



**THE INFLUENCE OF FINANCIAL FACTORS ON PERFORMANCE OF SAVINGS  
AND CREDIT CO-OPERATIVE SOCIETIES IN KENYA: A CASE OF KIAMBU  
COUNTY**

<sup>1\*</sup> **Mundia Milcah Wangui**

*Jomo Kenyatta University of Agriculture and Technology*  
[milcahmundia@gmail.com](mailto:milcahmundia@gmail.com)

<sup>2\*\*</sup> **Dr. Willy Muturi**

*Senior Lecturer, Department of Economics, Accounting and Finance*  
*Jomo Kenyatta University of Agriculture and Technology*  
[mmuturi2001@yahoo.com](mailto:mmuturi2001@yahoo.com)

**Abstract**

---

*This project sought to study the influence of internal financial factors on performance of Sacco's in Kenya; case of Kiambu County. Sacco's have been recognized worldwide as important avenues of economic growth. The study adopted a descriptive research design. The specific objectives were to examine how loan default, investment policy and dividend policy influence performance of Sacco's in Kiambu County. The target population in the research study entailed all the 14 Sacco's in Kiambu County. The sampling frame was composed of 14 registered SACCOS in Kiambu. Data was collected using secondary data collection procedures (data schedule). The data collected was coded and analyzed quantitatively and qualitatively by use of Statistical Package for social sciences (SPSS version 20.0). The correlation and regression analysis was conducted to establish the relationship between financial factors and performance of SACCOS in Kenya. The results revealed that all the three factors considered that is, dividend policy, investment policy and loan default had a positive and statistically significant effect on the financial performance of the SACCOS in Kiambu county. The study recommends the consideration of other factors such as inflation, interest rates, monetary policy and other non-financial factors that may affect the performance of SACCOS in Kenya. The study also recommends the extension of this study to other areas of financial institutions.*

**Keywords:** Dividend Policy, Financial Performance, Investment Decision, Loan Policy

---

## Introduction

Sacco's have been recognized worldwide as important avenues of economic growth. Close to a billion people are affiliated with co-operatives reflected in composition that make up the International Cooperative Alliance (ICA) - the global apex body representing cooperatives in the world. Many countries that have achieved economic development have a vibrant and dynamic cooperative sector which contributes substantially to the growth of those economies. SACCOs play a significant role in the provision of financial services to the poor (target groups). They provide savings and credit and investment opportunities to individuals, institutions and group members. Sacco's perform an active financial intermediation function, particularly mediating from urban and semi-urban to rural areas, and between net savers and net borrowers while ensuring that loan resources remain in the communities from which the savings were mobilized.

According to Cobia (2008), cooperative efforts have occurred throughout history. Since the early days, man cooperated with others to help kill large animals for survival and so as to achieve the objectives that they could not reach if they acted individually. Cooperation has occurred throughout the world. Ancient records show that the Babylonians practiced cooperative farming and that the Chinese developed savings and loan associations similar to those in use today. In North America, clearing land in preparation for the planting of crops, threshing beans, and barn raisings all required cooperative efforts. In the United States, the first formal co-operative business is assumed to have been established in 1752.

Empirical evidence has shown that in most developing economies, savings and credit co-operatives have brought millions of citizens into cohesive financial institutions which are succeeding very well in providing financial services to its members for improving their standard of living (Temu, 1999; Chirwa, 1997). Nevertheless, the existing literature has also indicated that these farmers' associations in rural areas has been experiencing problems including diseconomies of scale of credit, high interest rate on loan, and very short-term loans (Chirwa, 1997). Such problems have caused high rate of default in most developed economies. Likewise previous studies have established that social-economic and demographic factors such as age, income, marital status, gender, family size, occupation, etc. have a bearing on households' credit worthiness and repayment behavior of the borrowers on credit market. The following are some observations in this regard.

Nikhade *et al.*, (1994) studied crop loan repayment behaviour in cotton growers with the aim of analyzing behaviours and characteristics of borrowers along with the causes of non-repayment in crop loans. Relational analysis revealed that the social personal characteristics such as education, annual income, land holding and irrigation influenced positively the borrowing pattern and repayment behaviour of the borrowers.

The SACCO sub-sector is part of the larger cooperative movement in Kenya. There are two broad categories of co-operatives: Financial co-operatives (Savings & Credit Co-operative Societies-SACCOs) and Non-financial cooperatives (includes farm produce and other commodities

marketing cooperatives, housing, transport and investment co-operatives). In the recent past Savings and Credit Co-operatives (SACCOs) have witnessed faster growth than other co-operatives. The establishment of SACCO Societies Act 2008 places the licensing, supervision and regulation of deposit taking under the aegis of the SACCO Societies Regulatory Authority (SASRA). Through this new legal framework, prudential regulations have been introduced to guide SACCO's growth and development (Barrales, 2012).

