

**Factors Influencing Financial Performance of Savings and Credit Cooperative Societies. A
case of Nandi Farmers Sacco, Nandi County**

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DECLARATION

This research report is my own original work and has not been presented for a ward of degree or diploma in any other university.

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

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ACRONYMS

SASRA	SACCO Society Regulatory Authority
SACCO	Savings and credit cooperative society
KNFC	Kenya National Federation of Cooperatives
MFIs	Microfinance institutions
KUSSCO	Kenya union of savings and credit societies
IJBMR	International journal of business and management research
AGM	Annual General Meeting
SME	Small and Medium Enterprises

ABSTRACT

This study sought to establish the determinants of financial performance of SACCOs in the banking sector in Kenya. This study was guided by the following objectives; to determine how interest rates charged influence financial performance of SACCOs, to assess how investment policies influence financial performance of SACCOs, to establish how dividends policy influence financial performance of SACCOs, and to examine how loan defaulting influences financial performance of SACCOs.

This study adopted a descriptive survey design. The target population of this study was the employees of Nandi Farmer's SACCO. The sampling frame of this study was derived from the database of the SACCO. Stratified sampling and simple random sampling were used. Questionnaires were administered to gather primary information. Information gathered was then sorted and analyzed for production, and then it was recorded in tables.

There were some limitations that were expected to be experienced during this study. Because of the sensitivity of banking information some respondents were expected to give biased information to conceal sensitive data. It was also noted that some respondents did not allow to give information in fear to leak to their competitors. This report also contains the theoretical and empirical review of the variables that guided this study. Some of the theories studied are, the portfolio theory of investments, liquidity preference theory of interest, credit risk theory and finally the residual theory of dividend policy.

This report also contains the summary of findings and conclusions of findings. It was concluded that the SACCO should also review their interest rates to ensure that their rates are competitive. The default rate in the SACCO also shown a threat to the future financial performance of the SACCO hence the need to put in place policy measure to reduce default rates. Besley (2003) asserted that enforcement of loan repayment constitutes a major difference between rural credit markets in developing countries and credit markets in developed countries. This means that if SACCOs becomes flexible by extending repayment period to loan borrowers they can retain their customers and increase their financial performance.

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CHAPTER ONE INTRODUCTION

1.1 Background of the study

Savings and credit cooperatives (SACCOs) are association of people who have come together with common goals geared at improving their livelihood economically. They are an important part of the financial sector in Kenya, providing savings, credit and insurance services to a large portion of the population. (Microfinance house, 2006). The first cooperative society in the world was formed in 1944 in a village in England known as Rochdale, by a group of people referred to as the Rochdale pioneers, when Britain was undergoing the industrial revolution (KNFC Website). SACCOs first appeared in South Germany in 1846 when there was Agricultural crisis and drought in Europe (Birchall, 2004).

The first modern SACCO was started in Germany around 1850. A quick review of developed world shows that not many big firms were born that big, most of them began as small medium enterprise. SACCOs in Africa have a role of transforming the continent considering that most entrepreneurs are in need of financial support. In Africa, Ghana was the first country to start a SACCO in 1952. (ACCOSCA 2009). In Kenya, cooperative movement dates back to 1931 when the first ordinance to regularize the operation of the cooperatives in the country was enacted. The following decade witnessed increased intervention in the sector with the eventual enactment of the Cooperative Ordinance Act of 1945, the predecessor of the current cooperative Societies Act Cap 490 of the law of Kenya as amended in 1977. SACCOs are registered and regulated under the Cooperative Societies Act. For registration the Act requires a primary society to consist of at least ten persons. The vast number of SACCOs in Kenya have been formed over the years with some being created as early as 1968. These SACCOs target a specific segment of population with similar orientation. These are mainly low-income earners and the society has the objective of uplifting their financial status. There are some SACCOs that target community members in general because of the virtue that they belong to that particular community whereas there are others who are more specific, their members have to come from a certain group. The main requirement across all SACCOs is that their members have some source of income before qualifying to join the SACCO.

The SACCOs mobilize funds from them and give them access to financial services like loans, savings facility, front office services which is otherwise inaccessible to them through the main banks that are either unaffordable or physically inaccessible. Some SACCOs were directly started as SACCOs while others were changed into SACCOs later of which they were initially set out as other financial associations without being registered as SACCOs (Microfinance house limited, 2006).

Nandi farmers SACCO was started in 1980, especially to cater financially for tea farmers around the region. However, the SACCO has grown tremendously by building a share capital of over 285 million and 32100 fully registered shareholders and extending its services to not only farmers but also to any member in the society. It has over 140,000 savings account holders including members. It is run by 2 directors elected directly by members at the grass root levels. The society uses delegate system whereby 50 delegates attend general meetings. There is a supervisory committee of three members elected from the three regions

Savings and credit cooperative societies are established to help the marginalized poor access financial services, but they have not been able to meet their demands satisfactorily because of various challenges facing them. Among the challenges is the interest rate charged on their services. Interest rate is the amount of interest paid per unit of time expressed as a percentage of the amount borrowed. The cost of borrowing money measured in shillings per year per amount borrowed is the interest rate. Interest rates differ mainly in terms of maturity. When maturity and liquidity together with other factors are considered, many different financial instruments and so many different interest rates will emerge, Anyanwu (1997). Interest rates can either be nominal or real. Nominal interest rate can be measured on monetary terms not in terms of goods. The nominal interest rate measures the yield in money per year per the amount invested while the real interest rate is calculated as the nominal interest rate minus the rate of inflations (Pandey, 1999).

1.2 Statement of the problem

Although SACCOs have been present in Kenya since 1970s, this sector has not been able to impact positively on the lives of people. In light of this, the existence and flourishing of SACCOS in Kenya have not been able to perform well as compared to the other mainstream financial institutions like commercial banks. SACCOS are formed to serve the special needs of its members, but this has not been possible because of the various challenges that impacts their financial

performance. One of the justification of the advancement of a financial institution is that which is profitable and has financial sustainability.

Mvula (2013) presented a report on common issues affecting performance of SACCOs in Malawi and pointed out that the issues affecting performance of SACCOs are inadequate capital, poor asset quality, poor governance, poor profitability, poor liquidity and noncompliance. Mudibo (2005) on the other hand discussed some of the factors affecting performance of SACCOs as weak regulation, limited product and services, low marketing and poor image.

However, regarding to the studies by Mudibo and Mvula, the effect of interest rate charged and the rate of loan repayment on Sacco performance is yet to be established. Further, the management of loan defaulters with the local SACCOs is very poor. This is because SACCOs finance people of low income and unreliable employments hence the chances of default are very high. Wanyama (2008) pointed out that SACCOs are formed from mostly the producers of cash crops and basic products hence there are market risk in their marketing but in this research the duration of loan processing that have affected the financial performance of SACCOs have not been identified. There has been no sufficient literature about how and to what extent the rate of loan repayment interest rates and management of loan defaulters have affected the financial performance of savings and credit cooperative societies.

