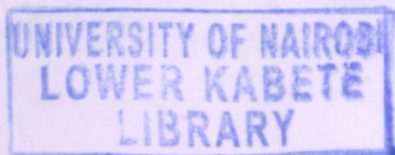


**FINANCIAL CHALLENGES FACING SAVINGS AND CREDIT
CO-OPERATIVE SOCIETIES IN KENYA: THE CASE OF
SACCOs IN NAIROBI**

BY

HESBON OUMA OKUNDI

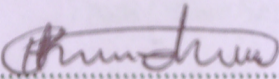


**A MANAGEMENT RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILMENT OF THE REQUIREMENT FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION, SCHOOL OF BUSINESS,
UNIVERSITY OF NAIROBI**

NOVEMBER, 2011

DECLARATION

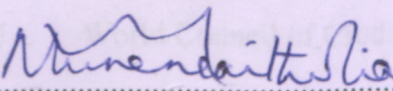
I declare that this management research paper is my original work and to the best of my knowledge, has not been submitted to any university for a degree.

Signed.......... Date.....8th November 2011.....

Okundi Hesbon Ouma

D61/8903/2005

This MBA research project has been submitted with my approval as the supervisor.

Signed.......... Date.....8th November 2011.....

Mr. Munene M'Maithulia

Lecturer, Department of Finance and Accounting, School of Business, University of Nairobi

LIST OF ABBREVIATIONS

CBK	Central bank of Kenya
CSR	Corporate social responsibility
FOSA	Front Office Service Activity
ICA	Internationa co-operative alliance
ICT	Information, communication and technology
M ₂	Money supplied by the central bank and the commercial banks
MC	Management committee
MOCDM	Ministry of co-operative Development and Marketing
PCO	Provincial co-operative officer
SACCOs	Savings and credit co-operative society
WOCCU	World Council of Credit Unions

DEDICATION

I would like to dedicate this research work to my parents, the Late Mr Jonathan Okeyo Okundi and the late Mrs. Nelly Agolla Okeyo, My beloved wife Monica, my lovely children Jonathan and Caela, My sisters Beatrice, Nancy and Dorothy, My brothers Donald and Joshua. I love you all dearly, without you all, I wouldn't have managed.

I am also grateful to my supervisor Mr. Munene M'uthulia for his guidance and constructive critiques throughout this process with utmost diligence, expertise and inspiration in the process of preparing this project.

My lovely wife Monica, I thank you so much for your kindness and understanding during my absence as I was trying to achieve my academic ambitions. I will always love you. My boy Jonathan and My girl Caela, you are my joy and pride.

I am grateful to my fellow colleagues for their valuable suggestions and encouragement. I would like to particularly thank my great friends Emily and Patrick who were very supportive and understanding during my study, you are the best.

I will especially thank my Uncle, Engineer Philip Oluoth Oguni for his words of wisdom and encouragement. God will always bless you abundantly for your Kindness.

ACKNOWLEDGEMENTS

First and foremost I want to thank the Almighty God for giving me the opportunity to advance my studies, provided finances and gave me the strength to finish this research work.

Special gratitude is to my supervisor Mr. Munene M'maithulia for his guidance and constructive critiques throughout this process with utmost diligence, expertise and inspiration in the process of preparing this project.

My lovely wife Monica, I thank you so much for your kindness and understanding during my absence as I was trying to achieve my academic ambitions. I will always love you. My boy Jonathan and My gal Caela, you are my inspiration.

I am grateful to my MBA colleagues for their valuable suggestions and encouragement. I would like to particularly thank my great friends Emily and Patrick who were very supportive and understanding during my study, you are the best.

I wish to specially thank my Uncle, Engineer Philip Okoth Okundi for his words of wisdom and encouragement throughout. God will always bless you abundantly for your Kindness.

TABLE OF CONTENTS

ABSTRACT

Co-operatives play a major role in resources mobilization, agro-processing and marketing of agricultural produce. The movement plays an important role in wealth creation, food security and generation of employment and therefore alleviating poverty. From the foregoing it is evident that the cooperative movement is of strategic importance in encouraging national savings and development of the country. Changes that occur in the co-operative sector therefore affect the development of the country and the general welfare of the members.

Given the increasing aggressiveness by commercial banks in the country to increase their product range to both their clients and non-clients and their marketing techniques that ensures wide coverage, a question for this study is that has this affected the operations of the SACCO movement in the country?

Thus the objective of the study is to establish if there is any threat to the business of SACCO's by the banks with the competitive products that the commercial banks offer to members of co-operative Societies and how it affects the profitability of Savings and credit co-operative Societies.

This study adopted a descriptive research design. The population of the study comprised of all SACCOs in Nairobi, registered in the role of co-operatives. The data was collected through the use of Questionnaires which were circulated to the treasurers or managers of the SACCOs sampled. Data was collated, coded summarized and then analyzed using the Statistical Package for Social Sciences (SPSS Version 17).

The study concluded that SACCO suffered challenges in meeting loan requests by the members partly due to the Long term investments they engage in. Members of the SACCOs preferred loans from the bank to the ones from the SACCOs due to the speed within which the loans are disbursed and also due to the fact that amount of loan awarded is not pegged on saving as is the case in SACCOs.

The study recommends that SACCOs should change their mode of recovery of loans so that an equal amount is deducted every month until the loan is cleared besides introducing more products to its members such as vehicle Insurance premium financing so as to increase their profitability.

TABLE OF CONTENTS

DEDICATION.....	iv
ACKNOWLEDGEMENTS.....	v
ABSTRACT	vi
TABLE OF CONTENTS.....	vii
LIST OF TABLES	ix
LIST OF FIGURES	x
CHAPTER 1 - INTRODUCTION	1
1.1 Background of the Study.....	1
1.2 Statement of the Problem	6
1.3 Objectives of the Study	8
1.4 Importance of the Study	8
1.5 Limitations of the study.	9
CHAPTER 2 – LITERATURE REVIEW	10
2.1 Kenyan Co-operative Movement	10
2.2 The Financial System in Kenya	11
2.3 SACCOs in Developing Economies	14
2.4 Kenya's Vision 2030 and the SACCO movement	16
2.5 SACCOs and Systemic crises in the Modern Financial System	17
2.6 Structural Changes in the Banking Industry.	18
2.7 Membership Loyalty and Competition.	20
2.8 Emergence of E-Finance	22
CHAPTER 3 - RESEARCH METHODOLOGY.....	24
3.1 Introduction.....	24
3.2 Research design.....	24
3.3 Population and sample design	24
3.4 Data collection	26

3.5	Data Analysis	27
CHAPTER 4 - DATA PRESENTATION, ANALYSIS AND INTERPRETATION.....		28
4.1	Introduction.....	28
4.2	Characteristics of the respondent SACCOs	28
4.3	Operations of the SACCO.....	30
4.4	Competition.....	38
CHAPTER 5 - SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....		45
5.1	Introduction	45
5.2	Summary of Findings.....	45
5.3	Conclusions.....	46
5.4	Recommendations of the study	47
5.5	Suggestions for further Research	49
REFERENCES.....		50
Appendices.....		55
Appendix1 – Letter to respondents		55
Appendix 2: Research questionnaire.....		56
Appendix 3: List of registered SACCOs in Nairobi		61

LIST OF TABLES

Table 4.1 Period in Existence	28
Table 4.2 Number of Employees	29
Table 4.3 Level of Education.....	29
Table 4.4 Total Membership.....	30
Table 4.5 Type of Product	31
Table 4.6 Duration of Remitting Savings and Loans Deductions	37
Table 4.7 Reasons for the above	38
Table 4.8 Retiring Previous Loan	39
Table 4.9 Resignation from the SACCO	42
Table 4.10 Initiatives by the SACCO to combat Competition from Banks	43

LIST OF FIGURES

Figure 4.1 Level of Education	29
Figure 4.2 Total Membership	30
Figure 4.3 Availability of ICT System	31
Figure 4.4 Processes Computerized	32
Figure 4.5 Efficiency Improvement as a Result of ICT	32
Figure 4.6 Extent of Efficiency	33
Figure 4.7 Time taken to receive a Loan	33
Figure 4.8 Waiting Time	34
Figure 4.9 Effects on Members Satisfaction	34
Figure 4.10 Whether there any Challenges	35
Figure 4.11 Long Term Investments	35
Figure 4.12 Whether Long term Investments have contributed to delays in disbursement in loans	36
Figure 4.13 Extent of Delays	36
Figure 4.15 Ability to Disburse the full amounts of Loans	38
Figure 4.16 Whether Banks Offer Loans	39
Figure 4.18 Members that have Opted Bank Loan	40
Figure 4.19 Whether Operations have been Affected	40
Figure 4.20 Whether Operations have affected SACCO Membership	41
Figure 4.22 Products that Offer Competition	42
Figure 4.23 Steps to Counter Activities by the Banks	43

CHAPTER 1 - INTRODUCTION

1.1 Background of the Study

In Kenya the history of the co-operative movement can be traced to 1908 when the European farmers at Lumbwa near Kericho first established co-operative production and Marketing. Co-operatives organized by Africans were not found until the 1930's and their development was nevertheless very slow due to lack of encouragement by the colonial government. The colonial government considered it impossible to find it among Africans, people who could command trust of their fellow members especially in the keeping of accounts and business operations (Ongore, 2001; Oyoo, 2002)

Government involvement in co-operatives started in 1931 when the first co-operative ordinance was enacted in order to regularize the operations of co-operative societies. Hitherto, co-operatives were registered under business law.

After independence in 1963, the Government continued to promote and support the co-operative movement, which was seen as a means to enable majority of Kenyans to participate in the modern economy within a short time, especially to acquire land, capital and engage in agricultural and agro business activities (Mudibo, 2006)

A co-operative society is defined by the International Co-operative Alliance (ICA) statement on the co-operative identity as an autonomous association of persons united voluntarily to meet their common economic, social, cultural needs and aspiration through a jointly owned, democratically controlled enterprise. Co-operatives are economic units for mobilization of resources for the benefit of the individual cooperators and by extension for national development (ICA, 2005)

Co-operatives play a major role in resources mobilization, agro-processing and marketing of agricultural produce. The movement is supposed to play an important role in wealth creation, food security and generation of employment and therefore alleviating poverty. Currently there are over 11,200 registered co-operative societies with a membership of about 6.1 million with mobilized savings of over Ksh.125 Billion. The co-operatives have employed over 300,000 people besides providing opportunities for self employment. Co-operatives traverses all sectors of the economy with about 63% of Kenyan population deriving their livelihood directly or indirectly

through co-operatives based activities (Government of Kenya, 2007; International Monetary Fund, 2007; The Kenya high commission in the United Kingdom, 2007).

The co-operatives in Kenya are organised into service and producer co-operatives. The producer co-operative's objectives are to promote the use of modern technology and contribute to national development through production. The service co-operatives are responsible for procurement, marketing and extension services, loan disbursement, sale of consumer goods and member education. The co-operatives have made remarkable progress in agriculture, banking, credit, agroprocessing, storage, marketing, dairy, fishing and housing. Service co-operatives are the closest to communities and are organised on a shareholder basis, formed by individual members of organisations voluntarily working in a specific geographic area.

The operations of SACCOs was generally under the control of the government before liberalisation in 1997 (Oyoo, 2002). This is evident from the 1985 Ministry of Cooperative Development and Marketing circular which confined investments by SACCOs to fixed deposits and to some extent, real estate. Financial investments in bonds and private companies was discouraged unless they were guaranteed certain rights or had a high degree of control (Gachara 1990). These guidelines may lead to excess liquidity and will therefore lead to low returns for the organisation. With the current competitive market economy, it may be difficult for such policies to apply.

Co-operative societies therefore have great potential for facilitating growth and development, economic recovery and employment creation. Since 1997, the major changes in the co-operative movement have been the liberalization of their economic activities and the emergence of a competitive market economy. This brought about freedom in co-operative management approach that involved the partial withdrawal of state involvement in the day-to-day operations of co-operative societies. The liberation that came with government withdrawal resulted in bad governance of the societies and contributed to the decline in the overall performance of co-operatives.

Co-operative societies are characterized by the intrinsic values and principles on which they are founded. They are based on the values of self-help, self responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-

operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

According to the co-operative societies Act (Amended) 2004, the co-operative principles are guidelines by which co-operatives put their values into practice. They include voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, co-operation among co-operatives and concern for community.

Co-operative societies must therefore operate efficiently and effectively in order to participate effectively in national development. For this to happen, they have to operate within the principles of good governance and management.

Due to the important role played by co-operative societies in the lives of many Kenyans, there was an increased State intervention through the co-operative societies Act CAP 490, Laws of Kenya, 1966. In addition, there were also rules/regulations made by the minister and By Laws made by individual SACCO societies and unions. This legal, regulatory and supervisory framework has undergone numerous reviews over the years, including the amendments of 1997 and 2004 as well as the review of rules and regulations.

According to the Government of Kenya Sessional paper of 2004, it's the intention of the government to create an environment conducive for co-operative growth and expansion through formulation of effective co-operative development policies and overseeing development and administration of co-operative legislation. More attention is focused on improving governance of co-operative societies and assisting them to build and strengthen their marketing capacity. In addition, it is the wish of the Government to consolidate the gains and facilitate faster growth of the co-operative sub-sector for the movement to regain its lost glory and create wealth and employment. The aim of the government is to play this role in a facilitative and regulatory role while ensuring that co-operative management remain democratic and professional to enable the movement to be autonomous, self-controlled and self-reliant.

The co-operative movement in Kenya is organized in a system consisting of primary, secondary co-operatives and the apex societies. Society means a co-operative society

registered under the co-operative societies Act 2004 and includes a primary society, secondary society (Co-operative union) and apex organization. Primary society means a co-operative society whose membership is restricted to individual persons. Secondary society on the other hand is a registered society all of whose registered members are co-operative societies and trade unions and which has as its object the facilitation of the operations of primary societies where as Apex Society means a society formed at the national level by the co-operative movement in Kenya and registered under the Act to promote co-operative development and represent the interests of co-operative societies locally and internationally.

SACCOs fall under the category of primary Society, whose members are individuals. My study will focus on savings and credit co-operative societies (SACCOs).

Savings and credit co-operatives societies provide financial services to millions, including poor and low-income people in many countries including Kenya. Savings and credit co-operatives are user-owned financial intermediaries. They have many names around the world, including credit unions, SACCOs and COOPECs. Members typically share a "common bond" based on a geographic area, employer, community, or other affiliation. Members have equal voting rights, regardless of how many shares they own. Savings and credit are their principal services, although many offer money transfers, payment services, and insurance as well. Sometimes savings and credit co-operatives join together to form second - tier associations for the purposes of building capacity, liquidity management, and refinancing. Second-tier associations also play a useful monitoring role.