SACCOs in Kenya are gradually responding to the fast changes in the financial environment and adopting new approaches to the SACCO model. A good example is the FOSA concept and the development of products that are not tied to the traditional SACCO model, which relies on the tied shares deposits. However, Co-operative Societies need to keep up with changing demands. For instance, members want quick and easy access to financial services. If their SACCO cannot provide the loan when it is needed, then it is not meeting its members' needs. In this regard, SACCOs need to provide efficient services and remain liquid at all times (WOCCU and FSD, 2007). With the cut-throat competition witnessed in the last few years, SACCOs are marketing themselves more aggressively than before. A case in point is Stima SACCO which has employed marketing officers, whose responsibility is marketing and business development. The SACCO has not been experiencing serious liquidity problems over the years, but with the current competition, it has to seek ways to mobilise more deposits and re-package its loan products. The SACCO has been unable to introduce a loan whose repayment period goes beyond 48 months, and this is now becoming a challenge due to the competition that offers a repayment period of 60 months and beyond (WOCCU and FSD, 2007).

The Sacco industry is part of the cooperative sector in Kenya, which has impacted on lives of many Kenyans over the years. The sector may be categorized into financial and non-financial cooperatives. Non-financial cooperatives deal with the marketing of members' produce and services such as dairy, livestock coffee, tea, handicrafts and many more similar cooperatives. On the other hand financial cooperatives comprise Sacco's, housing and investment cooperatives. The Deposit-taking Sacco Societies (DTSs) is part of the larger Sacco sub-sector in Kenya which comprises the deposit-taking and the non-deposit taking Sacco Societies. The non-deposit taking segment is composed of those Sacco Societies whose business is limited to mobilization of deposits (non-withdrawable) for purposes of lending to members. The deposits are non-withdrawable in that they may be used as collaterals for loans only and can only be refunded upon the member's withdrawal. (Sacco supervision annual report, 2014).

Financial performance measures how well a firm utilizes its primary mode of business to generate revenue. It entails measuring of the results of a firm's policy and operations in monetary terms based on the allocated resources to most viable projects that generate returns which maximize shareholder's wealth. Financial performance can be measured using different methods but all measures should be taken in aggregation for example financial ratio analysis has been a useful way of gaining a "snapshot" picture of SACCOs. Ratios have no financial theory behind them to tell us

what should be the case (or value) thus no way to identify a "theoretically best" value for any of the ratios.

Mudibo, (2005) discussed some of the factors affecting performance of SACCOs as weak regulation, limited product and services, low marketing and poor image. With such challenges, the dividend policy of major Sacco's may be put into question, especially with low and middle income earners in developing countries where the average citizen live on less than a dollar a day. Equally, the rate of getting dividends are generally lower than those in developed countries, therefore, better dividends policy should usually be a priority for Sacco's in developing countries (Mwangi, 2008). Also default on loan repayments poses the greatest risk to stability of the multi-billion shilling savings and credit co-operative (Sacco) movement, financial sector regulators have said. With the savings and credit co-operatives increasingly becoming an important tool in economic development, the instability and inadequacy of services provided by them may compromise the quality of life and life span of average income groups in Kenya. This in the long run will affect the country's income generation potential and the overall economic growth. This growth can only be realized when there is sufficient number of well-trained co-operative officers, technical staff, professional and management manpower. Few studies have been done to establish whether the issue of dividend policy, investment policies and loan default affect the performance of Sacco's. The main aim of the study is to investigate the influence of internal financial factors of performance of Sacco's in Kenya: case of Kiambu County.

