

ASSESSMENT OF THE EFFECTS OF PERFORMANCE MANAGEMENT PRACTICES ON PROVISION OF FINANCIAL SERVICES BY SAVINGS AND CREDIT COOPERATIVE SOCIETIES: A CASE OF GUSII MWALIMU SACCO, KISII CENTRAL DISTRICT, KENYA

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Abstract

Gusii Mwalimu SACCO Society is a member owned and controlled Savings and Credit Society. It offers a diversity of financial services which include loaning; members' welfare fund; risk management fund; credit facilities; and savings facilities. Reports from Kenya Union of Savings and Credit Cooperative Society indicated that membership in the SACCO was declining due to: delay in loan disbursement, poor ATM services, inadequate variety of FOSA services, inefficient BOSA services, and inadequate credit facilities. If this trend continued, it could impair the financial position of the SACCO, cause redundancy of workers, and suffering of clients. The main objective of the study was to assess the effect of performance management practices on provision of financial services by SACCOs. The study adopted a descriptive research design. The target population comprised 1012 members of the SACCO. The study used stratified and random sampling criteria to obtain a sample of 152 respondents. Semi-structured questionnaires were used to collect both quantitative data and qualitative data. Data were analyzed using descriptive statistics such as frequencies and percentages. Regression analysis and Pearson Correlation were used to establish the strength, direction and significance of the relationship between performance management practices and provision of financial services. Data were presented using tables and charts. The study concluded that SACCO management should put specialization into practice for efficiency and effectiveness. These research findings can provide useful knowledge to academicians, researchers, and SACCOs to improve their management practices.

Key words: Front office savings account, back office savings account

51 Introduction

The study concerns an assessment of the effects of performance management practices on provision of financial services by savings and credit cooperative societies: a case of Gusii Mwalimu SACCO, Kisii Central District, Kenya. Literature review from secondary sources such as books, journals, articles, and other publications have been cited for the study.

1.1 Background to the Study

Performance Management Practices (PMP) is defined as the use of performance measurement information to effect positive change in organizational culture, systems and processes by helping to set agreed-upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or programme directions to meet those goals, sharing results of performance in pursuing those goals (Ittner, Larcker, and Randall, 2001).

PMP is very beneficial to an organization if nurtured properly. The key benefits include: focusing on results rather than behaviors and activities; it aligns organizational activities and processes to the goals of the organization; produces meaningful measurements; and cultivate a system-wide long term view of the organization. Other advantages of PMP include optimizing operations in the organizations because goals and results are closely aligned; ensures equitable treatment of employees because appraisals are based on results; validates expectations because in today's age of high expectation organizations are striving to transform themselves and society, having measurable results can verify whether grand visions are realistic or not; and depersonalizes issues as supervisors focus on behaviours and results rather personalities. Therefore, PM is that process of motivating employees through setting goals, measuring progress, giving feedback, coaching for improved performance, and rewarding achievements (Langfield-Smith, 1997).

1.2 Saccos and Financial Institutions in Kenya

Sacco Societies constitute not only the fastest growing sub sector of the Cooperative Movement in Kenya, but also the most significant in impacting on the livelihoods of their members. They are currently regulated through the Cooperative Act, which unfortunately is grossly deficient of adequate provisions to guide Saccos in the competitive financial sector. The Act does not prescribe standards of performance required for such specialized Cooperatives providing financial intermediation. Sound management of a Sacco society depends on production of accurate and timely financial statements. This is because reliable records can point out problems before they become serious and can serve as a motivational tool to deal with the problem as well.

Sacco Societies are the most recent in Kenya. They were started after independence by groups that came together to save money and provide loans to customers as the need arose. However, the early Sacco Society did not last because the customers, who were either a communal or a church group, did not have steady incomes to maintain the Sacco society. Majority of these cooperatives became dormant and were dissolved. Management was inadequate due to poor record keeping and inaccurate financial statements, it therefore, became the concern of managers who are decision makers of the society and crucial decisions related to finance.

Sacco Societies have assisted their customers in various aspects. These include: buying plots and developing them, paying school fees and meeting other financial obligations. Profits earned by these societies may be shared among the members in form of dividends. Saccos are therefore viewed as cooperatives which contribute substantially to people's development and also as a tool for the country's domestic savings and investment.

The Gusii Mwalimu Sacco was formally registered in February 1977 after meeting all the then basic requirements for registration. However it started operations in 1979. The registration and subsequent

operation of Gusii Mwalimu Sacco was in line with the cooperative development policy as was contained in Sessional paper No 8 of 1970. The ministry of cooperative development came into being in 1974, Sessional paper No 4 of 1987 on "Renewed Growth through the cooperative movement" gave responsibility to members of Saccos to manage themselves. Gusii Mwalimu Sacco consists of the following main pillars namely, the members, Delegates, Board of Directors, management and the employees. The Board of Directors, management and the staff are charged with the day-to-day management of the Sacco. The members are both the owners and customers of the Sacco.

Gusii Mwalimu Sacco society is a member owned and controlled Savings and Credit Society offering a diversity of financial services to its members at a reasonably low rate of interest. The Sacco provided various services to customers and these services included lending or loaning, which is the major and obvious service of any Sacco. Other services offered by the Sacco include; Withdrawal Savings Fund, Members Welfare Fund, Risk management Fund, Credit facilities, Savings facilities and Check off system loans. The Sacco had introduced a number of new products and services such as instant FOSA loans repayable between four to twenty four months, customer care desk, marketing sub-department, automated teller machines (ATM) and opening up the BOSA section to non-member to save and channel their earnings such as farmers, retirees, business people and institutions. In a nutshell membership in Gusii Mwalimu Sacco Society was declining and the issues raised by clients were: delay in loan disbursement; poor ATM services; inadequate variety of FOSA services; inefficient BOSA services and inadequate credit facilities. If this trend continued, the financial position of the Sacco would be impaired.

