed.

3.2 AREA OF STUDY

The selected area of study was Nairobi due to its proximity of SACCOs. It had a high number of SACCOs concentrated in a small area: Consideration of cost of traveling was also a factor in selecting this area. Also the area is considered to have SACCOs drawing their membership from very many diverse backgrounds including agricultural, banking, parastatals and private sector.

3.3 RESEARCH DESIGN

The study was a descriptive survey. Descriptive survey summarizes the population data by describing what was observed in the sample by use of such descriptors as mean, median mode and standard deviation. Descriptive research was considered appropriate to this study as it determines and reports the way things are since the study involved fact finding and enquiries to describe the state of affairs.

3.4 POPULATION

The population consists of seven hundred and forty eight SACCOs in Nairobi area. The list of the SACCOs was obtained from the Ministry of Cooperative Development and Marketing. This population gives a good mix of SACCOs from all sectors of the economy as opposed to selecting a population from a rural setting which would be biased towards agricultural based SACCOs.

3.5 SAMPLE

A sample of 50 SACCOs was selected using simple random sampling method from the list of SACCOs obtained from the Ministry of Cooperative Development and Marketing. The sample is considered as a good representation of the population.

3.6 DATA COLLECTION METHODS

Descriptive data was collected using questionnaires which were submitted to the SACCO offices for filling, a copy of which is attached in appendix I. The respondents were given one week and then the questionnaires were collected. Any issues which needed clarifications were handled at the time of collecting the questionnaires.

The questionnaire had four sections. Section 1 dealt with the respondent's information and the data collected in this section was the name of the SACCO, the position the respondent held in the SACCO and duration in years which he has been in the service of that SACCO. The respondent's contacts were also requested in this section.

Section 2 dealt with the dividend information. The information collected in this section included the rates of dividends and interests paid to members in the past two years, the dates of approval and payment of dividends, whether pending and projected loans were considered during dividend declarations and whether the SACCOs abstained from paying loans in order to pay dividends. Other information collected was on whether the SACCOs experienced loan backlogs after payment of dividends, whether there were declared dividends which were ploughed back into shares or deposits and whether the SACCOs had dividend policies in place and if so if they were followed during dividend payments.

Section 3 sought to get information on the SACCOs loan products and their charges. The respondent was to state interest rates charged on various loan products and their respective maximum repayment periods. The mainstream loan products were specifically named and a chance to add other products was provided for. The loans were divided into two categories: loans with a repayment period extending to more than 12 months and the ones extending to less than 12 months.

Section 4 dealt with borrowing for on-lending information. The respondent was to state whether the SACCO had borrowed in the last four financial years and if yes, to state borrowing interest rates and the loan duration. The respondents was also to rank the listed financial institutions based on the likelihood of getting loans from them ranking number 1 as the most likely source of funds and number 5 as the least likely. Other information requested in this section was to the shortest time duration between applying for loans for purposes of on-lending and receiving the funds.

3.7 DATA ANALYSIS

To achieve the objectives of the study, Data collected was analyzed by use of descriptive statistics utilizing SPSS version 17 package. Such statistical tools like mean, median, mode, minimum and maximum were utilized. Data reliability and validity was checked for reasonableness before usage.

3.8 DATA RELIABILITY AND VALIDITY

The questionnaire was developed and pilot tested randomly in five SACCOs to evaluate its reliability. It was subsequently amended after which the amended questionnaire was served to the respondents. The questionnaires were checked for completeness at the time they were being collected from the respondents and any issues which needed clarifications or amendments were addressed.

CHAPTER 4

DATA ANALYSIS

4.1 INTRODUCTION

This chapter presents the research findings. The findings are presented in tables where applicable and such statistical analysis tools as frequencies, percentages, mean, mode and median are shown. This chapter also presents the summary and interpretation of the findings.

4.2 RESPONSE RATE

Out of fifty SACCOs which were supplied with the questionnaire, thirty two responded forming 64% response rate.

4.3 RESPONDENT' LENGTH OF SERVICE IN THE SACCO

Majority of the respondents, 35%, had served in the SACCOs for 4-6 years. 22% had been in the SACCOs for 1-3 years, 15% for 7-10 years while 28% for ten years and above. The length of service was used to gauge the reliability of information from the respondent. Table 1 shows respondents length of service in the SACCOs.

Table 1: Respondent's length of service in the SACCOs

Length of Service	Frequency	Percent
1-3 years	7	22%
4-6 years	11	35 %
7-10 years	5	15%
10 and above	9	28%
Total	32	100%

4.4 DIVIDEND DECLARATION DATE

60% of the SACCOs declared their dividend in April 2011. 9% Declared dividends between January and February while 21% declared in march 2011. One SACCO did not

declare dividends payment for year 2011 and the latest year it declared dividend was in 1997. Table 2 shows distribution of dividend declaration dates.

Table 2: Distribution of dividend declaration date

Dividend declaration date	Frequency	Percent
Jan 2011	1	3.0
Feb 2011	2	6.1
March 2011	8	24.2
April 2011	20	60.6
Sep 1997	1	3.0
Total	32	100.0

4.5 DIVIDEND PAY DATE

Out of the 3 SACCOS which declared dividends in January and February, only 2 paid their dividends in the same period. Out of the 20 SACCOS (60% of the sample) which declared dividends in April 2011, only 10 of them (30% of the sample) paid in the same month. 31 SACCOS declared dividends between January and April but payment of the same spread between February and August 2011. Table 3 shows the dividend pay dates for the latest declared dividends

Table 3: Dividend Pay date

Dividend Pay date	Frequency	Percent
Feb 2011	2	6.25
March 2011	5	15.625
April 2011	10	31.25
May 2011	9	28.125
June 2011	2	6.25
July 2011	1	3.125
August 2011	2	6.25
Nov 1997	1	3.125
Total	32	100.0

4.6 DIVIDEND RATES

Only one SACCO out of the total sample did not declare dividends for both year 2009 and 2010. The maximum dividend declared in year 2009 and year 2010 were 13% and 15% respectively. Table 4 shows an analysis of dividends declared in year 2009 and 2010.

