# INFLUENCE OF ENTERPRISE STRATEGY ON PERFORMANCE OF DEPOSIT TAKING SAVINGS AND CREDIT COOPERATIVES IN KENYA

DANIEL KIMUNYA KINYUIRA

**DOCTOR OF PHILOSOPHY** 

(Business Administration)

# JOMO KENYATTA UNIVERSITY OF

# AGRICULTURE AND TECHNOLOGY

2019

# Influence of Enterprise Strategy on Performance of Deposit Taking Savings and Credit Cooperatives in Kenya

Daniel Kimunya Kinyuira

A Thesis Submitted in Partial Fulfilment for the Degree of Doctor of Philosophy in Business Administration (strategic Management) in the Jomo Kenyatta University of Agriculture and Technology

2019

# DECLARATION

This thesis is my original work and has not been presented for a degree in any other University.

Signature: ..... Date: .....

# Kinyuira Daniel Kimunya

This thesis has been submitted for examination with our approval as the University Supervisors

Signature: ..... Date: .....

Dr Jane Gathenya, PhD

JKUAT, Kenya

Signature: ..... Date: .....

Prof. Willy Muturi, PhD

JKUAT, Kenya

# DEDICATION

To Mary and Peter

#### ACKNOWLEDGEMENT

I am grateful to God for giving the energy and commitment to stay focused. Special gratitude goes to my supervisors, Dr Jane Gathenya and Prof. Willy Muturi, who guided me in the entire process and whose wisdom and knowledge gave me the confidence to proceed even when I felt like quitting. God bless them mightily. I am also heavily indebted to SASRA officers, particularly Dr Daniel Kahuthu; the Commissioner for Cooperatives Mr Phillip Gichuki and all the Chief Executive Officers of surveyed Saccos for the invaluable assistance accorded during the study.

# TABLE OF CONTENTS

DECLARATIONii
DEDICATIONiii
ACKNOWLEDGEMENT iv
TABLE OF CONTENTS v
LIST OF TABLES viii
LIST OF FIGURES xi
LIST OF APPENDICES xii
LIST OF ABBREVIATIONS AND ACRONYMS xiii
DEFINITION OF TERMSxv
ABSTRACT xviii
CHAPTER ONE 1
INTRODUCTION
1.1 Background of the Study1
1.1.1 Enterprise strategy
1.1.2 Sacco Performance
1.1.3 Deposit-Taking Saccos in Kenya 5
1.2 Problem Statement6
1.3 Objectives7
1.3.1 General Objective
1.3.2 Specific Objectives
1.4 Research Hypotheses7
1.6 Significance of study8
1.7 Scope of the Study9
1.8 Delimitations of the Study9
CHAPTER TWO10
LITERATURE REVIEW10
2.1 Introduction
2.2 Theoretical Review10
2.2.1 Co-operative Lifecycle Framewok11
2.2.2 The Theory of Performance Frontiers12
2.2.3 Chamberlain's Theory of Strategy13

2.2.4 Dynamic Theory of Co-operatives	15
2.3 Conceptual Framework	16
2.3.1 Review of variables	17
2.4 Empirical Review	
2.4.1 Strategic Purpose	
2.4.2 Firm Strategic Resources	20
2.4.3 SACCO Governance	24
2.4.4 SACCO Management	26
2.4.5 SACCO Regulations	
2.4.6 Performance of SACCOs	34
2.5 Critique of Literature	
2.6 Summary of Literature Review	
2.7 Research Gaps	41
CHAPTER THREE	43
<b>RESEARCH METHODOLOGY</b>	43
3.1 Introduction	43
3.2 Research Design	43
3.3 Population	44
3.3.1 Target Population	44
3.4 Sampling Frame	44
3.5 Sample Respondents	45
3.5.1 Sample Size Determination	45
3.5.2 Sampling Technique	46
3.6 Research Ethics	47
3.7 Research Instruments	47
3.7.1 Data Collection Instruments	47
3.7.2 Pilot Study	
3.7.3 Validity and Reliability of Instruments	
3.7.4 Measurement of Variables	49
3.8 Data Collection Procedures	51
3.9 Data Processing and Analysis	51
CHAPTER FOUR	54

RESEARCH RESULTS AND DISCUSSION	54
4.1 Introduction	54
4.1.2 Respondents' Position in Sacco's	55
4.1.3 Respondents' Levels of Education	56
4.2 Diagnostics Tests	58
4.2.1 Reliability Analysis	58
4.2.2 Multicollinearity Test	58
4.2.3 Homoscedasticity	59
4.2.4 Normality Test	60
4.2.5 Sampling Adequacy	61
4.3 Descriptive Statistics	62
4.3.1 Strategic Purpose and Sacco Performance	62
4.3.2 Strategic Resources and Sacco Performance	67
4.3.3 Sacco Governance and Sacco Performance	76
4.3.4 Sacco Management and Sacco Performance	85
4.3.5 Sacco Regulations and Sacco Performance	91
4.3.6 Sacco Performance	97
4.4 Inferential Statistics	102
4.4.1 Correlation Analysis	102
4.4.2 Regression Analysis	105
4.4.3 Analysis of Variance	112
4.4.4 Moderated Regression Analysis	115
CHAPTER FIVE	117
SUMMARY, CONCLUSION AND RECOMMENDATIONS	117
5.1 Introduction	117
5.2 Summary of the Findings	117
5.3 Conclusions	118
5.4 Recommendations	119
5.5 Areas of Further Research	119
REFERENCES	120
APPENDICES	143

# LIST OF TABLES

<b>Table 3.1:</b> Category of Deposit Taking Sacco's	44
Table 3.2: Sample Distribution	47
Table 4.1: Reliability Analysis	58
Table 4.2: Summary of Collinearity Statistics	59
Table 4.3: Test of Homogeneity of Variances	60
Table 4.4: Tests of Normality	60
Table 4.5: Kaiser-Meyer-Olkin (KMO) and Bartlett's Test	61
Table 4.6: Responses on Vision and Mission	62
Table 4.7: Responses on Goals and Objectives	66
Table 4.8: Financial Stability Ratios	68
Table 4.9: Responses on Financial Resources	69
Table 4.10: Responses on Human Resources	71
Table 4.11: Distribution of Number of Employees in Sacco's	72
Table 4.12: Employees Work Experience	72
Table 4.13: Academic Qualifications of the Employees	73
Table 4.14: Responses on Infrastructural Resources	74
Table 4.15: Responses on Sacco Governance Structure	77
Table 4.16: Responses on Sacco Board Capacity	79
Table 4.17: Responses on Governance Roles and Responsibilities	81
Table 4.18: Responses on Democratic Decision Processes	83

Table 4.19: Responses on Credit Management	5
Table 4.20: Responses on Member Relations 87	7
Table 4.21: Responses on Savings Mobilization 89	9
Table 4.22: Responses on Liquidity Management	2
<b>Table 4.23:</b> Responses on Effects of Regulations	3
Table 4.24: Responses on Sacco Performance Indicators 97	7
Table 4.25: Sacco Performance Indicators before Regulation    100	0
Table 4.26: Sacco Performance indicators after Regulation    100	0
Table 4.27: Performance Indicators 2013-2016      10	1
Table 4.28: Correlation between Strategic Purpose and Sacco Performance102	2
Table 4.29: Correlation between Strategic Resources and Sacco Performance102	3
Table 4.30: Correlation between SACCO Governance and Sacco Performance102	3
Table 4.31: Correlation between SACCO Management and Sacco Performance104	4
Table 4.32: Correlation between Sacco Regulation and Sacco Performance104	4
Table 4.33: Summary of Correlation Results 105	5
Table 4.34: Strategic Purpose and Sacco Performance	6
Table 4.35: Strategic Resources and Sacco Performance    107	7
Table 4.36: SACCO Governance and Sacco Performance	8
Table 4.37: SACCO Management and Sacco Performance    109	9
Table 4.38: Sacco's Regulation and Sacco Performance    110	0
Table 4.39: Model Summary      112	2

Table 440: Analysis of Variance	
Table 4.41: Un-moderated Regression Coefficients	114
Table 4.42: Moderated Regression Coefficients	116

# LIST OF FIGURES

Figure 2.1: Co-operative Lifecycle Framework 11
Figure 2.2: Elements of Enterprise strategy
Figure 2.3: Conceptual Framework
Figure 4.1: Response Rate
Figure 4.2: Respondents Distribution by Position
Figure 4.3: Respondents' Level of Education
Figure 4.4: Responses on Strategic Purpose63
Figure 4.5: Opinions on Financial Resources
Figure 4.6: Opinions on Human Resources71
Figure 4.7: Opinions on Infrastructural Resources75
Figure 4.8: Opinions on Sacco Governance Structure
Figure 4.9: Responses on Directors' Capacity
Figure 4.10: Responses on Roles and Responsibilities
Figure 4.11: Responses on Democratic Decision Processes
Figure 4.12: Responses on Credit Management
Figure 4.13: Responses on Member Relations Management
Figure 4.14: Responses on Savings Mobilization90
Figure 4.15: Liquidity Management Policy 92
Figure 4.16: Effects of Regulations on Sacco Performance
Figure 4.17: Opinions on Sacco Performance
Figure 4.18: Contributory linkages for Enterprise strategy and Sacco Performance

# LIST OF APPENDICES

Appendix I: Questionnaire for Sacco Managers and Board Members
Appendix II: Testing For Moderating Variable15
Appendix III: List of 215 Deposit Taking Saccos152
Appendix IV: List of the 100 Surveyed Saccos15:
Appendix V: List of the 100 Surveyed Saccos per Category157
Appendix VI: Number of Employees in the 100 Surveyed Saccos158
Appendix VII: Summary of Descriptive Statistics: Means of Responses16
Appendix VIII: Trend of Key Performance Indicators

# LIST OF ABBREVIATIONS AND ACRONYMS

AGM	:	Annual General Meeting
BOSA	:	Back Office Savings Activity
CAK	:	Cooperative Alliance of Kenya
CEO	:	Chief Executive Officer
CRM	:	Customer Relationship Management
DTI	:	Department of Trade and Industry (Republic of South Africa)
FOSA	:	Front Office Savings Activity
GDP	:	Gross Domestic Product
ICA	:	International Cooperative Alliance
IT	:	Information Technology
KNBS	:	Kenya National Bureau of Statistics
KUSCCO	:	Kenya Union of Savings and Credit Cooperatives
OPI	:	Organisational Performance Index
PSU	:	Pennsylvania State University
RoA	:	Return on Assets
RoE	:	Return on Equity
RoK	:	Republic of Kenya
SACCO	:	Savings and Credit Cooperative

# SASRA : SACCO Societies Regulatory Authority

SKM : Suruhanjaya Koperasi Malaysia (Ministry of Co-operatives-Malaysia)

# **DEFINITION OF TERMS**

Competitive advantage:	The ability of an organization to offer more economic	
	value to customers than competitors (Porter, 2004).	
Enterprise strategy:	An integrative pattern of a strategic purpose, strategic resources, co-operative governance and management aimed at achieving superior performance.	
Cooperative:	An autonomous association of persons united voluntarily to meet their common economic, social cultural needs and aspirations through a jointly owned and democratically controlled enterprise (ICA, 2013).	
Deposit Taking SACCOs: Savings and credit cooperatives licensed by the SACCO		
	Regulatory Authority (SASRA) to receive money from	
	its members as deposits repayable on demand or at the	
	expiry of a fixed period or after notice (SASRA, 2015).	
Governance:	"The structure through which the objectives of the Sacco Society are set out and the means of attaining those objectives and monitoring performance are	
	determined" (SASRA, 2015 p.1).	
Kenya Vision 2030:	Kenya's development blueprint covering the period	
	2008 to 2030. It aims to transform Kenya into a newly	
	industrialising, "middle-income country providing a	
	high quality life to all its citizens by the year 2030"	
	(RoK, 2007).	

**Optimal Strategic Execution:** Efficient and effective planning on how to create and sustain a competitive advantage

- Sacco Regulations: Are detailed directions to put policy into practice issued by SASRA. They define and characterize Saccos' performance in a way that provides mechanism to manage operations
- **RoA:**A ratio of returns on assets that measures profitability<br/>and safety of funds
- **SACCO Management:** The means for eliciting action, exerting control and effecting coordination aimed creating efficiency and effectiveness in the operations
- Sacco Performance: The ability to meet organizational goals by utilizing organizational resources through corporate governance and management processes, exercised within certain regulations (Jenatabadi, 2015), or the total outcomes resulting from the interactions of organizational factors in the course of operations
- **SACCO Regulations:** Detailed directions developed to put policy into practice (SASRA, 2013).
- Saving and Credit Cooperative: Is a type of cooperative whose objective is to mobilize savings for the members and in turn provide them with credit facilities (ICA, 2012).
- Strategic Purpose: A recurrent insight of a firm's identity, its reason for existence and 'the golden thread' to which an organization's strategy should be aligned
- Strategic Resources: Stocks of factors of production owned or controlled by an enterprise
- Strategy:"A plan on how to create unique and valuable position<br/>by involving a different set of activities" Porter (1996,

p.60) or "a pattern in a stream of decisions" (Mintzberg, 2007, p.3) or a framework of concepts and elements configured to facilitate creation of a competitive position.

Performance of Saccos: A Sacco being economically successful and the ability to maintain this position in long term (Rankin & Russell, 2005)

# ABSTRACT

Enterprise strategy is critical to superior performance. It is not simply an aspect that explains instances when an organization unexpectedly survives or thrives, but provides direction, purpose and plans to an organization. Therefore, enterprises that understand influence of strategy on their operations, implement optimal strategies that consequently lead to superior performance. Cooperatives enterprises are no exceptional to this principle. However, most cooperatives have had unsustainable performance and low survival rate occasioned by lack of optimal strategic execution. The deficiency in strategic management could be attributed to lack of adequate and objective information on influence of enterprise strategy on performance. The inadequate information has made cooperatives passive or unable to opportunities and threats that affect their survival and competitiveness. To address this problem, the study examined influence key elements of enterprise strategy on performance of SACCOs moderated by SACCO regulations. The study was an explanatory crosssectional survey targeting all the deposit taking SACCOs in Kenya. Random sampling was used to select study respondents, while questionnaires and document reviews were used to collect data for analysis. Descriptive, correlation and regression analysis were used to examine relationship between namely the strategic purpose, strategic resources, Sacco governance, Sacco management and Sacco regulations. Tests of hypotheses were based on the statistical significance of  $R^2$  at a level of P<0.05. Data analysis results and perceptions of the respondents indicate that enterprise strategy positively influence performance of Saccos, while Sacco regulations enhance the relationships. Further analyses show the enterprise strategy variables as strong predictors of performance, since the variables are positively correlated and significantly explain variation in performance. The regression coefficients and return on assets (RoA) show higher performance during regulation than the prior period. The study also found that financial resources mobilized from members as essential to superior ROA due to its low cost. The members' funds also enhance sense of ownership and belonging necessary to the survival and sustainability of Saccos. Most board sub-committees were found to lack requisite capacity, while decision processes in most SACCOs were slow. Further, the study found that Cooperative Management is not formally recognized in the cooperative principles despite its importance. The study recommends that with their formidable presence, Saccos need to secure a long-term positioning strategy by manifesting values and operating within their strategic purpose. Have a stretching strategy to mobilize strategic resources to be more competitive and sustainable. To improve the strategic thrust, disconnect between strategy formulation and execution should be reduced by formally recognising the leadership mandate of the management in the cooperative principles. Low influence of management on Sacco performance compared to other variables should be investigated. Impact of strategic plans and policies on performance should also be examined, while search for the best indicators of performance in enterprises should continue. Further research is also necessary to advice on reforms required to change the risky Sacco model, which is replete with insolvency, capital inadequacy, reliance on external borrowing and low use of technology. The study adds new evidence on the influence of optimal strategy on enterprise performance. The findings will enable practitioners and policy makers to establish performance indicators to target in improving strategic management of enterprises. In particular, SASRA could use the information in developing appraisal parameters that are sensitive to the Sacco business.

#### **CHAPTER ONE**

### **INTRODUCTION**

#### 1.1 Background of the Study

Strategy continue to dominate research on enterprise performance with the main concern being how strategy can help an enterprise to survive and sustain performance in perpetuity, not just in the short term or through good economic periods (Talaja, 2012). Due to this overriding importance, strategy is extensively defined and discussed in extant literature, with myriad theories explaining enterprise strategy well documented. Alfred Chandler, Michael Porter and Henry Mintzberg, the three leading strategy theorists each highlight distinct but related elements of strategy in their definitions. Mintzberg (2007, p.3) precisely defines strategy as "a pattern in a stream of decisions". Michael Porter enhances the definition by incorporating the aim of strategy. Thus, in his Harvard Business Review article titled 'What is strategy', he defines strategy as "deliberately choosing a different set of activities to deliver a unique mix of value" (Porter, 1996, p.60). On the other hand, Chandler (1963, p.13) define strategy as "the determination of the long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary for carrying out these goals". The three definitions encompass important elements of strategy, which according to Johnson, Whittington and Scholes (2011, p.4), "reflect a series of decisions that form a recognizable pattern or 'strategy'".

In his other writings, Porter (1996; 2004; 2008), denote Strategy as a plan on how to create unique and valuable position by involving a different set of activities. In support, Reeves, Knut and Janmejaya (2015) express strategy as a set of processes aimed at creating sustainable competitive advantage. In agreement, Gibcus and Kemp (2003) defines strategy as a mechanism of elements that determine the direction an organization should go to fulfil its mission and maximize possibility of achieving sustained superior performance. The definitions are collaborated by Gaedicke (2014) who describe strategy as a framework of interrelated concepts and elements configured to facilitate creation of a competitive position.

In the extant literature reviewed, strategic management scholars agree that strategy is an integrative pattern of decisions that determine and reveal organizational purpose, objectives or goals, action plans (processes) and resource allocation- aimed at achieving superior performance (Gibcus & Kemp, 2003; Mazzarol et al., 2011; Wheleen & Hunger, 2008; Johnson et al., 2011; Talaja, 2012). Strategy therefore plays an important role in superior performance by providing purpose and direction of an enterprise (Bennett, 1999, p 3). This pivotal role of strategy in enterprise performance is well demonstrated in extant research, where enterprises with a clear strategy outperform those without (Porter, 2004). Various theories also exhibit the critical role of strategy in achieving sustainable and superior enterprise performance.

Considering co-operatives unique social-economic orientation and the multiple dimensions of performance, to perform a holistic analysis, the study adopted a multitheoretical approach (Mazzarol et al., 2011 a). The theories used include the Cooperative lifecycle theory, the theory of performance frontiers, the Chamberlain's theory of strategy and the dynamic theory of co-operatives. First, the Co-operative lifecycle theory proposed by Cook (1995) was used to identify the stage Kenyan Saccos are in. Second, the theory of performance frontiers provided a clearer understanding of Sacco performance. It helped in addressing the multiple dimensions of performance and aggregating characteristics of the elements of performance. This therefore simplified the measurement of performance. Third, the Chamberlain's theory of strategy was used to explain influence of optimal strategy on firm performance. The theory also helped to identify, describe and categorize study variables by deconstructing components of enterprise strategy into single coherent concepts that directly address attainment of performance of Saccos (strategic purpose, strategic resources, Sacco governance and Sacco management). Fourth, the dynamic theory of cooperatives was used to explain how the enterprise strategy can be applied to achieve economic efficiency and competitiveness in cooperatives (Evans and Guthrie, 2006).

The research process was largely guided by the configurational school of thought by Elfring and Volberda (2001). The Configurational School considers strategic management as an episodic process in which certain strategic organizational

elements interact depending on the organizational environment. It explains a variety of strategy configurations which has resulted in numerous empirically based taxonomies and conceptually derived typologies. The basic idea of the configuration approach is that the effectiveness of organizations could be related to a set of complementary organizational characteristics. Therefore, the configuration approach aided in synthesizing the organizational characteristics of co-operatives. The approach also helped to identify sources of competitive advantage in co-operatives and consequent superior firm performance.

#### **1.1.1 Enterprise strategy**

Based on reviewed literature, the study perceived enterprise strategy as an allocation of strategic resources, as governance and management processes for creating a unique position and as an integration of the organization vision, mission, goals and objectives to give an entity a strategic purpose and direction (Mazzarol et al., 2011; Gibcus & Kemp, 2003). On Strategy as an allocation of strategic resources, Buzzell and Gale (1987) use strategy to mean the policies and strategic decisions on resource commitment adopted by management that have major impacts on performance. Michael Porter in his book "On Competitive Advantage" published in 2004 express governance and management processes as critical to superior performance, particularly when combined with a compelling purpose and strategic resources. In their study, Seth and Thomas (1994) define strategy as the pattern or plan that integrates an organization's vision, mission, goals, policies and action sequences into a cohesive strategic purpose. Re-unifying the deconstructed strategy concepts, Gibcus and Kemp (2003) argue that a well-formulated strategy helps a firm to marshal and allocate an organization's resources into a unique and viable posture based on its governance and management processes. According to Porter (2004; 1985), such a strategy determines success or failure of any enterprise irrespective of the type of business.

#### **1.1.2 Sacco Performance**

To extend Porter (2004) argument, Gibcus and Kemp (2003) in their research report "Strategy and small firm performance" conclude that an optimal strategy enhances business performance and is important for SMEs including Saccos as well. Nevertheless, Saccos like in other SMEs are usually too busy dealing with operational problems and events on a day-to-day basis and devote little time to strategic management leading to low competitiveness and sustainability (Birchall, 2010; Mazzarol et al., 2011; Hanlon and Scott, 1993). This is supported by Kobia (2011) who argue that despite significant progress made in the establishment of cooperatives, performance and sustainability has been a great challenge for majority of them. This has resulted to under performance and low survival rate of cooperative enterprises. The scenario is reflected in numerous cases where cooperative enterprises have failed to meet their stated objectives, at times even leaving their members worse off (Mude, 2006; RoK, 2012). Surprisingly, even with the entry of SASRA, a regulatory body for Saccos in Kenya as well as improved supervision by county governments, the number of dormant cooperatives have been increasing with time, while performance of the active ones have been inconsistent and below potential (Okeyo, 2010). According to Wanyama (2009), over 35% of registered cooperatives are either dormant, deregistered or have already collapsed. A further analysis by SASRA (2014) and KNBS (2015) indicate that out of the 8592 SACCOs registered as at 31st December 2014, only 1995 were active. The worst scenario is where cooperatives are unprepared to react to developments that affect their business or threaten their ability to remain relevant to members.

Under performance hindering the cooperative movement from excelling as a vehicle for social-economic development is not limited to Kenya, but bedevils cooperatives globally (Onsane et al., 2013; RoK, 2007). For instance, in Malaysia the Cooperative Sector Economic Report 2010 indicates that although the movement continued to grow in 2010, it also faced various issues that threatened its performance (Ministry of Cooperatives, Malaysia; 2011, p. 6). In Malawi, performance of cooperatives has been unstable as evidenced by the increasing number becoming dormant with time. By April 2010, only about 70 per cent of cooperatives were active (Nkhoma & Conforte, 2011). Likewise, the situation is worse in South Africa where survival rate was 12% in 2009 (Department of Trade and Industry (*the dti*), 2012; Minishi, 2012). In a global perspective, Borzaga and Galera (2012) contend that cooperatives are uncompetitive and perform poorly due to inadequate understanding of their sources

superior performance. This is supported by Chaddad (2007) who argue that cooperatives will have declining importance as the financial sector becomes increasingly industrialized and global, unless they understand influence of enterprise strategy on performance.

In view of the prevailing unstable performance in the cooperative movement, the government of Kenya in the Medium Term Plan 2008-2012 targeted to increase survival rate of cooperatives from the current about 70 per cent to at least 85 per cent by 2030 (RoK, 2012). To actualize this, the government strengthened governance, management processes and capital base through policy interventions. However, the interventions have had minimal effects. For instance, the strategies have been unable to turn around struggling district cooperative unions. The list of national cooperatives that remain either dormant, collapsed completely or just struggling include Kenya Grain Growers Cooperative Union (KGGCU), renamed Kenya Farmers Association (KFA), Kenya Planters Cooperative Union (KPCU), Kenya National Federation of Cooperatives (KNFC), now known as Cooperative Alliance of Kenya (CAK) and the National Housing Cooperative Union (NACHU). Also invisible is the little known Kenya Rural Savings and Credit Cooperative Union (KERUSU). Performance problems also prevail in savings and credit cooperatives and worse in deposit taking SACCOs in Kenya.

#### **1.1.3 Deposit-Taking Saccos in Kenya**

Deposit-taking SACCOs in Kenya because form an important and vibrant segment of SACCOs. According to SASRA (2012 p. 38), deposit-taking SACCOs serve over 81% of total SACCO membership; hold 80% of share capital and 78% deposits of all SACCOs in Kenya. They also earn over 79% of total annual turnover earned by all SACCOs and grant 78% of all loans by SACCOs. Deposit taking SACCOs also own 79% of total assets. Further, operations of deposit taking SACCOs in Kenya are well regulated and supervised by SASRA and the governments.

Despite enactment of an effective regulatory and operational mechanism for SACCOs, the number of deposit taking SACCOs has stagnated at 215. To make matters worse, by December 2017, only 164 of the 215 SACCOs had met the

regulatory requirement to operate FOSAs (SASRA, 2018). According Griffiths (2004) and Galor (2004) to address performance instability in cooperatives, one would require clear understanding of factors that influence their success or failure. Chamberlain (2010) explains further and suggests that understanding the influence of strategy is a prerequisite to performance of a firm. Therefore, the study investigated influence of enterprise strategy on performance of SACCOs in Kenya by examining strategic purpose, strategic resources, SACCO governance, SACCO management and Sacco regulations.

#### **1.2 Problem Statement**

Due to co-operatives important strategic role and potential in social economic development, significant progress has been made in their establishment (Kobia, 2011). From 2013-2018 numbers of co-operative enterprises have been increasing by over 1200 annually. These enterprises serve about 63% Kenya's population, and contribute 31% of the national gross domestic product (GDP) (RoK, (2019). However, despite the growth in numbers, most cooperatives have had unsustainable performance and low survival rate occasioned by lack optimal strategic execution. The deficiency in strategic management could be attributed to lack of adequate and objective information on influence of enterprise strategy on performance. The inadequate information has made cooperatives passive or unable to opportunities and threats that affect their survival and competitiveness. For instance, the period prior to 2016 interest spread capping, when banks were charging interest on loans at rates between 20-35% compared to Saccos 12%, there was no significant movement of customers from banks to Saccos. At worst, deficiency in strategic management is reflected in numerous cases where cooperative enterprises have failed to meet their stated goal and objectives, due to inadequate resources, poor governance, mismanagement and incompliance to regulations leaving their members worse off (Mude, 2006; RoK, 2012; FSD, 2017). To address this problem, the study examined influence of enterprise strategy on performance of Saccos in Kenya. The study findings are expected to substantially address strategic management and performance issues in cooperatives. Otherwise, the researcher is convinced that "Until this is done,

cooperatives are likely to remain weak and lack visibility at the national and international levels" (Wanyama, 2009 p. 29).

# **1.3 Objectives**

#### **1.3.1 General Objective**

The General Objective of study was to examine the extent co-operative enterprise strategy influence performance of Saccos in Kenya. Better understanding of strategy as a key driver of long-term performance in cooperatives revealed in the study is expected to help cooperatives formulate and implement optimal strategies that could improve their survival rate to over 85% by 2030 (RoK, 2012).

# 1.3.2 Specific Objectives

- To evaluate the influence of strategic purpose on performance of Saccos in Kenya
- To examine the influence of strategic resources on performance of Saccos in Kenya
- To assess the influence of SACCO governance on performance of Saccos in Kenya
- To determine the influence of SACCO management on performance of Saccos in Kenya
- 5. To examine the moderating effect of Sacco regulations on the influence of strategic purpose, strategic resources, SACCO governance and SACCO management on performance of Saccos in Kenya

## **1.4 Research Hypotheses**

The study was guided by the following null Hypotheses:

- H01: There is no significant influence of strategic purpose on performance of Saccos in Kenya.
- H0<sub>2</sub>: Strategic resources have no significant influence on performance of Saccos in Kenya.
- H0<sub>3</sub>: SACCO governance does not significantly influence performance of Saccos in Kenya.
- H0<sub>4</sub>: Performance of Saccos in Kenya is not significantly influenced by SACCO management.
- H05: There is no significant moderating effect of regulations on the influence of strategic purpose, strategic resources, SACCO governance and SACCO management on performance of Saccos in Kenya.

#### **1.6 Significance of study**

The research findings will enhance understanding of the co-operative enterprise strategy, which is relatively weak in terms of its underlying theoretical foundations (Mamouni & Mazzarol, 2014). Such an understanding will remedy the misconception in Mazzarol, Mamouni and Reboud (2011) that a cooperative feels its way as it goes because it is a simple and direct way of doing things business and therefore does not need to set strategic goals except what might be represented by an expansion of its up-to-date accomplishments. It is also hoped that improved understanding of enterprise strategy would enhance strategic management in cooperatives among other SMEs. This could result to a higher survival rate and exploitation of cooperatives full potential in national development as envisaged in the Kenya Vision 2030.

In academic research, this study extends past research on firm performance by identifying, conceptualizing and empirically testing key elements of an enterprise strategy. In particular, findings on the influence of strategic purpose, strategic resources, governance, management and regulations on performance could be of benefit to entities outside the cooperative movement. Noteworthy, the study empirically justifies enterprise strategy as critical to superior performance and not a "residual to explain instances when an organization unexpectedly survives or thrives" (Mazzarol et al., 2011 b, p. 30). Finally, the information will enable practitioners and policy makers to establish areas for action. In particular, the study provides insights to Sacco societies' regulatory authority (SASRA) on the cause unstable performance of Saccos. SASRA could also use the information in developing appraisal parameters that are sensitive to Sacco business.

### **1.7 Scope of the Study**

The study was an explanatory across-sectional survey of all the deposit taking SACCOs in Kenya registered by the SACCO Societies Regulatory Authority (SASRA) as at 31<sup>st</sup> December 2014. The study was conducted between 2015 and 2018. Descriptive, correlation, regression analysis and analysis of variance (ANOVA) were used to examine relationship between variables and the model fit. The structural equation modelling (SEM) path analysis was used to confirm correlations and regressions coefficients.

### **1.8 Delimitations of the Study**

The study involved 215 deposit taking Saccos in Kenya which are financial cooperatives. Generalisation of these findings to other types of cooperatives or organizations is therefore not guaranteed. To mitigate the limitations, the researcher categorized the Saccos to ensure all types of co-operatives and regions are included. However, a promising avenue to further this research is to examine the other cooperative contexts and organizations. The study was Cross-sectional, a longitudinal research could more appropriate in future.

#### **CHAPTER TWO**

## LITERATURE REVIEW

## **2.1 Introduction**

This chapter presents what literature reveals about the influence of strategic purpose, strategic resources, SACCO governance, SACCO management and Sacco regulations on performance of Saccos. It contains theoretical framework, empirical review, critique of literature, summary and the research gaps.