1.3 Objectives of the study

1.3.1 Main objective

The main objective of this study was to establish the factors influencing financial performance of savings and credit cooperative societies in Nandi Hills.

1.3.2 Specific objectives

1. To determine how interest rates charged influence financial performance of SACCOs.
2. To assess how investment policies, influence financial performance of SACCOs.
3. To establish how dividends policy, influence financial performance of SACCOs.
4. To examine how loan defaulting influences financial performance of SACCOs.

1.4 Research questions

1. How does interest rates charged influence financial performance of SACCOs?
2. How does investment policies influence financial performance of SACCOs?
3. How does dividends policy influence financial performance of SACCOs?
4. Does loan defaulting influence financial performance of SACCOs?

1.5 Significance of the study

Kenya is among the developing countries and is characterized by slow economic growth, high levels of unemployment, and poverty. Kenya has not yet been industrialized, it relies on small scale farming practices and this category of people relies on rural SACCOs and microfinance institution to finance their activities. The probabilities of SACCOs to succeed in transforming SME are quite high if they realize some of the challenges that affect their financial performance. SACCOs should engage with policy makers in identifying these challenges so that they can address Kenyan problems of poverty eradication and achieve vision 2030 objectives (ACCOSCA, 2009).

This research would help to identify some critical factors that affect financial performance of savings and credit cooperative societies which will be helpful to assist in poverty alleviation. The findings and conclusions of this study would be of significance to the management of SACCOs in the banking sector. They were able to appreciate how performance of their SACCOs is influenced by the study variables. Based on the findings the management was therefore able to understand the strategies to be taken in order to improve the performance of the respective SACCOs.

To the SACCO members who also form part of the sampled respondents, they were able to understand the factors affecting performance of their SACCOs. This ensured that they became more informed especially in their contributions on the directions they would desire the management to take in improving profitability and other performance indicators. It was hoped that the findings of this study would help Nandi Farmers' SACCO and other SACCOS that would make use of it, to develop the management and control of SACCOs, and this is would help to increase wealth for both the SACCO and its members.

1.6 Scope of the study

This study established the factors determining the financial performance of SACCOs in the banking sector in Kenya. The sample was drawn from Nandi farmers' SACCO located in Nandi Hills Town, Nandi County. The target population includes both the members and staff of the

SACCO. The study was also limited to the stated objectives of the study which spelled out the variables to be studied.

1.7 Limitations of the study

There were some limitations that were expected to be experienced during this study. Because of the sensitivity of banking information some respondents were expected to give biased information to conceal sensitive data. It was also noted that some respondents did not allow to give information in fear to leak to their competitors.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter represents a review of the conceptual framework highlighting the variables under consideration i.e. literature that is related to investment policies, interest rate charged and dividend policies, and loan default in relation to financial performance of SACCOs. The empirical framework that explains related work, that is, the work that has already been done by other researchers regarding the stated variables has also been discussed in this chapter. The chapter also has the summary of literature and finally the literature gap.

2.2 Theoretical review

The first SACCO society in Africa was introduced in Ghana in 1959. The SACCO was intended to assist villagers improve their economic conditions, (Ng'ombe & M'Kwamba, 2004). In Kenya the first cooperative society was Lumbwa Cooperative Society formed in 1908 by the European farmers with the main objective of supporting Agriculture activities and products to take advantage of economies of scale, (KUSCCO, 2006). After independence the government of Kenya recognized cooperatives as suitable vehicles to achieve the aspiration and participate in the economic development of the nation. The SACCO movement is today considered by the government as one of the economic pillar of the nation. By the year 2010 Kenya had over 5000 registered SACCOs with a membership of about 7million and they had mobilized savings of over ksh.200 billion (Ndungu, 2010).

2.2.1 Liquidity preference theory

In macroeconomic theory, liquidity preference refers to the demand for money, considered as liquidity. The concept was first developed by John Maynard Keynes in his book *The General Theory of Employment, Interest and Money* (1936) to explain determination of the interest rate by the supply and demand for money. The demand for money as an asset was theorized to depend on the interest foregone by not holding bonds here, "bonds" can represent stocks and other less liquid assets in general, as well as government bonds. Interest rates, he argues, cannot be a reward for saving as such because, if a person hoards his savings in cash, keeping it under his mattress say, he will receive no interest, although he has nevertheless refrained from consuming all his current income. Instead of a reward for saving, interest, in the Keynesian analysis, is a reward for parting

with liquidity. According to Keynes, money is the most liquid asset. Liquidity is an attribute to an asset. The more quickly an asset is converted into money the more liquid it is said to be.

According to Keynes, demand for liquidity is determined by three motives: first is the transactions motive this is where people prefer to have liquidity to assure basic transactions, for their income is not constantly available. The amount of liquidity demanded is determined by the level of income: the higher the income, the more money demanded for carrying out increased spending. Second is the precautionary motive this shows that people prefer to have liquidity in the case of social unexpected problems that need unusual costs. The amount of money demanded for this purpose increases as income increases. Finally, the speculative motive where people retain liquidity to speculate that bond prices will fall. When the interest rate decreases people demand more money to hold until the interest rate increases, which would drive down the price of an existing bond to keep its yield in line with the interest rate. Thus, the lower the interest rate, the more money demanded and vice versa.

Emery (1984), proposes that credit rationed firms use more trade credit than those with normal access to financial institutions. The central point of this idea is that when a firm is financially constrained the offer of trade credit can make up for the reduction of the credit offer from financial institutions. In accordance with this view, those firms presenting good liquidity or better access to capital markets can finance those that are credit rationed. Several approaches have tried to obtain empirical evidence in order to support this assumption.

Nielsen (2002), using small firms as a proxy for credit rationed firms, finds that when there is a monetary contraction, small firms react by increasing the amount of trade credit accepted. As financially unconstrained firms are less likely to demand trade credit and more prone to offer it, a negative relation between a buyer's access to other sources of financing and trade credit use is expected. Petersen and Rajan (1997) however, obtained evidence supporting this negative relation.

2.2.2 Portfolio Theory

Portfolio theory of investment which tries to maximize portfolio expected return for a given amount of portfolio risk or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets. Although portfolio theory is widely used in practice in the finance industry and several of its creators won a Nobel prize for the theory, in recent years the basic portfolio theory has been widely challenged by fields such as behavioral economics (Markowitz 1952).

Portfolio theory was developed in 1950s through the early 1970s and was considered an important advance in the mathematical modeling of finance. Since then, many theoretical and practical criticisms have been developed against it. This includes the fact that financial returns do not follow a Gaussian distribution or indeed any symmetric distribution, and those correlation between asset classes (Micheal, Sproul 1998).