Table 4: Dividends declared in Year 2009 and 2010

Year	N	Minimum	Maximum	Mean
Year 2009	32	.00	13.00	6.6719
Year 2010	32	.00	15.00	6.8425

4.7 CONSIDERATION FOR LOANS BEFORE DIVIDEND DECLARATION

75% of the SACCOs confirmed that they considered pending and projected loans before declaring dividends while 25% did not. Table 5 shows the distribution of responses on consideration for projected loans.

Table 5 Consideration for pending and projected loans

Consideration for pending and projected loans	Frequency	Percent
Yes	24	75
No	8	25
Total	32	100

4.8 ABSTINENCE FROM ADVANCING LOANS TO MEMBERS TO ENABLE SACCOS PAY DIVIDENDS

22% of the SACCOs refrained from advancing loans to their members in order to pay dividends while 78% did not. Table 6 shows the SACCOs abstinence from paying dividends.

Table 6: Abstinance from paying loan to enable pay dividends

Abstinance from paying loan to enable pay dividends	Frequency	Percent
yes	7	22
no	25	78
Total	32	100

4.9 LOAN BACKLOGS AFTER DIVIDENDS PAYMENT

46% of the SACCOs confirmed that they had loan backlogs after paying dividends whereas 53% did not experience loan backlogs. Table 7 shows the distribution of SACCOs experiencing loan backlogs

Table 7: Loan backlogs after payment of dividends

Loan backlogs after paying dividends	Frequency	Percent
yes	15	46.9
no	17	53.1
Total	32	100

A further analysis of the 24 SACCOs which considered pending and projected loans before paying dividends showed that 7 of them abstained from paying loans in order to pay dividends while 17 did not abstain. All the seven SACCOs that abstained from paying loans in order to pay dividends had loan backlogs. Out of the 17 SACCOs that did not abstain from paying loans, 6 had loan backlogs while 11 did not have loan backlogs

An analysis of the 8 SACCOs which did not consider projected loans before paying dividend showed that all of them did not abstain from paying loan, 6 did not have loan backlogs while 2 had loan backlogs.

4.10 PLOUGHED BACK DIVIDENDS AFTER DECLARATION

44% of SACCOs confirmed that some of the declared dividends were plowed back as shares or deposits. There were no ploughed back dividends in 56% of the SACCOs. Table 8 shows the distribution of ploughed back dividends.

Table 8: Ploughed back dividends

Ploughed back Dividends	Frequency	Percent
yes	14	44
no	18	56
Total	32	100

A further analysis shows that out of the 14 SACCOs which ploughed back dividends, 8 of them (57%) did not experience loan backlogs while 6 (43%) had loan backlogs. Out of the 18 that did not plough back dividends, half of them had loan backlogs while the other half did not experience loan backlogs

4.11 PRESENCE OF DIVIDEND POLICY

59% of the SACCOs had dividend policy in place whereas 41% did not. 100% of the SACCOs which had dividend policies confirmed they followed them in the payment of dividends. Table 9 show the response on the presence of dividend policy

Table 9: Dividend policy distribution

Presence of Dividend Policy	Frequency	Percent
yes	19	59
no	13	41
Total	32	100

4.12 LENDING DURATION AND INTEREST RATES

The maximum loan repayment period for main loan was 60 months while the minimum was 18 months. The maximum loan repayment period for refinancing loan was 60

months while the minimum was 12 months. The lowest interest paid for all the loans was 8% while the highest was 18% per year. Only 2 SACCOs had all their main loan, school fees and emergency loan interest rates below 12% p.a. while 3 had refinancing loans interest below 12%. Table 10 shows the loans repayment periods and their respective interest rates

Table 10: Loan repayment periods and their respective interest rates

Loans with maximum repayment period of more than 12 months							
Loan Type		Repayment Period			Interest Rates Per annum		
	N	Minimum*	Maximum	Mean	Minimum	Maximum	Mean
Main loan	32	18	60	44.00	8	18	12.87
Refinancing	22	12	60	42.27	8	18	13.36
School Fees	32	10	24	12.28	8	18	12.84
Emergency	32	3	24	11.91	8	18	12.81
Other Loan	12	5	72	27.92	12	30	16.92
Loans with a duration of less than 12 months							
Loan Type		Repayment Period			Interest Rates Per Month		
	N	Minimum*	Maximum	Mean	Minimum	Maximum	Mean
Salary Advance	13	1	12	3.38	1.50	15.00	6.8077
Instant Loan	14	1	12	5.50	3.00	15.00	7.7857

* Minimum repayment period refers to the maximum recorded repayment periods for a particular loan category but ranked lowest repayment period when compared with other SACCOs' repayment periods.

4.13 BORROWING FOR ON-LENDING

69% of all the SACCOs confirmed that they had borrowed funds for on-lending purposes whereas 31% did not. 11 SACCOs borrowed in year 2010 while 8 borrowed in year 2011. The average borrowing interest rates were 11.5% and 10.8% per annum for year 2010 and 2011 respectively. Table 11 shows the distribution for SACCOs which borrowed for on lending

Table 11 Borrowing for on-lending

Borrowed for On-Lending	Frequency	Percent
yes	22	69
no	10	31
Total	32	100

Out of 11 SACCOs which borrowed in 2010, 3 had borrowed for 60 months, 4 for 24 months, 2 for 12 months, 1 for 6 months and 1 for 4 months. Out of the 8 SACCOs which borrowed in 2011, 1 was advanced a loan for 60 months, 1 for 36 months, 2 for 24 months, 1 for 12 months and 2 for 4 months.