## **2.2 Theoretical Review**

Considering cooperatives unique social-economic orientation and the multiple dimensions of performance, to perform a holistic analysis, the study adopted a multitheoretical approach (Mazzarol et al, 2011 a). The approaches used include the Cooperative lifecycle framework, the theory of performance frontiers, the Chamberlain's theory of strategy and the dynamic theory of cooperatives. First, the Co-operative lifecycle theory proposed by Cook (1995) helped to identify the stage Kenyan Saccos are in to understand their sustainability. Second, the theory of performance frontiers provided a clearer understanding of Sacco performance. It helped in addressing the multiple dimensions of performance and aggregating characteristics of the elements of performance. This therefore simplified the measurement of performance.

Third, the Chamberlain's theory of strategy was used to explain influence of optimal strategy on firm performance. The theory helped to identify, describe and categorize study variables, by deconstructing components of enterprise strategy into single coherent concepts that directly address attainment of performance of Saccos (Strategic purpose, strategic resources, Sacco governance and Sacco management). Then the theory helped to explain and show the variables channels of influence. Thus, it helped to develop a conceptual framework and operationalize study variables. Further, Chamberlain's propositions of 'what strategy is' helped to

distinguish enterprise strategy from Sacco policies and procedures (Chamberlain, 2010). Fourth, the dynamic theory of cooperatives was used to explain how enterprise strategy can be applied to achieve economic efficiency and competitiveness in cooperatives (Evans & Guthrie, 2006). The other notions on performance of cooperative which guided the study were: first "Wave" theory which argues that there may be waves of cooperative organization emerging in depressed times, followed by waves of cooperative failure; second Wind-it-up" theory which hold if competitors challenge the cooperative or the cooperative achieves its purpose, members may consider it obsolete and wide it up; and third "Pacemaker" theory in which cooperative are perceived as benchmark for greater efficiency in prices and volumes amongst competitors.

## 2.2.1 Co-operative Lifecycle Framewok

The Co-operative lifecycle theory proposed by Cook (1995) was used to identify the stage Kenyan Saccos are in. The Co-operative lifecycle model has five stages.



Figure 2.1: Co-operative Lifecycle Framework (Mazzarol, 2015; Cook, 1995)

In stage 1, which is more of a defensive strategy, a co-operative is formed where members collaborate in response to market failure (Cook, 1995). According to Mazzarol (2015), the stage is usually focused on addressing an economic or social problem that members have been unable to resolve using alternative business models. In this stage, if the cooperative offers value to its members through services that address the underlying problems it will progress to stage 2 of growth. At this growth stage, the cooperative can be a strong competitor to alternative business models by offering superior benefits to members.

In stage 3, the external forces may over time change the market conditions that created the initial problem. The original purpose of the business may cease being relevant to their needs and the competitive edge of the cooperative may be challenged by competitors which consequently can remove the competitive advantage of the cooperative. In that scenario, the management may seek to stabilize internal efficiency resulting to the generic problems of the cooperative business model (Cook, 1995). The cooperative then transits to Stage 4 of member dissatisfaction. At this stage, member versus patron tensions may arise, management become difficult and the future of co-operative may be questioned. The cooperative then progresses to stage 5, where if it does not find a strategy to provide renewed value, it could exit by liquidation, continue without adequate capital or transform to another business model. According to Battilani and Schroter (2012) transformation is a great risk to sustainability since Saccos begin to lose sight of its dual purpose by ignoring the social-economic objectives in preference to the purely economic ones. According to Mamouni Limnios and Mazzarol (2014) this is common as transformations are taking place despite cooperative business having an otherwise strong track record.

### 2.2.2 The Theory of Performance Frontiers

The Theory of Performance Frontiers was proposed by Schmenner and Swink in 1998. The theory provides a clearer understanding of performance by addressing multiple dimensions of performance and aggregates characteristics of the elements of performance. The theory provides a reasonable representation of the multidimensional nature of performance and is shown to replicate effectively the elements that strategic management scholars typically consider when discussing performance (Hagel, Brown & Davis, 2014). The theory holds that "optimum performance is attained through strategic choices and business operations" (Schmenner and Swink, 1998 p. 108). In particular the theory addresses the following; 1. Benchmarking: here the theory advises managers to take stock of current competitive positions and technological limits when considering improvement initiatives. 2. Metrics: here the theory emphasizes the need to understand the limitations of assets, and suggests the need to develop metrics that firms in more competitive or progressive industries are less likely to gain advantage from the law of cumulative capabilities than their counterparts in less competitive industries. 4. Competitive advantage.

## 2.2.3 Chamberlain's Theory of Strategy

Geoffrey Chamberlain in 2010 formulated a theory that identify, describe, categorize and operationalize strategy. The theory draws on the work of Alfred Chandler, Kenneth Andrews, Henry Mintzberg and James Brian Quinn. It explains four issues that can help in understanding strategy, namely: what strategy is, the forces that shape it, the processes that form it, and the mechanisms it relies on to take effect. The theory holds that an understanding of where an entity is going and what path it will follow – in other words, its strategy can facilitate implementation of an optimal strategy. In addition, such knowledge on strategy can help insiders understand the context of their work and allow outsiders assess an organization's prospects.

Explaining the first factor on 'What strategy is', Chamberlain theory argues that it is not possible to analyse strategy if we cannot clearly describe and categorize its elements. Chamberlain goes ahead and suggests seven descriptions of strategy. One: Strategy operates in a bounded domain (separate from the policy, tactical and operational domains). Two: A strategy has a single, coherent focus. Three: A strategy consists of a basic direction and a broad path. Four: A strategy can be deconstructed into elements. Five: Each of the individual elements of a strategy's broad path is a single coherent concept directly addressing the delivery of the basic direction. Six: A strategy's essential thrusts each imply a specific channel of influence. Seven: A strategy's constituent elements are each formed either deliberately or emergently.

In second factor on the forces that shape strategy, Chamberlain's theory states that an entity's strategy is the result of interaction of a variety of forces in and around the entity. Those forces are divided into three broad categories: internal, external, and shareholders. In case of SACCOs, the forces may include strategic purpose, strategic resources, SACCO governance, management and Sacco regulations (Mazzarol, 2009). In third factor on processes that form strategy, the theory distinguishes between deliberate and emergent strategy and explains how they relate to each other. Here the theory offers a solution to an old dispute in management literature over technical and practical differences between deliberate and emergent strategy formation (Chamberlain, 2010)

In fourth factor on mechanisms by which strategy can take effect, Chamberlain divides internal, external, and shareholders forces that shape strategy into rational approach and social approach. Rational approach consists of only considering standard economic forces, as described for example by Porter (2004). The social approach considers combinations of economic and psychological forces. Chamberlain theory calls the approaches "channels of influence" and asserts that a competent strategist is able to use both approaches to achieve their intended effects. He argues that a strategist who only considers one channel of influence – for example the external rational channel, which Porter's theories rely on – is trapped in a paradigm (Chamberlain, 2010). In conclusion, Chamberlain states that the theory applies to any organization's strategy, whatever the type or size– business, military, religious, non-profit, union, social club, administrative or political branch of government, or even individual people.

#### 2.2.4 Dynamic Theory of Co-operatives

Dynamic Theory of Cooperatives proposed by Evans and Guthrie (2006) provide essential understanding of sources of efficiency and consequent performance in cooperatives. The theory hypothesizes that a cooperative firm may obtain economic efficiency from firm characteristics such as the strategic purpose, strategic resources and governance, management and Sacco regulations. In particular, such economic efficiency is gained first from common and regular supply of inputs induced by members responding to average, rather than marginal revenue. Secondly, economic efficiency could be gained from pricing of shares at present value of its prospective earnings. Third, minimal impediments to supplier entry or exit that serves as an incentive to growth in the number of member-suppliers even in a competitive environment could also lead to economic efficiency (Nunez-Nickel & Moyano-Fuentes, 2004). In addition, members supplying inputs, obtaining outputs from the entity and receiving a return in relation to patronage could also contribute to economic efficiency.

Consistent with the theory, Chevallier (2011) argues that cooperatives economic stability in economic volatility indicates they have different sources of economic efficiency derived from the co-operative values and principles. Thus, the study hypothesizes that if cooperatives' continued existence is in itself proof of strong different efficiencies, their economic viability could be significantly greater if they optimized on the co-operative enterprise strategy their main source of the efficiency.

Based on the reviewed theories, the study adopted a theoretical framework of elements of enterprise strategy proposed by Mazzarol et al. (2011 a, b). According to the authors, strategic purpose, strategic resources, governance, management and regulations influence performance of a cooperative enterprise. To concur, Chesborough and Rosenbloom (2002) postulate that if such strategic elements are configured into a competitive system, an enterprise is likely to perform well in a sustainable manner. Discussing strategy, Johnson et al. (2008) argue that a good

configuration of the strategic elements can reshape an industry and drive firm performance.



Figure 2.2: Elements of Enterprise strategy (Mazzarol et al., 2011 a)

# 2.3 Conceptual Framework

This section identifies, defines and presents a simplified view of relations existing among hypothesized elements of enterprise strategy that influence performance in Saccos. For the purpose of this study, Rankin and Russell (2005) definition of cooperative sustainability was adopted, which is a cooperative being economically successful and being able to maintain this position. From review of a broad range of literature, the study hypothesized that strategic purpose, strategic resources, governance and management moderated by regulations influence performance of Saccos in Kenya. This is as depicted in figure 2.3.



Independent Variables Moderating Variable Dependent Variable

# **Figure 2.3: Conceptual Framework**

#### **2.3.1 Review of variables**

**Dependent Variable:** Performance is the most important goal and a strategic measure of output in all enterprises (Porter, 2004), because it is only through performance that any organization is able to grow and progress. For this reason, SACCO performance was a good indicator of causal relations between strategic purpose, strategic resources SACCO governance and SACCO management moderated by SACCO regulations. In the study, Sacco performance was measured on return on assets.
**Independent Variables:** The strategic factors available to a SACCO could have an impact on its performance and survival. The productive factors include strategic purpose, strategic resources, SACCO governance and SACCO management. Strategic purpose or the reason of existence of a cooperative consisted of the vision, mission, goals and objectives (Teece, 2010). The strategic resources or stocks of factors of production owned or controlled by a cooperative included Financial, Human and Infrastructural (Physical and Information Technology) resources (Penrose, 1995; Barney, 1991). SACCO governance and SACCO management are the means for eliciting action, exerting control and effecting coordination. SACCO governance comprised Teaming/involvement, Accountable Empowerment, Strategic Leadership and Democracy, while SACCO management was credit management, savings mobilization and member relations management (Mazzarol, 2009; Mazzarol et al., 2011 a, b; Mazzarol et al., 2012).

**Moderating Variable:** Regulations are necessary because they shape the way organizations compete for survival and profit (Porter & Kramer, 2011). The study hypothesized that Sacco regulations can actually foster Sacco enterprise performance and sustainability.

## **2.4 Empirical Review**

### 2.4.1 Strategic Purpose

An organization's strategic purpose is a recurrent insight of a firm's identity, its reason for existence and 'the golden thread' to which an organization's strategy should be aligned. In cooperatives, purpose is expressed through three strategic statements, namely the mission, vision, goals and objectives that provide the basis of performance and sustainability.

**Vision and Mission:** Vision and Mission communicate about an organization, enabling stakeholders to understand their roles and benefits both at the present and in the future. Vision states the expected outcome of performance, while a mission states how to achieve a vision. Vision of a cooperative indicates its desired future (Sotunde, 2012) and reflects values that inspire commitment to optimize performance (Johnson

et al., 2011). Supporting this perception, Porter (2004) discern that strategic visions motivate creativity and innovativeness on how to leverage resources in order to drive an organization towards desired performance. On the other hand, mission of a cooperative states the overriding and unique purpose that differentiates an organization from others. According to Mazzarol (2009) and Teece (2010), mission of a cooperative as a strategic statement of intent identify target market; clarify scope of product/services offering, competencies, market segment and geographical area of operation. Other studies indicate that a mission declares a firms commitment to meet stakeholders' needs and is the ultimate reason of being in business (Khan at el., 2010). In addition, a mission statement provides a basis for allocating resources, setting up procedures and evaluating the success of activities (Bart et al., 2001). Therefore, Porter (2004) concludes that a vision and mission affect practical day-to-day operations by influencing strategy and most other aspects of enterprise performance.

**Goals and Objectives:** Goals are general intentions to accomplish a mission, while objectives are the measurable and time bound targets of the general goal (Johnson et al., 2011; Khan et al., 2010). Objectives of cooperatives combine aspects of vision, mission and members expectations to create specific performance targets. Thus, goals and objectives are evaluated on delivery of benefits to members. Goals of a cooperative can be broad, given that a cooperative can be viewed as a coalition of members with different interests (Mazzarol, Mamouni & Reboud, 2012).

Goals affect performance through four mechanisms, namely: - increasing attention to a set target, energizing pursuit of a target, task persistence and the ability to strategize effectively to reach a target (Locke & Latham, 2002). For instance, in all cooperatives one of the goals is to promote interest of members in accordance with co-operative principles. Such a goal can influence performance by directing attention and effort toward savings mobilization, credit management and member relation activities. In addition, the broad goal of promoting interest of members can have an energizing function that lead to greater effort towards improved RoA, RoE and member satisfaction (Pennsylvania State University, 2012). Likewise, considering a cooperative is a means of organizing activity where working together is crucial, goals and objectives motivate persistence to ensure efforts succeed especially when faced with threats and pressures (Nunez-Nickel & Moyano-Fuentes, 2004). Significantly, goals affect action indirectly by leading to arousal, discovery, and/or use of task-relevant knowledge and strategies by members for success of activities (PSU, 2012). This reportedly occur in agricultural cooperatives where members guided by goals and objective seek innovative strategies to improve production. As a result, goals and objectives influence enterprise performance by increasing attention, task persistence, effective strategies and energizing pursuit. In this case, cooperatives through goals and objectives can sustain performance for instance by obtaining resources in ways other organizations are unable.

### 2.4.2 Firm Strategic Resources

Resources are stocks of available factors of production owned or controlled by a firm (Penrose, 1995). Resources are important to any organization because they form the context in which performance is attained. Cooperatives and cooperative members have massive resources (Mazzarol et al. (2011 b) that include physical resources, financial resources, information technology and human resources (Johnson et al., 2011; Inmyxai & Takahashi, 2010). **Financial Resources:** Financial resources include cash, cash equivalent assets, loans to members, bank loans, grants and donations. Financial resources are concerned with the ability of a business to fund its chosen strategy (Riley, 2012) or what Barney (1991, p. 3) refer to as to "enable the firm to conceive and implement strategies". Typically, existing funds of a cooperative comprise of cash balances, loans, shareholders' capital, working capital (stocks, debtors) and creditors (Mazzarol et al., 2011 b). Since the Rochdale Society of 1844, cooperatives raise finance mainly through share capital from members and retained earnings (Mazzarol et al., 2011 b).

On financial resources-performance link, Churchill and Lewis (1983) found that financial resources enable a firm to have extensive and well-developed systems that boost entrepreneurial spirit, which in turn facilitate continuous innovation and creativity. In agreement with Riley (2012), Inmyxai and Takahashi (2010) found that financing activities are positively associated with performance and firms without

adequate financial resources are unlikely achieve performance. On service delivery, Nyakenyanya (2013), Odhiambo (2013) and Okello (2012) assert that financially stable SACCOs provide better loan products and services as well as affordable inputs and better dividend rates. Concluding on the role of finance, Oladejo (2013) suggests that cooperative financing potential should be advocated in more organizations because it fully utilizes membership potential that may result to performance. Supporting the view, Akinwumui (2006) contend that cooperative financing is a practical tool that can significantly affect performance of enterprises (Onaolapo & Oladejo, 2011), through vibrant mobilization of resources that would have gone to waste (Salvatori, 2012).

Human Resources: The importance of people cannot be underestimated, as it is through employees and the strength of management capability that performance can be realised. As such, cooperative being a means of organizing people and their activity, the accumulated stock of knowledge, skills and abilities that individuals possess are important to ensure members work together for mutual benefit (Inmyxai & Takahashi, 2010; Birchall. 2014; 2010). This is why, the productive services provided by employees and members in form of expertise and decision-making capability are regarded as assets critical for organizational performance (Riley, 2012). Various other studies have found that human resource capabilities result in efficiency and effectiveness of organizational activities, which in turn lead to sustainable enterprise performance (Inmyxai & Takahashi, 2010). Churchill and Lewis (1983) found that sufficient employee skills, experience and capacity to meet the needs of a chosen strategy impacts positively on firm performance. Reinforcing the argument, Inmyxai and Takahashi (2010) found that in addition to numbers, depth and quality; human resource characteristics, such as education, training and work experience also positively affect firm performance. In Kenya, the Vision 2030 recognize human resources as critical to the performance and international competitiveness of firms, by "contributing not only to efficiency gains in existing activities but also in diversifying economic activities (RoK, 2007, p. 21). This clearly shows that human resource capabilities could influence performance of firms including cooperatives.

Co-operative employees play a key role to play in the achievement of objectives regardless of the co-operative type (Novkovic & Miner, 2015). Typically, a professional management team engages the members as customers, focuses on meeting customer preferences in terms of products and services and is concerned with making the cooperative competitive (Novkovic & Miner, 2015). In contrast with both the Employee Stock Ownership Plans (ESOPs) where employees are part owners but typically have no voice, and privately owned business implementing workplace democracy where workers are not owners, co-operatives offer both the ownership and the control to their employee-members. This elevates participation to higher level and has been found to result in highly loyal members. In addition, employees who are members have been found to forge a deeper and more meaningful relationship that goes beyond work and that penetrates the entire organization.

Moreover, the co-operatives practice of economic democracy ensures that employees have a voice in decision-making. Such involvement in decision-making increases a firm's efficiency, productivity and overall performance. Novkovic and Miner (2015) argues that employees who are empowered to make decisions affecting their wellbeing identify with the organization more readily and are more likely to align their personal goals and values with the organization's strategic purpose. Importantly, when workers make decisions that affect their work life such as salaries, benefits, working hours and conditions, they are likely to be more creative and innovation, which are critical to sustainable performance.

**Infrastructural Resources:** Infrastructural resources comprise of basic facilities, services and installations necessary for operations. They include physical assets such as land, buildings, equipment and information technology. Physical resources are concerned with the physical capability to achieve strategic purpose of a firm (Makori et al., 2013; Riley, 2012). They house and facilitate cooperative members' services and value adding operations that result to revenues (Mazzarol et al., 2011 b) and their exploitation impact firm performance (Barney, 1991) by permitting low-cost operations through economies of scale (Porter, 1985). This indicates that there exist a strong indirect relationship between performance and physical resources (Leblebici,

2012). On branch network, SASRA (2016) observe that DT-SACCOs have continued to expand their operations beyond their head office locations by opening branches in accordance with Section 32 of the Sacco Act. SASRA (2016) report that by 31<sup>st</sup> December 2015, there were 619 Sacco branches, translating to over 3 branches per Sacco. The popularity of branch operations is also supported by FinAccess (2016) report that most (41%) of financial services users access services at branch offices.

On Information Technology, resource-based theory literature reviewed indicates that IT drives business success by allowing enterprises to gain a low cost advantage through automation of processes and tasks (RoK, 2007; Porter, 2004). Similarly, Ravichandran and Lertwongsatien (2005) found that IT enhances process efficiency and product/service quality. According to SASRA (2016), convenience and ease of access of financial services shall continue to be the primary driver for any successful recruitment and retention of customers in the financial services sector, and SACCO Societies are no exception. SACCOs must thus increase their uptake of ICT in the provision of their financial services particularly through online or internet; SACCO agencies and mobile technology.

The core deposit-taking services including application for memberships, opening of accounts, application for and approval of loans, loan repayments, deposits and withdrawals, transfer funds, payment of bills and account's statements, should at the minimum be available online and through the mobile platforms. Further, the use of social media platforms; and interactive websites to respond to members' queries, advertise financial services and gauge level of satisfaction is critical for survival in the current digital age.

In Kenya, the Vision 2030 (RoK, 2007, p. 19) advice organizations including cooperatives to use IT resources in integrating innovative ideas into products, processes and services in order to boost performance and competitiveness. The Kenya Vision 2030 explains that IT investment "create a strong base for enhanced efficiency, sustained growth and promotion of value addition in goods and services". Upholding this argument, the Second Annual Progress Report 2008-2012 (RoK,

2012, p. 35) state that "effective and full exploitation of the opportunities availed by IT resources can translate into high and sustainable growth as well as competitiveness".

## 2.4.3 SACCO Governance

Governance is a key component in performance of co-operatives. The word governance has its root in the Latin verb "Goubernare" derived from the Greek "Kybernan", meaning, "to lead, to steer, to be the head of, to set rules, to be in charge of the power" (Novkovic & Miner, 2015 p. 10). According to SASRA (2015 p.1) governance is "the structure through which the objectives of the Sacco Society are set out and the means of attaining those objectives and monitoring performance are determined". Therefore, governance is related to vision, decision-making processes, power dynamics and accountability practices. The ultimate goal of governance is to ensure performance of an organization through effective utilization of resources in ways consistent with the organization's purpose (Birchall, 2014).

According to RoK (2010) and SASRA (2012), Sacco regulations require those charged with governance to exercise prudence and diligence of ordinary men of business. They are to ensure the cooperative is competitive and perform sustainably through strategic management. This agrees with Co-operatives UK (2013) which concludes that cooperative boards and committees should have appropriate skills and education to discharge their respective duties and responsibilities effectively. According to Njuguna (2012), governance affects all aspects of an organization and therefore success of governance could be evaluated on the increases in dividend rates, incomes, quality and easily accessible products.

In cooperatives, a fully empowered general meeting of members, the periodic election of board of directors and the democracy of members define a governance structure, an essential component of enterprise strategy. These attributes enhance good managerial practices such as transparency, representative-ness and broader participation of all members in cooperative activities. To members, good governance promotes the sense of belonging and members are more likely to involve themselves in the cooperative business.

In Kenya, cooperative governance significantly influences success or failure of Saccos (Marienga, 2015). In practice, cooperative governance constitute the 'active voice of members' through the general meeting, board of directors and supervisory committee (Mazzarol, 2009; Mazzarol et al., 2011 b; Cracogna, 2002). The 'active voice' SACCO governance system is a competitive advantage that keep SACCO governance costs low and minimizes risk of business failure, since members as owners, suppliers and users "are often willing to share profits and losses in order to maintain the long term sustainability of the cooperative" (Mazzarol et al., 2012, p. 7; Hettiarachchi, 2013). In his study, Palmer (2002) who examined marketing co-operatives in UK tourism sector found that participatory governance influenced performance, because members identified with the strategic purpose and viewed the cooperative as beneficial to them (Ole-Borgen, 2001). Reinforcing the view, Cornforth (2004) asserts that cooperative governance significantly influence performance through involvement of members in strategic planning and operational decision-making.

To support and drive forward the success of cooperatives, the International Cooperative Alliance (ICA) in 2012 outlined a strategic model of cooperative governance (Scholl & Sherwood, 2014). The model comprise of four constructs. One, Teaming or involvement which means working together to achieve the common purpose. Two, Accountable empowerment meaning empowering members while at the same time holding them accountable for the power granted. Three, Strategic leadership referring to articulation of the cooperative's strategic purpose and stewarding the organization to that direction. Four, Democracy denoting practicing, protecting, promoting and perpetuating inclusiveness in cooperatives. In member involvement, cooperative boards work together with members and employees to meet expectations of members. Working together creates and maintains a group culture that enhances cooperative principles and values. In Accountable empowerment, the AGM delegates power to the board and employees with clear roles and responsibilities, and monitors performance through reports. In addition, according to ICA (2012) governance through policies needed to ensure role clarity, focus and accountability.

As a key feature in good governance, Co-operative democracy gives members opportunities to meaningfully participate in the cooperative affairs without discrimination (Scholl & Sherwood, 2014). Members are also entitled to information, voice and representation to ensure democracy. Such a democracy builds alignment and shared understanding among members about the strategic choices the cooperative needs to make. Most importantly, the Strategic leadership should define purpose and set strategic direction. In particular, how the cooperative can effectively meet needs of members, how the co-operative can distinguish itself in the marketplace and what should the co-operative achieve (Scholl & Sherwood (2014). From the extant literature reviewed, the study identified governance structure, board capacity, Sacco governance roles and responsibilities as well as democratic as valid measures of cooperative governance.

# 2.4.4 SACCO Management

Management is a great strategic factor that leads to different results in areas such as profitability, market positioning, customer satisfaction, return of assets among others. In fact, "to perform efficiently, the organization needs managers who possess "keen business knowledge, spirit of competitiveness for managerial growth and survival, as well as need to focus on certain crucial dimensions of leadership (Souza & Carvalho, 2018, p. 21). Thus, management could make similar Sacco businesses operating in the same environment perform differently.

Co-operative management scholars agree that the sole reason for Saccos' existence is to serve the financial needs of its owner-user members. In this case, a Sacco's management as a strategic process comprise of the savings mobilization, credit administration and member relationship management (Louis-Antoine et al., 2011). The three aspects of Sacco management allow Saccos to meet needs of members and facilitate survival in long-term not just the short-term or good economic periods. Likewise, it is in the three aspects that Saccos have potential to leverage on the strength of membership to achieve a competitive advantage (Garcia-Perez & Garcia-Martinez, 2007). Therefore, Sacco performance could be an outcome of the relationship among members and the cooperative in terms of savings mobilization and credit administration.

#### Savings Mobilization

Saccos' core activity is to promote thrift among its members by affording them an opportunity for accumulating savings (Mazzarol et al., 2011). WOCCU defines savings mobilization as capturing savings deposits, protecting them, managing them, and using them to fund loan portfolios (Branch and Janette, 2002). Savings mobilization plays an important role in sustaining economic growth and development through faster capital accumulation leading to investments (Cheruiyot et al. 2014; Kurgat, 2017).

According to World Council of Credit Unions (WOCCU) Savings mobilization influences the financial management of an institution (Branch & Janette, 2002). This is because any panic withdrawals due to savers' lack of confidence in management would eliminate the critical source of funds and threaten the sustainability of the institution. As a result, directors and managers are compelled to operate within capital adequacy, liquidity and loan ratios in order to protect members' savings and the existence of the institution. Savings plays a role in financial performance by providing a source of relatively cheap funds due to low interest rates compared to commercial loans. Most savings and credit organizations require members to accumulate savings or shares which are illiquid and from which they can leverage loans at a certain multiplier (Birchall, 2010).

Alukwe et al. (2015) notes that in addition to interest received, a member is enabled to get a loan by savings deposits, which spurs growth in loans; the main asset and a key performance indicator in Saccos. In savings mobilization, SACCOs rely on member contributions to boost their capital and for onward lending to members. In the recent past, many Saccos in Kenya have introduced FOSA to boost savings mobilization (Kahuthu, 2016). According to Cheruiyot et al. (2012), savings mobilization plays an important role in sustaining performance and growth of Saccos. A high saving firm accumulates assets faster, invests more and thus it's operationally sustainable. In addition, savings mobilization is a stable source of funds (SASRA, 2015) and an efficient and effective savings mobilization could make a Sacco perform sustainably. This was ascertained during the global financial crisis of 2007/2008 where there were massive bailouts of institutions, but most credit cooperatives globally continued to operate and provide loans to members (Atherton et al., 2012; Birchall & Simmons 2007).

Part V of the Kenya Sacco societies' regulations 2010 categorize savings into shares, non-withdrawable deposits and withdrawable deposits. Shares are member contributions that are non-refundable but can only be transferred to an existing member on exit, while withdrawable deposits are paid on demand. In most Saccos, the non-withdrawable deposits are multiplied by a certain factor to establish maximum loan amount to a member. This encourages members to save more in order to qualify for bigger loans.

# **Credit administration**

Credit administration "is the ability to intelligently and effectively manage customer credit and is a critical requirement for effective revenue and receivables management" (Kairu, 2009 p 11). According to SASRA (2014), credit administration refers to all activities done to plan, organize, extend and recover loans extended to members of Sacco societies (SASRA, 2014), and is aimed at providing profitable loans at minimum risk (Njeru et al., 2015). Credit administration also ensures safety of funds and continuity of the society. Kahuthu (2016) and Alukwe et al. (2015) assert that success of Saccos largely depend on the effectiveness of their credit administration systems because these institutions generate most of their income from interest earned on loans to members. That is why Samoei (2015) observe that about 60 percent of a typical financial Sacco manager's time is devoted to managing the firm's credit affairs. Therefore, prudent credit management and control can enhance performance and sustainability of a Sacco (SASRA, 2014).

As SACCOs grow in terms of the number and size of loans, diverse products and clients, multiple locations and more employees, and more complex processes and procedures; it becomes critical to have prudent credit administration. According to (Kargi, 2011) credit administration as the core function of every of SACCO enhance the ability of members to exploit desired profitable ventures. Thus, through the

effective credit administration, SACCOs not only support the viability and profitability of members businesses but also they also contribute to systematic stability and efficient allocation of capital in the economy (Psillaki, Tsolas, & Margaritis, 2010). Further, the credit administration function facilitates efficient management of the SACCO loan portfolio to ensure equitable distribution of funds and encourage liquidity planning. To achieve prudence and best practice, credit administration should always be guided by clearly spelt out policies and procedures, strategic plan, by-laws, the SACCO act and regulations. Samoei (2015) argue that a sound credit policy would help improve prudential oversight of asset quality and efficiency by setting minimum standards of assessing risk, pricing, securities, authorization and ethics. Simply put, the credit policy should set the Saccos lending philosophy, specific procedures and means of monitoring the lending activity order to ensure sustainability in profits.

In Kenya, Part VI of the Sacco societies' regulation guides Sacco credit administration 2010 (see regulation 28) (RoK, 2010). It highlights functions of credit management in Saccos and advices on the importance of developing policies that would ensure security of loans extended to members (Njuguna, 2012). Moreover, Saccos aim of providing easy access to credit can only be realized if such credit given efficiently and effectively (Talaja, 2012). This can in addition guarantee continued existence and operational sustainability of the Sacco.

### Member relationship management

A cooperative being an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled business, management of the relationship of members is critical (Davis, 2015; ICA, 2012). Member relationship management, commonly referred as Customer Relationship Management (CRM) is the establishment, development, maintenance and optimization of long-term mutually valuable relationships between customers and the organizations. It is a strategy used in competitive environments that combines the information system, policies, processes, and employees of an enterprise in an effort to attract and retain profitable customers (Sudhakaran & Ramu, 2014). Sudhakaran and Ramu (2014, p 78) define CRM as "a comprehensive strategy and process that enables an organization to identify, acquire, return and nurture profitable customers by building and maintaining long-term relationships with them."

Further, a Sacco as an association of persons with common interests as owners, savers and borrowers, each member develops external relationships with other members and the cooperative. As such, member relationship particularly impact and is impacted upon by savings mobilization and credit administration in Saccos. In this case, a relation between supplier-members as persons and economic actors and their cooperative strengthens the relationship between members and the cooperatives. It also prevents members 'free rider' behaviour (Mazzarol et al., 2011 a; b; Mazzarol, 2009). In Saccos, customer relationship management integrates the FOSA and BOSA operations, giving a complete view of the organization's relationship with its members, that consequently create an internal system for members to sell into (savings mobilization) and buy from the Sacco (seek credit).