2 Statement of the Problem

Reports from Kenya Union of Savings and Credit Cooperative Society (2009) indicated that membership in Gusii Mwalimu Sacco was declining. The concerns raised by clients were delay in disbursement of loans, poor ATM services, inadequate variety of FOSA services, inefficient BOSA services and inadequate credit facilities. If this trend continued, it would impair the financial position of the Sacco. This could have caused redundancy of workers and suffering of clients who relied on the Sacco for their livelihood. It could be that the forgoing negative trend was due to lack of effective Performance Management Practices. Performance Management Practices are a management tool which assists an organization to track progress and direction towards strategic goals and objectives. In spite of the importance of Performance Management Practices, it was not clear to what extent these practices were affecting Gusii Mwalimu Sacco. This study, therefore sought to assess the effects of Performance Management Practices on provision of financial services by Gusii Mwalimu Sacco Society.

2.1 Objectives of the Study

The general objective of the study was to assess the effect of performance management practices on provision of financial services by Gusii Mwalimu Sacco Society. The specific objectives were to: determine the extent to which Performance Management Practices were undertaken in the Sacco; evaluate the level of Performance of financial services in the Sacco; establish the extent of the relationship between Performance Management Practices and the level of performance of financial services.

3 Literature Review

3.1 The Concept of Performance Management Practices

Performance Management Practices (PMP) is defined as the use of performance measurement information to effect positive change in organizational culture, systems and processes by helping to set agreed-upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or programme directions to meet those goals, sharing results of performance in pursuing those goals (Ittner, Larcker and Randall, 2001). Organizations which do not integrate ongoing performance practices and feedback into their management development programmes tend to experience lower than expected performance improvements and higher dissatisfaction and turnover. Thus, performance management provides organizations the opportunity to refine and improve their development activities. Performance management programmes provides feedback based on specifics rather than generalizations and are based on specific objectives derived from the desired outcome of performance practice results.

PMP if nurtured properly is very beneficial. The key benefits include: focusing on results rather than behaviors and activities; it aligns organizational activities and processes to the goals of the organization; produces meaningful measurements; and cultivate a system-wide long term view of the organization. Therefore, PM is that process of motivating employees through setting goals, measuring progress, giving feedback, coaching for improved performance, and rewarding achievements (Langfield-Smith, 1997). Elements of Performance Management Practices include problem identification, capital investment, performance evaluation and external disclosure (Ittner, *et al.*, 2001).

Empirical Literature

Ferreira and Otley, (2004) in their case studies into Performance Management Practices (PMP) at four Portuguese organizations, highlight the importance of time and depth dimension. The authors report that PMP has enabled them to develop a good understanding of the existence of organizational practices over a very short time period. They focused on the existence rather than use of PMP. It is a concern that the difference between the formal and informal processes is often highlighted. The authors call for future research to begin by examining the PMP over time in one organization and their study provide a tool-kit for researchers to use to describe and assess PMP in an organization.

Zairi, (1994) asserted that the right processes and routines surrounding PMP is to ensure effective communication with stakeholders and a smooth execution of strategic objectives leading to improved performance results in the organization. Communication across organizational sub-units can be seen as an important ingredient in the functioning of the organization, because extensive information is needed to integrate operations across the society.

Ittner, *et al.*, (2001) focused on the importance of Performance Management Practices to long term organizational success and their use in Performance Measurement and decision making using some value driver categories such as short-term organizational success (e.g., annual earnings, return on assets, cost reduction); customer relations (e.g., market share, customer satisfaction, customer retention); employee relations (e.g., employee satisfaction, turnover, workforce capabilities); and product and service innovation (e.g., new product or service development success, development cycle time). The practices include: identifying problems and improvement opportunities and developing action plans; evaluating major capital investment; evaluating Managerial Performance; and disclosing information to external parties. These practices were to improve the alignment between Performance Management Systems and the firm's organizational objectives.

Sink (1991) in his study of PMP suggests that performance is a "mystery ... complex, frustrating, difficult, challenging, important, abused and misused" function. The level of performance an organization attains is a

function of efficiency and effectiveness of the actions it undertakes, and thus: performance measurement can be defined as the process of quantifying the efficiency and effectiveness of an action.

Kaplan, and Norton, (1992) suggested a performance measurement system which enables managers to examine the accomplishment of the business from four different perspectives: financial perspective; customers' perspective; internal business perspective; and innovating and learning perspective. They further argued that PM establishes goals but assumes that people will adopt whatever behaviours and take whatever actions are necessary to arrive at those goals

Ahrens and Chapman (2007), point out that, "many organizations seem trapped with the notion that performance management practice is something that is added on to there existing system". As the PMP drive in an organization's strategy and vision, every society is unique in its objectives and measurement; this may facilitate the adoption of the PMP as a tool and make the organization conscious that it is a new management practice. Kaplan, *et al*, (1992) in their research on management Accounting and Performance of Financial services indicate that technical and organizational factors can play an important role in the perceived success of an organization. They found no evidence that high satisfaction levels translate into improved financial performance.

Appelbaum, (2002) in his study, the impact of performance management on employees in an organization, indicated that PM can alleviate declining real wages and growing inequality. He further explained that an understanding of employee outcomes is, therefore, important for reasons of good performance, social justice and creation of a fair society in service delivery.

Kaplan, *et al*, (1992) contends that, even if PM were found to increase wages, 'the relationship between that wage effect and overall inequality is indeterminate '. The findings, thus, caution strongly against the promise that techniques of PMP will necessarily deliver efficient financial services to both individual and wider societal outcome. It is worth determining whether PMP in Gusii Mwalimu Sacco have helped in improving efficiency in financial service delivery.

From the above, it is evident that a lot of research has been done on Performance Management Practice in various organizations in other countries especially in the developed countries. However, little research has been done on the efficiency and effectiveness of PMP in most organizations in Kenya in general and Gusii Mwalimu Sacco Society in particular. This study therefore focused on the efficiency and effectiveness of PMP in Gusii Mwalimu Sacco Society.

4 Research Methodology

4.1 Research Design

The study adopted a descriptive design to investigate the effects of Performance Management Practices on provision of Financial Services by Gusii Mwalimu Sacco Society and what the Sacco was doing to attain performance goals and objectives. Descriptive design was a process of collecting data in order to answer questions concerning the current status of the subject in the study. This design was appropriate because it involved collecting data in order to answer questions concerning current phenomena and whenever possible draw conclusion from facts obtained. The study was carried out in Kisii Central district.

4.2 Target Population

The study targeted a total population of 1012 Sacco management and clients who comprised Board of Directors, Delegates, Staff and ordinary Sacco clients.