The average main loan repayment period was 44 months with a mode of 48 months. Out of 11 SACCOs which borrowed in year 2010, only 27% borrowed for durations more than 48 months, with 73% borrowing for 24 months and below. Of the 8 SACCOs which borrowed in 2011, only 1 (12.5%) borrowed for more than 48 months while 87.5% borrowed for a duration of 36 months and below.

4.14 RANKING OF FINANCIAL INSTITUTIONS

Cooperative bank was ranked as the most likely source of finances in cases of need, followed by KUSCCO. 25 out of 32 SACCOs ranked Cooperative bank as the most likely source of finances in case of need, 7 SACCOs ranked it as second most likely source of funds while one SACCO ranked it as third most likely source of funds.

6 out of 32 SACCOs ranked KUSCCO as the most likely source of finances in case of need, 21 SACCOs ranked it as second most likely source of funds while 3 SACCOs ranked it as third most likely source of funds.

One out of 32 SACCOs ranked other SACCOs as the most likely source of finances in case of need, 3 SACCOs ranked other SACCOs as second most likely source of funds, 10 SACCO ranked them as third most likely source of funds, 8 SACCOs ranked them as fourth while 3 ranked them as fifth. Table 12 show the ranking of various financial institutions by the SACCOs

Table 12: Ranking of financial Institution

Financial institution	Ranking				
	Rank 1	Rank 2	Rank 3	Rank 4	Rank 5
KUSCO	6	21	3		
Other SACCOs	1	3	10	8	3
Co-op Bank	25	7	1		
Other Commercial Banks	0	1	12	10	1
Other Institution	0		1	4	12
Non- response			5	10	16
Total	32	32	32	32	32

4.15 WAITING DURATION FOR APPLIED LOANS

84% of the SACCOs indicated that it would take between 0 and 2 months to receive a loan after applying from their preferred financial institutions, 13% indicated it would take 3-4 months while 3% indicated it would take 5 months and above. Table 13 shows the duration SACCOs would wait to receive loan

Table 13: Borrowed Loan Processing Duration

Loan Waiting Duration	Frequency	Percent
0-2 months	27	84.4
3-4 Months	4	12.5
5 and above	1	3.1
Total	32	100.0

4.16 SUMMARY AND INTERPRETATION OF FINDINGS

The research outcomes showed that 78% of the SACCOs officers had been in the SACCOs for more than 4 years with a majority of the officers (35%) having been in the SACCOs for 4 to 6 years and 28% had 10 years and above in the SACCOs. Only 22% had been in the SACCOs for less than 3 years. The years in the service increases reliability of the study since officers who have been in the SACCOs for long time are considered more knowledgeable on the SACCOs management issues.

Majority of the SACCOs declared their dividends in April; the statutory last month in which SACCOs which have their year end as December can hold their annual general meetings. This implies that majority of the SACCOs are struggling to meet statutory deadlines instead of holding their annual general meetings at their own convenience after the financial year end. This has further implication that management are not willing to report freely but have to be sanctioned to do so.

A comparison between dividend declaration date and dividend pay date shows there is a time lag between dividend declaration date and dividend payment date. 97% of the SACCOs declared dividends in both year 2009 and 2010 while 3% did not. The mean dividends were 6.7% and 6.8% in year 2009 and 2010 respectively. This shows that the SACCOs are making surplus implying that they are viable entities which are able to pay

their running costs and post surpluses to be paid as dividends. Trend analysis shows that there is a 1.5% growth in dividends payment rate from 6.7% to 6.8%

75% of the SACCOs confirmed that they considered pending and projected loans before paying dividends. 78% of the SACCOs did not abstain from paying loans in order to pay dividends while 53% of the SACCOs did not experience loan backlogs after payment of dividends. Only 47% experienced loan backlogs after dividend payment. This implies that majority of the SACCOs have sound cash flow management systems coinciding with the residue dividend policy.

Majority of the SACCOs (56%) did not plough back dividends after declaration. This implies that the whole amounts of cash dividends declared were paid out implying a huge cash outflow at once. This can significantly affect the cash flow of the SACCOs if not well planned for in advance and could result to the societies being unable to pay loans especially if they cannot be able to borrow. The final result could be loan backlogs leading to loss of interest income which could otherwise be earned if the loans had been given out.

59% of the SACCOs confirmed that they had dividend policies in place. All the SACCOs which had dividend policies confirmed that the policies were followed during the payment of dividends. A dividend policy outlines the extent of external financing and discharge of surplus and should take into consideration the operational needs of the SACCOs. If only 53% of the SACCOs did not experience loan backlogs whereas 59% had dividend policies in place, it implies that some SACCOs have the dividend policies in place but they are not effective or needs review.

The average lending rates for main loan, refinancing, school fees and emergency loans was 12.8% per annum while the average borrowing rate for SACCOs which borrowed were 11.5% and 10.8% per annum in year 2010 and 2011 respectively. The lending rates for loans less than 12 months are much higher than interest rates for loans whose repayment period is above 12 months. This implies that the SACCOs are able to borrow

for on lending and make profits. But the profit margins are very minimal and in case of risk of default, the profits might not be able to cover the loss thus plunging the whole borrowing into a loss.

A comparison of the borrowing for on-lending durations with the SACCO's lending duration shows a mismatch. It shows that there is no hedging of borrowing and lending duration. This would result to the SACCOs plunging into cash flow problems as they are supposed to repay a higher installment than they are receiving from their members.

The ranking of most likely institution to borrow in case of need implies that most SACCOs have a better relationship with Cooperative bank than with other banks. Also banks being more liquid than SACCOs shows why the cooperative bank is more preferred than other SACCOs. KUSCCO being an umbrella body and a lending institution is ranked second. The ranking of the first and the second shows the interrelations in the SACCO sector, with Cooperative bank being considered as an insider in the cooperative sector.