As much as savings and credit co-operative societies have had several problems in their course of operations, they have also had a lot of success stories. They have succeeded in bringing up a lot of people economically and also socially through the services they provide. The support that they have been giving to their members has been phenomenal and has led to their membership increasing by the day. They have been having a more stable business over the past where competition was limited as each of them has their specific market that they serve which is a group of people under a common bond. The market that they enjoy has been their comfort zone over the past. This market is currently under threat from banks and other financial institutions.

Co-operative movement in Kenya which brought up the SACCO financing model is a major force to reckon with. However as with every successful venture, there comes a time when the challenges faced must be recognized and understood for its survival.

Ileve (2008) states that SACCOs have tried to maintain relevance and market and have therefore been tempted to invest in information and technology and at the same time offer the latest hot products such as automatic teller machines and other tailor-made loan products. Unfortunately, they are unable to marshal the financial muscle needed to come up with these products. With the fierce competition experienced from banks and other financial institutions, they will have to adapt to these challenges in order to survive. Previously these products may be looked at as pushing the organization beyond its means but with the playing field being tilted in favour of banks and the other financial institutions, it may be necessary to look into this direction in order to survive.

Co-operative savings and credit societies (SACCOs) have a reserve of 125 billion which is 31% of the national domestic savings. Up to the year 2002 big commercial banks used to serve the rural areas. These institutions moved out of the rural areas and hence created the need for FOSA establishments.

From the early 1990's Micro Finance Institutions emerged and boomed giving commercial banks a stiff challenge. The years between 2003 and 2007 witnessed a reduced government borrowing as treasury bills and bonds rates dropped to as low as 0.7 %– 1% (CBK, 2002). This forced a lot of financial institutions including Banks to look for alternative places where they could invest their funds at rates higher than the ones offered by the treasury bills and bonds. The net result has been the shift to retail market that had been previously undermined and seen as unreliable. SACCO members who constitute majority of salaried workers and regular income earners were the first target offering them loans without security, bank accounts with minimal or no charges and other innovative products to bring them on board.

This trend has caused serious financial challenges to the comfort zone of the SACCOs and therefore necessitating their action as it threatens their survival. As the banks keep introducing several products that target specifically the employees of companies, where they have formed SACCOs to give them loans at rates closer to or even lower

than those offered by the SACCOs. The products, among others include buying out loans offered by co-operatives and consolidating all financial liabilities to a single loan leading to an individual having only one loan deduction in the pay slip. This leaves the SACCO's with a lot of money in their hands with no one or very few people to lend to. This has a devastating effect on the SACCO as they will not be able to give loans and earn the interest from the loans. This affects their principle source of income.

The trend by the banks of buying back loans and consolidating other loans is also leading to contributors reducing their savings to the minimal and others resigning outright from the SACCOs. The contributors do this so as to enable them fit the bank deductions in their pay slips and at the same time meet the government requirements of having at least one third of an employees' basic pay as take home pay.

1.2 Statement of the Problem

Given the need to develop a savings culture in the country and to reduce the gap between the rich and the poor, it is evident that there is need to address and evaluate the mechanisms and structures of promoting the growth and development of the co-operative movement in Kenya as an engine for economic growth and development (GOK, 2004).

Obuon, 1998 studied the determinants of savings in SACCOs in Kenya, his key objective was to identify determinants of SACCO savings deposits and loans and why they vary across societies. The paper concluded that that there is need to increase corporate savings, share capital and an attempt to reduce loans outstanding in order to expand and diversify the asset portfolio. This study focuses on financial performance of SACCOs and not challenges in the light of competition with banks.

Oyoo, 2002 in his study evaluated the financial performance of SACCOs before and after deregulation where he covered SACCOs within Nairobi. He findings were that there was no significant difference in performance over the two periods but the revenue earned through interest on bank deposits and other investments improved after deregulation, meaning that proper evaluation criteria for investments was put into use.

Ongore, 2001 in his study narrows his investigation to the managerial response to the deregulation of the cooperative sector. He identified the effects of a deregulated cooperative sector on the management of SACCOs in Nairobi and highlighted measures that SACCOs were taking to cope with the effects of deregulation of the cooperative sector.

In the analysis of these studies, it stands out that they did not cover the challenges faced by SACCOs in the light of competition for customers by the banks. A glaring gap that this paper seeks to answer is the question of challenges posed by the banks to the SACCOs. This threat came about due to the increased liquidity of the banks and other financial institutions which has led them to looking for new markets to lend to. The papers discussed above however haven't dealt with the financial challenges faced by SACCOs in light of the threat to their core business by banks.

The cooperative movement in Kenya plays an important role in wealth creation, food security and employment generation and hence participates in poverty alleviation. The membership as at 2009 was over 7 million with domestic savings estimated at over Kshs 170 billion which is 31% of National savings (MOCDM, 2010).

From the foregoing it is evident that the cooperative movement is of strategic importance in encouraging national savings and development of the country. Changes that occur in the co-operative sector therefore affect the development of the country and the general welfare of the members. It is therefore important to establish if there is any threat to the business of SACCO's by the banks with the competitive products that the commercial banks offer to members of co-operative Societies and how it affects the profitability of Savings and credit co-operative Societies.

This area has not been looked at in any previous research known to the researcher and this study seeks to fill the gap by seeking to establish the financial challenges faced by SACCOs in an effort to optimize the wealth of shareholders and to enable the SACCOs position themselves strategically and competitively.

1.3 Objectives of the Study

To establish if the products that the Commercial Banks offer to members of savings and credit co-operative societies has any effect on the business of SACCOs of mobilizing savings and issuing loans to its members.

1.4 Importance of the Study

- i. To Individual co-operators and potential or prospective co-operators, it would help in making choices on whether to become members of a particular co-operative society or not, whether to invest or divest from a co-operative or even to evaluate the benefits of being members of a co-operative or not in the light of the products offered by banks.
- ii. To the individual co-operators, they would be able to make the right choices while making management committee replacement decisions at the annual general meeting.
- iii. To the top management and the management committees (MC's) of SACCOs, it would help them in coming up with newer and more competitive products for the benefit of members, help them in coming up with strategies that put them ahead of competition for the benefit of their members and also helping the MC in realizing that they need to perform on the job as it determines whether they are retained or not as the officials of the SACCO.
- iv. The study would also help the SACCO management in making wise investment decisions of the statutory reserves and any other funds available, so as to maximize returns for the members.
- v. To academicians, this study would form a basis for further research regarding savings and credit co-operative societies (SACCOs) and the threat to their business by banks in Kenya.

1.5 Limitations of the study.

The study limitations were identified as two:

- i. The SACCOs studied by this paper are those based at Nairobi which is 100% urban thus limiting comparisons with SACCOs based in rural areas
- ii. The study methodology narrowed down on interviewing only the SACCO management. Triangulation with focus group discussion among the SACCO membership was not possible thus limiting the study.

CHAPTER 2 – LITERATURE REVIEW

2.1 Kenyan Co-operative Movement

At independence the government embarked on africanization of the economy whose major policy thrust was contained in the Sessional paper no. 10 of 1965 on “African socialism and its application to planning in Kenya.” Co-operatives were considered suitable vehicle with an appropriate framework to achieve aspirations of the majority of Kenyans in participating in economic development. This led to the enactment of the Co-operative Societies Act (cap 490) laws of Kenya in 1966. The implication of this development was that the government would use co-operatives as a medium to realize its socio-economic development agenda. The government, through Sessional paper no. 4 of 1987 on “renewed growth through the co-operative movement”, stated its commitment to indigenize the economy by participation of the members through co-operatives. The responsibility of organizing and managing co-operatives was left to the members and their management committees with the government playing an advisory role and assisting them to maximize member benefits. In realizing this objective, co-operatives were required to fully participate in mobilizing domestic resources for investment (G.O.K, 2004).

The policy objective of the Kenyan co-operative movement is to spur sustainable economic growth by focusing on achievement of desired outcomes through strengthening of the movement, improving co-operative extension service delivery, corporate governance, access to markets and marketing efficiency (International Monetary Fund, 2007).

The co-operatives have an immense potential to deliver goods and services in areas where both public and private sector have not ventured (Verma, 2004). In most cases, co-operatives are local institutions that address “local needs”, employ “local talent” are led by “local leaders” either directly or through local branches.

The Government of Kenya seeks to endeavour to create a more conducive environment for co-operative growth and expansion through formulation of effective co-operative development policies and overseeing development and administration of co-operative legislation. More attention is focused on improving governance of co-operative societies and assisting them to build and strengthen their marketing

capacity. In addition, it is the wish of the Government to consolidate the gains and facilitate faster growth of the co-operative sub-sector for the movement to regain its lost glory and create wealth and employment. Under the arrangement, the Government is to play a facilitative and regulatory role while ensuring that co-operative management remain democratic and professional to enable the movement to be autonomous, self-controlled and self-reliant (GOK, 2004).

2.2 The Financial System in Kenya

By the average standards of sub-Saharan African countries, Kenya is considered to have a well developed financial system Popiel (1994). The Financial sector comprises a number of commercial banks and non-bank financial institutions. Currently, there are about 41 commercial banks, two non-bank financial institutions (NBFIs), two mortgage finance companies and 89 foreign exchange bureaus, among others (Odhiambo, 2008).

The general trend of financial deepening in Kenya, as measured by M_2 as the percentage of GDP (M_2/GDP), also shows that Kenya's financial depth has increased considerably since the 1990s when compared to many sub-Saharan African countries. For example, the M_2/GDP ratio increased from about 0.314 in 1991 to 0.364 in 1992, and later to about 0.3706 in 1993. Between 1994 and 1997, a marked financial deepening took place in Kenya, with the highest M_2/GDP ratio (0.475) being recorded in 1997. Although the M_2/GDP showed a slight decline between 2004 and 2005, the ratio is still generally higher than the pre-financial reforms ratio (Odhiambo, 2008).

Despite the current high level of financial development and economic growth in Kenya, the country has not succeeded in curbing poverty, which is currently ravaging the lives of millions of the country's citizens. Poverty in Kenya manifests itself in the form of hunger, illiteracy, lack of access to basic education, scarcity of drinking water, and lack of minimum health facilities and shelter. Currently, the poor in Kenya still constitute more than 50 per cent of the Kenyan population. Of the poor, women constitute the majority, while about three-quarters are in rural areas, with the majority located mainly in the highly populated belt.

It is also worth noting that from a geographical viewpoint the level of rural poverty reported in various provinces in Kenya has also changed considerably over time. For

example, in 1994 the highest incidence of poverty was reported in North Eastern province, followed by the Eastern and Coastal provinces. The lowest incidence was reported in Central province followed by Nyanza and Rift Valley provinces. However, by 1997 this geographical distribution had changed dramatically. Nyanza province, which had recorded the second lowest incidence of poverty, now recorded the highest of about 63 per cent, followed by Coast province with 62 per cent. Of all the provinces, only Central province recorded a sustained decline in poverty incidence between 1992 and 1997 (IMF, 2007)

Although the Government of Kenya has made efforts to fight poverty since 1963, poverty levels continue to increase in the country. Over the years, the Kenyan long-term strategy to alleviate poverty has been to achieve a sustained high rate of economic growth that can generate earned incomes for those in the working age bracket (Republic of Kenya, 1997). Some of the anti-poverty policies that have been launched in Kenya recently include the National Poverty Eradication Plan (NPEP, 1999-2005) and the Poverty Reduction Strategy Paper (PRSP, 2000-2003). According to the National Poverty Eradication Program (NPEP), the government committed itself to poverty alleviation by 2015.

Although the financial sector in Kenya is deepened in comparison to other countries in sub Sahara Africa, Financial services seem to be out of reach of many Kenyans especially in the rural areas. Banks prior to 2003 withdrew from the rural areas leaving a large population without financial services. This Gap was filled by SACCOs and other non-banking financial institutions.

Obuon, 1998 carried out a study on determinants of savings in SACCOs in Kenya. His objective was to identify determinants of SACCOs savings deposits and loans and why they vary across societies; formulate, estimate and analyze savings, deposits and loan functions for SACCOs; to estimate and simulate total savings, deposits and loan potentials for SACCOs and lastly suggest policies for enhancing savings mobilization thus improving SACCO sector performance in terms of deposits, turnover, membership and loans.

The paper concluded that there is need to increase corporate savings, share capital and an attempt to reduce loans outstanding in order to expand and diversify the asset

portfolio. The paper by Obuon, 1998 addressed issues affecting the financial performance of SACCOs generally but has not dealt with the financial challenges posed by the banks to the SACCO movement currently. A big percentage of incomes of SACCOs come from interest charged on loans. Other sources of income such as investments could help SACCOs diversify their sources of income.

Gachara, 1990 studied investment practices of reserve funds in SACCOs in Nairobi. The study is of great importance since the criteria for investing the reserve fund of SACCOs could affect or have an impact on the performance of SACCOs and its profitability but for a SACCO to be profitable, other factors such as competition and how to counter threats to operations are also important. Returns from different investments may fluctuate and therefore, it is important that entities strategize on how to deal with situations that arise.

SACCOs as institutions that can be used to mobilize savings from the population can be used to lift the citizens from poverty. This is due to the fact that literacy level in Kenya is higher than most countries in sub Sahara Africa and the Kenyan economy is predominantly agricultural. Lack of capital therefore becomes a major hindrance to development.

Funds of the SACCO are generally available to the members of the SACCOs under the common bond. When a society is faced by excess liquidity, the economy of the country is generally starved of this liquidity. This is due to the fact that these funds are only available to members of SACCOs. When banks transfer their excess liquidity to the SACCOs, they by extension starve other productive areas of the economy of funds thereby affecting National growth and development.

Members of the SACCO movement should be educated on Investment and on how to spend the loans given. This is because there has been a tendency of members spending the loans to finance consumption as opposed to financing development. This has an effect in the general development of the member and the country as a whole as expenditure is shifted more from development to consumption.

Competition and financial challenges experienced by SACCOs currently may affect development and savings mobilization in the unbanked population especially rural Kenya. Studies discussed above have not looked at these challenges.

2.3 SACCOs in Developing Economies

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 behaviour of the borrowers on credit market. The following are some observations in this regard.

Arene (1992) used a regression analysis to identify the variables that have a significant bearing on credit repayment performance by farmers associations in Anambra state in Nigeria. Among others, variables such as size of loan, income, education level and number of years of farming experience were found to be statistically significant while distance and size of the households were not significant. Mbata (1994) hypothesized that credit repayment performance from external source depends on duration of loan servicing, size or amount of credit obtained and income generated from the capital, while credit repayment performance from internal sources (member capital) depends on duration of membership, size of the household, amount of credit available, income generated from sales, gender of the household, income transfers received, the type of information and the extent of business diversification.