4.3 Sample Size and Sampling Technique

The research employed stratified and random sampling criteria and the target population was put into sub-groups namely, the Sacco Board of Directors, Delegates, Staff and ordinary clients. According to Nwadiuto Nkpa (1997) where a target population runs into hundreds, a sample population of 50% is recommended and where the population runs into thousands the sample population should be between 15% and 20%. The research took a sample of 152 respondents which was 15% of the target population (1012.) of the study. The technique used enabled the research to achieve a desired representation from the sub-groups.

4.4 Research Instruments

The study employed semi-structured questionnaires to collect both qualitative data and quantitative data. The questionnaire consisted of both closed-ended and open-ended questions. It was administered to the Sacco management staff that included Board of Directors, Delegates and employees as well as the ordinary clients of the Sacco.

4.5 Data Analysis and Presentation

Data were analyzed using descriptive statistics such as frequencies and percentages. Also inferential statistics such as Pearson correlation coefficient and simple linear regression were used to establish the strength, direction and significance of the relationship between PMP and PFS. The analyzed data was presented in tables, graphs, pie charts and narratives. The regression model below was applied to establish the relationship between the variables: $Y = a + bx$

Where;

Y, is the dependent variable that is Performance of Financial Services (PFS)

X, is the independent variable that is Performance Management Practices (PMP)

Besides, data were analyzed using a five point Likert scale. The results of Performance Management Practices and Performance of Financial Services were tabulated and weighted using a five-point Likert scale. The sum of the weighted frequencies was divided by the sum of the frequencies of the respondents from each category to obtain the weighted mean. The model used was:

$$X_w = \frac{\sum f_i w_i}{\sum f_i}$$

Where X_w = weighted average

w_i = weight

f_i = frequency

5 Data Analysis, Results, and Discussions

5.1 Descriptive findings on Performance Management Practices

This section presents descriptive findings of the study, which is linked to the first objective of determining the extent to which Performance Management Practices are undertaken in the Sacco. The result of the analysis on this objective is shown in table 3 below.

5.2 The extent Performance Management Practices are undertaken in the Sacco

Table 1: Analyzing the extent Performance Management Practices are undertaken in the Sacco

Effectiveness of Performance Management Practices	Very Effectively	Effectively	Moderate Effectively	Less Effectively	Not Effectively	Σf_i	$\Sigma w_i f_i$	$\Sigma w_i f_i / \Sigma f_i$
Communication of Performance results	5	4	3	2	1			
Uses of Capital investment Technique	5	8	4	0	0	17	69	4.05
Evaluation of Managerial performance	1	1	3	12	0	17	42	2.47
Identification of problems and improvement opportunities	3	3	7	3	1	17	55	3.23
Disclosure of performance	2	9	2	4	0	17	60	3.52
	9	8	0	0	0	17	77	4.52

Source: Research data, 2011

Table 1 above shows that disclosure of performance information to stakeholders received a weighted mean of 4.52. Since this weighted mean is more than 2.500, it implied that the Sacco effectively disclosed performance information to the stakeholders. Disclosure of Performance Information to members at appropriate time was significant to enable members make appropriate recommendation and informed decisions concerning the performance of the Sacco. This finding agrees with Ittner *et al.*, (2001) disclosure of performance information is crucial to an organization.

From the same table 1 above, communication of performance results to stakeholders received a weighted mean of 4.05. This implied that communication of performance results to stakeholders was more effective. This finding is in line with Zairi (1994) findings which asserted that, communication of performance results across organizational sub-units can be seen as an important ingredient in the functioning of the organization.

From the same table 1 above, identification of problems and improvement opportunities received a weighted mean of 3.52. The findings imply that there was a mechanism of identifying problems and improvement opportunities in the Sacco. In Performance Management Practices, a mechanism of identifying of problems and improvement opportunities is very important as it enables the organization to overcome many challenges. This finding is in line with Ittner, *et al.*, (2001) findings that identifying problems and improvement opportunities improves the alignment between Performance Measurement Systems and the firm's organizational objectives.

Also, evaluation of managerial performance received a weighted mean of 3.23. This was an indication that the practice was undertaken in the Sacco. This finding agrees with, Otley, (1999), who held that evaluation of managerial performance contributes to a large extent the formulation of strategic plans. An organization like Gusii Mwalimu Sacco may need evaluation of managerial performance results in order to shape up and remain relevant in the banking industry.

On the other hand the analysis shows that the use of capital investment technique received a weighted mean of 2.47 which is below the mean of 2.500. The result indicates that the capital investment evaluation technique was not effective. This was probably due to lack of training in the technique or just ignorance by members to use the technique. This finding contradicts Ittner, et al (2001) finding who asserted that capital investment evaluation technique is a practice where an organization evaluates her major capital investment, introduce new ways of working and innovate solutions to achieve organizational objectives.

5.3 Satisfaction of Access to Services

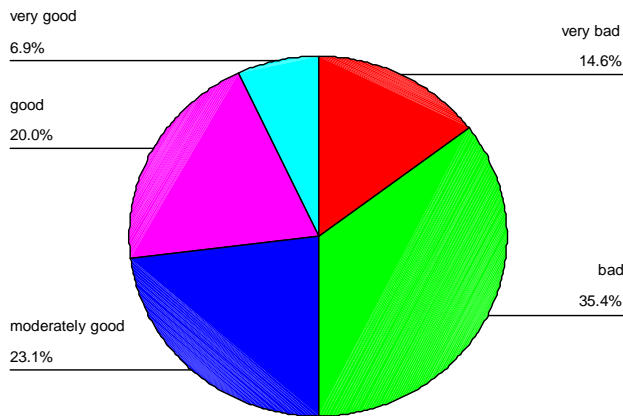
Table 2: Analysis on satisfaction of Access to Sacco Services

	Very Satisfied 5	Satisfied 4	Moderately Satisfied 3	Dissatisfied 2	Very Dissatisfied 1	Σf_i	$\Sigma w_i f_i$	$\Sigma w_i f_i / \Sigma f_i$
Access to Sacco services	5	12	39	20	37	113	267	2.36

Source: Research data, 2011

Table 2 above shows access to Sacco services received a weighted mean of 2.36. The findings imply that many of the respondents were dissatisfied with access to Sacco services. By extension this is a pointer that Sacco members may withdraw to join other financial organizations.