CHAPTER 5

5.0 SUMMARY, CONCLUSIONS AND RECOMENDATIONS

5.1 SUMMARY

This study was conceived with the intention of having a deeper understanding of the SACCOs sector. This sector is very significant especially to people who could not access credits from a lot of banks because they had low incomes or did not have collaterals. Until recent years when the banks in Kenya have liberalized and accepted to advance loans to that category of people, SACCOs were the only viable institutions to them. Thus the financial organization of these institutions became of interest and especially on the dividend payment which involves a huge outlay of cash from them. The study was aimed to assess whether SACCOs provide for loans which is their core business before paying out dividends, to assess whether they have dividend policies and if so, whether they utilize them. Lastly, to assess whether there are viable institutions where the SACCOs can borrow for on-lending. The outcomes of the study would be vital to Sacco's management in assessing whether management is prioritizing re-investments to maximize shareholders returns, the ministry of cooperative development and marketing would realize the problems inhibited by SACCOs for not properly projecting their cash flows and also it would add to the body of knowledge.

The study utilized primary data collected through questionnaires. Nairobi area with a population of 748 SACCOs was used as the area of study. The list of SACCOs in the area was obtained from the ministry of cooperative and marketing. A sample of 50 SACCOs was selected through random sampling method and the questionnaire administered to them through drop and pick method. Data was analyzed using descriptive statistics model of SPSS version 17 package.

The findings were that SACCOs give priority to positive NPV projects on realizing surpluses for the year before paying dividends. It was also found that SACCOs have dividend policies in place and they follow them during dividend payments. The study

also found that there exists viable institutions where SACCOs can borrow for on-lending purposes.

5.2 CONCLUSIONS

The main objective of this study was to assess whether the SACCOs, on realizing surpluses for the year, give priority to positive NPV projects which would need financing before paying the remaining surplus as cash dividends as per the residue dividend policy.

The specific objectives were

- i) To assess whether SACCOs on realizing surpluses for the year, take into account funding of positive NPV projects before paying out cash dividends,
- ii) To assess whether SACCOS have dividend policies in place and if so, whether they are being followed during dividend decisions and
- iii) To assess whether there are viable institutions where SACCOs can borrow to fund positive NPV projects incase they pay out the whole or part of their surpluses as dividends.

The findings of the study were able to prove that the SACCOs on realizing surpluses for the year take into account positive NPV projects before paying out cash dividends. 75% of the SACCOs studied confirmed having considered pending and projected loans before paying surpluses as dividends. The study was also able to show that majority of the SACCOs (53%) did not experience loan backlogs after payment of dividends confirming that they had considered the cash flow projections before payment of dividends. Also 78% of the SACCOs studied confirmed that they did not abstain from paying loans in order to pay dividends.

The study also found that SACCOs have dividend policies in place and they follow them during dividend payment. 59% of the SACCOs confirmed that they have dividend policies in place and all of them confirmed that they utilized them during dividend payment.

The study also confirmed that there are viable institutions where SACCOs can borrow to

fund positive NPV projects. The study showed that SACCOs lend at an average of 12.84% per annum for majority of their loans whereas they are able to borrow at an average of 11.5% per annum thus post a profit margin of 1.34%

5.3 POLICY RECOMENDATIONS

For prudent cash flow management, the SACCOs should have up to date dividend policies in place and be reviewing them as situations demand. Though the study revealed that 59% have dividend policies, 41% is a significant proportion which cannot be ignored. Also some of the SACCOs which had dividend policies in place experienced loan backlogs, showing that the dividend policies are not up to date. If the policy is not up to date, it means that the finance manager can either release excess surplus as dividends leading to cash flow constrains or he can withhold a lot of funds leading to idle cash in the entity.

SACCOs also need to develop policies of hedging the repayment periods of their borrowing against their on-lending repayment periods. The repayment period of SACCO borrowings for purposes of on-lending should be equal or longer than the repayment period for on-lend funds. A longer SACCO borrowing repayment period gives it a chance to on-lend the loan proceeds more than once thus make more interest on the same funds whereas a shorter borrowing than on-lending period strains the SACCO as it has to pay a higher installment than it is collecting from the corresponding on-lending.

The SACCOs should have a clear policy on their lending interest rates. The interest rates should take into account related costs and contribution margins expected. The study showed that the profit margin on the on-lending is marginal and incase of risk of default by the SACCO members, the SACCOs might not realize surpluses on the borrowed funds. The margin between borrowing and on-lending should be able to cater for all processing and operations cost of that transaction and post a positive contribution to the entity.

5.4 LIMITATIONS OF THE STUDY

The limitation of this study is that the study relied on the responses given by the respondents and no further verifications from any other sources to collaborate that information was done. The study thus assumed that the respondents gave the right information.

The study was also confined to only 50 SACCOs due to financial limitations. A larger sample would have given more reliable findings.

The other limitation was the non-response and logistical. Some SACCOs resolved not to fill in the questionnaires giving reasons that this would expose their confidential information. Some SACCOs were small and did not have employees thus to trace the officials took time, while others were found to be nonexistence.

5.5 SUGGESTIONS FOR FURTHER STUDIES

Further research is recommended to repeat the same study in other financial sectors such as deposit taking and non-deposit taking microfinance firms. This is recommended in that the micro finance institutions have some similarities especially in the lending and borrowing for on-lending aspects.

Another area recommended for research is computerization in the cooperative sector with an objective of assessing the adequacy of the software in handling the day to day operations of the SACCOs. Given that some SACCOs handle a lot of funds and in an era where efficiency and real-time information is paramount, there emerges the need to examine the handling of information in these institutions.

Another area suggested for study is to assess the adequacy of dividend policies in place. Most of the SACCOs stated that they had dividend policies but the study showed that the policies might be outdated: it not expected for an entity with a good dividend policy to

have cash flow problems after payment of dividend. A study to find out when they were written and how often they are updated depending on prevailing situations is recommended.