Using standard probability model, the results revealed that gender, amount of loan, member experience and household size were not statistically significant in various specifications while crop sales, the size of enterprise, the degree of diversification, income transfers and quality of information were statistically significant.

Nikhade et al. (1994) studied crop loan repayment behaviour in cotton growers with the aim of analysing 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.

Rambabu et al. (1994) studied factors influencing attitudes of the farmers towards farm credit with the aim of understanding the attitudes of the borrowers and non-borrowers towards farm credit. It was found that there is negative and significant relationship between age and attitudes of both borrowers and non-borrowers. It was further noted that education, exposure to mass media and extension contact were found to be positively significant related with attitude of borrowers and non-borrowers. Harikumar (1991) made an attempt to analyze the utilization of loans, overdues and factors affecting proper repayment and overdues. Contrary to Nikhade et al. (1994) and Rambabu et al. (1994), it was found that socio economic factors do not influence loan repayment. The crop failure and fall in prices were identified as major factors influencing loan defaulting.

Njoku (1997) asserts that socioeconomic characteristics of credit beneficiaries had a significant influence in farmers' association performance and loan repayment under the special emergency loan scheme in Nigeria. The results from Cobb-Douglas model shows that loan volume (size), years of member experience, formal education, household size, loan period, farm size, farm output, value of assets and interest paid on loan were all highly significant determinants of farmer's credit societies on performance and loan repayment default.

Puthussery (1999) studied the overdues problem at the beneficiary level analysis with the aim of identifying the reasons for defaults. It was found that the major reasons responsible for the heavy overdues are; modification of the subsidy system, willful neglect, high family expenditure, diversion of income from the project and inappropriate government policy.

The studies above though very significant in looking at the repayment patterns of borrowers and factors that affect them, they have however not looked at the challenges in terms of threat to the SACCO business by banks and their strategy on door to door marketing of their new products that they introduce. The studies above have not looked at the modern challenges brought about by the liberalization of

economies of many countries in the developing world and the decision of the governments of these countries to deregulate their co-operative sector.

2.4 Kenya's Vision 2030 and the SACCO movement

The Vision 2030 is an ambitious plan that the Government has developed so as to make sure Kenya Becomes an industrialized country by the year 2030. This ambitious plan requires huge financial commitment in order to achieve. In order to implement the flagship projects in the six economic sectors falling under the Economic pillar of Vision 2030 Plan, an estimated Kshs. 500 billion will need to be invested. The government will invest Kshs. 250 billion in the next five years to ensure the implementation of these projects, with the remaining half expected to be financed by both local and foreign private investors, and many through Public, Private Partnership arrangements. The financial services sector is thus expected to play a key role in mobilizing the savings and investments required to implement the Medium Term Plan. Among the financial service strategies to be implemented will be the reorganization of the National Social Security and Pension system; Insurance and Banking sectors as well as SACCOs and capital markets with a view to facilitating higher savings and investment (GOK, 2008)

The co-operative movement can be a massive tool that the government can use especially in achieving the economic and social pillars of the Vision 2030. This is due to the ability of SACCOs to mobilize savings which will increase the national savings level. These resources if well channeled towards developmental expenditure as opposed to consumption expenditure may lift the country out of poverty. The government also intends to use public private partnership in achieving its goals in the Vision 2030.

SACCOs have the ability to offer loans to its members who the Banks may not find worth giving loans. This may be due to the stringent conditions put across by banks in order for one to access loans. Sometimes banks may offer loans lower than what one has applied for thereby interfering with one's plans. This may lead to wasting of advanced funds or diversion of the funds to consumption. This interferes with development.

The Central bank has always tried fiscal measures like reducing the Central Bank Rate, Which is the rate set by The Monetary Policy Committee as the bench mark rate for loans by financial institutions, aimed at reducing the Interest rate of the banks. Banks have been very slow in responding to these changes thereby making Loans expensive. The high Interest rates have been affecting the Uptake of loans and by extension affecting Development. If SACCOS are able to take up this situation to their advantage, they may help a great deal in developing the country and also deepening the financial system.

2.5 SACCOs and Systemic crises in the Modern Financial System

Development of SACCO's was slow in Kenya since the colonial government considered it impossible to find it amongst Africans, people who could command the trust of their fellow members especially in the keeping of accounts and business operations (Ongore, 2001).

Co-operative financial intermediaries are currently the most active segment of the co-operative movement. These societies are organized on employment, commodity etc and their objective is to afford members an opportunity to accumulate savings thereby creating a pool from which members can access credit on favourable terms. By providing such savings and loan facilities, co-operative financial intermediaries make a significant contribution towards providing developmental capital (Co-operative Sessional paper of 2004).

Up to the year 2002 big commercial banks used to serve the rural areas. These institutions moved out of the rural areas and hence created the need for FOSA establishments. From the 1990's micro finance Institutions emerged and boomed giving commercial banks a stiff challenge.

Financial services which account for 10.6% of GDP expanded in real terms by 1% in 2001 compared with a growth of 0.4% in 2000. Banking institutions' profit before tax dropped to 3.3 billion from 5 billion in the 1st half of 2002 as compared to 1st half of 2001. This was due to the non performing loans as well as reduced interest income due to the prevailing low interest environment at the time (CBK, 2002)

Savings and credit co-operative societies depends mainly on funds collected from its members in terms of savings and use them to lend to the same members (Maina, 2005). This source of funding for the co-operatives is cheaper than the external or borrowed funds that the SACCO'S may use from time to time depending on the level of outstanding loans. The financial institutions that offer credit facilities to SACCOS among other borrowers have profit as their motive. They receive deposits from the general public and corporate bodies and use these deposits to lend to others. This therefore means that they have to lend the funds at higher rates so as to make their profit. Since SACCOS collect savings/deposits from members directly, they are able to mobilize these savings and lend to its members at cheaper rate.

The fact that SACCOs offer cheaper loans to its members as compared to other institutions is also under contention. This is due to the fact that one has to make some savings in the SACCO so as to access the loan. A co-operator can only access a loan which is two and a half or three times the savings that you have in the SACCO. In essence it therefore means that the amount of loan that you access is the difference between your savings and the loan applied for and/or awarded. Looking at it in terms of the Interest rate charged for the loan, it appears to be very high as opposed to the 12% or thereabout that is quoted as the annual rate. Banks and other institutions on the other hand loan you the whole amount that you apply for at the going rate and include their charges such as negotiation / commitment fee etc. Both sides of the lending institutions however lend their money depending on your ability to pay.

2.6 Structural Changes in the Banking Industry.

The term "structural change" is a loosely-defined one. In the banking field, it has been used to provide a generic name for diverse phenomena which are associated with evolutionary trends and developments in the industry. Previous references to structural change in banking suggest that the notion is not limited to changes in traditional market structure elements such as size, number and distribution of institutions or to changes in how financial services are supplied and demanded. (Llewellyn 1990, p. 125) notes that structural change is about how the basic functions of a system are performed by markets and institutions, the business structure of component institutions and markets and changes in the markets and institutional mechanisms through which financial intermediation and other services are performed.

(Gardener, 1992, p. 107-108) refers to structural developments which embrace changes in size, numbers and comparative significance of banks and other financial institutions within a financial system. It also covers those institutional changes that alter the ways in which financial services are demanded, used, developed and delivered.

Structural change can be used to refer to those shocks or environmental discontinuities that force firms to take strategic steps to realign themselves to their operating environment. In this paper, the term structural change is defined as a disturbance, shock or discontinuity to the relatively stable elements in firms' operating environment that affects the prescription for maximisation of the objective function of firms and leads them to alter their behaviour in order to realign and redefine their positions within their operating environment.

This definition makes a distinction between the factors that bring about change and the post shock adjustment process. This has not been made explicit in the literature, probably because of the constant interaction between environmental discontinuities and the adjustments that banks make to these disturbances. The relatively stable or relatively permanent strategic elements of an industry are referred to as industry structure and are underpinned by a variety of basic conditions of the industry. These relatively permanent strategic elements in a firm's environment influence and are influenced by the conduct and performance of the firm in the market in which it operates (Kock, 1980). Schmalensee (1989) distinguishes between intrinsic structural variables, which are determined by the nature of the product and the available technologies for production and marketing, and derived structural variables. The derived variables reflect factors such as government policy, business strategy and accidents of history. Whether or not a particular characteristic or variable is a relevant component of industry structure is an empirical question and not a matter of definition. The important consideration is the relevance of that characteristic to the determination of business behaviour. For example, for banking markets there is a strong case for financial regulation to be considered as a structural variable. The basic market conditions of services, which include the nature of the product and the cost and production considerations, dictate that the industry is regulated (Britton et al.,

1992). The nature of banking services take on an added significance and regulation and governmental influences become an element of structure.

Industrial structure plays an important role in the competitive process and in the analysis of the main decision variables within a firm's conduct. Industry structure at a point in time is as a result of a process of gradual evolution and is a consequence of the interaction of several factors. There are justifications for considering corporate social responsibility (CSR) as an element of structural change. As the concept has evolved, firms have increasingly had to demonstrate a response to it because of its interaction with factors such as market demand and the power of buyers. Furthermore, like regulation which is a structural variable in banking, it represents a response to real or perceived problems in the functioning of the financial system. It continues to have an impact on the operating environment of firms as the concerns of society change and firms seek to deliver appropriate responses to these concerns. CSR also has implications for the competitive process and firm performance because of its potential to act as a source of competitive advantage for firms or as a risk factor. The notion that CSR is an inherent part of banking because of the nature of the product and the regulatory regime imposed on banks further strengthens the case for considering CSR as an element of structural change, since these factors are fundamental determinants of the structure of banking markets.

In banking, structural changes such as regulatory reform can be independently determined by policy makers and as such can be altered radically. In such cases the adaptation tends to be rapid and marked. Other discontinuities such as technological advances and financial innovation that are not influenced by policy makers tend to operate more gradually. As an environmental discontinuity affecting the financial services industry, CSR is a hybrid. While not triggered and imposed by policy makers, like regulatory reform, recent government policies have provided an impetus to the impact of CSR.

2.7 Membership Loyalty and Competition.

Membership loyalty is the inherent challenge of the SACCO model. All forms of collective action must provide the right incentives for members to prevent defection and free-riders. The marginal benefits from cooperation for the individual must

exceed the benefits gained from the alternative non-cooperation. In the considerable body of literature that analyzes membership commitment to agricultural SACCOs, the non-SACCO alternative for farmers is to sell on a spot-market or patronize an investor-owned firm (Sexton 1990).

In principle, SACCOs are not supposed to directly compete with each other. The concept of solidarity is as old as the SACCO model and is still promoted in internationally recognized SACCO principles. However, the success of agricultural SACCOs in the US means that in many industries and markets SACCOs are competing with other SACCOs. For example, in the major dairy production states of California, Wisconsin, and Minnesota, more than 50 dairy SACCOs may compete annually for farmer's milk. The effect of such SACCO competition on member loyalty has not yet been explored in the literature.

The findings from most of the studies analyzing the non-pecuniary determinants of SACCO membership loyalty are no longer relevant when SACCOs rather than investor-owned firms are testing that loyalty. For example, the degree of membership homogeneity, which is generally considered a primary factor in determining SACCO commitment, would be similar for most SACCOs competing in a single industry. Likewise, these SACCOs would also be comparable in terms of other factors such as their locality and community involvement. If the SACCOs are large firms (e.g. Land O'Lakes, it buys its milk from farmers of different states) and they are competing for non-local commodities, many members will not live in the same community in which the SACCO is located, thus negating the importance of these variables. Further, the idea that members are more likely to be loyal to a SACCO if they value the ideological concept of a SACCO business is only salient when the alternative is a non-SACCO (Fulton, M.E, 1999). We know from standard game theory models of SACCOs that members will defect when the returns associated with such a strategy exceed the SACCO returns (Staatz J. M, 1987). Therefore, if another similar SACCO offers better financial returns than the member is receiving from their current SACCO, we would expect that member to defect. The financial returns would be the only differentiation between the alternative pay-offs (Kasima, 2004).

2.8 Emergence of E-Finance

Guto, (2006) researched on the extent of use of Information, communication and technology (ICT) in SACCOs. The research identified that the use of Information, Communication and Technology has led to increased efficiency in functional areas. The study which was carried out on SACCOs in Kenya showed that SACCOs that incorporated ICT had a competitive edge over those that did not. The research also identified lack of suitable application software, lack of financial resources, lack of properly qualified staff and the dynamic change in ICT as the challenges facing ICT implementation. This study has looked at the benefit that SACCOs may enjoy due to embracing of ICT such as cost savings and efficiency of processes. However many challenges occur especially in the more efficient and fully computerized banks and other financial institutions that this study did not cover.

Woods (1997) in "E-Money: Financial Management in the Electronic Age," explains the security of electronic cash transfers, deposits and payments, and shopping online and who would be responsible in case of identity theft and losses. Claessens et al. (2000) argued that together with technological advances, the emergence of e-finance, offer great benefits to consumers worldwide. They also call for a review of public policy in four areas: safety and soundness, competition policy, consumer and investor protection, and global public policy. The changes can accelerate financial sector development by lowering the costs, increasing the breadth and quality, and widening access to financial services. The e-finance impact globally would be material especially in the developing countries.

Claessens (2001) analysed the impact of e-finance on the financial systems in different countries, and the leapfrogging opportunities for emerging markets. The authors addressed new policy issues and the role of government intervention in light of these developments. Special focus is given to models of financial sector development that enable and promote e-finance in banking, capital markets, insurance, housing finance, and microfinance areas, drawing on innovative applications from the industrialized and the developing world.

Herbst (2001) argued that innovations and growth of e-finance have lagged those of e-commerce in general. E-cash has stumbled along but not lived up to its early promise

or its current potential. Despite growth of e-commerce and e-finance, some of initial promises such as the growth of e-money have not materialized. He viewed the growth in e-finance as augmentation of legacy system and innovation in new technologies and value propositions.

This chapter presents the research methodology used in the study. It covers the research design, population and sampling, data collection and data analysis method.

3.2 Research design

The study seeks to find out the financial challenges faced by SACCOs in the recent past. It focuses on SACCOs based in Nairobi. The study adopts a descriptive research design. The design is suitable because the study deals with relationships between variables and the development of generalization that have a collective validity.

