

**THE EFFECT OF REGULATION BY SASRA ON PERFORMANCE OF SMALL
SACCOS IN KENYA**

BIWOTT KEVIN

**A PROJECT SUBMITTED TO SCHOOL OF BUSINESS IN PARTIAL FULFILMENT
OF THE REQUIREMENT FOR THE AWARD OF A MASTER OF BUSINESS
ADMINISTRATION (STRATEGIC MANAGEMENT) DEGREE, OF KABARAK
UNIVERSITY.**

2014

DECLARATION

This research report is my original work; I hereby state that it has not been presented in the same form to any other Institution or Kabarak University for an academic credit.

Signature.....

Date.....

Biwott Kevin

GMB/NBE/1213/09/12

This project has been submitted for Examination with our approval as university supervisor.

Signature.....

Date.....

Dr. Irene Asienga

Signature.....

Date.....

Mr. Firtz Mulumia Gerald Oketch

DEDICATION

This project is dedicated to my family and more so to my wife and my son and those who inspired and supported me during my course work and the final completion of this research work. You are the pillars of my life.

ACKNOWLEDGEMENT

I wish to sincerely recognize the efforts of my supervisors Dr Irene Asienga and Mr. Gerald Oketch for their patience, guidance, resilience, support and time committed throughout the period of this research proposal.

LIST OF ABBREVIATIONS

ACCOSCA - African Confederation of Cooperative Savings and credit Association.

BOSA - Back Office System Administration.

CAMEL - Capital Adequacy, Asset Quality, Management, Earnings & Liquidity.

CIF's - Cooperatives Financial Institutions.

DTS - Deposit Tanking Sacos

FOSA - Front Office System Administration.

FSA - Financial Services Authority.

GDP - Gross Domestic Product.

KUSCCO - Kenya Union of Savings and Credit Cooperatives

SACCOs - Savings and Credit Cooperatives.

SASRA - Sacco Society Regulation Authority.

MUSCCO - Malawi Union of Savings & Credit Cooperatives

NCUA - National Credit Union Administration.

WOCCU - World organization of Credit Cooperative Union.

ABSTRACT

A Sacco society is defined as a user-owned, user-controlled business that distributes benefits based on patronage. Direct government regulation of Saccos came about through legislation enacted by the Kenyan parliament, the Sacco Act of 2008. The regulations were necessitated by the need to give proper structures and prudential standards to Saccos especially those involved in deposit taking activities referred to as FOSAs and after the pyramid scheme saga. The FOSAs carry out banking business with members of the public most of whom are not their members. Since the Saccos were not regulated by central bank or the Banking Act, the government forged direct regulation through Sacco Society Regulation Authority. This study hence sought to find out the effect of statutory deposit, management qualification and quality and membership regulations requirements on the performance of small Saccos. The study was based in Kenya and targeted small. Survey research design was used. Data was collected by use of structured questionnaires. Respondent comprised of Small deposit taking Sacco staff. The data collected was analyzed through descriptive and inferential statistical techniques. The findings were that Sacco performance will improve with implementation of the Sasra regulation. Statutory deposit regulation will highly affect Sacco liquidity, members also showed confidence in qualified managers based on performance but felt that membership regulation is punitive. In conclusion the regulation has positive effects on Saccos and hence we recommend compliance by Saccos to the regulations.

Key words: Sacco regulation, Small Saccos performance, Sacco regulation Authority (Sasra)

LIST OF TABLES

Table 1.1 Performance Measure.....	6
Table 1.2 Sacco Performance.....	8
Table 2.1 Conceptual Framework.....	21
Table 3.1 Sacco Details.....	24
Table 4.0.1 Baseline Characteristic of Data.....	27
Table 4.0.2 Tests of normality.....	28
Table 4.0.3 Support for direct regulation by government.....	29
Table 4.1.1 Does statutory deposit requirement affect Sacco performance.....	29
Table 4.1.2 Effects of Statutory deposit factors.....	30
Table 4.1.3 Chi-Square Tests Effect of Statutory regulation on the amount of deposit.....	31
4.1.4 Spearman rank correlation on the relationship between statutory deposit factors.....	31
Table 4.2.1 management quality and qualification requirement.....	32
Table 4.2.2 Management quality and qualification requirement factors.....	34
Table 4.2.3 Spearman rank correlation on the relationship of factors.....	35
Table 4.3.1 Support for the introduction of membership requirement.....	36
Table 4.3.3 membership requirement factors.....	37
Table 4.3.7 Regression analysis model summary.....	38

TABLE OF CONTENTS

COVER PAGE.....	Error! Bookmark not defined.
DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
LIST OF ABBREVIATIONS	v
ABSTRACT	vi
CHAPTER ONE.	1
INTRODUCTION.	1
1.1 Background of the Study.....	1
1.2 Global Perspective of Saccos.....	4
1.2.1 African Perspective	4
1.2.3 Kenyan Perspective.....	5
1.3 Problem Statement.....	10
1.4 Objectives of the Study	11
1.4.2 Specific Objectives	11
1.5 Research Hypothesis.....	11
1.6 Justification of the Study.....	11
1.7 Significance of the Study	12
CHAPTER TWO.....	13
2.0 INTRODUCTION.....	13
2.1 Theoretical Review.	13
2.2 Empirical Review.....	16
2.2 Statutory deposit fund requirement on savings.....	16

2.3 Management qualification and quality.....	18
2.4 Membership regulation requirements	20
2.5 Conceptual Framework.....	22
2.6 Summary and Knowledge Gap	23
CHAPTER THREE	24
RESEARCH METHODOLOGY	24
3.1 Introduction.....	24
3.2 Research Design.....	24
3.3 Target Population of Study.....	24
3.4 Sampling.....	24
3.5 Data Collection Methods.....	26
3.6 Reliability and Validity of Data Collection Instrument.....	26
3.7 Data Analysis Techniques.....	26
3.8 Ethical Considerations.....	27
CHAPTER FOUR	28
ANALYSIS, PRESENTATION AND DISCUSSION	28
Introduction	28
4.0.1 Baseline Characteristic of Data	28
4.0.4 Support for direct regulation by government in SACCOS	30
4.1 Effect of statutory deposit fund requirement on performance of small Saccos in Kenya.....	31
4.1.4 Spearman rank correlation on the relationship between statutory deposit factors.....	34
Table 4.2.2 Management quality and qualification requirement factors.....	36
4.3.1 Support for the introduction of membership requirement by SASRA.....	38
4.3.1Membership requirement factors	40
4.3.8 Hypothesis Testing.....	41
CHAPTER FIVE.....	42
SUMMARY, CONCLUSION AND RECOMMENDATION.....	42

5.1 Introduction.....	42
5.2 Summary of the findings.....	42
5.4 Conclusion.....	43
5.4 Recommendations.....	43
5.5 Further Research.....	44
REFERENCE.....	45
QUESTIONNAIRE.....	50

CHAPTER ONE.

INTRODUCTION.

This chapter presents the study background and general insight on the topic researched on, problem definition, objectives of the research, research questions, research purpose and also justification of the topic studied. The scope of the study was also given at this stage.

1.1 Background of the Study.

The cooperative idea was started in Rhine province of Germany in 1847 as a result of great famine that affected the production of wheat and potatoes, the staple food for the locals. Few rich people from the province under the leadership of Friedrich R. Wilhelm decided to collectively store their produce and then sell it cheaply among its members in case of low production. This is among the first forms of cooperatives (Prinz, 2002).

Herman Frank also was a pioneer in cooperatives; he consolidated two pilot projects in to credit unions in 1852 to finance poor rural communities. The rural communities were considered unbankable because of very small, seasonal cash flow and limited human resource (WOCCU, 2008). The project was very successful and hence increased the people living standard.

The standard definition of a corporative in US is a user-owed, user-controlled business that distributes benefits based on patronage rather than investment (Zeuli and Croop, 2004). The coop user is a person that supplies produces for purchase or process and hence benefits on service base. Its hence important to note that in Saccos the members have mutual and equal ownership on the business despite their contribution.

International Cooperative Alliance (ICA) is a non-governmental organization that was established in 1895 as an umbrella organization to promote friendly and economic relations between cooperative organizations throughout the world. The ICA aims to promote exchange of information such as news and statistics between cooperatives through research and reports, directories, conference and publications (Onuoha, 2002).

International Cooperative Alliance regards Saccos as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprise.' This is the most accepted definition as ICA is the biggest global cooperative body with over 230 nations of the world subscribing to its membership (ICA 2008).

The co-operative principles are guidelines by which co-operatives exist and they include: Voluntary open membership, open to all persons able to use the services and are willing to accept the responsibilities of membership without discrimination; Democratic member control, members participate actively in setting their policies and making decisions - one man one vote; Member economic participation, members contribute equitably; Autonomy and Independence, the legal personality is separated from its members; Educate, train and Information, empower members; Co-operation among cooperatives, work together on all levels to achieve synergy; And Concern for community, always work for sustainable development (ICA, 2013).

Traditionally, the organization of the co-operative movement is in tiers, which form a pyramid shaped structure. At the bottom of the structure are primary co-operative societies whose membership consists of individuals. The primary societies serve their members directly, (Mugambwa, 2006). The next block in the pyramid is secondary societies consisting of association of the primary Saccos. They come together to enjoy economies of scale in dealing with bulk sourcing. At the top of the pyramid is apex unions consisting of association of secondary Saccos. They come together to strengthen the movement and lobby for favorable legislation from governments of the day.

There are several types of cooperatives from around the world, the major type Credit unions, they are cooperative financial institutions that are owned and controlled by their members to provide the same financial services as banks but adhere to cooperative principles (Schram 2010).

Housing cooperatives forms a legal mechanism for ownership of housing where residents own shares reflecting their equity in the cooperative's real estate or have membership and occupancy rights in the cooperative and they underwrite their housing through paying subscriptions or rent (Ridley-Duff, 2009).

Agricultural or farmers' cooperatives help farmers pool their resources for mutual economic benefit. Agricultural cooperatives are divided into agricultural service cooperatives, which provide various services to their individual farming members, and agricultural production cooperatives, where production resources such as land or machinery are pooled and members farm jointly. Vieta (2010).

Women cooperative or the famous merry-go-round play a particularly strong role in empowering women especially in developing countries. They allow women who might have been isolated and working individually to band together and create economies of scale as well as increase their own bargaining power in the market. During International Women's Day in 2013, Dame Pauline Green said, "Cooperative businesses have done so much to help women onto the ladder of economic activity. With that comes community respect, political legitimacy and influence Grimes and Milgram (2000).