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APPENDIX I: UNIVERSITY RESEARCH INTRODUCTION LETTER



UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS

MBA PROGRAM - LOWER KABETE CAMPUS

Telephone: 020-2059162
Telegrams: "Varsity", Nairobi
Telex: 22095 Varsity

P.O. Box 30197
Nairobi, Kenya

DATE..... 25/05/2011.....

TO WHOM IT MAY CONCERN

The bearer of this letter Stanley N. Mwangi.....

Registration No: 061/2569/2006.....

is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA OFFICE
P. O. Box 30197
NAIROBI

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

APPENDIX II

RESEARCH QUESTIONNAIRE

SECTION 1: RESPONDENTS INFORMATION

Name of the SACCO

Total assets of the SACCO in Ksh.....

Please tick as appropriate

1) Position held in the SACCO

Director	
Management team	
Employee	

2) For how long have you worked in this SACCO

1 - 3 years	
4 - 6 years	
7 - 10 years	
Over ten years	

Respondent's telephone Number.....

SECTION 2: DIVIDEND INFORMATION

1) Please give the rates of dividend and interest on deposits paid to members for the last two years

Year of payment	Dividend rates (%)	Interest on deposits rates (%)
.....
.....

Please answer the following questions in relation to the latest dividend payment

2) When did the AGM / ADM approve the payment of cash dividends for year? Indicate month and year

.....

3) When did your SACCO pay the dividends approved in (2) above? Indicate month and year

.....

4) On proposal of dividend to be paid, did the management consider the pending and projected loans before arriving at the cash dividends to be paid?

- a) Yes ()
- b) No ()

5) Did your SACCO abstain from paying loans to enable payment of dividend?

- a) Yes ()
- b) No ()

6) Did your SACCO experience loan back-logs immediately after payment of cash dividends?

- a) Yes ()
- b) No ()

7) During the latest dividend approval, were there any declared dividends that were plowed back to member's shares or deposits?

- a) Yes ()
- b) No ()

8) Do you have a dividend policy in place?

- a) Yes ()
- b) No ()

9) If yes in (8) above, did you follow it during the last dividend declaration?

- a) Yes ()
- b) No ()

SECTION 3: LOANING INFORMATION

Please list your products, their maximum repayment period and the lending interest rates.

As classified below

Products with duration of 12 months and above

Loan product	maximum duration	lending interest rate (p.a)
Main / development loan
Refinancing loan
School fee loan
Emergency Loan
Others (specify)

Products with duration of less than 12 months

Loan product	maximum duration	lending interest rate (per month)
Salary advance
Instant loan
Others (specify)

SECTION 4: BORROWING INFORMATION

1) Have your SACCO borrowed in the course of the last four financial years for the purpose of on-lending.

a) Yes () b) No ()

2) If yes, please give details of the year of borrowing, interest rate charged and the duration of the loan in months

Year of borrowing.....Interest rate (p.a.)loan duration (months).....

Year of borrowing.....Interest rate (p.a.)loan duration (months).....

Year of borrowing.....Interest rate (p.a.)loan duration (months).....

Year of borrowing.....Interest rate (p.a.)loan duration (months).....

3) Which institutions do you think your SACCO can get loans from in cases of need?

Please rank them starting with number 1 as the most likely source of borrowing

RANKING

KUSCCO.....
Other SACCOS.....
Cooperative bank of Kenya.....
Other Commercial banks.....
Other institutions (name).....

4) From the institution ranked above, what is the shortest time duration between applying a loan and getting the loan?

A) 0 to 2 months () b) 3 to 4 months () c) 5 months and above ()

Thanks

APPENDIX III: LIST OF SACCOS IN NAIROBI

- 1 Burns sacco
- 2 NHIF Sacco
- 3 Ulinzi sacco
- 4 UN Sacco
- 5 Ushuru Sacco
- 6 Utabibu Sacco
- 7 Finniemm Sacco
- 8 Huduma Sacco
- 9 Kari Sacco
- 10 Kimisitu
- 11 Nassefu Sacco
- 12 Acess
- 13 ACK Kangemi
- 14 Advert Sacco
- 15 All Saint Sacco
- 16 ARMG
- 17 Biblia Hsg
- 18 Casdeu
- 19 CCF Sacco
- 20 CFC Life Agents
- 21 Chaster Sacco
- 22 Citypack Kimuri
- 23 Daisy Sacco
- 24 Gakobu
- 25 Harleys Sacco
- 26 Harrison Hse Sacco
- 27 hot Point
- 28 Ideals Sacco
- 29 In-time Couriers
- 30 Jatco Sacco
- 31 Java Sacco
- 32 Culture Sacco
- 33 Fida
- 34 Fincor
- 35 Gasco Sacco
- 36 Gthirimu Mult
- 37 Hacco
- 38 Hefi
- 39 Holmes Sacco
- 40 Jisaidie Sacco
- 41 Kangemi maingi
- 42 Kenya High Sacco
- 43 Kileleshwa Hsg
- 44 Kitsuru Lion Sacco
- 45 Liverpool Sacco
- 46 Joytech
- 47 Kabage Mwirigi
- 48 Kanisa Sacco
- 49 Katechs Sacco
- 50 Kilimo Cons
- 51 Kinga
- 52 Laxima Sacco
- 53 Lynx
- 54 Makini Sacco
- 55 Multilock
- 56 Naserian Sacco
- 57 Oltukai Sacco
- 58 picea
- 59 Polyphase Sacco
- 60 Relief Sacco
- 61 Safeways Sacco
- 62 Shilikiano Sacco
- 63 Uhusiano Sacco
- 64 Wahadisi Sacco
- 65 Wana dawa Sacco
- 66 Wateule Sacco
- 67 Yomeca
- 68 Action Aid
- 69 Fewa Sacco
- 70 asmus Sacco
- 71 Avunue sacco
- 72 Biblia Sacco
- 73 Bush Sacco
- 74 Clemon Casino
- 75 Concorde sacco
- 76 Corrington Sacco
- 77 Windsor Drycleaners
- 78 Yuneh Hsg
- 79 ACK Kibiciku Sacco
- 80 Aegis Sacco
- 81 Allan Bobbers Sacco
- 82 Canteen Saco
- 83 City traders Sacco
- 84 Cunham Sacco
- 85 ERC
- 86 Fovi Sacco
- 87 Hbitat Hsg
- 88 Kenrod Sacco
- 89 Hurlingam Medcare
- 90 Jacaranda Sacco