3.3 Population and sample design

The population of the study comprises of all SACCOs in Nairobi, registered in the role of co-operatives, at the Kenya Union of Savings and Credit Co-operatives Union (KUSCCU) and its members are formally employed in private companies, governmental parastatals and other government departments. Banks that form the competition in this study prefer to offer their products to the formally employed persons who are also SACCO members. This is informed by the fact that they have a regular income and the deductions could be received either through check-off system from the employer's salary or through standing order at the bank.

The study population comprises of all SACCOs in Nairobi registered as at 31 December 2002. This cutoff point is determined by the changes in the banking industry in relation to new products and offering of other products starting in 2003. Currently the number of SACCOs in Nairobi falling in this category stands at 372 SACCOs.

The formula used in determining the sample size is given below:

$$n = \frac{N}{1 + \frac{N}{e^2}}$$

CHAPTER 3 - RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research methodology used in the study. It covers the research design, population and sampling, data collection and data analysis method.

3.2 Research design

The study seeks to find out the financial challenges faced by SACCOs in the recent past. It focuses on SACCOs based in Nairobi. The study adopted a descriptive research design. The design is suitable because the study deals with relationships between variables and the development of generalizations that have a collective validity.

3.3 Population and sample design

The population of the study comprises of all SACCOs in Nairobi, registered in the role of co-operatives, at the Kenya Union of Savings and Credit Cooperatives Union (KUSCO) and its members are formally employed in private companies, government parastatals and other government departments. Banks that form the comparator in this study prefer to offer their products to the formally employed persons who are also SACCO members. This is informed by the fact that they have regular income and the deductions could be received either through check-off system from the employee's salary or through standing orders at the bank.

The study population comprises of all SACCOs in Nairobi registered as at 31st December 2002. This cutoff point is determined by the changes in the banking industry in relation to personal loans and offering of other products starting in 2003. Currently the number of SACCOs in Nairobi falling in this category stands at 572 SACCOs.

The formula used to determine the sample size is given below:

$$n = \frac{Z^2 pq}{d^2}$$

Where;

- n = the desired sample size (if target population is greater than 10,000).
 Z = the standard normal deviate at the required confidence level
 P = the proportion in the target population estimated to have characteristics being measured
 q = $1-p$
 d = the statistical significance level set

Since the target population is less than 10,000, the final sample estimate is calculated using the formula below;

$$n_f = \frac{n}{1 + (n/N)}$$

Where;

- n_f = the desired sample size (if target population is less than 10,000).
 n = the desired sample size (if target population is greater than 10,000).
 N = the estimate of the population size

The confidence level chosen was 95%.

Simple random sampling was used to select the calculated sample from the population.

Based on the above;

$$Z = 1.96$$

$$P = 0.5$$

$$q = 1-p = 0.5$$

$$d = 0.95$$

Using the first formula;

$$n = \frac{(1.96)^2 \times 0.5 \times 0.5}{(0.05)^2}$$

$$n = \frac{0.9604}{0.0025}$$

$$= 384$$

Since the sample size is 570, which is less than 10,000, we calculate for n_f using the second formula, where;

n as calculated above is

$$N = 570$$

$$\begin{aligned} \text{Therefore } n_f &= \frac{384}{1 + (384/572)} \\ &= 229.7573 \end{aligned}$$

The sample size is therefore 230.

3.4 Data collection

Data was collected using secondary and primary methods. A review of existing literature was carried out to understand the studies that had been done and to bring out the various discussions on the SACCO movement in Kenya. Primary data was collected through the use of questionnaires which were circulated to the treasurers or managers of the SACCOs sampled randomly. Both open and closed ended questions were used to collect data in the questionnaire. The questionnaire was divided into three sections, section A which dealt with the SACCO profile, section B which dealt with the business of the SACCO and Section C which dealt with competition. The questionnaires were distributed to the respondents to fill and later picked. In some instances the questionnaires were administered to the respondent by the researcher.

3.5 Data Analysis PRESENTATION, ANALYSIS AND INTERPRETATION

The data gathered from the respondents was checked for completeness, collated, and coded. The Statistical Package for Social Sciences (SPSS Version 17) was then used for data entry and the results analyzed using descriptive statistics comprising of tables, graphs, frequencies and percentages for ease of interpretation. The results have been presented in chapter four.

and issuing loans to its members. Out of the 230 SACCOs sampled, only 186 responded, giving a response rate of 80.87%. The 186 respondents were used and the information presented in form of pie charts, bar graphs and tables.

4.1 Characteristics of the respondent SACCOs

This section sought to show the general information of the respondents. Issues such as period of existence, total number of employees, level of education, total members, etc. were captured in the first section of the questionnaire.

4.1.1 Period of existence

Majority of the respondents indicated that their SACCO had been in existence for more than 25 years (54%), while others said that their SACCO had been in operation between 20 and 25 years (23%). Others have been in existence for between 10 and 20 years (15%). Notably a few indicated that they had been in existence for 10 years or less (8%). Table 4.1 below tabulates the findings.

Table 4.1 Period in Existence

Period of existence	Number of SACCOs	Percentage (%)
Over 25 Years	100	54%
20-25 Years	43	23%
10-20 Years	28	15%
10 Years and Below	15	8%
Total	186	100%

4.1.2 Number of Employees

Table 4.2 below shows the categorization of the SACCOs with the number of employees they have. From the table it can be seen that majority of the

CHAPTER 4 - DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter entails the findings of the study based on the data collected from the field. The study sought to establish if the products that the commercial banks offer to members of savings and credit co-operative societies has any effect on the business of SACCOs of mobilizing savings and issuing loans to its members. Out of the 230 SACCOs sampled, only 186 responded, giving a response rate of 80.87%. The 186 respondents were used and the information presented in form of pie charts, bar graphs and tables.

4.2 Characteristics of the respondent SACCOs

This section sought to show the general information of the respondents. Issues such as period of existence, total number of employees, level of education, total membership were captured in the first section of the questionnaire.

4.2.1 Period in existence

Majority of the respondents indicated that their SACCO had been in existence for more than 25 years (54%) while others said that their SACCO had been in operation for between 20 and 25 dyears (23%). Others have been in existence for between 10 and 20 years (15%). Notably a few indicated that they had been in existence for 10 years or less (8%). Table 4.1 below tabulates the findings.

Table 4.1 Period in Existence

Period of existence	Number of SACCO's	Percentage (%)
Over 25 Years	100	54%
20 – 25 Years	43	23%
10 – 20 Years	28	15%
10 Years and below	15	8%
Total	186	100%

4.2.2 Number of Employees

Table 4.2 below gives the categorization of the SACCOs with the number of employees that they have. From the table it can be seen that majority of the

respondents (47%) have less than 15 employees in their SACCOs, 32% of the respondents have between 15 and 25 employees, 18% of the respondents have between 25 and 50 employees while Only 3% have above 50 employees.

Table 4.2 Number of Employees

Class	Number of Employees	Percentage (%)
50 and Above	6	3%
25 – 50	33	18%
15 – 25	60	32%
15 and below	87	47%
Total	186	100%

4.2.3 Level of Education

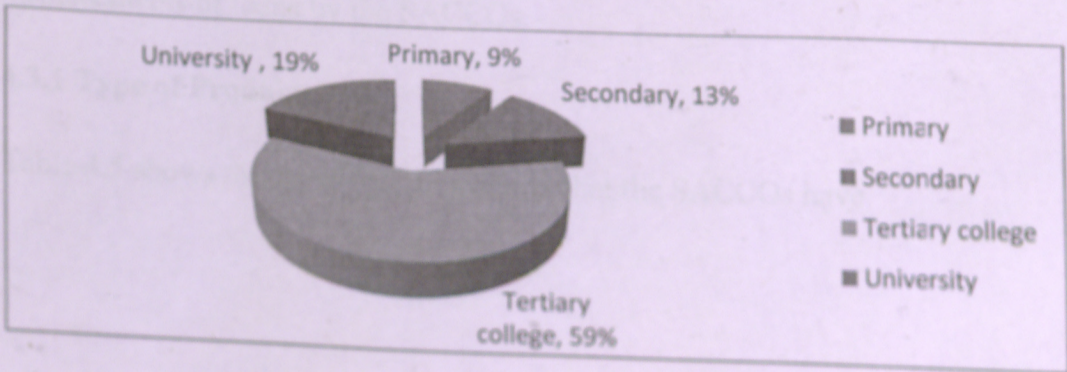
The study intended to find out the level of education of employees of each SACCOs as a percentage of the total staff. Thereafter an average for all the respondents was calculated. The following results were arrived at.

Table 4.3 Level of Education

Level of Education	Percentage (%)
Primary	9%
Secondary	13%
Tertiary College	59%
University	19%
Total	100%

Figure 4.1 below shows the highest level of education that the employees of the respondents had attained. It can be seen that a majority of the SACCO employees (59%) have tertiary education

Figure 4.1 Level of Education



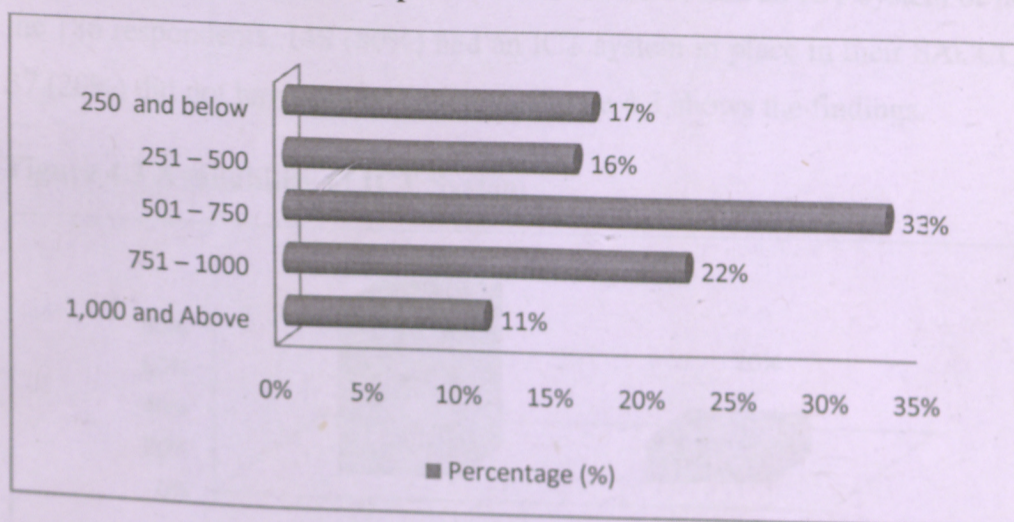
4.2.4 Total Membership

In terms of SACCO membership as at the end of December 2010, table 4.4 and figure 4.2 below gives a summary from the study results. About one third of the SACCOs had between 501 and 750 members with only 11% have 1000 and above in membership.

Table 4.4 Total Membership

Class	Number of respondents	Percentage (%)
1,000 and Above	21	11%
751 – 1000	41	22%
501 – 750	62	33%
251 – 500	30	16%
250 and below	32	17%
Total	186	100%

Figure 4.2 Total Membership



4.3 Operations of the SACCO

This section of the study shows the products offered by the SACCOs, ICT in use and disbursements of loans by the SACCOs.

4.3.1 Type of Products

Table 4.5 shows the type/kind of products that the SACCOs have.

Table 4.5 Type of Product

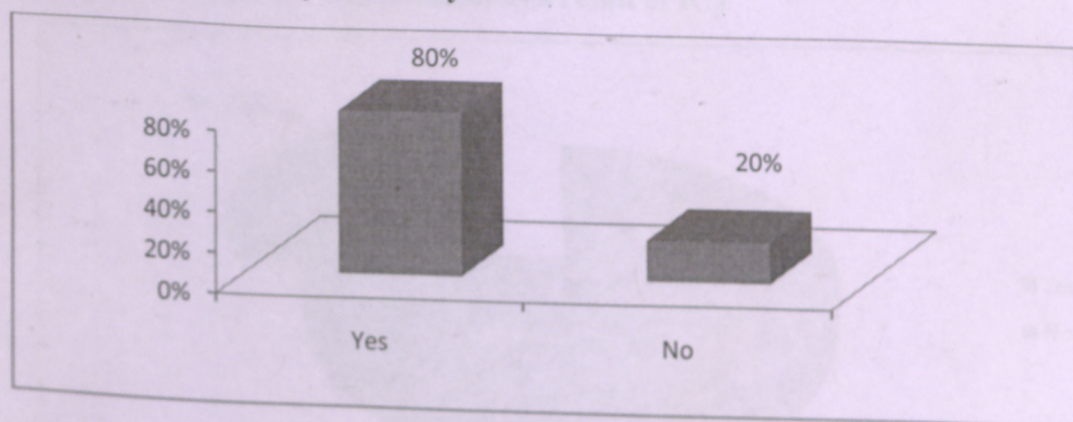
Type of Loan	Yes		No	
	F	%	F	%
Development loans	186	100	0	0
Emergency loans	155	83	31	17
School fees loans	135	73	51	27
Household assets loan	40	22	146	78

The study established that all the respondent SACCOs offered development loans. Notably 83% said that their SACCOs provided their members with emergency loans while 73% indicated that they provided their members with school fees loans. On the other hand only 22% said that they provided their members with household assets loans.

4.3.2 Availability of ICT System

The study shows responses on whether the SACCOs had an ICT system or not. Out of the 186 respondents, 149 (80%) had an ICT system in place in their SACCO whereas 37 (20%) did not have any ICT system. Figure 4.3 shows the findings.

Figure 4.3 Availability of ICT System

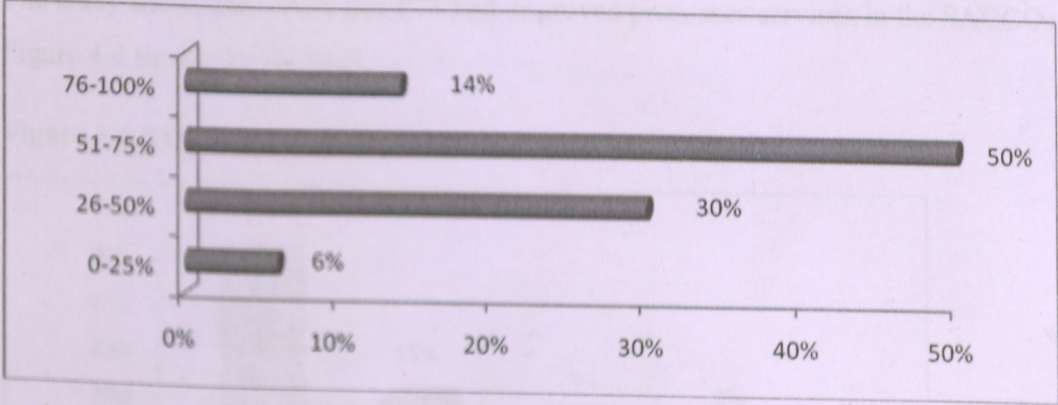


According to the findings, 80% of the respondents indicated that an ICT system was available in their SACCO.