2.2.3 Credit Risk Theory

Although people have been facing credit risk ever since early ages, credit risk has not been widely studied until recent 30 years. Early literature before 1974 on credit uses traditional actuarial methods of credit risk, whose major difficulty lies in their complete dependence on historical data. Up to now, there are three quantitative approaches of analyzing credit risk: first, structural approach, second reduced form appraisal and finally incomplete information approach (Crosbie et al, 2003).

Merton 1974 introduced the credit risk theory otherwise called the structural theory which is said the default event derives from a firm's asset evolution modeled by a diffusion process with constant parameters. Such models are commonly defined structural model and based on variables related a specific issuer. An evolution of this category is represented by asset of models where the loss conditional on default is exogenously specific. In these models, the default can happen throughout all the life of a corporate bond and not only in maturity (Long staff and Schwartz.1995).

2.2.4 The Residual Theory of Dividend Policy

The residual theory of dividend policy holds that the firm will only pay dividend from residual earnings. That is dividends should be paid only if funds remain after the optimum level of capital expenditures is incurred that is, all suitable investment opportunities have been financed. With a residual dividend policy, the primary focus of the firm is on investments and hence dividend policy is a passive decision variable. The value of a firm is a direct function of its investment decisions thus making dividend policy irrelevant.

Residual theory of dividends purports that dividends must only be distributed after firm undertakes all acceptable investments. To determine whether any retained earnings are left to be distributed to shareholders, the three steps described below are undertaken.

Step 1 – The optimal level of capital expenditures is determined by finding the intersection between the investment opportunities schedule and the weighted marginal cost of capital schedule.

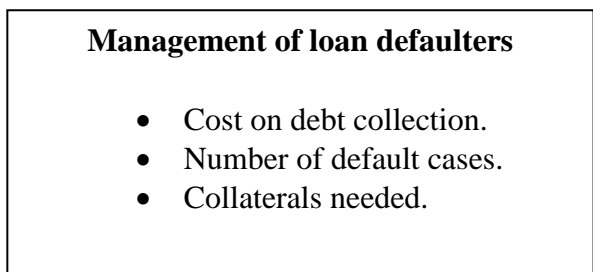
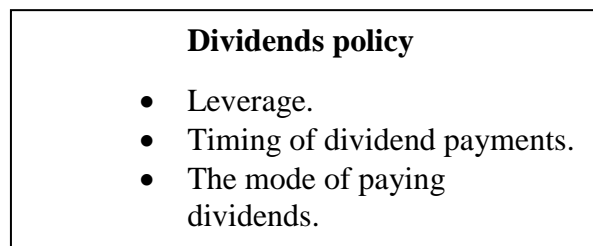
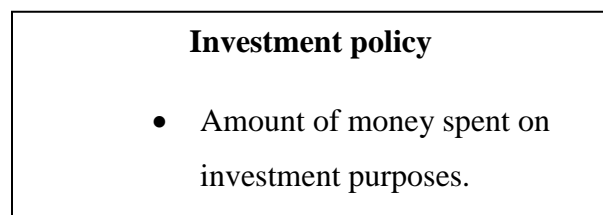
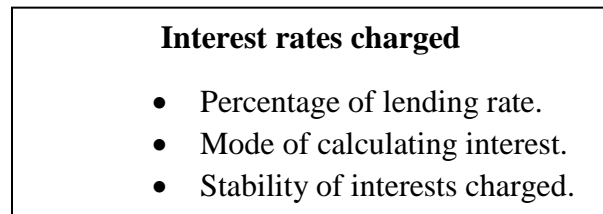
Step 2 – Taking into account the optimal capital structure proportions, the amount of financing that must come from equity is determined.

Step 3 – Retained earnings are used to cover necessary expenditures in proportion to a company's capital structure equity percentage. If retained earnings do not cover the portion that must come from equity then new stock is issued. The dividends are only distributed if retained earnings were enough to cover the equity portion of the investment (the second portion of investment is covered by debt) and only if there are any funds left in the retained earnings after investment expenditure is covered.

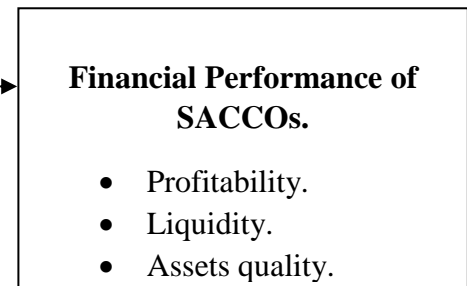
The residual theory of dividends also implies that if companies do not have investments with internal rate of returns (IRR) higher than weighted marginal cost of capital (WMCC) or Net present value (NPV) higher than zero then all retained earnings should be distributed as dividends.

2.3 Conceptual framework

Independent Variables



Dependent Variable



Source (Koima, 2018)

Figure 2.1 Conceptual Framework

2.4 Empirical framework

The cooperative movements in Kenya dates back to 1931 but the first SACCOs in Kenya were registered in 1964. Kenya Union of Savings and Credit Cooperatives (KUSCCO) were started in 1973 initially as an umbrella organization for urban savings and credit societies in Kenya, (Akide, 2005). SACCOs have faced several challenges over the years making it difficult for them to operate to their full capacity. Common challenges facing SACCOs include inadequate capital, poor asset quality, poor governance, poor profitability, poor liquidity and noncompliance (Mvula, 2013).

2.4.1 Interest rate charged and financial performance of SACCOs

Interest rate is the amount of interest paid per unit of time expressed as a percentage of the amount borrowed. The cost of borrowing money measured in shillings per year per amount borrowed is the interest rate. Interest rates differ mainly in terms of maturity. When maturity and liquidity together with other factors are considered, many different financial instruments and so many different interest rates will emerge, (Anyanwu, 1997). Interest rates can either be nominal or real. Nominal interest rate can be measured on monetary terms not in terms of goods. The nominal interest rate measures the yield in money per year per the amount invested while the real interest rate is calculated as the nominal interest rate minus the rate of inflations (Pandey, 1999).

A lot has been reviewed in terms of lending activities of various deposit money banks. Some opinions deliberated on the factors responsible for banks' willingness to extend much credit to some sector of the economy, while some discussed effect of such extension of credit on productivity and output. Felicia (2011) used regression analysis to investigate the determinants of commercial banks' lending behavior in Nigeria. The study discovered that interest rates charged has the greatest impact on the lending behavior. Individuals are motivated by low interest rates charged to take more loans.

Rasheed (2010) in his study used error correction model to investigate interest rates, determinants and the study found out that as the financial sector integrates more with global markets, returns on foreign assets will play a significant role in determination of domestic interest rate. Financial institutions decisions to lend out money are influenced by a lot of factors such as the prevailing interest rate, the volume of deposit, the level of their domestic and foreign investment, liquidity ratio, prestige and public recognition.