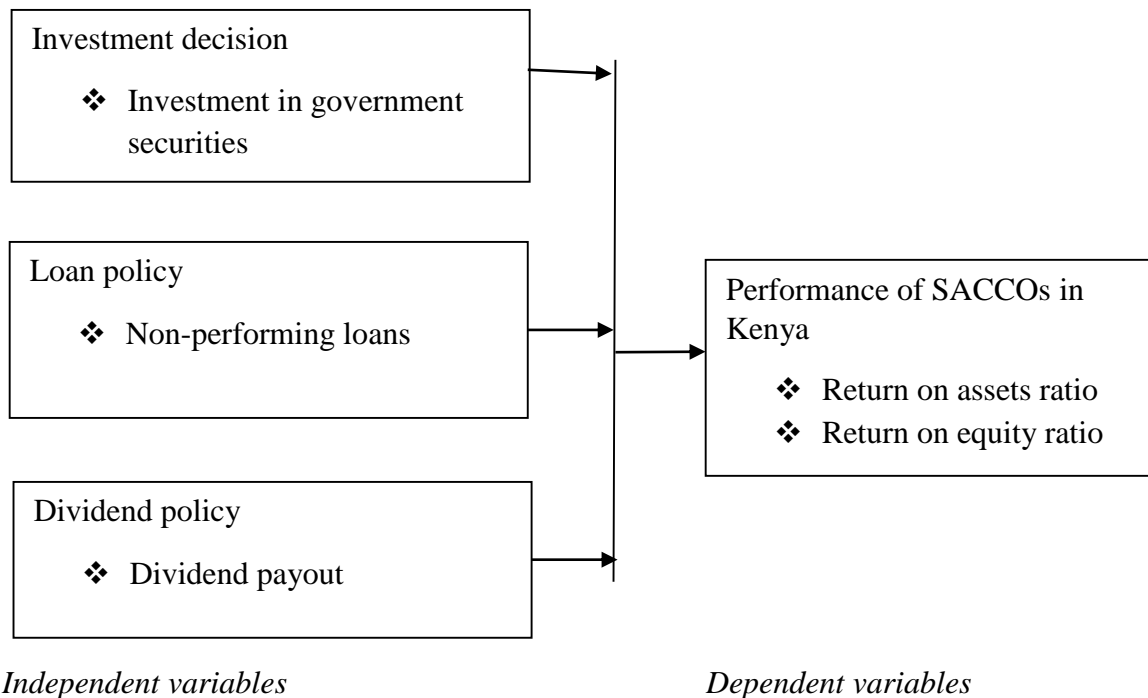
### **General Objectives**

The general objective of the study was to investigate the influence of internal financial factors of performance on Sacco in Kenya a case of Kiambu County.

### **Specific Objectives**

- i. To investigate the extent to which dividend policy influences performance of Sacco's in Kiambu County
- ii. To establish the extent to which investment policy influences performance of Sacco's in Kiambu County
- iii. To determine whether loan default affect performance of Sacco's in Kiambu County

## Conceptual Framework



**Figure 1: Conceptual Framework**

## Research Methodology

Descriptive research design was appropriate for this study in understanding the influence of internal factors on financial performance of SACCOS in Kenya.

The study target population consisted of the deposit taking Sacco's licensed by SASRA in Kiambu County, Kenya. There are 14 licensed deposits taking SACCOS in Kiambu County by August, 2015. (SASRA review report, 2015). Thus this research targeted all the 14 deposit taking Sacco's licensed by SASRA in Kiambu County.

Secondary data was obtained from previous works from related articles including published financial reports from the Sacco's and data related to the Sacco's available from the SASRA annual reports on their performance that assisted in the analysis of the variables stated. Journals and financial statements will be sampled for secondary data. The data was further collected and organized using a data collection schedule.

## RESULTS AND DISCUSSION

### 1. Investment policy

The study sought to establish the distribution of money invested in government securities. The variable was measured by amount invested in government securities.

Table 1 Investment policy

year	Mean(millions Ksh)	Std.deviation	Skewness
<b>2015</b>	15.357	0.250	0.1478
<b>2014</b>	11.317	0.280	0.1946
<b>2013</b>	13.152	0.136	0.1695
<b>2012</b>	15.145	0.217	0.1367
<b>2011</b>	15.164	0.167	0.2354

The amount invested was highest in 2015 with a mean of 15.357. Then the lowest amount was in 2014 where the mean was 11.317. The data did not have serious skewness that would hinder further analysis since all the skewness values for all the years were close to zero. The standard deviation values were also within those of the normal distribution. That is they were less than 3 deviation from the mean value.

## 2. Loans policy

The study sought to establish the distribution loan policy. The variable was measured by amount on non-performing loans.

Table 2 Loans policy

year	Mean (million Ksh)	Std.deviation	Skewness
<b>2015</b>	5.34	0.0452	0.0349
<b>2014</b>	4.76	0.0357	0.0391
<b>2013</b>	5.46	0.0246	0.0452
<b>2012</b>	4.56	0.05345	0.0673
<b>2011</b>	4.35	0.03245	0.0454

The amount of default level was highest in 2014 with a mean of 4.76. Then the lowest amount was in 2015 where the mean was 4.34. The data did not have serious skewness that would hinder further analysis since all the skewness values for all the years were close to zero. The standard deviation values were also within those of the normal distribution. That is they were less than 3 deviation from the mean value.