The UN declared that the 2012 was the International Year of the Cooperatives (IYC). In launching the year, the UN secretary general Ban Ki Moon said "Cooperatives are a reminder to the international community that it is possible to pursue both economic viability and social responsibility." It is also a fact that the cooperative movement has been an important vehicle of empowerment and liberation from economic misery to many poor people across the world. The world cooperative movement has approximately one billion people making it one of the largest constituencies in the world. On the other hand, 3 billion people do benefit from the cooperative movement" (ICA, 2013).

Regulation is a rule or law designed to govern conduct. It functions by creating limits, constrains, duty or responsibility. It can take many forms; legal restrictions promulgated by a government authority, contractual obligations that bind many parties, self-regulation by an industry such as through a association, social regulation, co-regulation, third-party regulation, certification, accreditation or market regulation (Cunningham 2007). In its legal sense regulation can be distinguished from primary legislation on the one hand and judge-made law on the other.

1.2 Global Perspective of Saccos.

The regulations of Saccos were introduced in many places around the world. India adopted a regulation that gave cooperatives a hybrid business alliance system that has enabled the cooperative owned business to grow to big empire of companies and own vast properties around and outside India (Fischer and Cuevas, 2006). UNISAP Federation is responsible for Sacco control in Mexico and has seen Saccos grow to have lower risk than banks. The Saccos have hence grown and patronizes more than 60% of the total Mexican rural population (Be'roff, 2008).

Brazil was an early adopter of cooperative model and as early as 1874 they had Teresa Christina cooperative in Parana formed by Jean Maurice a medical doctor from France. The regulation of cooperatives here was marked by legislation in 1890 to address involvement of military personnel in cooperatives. Canada adopted a DEA (data envelopment analysis) system that checks; asset to equity ratio and a modified Z-score of all credit unions and compares them weekly to a fixed score. This has made Saccos to operate prudently hence fewer cases of cooperative failure (Pille and Puradi, 2002).

In U.S credit unions were regulated by non banking financial institution laws SEC (securities and exchange) Act. The system consists of complex rules that guide the operations of credit unions in the country. The system was introduced on the aftermath of great depression of 1929 and was meant to improve the public confidence on financial institution; it has been in force to date. (Kumar et al, 1997).

1.2.1 African Perspective

In Egypt, regulation of credit union controlled strictly as the government sets the ceiling interest rate for issuing loans. Credit unions are also registered and managed directly by ministry of economy hence few cases of mismanagement of the unions. The regulations are however too stringent hence lead to the rise of an underground lending market by unregistered individuals come together and loan money amongst themselves (Mahmoud and Wright, 2000).

Cooperative societies are very popular in Nigeria. Onuoha (2002) in his study of cooperative history in Nigeria state that modern cooperative societies came 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. Through cooperatives, farmers could pool their limited resources together to improve agricultural output and this will enhance socio-economic activities in the rural areas (Ebonyi and Jimoh, 2002).

The Sacco regulation 2005 of Tanzania restricted Sacco with stringent rules on composition and operations of Saccos. This has caused a steady drop in the number of Saccos and other microfinance institutions have taken over. In this case of stringent regulation, deregulation was direly needed to revive the sector (Rubambey, 2005).

1.2.3 Kenyan Perspective

The co-operative nature of the Kenyan people can be traced to the pre-colonial traditional societies where people cooperated in several activities such as hunting, farming, building houses, taking care of animals and in many other important chores. The Kikuyu had Ngwataniro (work group) that members assisted each other in constructing houses (KUSCCO Magazine, 2012). The Kalenjin also had organized groups (Kokwet) that were working on member's farms in rotation especially during planting and harvesting seasons, this practice has been preserved to date in many areas. The Luo people had organized vibrant groups notably the youth's Nyolwaro that was responsible for thatching new member's huts, farming or fishing together to enable synergy and provision for the young families.

The first formal Savings and Credit Co-operative Society (SACCO) in Kenya was at Lumbwa, Rift Valley in 1908. The Lumbwa Sacco was formed by white settlers to enable its members bargain for better fertilizer and seeds prizes Chebor (2008) 'Understanding cooperative movement and its values'. The Sacco was also to provide services to members and enable them seek competitive markets but the members did not collectively sell their products. The Sacco was however restricted to the white settlers only and no person of African or Asian persuasion could join.

The formation of department of co-operative development (later Commission of Co-operatives Development) in 1946 advocated for agriculture based Saccos and by 1954 there were over 500 Saccos in central province patronizing over 170,000 members with a turnover of two hundred and eighty thousand shillings; the most successful being Makueni Settlement Sacco which paid a dividend of 7% on member's savings (Cooperative Bank, 2010). The cooperatives also played a major role in liberalization of Kenya through political mobilization against colonialism. In 1954 co-operators moved and join *Mau-Mau* to help end the white man's rule in Kenya (Odido, 2008).

The context of cooperatives sector in Kenya consists of primary Saccos consisting marketing societies, farming societies, housing societies, consumer societies, producer society and credit societies as per Odido (2008); secondary Saccos are small Saccos that have grown to offer their members with various services and lastly apex cooperative bodies firms that offer support service to Saccos the likes of CIC Insurance, Kuscco Limited, Co-operative Bank, Co-operative College and ALCO and ICA Kenya.

Kenya is regarded as the leading country in Africa in co-operative movement by African confederation of cooperative savings and credit associations (ACCOSCA, 2013). There are 10,800 registered co-operatives Societies with a membership of 6 million. Co-operatives have created about 250,000 direct employments and 5.9 million people benefit indirectly. The sector holds 31% of total national savings and contributes 46% of the national GDP. It has 70% of the coffee market, 76% dairy, 90% pyrethrum, and 95% of cotton (Ochanda, 2013).

Sacco size determinants are measured on the basis below by Daves Grace (Vice president Woccu in *analysis of the Sacco balance sheet and pearl*. Protection effective financial structure, asset quality, rates of return and cost, liquidity and sings of growth. Camel structure is acronym of capital adequacy, asset quality, Management and liquidity.

Sasra uses a standard template in determining the size of Saccos and how to regulate and cluster them. They focus on the loans, deposits and asset base Njuguna (2012). Small Saccos are considered to be those with asset base of below 1 Billion while Saccos with savings between one and three billion are considered medium while Saccos with over four billion are large Saccos.

Table 1.1 Performance Measure

	Asset Size	SACCOS NO.		ASSETS		DEPOSIT		LOANS	
		2012	2011	2012	2011	2012	2011	2012	2011
CATEGORY		kshs	kshs	kshs	kshs	kshs	kshs	kshs	kshs
LARGE	Above 4B	10	9	94,439	80,198	71,631	53,928	78,164	58,996
MEDIUM	1B-4B	41	38	79,982	70,003	55,720	41,526	57,978	51,632
SMALL	Below 1B	73	77	27,485	27,403	18,734	31,981	18,275	24,915
TOTAL		124	124	201,906	177,604	146,085	127,435	154,417	135,543

Source: Research data 2014

The movement has however faced myriad problems of corruption; embezzlement of funds; HIV Aids pandemic crippling the members; negative political influence and the latest is formation of pyramid schemes under Ministry of Co-operatives that robbed many Kenyans their savings. (Kuscco, 2010) The government undertook reforms on the Saccos industry that passed new Saccos bill 2008 (Republic of Kenya 2007; International Monetary Fund 2007; The Kenya High Commission in the United Kingdom, 2007).

Co-operative Societies ordinance Act of 1931 by the colonial government marked the first intervention for cooperatives by government. The Act was replaced in 1932 and 1945 but all the legislation were based on segregation and disenfranchising the native communities (ICA, 2002). In 1944 the colonial government sent W.K Campbell to investigate the possibilities of Africans participating in Co-operative Societies and he affirmed that it would help in improving living standard. By 1946 the colonial government changed their tact to support the idea of co-operatives as a tool to empower natives due to rising opposition on their apartheid approach to matters. The legislation of cooperatives in Kenya has been strong and metamorphose from the cooperative ordinance act of 1931 which was repealed in 1932 and later in 1945. The colonial government in 1946 established Department of cooperatives to register Saccos. The first law

governing Saccos was Cap 490 of Kenya formulated in 1966 based on International Labour Organization, this was later replaced by Co-operative Societies Act, 12 of 1997.

According to Kenya law reports, the Sacco Act No. 14 of 2008 will affect operation and reporting of Saccos. Saccos are required to hire qualified staff for their book keeping and a C.E.O of a Sacco is required to have a minimum of a masters degree in business field. The Saccos must also deposit 10% of their total member deposits or a minimum of ten million Kenya shillings to a statutory deposit fund in Sasra that is meant to act as insurance for the deposits. The Act requires that all members of a Sacco be homogeneous. This implies that Saccos should be composed of members with the same background and also composed of Kenyans only. Kioko (2012)

The changes and shocks that are to be felt in the movement once the regulator takes root are projected to be far reaching and long term (ACCOSCA, 2010).The impact will mainly be on loaning services offered by the Sacco, the savings deposit, the composition of Sacco membership and the qualification of Sacco staff as this issues are directly addressed by the Act. Data available from Sasra indicate the changes in performance of all deposit taking Saccos before and after implementation of Sacco Act of 2008 shown in the table below:

Table 1.2 Sacco Performance

PERFORMANCE	2007	2008	2009	2010	2011	2012
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
TOTAL ASSETS	115,900	134,018	146,167	171,345	196,470	233,535
LOANS/ADVANCE	77,356	90,984	102,514	123,492	147,727	167,598
DEPOSIT/SAVINGS	61,753	71,110	105,929	123,137	140,646	160,482
SHARE CAPITAL	2,473	2,720	4,242	5,414	7,220	8,182
TURNOVER	13,589	15,698	17,195	22,022	24,463	30,009
MEMBERSHIP	955,162	1,061,348	1,538,993	1,646,966	2,088,726	2,544,001
T.OVER CHANGE %		116	110	128	111	123

Source: Research data 2014

The table above shows the performance of Saccos in various fronts. The total number of members in registered Saccos sharply rose by 45% immediately after enactment of the regulation. The turnover marginally increased by 9% over the same period. This hence show that that the regulation directly affect the performance of Saccos.

The regulations being introduced are important as they are meant to provide minimum operational and prudential standards in Sacco societies (Wanyoike, 2013). It is safe to regulate Saccos as they take deposit from its public and any mismanagement or embezzlement may cause financial problems to millions of people or even cause panic in the Sacco movement. The regulation will also help in customizing Saccos to give uniform products hence avoiding cases of exploitatively interest rates. The regulator will also help in realizing that members who serve as staff in Saccos are qualified to hold their current positions. This goes a long way into realizing proper and quality services to Sacco members hence it is important to introduce the new regulations.