4.3.3 Processes computerized

Figure 4.4 shows responses on percentage of processes that are computerized .

Figure 4.4 Processes computerized

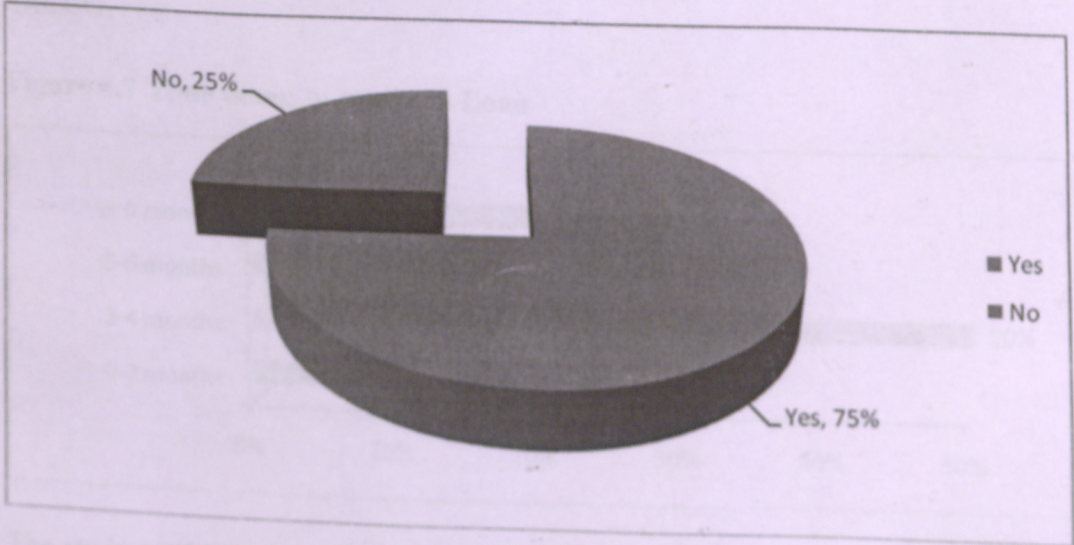


Out of the respondents who indicated the presence of an ICT system in their SACCOs, the study established that 50% indicated that 51-75% of their processes were computerized while 30% said that 26-50% of their processes were computerized. On the other hand 14% indicated that 76-100% of their processes were computerized while 6% said that 0-25% of their processes were computerized.

4.3.4 Efficiency Improvement as a result of ICT

The study shows responses on whether ICT has improved efficiency of services. Figure 4.5 shows the findings.

Figure 4.5 Efficiency improvement as a result of ICT



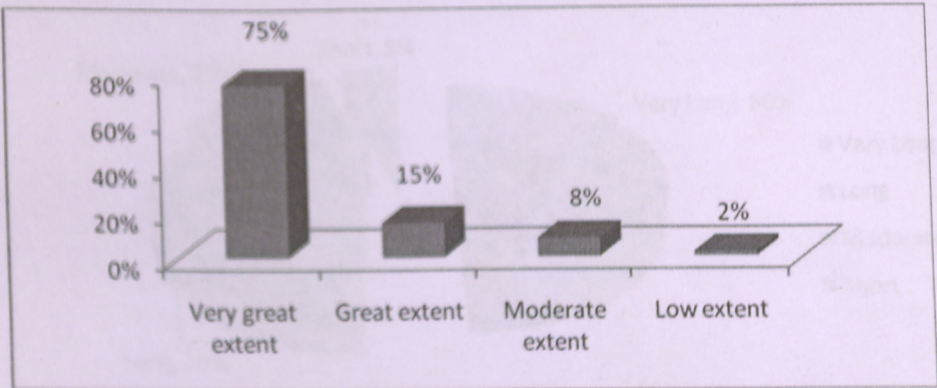
According to the findings, 75% indicated that the efficiency of services had improved as a result of ICT system while 25% disagreed that ICT had improved efficiency of services.

4.3.5 Extent of efficiency

The study shows the extent that ICT had improved processes/services in the SACCOs.

Figure 4.6 shows the findings.

Figure 4.6 Extent of efficiency

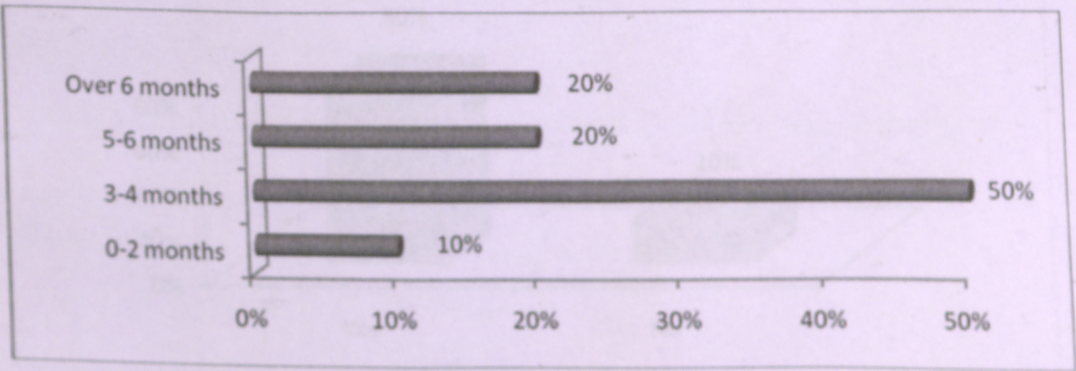


The study established that 75% indicated that efficiency of processes had improved to a very great extent while 15% said that it had improved to a great extent. On the other hand 8% indicated that it had improved to a moderate extent. Only 2% said that processes had improved to a low extent.

4.3.6 Time taken to receive a Loan

Figure 4.7 shows responses on the period an applicant takes to get a loan from the SACCO.

Figure 4.7 Time taken to receive a Loan

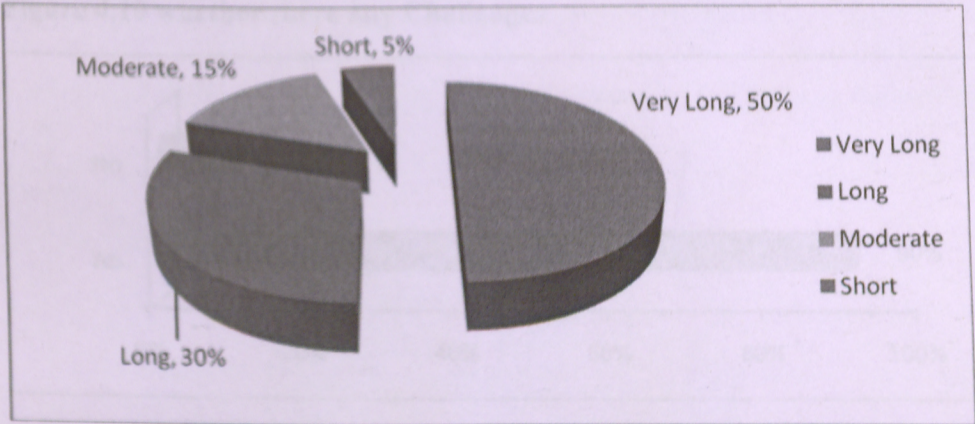


The study established that 50% indicated that it took an applicant 3-4 months to get a loan while 20% said that it took 5-6 months and over 6 months to get a loan respectively. Only 10% indicated that it took 0-2 months to get a loan from a SACCO.

4.3.7 Waiting Time to receive SACCO loan.

The study shows responses on the respondents view on the waiting time to receive a loan. Figure 4.8 shows the results of the findings.

Figure 4.8 Waiting Time

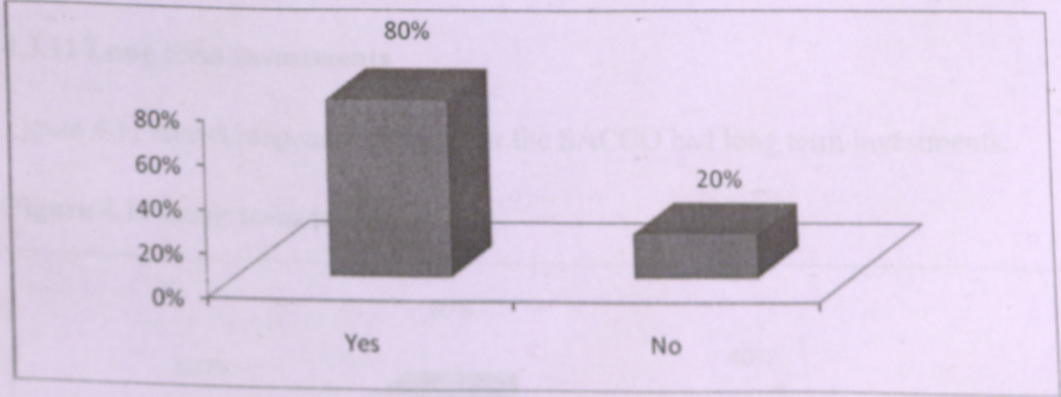


Majority of the respondents (50%) felt that the waiting time was very long while 30% said that it was long. On the other hand 15% said that the waiting time was moderate while 5% said that the waiting time was short.

4.3.8 Effects on Members Satisfaction

Figure 4.9 shows responses on whether the members were satisfied with the waiting time of processing the loan.

Figure 4.9 Effects on members satisfaction

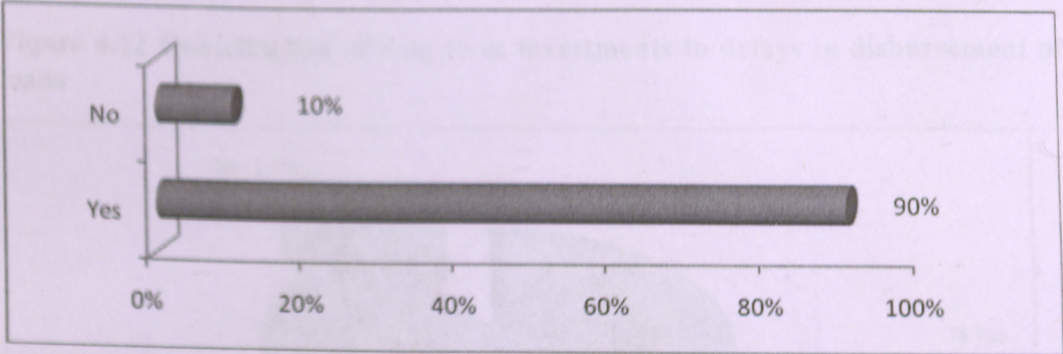


According to the findings, 80% of the respondents indicated that the waiting time affected the satisfaction of their members whereas 20% indicated that it did not affect members satisfaction.

4.3.9 Whether there are any Challenges in meeting loan requests

The study questionnaire also had a question seeking to get the respondents view on whether they were facing challenges with meeting the loan requests from their members. Figure 4.10 shows the responses.

Figure 4.10 whether there any Challenges



The study established that 90% indicated that there were challenges in meeting the loan requests by members. Only 10% of the respondents from these SACCOs felt that they are able to meet all the loan requests of their members without any problems.

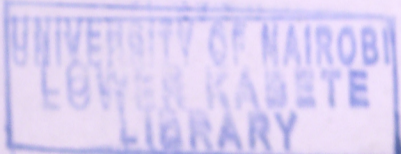
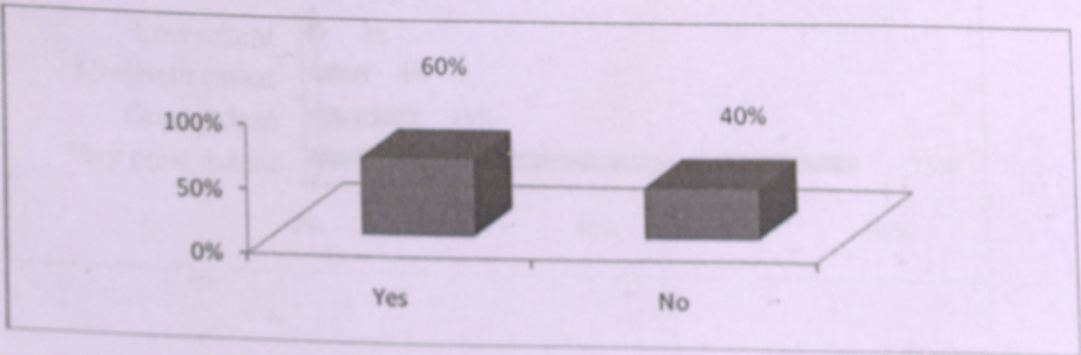
4.3.10 Challenges that exist

The study found out that some members failed to give all the required information when requesting for a loan from the SACCO. Further some of the members lacked adequate guarantors who act as security for the loans requested for. Some respondents indicated that cashflow is a major challenge in issuing loans.

4.3.11 Long term investments

Figure 4.11 shows responses on whether the SACCO had long term investments.

Figure 4.11 Long term investments

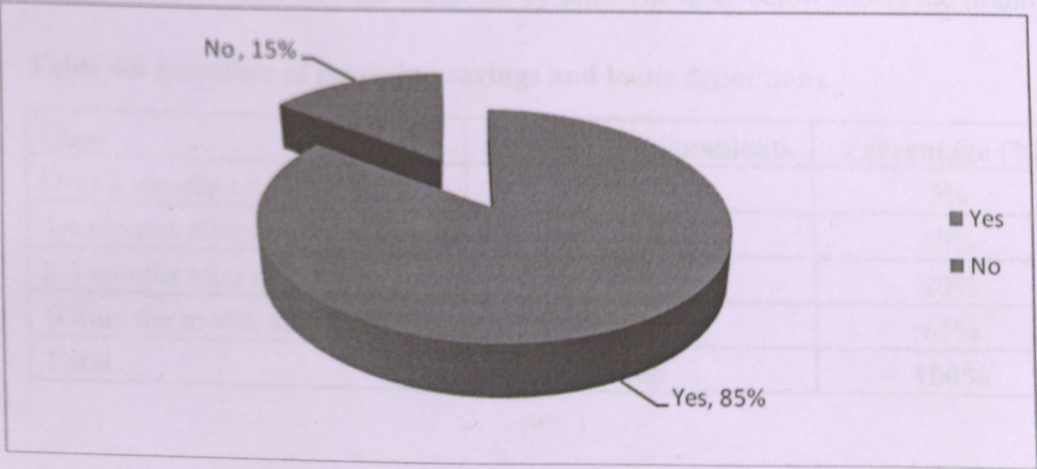


According to the findings, 60% indicated that their SACCO has long term investments while 20% indicated that they did not have long term investments.