## 3. Dividend Policy

The study sought to establish the distribution of dividend policy. The variable was measured by amount in Kenya shillings paid out per every share held by the members.

Table 3. Dividend policy

<b>year</b>	<b>Mean</b>	<b>Std.deviation</b>	<b>Skewness</b>
2015	0.2800	0.3324	0.02
2014	0.2534	0.3894	0.04
2013	0.2345	0.2856	0.05
2012	0.1712	0.3067	0.05
2011	0.2814	0.2487	0.05

The amount paid out per share on average was highest in 2011 with a mean of 0.2814. Then the lowest amount was in 2012 where the mean was 0.1712. The data did not have serious skewness that would hinder further analysis since all the skewness values for all the years were close to zero. The standard deviation values were also within those of the normal distribution. That is they were less than 3 deviation from the mean value.

#### **4. Return on Assets (ROA)**

The study sought to establish the distribution of return on assets. The variable was measured by the ratio on income dividend by assets and then converted into percentage form.

Table 4. Return on Assets

<b>year</b>	<b>Mean(%)</b>	<b>Std.deviation</b>	<b>Skewness</b>
2015	2.7	0.0234	0.123
2014	2.4	0.0214	0.169
2013	2.5	0.0123	0.115
2012	2.6	0.0342	0.141
2011	2.1	0.0123	0.172

The highest amount of return on assets was in 2015 with a mean of 2.7%. Then the lowest amount was in 2014 where the mean was 2.1. The data did not have serious skewness that would hinder further analysis since all the skewness values for all the years were close to zero. The standard deviation values were also within those of the normal distribution. That is they were less than 3 deviation from the mean value.

#### **5. Return on Equity (ROE)**

The study sought to establish the distribution of return on equity. The variable was measured by net income per shareholder's fund.

Table 5. Return on Equity

<b>Year</b>	<b>Mean (%)</b>	<b>Std.deviation</b>	<b>Skewness</b>
2015	11.12	0.0451	0.054
2014	12.14	0.0436	0.045
2013	13.51	0.0546	0.012
2012	12.23	0.0234	0.035
2011	13.72	0.0342	0.023

The amount of return on equity was highest in 2011 with a mean of 13.72. Then the lowest amount was in 2014 where the mean was 11.12. The data did not have serious skewness that would hinder further analysis since all the skewness values for all the years were close to zero. The standard deviation values were also within those of the normal distribution. That is they were less than 3 deviation from the mean value.

### Testing Multicollinearity

Prior to further analysis data was tested for multicollinearity using the pair wise correlation analysis. The essence of testing collineality is that the independent variables should be orthogonal to one another. This orthogonality condition is important since orthogonal variables can enter a model with their individual influence being very clearly identified.

Table 6. Correlation Analysis

	<b>Performance</b>	<b>Investment Policy</b>	<b>Loans Policy</b>	<b>Dividend Policy</b>
<b>Performance</b>	1			
<b>Investment decision</b>	0.712	1		
<b>Loans Policy</b>	0.861	0.531	1	
<b>Dividend Policy</b>	0.793	0.442	0.425	1

Brook (2002) assert that Multicollinearity is the problem that occurs when the explanatory variables are very highly correlated with each other. If there is no relationship between the explanatory variables, they would be said to be orthogonal to one another. If the explanatory variables were orthogonal to none another, adding or removing a variable from a regression equation would not cause the values of the coefficients on the other variables to change.



From Table 6 the correlation analysis shows that the collinearity between independent variables was below 85 % which has been accepted in literature as the value beyond which collinearity would be termed as a serious problem in models estimation process. The correlation between the independent variables and the dependent variable (SACCOs performance) was found to be quite high which was a good indication of explanation power of the independent variables on the dependent variable. Since multicollinearity was not found to be serious problem the researcher proceeded to carry out the regression analysis in the net section

### Autocorrelation test

The study set to investigate the whether there was the presence of serial correlation if the model could be estimated with the raw data assuming independence of observations. The results were estimated and presented in the table 7.

### Table 7 Test of Autocorrelation

Gujarati (2008), note that autocorrelation is the correlation between members of series of observation ordered in time or space. Gujarati note further that in regression context, the classical linear regression model assumes that such autocorrelation does not exist in the disturbances (error term).

year	Autocorrelation	Q-Statistic	Probability
1	-0.135	1.3233	0.250
2	0.311	8.4750	0.014
3	-0.250	13.166	0.004
4	0.044	13.314	0.010
5	-0.004	13.315	0.021

The result showed that there was no serial correlation even at order ten as showed by the significance of the Q-statistic probability values. The test rejects the null hypotheses of auto correction.