5.4 Member Education



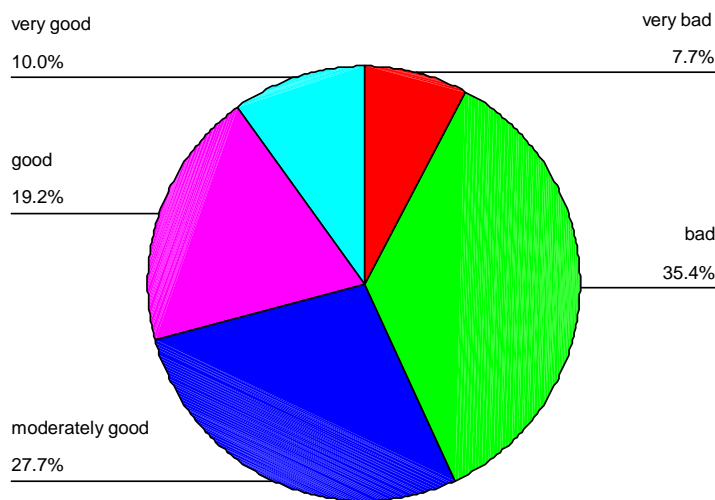
Source: Research data, 2011

Figure 1: Member education

Figure 1 above indicate that 6.9% of the respondents held that member education was excellent, 20.0% said that it was very good, 23.1% said it was good, 35.4% said it was average while 14.6% of the respondents said that member education was bad. The findings imply that there was no satisfaction on the extent to which members were educated.

The success of the Sacco will always depend on knowledgeable membership. Members should be educated on their rights and obligations to the society and the entire Cooperative movement. In order that the entire membership is enlightened on the day-to-day issues of the society, there is need for elected officials to hold meetings with their members on regular basis. This will supplement the education conducted on yearly or biannual basis by the Management Committee team. To facilitate this worthwhile cause, the management will come up with branch education programmes where officials will visit their members to educate them. However, it is also vital that all officials are educated first. The study suggest that, if performance was expected to be high all the time, then there was need to educate further the key players in management due to ever changing technological environment.

5.5 Introduction of New Products and Services

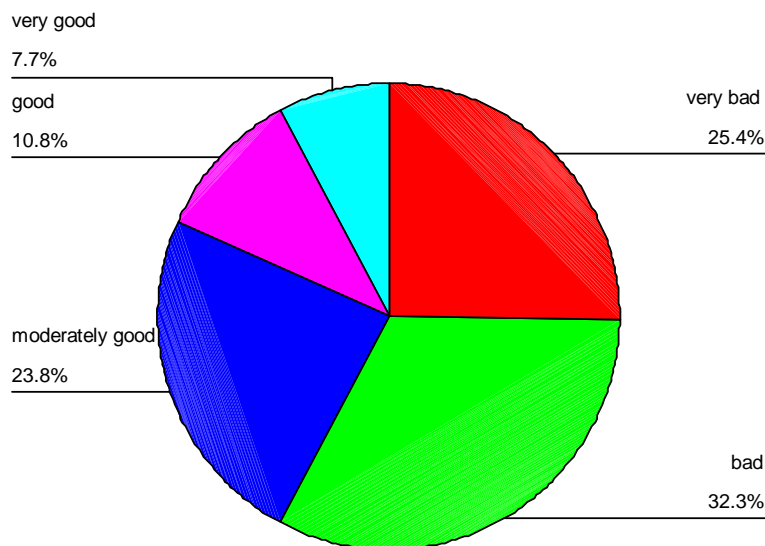


Source: Research data, 2011

Figure 2: Introduction of new products and services

Figure 2 above shows that 10.0% of the respondents rated introduction of new products and services as very good, 19.2% rated it as good, 27.7% rated it as moderately good, 35.4% rated it bad while 7.7% rated it as very bad. The findings imply that, majority of the respondents, were satisfied to a large extent with the introduction of new products. This attitude expressed by the respondents has been made possible probably due to the efforts of the management to provide a diversified products and services to increase consumer choice. This is in agreement with Ittner, et al (2001) who asserted that to achieve long term organizational successes there ought to be new products and service innovation.

5.6 Accountability of Committees



Source: Research data, 2011

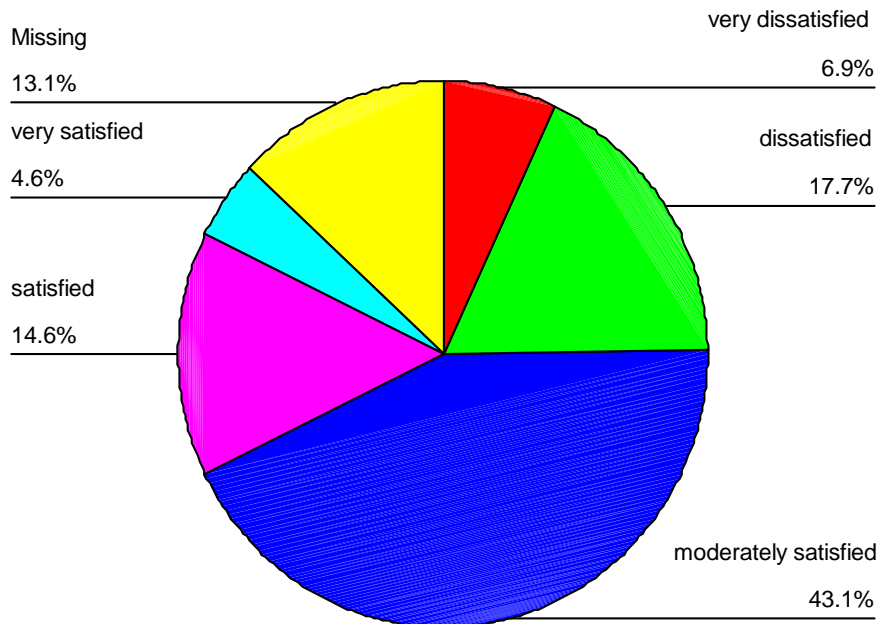
Figure 3: Accountability of Committees

Figure 3 above shows that 7.7% viewed accountability of committees as very good, 10.8% indicated they were good, 23.8% said they were moderately good, 32.3% said they were bad while 25.4% said that accountability of the committees was very bad. This implies that majority of the respondents viewed the accountability of the committees as being wanting. The society should be committed to its membership and endeavour to garner the available resources to ensure that members' hard earned savings are protected and safe. Consequently, there should be regular elections conducted for the entire board and supervisory committees. Alternatively, the management staff should be placed on performance contracts and anyone who fails to perform would have his/her employment reviewed. This finding is in line with Zairi (1994) finding who asserted that activities of unaccountable stakeholders should be informed to managers to either confirm or change correct policy or program direction to meet organizational goals.