According to Street and Cameron (2007) member relationship management is important in the development of strategy and planning in cooperatives. Similarly, Ortmann and King (2007) indicate that member relationship management help a cooperative to achieve market power by consolidating members with common objectives and proactively engaging them in strategic planning and operational decision-making across the whole value chain. It also provides a strategic fit among corporate, business and operational levels of strategy, by having members as key players at all the levels. Further, member relationship management enhance business competitiveness by enabling board and employees to manage cooperative functions in consistency with members' expectations (Mazzarol et al., 2012). In this case, Nunez-Nickel and Moyano-Fuentes (2004) found that member relationship management helped cooperatives to forge stronger supply-chain linkages that consequently enabled them to dominate a market, product or service. Likewise, a cooperative being a coalition of members with common interests, Birchall (2010; 2014) posit that the member relationship management provide a hub for organising particular local economic interests or for protecting common pool resources. It also

facilitates flexibility, a strong sense of common purpose amongst members (Mazzarol et al., 2011 b), and good coordination as well as good communication. This makes member relationship management an operational tool that could significantly affect performance of cooperatives (Onaolapo & Oladejo, 2011), through vibrant mobilization of resources in a way that not possible for other firms (Salvatori, 2012).

In addition, Nunez-Nickel et al. (2004) and Mazzarol et al. (2011 b) assert that member relationship management enables cooperatives to rely upon the common purpose and loyalty of their membership when faced with external threats and economic pressures. Supporting the assertion, in a study of response by CO-OP Italia to the Mad Cow disease crisis in Italy, Mora and Menozzi (2005) found that the ability for the cooperative to apply adequate enforcements of 'certified beef' requirements was enhanced by the relationship it had with its members. Correspondingly, in a concept paper, Garcia-Perez and Garcia-Martinez (2007) found that enhanced cooperative members' relations management led to superior performance and financial benefit due to consistent supply of inputs, market for outputs and operational economies of scale. In another concept paper, Giannakas and Fulton (2005, p. 421), argue that a network of cooperative members "can increase the level of innovation and help to reduce the price" of inputs. Similarly, Sudhakaran and Ramu (2014) demonstrate that the implementation of CRM activities generates better firm performance when managers focus on maximizing the value of the customer. In overall, the studies reviewed agree that member relationship management is a competitive advantage that could influence performance in cooperatives since it enables them to mobilize people and resources that would have gone to waste (Mazzarol et al., 2011 b).

# 2.4.5 SACCO Regulations

Rules and regulations are detailed directions developed to put policy into practice. They define and characterize firm performance in a way that provides a mechanism to manage operations (Pataki, Dillion & McCormack, 2003). According to Njuguna (2012) regulations, enable use of universal measurement and appraisal systems, help in data collection and even benchmarking, which in turn motivates and enables continuous improvement beyond set targets. Regulations also shape the way organizations compete for survival and profit (Porter & Kramer, 2011). Saccos like other firms are subject to formal rules that regulate economic exchange. According to Kahuthu (2016) and Alukwe et al. (2015), governments need to adopt the prudential standards to increase Sacco members' confidence and loyalty.

Sacco regulations define the incentive structure and impose constraints aimed at ensuring performance of SACCOs (SASRA, 20114; Muthuma, 2011). Explaining the impact of regulations on Sacco performance, Njuguna (2012) indicate that first, the requirement to align operational policies and systems to regulatory standards have assisted SACCOs to manage credit risks that had destabilized their performance for long. Secondly, defining the performance standards, the regulations have prompted SACCOs to acquire more efficient management information systems (MIS). This has resulted to improved services and incomes. Third, best practice advocated by SASRA and improved professionalism has enabled SACCOs to compete effectively. Fourth, licensing by SASRA serve as a seal of approval and has triggered aggressive marketing and re-branding, resulting to more customers. Fifth, the regulation has improved clarity of Sacco business leading to increased interest by trainers. The trainers have helped to address skills gaps, which has enhanced competencies and productivity of human resources in Saccos.

Thus, in 2010 the Kenyan government enacted SACCO-specific regulations designed to strengthen safety of members' funds and improve performance of deposit-taking financial cooperatives (Gicheru, 2015). However, even by the end of 2015, majority of SACCOs faced liquidity challenges since most SACCOs maintain a high risk operating model. FSD (2017) observes that this is caused by the widespread practice to increase capital adequacy from members which rapidly increase the demand for borrowing further worsening insolvency. Further, Barrios & Blanco (2003) notes although capital formed a small percentage of a bank's wealth it is critical role in long-term finance and solvency. Kilonzi (2012) adds that when core capital is low, the cash available for business is very low and hence reduced financial incomes. This is an assertion similar to the findings made by Costantino (2011) where he stated that prudential regulation and particularly on capital adequacy is essential for managing financial crises. The findings are also in tandem with Alukwe et al. (2015) who postulated that financial regulatory regime on capital adequacy is critical.

In their study, Makori et al. (2013) found that in an effort to comply with regulations, Saccos were able to overcome challenges such as external borrowing, lack of liquidity, high investment in non-earning assets, inadequate ICT system, inadequate managerial competencies and political interference among others. The study also reveals that compliance to rules led to operational stability and brought confidence in Saccos (Muriuki & Ragui, 2013). The confidence has attracted new members and business as well as professionals that may have shied away. For instance, the government started channelling youth and women empowerment funds through some of the Saccos. In addition, enhanced transparency and accountability in Saccos has improved trust and member patronage of products and services (SASRA, 2011). In another study, Ngaira (2011) found that the operational management framework provided by SASRA regulations greatly influence performance of SACCOs in Kenya. The SACCOs surveyed reported improvement in RoA, RoE and member satisfaction. Based on literature reviewed, it is evident that regulations shape the way cooperatives compete, earn incomes and survive as businesses.

### 2.4.6 Performance of SACCOs

Enterprise performance refers to total social-economic outcomes resulting from the interactions of organizational factors in the course of operations (Wheelen et al., 2008; Barney & Clark, 2007). It is generally perceived as the ability to meet organizational goals (effectiveness); utilize organizational resources (efficiency); and satisfy the stakeholders (relevancy) through corporate governance and management processes, exercised within certain regulations (Jenatabadi, 2015). Thus, it is the most important goal and a strategic measure of output in every organization (Porter, 2004) because it is only through performance that an organization is able to grow and progress. Despite its importance, defining, measuring and its source has been contentious among researchers (Abu-Jarad, Yusof & Nikbin, 2010). However, most authors agree performance is a multidimensional concept comprising of financial

results, client satisfaction, internal processes and organizational learning (Johnson et al., 2011). The concept appears to favour financial aspects since financial performance is considered the result and evaluation of the other three dimensions of the enterprise (Louis-Antoine et al., 2011). Abu-Jarad et al. (2010) and Stewart (2010), adds that performance also includes profitability, market share, stock price, turnover and liquidity. Muhammad et al., (2009) in their study measured organizational performance by appraising margin of sales, capacity utilization, customer satisfaction, and product quality. Other authors such as Williams and Naumann (2011), Bennett (1999), Pandey (2008), Richard et al. (2009) and Zuriekat et al. (2011) assert that turnover; return on equity (RoE) and return on assets (RoA) are the ultimate measures of performance.

Just like companies, Saccos are business operations that are basically subject to competitive rules (ICA, 2012; Birchall, 2012; Borzaga & Galera, 2012). Thus, their key measures of success must be those of business success, which include turnover, assets, loans, RoE and RoA (SASRA, 2015). These measures evaluate success over time and provide a critical management tool for diagnosing performance of firms. Therefore, the study used RoA to measure performance.

Return on assets (RoA) is an accounting ratio that shows how much a firm has been able to derive from its assets, thus the higher the better. It is measured by net earnings before interest and tax to average total assets ratio-RoA=EBIT/TA (Manasseh, 1999). Consistent with their core business, loans constitute about 80% of total assets in Saccos. The loans are earning assets and highly liquid. In addition, RoA measures profitability and safety of funds. Thus, it is a good indicator stability and sustainability in terms of more reserves. This is because in computing EBIT, rebates to members are first deducted from revenues. A high RoA imply more surpluses are retained as institutional capital for future growth. Therefore, RoA gives the most realistic view of firm financial stability. A high RoA may also indicate conscious and deliberate desire as well as board capacity to provide strategic direction towards survival and sustainability. Hagel, Brown and Davis (2014) argue against use of RoE saying that it can obscure many potential problems. Companies can resort to financial strategies to artificially maintain a healthy RoE for a while and hide deteriorating performance in business fundamentals such as excessive debt (Hagel, Brown & Davis, 2014). The mounting competitive pressure combined with low interest rates on loans, creates a potent incentive to engage in these strategies to keep members happy. Thus, use of Return on assets (RoA) avoids the potential distortions created by such financial strategies. At the same time, RoA is a better metric of financial performance than profitability measures like return on sales. This is because RoA explicitly takes into account the assets used to support business activities. It therefore determines whether the company is able to generate an adequate return on these assets rather than simply showing robust return on sales. Hagel, Brown and Davis (2014) add that many companies outsource asset intensive manufacturing and logistics operations to more specialized providers in an effort to create "asset light" businesses. Those assets have not gone away but have simply shifted from one company to another. Someone has to earn a reasonable return on those asset investments. Even intrinsically "asset light" businesses have some limited current assets and fixed assets required to support the business. Using RoA as a key performance metric also focuses management attention on the assets required to run the business.

Louis-Antoine et al. (2011) suggest that RoA could comprehensively evaluate performance in cooperatives. In agreement, Souza and Carvalho (2018) add that Members' returns and the continuity of the business as the core objectives of a cooperative are ideally measured in RoA. In the appraisal of Saccos, SASRA regards RoA as appropriate because it accounts for the cost of using members' funds in financing operations (Makori et al., 2013). RoA is also perceived as a basic source of competitive advantage because it indicates that members receive compensation for their participation in the cooperative business of superior value worth remaining active (Wanyama, 2009). A high RoA may also mean a best value offering with attractive combination of prices, features, quality, service, and other attributes.

### **2.5 Critique of Literature**

Strategy studies that predate the current literature have been criticized for not fulfilling the requirements of managers or for not fitting with the circumstances of real business world (Livvarcin, 2007). The basic reason being that strategic management studies is introduced as an application field whose principal purpose is to describe, predict and change organizational situation (Johnson, et al., 2011). Within this view, scholars have focused on describing cooperative organizations (Mazzarol et al., 2011 a; b; Atherton, 2012; Novkovic, 2008) or explaining their role, importance and potential (Nyakenyanya, 2013; Okello, 2012). Also widely examined is their challenges and trends (Wanyama, 2009; Borzaga & Galera, 2012), as well as the strategic purpose and governance (Jussila et al., 2012; Marienga, 2015; Birchall, 2014). Other authors have developed appraisal tools for performance management in cooperatives (SASRA, 2015).

Nevertheless, a holistic approach to cover influence of enterprise strategy on performance in cooperatives has attracted minimal interest. Additionally, although most cooperatives are struggling to achieve performance (Ferri, 2012) the importance of identifying and measuring the influence of strategy has not been emphasized adequately (Borzaga & Galera, 2012). The reason of low interest may be inadequate information that results to misunderstanding of cooperatives as a simple and direct way of doing things. Arising from the misconception is the perception that member ownership and control structure automatically motivate patronage essential to performance (Mazzarol, 2009). Worse still, may be the perception that performance in cooperatives need not be an important aspect of corporate strategy, but rather a "residual to explain instances when an organization unexpectedly survives or thrives" (Mazzarol et al., 2011 b, p. 30). To address the above gap, the proposed study investigated influence of enterprise strategy on performance in SACCOs in Kenya.

Few authors have minimally tried to address the gaps related to sustainability in cooperatives. For instance, Mazzarol et al. (2011 c) attempted to address the

enterprise sustainability by developing a framework classifying types of sustainability, namely: transience, rigidity, adaptability and vulnerability. The effort though noble fell short of identifying influence of enterprise strategy on performance. The author only suggests that the framework can be used to identify what determines performance. Likewise, Novkovic (2008) in her study on 'defining the cooperative difference' attempts to identify determinants of performance in cooperatives when she notes that member-ownership-control structure and the cooperative principles may provide insights in understanding why cooperatives thrive in difficult situations, but no role of enterprise strategy is mentioned. The proposed study enriched the findings by investigating influence of strategic purpose, strategic resources, governance, management and regulations on performance of Saccos.

In other studies, Mazzarol et al. (2011 a, b) identify strategic purpose and argue that purpose of a cooperative keeps members involved which may contribute to superior performance. However, for this to happen, the proposed study suggests that an enterprise would require adequate resources, regulations, governance and management to exploit the opportunity provided in the purpose. Other researchers such as Atherton et al. (2012) extensively discuss cooperative member-ownership structure and cooperative principles. The study however does not clarify the role member-ownership structure and cooperative and cooperative principles in performance of cooperative enterprises.

In reports by Changtoek (2013) and Okoth (2012), many cooperatives in Kenya are transforming for market expansion as well as competitive positioning by changing their names and/or scope of operation. The proponents of re-branding frenzy argue that the changes will stimulate superior and performance in cooperatives, but none clearly indicates the role of enterprise strategy to be implemented. Considering the transforming SACCOs are yet to exploit their niche market potential, the explanation clearly indicates low understanding on the influence of enterprise strategy on performance in Saccos.

Finally, Borzaga and Galera (2012) in a conference report extensively examine potential, trends, challenges as well as obstacles to cooperative development. Though the conference aimed at "promoting the understanding of cooperatives performance for a better world" where issues of enterprise strategy should have been pertinent, the report only indicate that performance is necessary, but it does not clearly identify influence of the strategy. Similar to the other literature reviewed, this a critical omission. The proposed study intends to address such gaps by investigating influence of enterprise strategy on performance of SACCOs in Kenya.

### 2.6 Summary of Literature Review

Literature on cooperatives is in consensus that a cooperative is a purposive and entrepreneurial entity with specialized unique resources, governance, management and regulations that interacts with its environment to maintain long-term viability (Birchall, 2010; Novkovic, 2008). This has made cooperatives to grow in numbers over the years. However, despite the growth in numbers, cooperatives in most countries have had low survival rate due to lack of optimal strategies occasioned by inadequate information on how enterprise strategy could influence performance. From the theoretical review it was clear that since cooperative are more "defensive" as they usually emerge in response to a certain economic or social problem its members are not able to resolve using alternative models, they need to shift or restructure toward more offensive strategies and structures to be more sustainable. This greatly justified the study on enterprise strategy.

According to Talaja (2012), strategy could help an enterprise to survive and sustain performance in long term, not just in the short term or through good economic periods. The study adds that a firm could thrive if it has a strategic purpose, strategic resources, governance and management processes deployed within certain regulations. Nonetheless, the perception that cooperative is a simple and direct way of doing business make managers to pay little attention to strategic vision, mission and goals resulting to negative effects on performance (Gibcus & Kemp, 2003). Further, due to poor governance and management processes, most cooperatives lack a coherent strategy to actualize policy interventions (RoK, 2012). Similarly, despite cooperative members being endowed with massive resources and competences, most SACCOs lack an optimal strategy to deploy or leverage on such assets for success (Mazzarol et al. 2011).

It is also clear in literature that a well-formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competences. Yet, reviewed literature reveals no all-encompassing theoretical framework capable of explaining and guiding the strategic management of Saccos (Gikinsky et al., 2002). In addition, despite the fact that an optimal strategy provides a clear direction to policy and operational decisions (Gibcus & Kemp, 2003), extant literature indicate that in cooperatives, strategy remains often implicit, top-down, informal and intuitive (Birchall, 2014; 2010). This is may be because strategic direction is the responsibility of board that may not disseminate the same throughout the organisation. Moreover, the Sacco members who play an important and perhaps a crucial role in the formulation of strategy may not have the capacity to understand optimal strategy. Supporting the observation, Chamberlain (2010) who argues that most people responsible for organizations' strategies often have no clearer conception of what strategy means than other people do, but still claim to be successful as strategists. This makes their organizations to continually perform poorly.

To overcome this challenge of poor understanding of strategy, Chamberlain (2010) suggests that strategies should be well understood in order for organizations to survive and thrive in long term. This could be by having adequate information on the influence of strategy and its related effective analytical tools to enhance strategic management of organizations. The information on the influence of strategy can also assist not just strategists, but also anyone else who requires the ability to comprehend, explain, discuss, or criticize the coherence of an existing or proposed strategy. CEOs, board members, managers, and ambitious employees may also apply the information to their own organizations. Researchers, investors, members, and others also may apply it to organizations of interest to them

In conclusion, from available literature, strategy is claimed to significantly influence performance of a firm and in this case, firms with an optimal strategy outperform those without such a strategy. However, this claim is mainly based on a sample with large businesses (Gibcus & Kemp, 2003). This study focused on influence of enterprise strategy on performance of Saccos. Literature reviewed also attest that Sacco performance is the ideal measure of sustainability principally because only through performance an organization is able to grow and progress. Additionally, authors agree that performance in cooperatives is an important component of corporate strategy that practitioners and policy makers need to understand its determinants. Some of the studies reviewed are in consensus that strategic purpose, strategic resources, governance, management and regulations significantly influence cooperative performance and survival (Talaja, 2012; Mazzarol et al., 2011; Street & Cameron, 2007). The authors suggest that if the factors are strategically configured into a competitive system, a cooperative is likely to perform well in a sustainable manner (Chesborough & Rosenbloom, 2002). In this consideration, authors assert that to perform sustainably, cooperatives need to understand influence of enterprise strategy dimensions in terms of strategic purpose, strategic resources, governance, management and regulations on RoA (Ferri, 2012; Mazzarol, 2009; Mazzarol et al., 2012).

# 2.7 Research Gaps

Literature reviewed adduce that factors influencing the performance of SACCOs are multifaceted and dependent on the strategy adopted. Scholars such as Njuguna (2012), Birchall (2010) and Mazzarol et al. (2011) have identified various factors which contribute to the performance of co-operatives without examining extent of their influence. Also, though numerous studies have been conducted on cooperative business model, little has been done on influence of the enterprise strategy adopted by Saccos in Kenya on their performance. Additionally, RoK (2017) notes that there is lack of reliable information and data pertaining to cooperative enterprises in Kenya that can offer a primary response to the pressures of local and international competition, or that can enable to implement new approaches for coping with intensifying competition of market demand for quality products.

Further, most cooperatives have had under performance and low survival rate due to deficiency in strategic management. In practice, most cooperatives pay little attention to strategy resulting to negative effects on performance. This is because cooperatives perceive strategy simply as an aspect that explains instances when an organization unexpectedly survives or thrives (Gibcus & Kemp, 2003). The strategic management deficiency is better explained by Mazzarol, Mamouni and Reboud, (2011) assertion that a cooperative "feels its way as it goes, and because it is a rather simple and direct way of doing things, co-operation sets up no special goal except what might be represented by an expansion of its up-to-date accomplishments". Cooperatives are also argued as being too busy dealing with operational problems and events on a dayto-day basis and devote time to strategic management (Birchall, 2010; Mazzarol et al., 2011). Moreover, effect of strategic purpose, strategic resources, governance, management and regulations on performance measures has not been applied to a cooperatives sample. Similarly, there is little holistic analysis of influence enterprise strategy on performance of Saccos in Kenya. In addition, Njuguna (2012) recommend for more evaluation on the impact of regulations on SACCOs in order to inform further policy and regulatory development across Africa. To address the gaps, the proposed study investigated influence of strategic purpose, strategic resources, SACCO governance, SACCO management and SACCO regulations on performance of SACCOs in Kenya.

# **CHAPTER THREE**

## **RESEARCH METHODOLOGY**

# **3.1 Introduction**

This chapter identifies procedures and techniques that were used in data collection, processing and analysis. The chapter defines target population, explains sample size, sampling technique and discusses data collection, analysis and presentation.

### **3.2 Research Design**

An explanatory research design was used to establish causal relationships between strategic purpose, strategic resources, SACCO governance, SACCO management and performance of Saccos as moderated by regulations. The research design flexibility and adaptability enabled exploration and description of variables (Saunders et al., 2012). Further, the research adopted cross-sectional sample survey in which questionnaires and document reviews were used to collect both quantitative and qualitative data for analysis using correlation and regression methods (Cooper & Shindler, 2011).

The research process was largely guided by the configurational school of thought by Elfring and Volberda (2001). The Configurational School considers strategic management as an episodic process in which certain strategic organizational elements interact depending on the organizational environment. It explains a variety of strategy configurations which has resulted in numerous empirically based taxonomies and conceptually derived typologies. The basic idea of the configuration approach is that the effectiveness of organizations could be related to a set of complementary organizational characteristics. Therefore, the configuration approach aided in synthesizing the organizational characteristics of co-operatives. The approach also helped to identify sources of competitive advantage in co-operatives and consequent superior firm performance.

# **3.3 Population**

The study population was SACCOs in Kenya because they encompass almost all sectors of the economy and business activities. They are also the most common types of cooperatives with 9567 of the registered 18573 cooperatives being SACCOs (KNBS, 2017). In addition, performance of Kenyan SACCOs is ranked first in Africa and seventh worldwide, which justify choice of SACCOs as a suitable population of study on performance of cooperatives.

# **3.3.1 Target Population**

The target population was 215 deposit-taking SACCOs in Kenya because they comprise an important and vibrant segment of SACCOs. According to SASRA (2012 p. 38), deposit-taking SACCOs serve over 81% of total SACCO membership; hold 80% of share capital and 78% deposits of all SACCOs in Kenya. They also earn over 79% of total annual turnover earned by all SACCOs and grant 78% of all loans by SACCOs. Deposit taking SACCOs also own 79% of total assets. Further, operations of deposit taking SACCOs in Kenya are well regulated and supervised by SASRA and the governments. Therefore, a chance of getting valid and reliable data from deposit taking SACCOs on the topic is high.

## 3.4 Sampling Frame

A list all the 215-registered deposit taking SACCOs, was obtained from SASRA Supervisory Report 2013. The SACCOs were then be grouped into five ownership categories as shown in Table 3.1 (SASRA, 2014 p.34).

<b>Table 3.1:</b>	Category	of Deposit	Taking	Sacco'	S
-------------------	----------	------------	--------	--------	---

Category of SACCOs	Number per Category
Teacher based SACCOs	45
Government based SACCOs	41
Farmers based SACCOs	73
Private institutions based SACCOs	24

Community based SACCOs	32
Total Deposit Taking SACCOs	215

## **3.5 Sample Respondents**

The study respondents were Sacco managers and board members. Managers are the legally recognized individuals involved in actual management of SACCOs, while board members represent members who are the owners and experience greatest impact of Sacco performance. Managers are also informed specialists who have ideas and experience on operations and performance. According to the SACCO regulations (SASRA, 2010:64), managers are "responsible for the day to day running of the matters of the SACCO". Sacco managers and board members were also easily accessible. In view of this, managers and board members would provide valid and reliable data (Saunders et al., 2012) on study variables.

# **3.5.1 Sample Size Determination**

To determine the study sample size, Cochran formula for calculating sample size was used (Israel, 2013, Gathenya, 2012) where:-

$$n_0 = \frac{Z^2 p q}{e^2}$$

Where:  $n_0$  = Required sample size

Z = Desired confidence level of 95%

p = Estimated performance sustainability in SACCOs q = (1-p)

 $e^2$  = Desired level of precision (margin of error at 5%)

Hence 
$$n_0 = 1.96^2(0.86) (0.14) \approx 185$$

 $0.05^{2}$ 

*P*, the degree of variability refers to distribution of desired attributes in the population. The study estimated that performance of 86% (0.86) of deposit taking SACCOs registered by SASRA as at  $31^{st}$  December 2014 are sustainable (184 of 215 licensed to operate deposit taking business). To get an appropriate sample, the sample size (*n*<sub>0</sub>) was adjusted using finite population correction formulae shown in equation:

$$n = \frac{n_0}{1 + \frac{(n_0 - 1)}{N}}$$

Where: *n* is the sample size and

N is the population size.

Hence 
$$n = \underbrace{185}_{1 + (185-1)} \approx 100$$
  
215

Therefore the sample size was 100 deposit taking SACCOs

# 3.5.2 Sampling Technique

First, stratified sampling was used to group deposit taking SACCOs into ownership categories as identified by SASRA (2014). Then sample sizes from each stratum were distributed at 46.5% (100/215). Second, simple random sampling technique (lottery/balloting) was used to select SACCOs to be involved in the study (Kothari, 2007). Third, from each of the 100 SACCOs, due accessibility, two managers and one board member were selected randomly to form the sample. The randomization enhanced generalizability of study findings (Cooper & Shindler, 2011). In total, there were 300 respondents, 200 being managers, while 100 were board members.

Category of SACCOs	Number		San	nple
	a <b>f</b>	Earmanla	Size	
	01	Formula	Sacco	Board
	SACCOs		managers	members
Teacher based	45	45(100/215)	42	21
Government based	41	41(100/215)	38	19
Farmers based	73	73(100/215)	68	34
Private institutions based	24	24(100/215)	22	11
Community based	32	32(100/215)	30	15
Totals	215		200	100

# Table 3.2: Sample Distribution

# **3.6 Research Ethics**

These are important considerations established to protect the rights of research participants. To ensure this, participants were informed on the purpose and process of research to be used. The participants' privacy was guaranteed by use of official titles only. SACCOs were not referred by name in the report and details that may reveal their identity was coded. For confidentiality, collected information was availed only to those directly involved in the study. In addition, data was not fabricated, falsified or misrepresented and was used for this academic research purpose only. Finally, the researcher disseminated the findings factually even if they were contrary to the expectations.

# **3.7 Research Instruments**

## **3.7.1 Data Collection Instruments**

Questionnaire: A questionnaires containing both structured and semi-structured questions was used to cover items identified in the literature review and have been

used successfully in Gichuru (2012), Talaja (2012) and Newbert (2008). A Likert scale was employed to measure the ratings of items by respondents in relation to various variables under investigation. Likert scale is preferred because it does not need much space, is easy to complete by the respondents and has a high response rate (Kothari, 2007).

**Document Reviews:** Organizational documents such as management reports, financial statements, strategic plans and SASRA reports where reviewed to corroborate or augment information from respondents. Document reviews provided stability (documents could be reviewed repeatedly) and was unobtrusive. It also offered broad coverage in time and events (Muthuma, 2011).

### **3.7.2 Pilot Study**

A trial survey was conducted on 10 SACCOs, a 10% of the 100 SACCOs to be surveyed. The pilot sample size was based on arguments by Hertzog (2008) that if the pilot study is not aimed at providing statistical estimates for the full study, a 10% of the final study sample size is sufficient. The decision to take a 10% was also guided by cost and time constraints as well as dispersion and low variability of cooperatives in Kenya. Data obtained from the pilot study was subjected to preliminary analysis using SPSS. Cronbach alpha coefficient of 0.7 or higher was considered sufficient (Sekaran & Bougie, 2009). Based on results obtained, survey instruments were refined and their measures revised to make them theoretically meaningful before being used in the data collection (Kothari, 2007).

## 3.7.3 Validity and Reliability of Instruments

To ascertain that research instruments collect expected data, the instruments were discussed with supervisors, colleagues and other experts who checked for necessary adjustments (Mugenda & Mugenda, 2012). Pilot study discussed below helped to evaluate the proposed tools for necessary amendments before actual data collection. On the other hand, to ensure reliability of research instrument Cronbach alpha was computed on responses and a Cronbach alpha of 0.7 or higher was considered

sufficient (Sekaran & Bourgie, 2009). Further, Pearson correlation coefficient (r) was used to compute scores of questions (Kothari, 2007).

In addition, Multicollinearity was tested by examining variable tolerance and the variance inflation factor (VIF), Homoscedasticity by Levene test, Normality by Shapiro-Wilk Test, while Sampling Adequacy was tested by Kaiser-Meyer-Olkin (KMO) test and Bartlett's test of sphericity. Further, the study employed a methodological and source triangulation to validate findings. Methodological triangulation entailed the use of multiple data collection instruments including questionnaires, document reviews, and observations, while source triangulation entailed use of managers and board members from sampled SACCOs selected at random.

### **3.7.4 Measurement of Variables**

**Sacco performance** was assessed using return on assets (RoA) ratio. Respondents were requested to indicate total income, net surplus before interests and taxes, total assets, deposits, loans, membership and return to members for the years 2007 to 2014. The indicators of performance have been used by SASRA, KUSCCO and CAK to appraise cooperatives annually. A return on assets (RoA) ratio was computed as net surplus before interests and taxes to total assets.

**Strategic Purpose:** Existence, content, clarity and awareness of Saccos vision, mission, goals and objectives were measured using a five-point Likert scale on the level of agreement ranging from 1 (= strongly disagree) to 5 (= strongly agree) to various statements (Orhan et al., 2014; Bart et al., 2001; Khan et al., 2010).

**Strategic Resources:** strategic resources were measured by financial stability ratios, perceptions on adequacy of strategic resources, employee numbers, education levels and years of experience. Assets, capital, liquidity, ICT infrastructure were also used. Responses were gathered using a five-point Likert scale on the level of agreement ranging from 1 (= strongly disagree) to 5 (= strongly agree) to various statements.

**SACCO Governance:** to measure cooperative governance, the study examined governance structure, board capacity, Sacco governance roles and responsibilities as well as democratic decision processes in Saccos. The constructs have been established in literature as valid measures of cooperative governance. Governance structure covered governance composition, group cohesion, board size and meetings. Board capacity consisted of board professional qualifications, alongside ability to provide strategic direction. Sacco governance roles and responsibilities examined segregation of roles and authority. Sacco democratic decision processes covered involvement of members in key decisions, directors' commitment to members' interests and board accountability. Sacco democratic decision processes also captured the possibility of political interference. Responses were gathered using a five-point Likert scale on the level of agreement ranging from 1 (= strongly disagree) to 5 (= strongly agree) to various statements.

**SACCO Management**: operations of Savings and credit co-operatives comprise of the savings mobilization, credit administration credit and customer (member) relationship management (Louis-Antoine et al., 2011). Thus respondents were required to agree or disagree on various statements relating to these three aspects of Sacco operations that allow Saccos to meet needs of members and facilitate survival in long term not just the short term or good economic periods.

**SACCO Regulations**: SACCO Regulations was measured by the level of agreement to various statements on borrowing, liquidity, assets, management competence and political interference. Responses ranged from 1 (= strongly disagree) to 5 (= strongly agree).

**Control variables** included respondents' characteristics and enterprise features. **Respondents Characteristics:** Position, years of service and level of education were used (Gathenya, 2012). Years of service was measured in years of the respondent stay in the SACCO, education on the statement of highest level of education attained, while position was the designation of respondent.

Enterprise Features: legal status, size, age and sector. Age of the enterprise was measured by the number of years in operation, size in total assets and sector as a

category of ownership of the SACCO; while legal status as to whether licensed or not (SASRA, 2014).