Interest rates play a significant role in enhancing economic activities and monetary authorities should ensure appropriate determination of interest rate level that will break the double edge effect of interest rate on savers and local investors (IJBMR 2013). Financial systems of the most of developing nations have come under stress as a result of the economic shocks of the 1980s. the economic shocks largely manifested through indiscriminate distortions of financial pricing which include interest tends to reduce the real rate of growth and real size of financial systems relative to nonfinancial magnitudes. The preferential interest rates based on the assumptions that the market rate, if universally applied would exclude some of the priority sectors. Interest should therefore be adjusted periodically with visible hands to promote increase in the level of investment in the different sectors of the economy. For example, agricultural and the manufacturing sector should be accorded priority and financial institutions to be directed by the Central Bank to charge a preferential interest rate on all loans and advances to small scale industries (Adebiyi & Babatope- obesa 2004).

Interest rate risk is the risk to earnings or capital arising from movement of interest rates. The movement of interest rates affects the financial institutions' reported earnings and book capital by changing net interest income, market value of trading accounts and other interest sensitive income and expenses. Changes in interest rate also affect banks underlying economic value, because the present value of the future cash flow themselves is changed. Financial institutions however, differ in their level and degree of interest rate risk exposure by changing investment, lending, funding and pricing strategies and by managing the maturities and reprising of these portfolios to achieve a desired risk profile. A bank should also consider how interest rate risk may act jointly with other risk facing the banks (Interest Rate Risk Comptrollers' Hand Book, 2012).

Facilities offered through the banking wings of the SACCOs known as front office services activity (FOSA) are now attracting interest at between 2% and 3% compared to between 1.25% and 1.5 % previously. Generally, the cost of borrowing has gone up for all financial institutions but the advantage with SACCOs is that they are allowed by law to lend up to three times their deposit and can borrow from other sources including commercial banks up to 25% of their capital base for onward lending. Although KUSCCO has a lending facility that SACCOs can use to bridge shortfalls, the rate at which members borrow is determined on a case by case basis while commercial banks loans have more than doubled in the last two years, increasing the waited cost

of capital for SACCOs. Many SACCOs, especially in the public sector have revised interest rate upwards and this has affected the financial performance of SACCOs (Business Daily, 2004).

2.4.2 Dividends policy and financial performance of SACCOs.

Investors seeking high current income and limited capital growth prefer companies with a high dividend payout. However, investors seeking higher capital growth may prefer a lower payout because capital gains are taxed at a lower rate. High growth firms in early life generally have low or zero dividend payouts in order to reinvest as much of their earnings as possible. As they mature, they tend to return more of the earnings back to investors. Dividends are important to investors as it's one of the signs that a company is generating profits (Barron, 2002).

Arnott and Asness (2003), in their study revealed that future earnings growth is associated with high dividend payout. They argued that expected earnings growth is fastest when current payout ratios are high and slowest when payout ratios are low and further stated that companies that pay high dividends are generally confident in their ability to provide strong earnings growth in the future. Gordon and Lintner (2012) advanced a theory that shows the relationship between a firm's payment of dividends and its market value. They suggested that there is in fact a direct relationship between a firm's dividend policy and its market value. This is equally supported by the bird in hand theory (Gordon, 1963).

A positive relationship is expected to exist between dividend policy and a company's performance. A positive change in the firm's dividend policy is supposed to communicate bright future prospects for the company according to Ross (1977) in Information signaling theory. The main aim of dividends in a firm is shareholder's wealth maximization, to increase the value of the firm and to signal to stakeholders that the firm's finances are sound. Njiru (2003) in his study on the determinants of dividend payment ascertained that few SACCOs in Kenya do not have dividend policies and hence dividend payments are left to the members of the committee to decide based on previous years rate of dividend payout.

2.4.3 Investment policy and financial performance of SACCOs.

According to KUSCCO, (2003), Management Committees of various co-operative societies are notorious for diverting members' funds into investments which are of little value addition to the entity if any. The law should therefore be amended to strengthen the Ministry's regulatory hand. It should clearly prohibit investments that are not related to the core objective of the society.

Similarly, according to Mwaura (2005), the annual delegates meetings and the ministry of cooperatives are to blame for investment activities undertaken by SACCOS as they have the final approval of these investments. According to OCDC, (2007), co-operatives have failed without a market-driven approach that allows them to compete. They need a competitive advantage through operational and financial efficiency, professional management, high quality products, and competitive pricing. Donors can respond to the challenge of lack of liquidity among co-operatives by increasing co-operatives' access to finance in a range of ways, such as providing revolving loans funds, bank guarantees, or equity capital to increase the capitalization of financial co-operatives; engaging with commercial banks to increase their willingness to lend to co-operatives on good terms; and in some cases providing low interest loans directly to co-operatives to support expansion of their business (DFID, 2010). However, support to co-operative development should avoid creating dependency, which undermines the mutual self-reliance that is central to co-operation.

In 2006, the world's top 300 co-operatives were estimated to have an annual turnover of US\$963 billion, which is equivalent to the GDP of Canada. In Kenya 303,455 people are directly employed by co-operatives and up to 16.5 per cent of the population indirectly derive their livelihood from the increased demand and associated opportunities to provide goods and services to co-operatives (Pollet, 2009). Donors should be careful not to compromise co-operatives' true (business) nature through direct financial aid (Birchall, 2008). Many under-estimates the extent of co-operatives in terms of; their membership, the jobs that they have created and the support that the cooperative approach have throughout the world.

The research indicates that while co-operatives are large in number and represent an organized movement, the movement suffers constraints that are related to lack of voice or effective representation in society. Pollet (2009) also found that specific social protection mechanisms associated with co-operatives in Africa are limited.

2.4.4 Loan defaulting and financial performance of SACCOS.

Defaulting on payment is a serious offence and should be avoided at all cost. Most of the time defaulting on payments is temporary in nature caused by clients' loss of jobs, a temporary extra expenditure that left no money to make the pay or prolonged illness which may cause the client financial distress or keep him in hospital for few months.

When the bank manager is evaluating your loan application, he wants to know whether by lending you money he can get his money back and earn some profit on it from you. Before institution approves a loan application they need to evaluate if the business can repay the loan with interest for the period in question to avoid loan default. Debt collection is an expensive operation and is an expense to the finance institution. The banks not only assess the client's ability to pay but also would want to know how risky your business might be, and these show the bank its chances of losing money, (Rukunga, 2000).

Banks especially those in public sector are in a mess owing to the mounting nonperforming assets. Public sector banks hold 95% of these defaulting loan accounts. The net nonperforming assets of the 26 public sector banks in India rose to 2.02 percent during the year 2012-2013 from the 1.53 in the previous year. That means loan worth big amounts of money are at the risk of default. Even borrowers who are in a position to pay back the loan are not doing it. This shows a weakness in the governance of the public-sector banks in India.