## Regression Model 1 fit

Table 8. Regression Result with ROA as dependent variable

variable	coefficient	std. error	t-statistic	prob.
<b>Dividend policy</b>	0.4728	0.0811	5.9100	0.0020
<b>Loans policy</b>	-0.1612	0.0400	-4.0322	0.0001
<b>Investment policy</b>	0.1745	0.0535	3.2617	0.0041
<b>constant</b>	3.4679	0.5957	5.8216	0.0000
<b>F-statistic</b>	120.57	Adjusted R-squared		0.083
<b>prob(f-statistic)</b>	0.000			

The regression model is as follows:

$$Y = 3.479 + 0.4728X_1 - 0.1612X_2 + 0.1745X_3 + \varepsilon$$

The coefficient of determination (R square) of 0.083 indicates that ROA on its own in the model explains 8.3% of the variation or change in the dependent variable (financial performance). The remainder of 91.7% is explained by other factors and variables other than ROA.

### Dividend policy

From the regression model above, the coefficient of dividend policy was found to be 0.4728. This value shows that holding other variables in the model constant, an increase in dividend policy by one unit causes the financial performance to increase by 0.4728 units. The value of the coefficient is also positive. The positive effect shows that there is a positive relationship between the dividend policy in the SACCOs and their performance.

The coefficient is not just positive but also statistically significant with a t-statistic value of 5.9100. In statistics, a t-statistic of 2 and above is normally accepted to be significant in statistical inference. The standard error was found 0.0811 and the p-value was found to be 0.0020. The variable was also found to be the most influential variable on the performance of SACCOs in Kiambu County. These findings supports those of Kariuki (2013), (Lintner 1956),(Ongeri, 2014),(Kapoor, 2009), (Zameer, Rasool, Igbal, Arshad, 2013) who found dividend policy to have effect on performance.

The results thus shows that dividend policy by the SACCOs enhance the financial performance. The implication is that the managers should make sure that dividend policy decisions are prioritized when formulating the financial strategies.

### **Investment policy**

From the regression model and table 8, the coefficient of investment policy was found to be 0.1745. This value shows that holding other variables in the model constant, an increase in investment policy by one unit causes the financial performance to increase by 0.1745 units. The value of the coefficient is also positive. The positive effect shows that there is a positive relationship between the investment policy in the SACCOs and their performance.

The coefficient is not just positive but also statistically significant with a t-statistic value of 3.2617. In statistics, a t-statistic of 2 and above is normally accepted to be significant in statistical inference. The standard error was found 0.0535 and the p-value was found to be 0.0041. The variable was also found to be the second most influential variable on the performance of SACCOs in Kiambu County. The findings supports those of Makori, Munene and Muturi (2013),Olando, Jagongo and Mbewa (2013),Mwaura (2005),Muchemi (2005)and Pandey (2005) who found that investment policy has effect on performance.

The results thus shows that investment policy by the SACCOs enhance the financial performance. The implication is that the managers should make sure that investment policy is prioritized when formulating the financial strategies.

### **Loan default**

From the regression model and table 8, the coefficient of loan default was found to be -0.1612. This value shows that holding other variables in the model constant, an increase in loan default by one unit causes the financial performance to decrease by -0.1612 units. The value of the coefficient is also positive. The negative effect shows that there is a negative relationship between the loan default in the SACCOs and their performance.

The coefficient is not just negative but also statistically significant with a t-statistic value of -4.0322. In statistics, a t-statistic of 2 and above is normally accepted to be significant in statistical inference. The standard error was found to be 0.0400 and the p-value was found to be 0.021. The variable was also found to be the least influential variable on the performance of SACCOs in Kiambu County. The findings supports those of Jared (2013),Puxty and Dodds (1991),Pandey (1993),(Morsman, 1982),Kinuthia (2007) and Gaita (2007) who found that loans policy has a substantial effect on performance.

The results thus shows that loan default by the SACCOs can have adverse effect on the financial performance. The implication is that the managers should make sure non-performing loans in their SACCOs are put under control to reduce the chances of reduction in profitability.