### **3.8 Data Collection Procedures**

To avoid being perceived as a stranger who posed information risk to SACCOs, the study used the "known sponsor approach" (Muthuma, 2011). To access respondents and secondary data on SACCOs, the researcher used SASRA Supervisory and Research departments to establish research legitimacy and credibility. The SASRA Supervisory Department provided email addresses through which copies of questionnaire together with instructions on how to fill them were distributed to the 100 sampled SACCOs. Research assistants then visited the Saccos to collect completed questionnaires. The assistants were also to help in case of any difficulties in completing the survey.

### **3.9 Data Processing and Analysis**

Collected data were checked for errors before being keyed into the computer and processed using Statistical Data Processing for Social Sciences. Credibility and reliability of data analysed was tested using the Cronbach alpha, where a coefficient of 0.7 or higher was considered sufficient (Sekaran & Bourgie, 2009). In data processing and analyses, the study used descriptive statistics, correlation, regression analyses and ANOVA. Qualitative data were condensed by editing, paraphrasing and summarizing in order to derive meaning from it (Muthuma, 2011; De Wet & Erasmus, 2005; Stemler, 2001). Means and standard deviation were used to perform descriptive analysis, while correlation and linear regression were used to evaluate relationships. The use of regression analysis was preferred due to its ability to show relationships between variables and has been used in related studies by Kahuthu (2016), Kilonzi (2012), Ndung'u (2013), Olando (2013) and Mirie (2014).

**Correlation Analysis:** Pearson r correlation was used to measure strength and the direction of linear relationship between variables. The information provided initial achievement of objectives 1, 2, 3 and 4 that sought to establish the influence of

enterprise strategy on performance of SACCOs. The bigger the correlation coefficient r, the stronger was the association between two variables.

**Multiple Linear Regression Analysis:** To determine any causal relationship, multiple linear regression analysis was conducted. As stated by Gujarati (2004), causation models are best explained by linear regression analysis and thus, the study obtained linear regression results for each variable to achieve objectives 1, 2, 3 and 4.

Objective 1:  $Y = \beta o + \beta_1 X_1 + \epsilon$  ......for Strategic purpose ......(i) Objective 2:  $Y = \beta o + \beta_2 X_2 + \epsilon$  ...... for Strategic resources ......(ii) Objective 3:  $Y = \beta o + \beta_3 X_3 + \epsilon$  ...... for Sacco governance ......(iii) Objective 4:  $Y = \beta o + \beta_4 X_4 + \epsilon$  ...... for Sacco management......(iv) The overall model was  $Y = \beta o + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \epsilon$ ....before

moderating effect of Sacco regulations .....(v).

To achieve objective 5 which sought to test moderator effect, moderated multiple regression models was:

 $Y = \beta o + \beta_1 X_1 * M + \beta_2 X_2 * M + \beta_3 X_3 * M + \beta_4 X_4 * M + \epsilon \dots \text{ after moderating}$ effect of SACCO regulations .....(vi)

**Y** = SACCO performance

 $\mathbf{X}_1 =$ Strategic purpose

 $X_2$ = Strategic resources

 $X_3 = SACCO$  governance

 $X_4 = SACCO$  management

**M** = SACCO regulations

 $\mathbf{\varepsilon}$  = Error term

 $\beta$  = the beta coefficients of independent variables

The linear regression analysis yielded a coefficient of determination R<sup>2</sup> or the amount of variation in performance of SACCOs explained by the enterprise strategy (Cooper & Shindler, 2011). A variable was deemed to have significant influence on performance if the computed t-value of its regression coefficient was greater than the critical t-value (Cohen & West, 2003). In addition, Path analysis using Analysis of Moment Structures (AMOS) was carried out. The approach was appropriate because it incorporates analysis of covariance structures (casual modelling) that uses the general linear regression model and common factor analysis combined (Newsom, 2014). The structural equation modelling (SEM) analysis provided information on model fit, consistency to the data and a graphical output. Most importantly, the SEM approach helped to remove measurement error from estimation of relationships among variables and further confirmed regression results.

**Tests of Hypotheses:** To test the hypotheses, the analysis of variance (ANOVA) and there-in the F-test was carried out. A t-test was used to establish relationships between variables, while F-test was used establish the whole model fit (Cohen and West, 2003; Cooper and Shindler, 2011) based on the statistical significance of  $R^2$  at a level of P<0.05. A null hypothesis H<sub>0</sub> was rejected and alternate hypothesis H<sub>1</sub> accepted if the calculated F- statistic is greater than F- critical and vice versa (Gathenya, 2012; Mugenda & Mugenda, 2003; Cooper & Shindler, 2011).
# **CHAPTER FOUR**

## **RESEARCH RESULTS AND DISCUSSION**

### 4.1 Introduction

This study assessed the influence of enterprise strategy on performance of Saccos in Kenya. Specifically, the research examined extent strategic purpose, strategic resources, SACCO governance and SACCO management influence ROA of Saccos in Kenya. Saccos' regulation was the moderating variable. This chapter presents the data analysis results and discusses the key research findings for each specific objective.



## **Figure 4.1: Response Rate**

The study targeted 100 Saccos, from which 98 Saccos filled in and returned questionnaires, a response rate of 98%. The response rate of 98% was excellent and representative to make conclusions for the study. According to Mugenda and Mugenda (2003), a response rate of 50% is adequate for analysis and reporting; a rate of 60% is good and a response rate of 70% and above is excellent. The high sample response rate was considered important since the ultimate goal of study was to measure effects and make generalisations to a larger population (Alukwe et al., 2015).

The recorded high response rate can be attributed to data collection procedures. For instance, to avoid being perceived as a stranger who posed information risk to SACCOs, the researcher was introduced by SASRA to sampled SACCOs. The researcher pre-notified the participants by sending the questionnaires via emails. In addition, research assistants' visited the SACCOs to collect completed questionnaires and to help in case of any difficulties in completing the survey.



## 4.1.2 Respondents' Position in Sacco's

#### **Figure 4.2: Respondents Distribution by Position**

The results in figure 4.2 indicate that respondents were from twelve key senior management positions in SACCOs. Thus, it can be adduced the data collected was valid and reliable since the respondents were individuals involved in actual management of SACCOs. They were also informed specialists who have ideas and experience on operations and performance. It can also be argued that the SACCOs could not encounter a lot of challenges in strategy implementation with such a

composition of employees in senior management positions. This agrees with Alukwe et al., (2015) and Muigai (2013) who found that SACCOs with right composition of employees in senior management face minimal challenges of strategy implementation.

The figure 4.2 also indicate that majority of respondents with over 8.2% were those dealing with general operational issues. These are the operation managers, marketing managers, human resource managers, FOSA managers and the deputy CEOs. From the findings, it could be implied that these officers participate to a similar extent in general operations of the SACCOs. The finding could also support assertions by Birchall 2010), Mazzarol et al. (2011), Hanlon and Scott (1993) and Kobia (2011) that cooperatives are usually too busy dealing with operational issues and events on a day-to-day basis and devote little no time to strategic management. Other officers who are critical to strategy implementation such as the Chief Executive Officers, Finance Managers, Internal Auditors/Compliance managers, Accountants and Credit managers were the least at 7.1% each. The similarity in number of respondents may indicate that SACCOs could be having equal numbers of such officers, possibly only for purposes of meeting minimum SASRA requirements. The assertion is affirmed by Kahuthu (2016) who states that to professionalization of financial services offered by DT-SACCOs in compliance with SASRA regulations led to an influx of highly educated people from different professionals taking up employment in DT-SACCOs.

## 4.1.3 Respondents' Levels of Education

Figure 4.3 show respondents' educational qualification. The study found that majority were degree holders as shown by 72.4%, 20.4% masters holders, 5.1% diploma holders, while only 2% of the respondents had other qualifications.



# Figure 4.3: Respondents' Level of Education

The finding is confirmed by SASRA (2016, p53) which indicate that as at December 2015, 64% of all the chief executive officers within the SACCOs sector held an undergraduate degree, 17% held diploma level, with the remaining 12% holding other lower qualifications which is most prevalent in very small SACCOs. This compares favourably to the findings of Kahuthu (2016), Makori (2013), Mbui (2010) that majority of senior managers of SACCO in a new regulatory environment have Bachelors degree followed by those with a Masters. These findings suggest that the data collected was valid and reliable as the study surveyed educated respondents. It could also be adduced that any deficiency in strategic management in SACCOs may not be due lack of capacity in the senior management.

The study also revealed that all Saccos were licensed by SASRA. Further, the study established that of the 98 Saccos which completed the survey, 40 were small with assets under Kshs. 1 billion, 28 Medium with assets between Kshs. 1 billion and 2 billion and 30 were Large Saccos with assets of over Kshs. 2 billion. On the Saccos years of existence, the study found that age of surveyed Saccos ranged from 11 years to 49 years. The above data indicate that the survey sample had appropriate characteristics to provide suitable data for analysis.

# **4.2 Diagnostics Tests**

## 4.2.1 Reliability Analysis

The reliability of an instrument refers to its ability to produce consistent and stable measurements. According to Saunders et al. (2012); Cooper and Shindler (2011) the reliability of instruments is tested using Cronbach Alpha. Crobanch's Alpha estimates the internal consistency (internal coherence of the data) which is determined by the relationship between variables and the total test. Reliability is expressed as a coefficient between 0 and 1 where a value of 0.7 or higher is considered sufficient and Sekaran and Bougie (2009).

Table 4.1: Reliability Analysis	
---------------------------------	--

Variable	Cronbach's Alpha	Number of Items
Strategic Purpose	0.829	13
Strategic Resources	0.813	14
Sacco Governance	0.873	13
Sacco Management	0.869	8
Sacco Regulations	0.834	17
Sacco Performance	0.841	20
Average	0.843	

The Cronbach Alpha test was performed on the dependent variable, the four independent variables and the moderator as indicated in Table 4.1. The results of the reliability test indicate that all the five variables exceeded the threshold of 0.7 advocated by Mugenda and Mugenda (2003), Saunders et al. (2012); Cooper and Shindler (2011). This implies that all the variables were reliable and thus none was dropped from the study.

# 4.2.2 Multicollinearity Test

Multicollinearity refers to a high level of inter-correlation among the independent variables, making it difficult to separate effects of each independent variable on the dependent variable (Garson, 2012). This occurs when two or more independent

variables move simultaneous in the same direction and in the same rate. Multi collinearity is detected by examining variable tolerance and the variance inflation factor (VIF) (Cooper & Shindler, 2011). Tolerance should be greater than 0.1, and the A VIF should not exceed 10 Saunders et al. (2012).

# **Table 4.2: Summary of Collinearity Statistics**

Model	Collinearity Statistics				
	Tolerance	VIF			
Strategic Purpose	0.924	2.728			
Strategic resources	0.786	1.423			
Sacco Governance	0.634	1.352			
Sacco Management	0.780	3.427			

According collinearity Statistics Table 4.2, tolerance is greater than 0.1 and the Variance inflation factor (VIF) is above 1 but less than 10 was checked in all the analysis which is acceptable. Therefore, there was no multicollinearity among the independent variables in the study. The findings are within the limits set by (Sekaran and Bougie, 2009). Also, the findings are similar to Kahuthu (2016) who in a study on Impact of Prudential Regulation on Financial Performance of Deposit Taking Savings and Credit Cooperative Societies in Kenya, had found a tolerance values from 0.681 to 0.982 and Variance inflation factors ranging from 1.019 to 1.468.

## 4.2.3 Homoscedasticity

Homoscedasticity assumes that the error terms have constant variance and hence cannot influence each other and that the dependent variable(s) exhibit an equal level of variance across the range of predictor variable(s) Sekaran and Bougie (2009). Homoscedasticity is one of the assumptions required for multivariate analysis since its violation might reduce the accuracy of the analysis (Tabachnick & Fidell, 2007). Levene test was employed to assess the equality of variances for the variables of study (Strategic Purpose, Strategic Resources, Sacco Governance and Sacco Management). From table 4.3 the resulting P-value of Levene's test 0.043 is less than the conventional 0.05 critical value, indicating that the obtained differences in sample variances are not likely to have occurred based on random sampling from a population with equal variances. Thus, there is significant difference between the variances in the population.

## Table 4.3: Test of Homogeneity of Variances

Levene Statistic	df1	df2	Sig.
1.626	5	291	.043

# 4.2.4 Normality Test

According to Kline (2011), for linear regression model to provide the best estimates, residuals must be normally distributed. In addition, Mugenda and Mugenda, observes that "violation of the assumption of normality often leads to inaccurate generalization of findings" (2003, p. 54). Shapiro-Wilk Test was used to assess normality of distribution of data. Saunders et al. (2012) suggests that if the significance value of the Shapiro-Wilk Test is greater than 0.05 then the data is normal, if it is below 0.05 then the data is not normally distributed.

## **Table 4.4: Tests of Normality**

	Kolmogoro	Shapiro-Wilk				
-	Statistic	df	Sig.	Statistic	df	Sig.
Strategic Purpose	0.127	224	0.239	0.887	224	0.212
Strategic resources	0.153	224	0.104	0.834	224	0.501
Sacco Governance	0.126	224	0.141	0.924	224	0.397
Sacco Management	0.153	224	0.204	0.808	224	0.695

a. Lilliefors Significance Correction

According to test of normality Table 4.4, the statistic of Shapiro-Wilk test of variables are greater than 0.05. Therefore, the results show that the data collected was normally distributed.

# 4.2.5 Sampling Adequacy

In order to validate the study variables, tests of sampling adequacy were used. This enabled the study identify whether the items were appropriate for factorial analysis. Bartlett's Test of sphericity analyzes if the samples are from populations with equal variances.

Factors	KMO	Bartlett's T	Determinan		
	Test	Approx.	df	Sig.	t
		Chi-Square	e		
Strategic Purpose	.804	352.056	4	.00	0.058
				0	
Strategic Resources	.720	150.838	5	.00	0.297
				0	
Sacco Governance	.814	585.613	4	.00	0.009
				0	
Sacco Management	.779	192.378	6	.00	0.212
				0	

Table 4.5: Kaiser-Meyer-Olkin (KMO) and Bartlett's Test

The Table 4.5 shows Kaiser-Meyer-Olkin (KMO) test of sampling adequacy and Bartlett's test of sphericity. Williams, Brown and Onsman state that KMO of 0.50 is acceptable degree for sampling adequacy with values above 0.5 being better. The test results show that the scales had values above 0.7. Further, since the Bartlett's test significances were less than 0.05 indicates an acceptable degree of sampling adequacy (sample is factorable). Thus, it was acceptable to proceed with factor analysis.

# 4.3 Descriptive Statistics

# 4.3.1 Strategic Purpose and Sacco Performance

# Table 4.6: Responses on Vision and Mission

							<u> </u>
	lisagree		y agree		gree		ion
	ongly d	agree	oderate	ree	ongly a	an	l deviat
Statement	Str	Dis	Mc	Ag	Str	Me	Std
The Sacco has a							
vision and a mission							
statement	1.00%	0.00%	1.00%	20.40%	77.60%	4.735	0.8497
Our Sacco							
vision/mission							
statements are well-							
crafted and clear to							
all members and							
employees	11.20%	5.10%	15.30%	0.00%	68.40%	4.091	0.5754
The Sacco members							
are aware of the							
vision statements	10 20%	5 10%	6 10%	15 30%	63 30%	1 163	0 6087
Our mission and	10.20%	5.10%	0.1070	15.5070	05.50%	4.105	0.0987
vision state clearly							
what business we are							
in and who we serve	6.10%	7.10%	3.10%	21.40%	62.20%	4.265	0.8104
Our mission and							
vision state clearly							
what the Sacco plan							
to be in the future	5.10%	3.10%	6.10%	30.60%	55.10%	4.275	0.8201
Our mission and							
vision statements							
distinguish the Sacco							
from other							
enterprises	10.20%	8.20%	8.20%	19.40%	54.10%	3.989	0.7003



Figure 4.4: Responses on Strategic Purpose

A firm strategic purpose guides in evaluating the operating environment. It aids managers in using the past to help understand the present and plan for the future. According to Davis (2016), lack of appropriate vision, mission, goals and objectives that are based on the founding values and purposes of the cooperative movement is the principal reason for management and governance failures in cooperatives. From the data analysis results, it is evident that majority of Sacco's in Kenya have a strategic purpose that clearly guides their business functions, as indicated by 81% of respondents who agreed. This agrees with Davis (2016) who found 88% of the respondents agreed they understood the mission and core values of their Cooperative Bank.

The study further reveals that in majority of Sacco's have clear strategic purposes that members are aware of its contents. Therefore, the few respondents who disagreed may due to their own ignorance. This is because, primary purpose of forming cooperatives is to address the common economic problems of members or seize new opportunities (Birchall, 2010). This implies that such a strategic purpose is well understood as confirmed by the majority of study respondents who agreed. Further, as a minimum regulatory requirement, all deposit taking Sacco's should have a strategic plan (SASRA, 2016). This is expected to be well formulated, implemented and monitored to enhance survival and superior performance of Sacco's. A strategic plan incorporates the three strategic statements of purpose, namely vision, mission, goals/objectives. However, the finding indicates a strategic purpose exist in every Sacco, their intended positive effects is not evident since the performance of most is dismal. This exposes a gap possibly between formulation of a good purpose and effective actualization of the same.

The finding that most Sacco's have a vision and a mission statement is similar to Orhan et al. (2014) who report that many organizations have a vision and mission statement that enable them to perform well than those without. Further, Teece (2010) argues that vision and mission as strategic statements of intent are necessary to identify target market and guide product or service offerings. The findings supports Njuguna (2012) who suggest that Sacco's need to have vision and mission statements that clarify aspired future and delivery of services in order to grow membership and capital.

Further, over 64.8% of the respondents confirmed that Sacco's have appropriately crafted vision and mission statements which are relevant to the aspirations of members.

The findings extend David and David (2003) who in a research on the importance of vision and mission statements found that firms with well-crafted statements have a 30% higher RoA than firms that lack such documents. However, Benligiray et al. (2013) found that having vision and mission statements does not directly influence financial performance positively. Further, Porter (2004) argue and empirically support that well-crafted and communicated mission and vision statements are useful for practical day-to-day operations by motivating creativity and innovativeness towards desired performance.

On awareness, 78.6% of the respondents agreed that members are aware of the existence and purpose of the Sacco vision and mission. The finding is consistent with Orhan et al. (2014) that 87% and Darbi (2012) that 97.5% of employees are aware of the vision and mission and their purpose. The finding also concur with the finding by Sabatini (2012); Salvatori (2012); Jussila et al. (2012); Novkovic (2008); Novkovic and Miner (2015) that majority of members are usually aware of vision and mission of their cooperative which consequently inspire their participation, trust and loyalty.

On content, 83.7 % of the respondents agreed that their mission and vision state clearly the Sacco business. This is consistent with Johnson et al. (2008) who assert that mission and vision statements should typically answer "what business are we in?" and "what is our business for?" consequently reinforcing corporate level strategy in terms of scope, boundaries and value creation. The finding also draws from Mazzarol (2009) assertion that the mission of a co-operative identifies target market; clarify scope of products offering, competencies, market segment and geographical area of operation.

On desired future, 85.7 % of the respondents agreed that their mission and vision state clearly the Sacco future. The finding is in agreement with Mazzarol (2009); Sabatini (2012) and Birchall (2010) who suggest that vision and mission that clarify the desired future of the co-operative encourage potential members to trust and seek its services more. In addition, 73.5 % of respondents agreed, while 18.4% disagreed that mission and vision statements distinguish the Sacco from others enterprises. The finding is in agreement with Sufi and Lyons (2003), who observe that mission and vision create a unique identity that managers of Hilton hotels believe distinguish it from other businesses.

		dy disagree	ee	ately agree.		ly agree		viation
Statement		Strong	Disagı	Moder	Agree	Strong	Mean	Std de
Our Sacco has clear goals and objectives	7.10%	12.20%	6.10%	22.40%	52.00%	4.000	0.9876	
Sacco goals are within our resources (financial, human ICT)	7 10%	10.20%	8 20%	29.60%	44 90%	3 949	0 8698	
Our Sacco goals are ambitious enough given	7.1070	10.2070	0.2070	27.0070	44.9070	5.747	0.0090	
the competitive environment we operate								
in The Sacco sets annual	13.30%	9.20%	13.30%	12.20%	52.00%	3.806	0.8047	
growth targets for incomes, deposits, loans,								
assets and members	16.30%	10.20%	9.20%	16.30%	48.00%	3.693	0.6978	

The analysis indicates that 74.4 % of the respondents agreed, while 19.3% disagreed that their Sacco has clear goals and objectives. The study finding is in line with Locke and Lotham (2002) and PSU (2012) suggestion that all organizations need to have clear goals and objectives to help in directing attention and effort towards superior performance. Other authors such as Orhan et al. (2014) affirm that properly formulated and communicated goals can lead commitment towards improving organizational performance.

On strategic fit, 74.5 % of the respondents agreed, while 27.6% disagreed that their Sacco goals are within the financial, human and ICT among other resources. This is similar to Grant (1991) Porter (1985), Bridoux (2004) and Bart et al. (2001) who found goals and objectives that are within organizational resources positively affected organizational behaviour, with a direct effect on firm performance. Additionally, 64.3 % of respondents agreed, while 22.5% disagreed that their Sacco goals are ambitious enough given the competitive environment they operate in. The

finding agrees with Bartkus et al. (2004) who argue that goals and objectives need to be stretching enough to communicate an ideal strategic direction of the organization in a competitive environment.

The analysis also indicates that 64.3 % of the respondents agreed that their Sacco set annual growth target. This extends Mazzarol (2009), who observe that goals and objectives of cooperatives combine aspects of vision, mission and members expectations to create specific performance targets. Supporting the assertion, Pennsylvania State University (2012) observe that SMART goals and objectives can have an energizing function that lead to greater effort towards improved RoA. Likewise, measurable goals help avoid inappropriate activities and unnecessary costs subsequently resulting to superior performance (Wheelen et al., 2008).

## 4.3.2 Strategic Resources and Sacco Performance

The researcher sought opinions on the influence of financial resources, human resources and infrastructural resources.

## **Financial Resources**

According to the third cooperative principle, members are required to contribute equitably to the capital of their cooperative. At least, part of that capital remains the common institutional property of the cooperative. Members also need to allocate surpluses for developing the cooperative; setting up reserves and for benefiting members in proportion to their transactions with the cooperative. Specifically, as member-owners, they make capital investments to get the cooperative business started and keep it financially healthy. As member-owner-users, they hold membership, use the cooperative's services, and are interested in seeing that their cooperative effectively and efficiently serves them. In this regard, influence of financial resources is formidable at the conception of the cooperative and remains so throughout its life to assure successful organization, sound management, and operation. To establish the influence of strategic resources in performance of Sacco's, data on capital and liquidity was collected and analyzed.

Measure	Number of Sacco's	Percentage of Sacco's
Core capital		
Below kshs 10 million	0	0
Above kshs 10 million	98	100%
Core capital to assets ratio		
Below 10%	25	25.51%
Above 10%	73	74.49%
Current liquidity ratio		
Below 15%	20	20.41%
Above 15%	78	79.59%
Institutional capital to total assets		
Below 8%	18	18.37%
Above 8%	80	81.63%

On financial stability, the study found that all the 98 surveyed SACCOs had core capita above KES 10 million. However, the analysis indicates that 25%, 20%, and 18% of SACCOs had not met the regulatory ratios of core capital to assets, liquidity ratio and institutional capital ratio respectively. The finding is consistent with Kahuthu (2016) who had found that only 87%, 77%, 85% and 89% of the 124 surveyed Sacco's had core capital, core capital to total assets, liquidity and institutional capital to total assets ratios above the regulatory threshold of KES 10 million, 10%, 15% and 8% respectively. The finding also corresponds to SASRA (2016) report that 97.7%, 81.4% and 49.7% of Sacco's had capital, core capital to total assets, liquidity and institutional capital to total assets ratios above the statutory threshold. Since financial stability ratios especially core capital and liquidity act as early warning for SACCOs in financial distress and hence corrective actions can be taken in time.

# Perceptions on strategic resources

The study sought to find out the respondents perceptions on financial, human and infrastructural resources in their Saccos using questionnaire attached in appendix A.

# **Table 4.9: Responses on Financial Resources**

Statement	SD	D	Ν	Α	SA	Mean
The Sacco has adequate						
liquidity	8.20%	10.20%	12.20%	55.10%	14.30%	3.571
The Sacco has enough capital						
or access to capital to grow its						
business	12.20%	36.70%	10.20%	34.70%	6.10%	2.857
Our cooperative is obtaining						
enough deposits for financial						
strength and future growth						
opportunities	42.90%	14.30%	12.20%	18.40%	12.20%	2.429



**Figure 4.5: Opinions on Financial Resources** 

# Liquidity and capital adequacy

According to FSD (2017), SACCOs have unique financial problems. Among other weaknesses, most SACCOs have liquidity problems and operate with insufficient capital base, particularly in the face of declining member incomes. In agreement, only 69.4% of respondents agreed that Sacco's had adequate liquidity, 40.8% agreed that their Sacco's have enough capital or access to capital to grow its business and 30.6% agreed that their Sacco's are obtaining enough member deposits for financial strength and future growth opportunities. The finding extends Henehan (2011) observation that cooperatives tend to be undercapitalized because the primary source of equity is members who may not be in a financial position to invest the necessary capital. This is worsened if the actual cooperative business cannot generate adequate cash flows needed over long term; then failure is only a matter of time. Similarly, a report by FSD (2017) indicate that many Sacco's have been struggling to attain regulatory liquidity and capital limits by raising additional share capital and deposits from members.

The research considers liquidity and capital ratios as important measures of performance, which according to Wilson et al. (2013) are important in protecting the stakeholders' funds and the sustainability of financial institutions. A view also shared by Njagi et al. (2013); Alukwe et al. (2015) who observe that the government of Kenya came up with liquidity and capital as specific parameters of recognizing and measuring financial performance to avoid excessive appropriation of surplus to members as dividends consequently of depleting capital. In particular, liquidity is needed for managing SACCOs efficiently and effectively after combining it with the human capital.

#### Human resources

## **Table 4.10: Responses on Human Resources**

Statement	SD	D	Ν	Α	SA	Mean
Our Sacco has adequate						
number of employees	9.20%	17.30%	5.10%	19.40%	49.00%	3.816
The Sacco employees have						
relevant qualification and						
experience	6.10%	4.10%	13.30%	21.40%	55.10%	4.153



# Figure 4.6: Opinions on Human Resources

On adequacy of numbers, 68.4% of the respondents agreed that their Sacco's had has adequate number of employees. This is corroborated by data indicating that the total number of employees in the 98 surveyed SACCOs grew from 3669 in 2010 to 4276 in 2014. The finding is supported by with SASRA (2016) report that a total of 6,245 persons were employed in the 181 DT-SACCOs in 2014, out of which 5,027 are permanent employees, while 1,218 are casuals. The reported growth may be attributed to the SASRA efforts to professionalize Sacco's operations.

Range	Number	percentage
1-5 employees	131	3.06%
6-10 employees	218	5.10%
11-15 employees	698	16.33%
16-20 employees	480	11.22%
Over 21 employees	2749	64.29%
Total	4276	100%

 Table 4.11: Distribution of Number of Employees in Sacco's

To extend finding on adequacy of employee numbers, the data analysis indicated that majority of SACCOs (64.29%) has over 21 employees. This contradicts Alukwe (2015) who in a related study had reported that only 11.1% of Saccos had over 21 employees. Adequacy of employees is advocated by Churchill and Lewis (1983) who observe that sufficient employee numbers is necessary to meet the needs of a chosen strategy. In agreement, Alukwe (2015) found number of employees to highly influence income generation and customer satisfaction.

<b>Table 4.12:</b>	Employees	Work 1	Experience
--------------------	-----------	--------	------------

Range	Number of employees	Percentage
0-5 Years	356	8.3%
6-10 Years	802	18.8%
11-15 Years	1514	35.4%
16-20 Years	980	22.9%
Over 21 Years	624	14.6%
Total	4276	100%

The study found that majority of employees (35.4%) had work experience between 11-15 years and only 8.3% had 0-5 years. Similarly, Alukwe (2015) found that only 13.9% of the employees had worked for 5 years and less, while majority (50.9%) had worked in SACCOs for over 10 years. The findings also agree with Mbui (2010) and Muigai (2013) that majority of employees in Sacco's have work experience of between three to twenty years which is sufficient in steering the Sacco's to performance and to overcome challenges of strategy implementation.

# Academic qualification of employees

Capacity of employees cannot be underestimated as it is through the strength of their management capability that superior performance can be realised. Academic qualifications form the basis of employee management potential. This observation is supported by Kahuthu (2016) who concluded that the success of SACCOs as profitable institutions in a regulated environment requires professional employees with high skills to competitively manage the organisations.

Level of	Postgraduate	Bachelors	Diploma	Certificate	Other
education					
Number of	817	1809	679	338	633
employees					
Percentage	19.1%	42.3%	15.9%	7.9%	14.8%

 Table 4.13: Academic Qualifications of the Employees

The study found that majority of employees in the surveyed Sacco's (61.4%) had undergraduate and postgraduate qualifications, while only 7.9% had certificate qualifications. In addition, only 10.2% of the respondents disagreed that their Sacco employees have relevant qualification and experience. The study extends SASRA (2016) assertion that the professionalization of the financial services offered by DT-SACCOs, which commenced in 2010 led to an influx of highly educated people from different professionals taking up employment in DT-SACCOs. Further, the findings compares favourably to Makori (2013), who in a study on the challenges facing D.T.S regulatory compliance in Kenya, found that only 5% of employees were Certificate holders, 17.5% Diploma holders, 57.5% Bachelor's degrees and 20% had Masters Degree. The finding also agree with Alukwe et al. (2015) who found that 72.4% of employees in Saccos held a first degree, 20.4% masters, 5.1% diploma and 2% certificates. In a related study, Kahuthu (2016) noted that 37.03% of surveyed Saccos employees were first degree holders, 36.11% diploma holders, 18.52% had post graduate degree, while 8.34% had "O" level education and other professional qualifications. The finding also corroborates with SASRA (2016) report that as at December 2015, 64% of the chief executive officers within the DT-SACCOs sector held at minimum an undergraduate degree qualification, 17% diploma level, with the remaining 12% holding other lower certificate qualification. Despite the improvement in academic qualifications of employees in cooperatives, Davis (2016, p.557) laments that there is need for a radical rethink and promotion of co-operative management education and a dedicated executive recruitment that seeks out value-based professionals whose attitudes and values are compatible with cooperative values, ownership and purpose.