1.3 Problem Statement.

The Sacco reforms affected mainly deposit taking Saccos that operate Front Offices (FOSA) while the ones operating back offices (BOSA) only will not be subjected to the new requirements immediately. A FOSA means that a Sacco operates a deposit taking account just as a typical current account in banks. BOSA means back office services i.e. the loaning activities and advocacy for members. According to KUSCCO (2010) by the month of May 2010 over 8,500 Saccos representing more than 80% operated a FOSA and hence required to comply with the new regulations (Sacco Act No. 14 of 2008).

Previous researchers (Zeuli and Cropp 2013, Gordon and McClathey 1999, Grossman and olive 2002, Huppi and Fedder 2010) Kioko (2012), and Wanyoike (2013) focused mainly on Sacco performance either financially or non financial. However the impact of direct control by government through regulators like Sasra on the performance and sustainability of small Saccos had not been fully addressed. This study therefore sought to explore the effect of regulations by Sasra on performance of small Saccos in Kenya to fill existing knowledge gap.

1.4 Objectives of the Study

1.4.1 General Objectives

To determine the effect of Sasra regulation on performance of small Saccos in Kenya

1.4.2 Specific Objectives

- i) To determine the effect of statutory deposit fund requirement on performance of small Saccos in Kenya.
- ii) To determine the effect of management qualification on the performance of small Saccos in Kenya.
- iii) To determine the effect of membership regulation requirements on performance of small Sacco in Kenya.

1.5 Research Hypothesis

In an attempt to achieve the above objectives, this study developed the following null hypotheses

- i) **H₀₁:** Statutory deposit fund requirement has no significant effect on performance of small Saccos in Kenya.
- ii) **H₀₂:** Management qualification and quality has no significant effect on the performance of small Saccos in Kenya.
- iii) **H₀₃:** Membership regulation requirements has no significant effect on performance of small Saccos in Kenya.

1.6 Justification of the Study

The cooperative movement in Kenya had grown tremendously since inception in 1931 when the first ordinance to regulate their operations was enforced. Saccos had moved from their traditional saving and lending activities to Investments, banking services through front office and back office services according KUSCCO LTD (2010). The SACCOs held huge deposits amounting to Kshs.250 billion in form of member's savings and accumulated funds from previous business activities over the years. To be able to grow and compete in the financial market, regulation was necessary hence the justification of the above study.

1.7 Significance of the Study

It will help Sacco members understand the new regulations Requirements and how it will impact on their membership. Those in affected field like international traders will know how best to act to cushions themselves against the stringent regulation. The non members utilizing the Sacco products will also be advised on steps to take to comply with the new regulation.

The employees in Saccos will benefit from the research as they will understand in depth what the regulator requires them to do and the professional and ethical requirements introduced. They will also get to understand the various job requirements, description and qualification expectation of their current positions.

The management team includes the board of directors and the line managers, they will benefit in understanding the regulators effect on their Sacco and the ways they can avoid or restructure their Saccos to be in line with the new regulation rules. It will also help the board of directors to change their Sacco strategic plans to conform to regulations and hence gain assurance of continuity.

CHAPTER TWO.

LITERATURE REVIEW

2.0 INTRODUCTION.

The purpose of literature review is to provide background of the information taken in the area of study. Overview of literature in respect to the impact of Sacco regulation on Small Saccos was discussed here.

2.1 Theoretical Review.

According to Zeuli and Cropp (2004) cooperative principles and practice in 21st Century, People who cooperate organize and belong to cooperatives do so for economic, social and even political reason. Cooperating is a satisfactory way of achieving one's own objective while at the same time assisting others in achieving theirs.

An economic theory of credit union moves from the basic theory of a firm of profit maximization to a complex because the output of any cooperative business is used up or consumed by its members hence one cannot assume that members seek profit maximization irrespective of the price or quality of service or goods, this theory cannot relate directly to Saccos. Smith and Woodburg (2008). Also members of a Sacco provide the demand and supply for funds and loans. The Saccos the intermediates between member-saver and member-borrower. This heterogeneity maximizes its dividends rate for saver and minimizes loan rate for borrower. This theory assumes homogenous member objective which is generally accepted in cooperatives.

A dynamic theory of cooperatives was proposed by Guthrie *et al* (2002) in 'pure cooperatives'. Past researches in the US had created a model that was built in the assumptions that Saccos are static in their operational environment and that they experienced lower risk. Hence a mathematical a mathematical model of operation that was created has failed to be operational in the modern day as cooperatives have more flexible structure. Numbers of issues have to be considered in creating new models that will keep dynamically changing depending on equity retention, inter-temporal deposits and loan rate if equilibrium state has to be reached.

The agency theory is a theory of relationship between principal and agents in a business. The conflicts or dilemma occurs due to divergent interest. The agents look to maximize their earnings from the share holder and the principal looks to maximize his profits Kioko (2012). In the Sacco movement, the elected board of directors can conflict with the members over dividend payout rate and policies as the management may look to retain more dividends or want to award themselves with more honorarium and hence reducing members' earnings.

The theory of cooperative federalism comes from the school of thought that favors consumer cooperatives. Vanek (2012) all argued that consumers should form co-ops which all members are consumers for unity with purpose in advocating against punitive actions of wholesalers or maximizing goods quality and reducing supply chain for lower prices. They sampled Cooperative wholesalers in UK that undertake purchasing of farms and factories to sell to members and profit is distributed to members as dividends.

The individualism school of thought favors worker's cooperatives or unions that advocates for persons own rights. Britain's Christian Socialists and in works of Joseph Reeves 'putting this forth as path to state socialism' they proposed that in joining workers union the labourer becomes more powerful and can bargain for better pay for services and even better working conditions Lewis (2009).

The Michael Porters Five Force Theory states bargaining power of consumers as one of the major determinants of competitiveness and hence in individualism school, Balkanizing people to increase their bargaining power is key to holding membership of Saccos through convergence of interest Porter *et al* (2008).

In a high transparent financial environment, Demirguc and Levine (2007), financial institutions that engages in excessive risk taking by demanding higher deposit interests rates or moving balances to a safer institutions shifts responsibility for assuring transparency and controlling risk taking to regulatory system, of course, even if country's net covered all SACCO balances, depositors would remain at risk for the opportunity costs of claiming and restructuring the amounts they are due and for costs occasioned by delays in recovering deposits fund disbursements.

Co-operative values and principles

The bases of co-operatives are the co-operative values and co-operative principles, at the 1995 Manchester Congress of the International Co-operative Alliance, the Congress adopted an Identity Statement on Co-operatives, which authoritatively elucidates the co-operative values and co-operative principles. There are seven co-operative principles:

The principle of voluntary and open membership, that membership of a co-operative society must be voluntary and available, without artificial restrictions or any social, religious or political discrimination, to all persons who wish to benefit from co-operative (ICA, 2013)

The principle of democratic control that control of the organization is based on one member one vote irrespective of the number of shares held by a member. This is in recognition of the fact that people working together to achieve a common objective should have equal say in the joint enterprise (Mugabwa, 2012).

The principle of member economic participation that imposes a limit on return paid on share capital. Its basis is that co-operatives acknowledge capital as an important factor of production that should be rewarded (Kioko, 2012).

The fourth principle is autonomy and independence this means that co-operative societies should enjoy a certain degree of autonomy and a right to run their business to the best of their capacity and also legal separation of personality of the cooperative (Mugabwa, 2012).

Finally principle of social responsibility on the part of co-operatives and their members, This entails, working towards improvement of the community in the area they operate, showing concern and social responsibility (ICA, 2013).

2.2 Empirical Review

2.2 Statutory deposit fund requirement on savings

Gordon and McClatchey (1999) researched on the behavioral change after introduction of reserve deposit by credit unions. They observed that the introduction of insurance deposit did not increase risk taking behavior by the credit unions as it was expected by their objectives; “A time series tests employing industry average financial ratios for federal and state credit unions did not support the increased risk-taking hypothesis.” This implies that the credit unions did not switch to a frenzy of loans issuing or saving increasing procedures although they were already insured and would be compensated in case of insolvency.

Individual countries adopt statutory deposit fund for different reasons, like in developing countries, a common goal is to expand the reach of financial management system and to increase the flow of credit by minimizing depositor’s doubts about the financial institutions ability to redeem depositor’s claims when funds are needed Fischer and Cuevas (2006). Hence the scheme bolsters depositor’s faith in the stability of the SACCOs financial sector.

The quality of a nation contracting environment limits the contribution that variations in regulatory structures can improve both sustainable economic and microeconomic growth. Recent adaptors of statutory deposit fund include Africa and Latin America countries with low levels of financial development and government accountability. Using time series data for fifty eight credit unions, Cull *et al* (2005), found that explicit statutory deposits favorably impact the levels and volatility of financial activity only in the presence of a strong Institutional development.

Statutory Deposit Fund can be explicit or merely implicit. Explicit deposits are contractual obligations while implicit deposits coverage is only conjectural. Implicit deposits funds exists to the extent of political incentives that influence a government reaction to a large or widespread financial institutions problems that makes the public bailouts of insolvent institutions seems inevitable, Folkerts & Lindren(1998) stated that during financial crisis, the pressure on government officials to rescue some financial institution stakeholders becomes difficult to resist.

The SACCOs have hence diversified and others have reduced their trading grounds or downsized their investment portfolios. In research paper by Gordon and McClatchey (1999) titled “Deposit Insurance and risk taking behavior in the credit Union Industry”, they set to find out the behavioral change after introduction of reserve deposit by credit unions. They observed that the introduction of reserve deposit did not increase risk taking behavior of credit unions as was expected.

Grossman and Olive (2002) analyzed the usefulness of one share one vote systems on the control of co-operatives for maximum utilization. They found that the system provided an important front for selection of efficient management team since everyone had an equal chance to air his or her views hence decisions made are for the best company. “We assumed two types of control benefits — benefits to security holders and private benefits to the controlling party. One share-one vote maximized the benefits to security holder relative to benefits of the controlling party hence encouraged the efficient management team.” This document gave a thumb up for the cooperative systems of running organizations as it produced better results and ensured that the shareholder’s agents act in the best interest of share holders.