## Regression Model 2 fit

Table 9. Regression Result table ROE as dependent variable

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Dividend Policy	0.4072	0.1242	3.2786	0.0006
Loans policy	-0.1467	0.0314	-4.6720	0.0003
Investment policy	0.2122	0.0761	2.7884	0.0298
Constant	1.0856	0.7654	6.9367	0.0000
F-statistic	134.333			
Prob(F-statistic)	0.0000			
Adjusted R-squared	0.075			

The regression model is as follows:

$$Y = 1.0856 + 0.4072X_1 - 0.1467X_2 + 0.2122X_3 + \varepsilon$$

Standard Error	0.7654	0.1242	0.0314	0.0761
t-Statistics	6.9367	3.2786	-4.6720	2.7884
p-value	0.0000	0.0006	0.0003	0.0298

F-statistic = 134.333

Prob>F = 0.0000

Adjusted R-squared=0.75

Where: Y = Financial performance,  $\beta_0$  = Constant Term,  $\beta_1$  = Beta coefficients, X1 = dividend policy, X2 = loan default, X3 = investment policy

$\varepsilon$  = Error Term

### Dividend policy

The regression model result represented above for the influence of financial factors with ROE as a measure of performance. From the regression model above and table 9, the coefficient of dividend policy was found to be 0.4072. This value shows that holding other variables in the model constant, an increase in dividend policy by one unit causes the financial performance to increase by 0.4072 units. The value of the coefficient is also positive. The positive effect shows that there is a positive relationship between the dividend policy in the SACCOs and their performance.

The coefficient of determination (R square) of 0.075 indicates that ROE on its own in the model explains 7.5% of the variation or change in the dependent variable (financial performance). The remainder of 92.5% is explained by other factors and variables other than ROE.

The coefficient is not just positive but also statistically significant with a t-statistic value of 3.2786. In statistics, a t-statistic of 2 and above is normally accepted to be significant in statistical inference. The standard error was found 0.1242 and the p-value was found to be 0.0006. The variable was also found to be the most influential variable on the performance of SACCOs in Kiambu County. These findings supports those of Kariuki (2013), (Lintner 1956),(Ongeri, 2014),(Kapoor, 2009), (Zameer, Rasool, Igbal, Arshad, 2013) who found dividend policy to have effect on performance.

The results thus shows that dividend policy by the SACCOs enhance the financial performance. The implication is that the managers should make sure that dividend policy decisions are prioritized when formulating the financial strategies.

### **Investment policy**

From the regression model and results, the coefficient of investment policy was found to be 0.2122. This value shows that holding other variables in the model constant, an increase in investment policy by one unit causes the financial performance to increase by 0.2122 units. The value of the coefficient is also positive. The positive effect shows that there is a positive relationship between the investment policy in the SACCOs and their performance.

The coefficient is not just positive but also statistically significant with a t-statistic value of 2.7884. In statistics, a t-statistic of 2 and above is normally accepted to be significant in statistical inference. The standard error was found 0.0761 and the p-value was found to be 0.0298. The variable was also found to be the second most influential variable on the performance of SACCOs in Kiambu County. The findings supports those of Makori, Munene and Muturi (2013),Olando, Jagongo and Mbewa (2013),Mwaura (2005),Muchemi (2005)and Pandey (2005) who found that investment policy has effect on performance.

The results thus shows that investment policy by the SACCOs enhance the financial performance. The implication is that the managers should make sure that investment policy is prioritized when formulating the financial strategies.

### **Loan policy**

From the regression model and table 9, the coefficient of loan defaultwas found to be -0.146. This value shows that holding other variables in the model constant, an increase in loan defaultby one unit causes the financial performance to decrease by -0.146 units. The value of the coefficient is also negative. The negative effect shows that there is a negative relationship between the loan defaultin the SACCOs and their performance.

The coefficient is not just positive but also statistically significant with a t-statistic value of -4.6720. In statistics, a t-statistic of 2 and above is normally accepted to be significant in statistical inference. The standard error was found to be 0.0314 and the p-value was found to be 0.0003. The variable was also found to be the least influential variable on the performance of SACCOs in Kiambu County. The findings supports those of Jared (2013),Puxty and Dodds (1991),Pandey (1993),(Morsman, 1982),Kinuthia (2007) and Gaita (2007) who found that loans policy has a substantial effect on performance.

The results thus shows that loan default by the SACCOs enhance the financial performance. The implication is that the managers should make sure that loan default is prioritized when formulating the financial strategies.

### **Summary of findings**

The study sought to investigate the influence of dividend policy on the financial performance of SACCOs in Kiambu county. Different tools were used to arrive at the results. These tools included correlation analysis and regression analysis. The indication was that the decisions on dividend policy helped to improve the financial performance of SACCOs.