5.7 Descriptive findings of Performance of Financial Services of the Sacco

The second objective of the study was to evaluate the level of performance of financial service in the Sacco. It was based on satisfaction with loans, ATM services, time taken in processing loans, timeliness in serving customers, amount paid as dividends, investment of Sacco funds, management of external debts, and pricing of Sacco products.

5.8 Satisfaction with Refinancing Loans



Source: Research data, 2011

Figure 4: Satisfaction with refinancing loans

Figure 4 above shows that 6.9% of the respondents are very dissatisfied, 17.7% dissatisfied, 43.1% satisfied, 14.6% very satisfied while 4.6% are extremely satisfied with refinancing loans. This result implies that there was no satisfaction with refinancing loans.

5.9 Satisfaction with normal loans

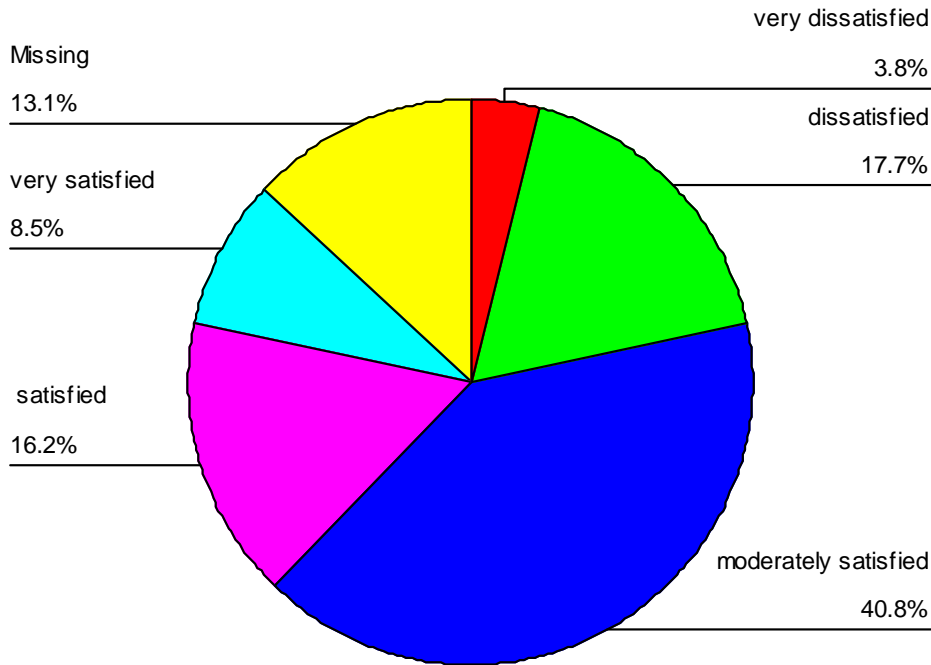
Table 3: Satisfaction with normal loans

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very dissatisfied	7	5.4	6.2	6.2
	dissatisfied	30	23.1	26.5	32.7
	moderately satisfied	52	40.0	46.0	78.8
	satisfied	19	14.6	16.8	95.6
	very satisfied	5	3.8	4.4	100.0
	Total	113	86.9	100.0	
Missing	System	17	13.1		
Total		130	100.0		

Source: Research data, 2011

Table 3 shows the level of satisfaction with the way the Sacco released normal loans. 4.4% of the respondents were very satisfied, 16.8% were satisfied, 46.0% were moderately satisfied, 26.5% were dissatisfied while 6.2% held that they were very dissatisfied. The result shows that there was no satisfaction in the way the Sacco released normal loans.

5.10 Satisfaction with Advance Loans



Source: Research data, 2011

Figure 5: Satisfaction with Advance Loans

Figure 5 above shows that 3.8% of the respondents were very dissatisfied with the way the Sacco released advance loans, 17.7% were dissatisfied, 40.8% were moderately satisfied, 16.2% were satisfied and 8.5% were very satisfied. The result implies that there is a general satisfaction on the way the Sacco released advance loans. It is crucial that the management addresses fully the advancement of all forms of loans to members which is the core business of the Sacco. Through the full utilization of the FOSA network, the Sacco should provide a full range of basic financial services and consolidate these services to the full satisfaction of members. This finding contradicts Kaplan, et al (1992) findings where they found no evidence that high satisfaction levels translate into improved performance of financial services. This contrast was probably due to the fact that Kaplan, et al carried their research on a larger sample size as compared to this study.

5.11 Satisfaction with ATM Services

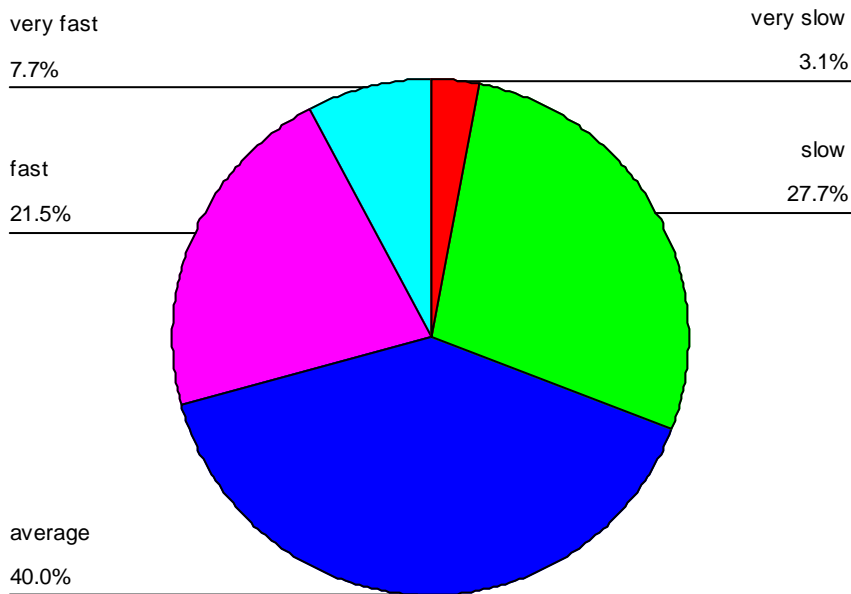
Table 4 Satisfaction with ATM Services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very dissatisfied	9	6.9	8.0	8.0
	dissatisfied	39	30.0	34.5	42.5
	moderately satisfied	36	27.7	31.9	74.3
	satisfied	18	13.8	15.9	90.3
	very satisfied	11	8.5	9.7	100.0
	Total	113	86.9	100.0	
Missing	System	17	13.1		
Total		130	100.0		