Crisis management entails a number of difficult policy trades off between recovery speed, economic efficiency and distribution fairness, Honohan and Klingebiel (2003). Due to deficiencies in prior disaster planning, it has become a common practice to issue blanket guarantees to arrest financial institutions management crisis including SACCOs. Advocate of using blanket guarantees to halt a systematic financial crisis argue that sweeping guarantees creates an expectation of their future financial safety and can immediately be helpful in stopping spread flight to quality. However, because blanket guarantees create these future expectations, they undermine business discipline and may prove greatly destabilizing in the long run. Honohan and Klingebiel (2003) analyzed the impact of blanket guarantees and other crisis management strategies on the full fiscal costs of resolving financial system distress. Their analysis of forty credit union that experienced financial crisis between 1980 to 1997 indicated that unlimited deposit guarantees with open ended liquidity support and capital forbearance significantly increased the ultimate fiscal cost of revolving financial crisis

Government guarantees never completely extinguish market discipline and still stability can still be undermined if SACCOs deposit insurance managers do not exert more discipline that is required. Using SACCO level data covering forty three SACCOs for a period of between 1990-1997, Demirgus and Huizinga (2004) studied deposit discipline by modeling deposit interest rates. They found out that explicit Insurance does lower Sacco's financial risk and does make interest payment less sensitive to individuals Sacco risk and liquidity.

2.3 Management qualification and quality

Both Boards of directors and senior management are accountable for the internal governance of the SACCOs Drake (2002). The general assembly is the supreme authority and the highest decision making in the SACCOs. While it has a duty to the general assembly, Senior management must be accountable for the implementation of policies, preparation of the budgets, strategic plans and achievement of predetermined targets specified in the strategic plans.

In an article written by Andrew (2008) said that due to the effect of poor management of these institutions. The purpose of this paper was to assess the impact of the new regulatory framework and the continued poor perception of credit unions amongst users of financial service products. Also an assessment was made of what future may hold for the direction of the UK credit union sector. The study found out that the membership of the credit unions was growing, as well as member's deposits and loans, but the numbers of credit unions were falling. The result ultimately lead to a strong, secure and professionally managed credit union sector, capable of meeting the credit needs of a wide range of persons.

A key underlying factor behind merger activities is the beneficial side effect of economy of scale for which Mckillop *et al* (2002) noted was a considerable scope which in turn allowed credit unions to diversify into a range of product and services. The management of these ranges of highly sophisticated portfolio of investments needed highly qualified managers to run efficiently. Increasing members of credit unions, particularly to those that have merged to form larger entities, employed professional personnel in key roles such as Managers as regulatory requirement became a reality. There is a downside to merger, consolidation drive in that it is

arguable that such a move will ultimately threaten the viability of smaller SACCOs, forcing them into merger and possibly affecting new start up rates of borrowing of their credit facilities.

The credit union ethos has always been as self help financial cooperatives and the push to merger, led to larger financial organizations professionally managed which competed effectively with other financial institutions.

Although policies are not a requirement in the provision of the Act, all SACCOs are required to have by laws that define at the minimum the field and requirement for membership scope of activities, duties and responsibilities of the Board members, committees and operational staff. In the absence operational policies, some activities like setting interest rates on loans and saving products have been institutionalized in the bylaws, Ademba (2011). Because of these, SACCOs are forced to refer to the AGM for operational decisions that can be easily made by senior management and hence SACCOs have kept their interest rates below market rates despite higher borrowing costs, stiff competition, fluctuating inflation rates and changing cost structures

SACCOs are required to comply with the standards set by the regulatory body. In Kenya, the ministry of cooperative development and marketing oversees Sacco's activities but this will move to Sacco regulatory Authority (SASRA) established by law. Currently, SACCOs are monitored poorly as there is no annual or frequent examination of SACCOs by the regulatory body. Moreover, there is no comprehensive set of standards by which SACCOs should comply, (Woccu, 2008). It is hence hoped that the new SACCO regulation will establish prudent standards that will govern the SACCO sector. These standards will establish benchmarks and also enforce safety and sound principle to safeguard SACCOs from losses. As financial institutions, SACCOs should be accountable to their members and to the public by enhancing excellence through professionalism, (Ademba, 2011).

Wanyoike, (2013) studied Effect of compliance to Sasra Regulation on financial performance of Saccos and found out that qualifications should be upgraded for managers to have more qualifications. Since this qualification was needed for more performance. The board of directors were also to be trained or elected on professional grounds.

Maintaining competitiveness with much larger rivals demanded that credit unions focus on both efficiency and member/customers satisfaction. While mergers can potentially increase efficiency, they can also reduce member's satisfaction through rationalization of staff and/ or branches and

from the problems in the integration of systems, procedures and technologies, (Ralston *et al* ,2001). Overall, it is submitted that with supervision and regulations passed to FSA, the outlook for credit unions in the UK was better than at any in history. The results of the new regime ultimately led to a strong, secure and professionally run credit union sector, capable of meeting the credit needs of a wide range of persons.

However, it must be noted this did not happen overnight as the move away from wholly volunteer run organizations was not universally popular. The enforced professionalism put a lot of administrative load that led a reduction in number of credit unions, further increasing pressure on consolidation. This however, in the long run, led to a move from long held ethos self help community credit union, to much larger financial service providers, as evidenced by the movement in the USA, ACCOSCA (2008).Credit unions can help social and financial exclusion, however, state bodies must also recognize that they will only be able to help if they prove successful at attracting more members, highly qualified staff. The legislation and regulation must reflect the need to allow credit unions to attract all members of the society, by allowing them to provide competitive, effective, efficient and reliable services preferred by customers.

The governance structure of SACCOs assumes its legitimacy via the votes of its members who surrender their wealth or administration to board of management, (Muchemi, 2005). The board can therefore make or break the wealth acquisition aspirations of the SACCO membership. One way through which SACCOs can improve management financial decisions is through provision of financial education to its members. Broadly defined, financial education encompasses all aspects of our lives and it revolves around the ability and courage to enable us acquires logical wealth acquisition and management skills. If correctly applied, the knowledge can positively impact on the running of these SACCOs. It is therefore important to understand the life cycle of wealth creation and management and its relevance to various stages of Sacco's growth prospects.

2.4 Membership regulation requirements

Amongst the papers presented by Gordon (2002) on cooperatives and wealth accumulation in his preliminary analysis shows cooperatives are the means of quick and sure wealth creation. The concept where by people saves in small amounts to source for an enormous capital to invest hence high returns. Successful cooperatives create wealth and help their members as they join with common goal to a better financial or social welfare. In his study, Gordon found out that in 15 mutual benefit sector cooperatives in California shows that these cooperatives provided

higher wages to their employees than the natural minimum wage. The cooperatives help in wealth creation especially for those who do not have much capital to start up business.

This study concluded that the cooperatives movement curbs poverty amongst the poor as savings helps in drawing a large pool of capital available for investing and issuing loans to members.

Emma and Sam (2009) researched on the topic “Africa Cooperatives and the financial crisis” and concluded that the volatility occurring in global financial markets noted from mid 2007 onwards brought with it serious long-term consequences for the proper functioning of economy. These effects include escalating foreclosures, downsizing of enterprises, and increase in unemployment and volatility in commodity markets. SACCOs were hence directly affected by the crisis since they fight for house hold money markets. As a financial institution, the SACCOs compete with banks, mortgage companies and many other financial service providers.

Kioko (2012) in the studied impact of regulation on performance and he found out that there is need for homogeneous Sacco members to be in line with the trust basis which Saccos relied, his findings were that since Saccos give loans that are guaranteed by members, then there is need for members to have a bond before they can belong to the same union.

The Act requires that all members of a Sacco be homogeneous. This implies that Saccos should be composed of members with the same background and also composed of Kenyans only. A complementary body of research explored the risk shifting incentive that one can infer from the behavior of estimate of safety net subsidies imbedded in individual SACCO stock prices, (Havakimian and Laevan, 2003). These studies show that countries with poor private and public contracting environments are less apt to design their statutory deposit fund scheme systems well. This implies countries with weak contracting environments are apt suffer adverse consequences from installing effective membership in deposit fund schemes.

Financial intermediation among non-members may cause a pyramid effect and hence failure of the corporation. Huppi and Fedder (2010) concluded that the co-operatives served members only and took deposits to ensure loaned members don't default. “Successful group lending scheme work well with groups that are homogeneous and jointly liable for defaults. The practice of denying credit to group members in case of default by one of them is the most effective and least costly way of enforcing joint liability. Another way to encourage members to repay was viewed

requiring mandatory deposit that is reimbursed only when all borrowers have repaid their loans.” Saccos are hence known to be a source of wellbeing to the rural members as they have a limited access to financial services from banks or other financial institutions hence checks should be put to ensure its continuity.

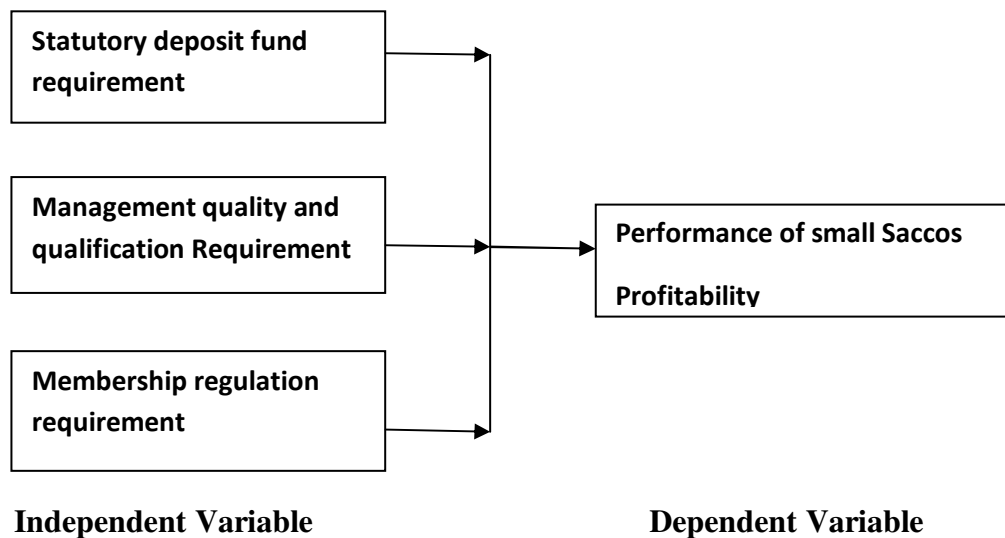
2.5 Conceptual Framework

The conceptual framework interlinks the dependent and independent variables.

The independent variables demonstrates activities that remain unchanged in the study and would include the statutory deposit requirement as a regulation to Saccos that each Sacco submit to the government 10% of the total deposit by members with a minimum of Ksh 10 Million to act as insurance deposit: management qualification and quality requirement that Sacco board of directors must have an understanding of business operations and that the C.E.O’s minimum qualification be a masters degree and good conduct. Finally the membership requirement regulation that dictates that all the members that join a Sacco must be people with the same interest and Sacco can only carry out business with its members.