- 91 Loita Sacco
 92 Lontel Sacco
 93 Meno
 94 Milimani United
 95 Murutu Sacco
 96 Numetro
 97 Nairobi Women
 98 New start
 99 Nimepata
 100 OxfordSacco
 101 Preosta Sacco
 102 Python Sacco
 103 Retail measurement
 104 Sita k
 105 Tuesay Trn Sacco
 106 Ushindi Sacco
 107 Waest Park
 108 Nordox SACCO
 109 Nyati SACCO
 110 Panari SACCO
 111 Polytech SACCO
 112 Radio Guard SACCO
 113 Reli SACCO
 114 Tael SACCO
 115 Yes SACCO
 116 CFF community SACCO
 117 Colour Printers SACCO
 118 Compor SACCO
 119 D & S SACCO
 120 Dawa SACCO
 121 Deli SACCO
 122 Doll SACCO
 123 Epco Builders SACCO
 124 General Motors SACCO
 125 Heho SACCO
 126 Jokefo SACCO
 127 Kenrail SACCO
 128 Lavana SACCO
 129 Lomoco SACCO
 130 Mann SACCO
 131 Manu SACCO
 Mariguini Muungano Multipurpose
 132 SACCO
 133 Mateden SACCO
 134 Mecol SACCO
 135 Mucumewo SACCO
 136 Nafaka SACCO
 137 K&m Sacco
 138 Kambi
 139 Karura community
 140 Boots SACCO
 141 Conad SACCO
 142 Creative Innovations SACCO
 143 DHL SACCO
 144 Everlady SACCO
 145 Group Four SACCO
 146 Gurudumu SACCO
 147 Jamii SACCO
 148 Kenfire SACCO
 149 Kenroid SACCO
 150 Mars Garage SACCO
 151 Mawasiliano SACCO
 152 Mitungi SACCO
 153 Motokari SACCO
 154 Rocham SACCO
 155 Rosemont SACCO
 156 Roto SACCO
 157 Siafu SACCO
 158 Sivoko SACCO
 159 Specialised SACCO
 160 Tillcarp SACCO
 161 Wanamart SACCO
 162 Bloom SACCO
 163 Color SACCO
 164 Dhanjals SACCO
 165 Dipla SACCO
 166 Dunlop SACCO
 167 ECU SACCO
 168 Ellypharm SACCO
 169 Fuma SACCO
 170 GSK Multipurpose SACCO
 171 J. F Mcloy SACCO
 172 Kamba SACCO
 173 Keduco SACCO
 174 Lawman SACCO
 175 Mambo SACCO
 176 Mater SACCO
 177 Mbauma SACCO
 178 Metal Workers SACCO
 Moto Moto Multipurpose
 179 SACCO
 Muthurwa Small Traders
 180 SACCO
 181 Oil Seal SACCO
 182 Pefa International SACCO

183 Nyororo SACCO
184 Phiphatec SACCO
185 RTEA SACCO
186 Sakisa SACCO
187 Sindikiza SACCO
188 Sink SACCO
189 Skesco SACCO
190 Slumber land SACCO
191 SS Mehta SACCO
192 Swift SACCO
193 Temder Swan SACCO
194 Affa SACCO
195 Africa SACCO
196 Argos SACCO
197 Comtrants SACCO
198 Fowler SACCO
199 Haraka SACCO
200 J.L. Morroson SACCO
201 Karibu SACCO
202 Kate SACCO
203 Kemsu SACCO
204 Kensteel Wire SACCO
205 Kinpash SACCO
206 Kirlosca SACCO
207 Kwa SACCO
208 Leamost SACCO
209 Makunu SACCO
210 Mater hospital SACCO
211 Naku SACCO
212 Napro SACCO
213 One way SACCO
214 Presfine SACCO
215 Raj SACCO
216 Roy SACCO
217 Safety Survey SACCO
218 Somak SACCO
219 Spring Box SACCO
220 Strategic Industry SACCO
221 Uchapaji SACCO
222 Ukinya SACCO
223 Vitaco SACCO
224 Wiggins Teape SACCO
225 Adper SACCO
226 Alpha Medical SACCO
227 Barafu SACCO
228 Biam SACCO
229 Poly Emp SACCO
230 Plastic SACCO
231 Sauti SACCO
232 Shamco SACCO
233 Spanler SACCO
234 Tepee SACCO
235 Tetra pack SACCO
236 Union locks SACCO
237 Wenye Magari SACCO
238 Ashut Plast SACCO
239 Bins SACCO
240 Bomco SACCO
241 Cannon SACCO
242 Clean care SACCO
243 Copy cat SACCO
244 Ectoville SACCO
245 Ellams SACCO
246 Handstaff SACCO
247 Higram SACCO
248 Iron SACCO
249 Juaco SACCO
250 Kamakisu SACCO
251 KCT SACCO
252 Mapipa SACCO
253 NPE SACCO
254 Pantrucks SACCO
255 Perfect SACCO
256 Pleated industrial SACCO
257 Sil SACCO
258 Power SACCO
259 Ratili SACCO
260 Roller Shaffer SACCO
261 Rosy SACCO
262 Roll chuma SACCO
263 Samecos SACCO
264 Supalite SACCO
265 Switchgear SACCO
266 Together as one SACCO
267 Untraceable (Hpeo) SACCO
268 Wonder SACCO
269 ACC Mills SACCO
270 Alfa Motors SACCO
271 Antique SACCO
272 Apha Fine Food SACCO
273 Besmo SACCO
274 Cosmos SACCO