4.3.11 Contribution of long term investments to delays in disbursement of loans

The study shows responses on whether long term investments have contributed to delays in disbursements in loans. Figure 4.12 shows the findings.

Figure 4.12 Contribution of long term investments to delays in disbursement of loans

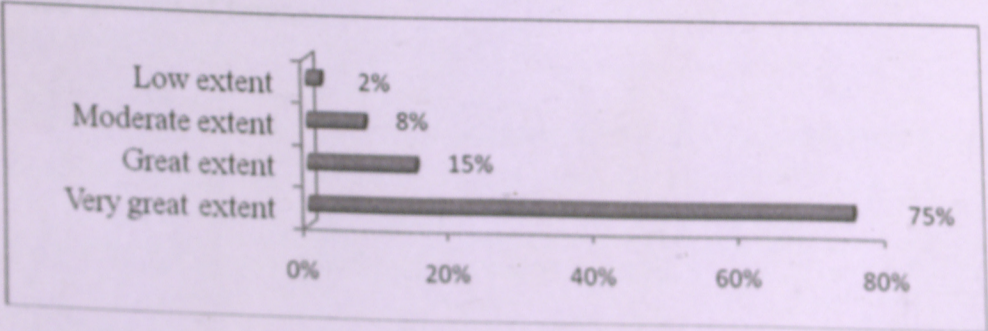


According to the findings, 85% indicated that long term investments had contributed to delays in disbursement in loans while 15% disagreed that long term investments had contributed to delays in disbursement in loans.

4.3.12 Extent of delays

Figure 4.13 shows the extent that long term investments had caused delays in disbursement of loans.

Figure 4.13 Extent of delays



The study established that 75% indicated that long term investments caused delays in disbursements of loans to a very great extent while 15% said that delays were to a great extent. On the other hand 8% indicated that delays in disbursement were to a moderate extent while only 2% pointed out that delays in disbursements of loans was to a low extent.

4.3.13 Duration of remitting savings and loans deductions

The study shows responses on the duration taken to remit savings and loans deductions recovered through check-off system. The table below shows the findings;

Table 4.6 Duration of remitting savings and loans deductions

Class	Number of respondents	Percentage (%)
Over 6 months after deduction	9	5%
4-6 months after deduction	19	10%
2-3 months after deduction	37	20%
Within the month after deduction	121	65%
Total	186	100%

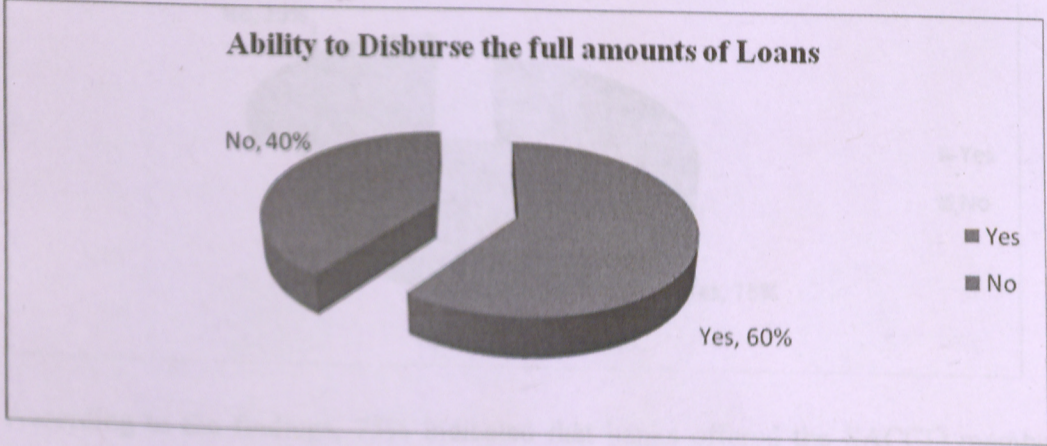
According to the findings, 65% of the respondents indicated that the employer remits the member deduction of loans and savings within one month after deduction while 20% of the respondents said that it took between 2 and 3 months after deduction to remit savings and loans. On the other hand 10% indicated that it took 4-6 months after deduction to remit savings and loans while only 5% pointed out that it took over 6 months after deduction for employers to remit savings and loans.

4.3.14 Ability to disburse the full amounts of loans

Figure 4.15 shows responses on whether the SACCOs have the ability to disburse the full amounts of loans.

Figure 4.16 Whether Banks Offer Loans

Figure 4.15 Ability to disburse the full amounts of loans



The study established that 60% indicated that their SACCO did not have the ability to disburse the full amounts of loans as applied for by the members.

4.3.15 Reasons for the above

Table 4.7 shows reasons why the SACCO lacked the ability to disburse the full amounts of loans.

Table 4.7 Reasons for the above

	Yes		No	
	F	%	F	%
Lack of funds/liquidity constraints	126	67.7	60	32.3
Ability to pay by the member	140	75.3	46	24.7

The study established that 67.7% indicated that lack of funds/liquidity constraints was a reason that made the SACCO fails to disburse the full amounts. Notably 75.3% pointed out that ability to pay by the member was another reason that made the SACCO not to disburse the full amounts of loans.

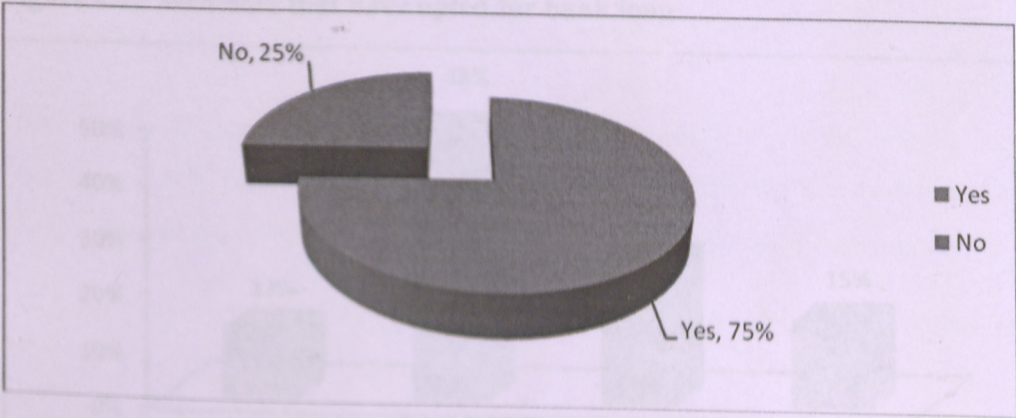
4.4 Competition

This section of the study shows the strategies used by the competitors to win members from the SACCO.

4.4.1 Whether banks offer loans to SACCO members

The study shows responses on whether banks offer loans to the members of SACCOs. Figure 4.16 shows the findings.

Figure 4.16 Whether Banks Offer Loans



According to the findings, 75% indicated that banks offered the SACCO members loans while on the other hand 25% disagreed that banks offered loans to their members.

4.4.2 Retiring previous loan(s).

Table below shows responses on whether loan offered involve retiring the loan previously held by the member of the SACCO in favour of the bank.

Table 4.8 Retiring Previous Loan

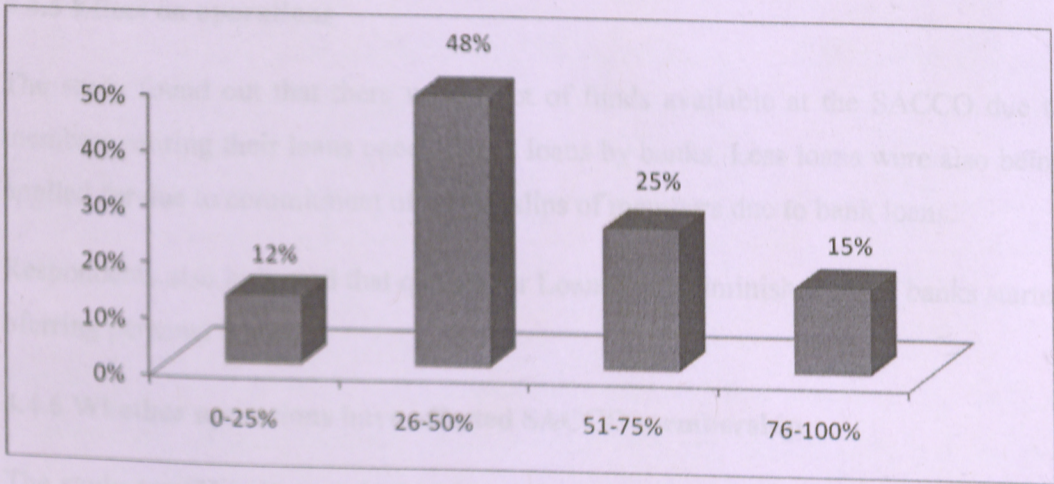
	No. of respondents	Percentage (%)
Retired SACCO loans in favour of bank loan	149	80%
Did not retire SACCO loans in favour of bank loan	37	20%
Total	186	100%

The study established that 20% of respondents disagreed that they retired the loan previously held by the member of the SACCO in favour of the bank loan. On the other hand 80% indicated that the SACCO retired the loan previously held by the member in favour of the bank loan.

4.4.3 Members that have opted for bank loan

The study shows responses on members that have opted for bank loan instead of the loans from the SACCO. Figure 4.18 shows the results of the findings.

Figure 4.18 Members that have opted for bank loan

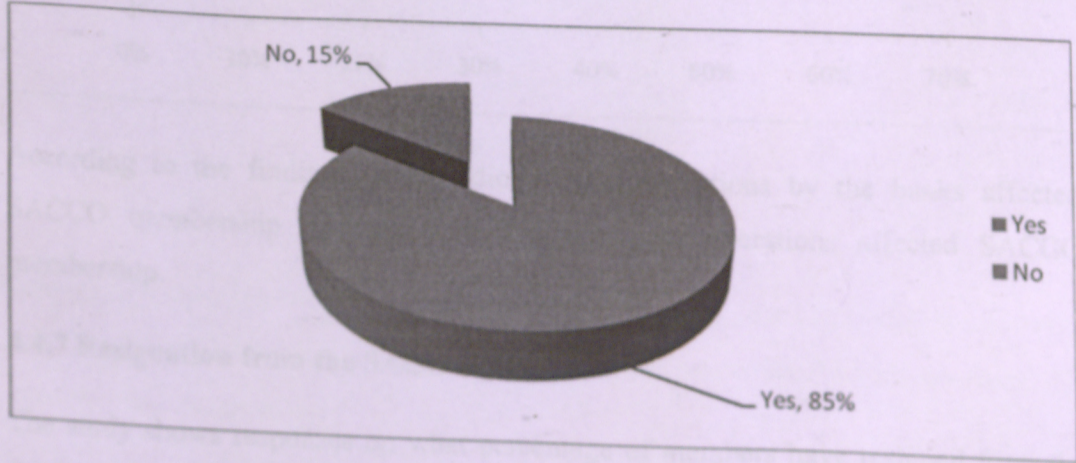


According to the findings, 48% indicated that 26-50% of the members opted for bank loan instead of loans from the SACCO while 25% said that 51-75% of the members opted for bank loan. Notably 15% pointed out that 76-100% indicated that they opted bank for loan instead of SACCO,s loan while only 12% said that 0-25% opted for bank loan instead of SACCO loans.

4.4.4 Whether operations have been affected

Figure 4.19 shows responses on whether bank loans have affected operations of the SACCOs.

Figure 4.19 Whether Operations have been Affected



The study established that 85% indicated that operations at the SACCO had been affected by bank loans while 15% disagreed.

4.4.5 Effect on operations

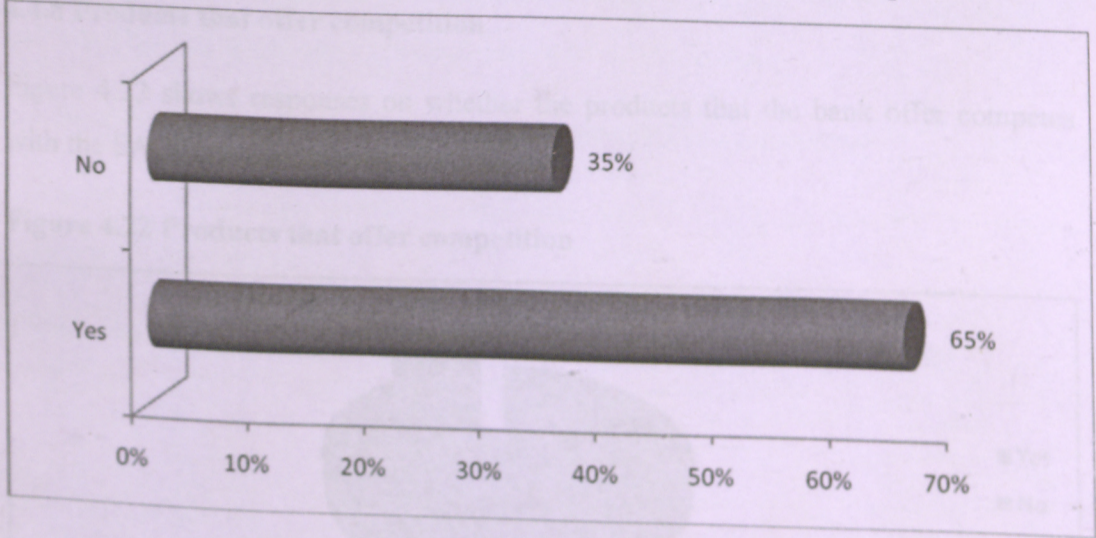
The study found out that there were a lot of funds available at the SACCO due to members retiring their loans once offered loans by banks. Less loans were also being applied for due to commitment of the payslips of members due to bank loans.

Respondents also indicated that queues for Loans have diminished since banks started offering personal loans.

4.4.6 Whether operations have affected SACCO membership

The study sought to know whether the operations by the bank have affected SACCO membership. Figure 4.20 shows the findings .

Figure 4.20 Whether Operations have affected SACCO Membership



According to the findings, 65% indicated that operations by the banks affected SACCO membership whereas 35% disagreed that operations affected SACCO membership.

4.4.7 Resignation from the SACCO

The study shows responses on what percentage of members have resigned from the SACCO membership. The table below shows the results of the findings.