Source: Research data, 2011

Table 4 above shows that 8.0% of the respondents were very dissatisfied with the ATM services, 34.5% were dissatisfied, 31.9% were satisfied, 15.9% were very satisfied, while 9.7% were extremely satisfied. This implies that the majority of the respondents were not satisfied with the ATM services offered by the Sacco. The findings show that a big number of clients were not accessing their savings wherever they were.

5.12 Time Taken in processing loans

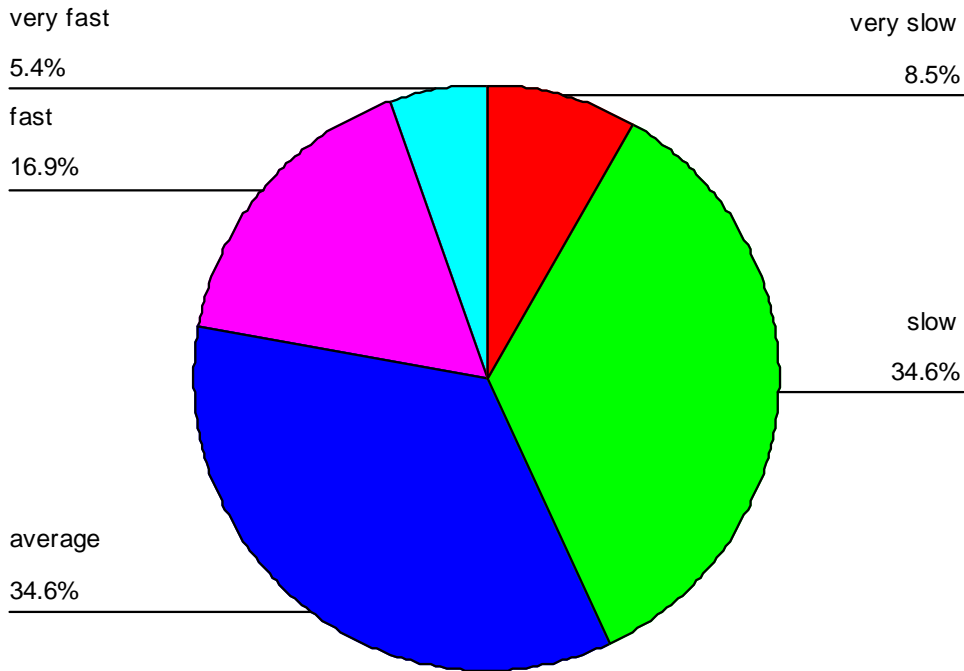


Source: Research data, 2011

Figure 6: Time Taken in processing loans

Figure 6 above show that 7.7% of the respondents indicated that time taken in processing loans was very fast, 21.5% said it was fast, 40.0% said that it was average, 27.7% said it was slow while 3.1% found the process to be very slow. The findings generally indicate that the time taken in processing loans was not fast enough to the satisfaction of customers. Granting of loans depends entirely on members' savings. The more the savings the more there will be for loan lending to members. However, delay on loan disbursement is partly due to lack of adequate funds.

5.12 Timeliness in Serving Customers



Source: Research data, 2011

Figure 7: Timeliness in Serving Customers

Figure 7 above shows that 5.4% of the respondents indicated that time taken in serving customers was very fast, 16.9% fast, 34.6% average, 34.6% slow while 8.5% was very slow. The findings imply that clients were not satisfied with time taken in serving them. This was probably due to misunderstanding of the whole system of loan processing. This finding is in line with Ferreira, et al (2004) finding which asserted that timeliness is of importance in Performance Management Practices.

5.13 Amount paid as dividends

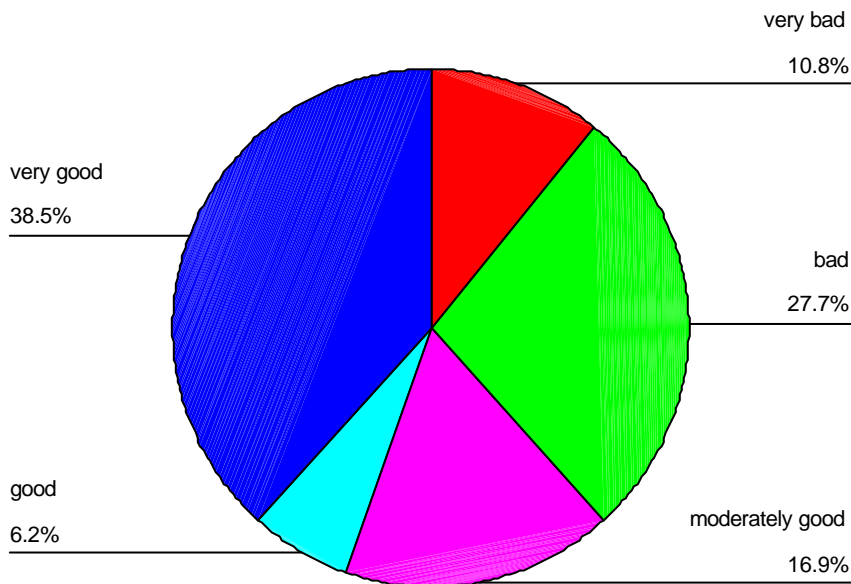
Table 5: Amount paid as dividends

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid very bad	13	10.0	10.0	10.0
bad	44	33.8	33.8	43.8
moderately good	37	28.5	28.5	72.3
good	27	20.8	20.8	93.1
very good	9	6.9	6.9	100.0
Total	130	100.0	100.0	

Source: Research data, 2011

Table 5 above shows, 6.9% of the respondents indicated that the amount paid as dividends was very good, 20.8% good, 28.5 moderately good, 33.8% bad while 10.0% held it was very bad. The findings imply that the majority of the respondents were not satisfied with amount paid as dividends. The Sacco should endeavour to improve this pay-out by cutting on operational costs and at the same time improve the Sacco's income through the introduction of member friendly products.