The results on investment policy revealed that the variable had a great influence on financial performance of SACCOs in Kiambu county. From the regression model, the investment policy was found to contribute to a great variation on the financial performance of SACCOs in Kenya holding other variables constant. This variable was found to be the most influential variable in the model.

The study sought to investigate the influence of the loan default on the financial performance of SACCOs in Kiambu county. Different tools were used to arrive at the results. These tools included correlation analysis and the regression analysis. The results from both the correlation and regression analysis indicated that the presence of high levels of non-performing loans could have adverse effect on the on the financial performance of SACCOs in Kiambu county..

### **Conclusion**

The study concluded that dividend policy, investment policy and loans policy are the key determinants of financial performance of SACCOs in Kenya. The results from the regression model revealed that the factor's that influenced SACCOs performance were statistically significant. Dividend policy was found to be the most influential, investment policy was found to be the second most influential variable, and finally loan default was the least influential variable on financial performance of deposit taking SACCOs in Kiambu county.

On the overall the study concludes that there is a strong positive and statistically significant relationship between financial factors and SACCOs financial performance in Kenya and especially

in Kiambu county. The SACCOs are encouraged to explore the different financial factors that affects the performance of SACCOs in Kenya and especially in Kiambu county.

The study concludes further that since all the variables were loaded into one factor for each of the variables, this was a good indication that the constructs used in the measurement of all the variables were adequate and they measured the same thing. The study also notes that the regression model a well specified model since the variables included were able to explain up to 87% of the total variation in SACCOs performance.

## **Recommendation**

### **Dividend policy**

This variable was found to be statistically significant and therefore it is recommended that managers should be keen on the dividend policy in their SACCOs. The management of these organizations should be focused towards bringing new dividend policies aimed at attracting both the existing and expected customers since this would in turn affect the financial performance of the SACCO.

The SACCOs should offer good dividend rates for the new members intending to open new savings accounts to motivate them to save more. Since the results revealed that dividend policy was the most influential variable there is the need for all the stakeholders to be aware of this. Any bad news that may accompany the dividend policy would lead to some very devastating effects on the financial performance of SACCOs in Kenya. Therefore there is the need to come-up with more dividend policy strategies that are suspected to affect performance.

The management of these organizations should be focused towards bringing new investment policies aimed at attracting both the existing and expected customers since this would in turn affect the financial performance of the SACCO.

Loan default was found to be statistically significant and therefore it is recommended that managers should be keen on the loan default in their SACCOs. The management of these financial institutions should be focused towards bringing new loans policies aimed at attracting both the existing and expected customers since this would in turn affect the financial performance of the SACCO.

## **References**

*Akinwumi, J. (2006). Road Map to re-engineering Co-operatives in Nigeria; A paper presented at the south west co-operative leaders conference, organized by co-operative federation of Nigeria South west zone at Obisesan Hall, Ibadan, September 7th.2006.*

*Almazari A. A. (2011). Financial Performance Evaluation of Some Selected Jordanian Commercial Banks. International Research Journal of Finance and Economics. ISSN 1450-2887 Issue 68*

(2011)©EuroJournals Publishing, Inc. 2011. Retrieved from:<http://www.eurojournals.com/finance.htm>

- Ando, A., & Modigliani, F. (1963). The "life cycle" hypothesis of saving: Aggregate implications and tests. *The American economic review*, 55-84.
- Aura, D.O. and Mwangi J. K (2013). Factors influencing SACCO members to seek services of other financial service providers in Kenya. Retrieved
- Barnabas, C. (2011). *Internal Control*. Cede Publishing, 144 p.
- Bhattacharjee, A. (2012). *Social science research: principles, Methods, and practices*. Text books collections. Books 3.
- Birchall, J. (2005). *Co-operative principles ten years on*. *International Cooperative Alliance, Issue 2*, 98(2):45-63. <http://www.ica.coop/>(accessed on 1 July, 2012).
- Brooks C. (2002). *Introductory Econometrics for Finance*: Cambridge University Press.
- Bryman, A. and Cramer, D. (2012). *Quantitative Data Analysis with SPSS for Windows*, Routledge, London.
- Burns, R.B. and Burns, R.A. (2008). *Business research methods and statistical using SPSS*. SAGE Publications Ltd, London.
- Chaddad F. and Cook, M. (2004). *The Economics of Organization Structure Changes: A US Perspective on Demutualization*, *Annals of Public and Co-operative Economics*, Vol: 75 Issue: 4, pp. 575-594.
- Cooper R.D. and Schindler, P.S. (2008). *Business Research Methods 10<sup>th</sup> edition*. McGraw-Hill Publications. New York, United States.
- Cooper, R.D. and Schindler, P.S. (2011). *Business Research Methods 11<sup>th</sup> edition*. McGraw-Hill Publications. New York, United States.
- Council of Credit Unions (WOCCU) (2009) *Statistical report*, World Council of Credit Unions, Washington D.C
- DeSarbo W.S., Di Benedetto C.A. and Song, M. (2007). A heterogeneous resource based view for exploring relationships between firm performance and capabilities. *Journal of Modelling in Management*, 2 (2), 103-130.
- Ferris, G. R., Russ, G. S. and Fandt, P. M. (1989). *Politics in organizations*. In R. A. Giacalone and P. Rosenfeld (Eds.), *Impression management in the organization* (pp. 143–170). Hillsdale, NJ: Erlbaum. from: <http://journal-archives31.webs.com/1013-1081.pdf> 118
- Gujarati, D. N. and Porter D. C. (2008). *Basic Econometric*. Fifth edition, McGraw-hill/Irwin inc., New York.
- Gichira, R. (2010). *Lecture notes on organisational Dynamics*. DBA class of 2010 2nd semester Jomo Kenyatta University of Agriculture and Technology, Nairobi CBD Campus.
- Higgins, M. (1998). *Demography, national savings, and international capital flows*. *International Economic Review*, 343-369.
- Hansen, B.E (2014). *Econometrics*. University of Wisconsin, Department of economics