Table 4.9 Resignation from the SACCO

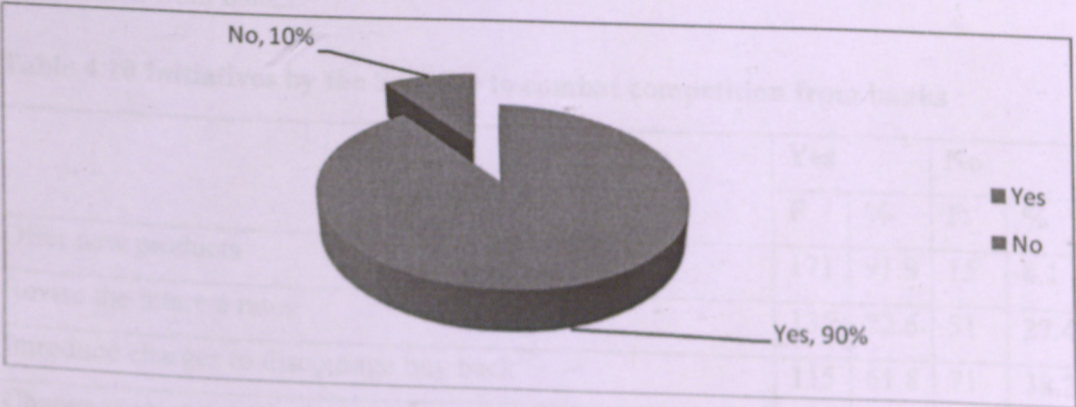
Class	Number of respondents	Percentage (%)
76% - 100%	2	1%
51% - 75%	28	15%
26% - 50%	71	38%
0-25%	85	46%
Total	186	100%

The study shows that 46% of the respondents indicated that 0-25% of the SACCO members had resigned from the SACCO while 38% said that 26-50% had resigned their membership from the SACCO. Notably 15% said that 51-75% had resigned their membership from the SACCO while only 1% indicated that 76-100% resigned their membership from the SACCO.

4.4.8 Products that offer competition

Figure 4.22 shows responses on whether the products that the bank offer competes with the SACCO products mentioned earlier.

Figure 4.22 Products that offer competition

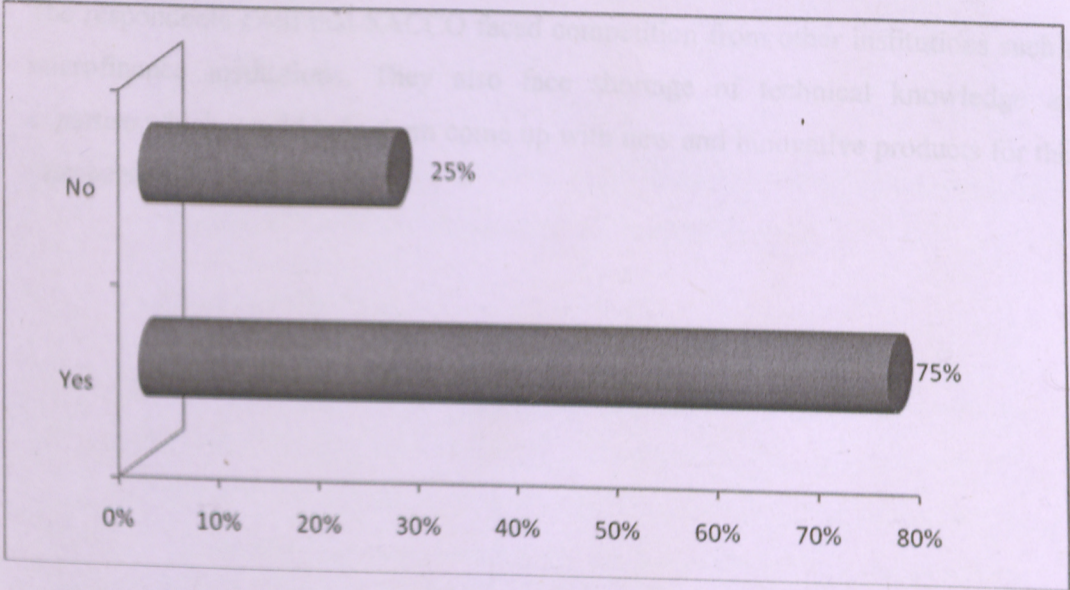


The study shows that 90% indicated that the products that the bank offered competed with the SACCO products whereas 10% felt that the products offered by the bank did not offer any competition.

4.4.9 Steps to counter activities by the banks

The study shows responses on whether the SACCO had introduced steps to counter activities by the banks. Figure 4.23 shows the results of the findings.

Figure 4.23 Steps to counter activities by the banks



Majority of the respondents (75%) indicated that the SACCO had taken steps to introduce products to counter activities by the banks while 25% felt that the SACCOs had not taken any measures to counter activities by the banks.

4.4.10 Initiatives by the SACCO to combat competition from banks

Table 4.10 shows the initiatives that the SACCO has introduced to combat competition from banks.

Table 4.10 Initiatives by the SACCO to combat competition from banks

	Yes		No	
	F	%	F	%
Offer new products	171	91.9	15	8.1
Revise the interest rates	135	72.6	51	27.4
Introduce charges to discourage buy back	115	61.8	71	38.2
Change repayment schedule of loans (amortization)	41	22	145	78

The study shows that 91.9% indicated that they had introduced steps such as offering new products while 72.6% said that they had revised the interest rates. Notably 61.8% pointed out that they had introduced charged to discourage buy back. However 78% disagreed that the SACCO had introduced a change repayment schedule of loans (amortization).

4.4.11 Other Challenges affecting SACCO Operations

The respondents cited that SACCO faced competition from other institutions such as microfinance institutions. They also face shortage of technical knowledge and expertise which would help them come up with new and innovative products for their members.

4.5 Summary of Findings

The study established that most SACCOs have been in operation for more than 25 years, indicating that they have a lot of experience in the services they offer. A majority of the staff have attained tertiary education, meaning that the SACCOs enjoy services of skilled staff members which helps the SACCOs achieve its objectives.

The study also has established that a large number of SACCOs have a membership of between 500 and 700. This means that the SACCOs have a scope for the expansion of operations and by extension their capitalization.

The study established that SACCOs offer development loans to its members. The findings have also established that this is the main product that they offer to their members. Notably a good number said that such SACCOs provided their members with emergency loans while a large number indicated that they provided their members with school fees loans. On the other hand a smaller number said that they provided their members with household assets loans.

According to the findings, a good number indicated that an ICT system was available in their SACCOs. Further majority of the respondents indicated that the efficiency of services was improved as a result of ICT system. The study found out that majority indicated that it took an average of 1-2 weeks to get a loan while a few said that it took 3-4 weeks. A good number of respondents indicated that they were not satisfied with the waiting time after application. Further majority indicated that the waiting time was very long. It was evident that a good number indicated that there were challenges in meeting the loan requests in a timely manner. Further it was also evident that long time involvement that the SACCOs involve in the process of loan disbursement is likely to be a challenge in the future.

CHAPTER 5 - SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter summarizes the findings of the study. It includes conclusions drawn from the study, recommendations and suggestions for further research.

5.2 Summary of Findings

The study established that most SACCOs have been in operation for more than 25 years, indicating that they have a lot of experience in the services they offer. A majority of the staff have attained tertiary education, meaning that the SACCOs enjoy services of skilled staff members which helps the SACCOs achieve its objectives.

The study also has established that a largest number of SACCOs have a membership of between 501 and 750. This means that the SACCOs have a scope for the expansion of membership and by extension their capitalization.

The study established that SACCOs offer development loans to its members. The findings have also established that this is the main product that they offer to their members. Notably a good number said that their SACCOs provided their members with emergency loans while a fairly large number indicated that they provided their members with school fees loans. On the other hand a smaller number said that they provided their members with household assets loans.

According to the findings, a good number indicated that an ICT system was available in their SACCO. Further majority of the respondents indicated that the efficiency of services had improved as a result of ICT system. The study found out that majority indicated that it took an applicant 3-4 months to get a loan while a few said that it took 5-6 months and over 6 months to get a loan. A few respondents however indicated that they receive their loans between zero and two months after application. Further the respondents cited that the waiting time was very long. It was evident that a good number indicated that there were challenges in meeting the loan requests by members. Further it was also evident that long term investments that the SACCOs involve themselves in have contributed to delays in disbursement in loans.

The study showed that majority of the respondents indicated that it took a duration of 4-6 months after deduction from the pay of members for the employer to remit member savings and loans advanced. Lastly the study found out that a good number said that lack of funds/liquidity constraints was a reason that made the SACCO fail to disburse the full amount of loan applied for. Notably majority of the respondents pointed out that ability to pay by the member was another reason that made the SACCO not to disburse the full amounts of loans.

It was evident that a large percentage of the respondents indicated that banks offered their members loans. The study established that the respondents agreed that their members retired the loan previously held by the member of the SACCO in favour of the bank loans.

The study further found out that a large percentage of the respondents have indicated that 26-50% of the members opted for bank loan instead of loans from the SACCO. This has led to members resigning from the SACCO so as to be able to qualify for the bank loan. The study further found out that the respondents indicated that the products offered by the bank competed with products provided by the SACCO.

The respondents agreed that the SACCOs had provided steps that helped them counter activities of the bank. Further a good number indicated that they had introduced steps such as offering new products while others said that they had revised the interest rates of the loans they are offering. Notably majority of the respondents pointed out that they had introduced charges to discourage buy back. However a good number disagreed that the SACCO had introduced a change in the repayment schedule for loans (amortization).

5.3 Conclusions

The study concluded that SACCOs were effective in helping the members upgrade their living standards though they suffered some setbacks. The respondents cited that it took long time to get a loan processed by the SACCOs. This was primarily due to the fact that the SACCOs lack funds to advance to the cooperators. The liquidity constraints are due to the late submission of deductions by employers and the limited contributions by the membership. It has also been established by the study that the

long term investments undertaken by the SACCOs affect the liquidity position of the SACCOs.

Due to the challenges above, the members are unable to get the loans applied for from the SACCOs and are therefore tempted to move to the banks which are faster in issuing loans and may not put conditions such as accumulation of savings in order to qualify for loans. The study has therefore established that the products that the Commercial Banks offer to members of savings and credit co-operative societies has an effect on the business of SACCOs of mobilizing savings and issuing loans to its members. The effects include the retirement of SACCO loans in favour of bank loans, members retiring from the SACCO and taking bank loans instead and the reduction of membership and by extension the member savings.

5.4 Recommendations of the study

The study recommends that SACCOs should generally consider including members outside the common bond so as to help in boosting the capital base of SACCOs where as at the same time they have a larger clientele base. This would be beneficial as they will be expanding their revenue base while at the same time offering comparatively cheaper loans to its members. In this way they will be countering the competition from the banks and other financial institutions. This is due to the fact that SACCOs are sometimes unable to offer loans to its members because of lack of funds. By expanding its membership, they will be able to collect more to savings and at the same time through repayments.

The process of qualifying members for loans is based on the members' savings in the SACCO. This therefore means that the more you save, the more you get as loan. On the other hand, loans awarded are based on the ability to pay through the pay-slips. The repayment of principle is constant over the term of the loan where as interest reduces as repayment continues. This has an effect of having higher deductions in the first month and the lowest in the last month. SACCOs should therefore change their mode of deduction so that an equal amount is deducted every month and this is distributed between interest and principle until the loan is cleared over the loan term. The interest will still be charged on a reducing balance but members will be able to qualify for a higher amount.

Since all SACCO loans are guaranteed by other members and therefore SACCOs do not have any bad debts, it may be more beneficial to them to increase the repayment periods of loans so as to enable members to qualify for bigger loans. This will in effect lock in more of their clients to them. Banks may not have this privilege and therefore, they can't offer unsecured loans for longer period. SACCOs may use this to their advantage.

SACCOs should consider offering loans to its members where deductions may not be necessarily limited to the ability to pay through the pay slips/ check-off system. This therefore means that the repayments could be made from sources outside the pay-slips. SACCOs give loans to its members so that they are able to start economic and other activities so as to lift their status economically. It would be prudent to allow the same members to access loans and make repayments of loans from the proceeds of these economic activities.

There appears to be a larger scope for expansion of services/ products that the SACCOs have not taken up. For example, the household assets loan has not been implemented by a majority of SACCOs. Since a large percentage of loans accessed by members are used to purchase private vehicles, the SACCOs may also consider introducing more products such as vehicle Insurance premium financing.

Lastly all SACCOs should consider computerizing their activities so that they save on costs associated with manual processes whereas at the same time they will be able to improve their efficiency. This will enable SACCOs offer satisfactory services to their members at a cost effective way and remain competitive in the market.

5.5 Suggestions for further Research

The research focused SACCOs in Nairobi only. SACCOs outside Nairobi may be considered for future researches.

SACCOs linked to government institutions only or SACCOs linked to private sector institutions may be considered for a similar research in the future.

A semi-structured questionnaire was used to collect data from respondents. The researcher suggests that future studies to be conducted using interview guide and involve respondents into discussions. This would help the researcher direct the conversation toward the topic to establish if the products that the Commercial Banks offer to members of savings and credit co-operative societies has any effect on the business of SACCOs of mobilizing savings and issuing loans to its members.

Finally the researcher suggests that a study could be carried out on the challenges of implementing ICT in the SACCOs. This is because it came out clearly during the research that some SACCOs had challenges in implementing ICT systems in their SACCOs.

REFERENCES

- Arene, C.J. (1992). *Loan repayment and technical assistance among smallholder maize farmers in Nigeria*, African Review of Money Finance and Banking. A supplement of Savings and Development Journal, Vol. 1, pp. 64-72.
- Bibangamba, J. R. (1993). *The co-operative Movement in Uganda, Transition to a free Market*, Year Book of Co-operatives enterprises, the Pukett Foundation.
- Britton, L.C., Clark, A.R. and Ball, D.F. (1992). *Modify or extend? The application of the structure conduct performance approach to service industries*, Services Industries Journal, Vol. 12 No. 1, January, pp. 34-43.
- Central Bank of Kenya (2002). *Annual Report*
- Central Bank of Kenya (2003). *Annual Report*
- Chirwa, E.W. (1997). *An econometric analysis of the determinants of agricultural credit repayment in Malawi*, African Review of Money Finance and Banking. Supplement of the Saving and Development Journal, Vol. 1 No. 2, pp. 107-19.
- Fulton, M and Konstantinos, G. (2001). *Organizational commitment in a mixed oligopoly: agricultural SACCOs and investor-owned firms*. American Journal of Agricultural Economics, 83(Number 5):1258-1265.
- Fulton, M.E. (1999). *SACCOs and Member Commitment*. Finnish Journal of Business Economics, 4:418-37.
- Gachare, J.R. (1990). *An Investigation into the investment Practices of Reserve funds in SACCOs in Nairobi*, Unpublished MBA project report, School of business, University of Nairobi.
- Gardener, E.P.M. (1992). *Banking strategies and 1992*, in Mullineux, A. (Ed.), European Banking, Basil Blackwell, Oxford.
- Goto D. H. (2004). *Financial Management problems in Savings and Credit Societies*, Unpublished MBA Project report, United States International University, Nairobi.