The dependent variable changes when subjected to independent variables in this case the performance of Saccos financially subjected to the independent variables above.

Table 2.1 Conceptual Framework



Source: Author (2014)

2.6 Summary and Knowledge Gap

In brief the research will focus on wealth creation by Saccos, you mobilize savings and invest together, you have a larger returns (Kioko 2012) reviewed on risk behavior of credit union when a capital is insured (Gordon and McClathey 1999) realized that the credit union became more cautious instead of increasing lending margins. (Huppi and Feder 2010) also analyzed the role of Saccos in rural lending and concluded that they are core source of finance for the unbanked rural majority. (Wanyoike 2013) researched on effect of Sasra regulation on performance deposit taking saccos. Baker (2008) studied on behavior and mortality of credit unions and concluded that the young and small Saccos were growing at a quick rate while the large Saccos were dying off due to pyramid effect. Lastly (Kushik and Lopez 2006) who studied deregulation of credit union in US concluded that deregulation caused Saccos to be more aggressive and hence conformed to the changes in environmental factors.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covered research design, the population of the study, sample frame, sampling procedure and data analysis techniques.

3.2 Research Design

The research problem was studied through survey research design. The research design analyses data and explores the possibility of obtaining as many relationships as possible between different variables without knowing end applications (Panneerselvam and Senthilkumar, (2009). This research design was relevant to this study because it gives insight into the process of obtaining responses from or about all of the members of the population in order to establish as many relationships as possible between the variable of the study as a basis for general findings (Kothari, 2012). The study was therefore able to generalize the findings to a larger population. Survey research clarifies problems, gathers data and creates initial hypothesis and theories about subjects.

3.3 Target Population of Study

According to Ngechu (2004), a population is a well-defined set of people, services, elements, events, group of things or households being investigated. This investigation ensures that population of interest is homogenous. The population of this project comprised of all 11 small licensed deposit taking Saccos Staff in Nairobi County.

3.4 Sampling

According to Mugenda (2003), a sample is a smaller group obtained from the accessible population. The target population for this study will be staff of small Saccos in Nairobi County. Kotler (2001) argues that if well chosen, samples of about 10% of the population can often give good reliability. We will however apply the formula below.

Table 3.1 Sacco Details

SMALL DEPOSIT TAKING SACCOS IN NAIROBI 2014				
NO	NAME	MEMBERSHIP	STAFF	ASSETS
1	NASSEFU	3,327	9	980,966,412
2	WANAANGA	2,477	12	911,362,906
3	NATION STAFF	1,853	6	739,225,893
4	MWITO	5,244	8	726,611,777
5	COMOCO	2,878	4	526,354,722
6	FUNDILIMA	1,712	10	514,418,862
7	KENVERSITY	2,409	7	454,657,971
8	AIRPORTS	1,432	5	352,286,343
9	KINGDOM	5,856	19	293,820,393
10	NAFAKA	1,151	6	281,793,770
11	ORTHODOX	2,730	7	62,840,379
	TOTALS	31,069	93	

Source: Author (2014)

$$n = N / 1 + N(e)^2$$

Hence sample size will be $n = 93 / 1 + 93(e)^2 = 75.46$

The study will use 75 as the sample size in the study.

3.5 Data Collection Methods

The main data collection method chosen for this project was a questionnaire. According to Pannererselvam and Senthilkumar, (2005), a questionnaire consists of a set of well formulated questions to probe and obtain responses from respondents. The questionnaire for this project was designed to gather information relevant to the research questions and to be administered to the population under study. The study used secondary data of Sacco on performance available from Sasra.

3.6 Reliability and Validity of Data Collection Instrument

According to Shanghverzy (2003), reliability refers to the consistency of measurement and was assessed using the test-retest reliability method. Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform procedures. According to Sekaran (2003), validity is the degree by which the sample test item represents the content the test is designed to measure. Content validity which was employed by this study measured the degree to which data collected using particular instrument represents a specific domain or content of a particular concept.

3.7 Data Analysis Techniques

The data analysis techniques for the study involved editing of raw data to detect errors and omissions, coding of responses, classification of data with common characteristics and tabulation. Tabulation was the process of summarizing raw data and displaying the same in compact form for further analysis (Saunders, 2009). The summarized data was analyzed using descriptive and inferential statistics. Descriptive statistics include mean, median, standard deviation and frequency distribution while inferential statistics will involve use of regression analysis and correlations Z-score and Chi-square test for goodness of fit of an observed distribution was also used. In addition, computer application of SPSS software was used to analyze data.

3.8 Ethical Considerations

Throughout the study, the researcher maintained confidentiality in the information and data collected. A full disclosure on the purpose and usage of data was given on the use of institutional data.

CHAPTER FOUR

ANALYSIS, PRESENTATION AND DISCUSSION

Introduction

In this section, findings of the study were presented, analyzed and discussed in line with other researchers work.

4.0.1 Baseline Characteristic of Data

Table 4.0.1 Baseline Characteristic of Data

Variables	Classification	Frequency	Percent	Valid Percent	Cumulative Percent
Position Held	Manager	4	11.1	11.1	11.1
	Staff	32	88.9	38.9	88.9
	Total	36	100	100	100
Duration of association with the Sacco	Below 1 year	10	27.8	27.8	27.8
	1-5 years	15	41.7	41.7	69.4
	5-10 years	8	22.2	22.2	91.7
	>10 years	3	8.3	8.3	100
	Total	36	100	100	

Source: Research data 2014

The modal number of the period that the respondents have worked in Sacco sector was below one year with a mean of 2.11 and the middle age being 6 years of work experience. The ordinary staff accounted for 89% of the total responses with 11% being managers.

Table 4.0.2 Tests of normality

		Position Held in Sacco	Number of Years in Sacco Movement	Do you think Sasra regulation will affect Sacco performance
N	Valid	36	36	36
	Missing	0	0	0
Mean		2.3889	2.1111	1.7500
Skewness		-.691	.472	.533
Std. Error of Skewness		.393	.393	.393
Kurtosis		-.590	-.496	-1.606
Std. Error of Kurtosis		.768	.768	.768

Source: Research data 2014

4.0.2 Test of Data Reliability: Cronbach alpha

Table 4.0.2 Test of Data Reliability: Cronbach alpha

		N	%
Valid		9	25.0
Cases	Excluded	27	75.0
Total		36	100.0

a. Listwise deletion based on all variables in the procedure.

Reliability Statistics

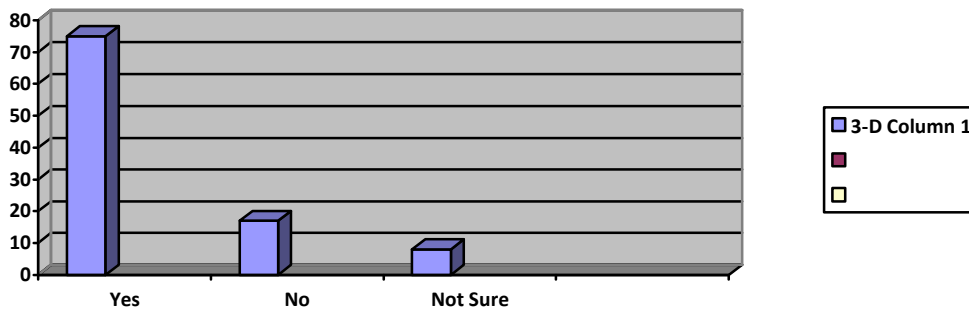
Cronbach's Alpha	N of Items
.618	40

Source: Research data 2014

Preliminary data was gathered by administering a pilot questionnaire to 10 respondents. The questionnaire was then re-administered to them after 2 weeks to test for reproducibility. Cronbach's alpha was used to test the reliability, the values for the components evaluated under the disparate variables ranged from 0.82 to 0.89 with an overall Cronbach's alpha of 0.8 showing good reliability.

4.0.4 Support for direct regulation by government in SACCOS

Table 4.0.3 Support for direct regulation by government

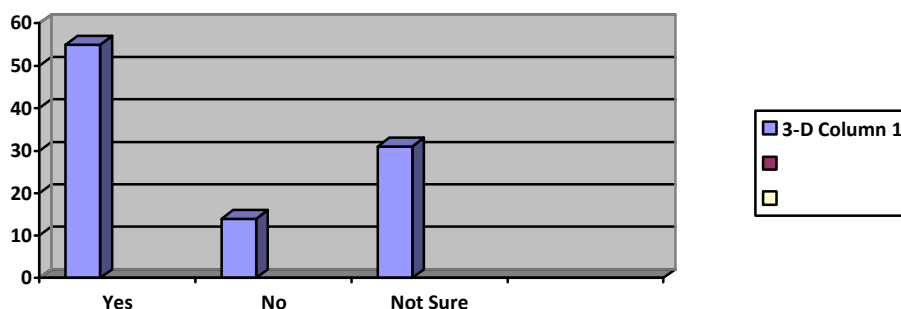


Source: Research data 2014

Table 4.0.3 above shows that of those interviewed, 75% support the introduction of Sacco regulation 17% do not support it and 8% are not sure. This shows that the regulation has high support in the Sacco fraternity and that hence the regulation proves to be good for Sacco management.

4.1 Effect of statutory deposit fund requirement on performance of small Saccos in Kenya

Table 4.1.1 statutory deposit requirement affect on small Sacco performance



Source: Research data 2014

Of those who responded 55% of them agreed that the regulation affects Sacco performance while 13.95 Disagreed. 30.6% were however unsure.

Table 4.1.2 Effects of Statutory deposit factors

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Totals
Effect of Statutory deposit requirement on Sacco liquidity	44.40%	33.30%	19.40%	2.80%	0.00%	100.00%
Statutory Deposit regulation increase the amount of deposit	23.50%	36.50%	7.60%	23.50%	8.80%	100.00%
Statutory deposit fee is not affordable to small Saccos	29.40%	20.60%	14.70%	20.60%	14.70%	100.00%

Source: Research data 2014

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.431 ^a	6	.377
Likelihood Ratio	7.067	6	.315
Linear-by-Linear Association	.006	1	.936
N of Valid Cases	36		

a. 9 cells (75.0%) have expected count less than 5. The minimum expected count is .11.

Table 4.1.2 above shows that 77% of those interviewed agree that the statutory deposit requirement affects liquidity while 20% were neutral the remaining percentage said that it had no effect.