- International Labour Organization (ILO) (2002). The Promotion of Cooperatives Recommendation (No. 193), International Labour Office, Geneva.*
- Intosia (2004). Guidelines for internal control standards for the public sector. Intosai Professional standards committee.IT Governance institute. (2007). Cobit 4.1 Control objectives. Management guidelines. Maturity models. Prieiga per internetą: <http://www.isaca.org/>. Kelley, A. C., & Schmidt, R. M. (1996). Saving, dependency and development. *Journal of Population Economics*, 9(4), 365-386.*
- Keskin, H. (2006). Market orientation, learning orientation, and innovation capabilities in SMEs. Eur. J. Innov. Manage. 9(4): 396-417.*
- Kilonzo (2010). Impact of SASRA regulation on the financial performance of SACCOs in Kenya.*
- Kothari C. R (2004), Research Methodology: Methods and Techniques, Second Revised Edition. New Age International (p) limited, Publishers. Mumbai, India.*
- Kothari, C. (2004). Research Methodology: Methods and Techniques. 2<sup>nd</sup> edition. New age International Publishers, New Delhi, India.*
- Loayza N. and Shankar, R. (2000). Private Saving in India. The World Bank economic review, 14 (3), 571-574*
- Mackevičius, J. (2001). Management Control Systems: Performance Measurement, Evaluation and Incentives. 3rd revised edition. Prentice Hall. 832 p.*
- Makori C.M., Munene C. and Muturi W. (2013). The challenges facing deposit taking SACCOs regulatory compliance in Kenya: A case study of Gusii region. Retrieved from: <http://www.irnbrjournal.com/papers/1374993792.pdf>*
- 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)*
- Ministry of Co-operative Development and Marketing, (2008) Co-operative Development Policy, Nairobi, Ministry of Co-operative Development and Marketing.*
- Mugenda, O.M. and Mugenda, A.G. (2003). Research Methods: Quantitative and Qualitative Approaches. Nairobi: Acts Press*
- Orodho A.J. and Kombo D.K. (2002). Research Methods. Nairobi: Kenyatta University, Institute of Open Learning.*
- Orodho, A. J. (2003). Essentials of Educational and Social Science Research Method. Nairobi: Masola Publishers.*
- Poulton C., Kydd, J., and Dorward, A. (2006). Overcoming market constraints on pro-poor agricultural growth in sub-Saharan Africa. Development Policy Review, 24(3), 243-277.*
- Republic of Kenya (2008). Economic Survey 2008, Nairobi, Central Bureau of Statistics, Ministry of Planning and National Development.*

*SACCO Societies Regulatory Authority (SASRA) (2012). SACCO Supervision Report: Deposit Taking SACCOs. In house Publication.*

*SASRA (2011). SACCO annual supervision report, 2010. Available from [www.sasra.go.ke](http://www.sasra.go.ke) accessed on 4th July 2015*

*SASRA (2013). SACCO annual supervision report, 2010. Available from [www.sasra.go.ke](http://www.sasra.go.ke) accessed on 4th July 2015*

*Sekaran, U. and Bougie, R. (2010). Research methods for business: A skill building approach. Fifth Edition. John Willy and Sons Ltd, publishers.*