# Infrastructural resources

Statement	SD	D	Ν	Α	SA	Mean
Our Sacco has ATMs and						
other mobile banking services	4.10%	2.00%	0.00%	26.50%	67.30%	4.51
We communicate to members						
through the website, social						
media and emails	3.10%	34.70%	5.10%	42.90%	14.30%	3.306
The Sacco MIS (management						
information system) is						
adequate to provide members						
services	13.30%	23.50%	24.50%	22.40%	16.30%	3.051
Location of our branches are						
easily accessible by members	29.60%	14.30%	2.00%	37.80%	16.30%	2.969

### Table 4.14: Responses on Infrastructural Resources



# **Figure 4.7: Opinions on Infrastructural Resources**

Automation is a critical enabler of process efficiency and product/service quality (Ravichandran & Lertwongsatien, 2005). On ICT infrastructure, FinAccess (2016) observe that the rapid adoption of mobile money and agent networks in Kenya has had a profound impact on financial services. Not only has mobile money proven to be cost effective, but is a convenient way to access savings and credit. Thus, mobile money has provided an opportunity for SACCOs to rethink their product and services. In particular, usage of Automated Teller Machines (ATMs) and other mobile banking services has been widely accepted as a crucial mode of delivery of banking services. As a consequence, lack of connection to ATMs and other mobile banking services hamper ease of access to financial services from such organizations.

From the respondents' opinions, 93.9% of SACCOs has ATMs and other mobile banking services. The finding support SASRA (2016) report that in order to reach a wider section of their membership with ease, efficiency and minimal resources, many DT-SACCOs have embraced the usage of Automated Teller Machines (ATM) services. Despite the high usage of mobile platforms by members, proportionate investment has not been made in many SACCOs; therefore the best transformative impact of mobile money and other related innovations is yet to be felt. This assertion is confirmed by the study finding that 36.7% and 38.8% of SACCOs respectively

does not have an efficient management information system (MIS) and modern mode of communication with members such as interactive websites, social media accounts and emails. The finding implies SACCOs has not lived up to the government advice in the Kenya Vision 2030 (RoK, 2007, p. 19) that organizations including cooperatives should invest in IT resources to "create a strong base for enhanced efficiency, sustained growth and promotion of value addition in goods and services".

On branch network, SASRA (2016) observe that DT-SACCOs have continued to expand their operations beyond their head office locations by opening branches in accordance with Section 32 of the Sacco Act. The study data results also indicate that 54.1% of the respondents agreed the locations of their branches are easily accessible by members. In the study, 54.1% of respondents agreed their Sacco has a well spread branch net work. The finding is supported by SASRA (2016) report that by 31<sup>st</sup> December 2015, there were 619 Sacco branches, translating to over 3 branches per Sacco. The popularity of branch operations is also supported by FinAccess (2016) report that most (41%) of financial services users access services at branch offices.

According to Anderson and Henehan (2003, p 3) office location could influence cooperative performance the greatest when the closest cooperative facility is "just down the road and cooperative headquarters is in a nearby city" whereby members are able to interact with directors and employees. A similar view is shared by (Leblebici, 2012) who assert that there exist a strong indirect relationship between firm performance and physical resources such as office set up and location.

### 4.3.3 Sacco Governance and Sacco Performance

The researcher sought opinions on Sacco governance and findings are as shown in the following tables.

# Sacco governance

Cooperative governance enables members to enhance sustainability of their cooperatives as well as advance the cooperative philosophy (Birchall, 2010). The study examined governance structure, board capacity, governance roles and

responsibilities as well as democratic decision processes in Sacco's. The constructs have been established in literature as valid measures of cooperative governance. Respondents were asked various questions to operationalize the constructs. The results are presented as follows:

Tuble mich hesponses on Succo Governunce Structur	Table	4.15: F	Responses	on Sacco	Governance	Structur
---	-------	---------	-----------	----------	------------	----------

Statement	SD	D	Ν	Α	SA	Mean
Our Sacco governance consist						
of members working together						
with the board of directors and	1.0%	2.0%	5 1%	27.6%	64 3%	
employees	1.070	2.070	5.170	27.070	04.570	4.520
The Sacco board is structured						
into technical committees such						
as finance, credit, education,	0.0%	0.0%	0.0%	41.8%	58.2%	
audit	0.070	0.070	0.070	11.070	50.270	4.581
Our Sacco board size is						
important in enhancing prudent	71%	9.2%	11.2%	48.0%	24 5%	
governance	/.1/0	2.270	11.270	10.070	21.370	3.735
The number of board meeting	41%	17.2%	22.0%	28 7%	25 5%	3 571
affects quality of governance	111/0	17.270	22.070	20.770	20.070	5.571
Our governance structure is						
suitable for strategic decision-	37.8%	50.0%	9.2%	2.0%	1.0%	
making	57.070	50.070	1.270	2.070	1.070	1.786



Figure 4.8: Opinions on Sacco Governance Structure

The board of directors' mandate is to steward a cooperative in a way that advance the interests of members. To actualize this delegated mandate, Sacco governance is an all inclusive responsibility of members working together with the board of directors and employees. According to Novkovic and Miner (2015), good governance structure is an essential element of enterprise strategy, because it enhances transparency, representation and participation in the cooperative activities. In the study, majority (91.9%) agreed; while only 3.0% of the respondents disagreed that their Sacco's governance consists of members working together with the board of directors and employees. This corresponds with ICA (2012) advice that co-operatives being autonomous, self-help organizations controlled by members, their governance should consist of members working together with the board of directors and employees. Such a unity of purpose, Novkovic and Miner (2015) adduce it enhances strategic focus and reduce wastage of resources.

On board composition, there was consensus that Sacco boards are structured into technical committees. The finding is similar to Mwanja et al. (2014) who indicate that the boards of co-operatives are structured into committees to facilitate supervision of management decisions in an efficient manner. Such committees include finance, accounting, marketing, information systems, legal issues and other areas related to strategic management.

Research by Adams and Mehran (2011) on corporate performance, board structure, and their determinants, found that the overall effectiveness of the board tends to vary inversely with its size. Correspondingly, in the study 73.5% of the respondents agreed that board size enhance prudent governance. This finding is similar to Alukwe et al. (2015) that 65.7% of the respondents considered B.O.D size important in Sacco operations. This result implies that an optimum board size is a good indicator of corporate governance in Sacco's.

In addition, the study sought respondents' opinions on effects of number of board meetings on quality governance, whereby 54.2% agreed. This is consistent with Alukwe et al. (2015), where 51.9% respondents answered yes on effects of number of board meetings held. It is also confirms relevance of the government requirement that board

meetings be held regularly and not less than once quarterly (RoK, 2010). The Sacco Act also requires that any board member who misses eight consecutive meetings without a justifiable cause cease being a Board member (Ademba, 2012). Similarly, this study confirms number of board meetings as a good indicator of corporate governance.

# Sacco board capacity

Statement	SD	D	Ν	Α	SA	Mean
Our board of directors have the						
appropriate professional						
qualifications to govern the	32 7%	10 0%	11 7%	11%	3 1%	
Sacco	52.170	49.070	11.270	4.170	5.170	1.959
Our board of directors have						
leadership ability to provide	27 80/	50.00/	0.20/	2.00/	1.00/	
strategic direction	57.0%	30.0%	9.2%	2.0%	1.0%	1.786

The issue of corporate governance in cooperatives is critical because members who own the firm usually control and direct the business. Given this position, it may seem reasonable to assume that the best interests of members will guide the directors' decisions. However, in practice this does not always occur due capacity constraints and role clarity.



Figure 4.9: Responses on Directors' Capacity

Cyriacus (2009) research on the influence of governance on the performance of SACCOs in Tanzania established that board capacity positively influence the performance of SACCOs. However, according to Otieno et al. (2015) due to their inadequate professional capacity, involving the board of directors in operational affairs would limit efficiency. This is supported by Nkhoma and Conforte (2011), who in a study on lessons from Malawi's unsustainable cooperatives, found most cooperative failures were due to limited skills of the board of directors.

In agreement with other authors, 81.7% and 87.8% of the respondents respectively disagreed their Sacco's boards has adequate professional qualifications and strategic leadership ability. This implies majority of Sacco board of directors do not have requisite capacity govern the Sacco's. The finding agrees with SASCCO (2010) report, that Sacco's use volunteer committees instead of a technical committee which is a challenge on Sacco's performance. A similar view is shared by Mudibo (2006) that through the board members are non-professional elected officers; they undertake highly technical issues such as loan analysis and disbursement, budgeting and financial expenditure control. Gicheru (2015) also supports the finding by indicating that most elected leaders lack knowledge and skills in cooperative matters and thus often unable to guide cooperatives strategically. Since providing strategic leadership requires information, knowledge and wisdom, thus boards that lack capacity to develop foresight, strategic thinking and make informed decisions can have negative affects performance (Otieno et al., 2015). As a way forward, Davis (2016) advocate for a reformed board that possesses the skills and experience, as well as the commitment to cooperative values, that will enable them to match in quality of the boards of their competitors.

## Governance roles and responsibilities

 Table 4.17: Responses on Governance Roles and Responsibilities

Statement	SD	D	Ν	Α	SA	Mean
The roles and responsibilities of						
the Board and management						
staff are clearly segregated	16.3%	50.0%	23.5%	7.1%	3.1%	2.306
The committees authority and						
that of the C.E.O often conflict	0.0%	2.0%	7.1%	22.4%	68.4%	4.571



Figure 4.10: Responses on Roles and Responsibilities

Successful governance of a cooperative accrues from intelligent and active cooperation of members, board and the chief executive officer/employees (USAID, 2011). Each part of the team has its own duties and responsibilities for performing management functions in a cooperative. To be effective, responsibility of each party must be formally recognized and segregated in the cooperative guiding principles, otherwise any excluded partner will have limited voice in operations. Contrary to this observation, majority of the study respondents (66.3%) disagreed, while only 10.2% agreed that the roles and responsibilities of the board and management staff are

clearly segregated in their Sacco's. The finding is similar to Ademba (2012) and Mudibo (2006) who found that Sacco's lacked adequate guidelines on segregation of roles and authority of board committees vis-à-vis that of C.E.Os and senior employees. The finding also agrees with Co-operatives UK (2013), SASCCO (2010) and Owen (2007) that Sacco's and co-operatives in general fail to clearly distinguish the roles of directors and management staff posing a considerable challenge on good governance efforts. Similarly, While discussing "SACCOs for sustainable development" during the 2<sup>nd</sup> Annual SACCO Leaders' Convention, in Nairobi Kenya, on 22<sup>nd</sup>-24<sup>th</sup> March 2017, Muhamed (2017) notes that better differentiation of roles of directors, shareholders, employees and independent officers such as auditors is key if members are to continue entrusting Sacco's with deposits.

To confirm the effects of lack of role distinction, the study sought opinions as to whether board committees' authority and that of the C.E.O often conflict. The finding where 90.8% of the respondents agreed best illustrates roles confusion as inherent in cooperatives. In an effort to investigate possible cause of confusion, the researcher reviewed literature on cooperative philosophy further and in particular the cooperative principles which is the foundation of cooperative business. The study revealed that the leadership mandate of the Chief executive officer and by extension the strategic role of employees is not recognised formally by adopting a clear definition of that responsibility in the cooperative principles. Such recognition would integrate 'social' side represented by the elected board with 'business' which is run day to day by the C.E.Os and employees.

# **Democratic decision processes**

Statement	SD	D	Ν	Α	SA	Mean
General members are involved						
in making corporate decisions						
e.g. products, services,	2.0%	71%	3 1%	39.8%	48.0%	
budgeting	2.070	7.170	5.170	57.070	10.070	4.245
Sacco directors are committed				40.1		
to advancing members	2 104	7 204	26.204	0/	22 304	2 7 2 5
common interests	3.170	1.370	20.270	70	22.370	5.725
The Sacco members role in						
directors election is important	11.00/	20.20/	17 20/	21 /0/	10.20/	2 276
to board accountability	11.9%	20.2%	17.2%	31.4%	17.3%	5.270

# Table 4.18: Responses on Democratic Decision Processes

Members regard the cooperative as a social institution where democratic control is crucial (Nkhoma & Conforte, 2011). According to the D.T Sacco Regulations 2010, 59(1) "The supreme authority of a Sacco society shall be vested in the members who shall jointly and severally protect, preserve and exercise it in general meetings" (RoK, 2010).



Figure 4.11: Responses on Democratic Decision Processes

Upon examination of member involvement, the researcher found that 87.8% of the respondents' agreed that Saccos general members are involved in making corporate decisions such products, services, and budgeting. The finding is similar to a research by Mwanja et al. (2014) where 92.2 % of the respondents agreed, while only 5.6 % disagreed that members are involved in making important decisions in SACCOs. Meanwhile, in providing new insights why some members may only be moderately involved in Sacco governance, Gicheru (2015) argues that most members perceive themselves as mere customers, therefore as long as they get standard services, they may not be interested in the governance of co-operative affairs or even participate in general meetings.

However, members' involvement implies critical decision such as market positioning strategies, which normally requires timely action would have to wait for general meeting sanction. Thus, cooperative democratic decision processes can be said as slow to respond to completion. This reservation is supported by Karagu and Okibo (2014); Bwana and Mwakujonga (2013) who found that important decisions such as change in interest rates, introduction of new products and services have to await approval by the annual general meeting.

Leaders' commitment to the cooperative affairs affects the democratic processes in Saccos. As such directors' commitment to advancing members common interests, can encourage participation and loyalty to decisions. In addition, leaders' commitment to provide direction and act in the interest of members can increase member satisfaction and participation in cooperatives (Nkhoma & Conforte, 2011). In the study, majority of the respondents (62.4%) agreed that Sacco directors are committed to advancing members common interests. The finding support Alukwe et al. (2015) whose respondents illustrated that regulation compliance is influenced by leadership commitment level and board competence but not the structure.

The study also sought opinions on whether Sacco members' role in directors' election is important to board accountability. According to the D.T Sacco Regulations 2010, 59(2) "In exercising the responsibilities of the supreme authority, members shall jointly and severally ensure that only credible members are elected to

the committee". From analysis results, 17.2% were not sure, 32.1% disagreed, while 50.7% agreed that Sacco members' role in directors' election is important to board accountability. The results are consistent with Alukwe et al. (2015) who found that 69.4% agreed that shareholders role in director appointment as important in regulation compliance. It also agrees with FRC (2012) findings on the UK corporate governance which adds that all directors should be re-elected at regular intervals, subject to satisfactory performance. Supporting the finding, Birchall (2010) and Mazarrol (2009) posit that members being the Sacco owners and stakeholders who experience greatest impact of co-operative performance, they ensure prudent governance by electing the board of directors themselves.

# 4.3.4 Sacco Management and Sacco Performance

The researcher sought opinions on Sacco savings mobilization, credit administration credit and member relationship management. Findings are as shown in following tables.

#### **Credit management**

#### **Table 4.19: Responses on Credit Management**

Statement	SD	D	Ν	Α	SA	Mean
Our Sacco has adequate policies						
for effective management of its						
operations	1.0%	15.3%	4.1%	50.0%	29.6%	3.918
Our credit policy and						
procedures are clear to members	2.0%	22.4%	18.4%	42.9%	14.3%	3.449
The Sacco has adequate credit						
risk controls	11.2%	19.4%	2.0%	42.9%	24.5%	3.5



Figure 4.12: Responses on Credit Management

Policies guide decision making and actions in the entire firm which make strategy implementation easier. In addition, managing policy is a way to manage corporate culture. Thus, firms use policies to ensure employees make decisions and act in support of the mission, firm objectives and strategies (Wheelen & Hunger, 2008). In particular, credit policies of Sacco's provide the lending philosophy, specific procedures and means of monitoring the lending activity to ensure sustainability in profits. From the foregoing, it can be argued that adequacy of policies would essentially lead to effective management of firms.

On effective management, 16.3% disagreed that their Sacco had enough policies. This implies that over 16% of Kenyan Sacco's are poorly managed due a deficiency in prerequisite policies. The implication is supported by Kahuthu (2016) and Alukwe et al. (2015) studies on compliance to SASRA regulations, alongside findings by Samoei (2015) and Kamau (2015) on credit administration who adduce that inefficient management in some Sacco's is due to inadequate policies. Also in the

study, 24.5% of respondents disagreed that their credit policy and procedures are clear to members, while 30.6% also disagreed that their Sacco's has adequate credit risk controls. All these results provide insights on poor understanding of influence of policies on efficient management and consequent superior Sacco performance.

# Member relations management


Table 4 20. Responses on Member Relations

Statement	SD	D	Ν	Α	SA	Mean
Our Sacco has member						
relationship department						
	10.2%	56.1%	0.0%	26.5%	7.1%	2.643
Member relationship						
department is important						
	12.2%	23.5%	7.1%	34.7%	22.4%	3.316
I am satisfied with the Sacco						
services to members	1.0%	2.0%	8.2%	58.2%	30.6%	4.153
					/ -	

Most SACCOs in Kenya retain a strong sense of 'community' which make member relationship management critical to their survival and performance (FSD, 2017). Unlike in companies, each cooperative member develops external relationships with others and the cooperative. Most distinct is that people deliberately consent to associate and be members of the association. Such a relationship creates a sense of belonging and ownership, a prerequisite for survival and sustainable performance. Maroor (2013) suggests that strong member relationship management is necessary to optimize member satisfaction in efforts to overcome stiff competition. In agreement, Souza and Carvalho (2018) posit that Cooperatives exist because members believe they would fail if they act alone in the market. Trust connects members to the cooperative, securing their participation, commitment and acceptance of ownership. Therefore, maintaining good relationships with members and among members is vital for superior and performance of a co-operative.



**Figure 4.13: Responses on Member Relations Management** 

On existence of member relationship activities in Sacco's, 65.3% of respondents disagreed that their Sacco has member relationship department, while only 34.7% of the respondents agreed. The finding is consistent with Cheruivot et al (2014) who found that majority of respondents 68.7% agreed, while 11.3% disagreed and 20% were not sure their Sacco undertakes member relationship management. The low emphasis on member relationship in Sacco's could be attributed to the cooperative business model where a member is the owner and the customer at the same time. It may also be because "some members perceived themselves primarily as suppliers, lacking commitment to the cooperative's sustainability and focusing solely on price and payment terms" (Souza & Carvalho, 2018 p.19). On importance of member relationship, 57.1% of the respondents agreed, while 35.7% disagreed that it is important. In addition, the study found that over 88% of the respondents are satisfied with the Sacco services to members. The findings is in agreement with Davis (2016) who found 69 % agreed they were satisfied with the cooperative Bank services and over 58 % felt that the cooperative membership gave them a sense of belonging and ownership. These results indicate the benefits cooperatives gain from member

relationship management and partnership approach. These studies results are also consistent with Sudhakaran and Ramu (2014) who demonstrate that implementation of member relations management activities generates better firm performance when managers focus on maximizing the value for the member. In Sudhakaran and Ramu (2014), 53.9% of the respondents agreed; 37.4% disagreed and 8.7% were undecided that member relations management improves the cooperative's success and survival. Also 63.5% agreed, 9.6% disagreed, while 26.9% were undecided that member relations management improves the cooperative's member satisfaction. Further 71.3% agreed, 10.4% disagreed and 18.3% were undecided that member relations management improves the cooperative's member satisfaction.

# Savings mobilization

Statement	SD	D	Ν	Α	SA	Mean
In our Sacco the non-						
withdrawable deposits						
determine maximum loan						
amount to a member	5.1%	23.5%	0.0%	42.9%	28.6%	3.663
Our Sacco has minimum regular						
deposits contribution	7.1%	6.1%	0.0%	52.0%	34.7%	4.01
Our Sacco has minimum share						
capital to for all the members	8.2%	12.2%	0.0%	41.8%	37.8%	3.888
The Sacco pays attractive						
interest on deposits and FOSA						
savings	13.3%	7.1%	9.2%	32.7%	37.8%	3.745

## **Table 4.21: Responses on Savings Mobilization**


#### Figure 4.14: Responses on Savings Mobilization

According to Branch and Janette (2002), what most distinguishes credit unions from microfinance entities is their ability to mobilize large numbers of small and voluntary savings accounts. Karagu and Okibo (2014) in their study on financial factors influencing performance of Savings and credit cooperative organization in Kenya also concluded that growth in savings and deposits is an important component of performance. In this study, 71.5% of the respondents agreed, while 28.6% disagreed that their Sacco's non-withdrawable deposits determine amount of loan a member qualifies. The finding is in agreement with Kamau (2015) revelation that majority of the SACCOs have deposits as a condition of borrowing because it has a tangible financial basis that can be established with certainty. This study also indicates that 86.7% of respondents agreed, while 13.3% disagreed that their Sacco has minimum regular savings contribution. This may be an indication that savings are important to sustainable operations of Sacco's.

Further, the study found that 79.6% of respondents agreed, while 20.4% disagreed that their Sacco has minimum share capital requirement for all the members. The finding is consistent with D-T Saccos regulations 2010 requirement that all Sacco's should have minimum equity capital, a similar view expressed by Kahuthu (2016) and Alukwe et al. (2015). Alongside that, 70.5% of respondents agreed, while 20.4% disagreed that their Sacco pays attractive interest on deposits and FOSA savings. The finding corresponds with SASRA (2016) report that Sacco's pay high returns to members. According to the report, "The average interest rates paid by commercial banks for savings in 2015 was 1.58% which was an improvement from the 1.54% recorded in 2014, while the DT-SACCOs paid an average interest of 8.08% to members on their saving deposits...in 2015" (SASRA, 2016 p 22). These relatively good returns, together with use of deposits as security for credit promotes savings culture in Sacco's. However, this can be a source of financial risk to a DT-SACCO where the lending rates are insensitive to upward movement of interest rate on deposits.

# 4.3.5 Sacco Regulations and Sacco Performance

The numbers of dormant Sacco's have been increasing with time while performance of the active ones has been inconsistent and below potential (Okeyo, 2010). Therefore, "the establishment of SASRA and introduction of prudential regulations have been transformational for the SACCOs" (FSD, 2017, p.8). This strengthened the need to re-examine Sacco regulations as moderating variable. Effect of regulations was measured on the level of agreement to various statements on performance indicators by comparing the period before and during regulations.

#### Liquidity management before and after regulation

According to SASRA (2012), directors of Sacco's were to ensure prudent liquidity management by maintaining specific cash limits, use FOSA manuals and have designate FOSA managers. Opinions on the extent of prudence in liquidity management are shown in the table 4.22.

### Table 4.22: Responses on Liquidity Management

	Yes	No
Did tellers operate with a specific cash limit before 2009?	61.2%	38.8%
Did tellers operate with a specific cash limit after 2010	95.9%	4.1%
Did tellers operate with a FOSA manual before 2009?	53.1%	46.9%
Did tellers operate with a FOSA manual after 2010?	98.0%	2.0%
Did you have designated FOSA managers before 2009?	13.3%	86.7%
Did you have designated FOSA managers after 2010?	77.6%	22.4%



Figure 4.15: Liquidity Management Policy

Data analysis results indicate that liquidity management improved in surveyed Sacco's after 2010 SASRA regulations. Sacco's which had designated FOSA managers, whose tellers operated with specific cash limits and used a FOSA manual were 13.3%, 61.2% and 53.1% before regulation. These numbers rose to 77.6%, 95.9% and 98.0% during regulation respectively. Notable is that Sacco's with designated FOSA managers are the least in both periods, implying that liquidity

management is still more reactive than proactive. This situation is clarified by FSD (2017) assertion that many SACCO members are not concerned with regulatory compliance considering their SACCOs have existed and provided services without regulation.

Statement	Vone	small extent	<i>M</i> oderate extent	great extent	<b>Greatest extent</b>	Aean	itd deviation
Regulations helped the Sacco	<b>_</b>		<u> </u>			<u> </u>	
to overcome high external borrowing Regulations helped the Sacco	4.1%	76.5%	1.0%	11.2%	7.1%	2.408	1.095
to overcome lack of liquidity	18.4%	59.2%	11.2%	7.1%	4.1%	2.194	0.904
Regulations helped the Sacco to overcome high investment in non-earning assets Regulations helped the Sacco	1.0%	17.7%	58.3%	13.5%	9.4%	3.102	0.9132
to overcome inadequate ICI	31%	11.2%	74 5%	9.2%	2.0%	2 959	0 9856
Regulations helped the Sacco to overcome inadequate managerial competencies	2.0%	23.5%	9.2%	18.4%	46.9%	3.846	0.9457
Regulations helped the Sacco to overcome negative political	,			1011/0	,		012 10 1
interference	4.1%	19.4%	12.2%	49.0%	15.3%	3.52	1.005

# Table 4.23: Responses on Effects of Regulations

The data results reveal that regulations have not had great effect an majority of Sacco's except in reducing negative political interference and in improving managerial competencies. This is illustrated well in the figure below.



**Figure 4.16: Effects of Regulations on Sacco Performance** 

### High external borrowing

In the study, 76.5% of the respondents opined that regulations have helped their Saccos to overcome high external borrowing only to a small extent. The finding resonates with SASRA (2017) Sacco supervisory 2016 report that the external borrowing to total assets ratio of licensed Sacco's had improved marginally from 5.31% in 2015 to 5.04% in 2016. The study results are also consistent with Makori et al. (2013) who had found that in an effort to comply with regulations, Sacco's reduced external borrowing. The finding means that SACCOs are funding their operations more from member deposits, rather than from external borrowing. However, a further analysis indicate that the total loans to total deposits ratio stood at 108.39% in 2016, which implies that about 8.39% of the total loans was funded from external sources. The external funds are usually charged high interests rates which negatively affect liquidity of the DT-SACCOs. This is a clear indication that regulations have not fully redeemed Sacco's from high external borrowing among other unfavourable practices highly entrenched in the Sacco model. Therefore, more proactive measures beyond regulations are necessary to address the behaviour.

# Lack of Liquidity

In the absence of a central liquidity facility like that for commercial banks, comprehensive liquidity management policy is a critical tool for monitoring and managing liquidity risks among the DT-SACCOs (SASRA, 2017). The policy prescribes a minimum liquidity ratio of 15%. In the study, 59.2% and 18.4% of the respondents indicated that Sacco regulations have helped the Sacco's to overcome lack of liquidity to a small extent and none at all respectively. This implies that many DT-SACCOs are often unable to meet their short term obligations, and often resort to extern borrowings. This finding is contradicted by SASRA (2017) supervisory report that average liquidity ratio of DT-SACCOs improved by 5.95% between 2016 and 2015 from 49.95% to 55.90%. This contradiction calls for further research.

#### High investment in non-earning assets

Sacco regulations define the incentive structure and impose constraints aimed at ensuring performance of SACCOs (SASRA, 2014). The Sacco societies Act 2008, 48 (1) prescribes that "a Sacco Society shall not invest in non-earning assets or property and equipment in excess of ten percent of total assets, of which land and buildings shall not exceed five percent". On the extent regulation has controlled misallocation of funds, 58.3% and 13.5% of the respondents indicated moderate and great extent respectively. This is similar to Olando (2013), Karagu and Okibo (2014), Alukwe et al. (2015) and Gicheru (2015) reports that SACCO regulatory reforms effected in 2010 has effectively controlled investment in non-earning assets and unsafe lending, thereby increasing confidence and loyalty in Sacco's that had kept diminishing.

#### **Inadequate ICT system**

On inception, SASRA anticipated that there would be extensive acquisition, adoption and usage of ICT platforms in an effort to comply with regulations, alongside improving on operating efficiency and capacity of DT-SACCOs (SASRA, 2017). However, as at December 2016, a total 39.63% percent of all the DT-SACCOs did not have accessibility to ATM services for their membership, with 65.85% of them being served through Cooperative Bank's SACCO Link ATM platform. In support, the study found regulations to have moderately helped the Sacco's to overcome inadequate ICT system as indicated by 74.5% of the respondents. The study finding is similar to Makori et al. (2013) who found that during regulations; more Sacco's have acquired ICT systems to enable access to services for their members. In addition, the finding indicates a positive effect of the SASRA circular that required SACCOs to upgrade the existing management information systems for effective compliance (SASRA, 2016, p. 67).

#### **Inadequate managerial competencies**

According to FSD (2017), introducing a robust regulatory framework was recognised as a necessary but not sufficient step in improving SACCO performance. This is because most SACCOs lacked the core management and technical competencies required for professional financial service. As an extension to literature, in the study 18.4% of the respondents indicated regulations had improved managerial competencies to a great extent and 46.9% to greatest extent. This is confirmed by SASRA (2016, p.52) report that the professionalization of the financial services offered by SACCOs since introduction of the prudential regulations has seen an influx of highly educated and different professionals taking up employment opportunities in SACCOs. The view is shared by Fajardo-Garcia and Soler-Tormo (2015) who state that the credit co-operatives in Spain have made great efforts to improve the qualifications and professionalism of their managers during regulation. Similarly, Onsase et al. (2012), and Magali (2013) revealed lack of capacity in management as a major challenge inherent in the SACCOs. Likewise, Bwana and Mwakujonga (2013) found low academic qualifications and skills among staff prevalent in SACCOs.

# Negative political interference

The study found that regulations have helped Sacco's to overcome negative political interference as shown by 12.2% and 49% and 15.3% of the respondents who indicated great extent and greatest respectively. The finding is similar to that of Makori et al. (2013), suggestion that regulations reduced political interference in

Sacco's. Alukwe et al. (2015) in agreement explains that regulations on directorship has reduced political interference sometimes caused by board members who use directorship as a stepping stone to external political office. The aspirations for such an external political office give politicians opportunity to critic the cooperative governance in an effort to discredit the director's ability to manage wider public affairs.

#### **4.3.6 Sacco Performance**

Performance was the dependent variable measured in ROA. The study sought opinions on performance indicators as shown in table 4.24.

Statement	SD	D	Ν	А	SA	Mean
Sacco grew its assets in the last 5						
years	5.1%	18.4%	9.2%	38.8%	28.6%	3.673
Sacco grew its incomes in the last						
5 years	3.1%	11.2%	9.2%	50.0%	26.5%	3.857
Sacco grew its loans in the last 5						
years	13.3%	7.1%	11.2%	41.8%	26.5%	3.612
Sacco grew its deposits in the last 5						
years	10.2%	16.3%	2.0%	44.9%	26.5%	3.612
Sacco membership increased						
between 2010-2014	23.5%	31.6%	1.0%	19.4%	24.5%	2.898
Sacco returns to members						
improved between 2010-2014	19.4%	21.4%	7.1%	13.3%	38.8%	3.306

Tab	le 4.	24:	Res	ponses	on	Sacco	Perf	formance	Indicators
-----	-------	-----	-----	--------	----	-------	------	----------	------------

Njagi et al. (2013) and Alukwe et al. (2015) posit that a positive relationship exist between SACCO performance and financial stewardship, capital adequacy and funds allocation. Kahuthu (2016) extended the assertion by adducing that prudential regulation particularly on capital positively affects performance of Sacco's.



**Figure 4.17: Opinions on Sacco Performance** 

The data analysis indicates that 52.1% of the respondents agreed, while 40.8% disagreed that their Sacco's returns to members improved between 2010 and 2014. This is an indication that Sacco's interests on deposits and dividend rates improved in the period. The finding is consistent with SASRA (2016 p 22) report that the average interest on deposits and dividend rates paid by SACCOs improved from 6.6% to 8.08% and 3.97% to 5.04% in the years 2014 and 2015 respectively. The good returns to members and use of deposits as security for loans continue to be a competitive advantage in SACCOs. However, this aspect can be a source of financial risk to a SACCO where the upward movement of interest rate on deposits is at the expense of retention.