Table 4.1.2 above shows that of the interviewed 23% of them strongly agree that the regulation increased members deposit and 36% others also agree while 23% of them also disagree that and 8% strongly disagree. However 7% were neutral.

Half of those interviewed agree that the statutory deposit is not affordable to small Saccos 20% of them disagree while 14% strongly disagree and 14% were neutral.

The findings above are in agreement with (Fischer & Cueveas, 2006) who found out that insurance funds introduction does affect growth in credit unions and that it bolsters depositor's faith in stability of Saccos. Our findings that deposits in the Saccos increased after introduction of statutory deposit requirement (with 56% being in agreement) is in line with this study that was done in Europe.

Table 4.1.3 Chi-Square Tests Effect of Statutory regulation on the amount of deposit

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.712 ^a	8	.047
Likelihood Ratio	17.839	8	.022
Linear-by-Linear Association	5.340	1	.021
N of Valid Cases	34		

a. 15 cells (100.0%) have expected count less than 5. The minimum expected count is .35.

Half of the managers interviewed agree that the statutory deposit is not affordable to small Saccos as shown above; the significance level was about 4.7% showing that there is not much difference between expected and observed findings

4.1.4 Spearman rank correlation on the relationship between statutory deposit factors

		Liquidity	Deposit	Cost Increase	Affordability	Profit
Statutory deposit requirement effect on liquidity	C. Coefficient	1	.540**	.372*	.511**	0.229
	Sig. (1-tailed)	.	0	0.015	0.001	0.097
	N	36	34	34	34	34
The regulation has lead to increase in the amount of deposits	C. Coefficient	.372*	1	0.162	.341*	0.263
	Sig. (1-tailed)	0.015	0.18	.	0.024	0.067
	N	34	34	34	34	34
Statutory deposit has increase cost of operations	C. Coefficient	.511**	.407**	1	.341*	.438**
	Sig. (1-tailed)	0.001	0.008	0.024	.	0.005
	N	34	34	34	34	34
Statutory deposit fee amount is not affordable to small Saccos	C. Coefficient	0.229	.410**	0.263	1	.438**
	Sig. (1-tailed)	0.097	0.008	0.067	0.005	.
	N	34	34	34	34	34
Profitability of the Sacco	C. Coefficient	-0.151	-0.206	0.073	-.433**	1
	Sig. (1-tailed)	0.2	0.129	0.345	0.007	0.038
	N	33	32	32	32	32

Source: Research data 2014

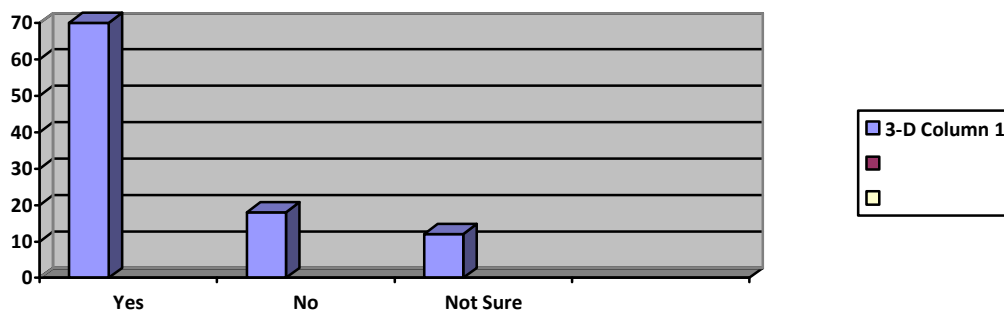
Table above, there exist high correlation among the various statutory deposit and their effects on Sacco performance. This correlation among various factors demonstrates that statutory deposit was significant correlated to factors evaluated. Strong correlation of 97% confidence level were noted.

Statutory deposit fund requirement is a sum deposited for security to a regulator. In this study, the introduction of this regulation has had an effect on Sacco performance. The increase in deposits increased liquidity and hence an increase in loaning activity. This is contrary to (Gordon & McClatchy, 1999) research on behavior change after introduction of reserve deposit on credit unions. Their findings were that the unions did not increase risk taking behavior as they had hypothesized. This implies that credit unions did not switch to a frenzy of issuing loans even though the savings were insured and would be compensated in any eventuality.

The effect caused by transfer of money to the government has increased confidence in Saccos and hence improved liquidity. This is in agreement with (Folkerts & Lindsen, 1998) who found out that in case of financial problems of financial institutions with public insurance (fund) pushes government to bailout and hence security is high and difficult for government to resist helping out as stakeholders are of public in nature.

4.2.1 Effect of management qualification on the performance of small Saccos in Kenya

Table 4.2.1 management quality and qualification requirement



70% of those interviewed did support the introduction of management quality requirement 18% were however against the regulation and 12% were not sure. A chi-square test is presented.

The management qualification and quality requirement was supported by most of those interviewed. It was their opinion that such management would improve performance. This is in

agreement with (Andrew, 2008) who found out that ultimately the credit unions became strong, secure and professionally managed. A policy framework on new management was introduced in Europe which led to growth in the sector and emergence of strong credit unions capable of meeting credit of a wide range of persons.

Table 4.2.2 Management quality and qualification requirement factors

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Totals
Managers give quality service to Saccos	31.40%	37.10%	17.10%	5.70%	8.60%	100.00%
Managers qualification is important for Saccos performance	52.90%	11.80%	0.00%	5.90%	29.40%	100.00%
Management quality and requirement is of more benefit compared to cost	11.80%	29.40%	11.80%	29.40%	17.60%	100.00%
Qualified managers are expensive for small Saccos	32.40%	17.60%	17.60%	14.70%	17.60%	100.00%

Table 4.2.2 above shows that 68% of those interviewed agree that qualified managers give quality service to Saccos. 17% were however neutral with 15% being in disagreement. Management qualification has also been rated highly on performance with 63% of those interviewed agreeing and no one was neutral. 29% however disagree and further 17% strongly feel that qualification does not necessarily cause improved performance.

Of the respondents interviewed 40% agree that management quality is of more benefit compared to cost, 11% are neutral. However 29% disagrees with this position and a further 17% strongly disagree.

Table 4.2.2 above show that 32% of those interviewed strongly agree that the qualified managers are more expensive for small Saccos with further 16% being in agreement. 17% however strongly disagree with further 16% disagree and another 17% were neutral.

4.2.6 Spearman rank correlation on the relationship between management quality and qualification.

Table 4.2.3 Spearman rank correlation on the relationship of factors

		Quality service	Qualification	Cost Benefit	Affordability
Managers give quality service to Saccos	C. Coefficient	1	.625**	.348*	0.22
	Sig. (1-tailed)	.	0	0.02	0.11
	N	35	33	35	33
Managers qualification is important for Saccos performance	C. Coefficient	0.076	1	0.235	0.088
	Sig. (1-tailed)	0.334	0.211	0.091	0.316
	N	34	32	34	32
Management quality and requirement is of more benefit compared to cost	C. Coefficient	.291*	.342*	1	0.189
	Sig. (1-tailed)	0.048	0.028	0.152	0.15
	N	34	32	34	32
Qualified managers are expensive for small Saccos	C. efficient	.325*	0.253	0.162	1
	Sig. (1-tailed)	0.031	0.081	0.179	0.299
	N	34	32	34	32

As indicated above the various factors associating with management quality requirement was analyzed. A result demonstrates that management performance has a significant correlation with all the factors evaluated. Manager’s ways of handling issues was highly pegged on their qualification as shown in the table above. Profitability of the Sacco was also highly correlated with management performance. Strong correlation of 95% confidence intervals was noted between the variables

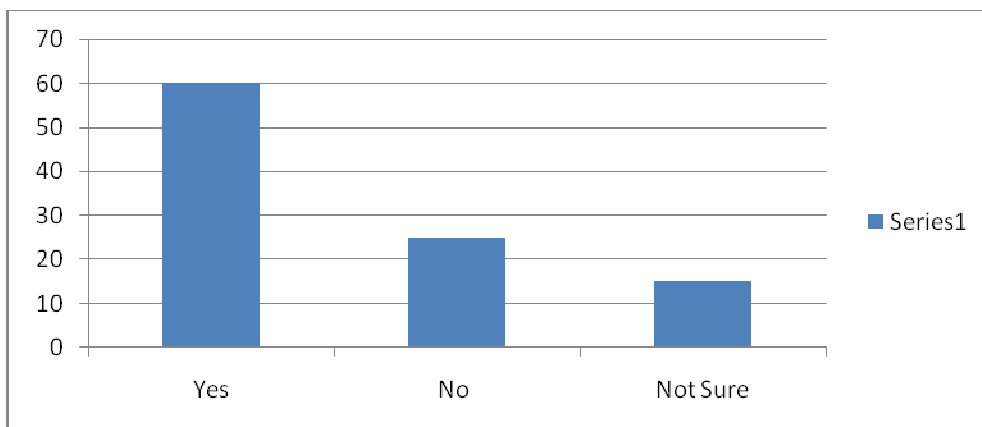
The findings on efficiency and timeliness of qualified managers are in concurrence with Ralson et al (2001). The study found out that professionally run credit unions were stronger and more flexible unlike member run unions. Also on performance, the qualified managers are perceived to be more productive than their counterparts.

On strength of previous structures to enable smooth running of Saccos, the study was in contradiction with (Ademba, 2011) as he found out that AGM was a tool of final decision making and board of directors as capable of running the Saccos. Most of those interviewed said that the previous structures were weak or poor.

The study on qualification of managers was similar to Wanyoike (2013) as she found out that qualifications should be upgraded for managers to have more qualifications. This study found out that the management performance directly links with their qualification with 63% being in agreement that the qualified managers were performers.

4.3.1 Support for the introduction of membership requirement by SASRA

Table 4.3.1 Support for the introduction of membership requirement



Source: Research data 2014

Of the respondents 60% of them support the introduction of membership requirement 25% were against the regulation and 15% are not sure.

The study shows that 60% of the respondents support the introduction of membership requirement that seeks to give Saccos homogeneous members, this is in agreement with (Gordon, 2002) whom in his study for better financial and social welfare, cooperatives should use common membership or goal oriented people to enhance wealth creation and more capital investment. This henceforth means that the regulation proposed will help in growing Saccos both in financial and profitability terms.

Table 4.3.2 Chi-Square Tests on support of the membership requirement

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.976 ^a	4	.562
Likelihood Ratio	3.655	4	.455
Linear-by-Linear Association	2.090	1	.148
N of Valid Cases	34		

a. 7 cells (77.8%) have expected count less than 5. The minimum expected count is .71.