275 Economic tank SACCO
276 Exico SACCO
277 Friendly SACCO
278 Hardweld SACCO
279 Jar SACCO
280 Keminyundo SACCO
281 Kerapa SACCO
282 King kitchen SACCO
283 Machuma SACCO
284 Magnate SACCO
285 Nivea SACCO
286 Pacho SACCO
287 PEFA Nairobi SACCO
288 Pengire SACCO
289 Plains view multipurpose SACCO
290 Press SACCO
291 Pril Upendo SACCO
292 Prime Carton SACCO
293 Tech SACCO
294 TM –AM SACCO
295 Unicop SACCO
296 Unique SACCO
297 Uzi SACCO
298 Comoco SACCO
299 Wanandege SACCO
300 Acapulco SACCO
301 Afcahl SACCO
302 Airbus SACCO
303 Amiran SACCO
304 Battery SACCO
305 Fugo SACCO
306 Hoechem SACCO
307 Insteel SACCO
308 Jitegemee SACCO
309 Kenpipe SACCO
310 Kongoni SACCO
311 Maish bora SACCO
312 Marafiki SACCO
313 Murembo SACCO
314 Odds & Ends SACCO
315 Pura SACCO
316 Daystar mult
317 E-transfer Sacco
318 Familysize Sacco
319 Huri Sacco
320 I.C.LIntershade sacco
321 Duct trunking SACCO
322 Field Mashall SACCO
323 Genco SACCO
324 GNLD SACCO
325 Tarpo SACCO
326 Kenstal SACCO
327 Kulal SACCO
328 Lestud SACCO
329 Nitipro SACCO
330 Ngarisha SACCO
331 Polyflex SACCO
332 Prisco SACCO
333 Rads SACCO
334 Rebirth SACCO
335 Seal SACCO
336 Sil SACCO
337 Smedo SACCO
338 Swiss In SACCO
339 Sanduku SACCO
340 Specialist SACCO
341 Summit SACCO
342 Ukomo SACCO
343 Umoja wendani SACCO
344 Wanamzigo SACCO
345 Wasando SACCO
346 Wonerpac SACCO
347 Acmecco SACCO
348 Amafuko SACCO
349 Safari air SACCO
350 Lords Gathering SACCO
351 Air link SACCO
352 Bachu SACCO
353 Boiray SACCO
354 Collisec SACCO
355 Deepa SACCO
356 Hewa SACCO
357 Impala progressive SACCO
358 Mawazo SACCO
359 Raha SACCO
360 Rambai SACCO
361 Shinda SACCO
362 Tibbet and Briteen SACCO
363 Upendo SACCO
364 Veleo SACCO
365 Vitoma SACCO
366 Kewa SACCO

367 Kangemi Kahumo sacco
368 Kenya Bankers sacco
369 KTTC Sacco
370 La assurance Sacco
371 Lord erroll
372 Minet Sacco
373 Mobil Sacco
374 Multi Consult Sacco
375 Muthaiga Golf Sacco
376 Nestal Sacco
377 Osanya investment
378 Pamojaness Sacco
379 Photomap
380 Radar Sacco
381 Rono Sacco
382 Runda water Sacco
383 Safaricom Investment
384 Spring valley Sacco
385 Stemella Sacco
386 Transworld Sacco
387 Ukombozi Sacco
388 United Workers
389 Unjomaki Sacco
390 Vet Lat Saco
391 Wanawakili Sacco
392 Weaverbird
393 Winafrique Sacco
394 Windal Sacco
395 Yefwe Hsg
396 Monier Sacco
397 Nairobi hospital
398 Napsco
399 Nock Sacco
400 Parklands Sacco
401 Riara Sacco
402 Safaricom Sacco
403 Sagret sacco
404 Silver Sacco
405 Stebo sacco
406 Stegra sacco
407 Tanungi
408 Tegemoe
409 Timiza Sacco
410 Triton
411 Tulco
412 Turungi

413 Uni SACCO
414 Trident SACCO
415 Mboga na Matunda SACCO
416 PCEA Kayole SACCO
417 Hema SACCO
418 Everest SACCO
419 Makindu SACCO
420 Mwokozi SACCO
421 Baya SACCO
422 Kamongo SACCO
423 Interconsumer SACCO
424 Nia Yetu SACCO
425 Vumilia SACCO
426 Wanaaerotech SACCO
427 Da Kenya SACCO
428 Beta Engineering SACCO
429 ACO SACCO
430 Aspoco SACCO
431 Alfa SACCO
432 Anamost SACCO
433 Ami Air SACCO
434 BAT SACCO
435 Hotflo SACCO
436 Kingsize SACCO
437 Kiwoco SACCO
438 MTC SACCO
439 Markfirst SACCO
440 Masco SACCO
441 Nasco SACCO
442 Naciwasco SACCO
443 Notaff SACCO
444 Twiga SACCO
445 Uniaga SACCO
446 Vest SACCO
447 Chak SACCO
448 Rak SACCO
449 Steel stone SACCO
450 Fewco SACCO
451 Kifwa SACCO
452 Pridus SACCO
453 Jamsavo SACCO
454 Soya SACCO
455 Shepherds SACCO
456 Tape SACCO
457 Value Hope SACCO
458 Litho SACCO