Further, 67.4% of the respondents agreed, while 23.5% disagreed that their Sacco's assets grew in the last 5 years. Alongside that, 68.3% of the respondents agreed and 20.4% disagreed that their Sacco's loans grew in the last 5 years. Subsequently, 71.4% of the respondents agreed, while 26.5% disagreed that their Sacco's deposits grew in the last 5 years. The finding corresponds SASRA (2016 p.28) report that the total assets of the SACCOs grew by 13.7% to stand at Kshs 342.84 Billion in 2015

from Kshs 301.53 Billion recorded in 2014; with the total loans growing by 13% from Kshs 228.52 Billion in 2014 to stand at Kshs 258.18 Billion in 2015. On the other hand, the report indicates that the total deposits grew by 15.3% to Kshs 237.44 Billion in 2015 from Kshs 205.97 Billion registered in 2014.

On revenues, 76.5% of the respondents agreed, while 14.3% disagreed their Saccos grew its incomes in the last 5 years. The finding is similar to Kahuthu (2016) who report that 85% of the respondents indicated their Saccos increased incomes in 2010-2013. The author also reveals that the reduced investments in non-earning assets, reduction in loan default, as well as efforts to comply with liquidity and capital ratios implied that more funds were available for loaning, leading to increased incomes. In addition, the finding is consistent with Manyara (2003) and Kobia (2011) who asserted that increase membership led to increased incomes due to increased volume of business.

Again, from the data analysis, 43.9% of the respondents agreed, while 55.1% disagreed that their Sacco's membership increased in the years 2010-2014. A further data analysis indicate that membership in the sampled Saccos grew by an average of 7.42% in 2013-2015, higher than the growth in the entire Sacco system of 4.6% (SASRA, 2016). A similar view is shared by Kahuthu (2016) who assert that in between 2010-2015 Sacco membership mildly grew as new members joined to reap benefits of the newly organized financial market. Though inconsistent with the finding, KNBS (2017) indicate that access to financial services through Sacco's grew slowly by only 1.9% in the years 2013- 2015, compared to commercial banks, which grew by 9.2% in the same period.

To triangulate data and findings from questionnaire responses, the study reviewed Sacco performance data collected from documents before and during regulation (see Appendix IX).

	2006	2007	2008	2009
Total Assets	78,394,724,634	83,273,214,944	85,665,578,512	88,330,465,964
Total Income	8,007,339,613	8,434,933,121	9,476,051,151	11,520,404,152
EBIT	807,465,664	907,678,043	848,089,227	945,135,986
ROA	1.03%	1.09%	0.99%	1.07%

 Table 4.25: Sacco Performance Indicators before Regulation

 Table 4.26: Sacco Performance indicators after Regulation

	2010	2011	2012	2013	2014
Total Assets	111,810,616,537	157,981,365,206	186,370,616,529	216,935,397,625	254,248,285,961
Income	14,452,353,144	17,646,340,835	21,975,517,852	27,923,148,477	34,100,846,447
EBIT	2,157,944,899	3,696,763,946	4,733,813,660	5,184,756,003	6,381,631,978
ROA	1.93%	2.34%	2.54%	2.39%	2.51%

In the above tables 4.25 and 4.26 results indicates that average ROA for the period before regulations is 1.045%, which increased by 1.297% to 2.342% in regulation period. Validity of the finding is affirmed by SASRA (2017) report that ROA of all licensed Sacco's in 2016 was 2.45%. The study also found that total income, total deposits, total loans, total rebates and total membership were higher for the post regulation period than before regulation period. This clearly shows that there was overall improvement in performance of Sacco's after SASRA Regulations as demonstrated in table 4.26. This is reaffirmed by SASRA (2017) Sacco supervisory report which indicates that 175 licensed Sacco's had total assets worth KES 393,498.67 billion and a turnover of KES 55, 257.99 billion in the year 2016, which translates to a return on assets of 2.45%. The findings reveals that the prudential regulations have positive impact on performance of SACCOs. Table 4.27 illustrate the impact of regulations further.

	2013	2014	2015	2016
Core Capital (KES Millions)	26,850	33,252	41,712	54,943
Core Capital/Total Assets	7.74%	11.20%	12.17%	13.96%
Core Capital/Total Deposits	10.90%	16.40%	17.57%	20.16%
Institutional Capital/Total Assets	2.84%	5.42%	8.75%	7.71%
NPLs to Total Gross Loans	4.72%	5.73%	5.12%	5.23%
NPLs Net of Provisions to Capital	14.50%	17.06%	14.65%	7.63%
Earning Assets to Total Assets	82.62%	79.45%	80.54%	80.71%
Return on Assets (ROA)	2.32%	2.56%	1.87%	2.45%
Returns on Equity (ROE)	19.03%	18.78%	13.65%	12.23%
Interest Margin to Gross Income	46.86%	45.70%	42.97%	42.15%
Cost Income Ratio	65.38%	65.04%	66.76%	62.80%
Operating Expense Ratio	4.87%	4.49%	5.13%	5.44%
Non-Interest Expenses to Gross Income	43.76%	38.40%	41.69%	41.35%
Liquid Assets to Short-term liabilities (Liquidity				
ratio)	7.76%	47.32%	55.99%	49.95%
Liquid Assets to Total Deposit	36.40%	14.57%	17.18%	18.05%
External Borrowing to Total Assets	6.23%	6.43%	5.31%	5.04%
Liquid Assets to Total Assets	10.93%	9.99%	11.90%	12.49%
	108.06	110.95	108.74	108.39
Total Loans to Total Deposit	%	%	%	%

# Table 4.27: Performance Indicators 2013-2016

#### SASRA (2017, 2016)

The aggregate analysis shows an overall strengthening of the stability and financial soundness of SACCOs in terms of aggregate levels of capitalization in post regulation period. Notably, the improvement in Institutional Capital/Total Assets portends a bright future for Sacco as they continue to retain more for development. However, declines in asset quality characterised by an increase in the non-performing loans (NPLs) portfolio and operating expense ratio adduce low impact of regulations on overall performance in Sacco's.

# **4.4 Inferential Statistics**

# **4.4.1 Correlation Analysis**

The correlation coefficient is a measure of linear association between two variables. A correlation coefficient of between 0.0 and 0.19 was considered "very weak", between 0.20 and 0.39 considered "weak", between 0.40 and 0.59 considered "moderate", between 0.60 and 0.79 considered "strong" and between 0.80 and 1.0 considered "very strong".

Pearson product-moment correlation coefficient was used to test interdependency between independent variables and whether the independent variables were related to the dependent variable.

### **Strategic Purpose and Sacco Performance**

Variable		Sacco Performance	Strategic Purpose
Sacco	Pearson Correlation	1	
Performance	Sig. (2-tailed)		
	N	<b>98</b>	
Strategic	Pearson Correlation	.841	1
Purpose	Sig. (2-tailed)	.000	
	Ν	<b>98</b>	98

 Table 4.28: Correlation between Strategic Purpose and Sacco Performance

The correlation factor of 0.841 indicates a statistically significant strong relationship and implies that any positive change in Strategic purpose would enhance performance of Sacco's. **Strategic Resources and Sacco Performance** 

Variable		Sacco Performance	Strategic Resources
Sacco	Pearson Correlation	1	
Performance	Sig. (2-tailed)		
	Ν	98	
Strategic	Pearson Correlation	.767	1
Resources	Sig. (2-tailed)	.000	
	Ν	98	98

 Table 4.29: Correlation between Strategic Resources and Sacco Performance

The correlation factor of 0.767 a statistically significant strong relationship and implies that any positive change in strategic resources would enhance performance of Sacco's.

# Sacco Governance and Sacco Performance

Variable		Sacco Performance	SACCO Governance
Sacco	Pearson Correlation	1	
Performance	Sig. (2-tailed)		
	Ν	<b>98</b>	
SACCO	Pearson Correlation	.783	1
Governance	Sig. (2-tailed)	.000	
	N	98	<b>98</b>

 Table 4.30: Correlation between SACCO Governance and Sacco Performance

The correlation factor of 0.783 indicates a statistically significant strong relationship and implies that any positive change in SACCO governance would enhance performance of Sacco's.

# Sacco Management and Sacco Performance

Variable		Sacco Performance	SACCO Management
Sacco	Pearson Correlation	1	
Performance	Sig. (2-tailed)		
	N	<b>98</b>	
SACCO	Pearson Correlation	.773	1
Management	Sig. (2-tailed)	.000	
	N	98	<b>98</b>

# Table 4.31: Correlation between SACCO Management and Sacco Performance

The correlation factor of 0.773 indicates a statistically significant strong relationship and implies that any positive change in SACCO management would enhance performance of Sacco's.

# Sacco Regulation and Sacco Performance

Variable		Sacco Performance	Sacco Regulation
Sacco	Pearson Correlation	1	
Performance	Sig. (2-tailed)		
	Ν	<b>98</b>	
Sacco	Pearson Correlation	.716	1
regulation	Sig. (2-tailed)	.000	
	N	98	98

# Table 4.32: Correlation between Sacco Regulation and Sacco Performance

The correlation factor of 0.716 indicates a statistically significant strong relationship and implies that any positive change in Sacco regulation would enhance performance of Sacco's.

# **Summary Correlation Analysis**

		Performance of Saccos	Strategic Purpose	Strategic Resources	SACCO Governance	SACCO Management
Sacco	Pearson	1				
Performance	Correlation					
	Sig. (2-tailed)					
Strategic	Pearson	.841	1			
purpose	Correlation					
	Sig. (2-tailed)	.000				
Strategic resources	Pearson Correlation	.767	.042	1		
	Sig. (2-tailed)	.000	.002			
SACCO	Pearson	.783	.132	.912	1	
governance	Correlation					
	Sig. (2-tailed)	.000	.045	.000		
SACCO	Pearson	.773	.786	.151	.223	1
management	Correlation					
	Sig. (2-tailed)	.000	.000	.002	.001	

# **Table 4.33: Summary of Correlation Results**

The correlation factors indicate statistically significant strong relationships and imply that any positive change in predictor variables would enhance performance of Saccos. The correlation factors also reveal that enterprise strategy influence performance of Saccos.

# 4.4.2 Regression Analysis

The statistical package for social sciences (SPSS V 21.0) was used to code, enter and compute regression coefficients of the variables of study.

#### **Strategic Purpose and Sacco Performance**

(a) Model S	Summai	ry								
Model	R	R Squ	iare	Adjusted R	Square	Std	. Error o	f the		
							Estimat	e		
1	.878 <sup>a</sup>	.77	1	.734	4 1.61305					
a. Predictor	s: (const	tant) Stra	ategic pu	irpose						
b. Depender	b. Dependent variable: Sacco Performance									
(b) ANOVA	4									
Model		Sum of	f	df	Mean	I	7	Sig.		
		Square	S		Square					
1 Regress	ion	24.335		1	24.335	9.4	21	.000 <sup>b</sup>		
Residua	1	247.96	8	96	2.583					
Total		272.30	3	97						
a. Depender	nt variat	ole: Sacc	o Perfor	mance						
(c) Coeffici	ent									
Model			Unsta	andardized	Standard	lized	t	Sig.		
			Co	efficients	Coeffici	ents				
1		-	В	Std. Error	Beta	1				
Constan	t		1.812	.325			5.575	.000		
Strategie	e Purpos	se	0.339	0.116	.326		2.922	.000		
b. Depender	nt variał	ole: Sacc	o Perfor	rmance						

#### Table 4.34: Strategic Purpose and Sacco Performance

The regression equation obtained from this output was:- Performance of Sacco's = 1.812 + 0.339 Strategic Purpose + e.....equation (1). The adjusted R square for the regression of performance of Sacco's on strategic purpose of 0.734 means that strategic purpose explains 73.4% of variation in performance of Sacco's. From the ANOVA results, the F-ration (1, 96) = 24.335, p <0.000, indicate the model significantly predicts the outcome of the relationship between strategic purpose and performance of Sacco's. The beta un-standardized coefficient for strategic purpose of 0.339 significant at p < 0.000, means that when strategic purpose changes by one unit, performance of Sacco's change by 0.339 units. Therefore, the null hypothesis one, which stated that there is no significant influence of strategic purpose on performance of Sacco's in Kenya is rejected. The implication is that there exists a

significant positive relationship between strategic purpose and performance of Sacco's.

# **Strategic Resources and Sacco Performance**

# Table 4.35: Strategic Resources and Sacco Performance

(a) Mode	el Sumi	mary							
Model	R	R Square	Adjusted	R So	quare	Std. Error of Estimate			
1	.778 a	.635	.624			1.58202			
a. Predicto	ors: (co	nstant) Strategi	ic resources						
b. Depend	lent var	riable: Sacco Pe	erformance						
(b) ANO	VA								
Model		Sum of Sq	uares	df	Mean	Square	F	Sig.	
1 Regree	ssion	36.44	5	1	36.	445	10.206	.000 <sup>b</sup>	
Residu	ıal	342.81	.6	96	3.5	571			
Total		379.26	51	97					
a. Depend	lent var	iable: Sacco Pe	erformance						
(c) Coeffi	cient								
Model		Unstan	dardized		Standardiz	zed	t	Sig.	
		Coeff	ficients		Coefficier	nts			
1		В	Std. Error		Beta				
Consta	ant	1.734	.226				7.673	.000	
Strateg	gic	0.523	0.089		.475		5.876	.008	
Resou	rces								
b. Depend	lent vai	riable: Sacco Pe	erformance						

The regression equation obtained from this output was:-Performance of Sacco's = 1.734 + 0.523 Strategic resources + e.....equation (2). The adjusted R square for the regression of performance of Sacco's on strategic resources of 0.624 mean that strategic resources explains 62.4% of variation in performance of Sacco's. From the ANOVA results, the F-ration F-ratio (1, 96) = 36.445 significant at p <0.000, indicate that the model significantly predicts the outcome of the relationship between strategic resources and performance of Sacco's.

The beta un-standardized coefficient for strategic resources of 0.523 significant at p < 0.000 means that when strategic resources change by one unit, performance of Saccos change by 0.523 units. Therefore, the null hypothesis two, which stated that there is no relationship between strategic resources and performance of Saccos is rejected. The implication is that there exists a significant positive relationship between strategic resources and performance of Saccos.

# Sacco Governance and Sacco Performance

<b>(a)</b>	Model Su	mmary							
Mod	lel R	R S	quare	Adjust	ed R Square	Std. Err	or of the		
						Esti	mate		
1	0.70	0. 08	601	0.694		1.58	8202		
a. Prec	dictors: (co	nstant) SA	CCO go	vernance					
b. Dep	b. Dependent variable: Sacco Performance								
(b) Al	NOVA								
Mode	l	Sum of S	quares	df	Mean Square	F	Sig.		
1 Re	gression	43.5	35	1	43.535	16.933	.000 <sup>b</sup>		
Re	sidual	246.8	816	96	2.571				
То	tal	290.3	851	97					
a. Dep	endent var	iable : Sac	co Perfo	rmance					
(c) Co	efficient								
Mode	1		Unsta	ndardized	Standardized	t	Sig.		
			Coe	fficients	Coefficients				
1			В	Std. Erro	or Beta				
Co	onstant		1.712	.376		4.553	.000		
SA	ACCO gove	ernance	0.293	0.074	.291	3.959	.000		
b. Dep	bendent var	iable: Saco	co Perfoi	rmance					

# Table 4.36: SACCO Governance and Sacco Performance

The regression equation obtained from this output was:- Performance of Sacco's = 1.712 + 0.293 SACCO governance + e.....equation (3). The adjusted R square for the regression of performance of Sacco's on SACCO governance of 0.694 mean that SACCO governance explains 69.4% of variation on performance of Sacco's

From the ANOVA results, the F-ratio (1, 96) = 43.535 significant at p <0.000) indicate that the model significantly predicts the outcome of the relationship between SACCO governance and performance of Sacco's. The beta un-standardized coefficient for SACCO governance of 0.293 significant at p < 0.000 means that when SACCO governance changes by one unit, performance of Sacco's change by 0.293 units. Therefore, the third null hypothesis, which stated that there is no relationship between SACCO governance and performance of Sacco's is rejected. The implication is that there exists a significant positive relationship between SACCO governance of Sacco's.

# Sacco Management and Sacco Performance

(a)Mode	l Summary								
Model	R	R Square	Square Adjusted R Square		Std. Eri Esti	for of the mate			
1	0.891 <sup>a</sup>	0.794	C	0.754	1.5	8202			
a. Predicte	a. Predictors: (constant) SACCO management								
b. Depend	b. Dependent variable: Sacco Performance								
(b) ANO	(b) ANOVA								
Model	Sui	n of Squares	df	Mean	F	Sig.			
				Square					
1 Regre	ssion	36.445	1	36.445	15.675	.000 <sup>b</sup>			
Residu	ıal	518.475	96	2.325					
Total		554.92	97						
a. Depend	lent variable:	Performance o	f Saccos						
(c) Coeffi	cient								
Model		Unstanc	lardized	Standardized	t	Sig.			
		Coeff	icients	Coefficients					
1		В	Std.	Beta					
		D	Error	Deta					
Consta	ant	1.602	.326		4.914	.000			
SACC	O managem	ent 0.213	0.078	.055	2.731	.020			
b. Depend	lent variable:	Sacco Perform	nance						

# Table 4.37: SACCO Management and Sacco Performance

The regression equation obtained from this output was:-Performance of Sacco's = 1.602 + 0.213 SACCO management + e.....equation (4). The adjusted R square for the regression of performance of Sacco's on SACCO management of 0.754 mean that SACCO management explains 75.4% of variation in performance of Sacco's.

From the ANOVA results, the F-ration F-ratio (1, 96) = 36.445) significant at p <0.000, indicates that the model significantly predicts the outcome of the relationship between SACCO management and performance of Sacco's. The beta unstandardized coefficient for SACCO management of 0.213 significant at p < 0.000 means that when SACCO management change by one unit, performance of Sacco's change by 0.213 units. Therefore, the fourth null hypothesis, which stated that there is no relationship between SACCO management and performance of Sacco's, is rejected. The implication is that there exists a significant positive relationship between SACCO management and performance of Sacco's.

### Sacco's' Regulation and Sacco Performance

Table 4.56: Sacco's Regulation and Sacco Performand	<b>Table 4.38:</b>	Sacco's	Regulation	and Sacco	Performanc
---	--------------------	---------	------------	-----------	------------

Mo	del R	R R Square Adjusted R Squ		d R Square	Std. Erron Estima	r of the ate					
1	.979 <sup>b</sup>	.958		.943		41					
a. Pre	a. Predictors: (constant) Sacco Regulations										
b. De	b. Dependent variable: Sacco Performance										
(b) A	NOVA										
Mode	el	Sum of	df	Mean	$\mathbf{F}$	Sig.					
		Squares		Square							
1 Re	egression	81.276	3	27.092	69.289	.001 <sup>c</sup>					
Re	esidual	36.754	94	0.391							
Тс	otal	118.03	97								
a. Dej	pendent varial	ole: Sacco Peri	formance								

# (a)Model summery

## (C) Coefficients

Model		Unstan	dardized	Standardized Coefficients	t	Sig.
		B	Std.	Beta	-	
			Error			
2	(Constant)	3.848	.252		15.270	.000
	Enterprise strategy	1.062	.520	3.187	2.042	.001
	Sacco's Regulations	.334	.100	.951	3.340	.001
	XMo	1.073	.116	3.821	9.250	.000

The regression equation obtained from this output was:- Performance of Sacco's = Y =  $3.848 + 1.062 X_1 + 0.334 M_0 + 1.073 XM_0$ . The adjusted R square for the regression of performance of Sacco's on SACCOs' regulations of 0.943, mean that Sacco's regulation, Enterprise strategy and multiple of Enterprise strategy and Sacco's regulation explains 94.3% of variation in performance of Sacco's. From the ANOVA results, the F-ration (3, 94) = 69.289 significant at p <0.000, indicates that the model significantly predicts the outcome of the relationship between Sacco's regulation, Enterprise strategy and multiple of Enterprise strategy and Sacco's regulation and performance of Sacco's. The beta un-standardized coefficient for cooperative enterprise strategy of 1.062 significant at p < 0.001, means that when cooperative enterprise strategy change by one unit, performance of Sacco's regulations is 0.334 significant at p < 0.001, means that when Sacco's regulations change by one unit, performance of Sacco's regulations is 0.334 significant at p < 0.001, means that when Sacco's regulations change by one unit, performance of Sacco's regulations is 0.334 significant at p < 0.001, means that when Sacco's regulations change by one unit, performance of Sacco's change by 0.334 units.

The beta un-standardized coefficient for multiple of co-operative enterprise strategy and Sacco's regulations is 1.073 significant at p < 0.000, means that when multiple of enterprise strategy and Sacco's regulations by one unit, performance of Sacco's change by 1.073 units. Therefore, the null hypothesis five, which stated that there is no significant moderating effects of regulations on the influence of strategic purpose, strategic resources, SACCO governance and SACCO management on performance of Sacco's in Kenya is rejected. The implication is that there exist significant moderating effects of regulations on the influence of strategic purpose, strategic resources, SACCO governance and SACCO management on performance in Kenya.

### **Un-Moderated Regression Analysis**

 Table 4.39: Model Summary

Model	R	R Square	Adjusted R Square	e Std. Error of the Estimate
1	.881ª	.777	.767	.57499
a. Predic	tors: (C	Constant),	Strategic Purpose,	Strategic resources, Sacco Governance
and Sacc	o Mana	agement		

Adjusted R squared is coefficient of determination that indicates variation in the dependent variable due to changes in the independent variable. The adjusted R squared of 0.767 indicate variation of 76.7 percent in performance of Sacco's is due to changes in Strategic Purpose, Strategic resources, Sacco Governance and Sacco Management at 95 percent confidence interval. This implies that 76.7 percent of changes in performance of Sacco's could be accounted to strategic purpose, strategic resources, Sacco governance and Sacco management.

# 4.4.3 Analysis of Variance

The study further tested the significance of the model by using ANOVA technique.

Mod	lel	Sum of	um of df Mean Square		F	Sig.
		Squares				
	Regression	107.018	4	26.754	80.922	.000 <sup>b</sup>
1	Residual	30.748	93	.331		
	Total	137.765	97			
a. De	ependent variable	: Sacco Perform	nance			

### **Table 440: Analysis of Variance**

b. Predictors: (Constant), Strategic Purpose, Strategic resources, Sacco Governance and Sacco Management

*Critical value* = 2.469

From the ANOVA statistics, the study established the regression model had a significance level of 0.000 which is an indication that the data was ideal for making a conclusion on the population parameters at 95 % confidence. The calculated value was greater than the critical value (80.922 > 2.469) an implication that strategic purpose, strategic resources, Sacco governance and Sacco Management significantly influence performance of Sacco's.

To triangulate the regression coefficients and further verify contributory linkages among variables, the study used SEM path analysis. The causal linkages for enterprise strategy and Sacco performance, the study used structural equation modelling (SEM) for estimating the measurement and structural models developed from procedures by AMOS version 22. This procedure was used as a combination of correlation and regression or path analysis. It lays emphasis on path coefficients between the factors/variables. This was chosen since it takes a confirmatory approach, provides clear estimates of the variables and uses SEM procedures that incorporate both observed and unobserved variables at 0.05 levels of significance (Saunders et al., 2012; Cooper & Shindler, 2011).



# *Note: p*<0.05

Figure 4.18: Contributory linkages for Enterprise strategy and Sacco Performance The path analysis structural model Figure 4.18 use correlation coefficient as a measure of the relationship. It presents extent individual predictors of enterprise strategy influence each other and the Sacco's performance. The greatest relationship is between Strategic resources and Sacco Management with correlation coefficient of 0.98, followed by Sacco management and Sacco governance with correlation coefficient of 0.93. Alongside that, the most important predictor of Sacco performance is strategic resources with a coefficient  $\beta$ = 0.52. This implies that the more strategic resources are available to a Sacco, the better the performance (Porter, 2004). Strategic purpose has a coefficient  $\beta$ = 0.34, the Sacco governance  $\beta$ = 0.29 and lastly the Sacco's management with a coefficient  $\beta$ = 0.21.

In addition, the study used a coefficient table to determine the study model.

Model		Unsta	ndardized	Standardized	t	Sig.
		Coefficients		Coefficients		
		В	Std. Error	Beta	-	
1	(Constant)	2.101	0.216		9.727	.000
	Strategic Purpose	0.339	0.116	.326	2.922	.000
	Strategic resource	0.523	0.089	.475	5.876	.008
	Sacco Governance	0.293	0.074	.291	3.959	.000
	Sacco Management	0.213	0.078	.055	2.731	.020

#### Table 4.41: Un-moderated Regression Coefficients

From the data in the table 4.41, the un-moderated regression equation is

 $Y = 2.101 + 0.339X_1 + 0.523 X_2 + 0.293X_3 + 0.213X_4$ . The regression equation reveals that holding constant Strategic Purpose, Strategic resources, Sacco Governance and Sacco Management, performance of Saccos would be at 2.101.

In the table Strategic Purpose, Strategic resources, Sacco Governance and Sacco Management has significant coefficient B=0.339, 0.523, 0.293 and 0.213

respectively. This implies that the predictors have positive significant effect on performance of Sacco's. These findings concur with the finding of Sotunde (2012) who found that strategic purpose of a cooperative by indicating desired future and values inspire commitment which significantly optimizes performance. On strategic resources, the finding supports Churchill and Lewis (1983) who asserts adequate financing and infrastructural resources enable effective and efficient firm operations, continuous innovation and creativity. The significant positive effect of strategic resources is also consistent with Porter (2004) who observes that the more strategic resources are available to a firm, the better it can the perform. Likewise, the finding on Sacco Governance extends Birchall (2014) who state that corporate governance ensure performance of an organization through effectively utilization of resources in ways consistent with the organization's purpose. The finding on sacco management also extends Ortmann and King (2007) who found that management help a cooperative to achieve market power by consolidating members with common objectives and proactively engaging them in strategic planning and operational decision-making across the whole value chain.

#### 4.4.4 Moderated Regression Analysis

# **Moderating Effect of SACCOs' Regulations**

The study used multiple regressions analysis (stepwise method) to establish the moderating effect of Saccos' regulation (M) on relationship between independent variables and dependent variable. The statistical model used for analysis was as follows:

 $Y = \beta o + \beta_1 X_1 * M + \beta_2 X_2 * M + \beta_3 X_3 * M + \beta_4 X_4 * M + \epsilon$ 

Μ	odel	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		В	Std.	Beta		
			Error			
1	(Constant)	1.932	0.375		5.152	.000
	Strategic Purpose*M	0.458	0.113	0.422	4.053	.010
	Strategic resource *M	0.616	0.129	0.478	4.775	.001
	Sacco Governance*M	0.342	0.085	0.311	4.024	.015
	Sacco Management*M	0.302	0.078	0.287	3.872	.020

### **Table 4.42: Moderated Regression Coefficients**

The established moderated regression equation was from table 4.42 is

 $Y = 1.932 + 0.458X_1 + 0.616X_2 + 0.342X_3 + 0.302X_4$ 

In the above regression equation, performance of Sacco's constant is 1.932, while moderated strategic purpose, strategic resources, Sacco Governance, and Sacco management are B= 0.458, 0.616, 0.342 and 0.302 respectively. This implies that moderated predictors have positive significant effect on performance of Sacco's. Further, in comparison, the coefficient values for moderated predictors are high than coefficient values of un-moderated predictors B= 0.339, 0.523, 0.293 and 0.213 respectively. This is an indication that moderating variable (Sacco regulation) positively influences the relationship between predictor variables and performance of Sacco's.

#### **CHAPTER FIVE**

#### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### **5.1 Introduction**

The chapter presents summary of findings and conclusions as guided by the specific objectives and research hypotheses. The chapter also recommends areas of action and future research.

#### **5.2 Summary of the Findings**

The purpose of study was to establish influence of enterprise strategy on performance of Sacco's in Kenya. In particular, the study examined extent to which strategic purpose, strategic resources, SACCO governance, SACCO management and Sacco regulations influence performance of Sacco's in long term not just in short term or through good economic periods. The study findings are intended help cooperatives formulate and implement optimal enterprise strategy that could consequently improve their survival rate to over 85% by 2030 (RoK, 2012).

The data analysis results indicate that strategic purpose, strategic resources, SACCO governance and SACCO management positively influence performance of Sacco's in Kenya. This led to the rejection of all the null hypotheses. From the descriptive analysis, the study found majority of the respondents agreed that the enterprise strategy influence performance of Sacco's in Kenya. The responses were validated by high weighted means. From the correlation analysis, the study found that enterprise strategy has a positive relationship with performance of Sacco's. Alongside that, Regression analysis revealed that the enterprise strategy significantly explain variation in performance of Sacco's in Kenya. A further, the regression analysis revealed that enterprise strategy positively predict changes in Sacco performance before moderation by Sacco regulation and higher effect after moderation. In addition, Sacco performance in terms of ROA improved in post regulation period. Similarly, the total income, EBIT, total deposits, total loans, total rebates and total members were higher during regulation than the prior period. This

was a clear indication that the enterprise strategy positively influenced Sacco performance, and Sacco regulation positively moderated the relationship.

# **5.3 Conclusions**

The study findings provide substantial support for the interrelationship between performance and the enterprise strategy expressed in the conceptual framework and revealed in extant literature. As a result, the findings have adduced sufficient information that having a well-crafted strategic purpose would enable an enterprise to mobilize strategic resources. Such resources would then facilitate prudent governance and efficient management as well as compliance to regulations. Specifically, the results demonstrate that strategic purpose, strategic resource, management and governance are powerful factors that can lead to superior performance of an enterprise. These findings implies that enterprises that understand influence of the key elements of strategy implement optimal strategies that consequently lead to superior performance. Further, sufficient objective information on the influence of enterprise strategy on performance can lead to improved strategic management and optimal strategic execution. Such enterprises are able to create and sustain competitive advantages and consequent ability to act on opportunities and threats that affect their survival and competitiveness.

This study has also confirmed a significant moderating effect of Sacco regulations. This was demonstrated by the significant increase in both RoA and regression beta coefficients in the regulation period compared period before regulations. However, based on the respondents' opinions, the study concludes regulatory reform has not fully reformed the risky SACCO model by overhauling often highly entrenched business practices that result to insolvency, capital inadequacy, high external borrowing and low use of technology.

The study also concluded that an enterprise with well-crafted strategic purpose is likely to enjoy superior RoA, while inadequacy of financial resources is a major reason of unstable enterprise performance. In addition, more needs to be done on Sacco governance. Though AGMs have been playing an important role in motivating growth in membership, income generation, investments, savings mobilization and growth in loans, full effect has not been realized due to low board members capacity and strategic leadership ability. Roles conflict between board committees and management, alongside lack of formal recognition or a clear definition of strategic mandate of management are reasons behind ineffective enterprise strategy in cooperatives. Likewise, low emphasis on member/customers relationship also is a great impediment to high patronage and trust for most cooperative members/customers. In overall, the study defines, explains and measures several variables whose results can guide practice and future research.