4.3.1 Membership requirement factors

Table 4.3.3 membership requirement factors

	SAgree	Agree	Neutral	Disagree	SDisagree	Total
Membership requirement has improved quality of service to members	34.30%	31.40%	14.30%	14.30%	5.70%	100.00%
Membership requirement has reduced mismanagement through close monitoring	17.10%	42.90%	14.30%	17.10%	8.60%	100.00%
The membership regulation is Punitive to expansion of Saccos	3.00%	12.10%	15.20%	6.10%	3.00%	39.40%

Source: Research data 2014

Table 4.3.3 above shows that 65% of those interviewed agree that membership requirement has improved services to members, 14% are however neutral with 5% strongly disagreeing and further 14% disagree.

Also of the interviewed 8% strongly disagree that membership requirement has reduced mismanagement through close monitoring with 59% strongly agree with this position while 15% are neutral.

As per the table 4.3.3, 42% of those interviewed think that the membership requirement is punitive to Sacco expansion, 15% of the members however agree with this position with 6% being neutral.

The membership requirement however received minimal support by those interviewed. Most of them viewed the regulation as punitive as it works to reduce Sacco members and Sacco liquidity and earnings. This is in concurrence with (Huppi and Fedder, 2010) who concluded that Saccos have a pyramid effect and working to alter the pyramid shape at any level may lead to failure of the Sacco.

Huppi and Fedder, (2010) also concluded that regulation of members will lead to reduction in default rate as familiar members will self-regulate. This is in contradiction with this study finding as the loan default was not reduced by the membership regulation requirement as it was expected that members would push each other to meet obligation as the failure of one member costs the others.

The study also found out that the membership requirement has not led to reduction of mismanagement. Close monitoring from 'members only' Saccos were expected to lower level of mismanagement. This is in line with (Muchemi 2005) whom in their study concluded that the one member one vote, the structure works to strengthen management and decision making and hence make or break the wealth acquisition aspiration of members by prudential board of management.

4.3.8 Hypothesis Testing

Ho₁: Statutory deposit fund requirement has no effect on performance of small Saccos in Kenya.

Regression results revealed that statutory deposit fund has effect on performance of small Saccos (β 0.532; P value 0.014 and a t value 1.756) thus the null hypothesis had to be rejected. This implies that this factor has a direct effect on performance of small Saccos.

Ho₂: Management qualification and quality has no effect on the performance of small Saccos in Kenya.

Regression results revealed that management qualification and quality has greater effect on performance (β 0.605; P value 0.009 and t value 6.231) and hence the null hypothesis was rejected. This implies that this factor has a direct effect on performance of small Saccos.

Ho₃: Membership regulation requirements has no effect on performance of small Saccos in Kenya.

Regression results revealed that membership regulation requirement has effect on performance (β 0.788; P value 0.019 and t value 3.762) and hence the null hypothesis was rejected. This implies that the factor has a greater effect on performance of small Saccos.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

In this section, summary, conclusion recommendation will be presented.

5.2 Summary of the findings

To summarize findings, it can be argued that Sacco performance will improve with implementation of the Sasra regulations. The Sacco fraternity has embraced the new rules and a large number of members support the regulation saying that it improves performance.

Most of the respondents on statutory deposit fund recognize that the regulation will highly affect Sacco performance. Profitability will increase, liquidity will increase, loans issued will increase and savings deposited will increase. This shows that the regulation has a positive effect on performance.

Also on the management quality and qualification, most of the respondents said that benefits arising from use of qualified staff surpass the cost incurred in a tradeoff. Members showed confidence in qualified managers based on performance, customer satisfaction and problem solving ability. The cost aspect however was a qualm as most of the respondents said that the new qualified and quality requirement by Sasra on Saccos was not affordable.

Lastly on membership regulation requirement received strong support from respondents. They were also of the view that the regulation will improve quality of service but others saw the regulation as punitive to the growth of small Saccos. Most of those interviewed also said that the regulation has reduced mismanagement and hence would lead to improved performance.

5.4 Conclusion

The study has found out that the Sacco regulations have highly affected Sacco performance. Savings deposit requirement has improved confidence of members and hence lead to increase in savings which makes the Sacco more liquid to issue more loans and hence more profitable.

Management qualification requirement has made Sacco operation efficient and timely. The cost is however high and unaffordable to small Saccos but the tradeoff is positive. Saccos are hence advised to adopt the regulation but try to lobby for more fair regulations through legislation and advocacy to ensure maximum benefit for the client.

The membership requirement however has led to the reduction in the number of Sacco members and hence reduced deposits and business, making the Saccos less profitable. This is seen as a punitive measure to Sacco sector and hence emphasis needs to be concentrated to enable growth. Based on these findings, the study concludes that all these were important variables of the study that need to be addressed.

5.4 Recommendations

In line with the study the following recommendations are made;

The statutory deposit requirement is important and hence Saccos should move to join to insure its client's deposits. The other small Saccos that view the deposit as out of reach should look for others and merge to be able to comply with the regulation and avoid deregistration.

The management qualification requirement is also found to be expensive to small Saccos. Such Saccos should move with speed to be compliant as the benefits outweigh costs. The Saccos can also petition Sasra to review its management qualification requirement as some managers produce results although they do not fulfill Sasra specifications.

On membership requirement the Sacco movement should lobby to have the requirement amended as it is punitive and has led to the reduction in Sacco members and also loss of business for Saccos.

5.5 Further Research

The main objective of the study was to establish the impact of savings deposit, management quality and qualification and membership requirement on performance of Saccos.

The findings were limited to liquidity, cost, profitability and savings deposit/ loan issued. More research needs to be done on other performance indicators and other various research tools not used in this study.

REFERENCE

- Ademba Carrilus. (2011). *Challenges facing Sacco Regulation in Africa*. 11th SACCA Congress: Swaziland. 12 (1). 42-48.
- ACCOSCA. (2010). *History of Sacco Movement in Kenya*. Retrieved on 13 September 2012 from <http://www.WOCCU.org/about/creditunion> (accessed 12/02/2014)
- ACCOSCA. (2008). The facts about Saccos in Africa. Saccos in Brief *Quarterly Publication* <http://www.WOCCU.org/about/report/local> (accessed 14/02/2014)
- Andrew Baker. (2008). *Credit Union Regulation and financial service Authority: Less is more, but better*. International journal of law and management, Vol. 50:155:66pp .301-315.
- Arturo Bris and Cantale Salvatore. (2004). Bank capital requirements and managerial self-interest. *The Quarterly Review of Economics and Finance*, 2004 (online)
- Be'roff Rene'e Chao (2008). *Regulation and Supervision of Member-Owned Institutions in remote rural areas*. Ford Foundation.
- Chebor Moses. (2008). *Understanding Co-operative movement and its value*. Green line Publishers. Nairobi Kenya. Greenline Publishers.Nairobi.Kenya.
- Cunningham Lawrence A. (2007) A Prescription to Retire the Rhetoric of 'Principles-Based Systems' in Corporate Law, Securities Regulation and Accounting
- Cull Robert, Senbet Lemma and Surge Marco,. (2005). *Deposit Insurance and Financial Development of Credit Unions*. Journal of Money, Credit and Banking 37: pp 43-82.
- Co-operative bank. (2010). Co-operative sector Changes and adaptation today. (online) www.co-opbank.co.ke 3/4/2014
- Demirguci Kunt and Ross Levine. (2007). *Determinants of Deposit Insurance Adoption and Design in Credit Unions*. Journal of financial intermediation of Credit Unions. 143-148.
- Demiurgic Kunt. (2002). *Does Deposit Insurance Increase Credit Unions Stability? An Empirical Investigation*. Journal of Statutory Deposit and Financial Crisis 43: pp 749-761.
- Demirguk Kunt and Huizinga Ioannidou. (2004). *Market Discipline and Deposit Insurance for Credit Unions*. Journal of Monetary Economics and effects on C Unions 51: pp 375-399.
- Donald R Cooper & Pamela S. Schindler. (2006). *Business Research Methods*. 9th Edition. New York. McGraw Hill Company.
- www.sml.hw.ac.uk/social_enterprise/Report/credit_Unions. Retrieved on 18.10.2014.
- Drake Ford (2002). *Coordinating policies and powers to reduce social exclusion*". The Welsh Approach to credit Union Development: the Wale Law Journal, Vol.1 No.3 pp. 246-55.

- Dernirguc Kunt, Edward Kane and Luc Laven (2007) *Measuring financial inclusion and reaction to changes*.
- Ebonyi V and Jimoh O. B. (2002), *Survey of the performance of agriculture cooperatives*.
eujournal.org/index.php/esj/article/viewFile/4/4/2014
- Emma Allen and Sam Maghimb. (2009) *African Cooperatives and the Financial Crisis*.
International Labor organization.
ideas.repec.org/a/eee/jbfina/v23y1999i1p105-134.html
- Fischer Klaus P. and Cuevas Carols E. (2006). *Co-operative financial institutions: issues in governance, regulation and supervision*. World Bank Working Paper no 82.
- Folkerts Laundau D and C. J Lindgren. (1999). *Towards a framework for financial stability*. World Economic and Financial Survey, IMF Washington DC, USA.
- Grimes K. M. and Milgram B. L. (2000). *Artisans and cooperatives: Developing alternative trade for the global economy* (p. 85-106). Tucson, AZ: University of Arizona, p. 102
- Gordon V. Karels (2002). *Deposit Insurance and Risk taking behavior in Sacco Industry*.
Interaction Book Company.
- Gordon V. Karels & McClatchey Christine A. (1999). Deposit insurance and risk-taking behavior in the credit union industry. Federal Reserve Bank of Atlanta working paper 2001-10, *Journal of banking and finance (online)*
- Gutherie Graeme, Evans J and Lewis T. (2002) *Dynamic Theory of Cooperatives: The Link between Efficiency and Valuation*. *Victoria University of Wellington - School of Economics & Finance*
http://papers.ssrn.com/sol3/papers.cfm?abstract_id=367381 17/07/2014
- Grossman Sanford J. and Hart D. Olive. (2002). *One share-one vote and the market for co-operate control (online)*
eduJ Lee - w4.stern.nyu.ed
- Havakimniet N and Laevan J. (2003). *How Country and Safety net Characteristics affects credit unions Risk shifting*. *Journal of financial service research* 23 (3): pp 177-204.
- Honohan Bardo and L Klingebiel. (2003). *Controlling costs of financial crisis through blanket guarantee*. *Journal of Banking and Finance* 27: pp 1539-1560.
- Huppi Monika and Feder Gershon. (2010). The role of groups and credit cooperative in rural lending. *Oxford journals (online)*