5.14 Investment of Sacco Funds

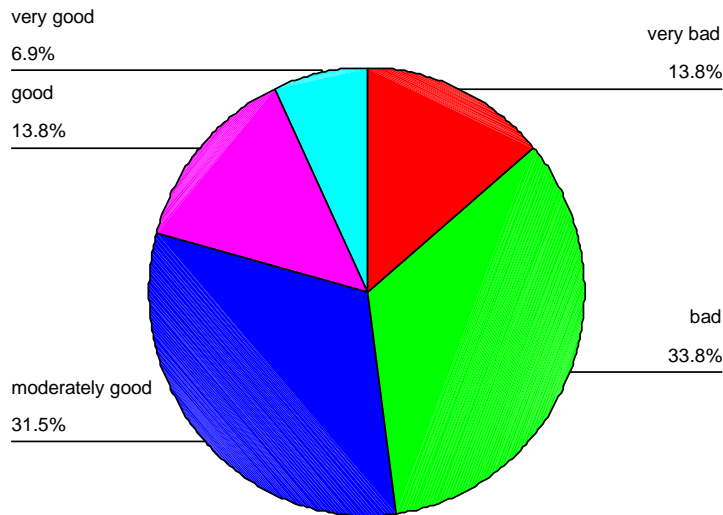


Source: Research data, 2011

Figure 8: investments of sacco funds

Figure 8 above show that 38.5% of the respondents indicated that Investment of Sacco Funds was very good, 6.2% good, 16.9% moderately good, and 27.7% bad while 10.8% held it was very bad. The findings imply that investment of Sacco funds was good. This is in line with Ittner et al (2001) who asserted that capital investment is meant to improve the alignment between Performance Management Systems and the firm's organizational objectives.

5.14 Management of external debts



Source: Research data, 2011

Figure 9: Management of external debts

Figure 9 shows that 6.9% of the respondents viewed the management of external debts as very good, 13.8% good, 31.5% moderately good, 33.8% bad, while 13.8% held that it was very bad. The findings imply that the management of external debts was not good.

5.16 Pricing of Products and Services

Table 6: Pricing of Products and Services

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid bad	17	13.1	13.1	13.1
average	50	38.5	38.5	51.5
good	24	18.5	18.5	70.0
very good	27	20.8	20.8	90.8
excellent	12	9.2	9.2	100.0
Total	130	100.0	100.0	

Source: Research data, 2011

Table 6 above shows that 9.2% of the respondents viewed the pricing of products and services to be excellent, 20.8% very good, 18.5% good, 38.5% average and 13.1% bad. The findings imply that the pricing of Sacco products and services was good.

5.17 Associative Analysis of the Study Findings

The third objective of this study was to establish the extent of the relationship between Performance Management Practices and the level of performance of financial services of the Gusii Mwalimu Sacco. This section presents associative findings of the study. Pearson's correlation coefficients were used to determine the direction and strength of the relationship between Performance Management Practices and Performance of Financial Services. Simple linear regression analysis was used to deduce a model that could be used to explain Performance of Financial Services.

5.18 Pearson Correlation Coefficient between PMP and PFS

Table 7: Pearson correlation coefficient between PMP and PFS

		PMP	PFS
PMP	Pearson Correlation	1.000	.507
	Sig. (2-tailed)	.	.000
	N	130	130
PFS	Pearson Correlation	.507	1.000
	Sig. (2-tailed)	.000	.
	N	130	130

** Correlation is significant at the 0.01 level (2-tailed).

Source: Research data, 2011

In analyzing the correlation between PMP and PFS the Pearson correlation coefficient was used. The correlation matrix in table 7 above shows that PFS has a strong significant positive relationship with PMP with a Pearson correlation coefficient of 0.507.

5.19 Simple Linear Regression Analysis

Table 8 below shows a coefficient of determination $r^2 = 0.257$ which indicates that 25.7% of the variation in the performance of financial services can be explained by the changes in Performance Management Practices. While 74.3% remains unexplained, this means that it can be explained by intervening variables.

5.20 Model Summary showing the Coefficient of Determination R Square

Table 8: Model Summary showing the Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.507	.257	.251	6.5079

a Predictors: (Constant), performance management practices index

b Dependent Variable: performance of financial services index

Source: Research data, 2011

5.21 ANOVA Table showing the F Statistic

Table 9: ANOVA Table showing the F Statistic

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1873.464	1	1873.464	44.235	.000
	Residual	5421.159	128	42.353		
	Total	7294.623	129			

a Predictors: (Constant), performance management practices index

b Dependent Variable: performance of financial services index

Source: Research data, 2011

The ANOVA table 9 above reveals that the independent variable (PMP) can significantly predict the performance of financial services ($F_{1, 128} = 44.235, P < 0.05$). This indicates that PMP was contributing to the variance in the performance of financial services.

Table 10 below shows that the T-test values for the regression coefficient are significant at 0.05 confidence levels. This implies that PMP was making a significant contribution to the performance of financial services model. The unstandardized regression equation is therefore $PFS = 10.060 + 0.975PMP$. The standardized Beta coefficient indicates that a unit change in PMP results to an increase of 50.7% in the performance of financial services.

5.22 Simple Linear Regression-coefficients

Table 10 Simple Linear Regression-coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	10.060	2.281		4.411	.000
	performance management practices index	.975	.147	.507	6.651	.000

a Dependent Variable: performance of financial services index

Source: Research data, 2011

6 Summary of findings, Conclusions and Recommendations

6.1 Summary of Findings

The first objective of the study was to determine the extent to which Performance Management Practices were undertaken in Gusii Mwalimu Sacco. The study established that performance results were communicated to the members and that capital investment evaluation technique was not used to the maximum. It also showed that evaluation of Managerial Performance was carried out in the Sacco. Further, it established that there was disclosure of information to the stakeholders and that members were educated on the rights and obligations to the society and the entire Cooperative movement. However, on the other

hand, the findings indicated that members were not satisfied with Sacco services. Generally, the study showed that to a large extent Performance Management Practices were undertaken in Gusii Mwalimu Sacco.