#### **5.4 Recommendations**

With their formidable presence, Sacco's need to secure a long term positioning strategy by manifesting values and operating within the guidelines of the cooperative principles from where the enterprise strategy evolves. Thus, the study recommends that all Sacco's should have well-crafted strategic purpose and sufficient strategic resources to be more competitive and sustainable. For these to have full effect, governance capacity of members and the board should be enhanced through education, training and information communication technologies.

Further, like other elements of enterprise strategy, cooperative management should be anchored in the cooperative principles. This would formally recognise the leadership mandate of the management. Such a strategic move could improve strategic thrust as it would reduce disconnect between strategy formulation and execution.

### **5.5 Areas of Further Research**

Further research is required on the low influence of management on enterprise performance compared to other variables. Impact of strategic plans and policies on performance should also be examined. The search for the best indicators of performance in enterprises should continue. Further research is also necessary to advice on reforms required to change the risky Sacco model, which is replete with insolvency, capital inadequacy, reliance on external borrowing and low use of technology.

#### REFERENCES

- Abu-Jarad, I., Yusof, N. & Nikbin, D. (2010). A Review Paper on Organizational Culture and Organizational Performance. *International Journal of Business and Social Science*, 1(3), 26-46.
- Ademba, C. (2010). *Challenges facing SACCO regulations in Africa*. Paper presented at 11th SACCA congress, Swaziland. Retrieved from: http://www.acosca.org
- Akinwumui, J. (2006). Road Map to re-engineering Cooperatives in Nigeria. Paper presented at South West Cooperative leader's conference, cooperative federation of Nigeria, South Westzone, Obisesan Hall, Ibadan, 7<sup>th</sup> September 2006.
- Akpoyomare Oghojafor, B., Olayemi, O., Okonji, P. & Okolie, J. (2011). Enhancing Organization's Performance through Effective Vision and Mission, *Chinese Business Review*, 10(11), 1071-1075.
- Alukwe, G. H., Ngugi, P. K., Ogollah, K., & Orwa, G. (2015). Corporate Governance Challenges to Regulation Compliance by Deposit Taking Savings and Credit Cooperative Societies in Kenya, *International Journal of Academic Research in Business and Social Sciences*, 5(3), 179-193.
- Anderson, B.L. & Henehan, B. (2003). Bankruptcy of a Supply Cooperative: The Case of Agway, research paper presented at the Agriculture and Applied Economics Association meetings in Montreal, Quebec, July 22.
- Atherton, J., Birchall, J., Mayo, E. & Simon, G. (2012). Practical tools for defining cooperatives and mutual enterprises. Retrieved from: www.uk.coop/node/ 12489.
- Barney, J. (1991). Firm Resources and Sustained Competitive Advantage. Journal of Management, 77, 1, 99-120.

- Barney, J. & Clark, D. (2007). Resource-Based Theory: Creating and Sustaining Competitive Advantage. Oxford: Oxford University Press.
- Bart, C. K., Bontis, N. & Taggar, S. (2001). A Model of the Impact of Mission Statements on Firm Performance. *Management Decision*, 39(1), 19–35.
- Bartkus, B. R., Glassman, M. & McAfee, R. B. (2004). A comparison of the quality of European, Japanese and US mission statements: a content analysis, *European Management Journal*, 22(4), 393-401.
- Bass, B. M. (1997). Concepts of leadership. In R. P. Vecchio (Ed.), Understanding the dynamics of power and influence in organizations. Notre Dame, Indiana: University of Notre Dame Press.
- Battilani, P. & Schroter, H.G. (2012). Introduction: Principal Problems and General Development of Cooperative Enterprise. The Cooperative Business Movement, 1950 to the Present, P. Battilani and H.G. Schroter (Eds), New York: Cambridge University Press.
- Benligiray, S., Ozsoy, G. & Bukec, C. M. (2013). An exploratory research regarding the visibility of the mission statements on the airline company websites. *Journal of Management Research*, 5(1), 41-63.
- Bennett, R. (1999). *Corporate Strategy* (2<sup>nd</sup> ed.). Harlow, England: Pearson Education Ltd.
- Birchall, J. & Simmons, R. (2007). The Role and Potential of Co-operatives in the Poverty Reduction Process: a research agenda. *Journal of Co-operative Studies*, 40(1), 43-51.
- Birchall, J. (2010). *People-Centred Businesses: Co-operatives, Mutuals and the Idea* of Membership. London: Palgrave Macmillan.

- Birchall, J. (2012). The Potential of Co-operatives during the Current Recession: Theorizing Comparative Advantage. Paper presented at the Euricse Conference, Venice, March 15<sup>th</sup> -16<sup>th</sup>.
- Birchall, J. (2014). The Governance of Large Co-operative Businesses Manchester, A research study for Co-operatives UK: New Insight. Manchester, Cooperatives UK. Retrieved from: https://www.uk.coop/
- Birchall, J., & Simmons, R. (2004). What motivates members to participate in cooperative and mutual businesses? A Theoretical Model and Some Findings. Annals of Public and Cooperative Economics, 75, 465-495.
- Borzaga, C. & Galera, G. (2012). Promoting the Understanding of Cooperatives for a Better World. Paper presented at the Euricse Conference, Venice, March 15<sup>th</sup> -16<sup>th</sup>.
- Branch, B. & Janette, K. (2002). Striking the Balance in Microfinance: A Practical Guide to Mobilizing Savings. Madison, Wisc: World Council of Credit Unions.
- Bridoux, F. (2004). A resource-based approach to performance and competition: An overview of the connections between resources and competition. Paper presented at the 24<sup>th</sup> SMS Conference, Puerto Rico, USA. October 31<sup>st</sup> November 3<sup>rd</sup> 2004.
- Brunnermeier, M.K. (2009). Deciphering the liquidity and credit crunch 2007-2008, by European Parliament, *Journal of investment compliance*, 10(3), 49 – 33.
- Buzell, R. & Gale, B. (1987). The PIMS principles: Linking strategy and performance. New York, Free Press.
- Bwana, K.M., & Mwakujonga, J. (2013). Issues in SACCO development in Kenya and Tanzania: The historical and development perspectives. *The*

*International Institute for Science, Technology and Education Journal, 3*(5).

- Chaddad, F. (2007). The Evolution of Brazilian Dairy Cooperatives: A Life Cycle Approach. Paper Presented at the Meeting of the Brazilian Economic Society, Londrina, 22–25 July 2007.
- Chamberlain, G P. (2010). Understanding Strategy. Create Space, Charleston, SC.
- Chandler, A. (1963). *Chapters in the History of American Enterprise*, New York: MIT Press.
- Cheruiyot, T., Kimeli, C. & Ogendo, S. (2012). Effect of Savings and Credit Cooperative Societies Strategies on Member's Savings Mobilization in Nairobi, Kenya. *International Journal of Business and Commerce*, 1(11), 40-63.
- Chesbrough, H. & Rosenbloom, R. (2002). The Role of the Business Model in Capturing Value from Innovation: Evidence from Xerox Corporation's Technology Spin-off Companies. *Industrial & Corporate Change*, 11(3), 529-555.
- Chevallier, M. (2011). The Co-operatives' Sources of Efficiency: A Catalyst for the Emergence of Stable and Localised Norms. *Journal of Co-operative Studies*, 44(1), 31-40(10)
- Churchill, N. & Lewis, V. (1983). The Five Stages of Small Business Growth. Harvard Business Review, 61(3), 30-50.
- Cohen, J., Cohen, P. C., West, S. G. & Aiken, L. S. (2003). *Applied multiple regression/correlation analysis for the behavioural sciences* (3<sup>rd</sup> ed.), Mahwah, NJ: Lawrence Erlbaum.

- Cook, M. (1995). The Future of U.S. Agricultural Cooperatives: A Neo-Institutional Approach, *American Journal of Agricultural Economics*, 77(December), 1153-1159.
- Cooper, D. & Shindler, P. (2011). *Business Research Methods*, (11<sup>th</sup> Edition). New York, USA: McGraw Hill.
- Co-operatives UK. (2013). Corporate governance code for consumer co-operative societies. Co-operatives UK Limited, Manchester M60 0AS, www.uk.coop.
- Cornforth, C. (2004). The governance of Cooperatives and Mutual Associations: A Paradox Perspective. *Annals of Public & Cooperative Economics*, 75(1), 11-32.
- Cracogna, D. (2002). Legal, Judicial and Administrative Provisions for Successful Cooperative Development. Expert Group Meeting on Supporting Environment for Cooperatives: A Stakeholder Dialogue on Definitions, Prerequisites and Process of Creation, United Nations and the Government of Mongolia, Ulaanbaatar (15-17 May 2002). Retrieved from: http://www.un.org/esa/socdev/social/papers/coop\_cracogna.pdf.
- Cronan G. (2018). Hidden in plain sight: significance and performance of large global co-operative and mutual businesses during the period 1980–2015. Retrieved from: sydney.edu.au.
- Cyriacus, K. (2009). The influence of governance on the performance of SACCOs: A case study of Lumumba SACCOs. Unpublished MBA Thesis, Tanzania: UDBS.
- Darbi, P. (2012). Of Mission and Vision Statements and Their Potential Impact on Employee Behaviour and Attitudes: The Case of A Public But Profit-Oriented Tertiary Institution, *International Journal of Business and Social Science*, 3(14), 95-109.

- David, M. E., David, F. R., & David, F. F. (2014). Mission statement theory and Practice: A Content Analysis and New Directions. *International Journal* of Business, Marketing and Decision sciences. 7(1), 95-110.
- Devinney, Timothy M., Yip, George S. & Gerry, J. (2010). Using Frontier Analysis to Evaluate Company Performance. British Journal of Management, 21(4), 921-938.
- Davis, P. (2016). Retrieving the Co-operative Value-Based Leadership Model of Terry Thomas, *Journal of Bus Ethics*, 135, 557–568.
- Davis, P. (2015). An intervention in the discussion of the ICA Draft Guidance Notes on the Co-operative Principles, *International Journal of Co-operative Management*, 7(2), 6-11.
- Department of Trade and Industry (2012). Integrated Strategy on the Development and Promotion of Co-operatives: Promoting an Integrated Cooperative Sector in South Africa 2012 – 2022. Pretoria: The dti.
- DeWet, J. & Erasmus, Z. (2005). Towards Rigour in Qualitative Analysis. Qualitative Research Journal, 5(2), 1-31.
- Enz, C. (2010). The Cornell School of Hotel Administration Handbook of Applied Hospitality Strategy, USA: Sage Publications
- Evans, L. & Guthrie, G. (2006). A Dynamic Theory of Cooperatives: The Link between Efficiency and Valuation. Journal of Institutional and Theoretical Economics (JITE), 162(2), 364-383.
- Fajardo-Garcia, G. & Soler-Tormo, F. (2015). The Credit Co-operative System in Spain. *International Journal of Co-operative Management*, 7(2).
- Ferri, G. (2012). Credit Cooperatives: Challenges and Opportunities in the New Global Scenario. Paper presented at the Euricse Conference, Venice, March 15<sup>th</sup> -16<sup>th</sup>.
Finaccess (2016). The 2016 Fin Access household survey. Nairobi: FSD Africa

- FSD (2017). A Technical Solution to a Political Economy Problem: FSD Kenya's Intervention in the SACCO Sector, Nairobi: FSD Africa.
- Galor, Z. (2004). *Failures of Cooperatives*. Retrieved from: http://www.coopgalor.com.
- Garcia-Perez, A. M. & Garcia-Martinez, M. (2007). The agri-food cooperative net chain. A theoretical framework to study its configuration. Acta Agriculture Scandinavica: Section C-Food Economics, 4(1), 31-39.
- Garson D.G. (2012). *Testing Statistical Assumption*. North Carolina: Statistical Associates Publishing.
- Gathenya, J. (2012). Entrepreneurial Strategic Planning Practices and Firm Performance among Women-Led Small and Medium Enterprises in Kenya. Unpublished PhD Thesis, Juja: JKUAT.
- Giannakas, K. & Fulton, M. (2005). Process Innovation Activity in a Mixed Oligopoly: The Role of Cooperatives. American Journal of Agricultural Economics, 87(2), 406-422.
- Gibcus, P. & Kemp, R.G.M. (2003). *Strategy and small firm performance*, Research Report H200208, Zoetermeer: EIM.
- Gicheru, E. (2015). Freedom to Set Up Enterprises as the Basis of Economic Development: The Case of the Kenyan Co-operative Movement. International Journal of Co-operative Management, 7(2.
- Gichuru, J. (2012). Research on Factors Affecting Customer Satisfaction in Savings and Credit Co-operatives in Kenya: Balozi savings and Credit Cooperative Society Ltd. Unpublished MBA Thesis, Nairobi: Kenyatta University.

- Gijselinckx, C. (2009). Co-operative Stakeholders, Who counts in Co-operatives and How? Working Paper on Social Co-operative Entrepreneurship WP-SCE 09.05
- Gilinsky, A., Stanny, E., McCline, R. L. & Eyler, R. (2001). Does firm size matter? An empirical investigation into the competitive strategies of the small firm. *Journal of Small Business Strategy*, 12(2), 1-11.
- Grant, R. (1991). The resource-based theory of competitive advantage: Implications for strategy formulation. *California Management Review*, 33(3), 114-135.
- Griffiths, D. (2004). Why do Co-operatives Fail as Co-operatives? *Cooperative Federation of Victoria Ltd*. Retrieved from: http://:www.australia.coop

Gujarati, D.N. (2004). Basic econometrics. (4th ed.). New York: McGraw-Hill

- Gustafsson, A., Johnson, M. D. & Roos, I. (2005). The effects of customer satisfaction, relationship commitment dimensions, and triggers on customer retention. *Journal of Marketing*, 69(4), 210-218.
- Hagel, J., Brown, J. S., & Davison, L. (2010). The best way to measure company performance. *Harvard Business Review*, *4*.
- Hanif, M., Hafeez, S. & Riaz, A. (2010). Factors affecting customer satisfaction. International Research Journal of Finance and Economics, 60, 44-52.
- Hanlon, D. & Scott, M. (1993). Strategy formation in the entrepreneurial small firm, Stirling Scotland: Scottish Enterprise Foundation (SEF).
- Henehan, B. (2011). *Unique causes of cooperative failure*. Cornell University, Retrieved from: bmh5@cornell.edu.
- Hertzog, M. (2008). Considerations in determining sample size for pilot studies. Research in Nursing & Health, 31, 180–191.

- Hettiaratichchi, R. (2013). Why Cooperatives Fail as Cooperative Financial Institution? *Asian Credit Union Journal*, 1(1), 5-10.
- ICA (2012). *Blueprint for a co-operative decade*. Retrieved from http://www.2012.coop/en/ica/,
- ICA (2013). *Facts and Figures*. Retrieved from: http://www.2012.coop/en/ica/cooperative-facts-figure
- Inmyxai, S. & Takahashi, Y. (2010). The Effect of Firm Resources on Business Performance of Male- and Female-Headed Firms in the Case of Lao Micro-, Small-, and Medium-Sized Enterprises (MSMEs). International Journal of Business and Information, 5(1), 63-90.
- Israel, G. (2013). *Determining Sample Size*. Retrieved from: EDIS website at http://edis.ifas.ufl.edu
- Jenatabadi, H. (2015). Overview of Organizational Performance Index: Definitions and Measurements. *Research Gate* May 2015, DOI:10.13140/RG.2.1.4298.
- Johnson, G., Whittington, R. & Scholes, K. (2008). *Exploring Corporate Strategy*, (8<sup>th</sup> ed.), Harlow, England: Pearson Education Ltd.
- Johnson, G., Whittington, R. & Scholes, K. (2011). *Exploring Strategy Text and Cases*, (9<sup>th</sup> edition). Harlow, England: Pearson Education Ltd.
- Johnson, G., Whittington, R., Scholes, K., Regner, P. & Angwin, D. (2015). Fundamentals of Strategy, (3<sup>rd</sup> ed.). Harlow, England: Pearson Higher Education.
- Jussila, I., Byrne, N. & Tuominen, H. (2012). Affective Commitment in Co-operative Organizations: What Makes Members Want to Stay? International Business Research, 5(10), 1-10.

- Kahuthu, D. G. (2016). Impact of Prudential Regulation on Financial Performance of Deposit Taking Savings and Credit Co-Operative Societies in Kenya, unpublished PhD thesis, Juja: Jomo Kenyatta University of agriculture and technology.
- Kairu, P. (2009). Credit Management, (2<sup>nd</sup> edition), Nairobi: Focus Publishers Ltd.
- Kamau, S. (2015). Effect of Credit Management Practices on Financial Performance of Savings and Credit Cooperative Societies in the Hospitality Industry in Nairobi, Unpublished MBA Thesis, Nairobi: Kenyatta University.
- Karagu, J.M & Okibo, B. (2014). Financial factors influencing performance of Savings and credit cooperative organization in Kenya, *International Journal of academic research in accounting, finance and management science*, 4(2), 295- 306.
- Kargi, H.S. (2011). Credit Risk and the Performance of Nigerian Banks, Zaria: Ahmadu Bello University.
- Khan, M., Afzal, H., Chaudhry, I. & Khan, F. (2010). Impact of Organization's Mission: An Encouraging Factor for Overall Performance. African Journal of Business Management, 4(13), 2652-2658.
- Kilonzi, B.K. (2012). The impact of SASRA regulations on the financial performance of SACCOs in Kenya. Unpublished MBA project, Nairobi: University of Nairobi.
- Kinyuira, D.K. (2017). Assessing the impact of Co-operative education/training on Co-operatives performance, *Journal of Strategy and Performance Management*, 5(1), 23-41.
- Kirkman, C. (1993). Cooperative Member Responsibilities and Control Cooperative Information, Report 1, Section 7 Issued April 1990, U.S. G:vernment Printing Office.

- Kline, R. B. (2011). *Principles and practices of structural equation modelling*, (2<sup>nd</sup> ed.), New York: Guilford Press.
- KNBS, (2015). Statistical Abstract 2014. Nairobi: Government Printer.
- KNBS (2017). Economic survey 2017, Nairobi: Kenya National Bureau of Statistics.
- Kobia, S. K. (2011). The Cooperative Movement in Kenya, Challenges and Opportunities. Nairobi: Kenya, Colours capes media Ltd.
- Kothari, C. (2007). *Research Methodology: Methods and Techniques*. New Delhi: New Age International, Pvt Ltd Publishers
- Kurgat, P. (2009). The Role of Savings in Microfinance Institutions: A case study of the Kenya Women Finance Trust (KWFT), 6th University Meets the Markets Workshop, Nairobi.
- Leblebici, D. (2012). Impact of Workplace Quality on Employees Productivity: Case Study of a Bank in Turkey. *Journal of Business, Economics & Finance*, 1(1), 38-49.
- Livvarcin, O. (2007). An Exploratory Study on Strategy Direction and Strategy Magnitude in Organizations: The Strategy Vector Model. Unpublished PhD Thesis, Turkey: Yeditepe University.
- Locke, E. A. & Latham, G. P. (2002). Building a Practically Useful Theory of Goal Setting and Task Motivation: A 35-Year Odyssey. American Psychologist, 57(9), 705-717.
- Louis-Antoine, S., Jean-Pierre, C. & Mario, B. (2011). Cooperative Performance Measurement Proposal (a test with the cooperfic tool for wine cooperatives in languedoc-roussillon). 6<sup>th</sup> AWBR International Conference, 9 – 10<sup>th</sup> June 2011, Bordeaux Management School–France.

- Magali, J. J. & Lang'at, J. K. (2014). Impacts of Corporate governance on Efficiency and Sustainability of the Best Rural SACCOS in Tanzania. *Global Journal of Commerce & Management Perspective*, 3(2), 1-8.
- Makori, J., Munene, C. & Muturi, W. (2013). The Challenges Facing Deposit-Taking Savings and Credit Cooperative Societies' Regulatory Compliance in Kenya: A Case of the Gusii Region. *Interdisciplinary Journal of Contemporary Research in Business, 4*(12), 1013-1081.
- Manasseh, Paul N. (1999). A textbook of business finance, McMore Accounting Books. Nairobi
- Manyara M.K. (2003): *The Development of Co-operative Law and Policy in Kenya*, Nairobi: Oscan Print.
- Marienga, O. (2015, October-December). Good corporate governance in SACCO societies. SACCO Star, KUSCCO, 32, 18-19.
- Maroor, J. (2013). Is CRM a Key Success Factor in Co-operative Banks Perspective –A Study in Dakshina Kannada District, *Global Journal of Management* and Business Studies, 13(3), 211-216.
- Mamouni Limnios, E., & Mazzarol, T. (2014). Losing Sight of Purpose the United Farmers Co-operative Company, in Research Handbook on Sustainable Co-operative Enterprise: Case Studies of Organisational Resilience in the Co-operative Business Model, T. Mazzarol, Reboud, S., Mamouni Limnios, E., and Clark, D. (Eds), Cheltenham, UK; Northampton, MA: Edward Elgar Publishing.
- Mazzarol, T. & Mamouni, L. (2011). Resilient organizations: Offense versus Defense. Paper submitted for the Australia and New Zealand Academy of Management Annual Conference, Wellington, December 7-9<sup>th</sup>.
- Mazzarol, T. (2015). Purpose, Identity and the Member Value Proposition in Cooperative Mutual Enterprises, CEMI Discussion Paper Series, DP 1501,

Centre for Entrepreneurial Management and Innovation, Retrieved from: www.cemi.com.au

- Mazzarol, T. (2009). Co-operative Enterprise: A Discussion Paper and Literature Review. Crawley Australia: UWA Business School.
- Mazzarol, T., Mamouni, L. & Reboud, S. (2011). Co-operative Enterprise: A Unique Business Model? Paper submitted for the Australia and New Zealand Academy of Management (ANZAM) Annual Conference, Wellington 7-9<sup>th</sup> December.
- Mazzarol, T., Simmons, R. & Mamouni Limnios, E. (2011). A Conceptual Framework for Research into Co-operative Enterprise. CEMI Discussion Paper Series, DP 1102. Centre for Entrepreneurial Management and Innovation Retrieved from: www.cemi.com.au
- Mbui, J.K. (2010). Business opportunities for Stima SACCO Society Limited in a new regulatory environment. Unpublished MBA Thesis, Nairobi: University of Nairobi.
- Minishi, L. (2012). Perspectives on Co-operatives in East Africa, Country Paper on the Cooperative Movement in Kenya. A Meeting of Experts on Cooperatives, Kampala Uganda 2<sup>nd</sup> - 3<sup>rd</sup> October
- Ministry of cooperatives, Malaysia (2011). Suruhanjaya Koperasi Malaysia (SKM), Economic Reports Cooperative Sector 2010. Kuala Lumpur, Malaysia. Retrieved from: http://www.skm.gov.my
- Mintzberg, H. (2007). *Tracking strategies: Toward a general theory*. Oxford: Oxford University Press.
- Mirie J. (2014). The Influence of members' Income and Conduct of SACCOs in the Relationship between Characteristics and Efficiency of SACCOs in Kenya. Unpublished PhD thesis, Nairobi: University of Nairobi

- Mora, C. & Menozzi, D. (2005). Vertical Contractual Relations in the Italian Beef Supply Chain. Agribusiness, 21(2), 213-235.
- Mude, A. (2006). Weaknesses in Institutional Organization: Explaining the Dismal Performance of Kenya's Coffee Cooperatives. International Association of Agricultural Economists Conference, Gold Coast Australia, August 12-18<sup>th</sup>.
- Mudibo, E. K. (2006, November). *Corporate Governance in Co-operatives the East African Experience*. Paper presented the Pan-African Consultative Forum on Corporate Governance.
- Mugenda, A. & Mugenda, O. (2003). *Research Methods, quantitative and qualitative approaches*. Nairobi: Acts Press.
- Mugenda, A. & Mugenda, O. (2012). *Research Methods Dictionary*. Nairobi: ARTS Press.
- Muhamed, A. (2017). SACCOs for sustainable development, 2<sup>nd</sup> Annual SACCO Leaders' Convention, Nairobi Kenya, 22<sup>nd</sup>-24<sup>th</sup> March.
- Muhammad, A. Hassan, A. & Kushifur, R. (2009). Impact of Task Conflict on Employee Performance of Financial Institutions. *European Journal of Scientific Research*, 27/4, 479 -487.
- Muigai, J.W. (2013). Challenges of strategy implementation faced by SACCO Societies Regulatory Authority in Kenya. Unpublished MBA Thesis, Nairobi: University of Nairobi.
- Muriuki, K. & Ragui, M. (2013). Impact of the SACCO Societies Regulatory Authority (SASRA) Legislation on Corporate governance in Cooperatives in Kenya. *Public Policy and Administration Research*, 3(6), 65-70.

- Muthuma, E. (2011). Economic Cooperation in Kenyan Credit Cooperatives: Exploring the Role of Social Capital and Institutions. Unpublished PhD thesis, Johannesburg: University of the Witwatersrand.
- Mwanja, B., Marangu, W., Wanjere, D. & Kuria, J. (2014). Effect of Corporate Governance on Performance of Savings and Credit Co-operative Societies in Kakamega County, *European Journal of Business and Management*, 6(30), 123-131.
- Ndung'u, M.W. (2013). Relationship between risk management practices and financial performance of SASRA regulated SACCOs in Nairobi, Unpublished MBA Thesis, Nairobi: University of Nairobi.
- Newbert, S. (2008). Value, rareness, competitive advantage, and performance: a conceptual-level empirical investigation of the resource-based view of the firm. *Strategic Management Journal*, 29(7):745-768.
- Newsom, J. (2014). Testing Mediation with Regression Analysis. Testing Mediation with Regression Analysis. Available at www.upa.pdx.edu/IOA/newsom
- Ngaira, L. (2011). The Impact of SaCCo Regulatory Authority Guidelines on Sacco Operations in Kenya-The Case of Nairobi Deposit Taking Sacco's. Unpublished MBA thesis, University of Nairobi, Kenya.
- Njagi, G.M., Kimani, E.M., & Ngugi N.N. (2012). The impact of front office SACCO activity on SACCO performance in Kenya; A case study of Meru South and Maara district in Tharaka Nithi county in Kenya. *Global* Advanced Research Journal of Management and Business Studies, 2(5), 285-290
- Njeru, D., Njeru, A., Memba, F. & Tirimba, I. (2015). Effect of Loan Repayment on Financial Performance of Deposit Taking SACCOs in Mount Kenya Region, *International Journal of Innovation and Applied Studies*, 10(4), 1238-1244.

- Njuguna, P. (2012). *Impact of Regulations on Sacco Performance in Kenya*. 2012 ACCOSCA SACCA congress, Kampala: ACCOSCA SACCA congress.
- Nkhoma, A. & Conforte, D. (2011). Unsustainable cooperatives: lessons from Malawi. IFAMA Symposium, Frankfurt Germany, June 20-21<sup>st</sup>.
- Novkovic, S. & Miner, K. (2015). *Co-operative Governance Fit to Build Resilience in the Face of Complexity.*, Brussels-Belgium: International Co-operative Alliance.
- Novkovic, S. (2008). Defining the Co-operative Difference. Journal of Socio Economics, 37(6), 2168-2177.
- Nunez-Nickel, M. & Moyano-Fuentes, J. (2004). Ownership Structure of Cooperatives as an Environmental Buffer. *Journal of Management Studies 41*(7), 1131-1152.
- Nyakenyanya, S. (2013, September). Cooperatives turning around Kenya's economy. SACCO Star, KUSCCO, 22, 8-11.
- Odhiambo, F. (2013, September). Commissioner Delights in SACCOs surge. SACCO Star, KUSCCO, 22, 6.
- Okello, D. (2012, September). SACCOs playing a critical role in development, *SACCO Review*, 8, 3.
- Okoth, J. (2012, September). Saccos in a Re-Branding Frenzy and Repositioning Afresh. SACCO Review, Shrend, 008, 4-5.
- Oladejo, M. (2013). Does Cooperative Financing Method Influence Micro-Credit Delivery? An Empirical Investigation of South Western States of Nigeria. International Journal of Academic Research in Management (IJARM) 2(4), 83-98.

- Olando, C.O. (2012). An Assessment of financial practice as a determinant of growth of Savings and Credit Co-operative Societies wealth in Kenya: The case of Meru County. Unpublished Phd Thesis, Nairobi: Kenyatta University.
- Ole Borgen, S. (2001). Identification as a Trust-Generating Mechanism in Cooperatives. Annals of Public and Co-operative Economics 72(2), 209-228.
- Onaolapo, A. & Oladejo, M. (2011). The Impact of Cooperative Financing on Millennium Development Goal of Poverty Eradication: Lessons from Nigeria. *Research Journal of Finance and Accounting* Vol. 2, No 11
- Onsase, A., Okioga, C., Okwena, D. & Ondieki, A. (2012). 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. Proceedings of the 2012 JKUAT Scientific, Technological and Industrialization Conference, 15-16<sup>th</sup> November 2012, 500-522.
- Orhan, G., Erdoğan, D., & Durmaz, V. (2014). Adopting Mission and Vision Statements by Employees: The Case of TAV Airports. Procedia - Social and Behavioral Sciences, 150 (10th International Strategic Management Conference 2014), 251-262.
- Ortmann, G. & King, R. (2007). Agricultural Cooperatives I: History, Theory and Problems. *Agrekon* 46(1), 40-68.
- Otieno, K., Mugo, R., Njeje, D. & Kimathi, A. (2015). Effect of Corporate Governance on Financial Performance of SACCOS in Kenya, *Research Journal of Finance and Accounting*, 6(2), 48-58.
- Owen, G. (2007). Rural outreach and financial Cooperatives: SACCOs in Kenya. Washington, DC: World Bank.

- Pagura, M. (2008). *Expanding the frontier in rural finance: financial linkages and strategic alliances*. Rugby: Practical Action Publishing Ltd
- Palmer, A. (2002). Co-operative Marketing Associations: An Investigation into the Causes of Effectiveness. *Journal of Strategic Marketing*, *10*(2), 135-156.
- Pandey, I. M. (2008). *Financial Management*, (11<sup>th</sup> ed.). New Delhi, India: Vikas Publishing Hse PVT Ltd.
- Pataki, E., Dillion, J. & McCormack, P. (2003). *NYS Project Management Guidebook, Release 2.* New York: Office for Technology.
- Penrose, E. (1995). *Theory of the Growth of Firm*. (3<sup>rd</sup> ed.)New York: Oxford University Press.
- Porter, M. E. (1996). What is Strategy, Harvard Business Review, 6, 61-78.
- Porter, M. & Kramer, M. (2011). Creating Shared Value. *Harvard Business Review*, 89(1/2), 62–77.
- Porter, M. (1985). Competitive Advantage: Creating and Sustaining Superior Performance. New York: Free Press.
- Porter, M. (2004). On Competitive Advantage. UK: Harvard Business School Press.
- Prahalad, C. K. & Hamel, G. (1990). The core competence of the corporation. *Harvard Business Review*, 68(3), 79–91.
- Psillaki, M., Tsolas, I.E. & Margaritis, D. (2010). Evaluation of Credit Risk Based on Firm Performance, *European Journal of Operational Research*, 201(3), 873-888.
- P.S.U. (2012). PSYCH 484,Lesson 6: Goal-Setting Theory: What am I Trying to Achieve in My Work? Work Attitudes and Motivation. World Campus, USA: The Pennsylvania State University

- Rankin, M. & Russell, I. (2005). Building Sustainable Farmer Cooperatives in the Mekong Delta, Vietnam: Is Social Capital the Key? Retrieved from: www.engagingcommunities2005.org/abstracts/Rankin-Marlo-final.pdf
- Ravichandran, T. & Lertwongsatien, C. (2005). Effect of Information Systems Resources and Capabilities on Firm Performance: A Resource-Based Perspective. *Journal of Management Information Systems* / 21(4), 237-276.
- Reeves, M., Knut, H., & Janmejaya S. (2015). Your Strategy Needs a Strategy: How to Choose and Execute the Right Approach. Boston: Harvard Business Review.
- Richard, P., Devinney T., Yip, G. & Johnson, G. (2009). Measuring organisational performance: Towards methodological best practice. *Journal of Management*, 35(3), 718-804.
- Riley, J. (2012). Resources of a Business. Retrieved from:www.tutor2u.net/business.
- RoK (2019). Co-operative Development Policy "Promoting Co-operative Enterprises for Industrialization. Retrieved from www.kuscco.com/.../draft-national-cooperative-development-policy on 13<sup>th</sup> March 2019
- RoK (2010). Deposit Taking SACCOs Regulations 2010. Nairobi: Government Printer.
- RoK (2007). The Kenya Vision 2030. Nairobi: Government Printer.
- RoK (2012). The Second Annual Progress Report on the Implementation of the First Medium Term Plan (2008-2012) of Kenya Vision 2030. Nairobi: Government Printer.