A number of finance institutions have been attributed to have managerial failures because of their inability to arrest the rising non-performing assets. A number of business entities have been lining up for restructuring their debt to escape bank action on nonpayment. In restructuring, the terms of the loan are eased up and borrowers get more time to get his house in order.

Temporary causes can be managed through close supervision and monitoring and evaluating the projects financed by the loan. Proper training of loan applicant is necessary before loan disbursement. In developed countries like Germany loan default is not frequent because of the mechanism they use to control and manage loan default. They offer loan management tips to their clients who have multiple loans with multiple service provider. They offer training, advice and counseling to borrowers to ensure that they remain in the path of repayment. Managing default takes a solid game plan (TG'S Default a version consultant, 2011).

2.5 Summary of literature

The views from the literature review indicate mixed results with regard to the financial performance of SACCOs. Even though SACCOs are regarded as one of the tools that contribute to poverty alleviation, there are numerous constraints impacting on their performance and sustainability.

The review established that the interest charged on loans determines the cost of the loan. A great percentage of SACCO members are low income earners therefore they cannot afford pay high interests on loans. The literature review shows the way for SACCOs to charge affordable interest rate on their loans so that they can achieve the goal of poverty reduction. Poor Loan repayment was observed as a great challenge to the growth and repayment has been observed as a great challenge to the growth and expansion of SACCOs in Africa and other continents. Long term loans become very expensive to borrowers hence most people prefer to get short term loans to finance recurrent expenditure. It has been reviewed that if borrower can be able to repay their loans in time it can give the SACCO the financial strength to finance all its loan applicants.

Loan default was established to be greatest obstacle to the financial performance of most financial institutions especially in the developing countries like Kenya. Of late proper systems have been put in place to help in management of loan default but still the loan repayment is never 100%. The review also established that financial institutions have embarked on offering training, advice and counseling to borrowers to ensure that they remain on the path of repayment.

The review also indicates that while co-operatives are large in number and represent an organized movement, the movement suffers constraints that are related to lack of voice or effective representation in society. Pollet (2009) also found that specific social protection mechanisms associated with co-operatives in Africa are limited.

2.6 Literature gap

SACCOs in Kenya are currently a leading source of the cooperative credit for social economic development. The existing SACCOs have experienced a wide range of problems partly owing to the fact that they target low income earners.

A lot of research has been done on problems experienced by SACCOs in Kenya and the research has reviewed governance, level of education and market risk as factors affecting SACCO performance. Little research has been carried out about the effect of management of loan defaulters and interest rate charged on performance of SACCOs. This research sought to investigate the influence of these factors on financial performance of SACCOs and for the purpose of achieving this goal, Nandi farmers' SACCO located in Nandi County, Kenya was studied.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the methods employed to structure the research process in gathering and analyzing information to address the research objectives. It covers; research design, the target population, sampling design, and data collection tools and analysis procedures. According to Dawson (2009), research methodology is the philosophy or general principles which guides the research. Zikmund, et al. (2010) advance that research methodology deals with the description of the methods applied in carrying out the research studies.

3.1 Research design

This study adopted a descriptive survey design to answer the research questions. According to Orodho (2003), descriptive survey is a method of collecting data by interviewing or administering a questionnaire to a sample of individuals which can be used when collecting information about peoples' attitudes, opinions, habits or any other social issues. Descriptive research is a description of the state of affairs as it exists (Orodho & Kombo, 2002).

Sekaran & Bougie (2011), in their studies argue that descriptive study has several advantages for example, it helps in understanding the characteristics of a group in a given situation, assists in systematic thinking about aspects in a given situation, it offers ideas for further probe and research and helps in making certain simple decisions.

Descriptive research design was appropriate for this study as it helped in understanding the determinants of the financial performance of SACCOs in the banking sector in Kenya and therefore answer the “what” question of the study.

3.2 Target Population

According to Mugenda & Mugenda (2003), a population refers to an entire group of individuals, events or objects having a common observable characteristic. Sekaran & Bougie (2011), refers to a population as the entire group of people, events or things of interest that the researcher wishes to investigate.

The target population of this study was the employees and members of Nandi Farmers' SACCO in the banking sector in Nandi County. The SACCO is situated in Nandi Hills town in Nandi County and it has 8 employees 2 directors and 200 members.

3.3 Sample size

A sample is a subset of the population that comprises some members selected from it. Orodho & Kombo (2002) view a sample as a finite and representative number of individuals or objects in a population to be studied. By studying the sample one is able to draw conclusions that are generalizable to the population of interest (Sekaran & Bougie, 2011). The table below represents the sample size that was used in this study;

Table 3.4 sample size.

Category of staff	Sample size	Percentage (%)
Directors	2	12
Technicians	8	38
Members	102	50
Total	112	100

Source: Koima (2018).

3.4 Sampling Technique

Stratified sampling technique was used to obtain a sample for the study. Stratified sampling is a probability sampling design that first divides the population into meaningful non-overlapping subsets, and then randomly chooses the subjects from each subset (Sekaran & Bougie, 2011). The sampling technique was chosen because, it ensured inclusion, in the sample of subgroup, which otherwise would be omitted entirely by other sampling methods because of their small numbers in the population. Simple random sampling is a probability sampling design in which every element in the population has a known and equal chance of being selected as a subject. Upagade & Shende (2012), confirm that a simple random sampling is probabilistic and is also known as chance sampling. It is easy to implement and every unit has an equal chance of being selected and hence eliminating selection biasness.

3.5 Data Collection tools

Primary information was gathered by use of questionnaires coupled with informal interviews that were guided by the questionnaires. Secondary data on the other hand was gathered from the annual reports of the SACCOs and reports from the Ministry of co-operative development and marketing. Questionnaire were used because, it was easy and less costly to administer. It also helped to capture factual information effectively since it ensured a greater depth of response. A questionnaire is a pre-formulated written set of questions to which the respondents record the answers usually within closely delineated alternatives. In this study, both the structured and unstructured questionnaires were used. The questionnaires were administered to the respondents through self-introductions and where need be, internal informants were used to give a lead on how to get to the respondents

Secondary data was collected from the annual reports of the SACCOs which were available from the Ministry of co-operative development and marketing through the use of research assistants.

3.6 Data Processing and Analysis

According to Zikmund et al. (2010), data analysis refers to the application of reasoning to understand the data that has been gathered with the aim of determining consistent patterns and summarizing the relevant details revealed in the investigation. To determine the patterns revealed in the data collected regarding the selected variables, data analysis was guided by the aims and objectives of the research and the measurement of the data collected. Data collected was analyzed and presented by use of tables and the use of a pie chart. Data was subjected through a sequence of operations which included editing, coding, classification and analysis. Analysis was done through descriptive statistics such as percentages, averages and inferential statistics

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the study findings based on objectives on the following themes, dividends policy and financial performance of SACCOs, interest rate charged and financial performance of SACCOs, investment policy on financial performance of SACCOs, and loan defaulting and financial performance of SACCOs.