The second objective of the study was to evaluate the level of Performance of Financial Services in the Sacco. The study revealed that, generally clients were not satisfied with the way the Sacco offered its loans that is, refinancing, normal and advance loans. The ATM services offered were not satisfactory at all and management of Sacco funds and external debts was not a fair deal at all. The Sacco was not offering quality and timely services, a situation that has made some clients to turn to commercial banks for their financial obligations. For example, it takes a commercial bank a maximum of 4 days to disburse a Kshs 1.5 million a sum one can access at a Sacco after weeks and months and subject to availability of funds. Even though Saccos charge lower interest rates than other financial institutions, in Business time is of essence and the lower interest rates hold little meaning. The findings showed that customers were dissatisfied with performance of the financial services of the Sacco.

Third, there was a positive relationship between PMP and PFS with a unit change to PMP carrying a 50.7% increase in PFS. The study showed that Performance Management Practices were making a significant contribution to the Performance of Financial Services. The result revealed that the independent variable (PMP) could significantly predict the performance of financial services. This indicates that PMP was contributing to the variance in the performance of financial services.

6.2 Conclusions

From the summary above, the results implied that Gusii Mwalimu Sacco was undertaking Performance Management Practices (PMP). Clients in Gusii Mwalimu Sacco were not willing to leave the Sacco because of its stability, an indication that Performance Management Practices were making a significant contribution to the Performance of Financial Services. However, it seemed that many challenges face the stakeholders especially when it comes to applying the Performance Management Practices as most managers are commercial managers who have little grounding on the Sacco philosophy and functioning. Besides, the Sacco was not offering quality and timely services to clients, a situation that has made some of them to turn to commercial banks for their financial obligations. Even though the Sacco charges lower interest rates than other financial institutions, in business, time is of essence and the lower interest rates hold little meaning. As a result effective Performance Management Practices on provision of financial services by Gusii Mwalimu Sacco is far from being achieved.

6.3 Recommendations

In view of the above conclusion this study makes several recommendations about the Performance Management Practices among them are: need for Gusii Mwalimu Sacco to enter into partnership with other financial organizations to provide money transfer services to its members and the public. This will create an income stream. Example of such partnership organizations are Kenya Union of Savings and Credit Organizations (KUSCO), Kenya Bankers Sacco and Afya Sacco among others.

It is important to educate members on the operations of the Sacco and their services for them to be supportive at all times. They should be educated on how to utilize various financial services introduced like the FOSA, BOSA and ATM services as well as on savings and borrowing. There is need for the Sacco management to point out an increase in loan repayment period to 60 months from 48 months so as to entice more of the Sacco clients. The issue of guarantors should be reviewed and other securities except one's salary pay slip to qualify for a personal loan. Gusii Mwalimu Sacco management should put specialization into practice where each employee will be assigned what he can do easily and best. It should ensure regular departmental transfer to enhance efficiency.

There is also need for Mwalimu Sacco Management to amend its by-laws in order to allow non-members to open accounts with FOSA. Besides, the society should procure a modern computer software system that has several features to enable the Sacco introduce a wide range of services. The implementation of this system will also involve intensive training for the users.

The society should also consider operating Over the Counter Trading. This is a product geared towards the economic and social well being of the members. It will enable members to get value for their shares and the Sacco shall not only refund at par value but also members qualify for refund of their investment shares. Over the Counter Trading is commonly practiced in Nairobi Stock Exchange and it enables members to sell and buy shares amongst themselves.

6.4 Suggestions for further research

Further study can be undertaken to establish how Savings and Co-operative Societies are able to cope with competition from banks and other financial institutions. Above all, further research can be done using another research instrument like the interview schedule as this might give more information on this field of study.

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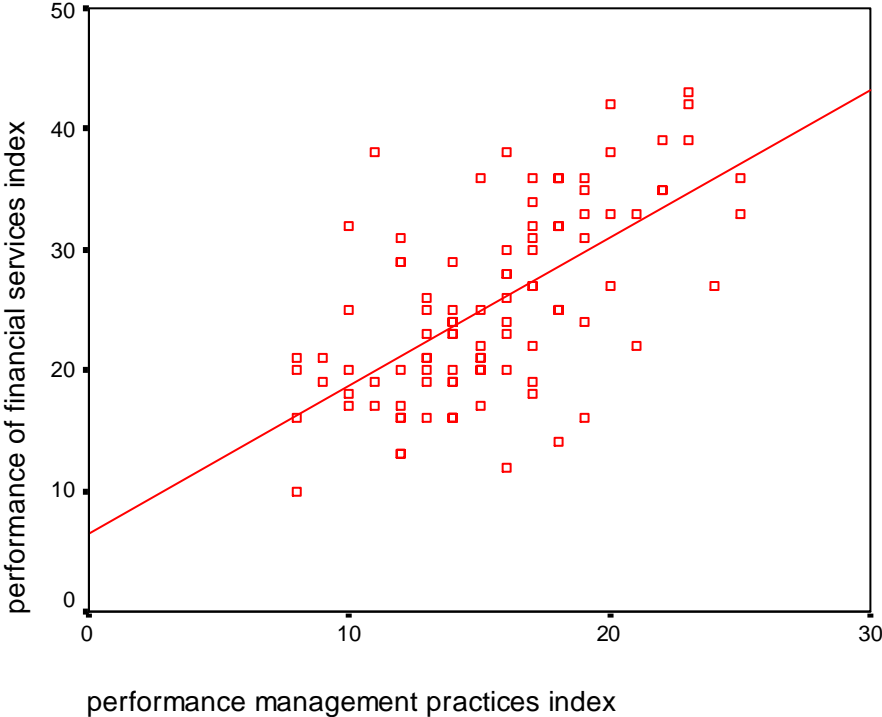
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APPENDIX I
The Scatter Graph Showing the Relationship between PMP and PFS

A Scatter plot to test for linearity between PMP and PFS



Source: Research data, 2011