- International Cooperatives Alliance ICA. (2013) Cooperatives and sustainable development goals
- International Cooperatives Alliance ICA. (2008) A report on the progress of credit unions in sub Sacco Regulatory Framework Workshop.Silver Springs Hotel.Nairobi.Kenya.
- KUSCCO LTD (2010).*The history of Sacco movement in Kenya since early 1900*. Sacco star issue 10. Color print media, Kenya.
- Kuscco ltd (2012, May 15).*Sacco Regulation Bill*.(Sacco Star Magazine).Pg 3-8.
- Kumar Anjali, Paula Pertunen and Terry Mchuppe. (1997). Regulation of non-banking financial institutions. *World Bank Discussion Paper no 362*.
- Kioko Kilonzi Benson. (2012) Impact of regulation on the financial performance of Saccos in Kenya. A case study
<http://erepository.uonbi.ac.ke/bitstream/handle/14/06/2014>
- Kothari C. R. (2012). Research Methodology Methods and Techniques, New Age International publishers. Edition: 2nd ed.Publisher. New Delhi New Age 1990
- Kotler Armstrong G. F. (2007). *Marketing, An introduction 8th Ed*, USA: Pearson Education
- Kaushik Surenda K. and Lopez Raymond H. (2006).The structure and growth of credit union industry in United States: meeting challenges of the market. *Journal of Retail Banking.(online)*
- Levine R Zervos. (2007).*Financial Development and Economic Growth of credit Unions*.Views and Agenda. Journal of Economic Literature 35:pp688-726.
- Lewis Charles. (2009). Cooperative Democracy, Consumers Cooperative Societies. *Manchester: The Cooperative Union Limited, 1921*, pp. 192-203.
- McKilliopet D. (2003). “*Credit Unions in Britain*”*A time for Change*”.Policy Management for regulation of Credit Unions. April, pp 1-5.
- McKillop D, Glass J. and Ferguson C. (2002).“*Investigating the growth and performance of UK Credit Unions using radical and non-radical measures*”. Journal of Banking and finance, Vol.26 No.8 pp.1563-91.
- Mugenda Olive and Mugenda A. (2003). *Research Methods quantitative Approach*. Laba Graphic Graphic Services Publishers. Nairobi.
- Mugambwa John. (2006), *The saga of the co-operatives movement in Paupua New Guines*.
- Mugambwa John. (2012) *The nature and composition of a basic Cooperative*
- Muchemi Kuria Allan. (2005).*Customers Retention Strategies in SACCOS*. A case Study of Selected SACCOS in Kenya. Nairobi.

- Mahmoud S. Mohieldin & Wright Peter. (2000). *Formal and informal credit markets in Egypt*. Center for Economic and Policy Research. University of Nottingham.
- Njuguna Peter (2012). *Impact of Sacco regulation on collection by Saccos*. 2012 Accosca Sacca Congress Uganda.
www.accosca.org/index.php?option...81:impact-of-sacco
- Ngechu. M. (2004), *Understanding the research process and methods. An introduction to research methods*. Acts Press, Nairobi.
- Odido Hillary. (2008) *Peace and social well-being are not only relevant to cooperatives but co-operatives are relevant to the peace making*
- Ochanda Muko. (2013) *East African Counter Human Trafficking Efforts in Economy Enterprise and Livelihoods, Kenya, Poverty, Social entrepreneurship, Third Sector and Social Economy*
<http://consolationafrica.wordpress.com/01/04/2014-the-international-year-of-cooperatives> (July 17 2014)
- Onuoha E Budden. (2002). A Critique of the draft of cooperative policy for Nigeria. *Nigerian Journal for cooperative studies*, 2 (1); 10-17
- Panneerselvam and Senthilkumar, 2009 Project Management. *PHI Learning Private Limited*
- Poyo G. D Wesley. (2003). *Development without Dependence*. Financial Repression and Deposit mobilization amongst credit Unions in Honduras. Published PhD desertion, Department of Economics. Syracuse University, Syracuse. New York.
<http://www.qbase.co.in/pu/profile/dr-r-panneerselvam> 17/07/2014
- Prinz Michael PD. (2002). The cooperative idea. Universitaet Bielefeld. (1847). *Journal of banking and finance*.
- Pille Peter & Paradi Joseph C. (2002). Financial Performance Analysis of Ontario (Canada) Credit Unions: An application of DEA in Regulatory Rnviroment. *European Journal of Operation Research* (2002).
- Michael Porter, Nicholas Argyres and Anita M. McGahan (2008) "An Interview with Michael Porter", The Academy of Management Executive.
http://en.wikipedia.org/wiki/Porter_five_forces_analysis 17/07/2014
- Report of the 10th Annual Trades Union Congress in Leicester, WomenJournal (2013).
- Ridley-Duff Rory, (2009). *Cooperative Social Enterprises: Company Rules, Access to Finance and Management Practice*. *Social Enterprise Journal*, Vol. 5, Issue, 1, 2009.
- Rubambey Grace C. (2005) Policy on regulation and supervisory environment for microfinance in Tanzania. *Essay on regulation and supervision*. (online)

www.microfinancegateway.org/gm/doc/files_tanzania (accesed Jan 6 2014)

- Ralston D, Wright A and Garden K (2001). *Can mergers ensure the survival of Credit Unions in the third Millenuim*: Journal of Banking and Finance. Vol.25, pp 2277-304.
- Saunders A (2009). *Financial Markets and Industrialization*, Tata McGreaw-Hill Publishing Company, New Delhi.
- Smith David and Stephen Woodburg. (2010) *Withstanding a Financial Firestorm*. Credit union Vs Banks. Filane Research Institute ISBNB 978-1-932795-93-6 USA
- Shanghverzy T. (2003). Market and community as strategies for change. In A. Hargeaves, A. Lieberman, M. Fullan & D. Hopkins (Eds.), *International handbook of educational change (Vol. 1)*, Dordrecht: Kluwer Academic Publishers, 576-595
- Sekaran U. (2003). *Research methods for business* (4th ed.). Hoboken, NJ: John Wiley & Sons.
- Schram Susan Ph.D. (2010) *Cooperatives: pathways to Economic, Democratic and Scoical development*. Global Economy OCDC 1069 *West Broad Street, Street 763 Falls Church, Virginia*.
- The Journal of the Royal Agricultural Society of England Volume the Second, By Royal Agricultural Society of England (2013).
- University of California, Davis (2001). *Cooperative History*. Department of agriculture and resource economics. (online)
<http://www.cooperatives.ucdavis.edu/whatis/index.htm> (accessed 5 Jan 2014)
- Vieta Marco (2010) "The New Cooperativism" in Affinities: A Journal of Radical Theory, Culture, and Action, Vol. 4, Issue 1, 2010
- Vanek J. (2012) *The Participatory Economy: An Evolutionary Hypothesis - A Strategy for Development*. Ithaca, NY: Cornell University Press, 2013.
- Wanyoike Serah Wangui. (2013) Effect of compliance to Sasra Regulation on financial performance of Saccos. A survey of Deposit taking Saccos.
<http://ir.kabarak.ac.ke/bitstream/handle/sequence=1&isAllowed=y> 21/06/2014
- WOCCU.(2008). *"Statistical Report on Credit Unions."* available at:
www.WOCCU.org/publications/statereport, (accessed 4 Dec 2013).
- World Bank (2004) *Deposit Insurance- Reform supported by the World Bank during the period 1933-2004*. Mimeo Operation Evaluation. The World Bank Washington DC.
- Zeuli Kimberly and Robert Cropp. (2004) *Principles and practice of Co-opratives in 21st century*. Wisconsin Publishing R-08-2004

QUESTIONNAIRE

SECTION A.

BIO DATA

Name:.....

Sacco Name.

Nassefu Wananga Nation Staff Mwito Comoco Fundilima
Kenversity Airports Kindom Nafaka Orthodox

Position held in Sacco

Manager

Staff

Number of years in Sacco

Below 1 year

1-5 years

5-10 years

Above 10 years

SECTION B

Statutory deposit requirement.

a. Do you think the statutory deposit requirement by regulator will affect Sacco's performance?

Yes No Not sure

Please tick the most appropriate opinion using the scale provided below.

1 – Strongly Agree 2 – Agree 3 – Neutral 4 – Disagree 5 – Strongly Disagree

		1	2	3	4	5
1	The statutory deposit fee has affected Saccos Liquidity					
2	The regulation has lead to increase in the amount of savings					
3	Statutory deposit requirement has lead to increase in cost of operating Saccos					
4	Statutory deposit fee amount is not affordable to small Saccos					

b. What effect does statutory deposit fund have on the activities listed below in your Sacco?

		Increased	No Effect	Reduced
1	Liquidity of the Sacco			
2	Loans Issued by the Sacco			
3	Savings deposited by members			

c. What are the other effects of statutory deposit requirement?

.....

SECTION C

Management Quality and Qualification

a Do you support the introduction of management quality and qualification requirement?

Yes No Not sure

b. Please tick the most appropriate opinion using the scale provided below

1 – Strongly Agree 2 – Agree 3 – Neutral 4 – Disagree 5 – Strongly Disagree

		1	2	3	4	5
1	Managers give quality service in Saccos					
2	Managers qualification is important for Saccos performance					
3	Management quality and qualification requirement is of more benefit compared to its cost					
4	Qualified managers are expensive for Small Saccos					

c. What effect has the management quality and qualification had on the following activities in Saccos?

		Increased	No Effect	Decreased
1	Cost of Operations			
2	Financial Liquidity			
3	Profitability of the Saccos			
4	Members confidence in Sacco			

d How can you rate previous governance structures of Saccos?

Excellent Good Fair Poor

SECTION D

Membership requirement.

a Do you support the introduction of membership regulation requirement by Sasra?

Yes No Not sure

b. Please tick the most appropriate opinion using the scale provided.

1 – Strongly Agree 2 – Agree 3 – Neutral 4 – Disagree 5 – Strongly Disagree

		1	2	3	4	5
1	Membership requirement has improved quality of service to members					
2	Membership requirement has reduced mismanagement through close monitoring by members					
3	The membership regulation is punitive to expansion of Saccos					

c. How does membership requirement affect the activities listed below in your Sacco?

		Increased	No Effect	Reduced
1	Liquidity of the Sacco			
2	Loans Issued by the Sacco			
3	Savings deposited by members			
4	Number of Members in the Sacco			

d. What other effects do you think membership requirement has on Saccos performance?

.....

e. What else do you think the sacco regulation has achieved to date?

.....

f. Do you support direct regulation by government on Saccos?

Yes No Not sure