4.2 Presentation of findings

4.2.1 Questionnaires return rate

Out of the 112 questionnaires distributed for this research 103 were filled and returned therefore giving a response rate of 91.96 %. This is an indication that most of the respondents took this research seriously and they had trust with the researcher. According to Mugenda and Mugenda (2003), 50% response rate is adequate, 60% good, above 70% is rated very good. Therefore, in this study there was a very good response on the return of the questionnaires.

4.2.2 Demographic characteristics of respondents

The researcher was interested in the distribution of respondents by gender, age, marital status and their nature of duty in the organization. These characteristics are further discussed in the following sub-themes.

4.2.3 Distribution of respondents by gender

Gender was a matter of concern in this study because men and women have different ideologies on matters of savings and investments. The researcher wanted to establish how savings and investment in SACCOs can be influenced by an individual gender status. The findings are presented in table 4.2

Table 4.2 Respondents by gender

Gender	Frequency	Percentage
Male	43	41.75
Female	60	58.25
Total	103	100

Out of the 90 respondents who participated in the study 43(43%) were males, 57(57%) were females. All participants responded to this question. This implies that majority of SACCO members are females probably because females do not own collaterals like land and other fix assets as much as males does hence the females end up joining SACCOs because they use group guarantee mechanisms to secure loans.

4.2.4 Distribution of respondents by Age

The researcher sought to establish the age distribution of respondents so that it can be ascertained how age disparity affects the membership of SACCOs and appointments in SACCO management.

The findings of this study are presented in table 4.3.

Table 4.3 Respondents by age

Age in years	Frequency	Percentage
20-29	8	7.8
30-39	10	9.7
40-49	67	65.05
50 and above	18	17.46
Total	103	100

Table 4.3 shows that out of the 103 respondents who participated in this study, 10(9.7%) fell in the age bracket of 30-39 years, 67(65.05%) fell in the age bracket of 40-49 years, 18(17.46%) were in the age bracket of 50and above years while 8(7.8%) fell in the age bracket of 20-29 years

respectively. This implies that majority of SACCO members are in the age bracket of between 40 and 49 years probably because this is the age of growing adults who seek money from financial institutions to establish their homes and educate their children. The smallest percentage of respondents were in the age brackets of 20-29(7.8%) implying that this is a bracket of youth who do not do farming because they prefer white collar jobs hence they have not acquired enough resources to invest in SACCOs.

4.2.5 Distribution of respondents by nature of duty

The researcher sought to establish the nature of duty either staff, member or management. This was supposed to enable the researcher to get varied responses from the different categories.

Table 4.4 Respondents by nature of duty

Nature of duty	Frequency	Percentage
Management	2	1.94
Member	93	90.3
Staff	8	7.76
Total	103	100

Table 4.4 shows that 93(90.3%) are members, 8(7.76%) are staff while 2(1.94%) are in management. This shows that all the categories of respondents responded well by filling in the questionnaire and returning them back.

4.3 How does interest rate charged influence the financial performance of SACCOs?

Interest rate charged by SACCOs was identified as the major factor affecting its financial performance. Interest rates are affected by the level of leading rate of the Central Bank and the levels of inflation in the country. The researcher wanted to find out the views of respondents on the current interest charged. This is further explained in the following subthemes.

4.3.1 Level of inflation in the country.

Banks' lending rates are affected by inflation in the country. When there is high inflation the cost of living goes up. The researcher sought to establish views of respondents on inflation and if this affects the financial performance of SACCOs.

Table 4.5 Level of inflation in the country for the last two years.

Level of inflation	Frequency	Percentage
Very high	6	5.82
High	87	84.47
Moderate	10	9.8
Total	103	100

Table 4.5 shows that out of the 103 respondents, 87(84.47%) rated the level of inflation in the country for the past 2 years as being high, 10(9.8%) said moderate while the smallest group 6(5.82%) said it was very high. This shows the reason why some SACCO members said the interest rate charged is high. Inflation is a factor beyond the control of the SACCO therefore the SACCO should look for other ways of controlling its lending rate like trying to minimize other operations costs.

4.3.2 Interest rates charged compared to other financial institutions and the financial performance of SACCOs.

The researcher sought to find out the views of respondents concerning the current interest rate charged by the SACCO and if it can influence SACCO membership and its financial performance.

Table 4.6 Interest rate charged

Rates charged	Frequency	Percentage
Competitive	13	12.62
Low	90	87.38
Total	103	100

Most of the respondents, who turned out to be members, 90(79.65%) consider the interest charged being low in comparison to other financial institutions. This is a positive result that shows SACCOs are offering better terms than other financial institution. Therefore, these farmers choose to invest and later secure loans from SACCOs rather than from banks. Only 23(20.35%) of the respondents are contrary to the opinion.

4.4 How does dividend policy influence the financial performance of SACCOs?

4.4.1 Payment of dividends.

SACCOs pay dividends out of profits, therefore the researcher wanted to find out if the SACCO usually paid dividends to members so that it can be established if the SACCO had financial stability. The findings are presented in the chart below.

Table 4.7 Response on whether the SACCO pays dividends.

Response	Frequency	Percentage
Yes	103	100
No	0	0
Total	103	100

All the respondents said that the SACCO pays dividends. This therefore is a positive move by the SACCO to show that its performance is stable.

4.4.2 Dividends in arrears.

The researcher wanted to find out if there are times when the SACCO fails to pay dividends in the year they are earned so that it can be established if the SACCO has cash flow problem.

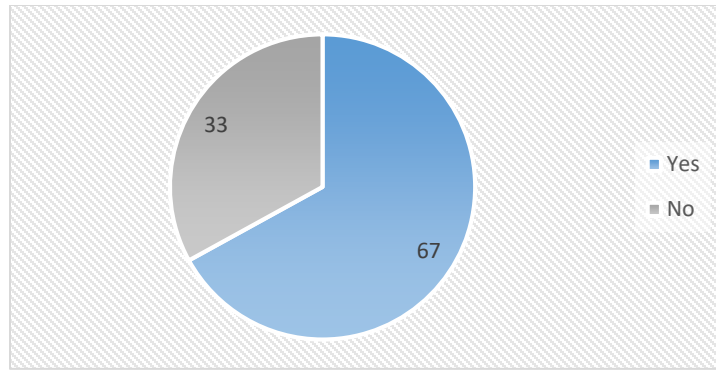


Figure 4.8 Dividends response chart

67% of the respondents responded positively to this question. Meaning the Sacco pays dividends to its members, but there are some arrears especially with those members who do not contribute their shares regularly. This therefore may affect the financial performance of the SACCO however small those arrears maybe.