- Sabatini, F., Modena, F. & Tortia, E. (2012). Do cooperative enterprises create social trust? Trento, EuRICSE Working papers, Retrieved from: www.euricse.eu.
- Salvatori, G. (2012). The flexibility of the cooperative model as a development tool: The case of the metamorphosis of an Italian region. Euricse Working paper No. 25/12.
- Samoei, R. (2015). Effect of Credit Management on Firm Profitability: Evidence Savings and Credit Co-Operatives in Kenya, *Research Journal of Finance and Accounting*, 6(9), 192-199.
- SASCCO (2010). 2010 Annual Savings and Credit Co-operative Association of Africa (11th SACCA Congress) Report. Retrieved from: http://www.accosca.org
- SASRA (2012). SACCO Supervision Annual Report 2011 (Deposit Taking SACCOs). Nairobi: SASRA.
- SASRA (2014). SACCO Supervision Annual Report 2013 (Deposit Taking SACCOs). Nairobi: SASRA.
- SASRA (2015). SACCO Supervision Annual Report 2014. (Deposit Taking SACCOs). Nairobi: SASRA
- SASRA (2016). SACCO Supervision Annual Report 2015. (Deposit Taking SACCOs). Nairobi: SASRA.
- SASRA (2017). SACCO Supervision Annual Report 2016. (Deposit Taking SACCOs). Nairobi: SASRA
- SASRA (2013). SACCO Supervision Annual Report 2012. (Deposit Taking SACCOs). Nairobi: SASRA.

- Saunders, A., & Cornett, M.M. (2011). Financial Markets and Institutions: An Introduction to a Risk Management Approach. (3rd ed). New Delhi: Savings banks.
- Saunders, M., Lewis, P. & Thornhill, A. (2012). *Research Methods for Business Students*, (6<sup>th</sup> Edition). Edinburg Gate: Pearson Education.
- Savage, Job K. & Volkin, David (1965). *Cooperative Criteria*, FCS Service Report 71, p.11.
- Schmenner, R.L., & Swink, M.L., (1998). On theory in operations management. Journal of Operations Management, 17, 97–113.
- Scholl, M. & Sherwood, A. (2014). Four Pillars of Cooperative Governance, *Cooperative Grocer*, 170, 18-21.
- Sekaran, U. & Bougie, R. (2009). Research Methods for Business: A Skill Building Approach, (5<sup>th</sup> ed.). Great Britain: John Wiley & Sons.
- Seth, A. & Thomas, H. (1994). Theories of the firm: implications for strategy research. *Journal of Management Studies*, *31*(2), 165-191.
- Sotunde, O. (2012). Influence of Vision and Mission Statement on Organizational Effectiveness: An Appraisal of a Private Sector Experience in Nigeria. *The Pacific Journal of Science and Technology*, 13(1), 389-397.
- Stemler, S. (2001). An overview of content analysis. Practical assessment, research & evaluation 7(17), 137-146
- Stewart, D. (2010). *Growing the Corporate Culture*. Retrieved from: https://www.wachovia.com on July 9<sup>th</sup>, 2013
- Street, C. T. & Cameron, A. (2007). External Relationships and the Small Business: A Review of Small Business Alliance and Network Research. *Journal of Small Business Management*, 45(2), 239–266.

- Sudhakaran, N. & Ramu, N. (2014). A Study of The Impact of Customer Relationship Management in TNSC Bank, Chennai, Journal of Finance and Bank Management, 2(1), 77-88.
- Sufi, T. & Lyons, H. (2003). Mission statements exposed, International Journal of Contemporary Hospitality Management, 15(5), 255-262.
- Tabachnick, B. G., & Fidell, L. S. (2007). Using multivariate statistics (5th ed.). Upper Saddle River, NJ: Pearson Allyn & Bacon.
- Talaja, A. (2012). Testing VRIN Framework: Resource Value and Rareness as Sources of Competitive Advantage and above Average Performance. *Management*, 17(2), 51-64.
- Teece, D. (2010). Business Models, Business Strategy and Innovation. *Long Range Planning*, 43(2/3), 172-194.
- Volberda, H & Elfring, T. (2001). Rethinking Strategy, London: Sage
- Wanyama, F. (2009). Surviving Liberalization: The Cooperative Movement in Kenya. International Labour Office - Geneva: ILO.
- Wernerfelt, B. (984). Resource-Based View of the Firm. *Strategic Management Journal*, 5(2), 171-180.
- Wheelen, T. L. & Hunger J.D. (2008). *Strategic Management and Business Policy*, (11<sup>th</sup> ed.). New Jersey: Prentice Hall.
- Whetten, D.A., & Cameron, K.S. (2010). *Developing management skills*. (8th ed.). Richmond: Prentice Hall.
- Williams, D, A. Onsman, A. & Brown, T. (2012). Is the Australian paramedic discipline a profession? A national approach, *International Paramedic Practice*, 1(5), 161-168.

- Williams, P. & Naumann, E. (2011). Customer Satisfaction and Business Performance: A Firm-Level Analysis. *Journal of Services Marketing*, 25(1), 20–32.
- Wilson, JF, Webster, A & Vorberg-Rugh, R. (2013). Building Co-operation: a business history of the Co-operative Group, 1863-2013, Oxford: Oxford University Press
- Zuriekat, M., Salameh, R. & Alrawashdeh, S. (2011). Participation in Performance Measurement Systems and Level of Satisfaction. *International Journal of Business and Social Science*, 2(8), 159-169.

### APPENDICES

Appendix I: Questionnaire for Sacco Managers and Board Members
I. Business and Personal Data
1. Name of the SACCO:
2. What is your position in the SACCO?
3. How long have you served in the SACCO?
1-5 Years 🗌 6-10 Years 📋 1-15 Years 🗌 16-20 Years 🗌 Over 21 Years 🗌
4. Please, indicate your level of education
Certificate Diploma Degree Masters Others
If others, please specify
5. How long have the Sacco been in existence?
0-5 Years 🗌 6-10 Years 📋 1-15 Years 🗌 6-20 Years 🗋 Over 21 Years 🗋
6. Is the SACCO licensed by SASRA?Yes/No
7. What is the size of your SACCO?
Small: Sacco with assets under Kshs. 1 billion
☐ Medium: Sacco with assets between Kshs. 1 billion and 2 billion
□ Large: Sacco with assets of over Kshs. 2 billion.

NB: In the sections below where responses are ranked 1 - 5, 5 being the most positive (best) and 1 the least (worst); please mark the number that accurately indicate your opinion.

#### The strategic purpose

	rongly sagree	lsagree	oderately gree	gree	rongly rree
Statement	St	Â	ag	A	St
The Sacco has a vision and a mission statement					
Our Sacco vision/mission statements are well-					
crafted and clear to all members and employees					
The Sacco members are aware of the existing					
mission and vision statements					
Our mission and vision state clearly what					
business we are in and who we serve					
Our mission and vision state clearly what the					
Sacco plan to be in the future					
Our mission and vision statements distinguish					
the Sacco from other enterprises					
Our Sacco has clear goals and objectives					
Sacco goals are within our resources (financial,					
human, ICT)					
Our Sacco goals are ambitious enough given					
the competitive environment we operate in					
The Sacco sets annual growth targets for					
incomes, deposits, loans, assets and members					

#### Sacco strategic resources

The current core capital of this Sacco is (PLEASE TICK ONE)

- Below kshs 10 million ( )
- Above kshs 10 million ( )

The current core capital to assets ratio of the Sacco is (PLEASE TICK ONE)

- Below 10% ( )
- Above 10% ( )

The current liquidity to withdrawable savings ratio of the Sacco is (PLEASE TICK ONE)

- Below 15% ( )
- Above 15% ( )

The Saccos institutional capital ratio to total assets is (PLEASE TICK ONE)

- Below 8% ( )
- Above 8% ( )

Please indicate the number of SACCO employees

2010	2011	2012	2013	2014

#### 2. Kindly indicate the number of employees at each level

Level of	Postgraduate	Bachelors	Diploma	Certificate	Other
education					
Number of					
employees					

2. Kindly indicate the number of employees at each range experience

0-5 Years\_\_\_\_\_

6-10 Years\_\_\_\_\_

11-15 Years\_\_\_\_\_

16-20 Years\_\_\_\_\_

Over 21 Years\_\_\_\_\_

Please indicate your opinion on the following statements:

Statement					
	SD	D	Ν	Α	SA
The Sacco has adequate liquidity					
The Sacco has enough capital or access to capital to grow its business					
Our cooperative is obtaining enough deposits for financial strength and future growth opportunities					
Our Sacco has adequate number of employees					
The Sacco employees have relevant qualification and experience					
Our Sacco has ATMs and other mobile banking services					
We communicate to members through the website, social media and emails					
The Sacco MIS (management information system) is adequate to provide members services					
Location of our branches are easily accessible by members					

## Sacco governance

Please indicate your opinion on the following statements:

Statement					
	SD	D	N	Α	SA
Our Sacco governance consist of members	50			11	011
working together with the board of directors					
and employees					
1 2					
The Sacco board is structured into technical					
committees such as finance, credit, education,					
audit					
Our Sacco board size is important in					
enhancing prudent governance					
The number of board meeting affects quality					
of governance					
Our governance structure is suitable for					
strategic decision-making					
Our board of directors have the appropriate					
professional qualifications to govern the					
Sacco					
Our board of directors have leadership ability					
to provide strategic direction					
The roles and responsibilities of the Board					
and management staff are clearly segregated					
The committees authority and that of the					
C.E.O often conflict					
General members are involved in making					
corporate decisions e.g. products, services,					
budgeting etc					
Sacco directors are committed to advancing					
members common interests					
The Sacco members role in directors election					
is important to board accountability		1			

#### Sacco management

Please indicate your opinion on the following statements:

Statement	SD	D	Ν	Α	SA
Our Sacco has adequate policies for					
effective management of its operations					
Our credit policy and procedures are clear					
to members					
The Sacco has adequate credit risk controls					
Our Sacco has member relationship					
department					
Member relationship department is					
important					
I am satisfied with the Sacco services to					
members					
In our Sacco the non-withdrawable deposits					
determine maximum loan amount to a					
member					
Our Sacco has minimum regular deposits					
contribution					
Our Sacco has minimum share capital to for					
all the members					
The Sacco pays attractive interest on					
deposits and FOSA savings					

## Sacco regulations

Please answer Yes or No on the following statements Liquidity management:

Statement	Yes	No
Did tellers operate with a specific cash limit before 2009?		
Did tellers operate with a specific cash limit after 2010		
Did tellers operate with a FOSA manual before 2009?		
Did tellers operate with a FOSA manual after 2010?		
Did you have designated FOSA managers before 2009?		
Did you have designated FOSA managers after 2010?		

## Effects of Sacco regulations

Please indicate your opinion on the following statements:

Statement	None	Small extent	Moderate extent	great extent	Greatest extent
Regulations helped the Sacco to overcome high external borrowing					
Regulations helped the Sacco to overcome lack of liquidity					
Regulations helped the Sacco to overcome high investment in non- earning assets					
Regulations helped the Sacco to overcome inadequate ICT system					
Regulations helped the Sacco to overcome inadequate managerial competencies					
Regulations helped the Sacco to overcome negative political interference					

### Sacco Performance

1. Please, indicate amounts/numbers of the following for the years 2009-2014.

Item	2007	2008	2009	2010	2011	2012	2013	2014
Total income								
Total assets								
Total deposits								
Total loans								
Rebates to								
members								
Earnings								
before Interest								
and tax								
Membership								

Please indicate your opinion on the following statements:

Statement	SD	D	Ν	Α	SA
The Sacco grew its assets in the last 5 years					
The Sacco did not grow its incomes in the last 5 years					
The Sacco grew its loans in the last 5 years					
The Sacco grew its deposits in the last 5 years					
Sacco membership increased between 2010-2014					
Our returns to members did not improve between 2010-2014					

# THE END OF QUESTIONNAIRE

# Appendix II: Testing For Moderating Variable

Model	R	R Square	Adjusted R	Std. Error of the
			Square	Estimate
1	.904 <sup>a</sup>	.817	.807	.53521
2	.979 <sup>b</sup>	.958	.943	.49541

Model Summary

#### **ANOVA**<sup>a</sup>

.025 <sup>b</sup>
.001 <sup>c</sup>
-

### Coefficients

Model		Unstan	dardized	Standardized	t	Sig.
		Coeff	icients	Coefficients		
		В	Std.	Beta	_	
			Error			
1	(Constant)	4.850	.401		12.095	.000
	Enterprise strategy	0.793	.100	.179	7.930	.005
2	(Constant)	3.848	.252		15.270	.000
	Enterprise strategy	1.062	.520	3.187	2.042	.001
	Regulations	.334	.100	.951	3.340	.001
	XMo	1.073	.116	3.821	9.250	.000

# Appendix III: List of 215 Deposit Taking Saccos

1	2NK
2	Ainabkoi Farmers
3	Ardhi
4	Chesikaki Rural
5	Kerenga
6	Kitui Teachers
7	Nyambene Arimi
8	Times U
9	Ufanisi
10	Wanaanga
11	Aberdare Rural
12	Afya
13	Agro-Chem
14	Airports
15	All Churches Sacco
16	Asili Cooperative
17	Bandari
18	Baraka
19	Baraton
20	Biashara
21	Bingwa
22	Bonde La Kerio
23	Bondo Teachers
24	Boresha
25	Bungoma Teachers
26	Bureti Tea Growers
27	Butete
28	Capital
29	Centenary
30	Chai
31	Chebosobon
32	Chemelil
33	Chepsol Sacco
34	Chuna
35	Сотосо
36	Cosmopolitan
37	County
38	Daima
39	Dhabiti

40	Dimkes
41	Egerton University
42	Elgon Teachers
43	Elimu
44	Enea
45	Fariji
46	Flouspar
47	Fortune
48	Fundilima
49	Gastameco Sacco
50	Githongo Majani
51	Githunguri Dairy
52	Good Faith
53	Gusii Mwalimu
54	Harambee
55	Hazina
56	Homaline Company
57	Ihururu
58	Ilkisonko Rural
59	Imarisha
60	Imenti
61	Iriyanyi
62	Isiolo Teachers
63	Jacaranda
64	Jamii
65	Jijenge
66	Jitegemee
67	K. Unity Finance
68	Kaimosi Tea Growers
69	Kapenguria Teachers
70	Kateco
71	Kathera Sacco
72	Keiyo Teachers
73	Kenpipe
74	Kenversity
75	Kenya Bankers
76	Kenya Canners
77	Kenya Highlands
78	Kenya Midland

79	Kenya Police
80	Kiambaa Dairy Rural
81	Kiamokama Tg
82	Kikai Rural
83	Kilifi Teachers
84	Kimute
85	Kinamba Jua-Comm
86	Kingdom
87	Kipsigis Edis
88	Kite
89	Kmfri
90	Kolenge Tea
91	Konoin Tea Growers
92	Koru-Homaline Company
93	Kuria Teachers
94	Kwale Teachers
95	Laikipia Teachers
96	Lamu Teachers
97	Lenga Tumaini
98	Lengo
99	Limuru Traders
100	Magadi
101	Magereza
102	Maisha Bora
103	Marakwet Teachers
104	Marsabit Teachers
105	Masaku Teachers
106	Maseno University
107	Maua Methodist
108	Mentor
109	Meru South Farmers
110	Metropolitan
111	Micii Mikuru
112	Migori Teachers
113	Moi University
114	Mombasa Port
115	Mombasa Teachers
116	Mosacco
117	Mudete Teafactory
118	Muhigia
119	Muki

120	Mulot Fsa Rural
121	Murata
122	Mwalimu Harambee
123	Mwea Rice Farmers
124	Mwendiwega
125	Mwietheri
126	Mwingi Mwalimu
127	Mwito
128	Nacico
129	Nafaka
130	Naku
131	Nandi Farmers
132	Nandi Hekima
133	Nandi Teachers
134	Nanyuki Equator
135	Narok Teachers
136	Nassefu
137	Nation Staff
138	Nawiri
139	Ndege Chai
140	Ndetika Rural
141	Ndosha
142	Nest
143	NGP Bamburi
144	Ntiminyakiru
145	Nufaika
146	Nyabiera Sacco
147	Nyahururu Umoja
148	Nyala Dairy
149	Nyamira Tea Farmers
150	Nyando-Kisumu
151	Nyankoba Sacco
152	Nyeri Teachers
153	Nzoia
154	Ogembo Tea Growers
155	Omoremi Rural
156	Orient Sacco
157	Orthodox
158	Puan
159	Rachuonyo Teachers
160	Rea Vipingo

161	Reli
162	Rongai Rural
163	Rubet Sacco
164	Safaricom
165	Samburu Teachers
166	Samburu Traders
167	Sheraco
168	Sigor Fsa Rural
169	Simba Chai
170	Siraji
171	Solution Sacco Sheria
172	Sot Tea
173	Sotico
174	South Farmers
175	Stima
176	Suba Teachers
177	Sukari
178	Tai
179	Taifa
180	Taita Taveta Teachers
181	Tana River Teachers
182	Taraji
183	Teleposta
184	Tembo
185	Tenhos
186	Tescom
187	Thamani
188	Tharaka Nithi Teachers

189	Tower Limited
190	Transcom
191	Trans-Counties
192	Transnzoia Teachers
193	Tupendane
194	Tuungane Tujijenge Sacco
195	Uchongaji
196	Ufundi
197	Ukristo Na Ufanisi
198	Ukulima
199	Unaitas
200	United Nations
201	Unity Finance
202	Universal Traders
203	Vihiga District Tg
204	Vision Afrika
205	Vision Point
206	Wakenya Pamoja
207	Wakulima Commercial
208	Wananchi
209	Wanandege
210	Wareng Teachers
211	Washa
212	Waumini
213	Wevarsity
214	Winas
215	Yetu

# Appendix IV: List of the 100 Surveyed Saccos

1	2nk
2	Agrochem
3	All Churches
4	Biashara
5	Centenary
6	Dimkes
7	Fariji
8	Kingdom
9	Maua Methodist
10	Miliki
11	Ndosha
12	Supa
13	Tenhos
14	Universal Traders
15	Waumini
16	Baraka
17	Bingwa
18	Capital
19	County
20	Dhabiti
21	Fortune
22	Githunguri Dairy
23	Jumuika
24	Kenya Achievas
25	Kenya Highlands
26	Kimbilio Daima
27	Konoin Tea Growers
28	K-Unity
29	Lainisha
30	Mosacco
31	Muki
32	Murata
33	Nandi Hekima
34	Nawiri
35	Ndetika Rural
36	Nyamira Tea

r	Г
	Farmers
37	Patnas
38	Skyline
39	Southern Star
40	Stegro
41	Tai
42	Taifa
43	Thamani
44	Times U
45	Unaitas
46	Vision Point
47	Wakenya Pamoja
48	Wananchi
49	Yetu
50	Afya
51	Ardhi
52	Asili Cooperative
53	Chuna
54	Elimu
55	Harambee
56	Kenpipe
57	Kenversity
58	Kenya Police
59	Moi University
60	Mwito
61	Nassefu
62	Shirika
63	Stima
64	Telepost
65	Ufundi
66	Ukristo Na Ufanisi
67	Ukulima
68	Wanaanga
69	Chai
70	Kenya Bankers
71	Kenya Canners

72	Maisha Bora
73	Naku
74	Nation Staff
75	Ndege Chai
76	Safaricom
77	Sukari
78	Tembo
79	United Nations
80	Boresha Sacco
81	Cosmopolitan
82	Gusii Mwalimu
83	Imarika
84	Imarisha
85	Kakamega Teachers
86	Kite

87	Kitui Teachers
88	Kwetu Sacco
89	Mentor
90	Metropolitan
,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	National
91	Mwalimu National
92	Ngarisha
93	Nyeri Teachers
94	Ollin
95	Qwetu
96	Solution Sacco
97	Tower
98	Trans Nation
99	Unison
100	Winas

	Community		Farmers		Teachers		Government		Private
1	2nk	1	Baraka	1	Boresha Sacco	1	Afya	1	Chai
2	Agrochem	2	Bingwa	2	Cosmopolitan	2	Ardhi	2	Kenya Bankers
3	All Churches	3	Capital	3	Gusii Mwalimu	3	Asili	3	Kenya Canners
4	Biashara	4	County	4	Imarika	4	Chuna	4	Maisha Bora
5	Centenary	5	Dhabiti	5	Imarisha	5	Elimu	5	Naku
6	Dimkes	6	Fortune	6	Kakamega Teachers	6	Harambee	6	Nation Staff
7	Fariji	7	Githunguri Dairy	7	Kite	7	Kenpipe	7	Ndege Chai
8	Kingdom	8	Jumuika	8	Kitui Teachers	8	Kenversity	8	Safaricom
9	Maua Methodist	9	Kenya Achievas	9	Kwetu Sacco	9	Kenya Police	9	Sukari
1	Miliki	10	Kenya Highlands	1	Mentor	1	Moi University	1	Tembo
1	Ndosha	11	Kimbilio Daima	1	Metropolitan National	1	Mwito	1	United Nations
1 2	Supa	12	Konoin Tea Growers	1 2	Mwalimu National	1 2	Nassefu		
1 3	Tenhos	13	K-Unity	1 3	Ngarisha	1 3	Shirika		
1 4	Universal Traders	14	Lainisha	1 4	Nyeri Teachers	1 4	Stima		
1 5	Waumini	15	Mosacco	1 5	Ollin	1 5	Telepost		
		16	Muki	1 6	Qwetu	1 6	Ufundi		
		17	Murata	1 7	Solution Sacco	1 7	Ukristo Na Ufanisi		
		18	Nandi Hekima	1 8	Tower	1 8	Ukulima		
		19	Nawiri	1 9	Trans Nation	1 9	Wanaanga		
		20	Ndetika Rural	2 0	Unison				
		21	Nyamira Tea Farmers	2 1	Winas				
		22	Patnas						
		23	Skyline						
		24	Southern Star						
		25	Stegro						
		26	Tai						
		27	Taifa						
		28	Thamani						
		29	Times U						
		30	Unaitas						
		31	Vision Point						
		32	Wakenya Pamoja						
		33	Wananchi						
		34	Yetu						

# Appendix V: List of the 100 Surveyed Saccos per Category

						5 Year
	2010	2011	2012	2013	2014	average
Tembo	4	4	5	6	4	5
All Churches	5	6	7	8	6	6
Agro-Chem	5	6	7	8	7	7
Miliki	8	9	10	12	11	10
Wana-Anga	10	11	13	15	7	11
Teleposta	9	10	12	14	11	11
Kenya Canners	9	10	12	14	15	12
Nation Sacco	11	12	14	16	8	12
Kenpipe Sacco	11	12	14	16	9	12
Kwale Teachers	10	11	13	15	14	13
Fariji Sacco	11	12	14	16	13	13
Shirika	11	12	14	16	13	13
Nassefu	11	12	14	16	15	14
Ufundi	12	13	15	17	15	14
Jumuika Sacco	12	13	15	17	17	15
Baraka Sacco	12	13	15	17	19	15
Ndosha	12	14	16	19	16	15
Stergo	12	14	16	19	16	15
Mmh Sacco	12	14	16	19	18	16
Safaricom	13	15	17	20	17	16
Times U	12	13	15	17	31	18
Chuna	15	17	19	22	21	19
Kenversity	17	19	21	24	15	19
Kingdom	15	17	19	22	23	19
Konoin	16	18	20	23	23	20
Tenhos	17	19	21	24	21	20
United Nations	17	19	21	24	21	20
Transnational	17	19	21	24	32	23
Dimkes	19	21	24	28	23	23
Ngarisha	19	21	24	28	23	23
Winas	20	22	25	29	24	24
Nyeri Teachers	22	25	28	32	17	25
Moi University	20	23	26	30	27	25
Sukari	20	23	26	30	29	26
Naku Sacco	20	22	25	29	36	26
Nitunze	21	24	27	31	30	27
Ollin	22	25	28	32	28	27
Thamani	23	26	29	33	28	28

Appendix VI: Number of Employees in the 100 Surveyed Saccos

Nyamira Tea F	24	27	30	34	29	29
Kimbilio Daima	24	27	30	34	32	29
Centenary	25	28	31	35	31	30
Waumini	24	27	30	34	35	30
Kenya Highland	22	25	28	32	51	32
Supa	28	31	35	40	33	33
Nrs	28	31	35	40	36	34
Kitui Teachers	28	32	36	41	39	35
Dhabiti	29	33	37	42	36	35
Githunguri Dairy	29	33	37	42	36	35
Mentor	29	33	37	42	41	36
Patnas	30	34	38	43	39	37
Biashara Sacco	14	16	18	21	116	37
Cosmopolitan	30	34	38	43	44	38
Mwito	35	39	43	49	42	42
Yetu	30	34	38	43	64	42
Chai Sacco	36	41	46	52	35	42
Kakamega Teachers	35	39	43	49	52	44
County Sacco	36	41	46	52	43	44
Elimu	37	42	47	53	46	45
Solution	37	42	47	53	48	45
Ukristo Na Ufanisi	37	42	47	53	49	46
Ardhi	39	44	49	56	45	47
Tai	39	44	49	56	51	48
Nandi Hekima	41	46	51	58	47	49
Lainisha	41	46	51	58	51	49
Kite	42	47	52	59	52	50
Southern Star	41	46	51	58	57	51
Gusii Mwalimu	44	49	54	61	57	53
Kenya Achievas	44	50	56	64	51	53
Nawiri	45	51	57	65	54	54
Qwetu	44	49	55	62	67	55
Tower Sacco	40	45	50	57	86	56
Ndege Chai	49	55	61	69	49	57
Universal Traders	50	56	62	70	65	61
Maisha Bora	60	68	75	85	27	63
Imarisha	58	65	72	82	71	70
Wananchi	61	69	77	87	71	73
Skyline	63	71	79	90	73	75
Imarika	61	69	77	87	100	79
Metropolitan	53	60	67	76	146	80
Kenya Police	67	75	83	94	94	83
Unison	68	77	85	96	89	83

TOTAL	4892	5503	6115	6935	6494	
Afya Sacco	304	342	377	425	350	360
Asili Sacco	295	332	366	413	350	351
Mwalimu	218	245	270	305	358	279
Unaitas	206	232	256	289	266	250
Capital	183	206	228	258	232	221
Wakenya Pamoja	184	207	229	259	180	212
Taifa	139	156	172	194	172	167
K-Unity Sacco	129	145	160	181	163	156
2NK	117	132	146	165	141	140
Ukulima Sacco	116	131	145	164	143	140
Harambee Sacco	107	120	133	150	159	134
Murata Sacco	111	125	138	156	130	132
Bingwa Sacco	104	117	129	146	121	123
Vision Point	87	98	108	122	106	104
Boresha Sacco	73	82	91	103	131	96
Stima Sacco	66	74	82	93	144	92
Fortune	76	85	94	106	91	90
Kenya Bankers	74	83	92	104	86	88
Muki Sacco	73	82	91	103	88	87

Statement	Purpose	Resources	Governance	Management
1	4.735	3.571	4.52	3.918
2	4.091	2.857	4.581	3.449
3	4.163	2.429	3.735	3.5
4	4.265	3.816	3.571	2.643
5	4.275	4.153	1.786	3.316
6	3.989	4.51	1.959	4.153
7	4	3.306	1.786	3.663
8	3.949	3.051	2.306	4.01
9	3.806	2.969	4.571	3.888
10	3.693		4.245	3.745
11			3.725	
12			3.276	
Mean	4.097	3.407	3.338	3.629
Percentage	81.9%	68.1%	66.8%	72.6%

Appendix VII: Summary of Descriptive Statistics: Means of Responses
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Income	8,007,339,613	8,434,933,121	9,476,051,151	11,520,404,152	14,452,353,144	17,646,340,835	21,975,517,852	27,923,148,477	34,100,846,447
Total Assets	78,394,724,634	83,273,214,944	85,665,578,512	88,330,465,964	111,810,616,537	157,981,365,206	186,370,616,529	216,935,397,625	254,248,285,961
Total Deposits	56,399,308,320	59,411,042,410	66,744,106,713	81,143,407,870	101,794,448,331	113,761,311,127	133,874,310,918	154,598,054,241	174,232,007,075
Total Loans	65,469,024,361	68,965,083,071	77,477,396,082	94,192,285,452	118,164,272,204	121,246,359,863	143,834,556,701	168,717,934,993	194,869,214,867
Total Rebates	2,816,488,089	3,011,109,106	3,133,090,200	3,312,167,465	4,283,446,243	6,338,461,650	8,147,122,943	10,677,749,599	13,347,378,275
Total Members	938,709	988,678	1,110,404	1,349,463	1,692,330	2,097,997	2,255,612	2,453,838	2,600,356

## Appendix VIII: Trend of Key Performance Indicators

## Return on Assets (ROA)

	2006	2007	2008	2009	2010	2011	2012	2013	2014
	78,394,724,63		85,665,578,51	88,330,465,96	111,810,616,53	157,981,365,20	186,370,616,52	216,935,397,62	254,248,285,96
Total Assets	4	3,273,214,944	2	4	7	6	9	5	1
Total				11,520,404,15					
Income	8,007,339,613	8,434,933,121	9,476,051,151	2	14,452,353,144	17,646,340,835	21,975,517,852	27,923,148,477	34,100,846,447
EBIT	807,465,664	907,678,043	848,089,227	945,135,986	2,157,944,899	3,696,763,946	4,733,813,660	5,184,756,003	6,381,631,978
ROA	1.03%	1.09%	0.99%	1.07%	1.93%	2.34%	2.54%	2.39%	2.51%