459 Virgin tours
460 W/L Envroment
461 Waajiri Sacco
462 Wamama mktg
463 Wazima watoto Sacco
464 Yaya Sacco
465 Crown Jijenge Sacco
466 Joy Sacco
467 Huduma Sacco
468 ACK Uthiru
469 Austen
470 Aviasco Sacco
471 Blue Triangle Sacco
472 Compasco Sacco
473 Comtech Sacco
474 Credir Sacco
475 ITDG Sacco
476 Karume Inv Sacco
477 Knya Hurti Sacco
478 Kinari Youth Sacco
479 Kingland sacco
480 Krone Saco
481 Lanyabu
482 Mara moja Saco
483 Muthaiga Dev Mult
484 NairobiHsg
485 New Star Sacco
486 Pambuko Sacco
487 Prestige
488 Retrenchees
489 Rosa
490 Roslynn Sacco
491 Royal media Sacco
492 Senior Driving
493 Spenomatic
494 Staeadman Sacco
495 Starlit sacco
496 Tausi
497 Tiger Head Sacco
498 Tushirikiane
499 Vilage Market Sacco
500 Wanaultimate
501 Yassisi Sacco
502 Auscon Sacco
503 Board of community
504 Bongo Sacco

505 Piosacc SACCO
506 Mapato SACCO
507 Besbix SACCO
508 Reime SACCO
509 Abacas SACCO
510 Diemold SACCO
511 Wet blue SACCO
512 True Foods SACCO
513 Autofine SACCO
514 Wanaradiator SACCO
515 Britania SACCO
516 Gahir SACCO
517 Genesis SACCO
518 Nairobi Casement SACCO
519 Plastico SACCO
520 Silo SACCO
521 Waskom SACCO
522 Sunripe SACCO
523 Uwezo SACCO
524 Transafrica SACCO
525 Superiorfone SACCO
526 Adopt a Light SACCO
527 Leakeys SACCO
528 2TK SACCO
529 Mala SACCO
530 Kabansora SACCO
531 Vegepro SACCO
532 Rangi SACCO
533 Gala SACCO
534 Unga employees SACCO
535 Loghorn SACCO
536 Thomado SACCO
537 Maringo Postel SACCO
538 Kimkera SACCO
539 Matatiso SACCO
540 Woteco SACCO
541 Acax SACCO
542 Machuma SACCO
543 Hebatulla Progressive SACCO
544 Mirifuel SACCO
545 Tano SACCO
546 Unity SACCO
547 Woodman SACCO
548 Airconnection SACCO
549 Bauma SACCO
550 Pamba SACCO

- 551 Comhigh
- 552 Conafrique
- 553 Flex Sacco
- 554 Four aces Sacco
- 555 FPFK Sacco
- 556 Gleen Shelter Sacco
- 557 Habitat for Humanity
- 558 Kagera Mulemba
- 559 Kusaco Sacco
- 560 Kona
- 561 KTTC Hsg
- 562 Kwality Sacco
- 563 Madison
- 564 Makao Sacco
- 565 Mayfair
- 566 Shade Hotel
- 567 TaalamTen& Ten Sacco
- 568 Thilika
- 569 Tour Africa
- 570 Tumaini
- 571 United Women
- 572 Uthiru Sacco
- 573 Wanamuti Sacco
- 574 Wangombe sacco
- 575 Watch Sana
- 576 AIG Sacco
- 577 Ali Baba Sacco
- 578 Ambassatel
- 579 Braemag sacco
- 580 Chevron Sacco
- 581 CK Advent
- 582 Comunications
- 583 Dhamini Sacco
- 584 Diversey
- 585 Dume Sacco
- 586 Emco Billet
- 587 Fairseat Sacco
- 588 Fate
- 589 Gao Sacco
- 590 Heinmann Sacco
- 591 Heritage Sacco
- 592 Hutching Beimer
- 593 Jinyime Upate Sacco
- 594 Kambee Sacco
- 595 Kenton Sacco
- 596 Kimujili Sacco
- 597 Ribaless SACCO
- 598 Easyco SACCO
- 599 Kumbuka SACCO
- 600 Sind SACCO
- 601 Unipharm SACCO
- 602 Kerotra SACCO
- 603 J.. Maarifa SACCO
- 604 weeta SACCO
- 605 macobo SACCO
- 606 tumiti SACCO
- 607 vijana SACCO
- 608 kunga kuinuan SACCO a
- 609 kamba carton trust SACCO
- 610 wilham (K) SACCO
- 611 Yoon SACCO
- 612 Kenya Ladies Sacco
- 613 Kilimani juakali
- 614 Klmisitu
- 615 Kinda Sacco
- 616 KK Tech
- 617 Koi Sacco
- 618 Matangazo sacco
- 619 Mehta electricals
- 620 Michezo sacco
- 621 Muthaiga club
- 622 Muthandi
- 623 Nairobi School
- 624 Nole
- 625 Occidental
- 626 Palacina Sacco
- 627 Patriotic Sacco
- 628 Planned Parenthood sacco
- 629 Safetynet
- 630 Singer
- 631 Tujibebe Sacco
- 632 Umoja wa Karura
- 633 Uokoaji Sacco
- 634 Urafiki Sacco
- 635 Wanakopia Sacco
- 636 Waumini Sacco
- 637 Wafak
- 638 Ziwa
- 639 2kw Route
- 640 Cal Sacco
- 641 Conserve Sacco
- 642 CRB

643 Maktaba Sacco
644 Mazao sacco
645 Methodist Sacco
646 Mobuko Sacco
647 Music Sacco
648 Muthasco
649 Nal Cons
650 Ogilvy
651 Planning
652 RedenclinSacco
653 Salama Sacco

654 Dole
655 Esta Sacco
656 Express Automated
657 Getrude Sacco
658 Hifathi Sacco
659 Highridge Hsg
660 Howham Sacco
661 Irrigation
662 Ishmael Parklands
663 Jachini Sacco
664 Jembe
665 Secularm