4.4.3 Rate at which dividends are paid

The researcher sought to establish if SACCO members were satisfied by the rate of dividend paid to them so that it can be established how this affects financial performance of SACCOs. The findings are presented in table 4.9.

Table 4.9 Member satisfaction on rates charged.

Response	Frequency	Percentage
Satisfied	0	0
Not satisfied	15	14.56
No response	88	85.44
Total	103	100

Table 4.9 shows that 88(85.44%) respondents out of 103 did not respond to this question while 15(14.56%) said they were not satisfied. This implies that the rate paid is relatively low as compared to member's expectation.

4.4.4 Amount contributed as shares per month.

Shares form the major source of funds used by SACCOs for lending. In this case the researcher wanted to establish how much is contributed per month and if this can sustain the SACCO without seeking loans from commercial banks.

Table 5.0 monthly share contribution

Amount contributed	Frequency	Percentage
1000-3000	10	9.71
3000-5000	93	90.29
Over 5000	0	0
Total	103	100

Out of the 103 responses, almost all of the respondents 93(90.29%) said that members contribute shares ranging from 3000 to 5000, 10(9.71%) contribute shares of between 1000 and 3000, and none contributes above 5000. This implies that majority of SACCO members are small scale farmers and small income earners hence it may necessitate the SACCO to seek finance from commercial banks because the members' shares alone may not be adequate.

4.5 Does loan default influence the financial performance of SACCOs?

The researcher sought find out if there were any loan defaulters, how the SACCO deals with them and if the SACCO insure their loans against default. Loan defaulters affect the cash flow of any financial institution in that, the amount of money meant for relending is held by the defaulters. The study sought to establish how loan defaults affect financial performance of SACCOs.

Table 5.1 loan defaulters

Response	Frequency	Percent
There are loan defaulters	56	54.4
There are no loan defaulters	47	45.6
Total	103	100

In table 5.1, 56(54.4%) respondents said that there are loan defaulters in the Sacco. And this is the highest percentage. Only 47(45.6%) of the respondents think that there are no loan defaulters in the Sacco. This implies that loan default is a big threat to the financial performance of SACCOs.

4.5.1 Action taken to loan defaulters.

The study was aimed at establishing the action the SACCO took on loan defaulters.

Table 5.2 Action taken to loan default.

Action taken	Frequency	Percent
Attach guarantee's shares	73	70.9
Attach borrower's shares	12	11.7
Take legal action	0	0
Give more payment period	18	17.4
Total	103	100

Different respondents had different views on the action taken on the loan defaulters. Most of the respondents 73(70.9%) basically more than half of the total sample think that guarantors' shares are attached on defaulters, 12(11.7%) said that borrowers' assets are attached, 18(17.4%) said that defaulters are dealt with by giving them more time to pay loans while none said legal action is taken on defaulters. This shows that mostly the SACCO prefers the most lenient method of attaching guarantors' shares because group guarantee system of securing loans is mostly used.

4.5.2 Insurance cover on defaulters

The study aimed at finding out whether any insurance cover was taken against default.

Table 5.3 Insurance on loan default

Response	Frequency	Percent
Insurance is taken	80	77.7
Insurance is not taken	23	23.3
Total	103	100

Out of the 103 respondents, 80(77.7%) said the Sacco insured loans against defaulters. This might be as a result of the majority who believe that there are loan defaulters as presented in the table above. 23(22.3%) of the responds said that the Sacco does not insure loans against defaulters.

CHAPTER FIVE SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of findings, conclusions, and recommendations.

5.2 Summary of findings.

The key movers of SACCO financial performance like interest rates, dividend policy, investment policy and management of loan defaulters were used as the variables of this study. Nandi farmers SACCO was studied for the effects of these variables on its financial performance. Descriptive research design was used. Questionnaires, were used as instrument of data collection.

5.2.1 Interest rate charged and financial performance

The membership of Nandi farmers SACCO has increased for the last two years. 87.38% of the respondents in the SACCO felt that the interest rate was low compared to other banks whereas a majority 12.67% of the respondents felt that the interest rates charged was high thus we note that the membership increase for capital SACCO can be associated to the rates of interests charged as majority felt that the rates charged were low compared to other banks. However, there are other underlying factors causing the increase in membership of the SACCO other than the rates of interests charged. Further, 12.67% of the respondents though feeling that the interest's rates were high have never taken a loan from commercial banks. Only 3.3% of those respondents who felt that the interests' rates were high took a loan with the commercial banks. This further attest that the current rate of interest charged to Nandi farmers SACCO members does affect the eventual growth and performance of the SACCO in terms of membership growth.

5.2.2 Management of loan defaulters and financial performance

58% of the loan defaulters are attached to guarantor's shares to recover the loan owned to the SACCO. However, this does not affect the growth and performance of the SACCO as the membership was growing within the last two years. Generally, the decision taken by the management of the SACCO does not affect the growth of the SACCO thus we can conclude that the management of the loan defaulters does not affect the growth of Nandi farmers SACCO largely because this is an individual challenge and hence it does not affect the eventual growth of the SACCO.

A majority of those respondents who felt that the current measures used to recover loans from defaulters were fair claims not to have sought loans from other commercial banks. Further, some of these respondents who had sought loans from other banks felt that the measures taken to recover loans from defaulters were punitive. We note no association between the measures taken to recover loans and a migration of members to seek other loan sources hence these current loan management measures don't affect performance of the SACCO in a negative way. In my view these measures seem to maintain a 'status quo' but I would suggest further studies given other factors. Thus, management of loan defaulters in terms of measures used to recover the loans does not affect the performance of Nandi Farmers SACCO.

5.2.3 Dividend policy and the financial performance of SACCOs

A positive relationship is expected to exist between dividend policy and a company's performance. A positive change in the firm's dividend policy is supposed to communicate bright future prospects for the company according to Ross (1977) in Information signaling theory. The main aim of dividends in a firm is shareholder's wealth maximization, to increase the value of the firm and to signal to stakeholders that the firm's finances are sound. Njiru (2003) in his study on the determinants of dividend payment ascertained that few SACCOs in Kenya do not have dividend policies and hence dividend payments are left to the members of the committee to decide based on previous years rate of dividend payout. This report indicates that the SACCO pays dividends hence its financial stability. However, the customers are not satisfied with the rate at which they are paid. This means that the management needs to re-visit the rates in order to improve customer satisfaction.

5.3 Conclusions

In this study a thorough literature review was carried out to identify variables such as Sacco dividend policy, interest rates, Sacco investment policy and management of loan defaulters. Questionnaires were formulated with comprehensive questions and were used to collect data from the SACCO. The SACCO showed good operational and financial performance with increasing growth but there was weakness in its product diversity. The data analysis showed that the SACCO should also review their interest rates to ensure that their rates are competitive. The default rate in the SACCO also shown a threat to the future financial performance of the SACCO hence the need

to put in place policy measure to reduce default rates. Besley (2003) asserted that enforcement of loan repayment constitutes a major difference between rural credit markets in developing countries and credit markets in developed countries. This means that if SACCOs becomes flexible by extending repayment period to loan borrowers they can retain their customers and increase their financial performance.

A lot has been reviewed in terms of lending activities of various deposit money banks. Felicia (2011) used regression analysis to investigate the determinants of commercial banks' lending in Nigeria and the study discovered that interest rates charged has the greatest impact on the lending behavior. In this study it was established that the favorable interest rates charged by Nandi Farmers SACCO give it an increasing trend in membership enrollment. Those respondents who felt that the interest rates charged were high went ahead and sourced credit from other commercial banks while those who felt that interest rates were fair did not source credit from commercial banks.

Nyanjwa (2008) he found that the performance of financial institutions depends on their operational efficiency. He noted that although there is no standardized performance measure tool to evaluate the status of a SACCO the borrowers expect timely services so that they can meet their business financial demands. It was also established in this study that the overall financial performance of SACCOs is greatly affected by the increasing default rates. Default was not established as big threat to the growth and expansion of SACCOs because default is an individual problem but it affects the profitability. It was established that loan defaulters were attached to guarantors' shares and most of the respondents felt that this method of dealing with loan defaulters was right. A study was carried out by Yashwant (2014) on nonperforming assets caused by increase default in the corporate lending segment and it was established that a number of financial institutions have been attributed to have managerial failures because of their inability to arrest the rising nonperforming assets. A number of business entities have been lining up for restructuring their debt to escape bank action on non-payment of loans. It was not clear the exact cause of default therefore financial institutions should investigate the cause so that they can mitigate this vise.

5.4 Recommendations.

The study identified issues that affect financial performance of the SACCO. The research challenges the management of Nandi Farmers SACCO to consider the interest rates they charge on loan to members as compared to other financial institutions because it appeared as the major factor influencing the financial performance of the SACCO. Interest rates should be reviewed frequently depending on the prevailing market rates. The management has given a lot of attention to increased marketing in order to increase membership but this alone will not be of much benefit if the whole business environment is not brought into the picture. This should include the services given to customers and the time taken to give these services.

It is also recommended that the board of management must have basic financial skills to enable them interpret financial statements. It is recommended that the SACCO should diversify its product to be able to compete perfectly in the market and to meet the demands of its members. This can be done through market research. Finally, the researcher recommends that the management should enhance marketing to increase the number of members hence increasing the capital base of the SACCO.

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APPENDICES

APPENDIX I: LETTER OF INTRODUCTION.

Koima Zeddy,

P.O Box 211, Nandi Hills.

Phone 0728435050.

Email chemukoima@gmail.com

To:

Nandi Farmer's SACCO.

Dear Respondent;

REF: RESEARCHREPORTQUESTIONNAIRE.

I am a student at Jomo Kenyatta University of Agriculture and Technology, pursuing a degree of Bachelor of Business Information Technology. This letter is to introduce you to the academic-based research study I am conducting on the factors influencing the financial performance of SACCOs. I kindly request your assistance in filling the attached questionnaire to enable me complete my research.

The questionnaire is for academic purposes only therefore any information given shall be treated with strict confidentiality. Please give the response as accurately as possible and do not write your name on the questionnaire. Thank you in advance and I look forward to your cooperation.

Yours sincerely,

Koima Zeddy,

Registration number: HD232-5560/2014

APPENDIX II: QUESTIONNAIRE

The questionnaire will be presented for answering to staff, SACCO members and management of Capital SACCO.

- i) Please tick the appropriate box.
- ii) Where there are lines please give your views as per the question.
- iii) Do not write your name in the questionnaire.

Section A

Demographic Data

- 1. Gender. Male ☐ Female ☐
- 2. Age. 20-29 ☐ 30-39 ☐ 40-49 ☐ 50 and above ☐
- 3. Marital status. Married ☐ Single ☐
- 4. Nature of Duty. Staff ☐ Member ☐ Management ☐

Section B

Effect of interest rate on financial performance of Capital SACCO.

- 1. How would you rate the level of inflation in your country for the last two years?
Very high ☐ High ☐ Moderate ☐ Low ☐
- 2. Has the level of inflation affected the interest rate in your SACCO?
Yes ☐ No ☐
- 3. If yes in what ways? Please indicate. -----

- 4. What has been the average rate of interest charged on loan to members for the last 2 years?

5. How can you rate the interest you charge as compared to other financial institutions in the county?

High ☐ Competitive ☐ Low ☐

6. Does the interest rate charged by your SACCO affect its financial performance?

Yes ☐ No ☐

7. If yes how? Please specify -----

8. Do you think the interest rates charged are favorable?

Yes ☐ No ☐

Section C

Effects of loan defaulters on financial performance of capital SACCO.

1. Are there any loan defaulters in your SACCO?

Yes ☐ No ☐

2. If yes how would you rate the level of default?

Very high ☐ High ☐ Moderate ☐ Low ☐

3. What do you think are the reasons for loan defaulting?-----

4. In your own views what is the main solution to loan defaulting?-----

5. How do you deal with loan default in your SACCO?

i. Attach guarantees shares. ☐

ii. Attach borrower's assets. ☐

iii. Take legal action. ☐

- iv. Give more periods to the borrower to pay the loan. ☐
6. Do you insure your loans against default?
- Yes ☐ No ☐
7. If yes what percentage do the insurers charge you?-----

8. Do you think it is economical to insure loans against default?
- Yes ☐ No ☐
9. If no which is the best way to deal with loan defaulters? -----

10. How does loan defaulting influence the financial performance of this SACCO?-----

Section D

Dividend policy and financial performance of SACCOs.

1. Does the SACCO pay dividends?
- Yes ☐ No ☐
2. What is the rate at which dividends are paid? -----

3. What is the amount contributed as shares per month? -----

4. How are the rates on the payment of dividends?
- Low ☐ High ☐
5. How does the SACCO pay dividends?

- i Cheque payment ☐
- ii Standing orders ☐
- iii Cash payments ☐

6. Does the SACCO fail to pay dividends sometimes in the year they are earned?

Yes ☐

No ☐

7. How are dividends computed in your SACCO? -----

8. What is the timing of dividend payment in your SACCO? -----

9. Does the dividend policy in your SACCO influence its financial performance in terms of profitability?

Yes ☐

No ☐

If yes, how?-----

Section E

Investment policy and financial performance of SACCOs

1. What do you consider to be your primary investment objective?

- i Long-term growth of capital.
- ii Current income.
- iii Balance between growth and current income.

2. Please describe your specific financial goals – i.e. purchase of a home, college for children, estate planning, or retirement? -----

3. Are there any investments, or groups of investments, in which you would rather not invest?

4. How many years in the future do you plan to begin to withdraw significant funds and why?-

-----Year(s) -----