- Government of Kenya (1975). *Co-operative Development Policy for Kenya*, Co-operative Sessional paper No. 14, Government press, Nairobi
- Government of Kenya (1987). *Renewed Growth through the Co-operative Movement*, Sessional Paper No. 4, Government press, Nairobi
- Government of Kenya (1994). *Recovery and sustainable Development to the year 2010*, Co-operative Sessional paper No. 1, Government press, Nairobi
- Government of Kenya (1997). *8th National Development Plan*, Government Printers, Nairobi.
- Government of Kenya (1997). *Co-operatives in a liberalised economic environment*, Co-operative Sessional paper No. 6, Government press, Nairobi
- Government of Kenya (2004). *Co-operative Societies Act (Amended)*, Government press, Nairobi
- Government of Kenya (2004). *Revitalizing the co-operative sector for economic growth*, Co-operative Sessional paper, Government press, Nairobi
- Government of Kenya (2007). *Medium Term Expenditure Framework 2007/2008-2009/2010, Report for the Agriculture and Rural Development (ARD) Sector*, Government Printer, Nairobi
- Government of Kenya (2008). *Kenya Vision 2030, First Medium Term Plan, 2008-2012*, Government press, Nairobi.
- Ileve G. K. (2008). *A survey of the investment practices among SACCOs in Nairobi*. Unpublished MBA Project, University of Nairobi.
- International Cooperative Alliance (2005). <http://www.ica.coop> Accessed on 14th June 2010
- International Monetary Fund (2007). *Kenya: Poverty Reduction Strategy Annual Progress Report - 2004/2005*, IMF Country Report No. 07/159, International Monetary Fund. Washington, D.C.
- Kasima, C. (2004). *The Change Management practices and resistance to change in multinational oil companies in Kenya*. Unpublished MBA Project, University of Nairobi.

Kock, J.V. (1980). *Industrial Organisation and Prices*, Prentice-Hall, London.

Llewellyn, D. (1990). *Competition, diversification and structural change in the British financial system*, in Fair, D. and de Boissieu, D. (Eds), *Financial Institutions under New Competitive Conditions*, Kluwer Publishers, New York, NY.

Ministry of Co-operative Development and Marketing Website
www.cooperative.go.ke Accessed on the 16th September 2010.

Mudibo, E. K. (2006). *Challenges and Opportunities Facing the Kenyan Savings and Credit Co-operative Movement*, Presentation during the Africa Savings and Credit Co-operatives Conference 3rd - 6th October 2006 at the Grand Regency Hotel, Nairobi, Kenya

Mugenda, O and Mugenda, A. (2003). *Research methods, Quantitative and Qualitative Approaches*. Acts press, Nairobi Kenya

Mutugu and Mwarania (1986). *Savings and Credit Co-operative Societies and the Development of Kenya's Economy: A Management Perspective*.

Naude, W. (1995). *Financial Liberalisation and Interest rate risk Management in Sub-Saharan Africa*. Oxford centre for the study of African economies, Institute of Economics and statistics, University of Oxford.

Nikhade, D.M., Shinde, P.S. and Nighot, S.M. (1994). *Crop loan repayment behaviour in cotton growers*, *Agricultural Banker*, October/December, pp. 13-16.

Njoku, J.E. (1997). *Determinants of loan repayment under the special emergency loan scheme (SEALS) in Niger: a case study in Imo state*, *African Review of Money Finance and Banking*, Vol. 1, pp. 39-51.

Obuon J. S. (1998). *Determinants of Savings: The case of SACCO's in Kenya*, Unpublished MA project report, School of Economics, University of Nairobi.

Odhiambo, N.M. (2008). *Financial depth, savings and economic growth in Kenya: a dynamic casual relationship*, *Economic Modelling*, Vol. 25 No. 4, pp. 704-13.

Odhiambo, N.M. (2009). *Finance-growth-poverty nexus in South Africa: a dynamic causality linkage*, The Journal of Socio-Economics, Vol. 38, pp. 320-5.

Olson, M. (1965). *The Logic of Collective Action*. Cambridge, MA: Harvard University Press.

Ongore V. O. (2001). *Managerial Response to the deregulation of the co-operative sector. The Case of SACCO's in Nairobi*, Unpublished MBA project report, School of Business, University of Nairobi.

Oyoo M. (2002). *Evaluation of Financial Performance of Savings and Credit Co-operative Societies before and after Deregulations: The case of SACCOs based in Nairobi*, Unpublished MBA project report, School of Business, University of Nairobi.

Popiel, P. A. (1994). *Financial Systems in Sub-Saharan Africa: A Comparative Study*, World Bank, Washington D.C.

Puthussery, J. (1999). *Reasons for over dues – a beneficiary level analysis*, Agricultural Banker, April/June, pp. 7-12.

Rambabu, P.D. and Eswaran, Y.P. (1994). *Factors influencing attitude of the farmers towards farm credit*, Agricultural Banker, October/December, p. 25.

Schmalensee, R. (1989). *Inter-industry studies of structure and performance*, in Schmalensee, R. and Willig, R.D. (Eds), *Handbook of Industrial Organisation*, Vol. 2, North Holland, Amsterdam and Oxford.

Sexton, R. J. (1986). *The formation of SACCOs: a game theoretic approach with implications for SACCO finance, decision making and stability*. American Journal of Agricultural Economics, 68:214-25

Staatz, John M. (1987). *A Game-Theoretic Analysis of Decision making in Farmer SACCOs. SACCO Theory: New Approaches*, USDA ACS Service Report, 18: 127-129.

Stiglitz, J. (1998). *The role of the state in financial markets*, Proceedings of the World Bank Annual Conference on Development Economic, pp. 19-52.

Temu, A.E. (1999). "The Kilimanjaro Co-operative Bank: a potentially sustainable rural financial institutional model for Sub-Saharan Africa", Review of Money Finance and Banking, Supplement for the savings and Development Journal, Vol. 1 No. 2, pp. 45-77.

The Kenya High Commission in the United Kingdom (2007) Newsletter Issue 2 - April 2007.

Verma, S.K. (2004). *Cooperative Centenary in India*, New Sector Magazine, Issue No 61, April/ May 2004.

Wooldridge, Jeffrey W. (2002). *Econometric Analysis of Cross Section and Panel Data*. Cambridge, MA: The MIT Press.

World Bank, (1990). *World Development Report, Poverty*, Oxford University Press, New York, NY.

World Bank, (1995). *The Social Impact of Adjustment Operations: An Overview*, Report No. 14/76.

Appendices

Appendix1 – Letter to respondents

To Management Committee Member / Manager

RE: RESEARCH QUESTIONNAIRE

I am a student at the University of Nairobi undertaking a Masters of Business administration (MBA) course. In order to fulfill the requirements of the above course, I am required to undertake a research project.

I wish to kindly request you to participate in this research by responding to the attached questionnaire. I will collect the questionnaire once you are through with it.

I have developed a questionnaire which I intend to use for the purpose of collection of data for my research paper whose title is “Financial challenges facing Savings and Credit Co-operative Societies in Kenya; The case of SACCOs in Nairobi”.

The data collected in this research shall be used for academic purposes only. The information received from this research will be treated with utmost confidentiality. Upon request, you will be able to receive a copy of the final report. Your support by responding to this questionnaire objectively will be highly appreciated.

Yours faithfully,

Hesbon Ouma Okundi

Student number D61/8903/2005

University of Nairobi

Appendix 2: Research questionnaire

QUESTIONNAIRE NO.

Designation of the respondent.....

Years of service in the SACCO.....

SECTION A – SACCO PROFILE

- 1. Name of SACCO
(Optional).....
- 2. Who are the clients to your
SACCO?.....
.....
- 3. For how long has the SACCO been in existence.....
- 4. What is the total number of employees of the SACCO?.....
- 5. What is the level of education of these employees?

Level of education	Number of employees
a) Primary	
b) Secondary	
c) Tertiary college	
d) University	

- 6. What is the total membership of your SACCO as at the end of December 2010?
001 – 250 []
250 – 500 []
501 – 750 []
751 – 1000 []
Above 1,000 []

SECTION B – OPERATIONS OF THE SACCO

7. What kind of products does the SACCO have?

a) Development loans []

b) Emergency loans []

c) School fees loans []

d) Household assets loan []

e) Any other (*please state*).....
.....

8. Is there an ICT system within your SACCO?

Yes [] No []

9. If yes, what percentage of the processes is computerized?

0 – 25% [] 26 – 50% []

51 – 75% [] 76 – 100% []

10. Has the ICT system improved the efficiency of services?

Yes [] No []

11. If yes, how has it improved efficiency?

a) Very great extent [5]

b) Great extent [4]

c) Moderate extent [3]

d) Low extent [2]

e) Very low extent [1]

12. How long does it take for an applicant of a SACCO loan to receive a loan?

a) 0 -2 Months [] b) 3 – 4 Months [] c) 5 – 6 Months [] d) Over 6 Months []

13. What is your view of the waiting time?

a) Very long [5]

b) Long [4]

c) Moderate [3]

d) Short [2]

e) Very short [1]

14. Has the waiting time affected the members' satisfaction?

Yes [] No []

15. Are there any challenges in meeting the loan requests by members?

Yes ☐ No ☐

16. If yes, what challenges exist?

.....

.....

17. Does your SACCO have any long term investments?

Yes ☐ No ☐

18. If yes, has the long term investments contributed to delays in disbursement in loans?

Yes ☐ No ☐

19. To what extent has the long term investments contributed to the delays in disbursement in loans?

- a) Very great extent [5]
- b) Great extent [4]
- c) Moderate extent [3]
- d) Low extent [2]
- e) Very low extent [1]

20. How long does it take the employer(s) of SACCO members to remit savings and loans deductions recovered through check-off system?

- a) Within a month after deduction
- b) 2 – 3 months after deduction
- c) 4 – 6 months after deductions
- d) Over 6 months after deductions

21. Is Your SACCO able to disburse the full amounts of loans as applied for by the members?

Yes ☐ No ☐

22. If No, what is the reason for not fully disbursing the loan?

- a. Lack of funds/ Liquidity constraints
 - b. Ability to pay by the member
 - c. Other Reason (Please explain).....
-

SECTION C – COMPETITION

23. Has the banks offered any member of your SACCO a loan?

Yes [] No []

24. Did the loan offered involve retiring the loan previously held by the member of the SACCO in favour of the bank?

Yes [] No []

25. How many members (as a percentage) of the SACCO have opted for the Bank loan instead of the SACCO loan?

0 – 25% [] 26 – 50% []

51 – 75% [] 76 – 100% []

26. Has the loans offered by the Banks affected the operations of the SACCO?

Yes [] No []

27. If yes, in what ways has it affected the operations of the SACCO?

.....
.....
.....

28. Has the operation of the banks affected SACCO membership?

Yes [] No []

29. If yes, what percentage of members have resigned from the SACCO?

0 – 25% [] 26 – 50% []

51 – 75% [] 76 – 100% []

30. Are there any other products that the bank offer that competes with the SACCO Products mentioned earlier?

Yes [] No []

31. Has the SACCO taken any step to counter the activity of the Banks of buying SACCO loans?

Yes [] No []

32. If yes, what actions has it taken?
- a) Offer new products
 - b) Revise the Interest rates
 - c) Introduce charges to discourage buyback
 - d) Change repayment schedule of loans (amortization)
 - e) Any other (Explain)
-
33. Are there any other challenges that we have not discussed that you feel are affecting the SACCO operations?
-
-
34. Do you have other ideas of how these can be combated to improve the operations of the SACCOs?
-
-
-

Thank you for filling this questionnaire

Appendix 3: List of registered SACCOs in Nairobi

LIST OF SACCOs IN NAIROBI REGION		
	SACCO NAME	LOCATION
1	A.S.K.	NAIROBI
2	ACCECO	NAIROBI
3	ABB	NAIROBI
4	ACTION AID	ACCA-Buildg 2nd fl
5	ABCON	NAIROBI
6	ADES	NAIROBI
7	ADRA	Insect Centre-Opp.Braeside School
8	ADVENTISTS	NAIROBI
9	AFCO	Moi Airbase-Eastleigh
10	AFRO SEN	NAIROBI
11	AFYA	Afya Hse 7th floor
12	AIBK	NAIROBI
13	AIRBUS	NAIROBI
14	AIRCONNECTION	Jomo Kenyatta Inter.Airport
15	AIRLINK	Jomo Kenyatta Inter.Airport
16	AKAPULCO	Akamba Bus-Kitui Rd -Indu.
17	AKILI	Achelis Co.-Funzi Rd Ind. A
18	ALICO(L'ASSURANCE)	Alico buildg 3rd floor
19	ALICO AGENTS	Alico buildg 5th floor
20	ALLOSCA	Alloys Steel - Baba Ndogo
21	AMAERA	NAIROBI
22	AMAFUKO	Paper Bag Co. Funzi Rd
23	AMBASSOTEL	NAIROBI
24	AMCHA	NAIROBI
25	AMIAIR	Transami(SDV)Airpt N. Rd
26	AMIRAN	Amiran Company-Airpt N.Rd
27	AMREF	Wilson Alirport
28	ANU	Africa Nazarene University-Rongai
29	APOLLOSURE	Hughes Bldg-6th floor
30	APPOLOTECH	NAIROBI
31	ARCHIVES	NAIROBI
32	ARDHI	Survey of kenya-Thika Rd
33	ART	ART Co. Kampala Rd
34	ARYA	Arya Boys-Ngara
35	ASILI	Moi Avenue/Muranga Rd
36	ASPCO	Embakasi
37	ASSIAPHAMA	NAIROBI
38	ATLAS COPCO	NAIROBI

39	AUGUSTANA	Augustana Colle - Kasarani
40	AUSCON	NAIROBI
41	AUTOFINE	Autofine Ltd
42	AUTOSPRINGS	NAIROBI
43	AVENUE	Avenue Hospital-Parklands
44	BACISTA	NAIROBI
45	BAICO	NAIROBI
46	BALOZI	Contrast Hse-3rd floor-Moi Av
47	BANDS	Ambank Hse 10th fl, University Way
48	BANKI KUU	Central Bank of Kenya
49	B.A.T.	B.A.T - Likoni Rd
50	BARAFRICA	Laxcon Hse
51	BATTERY	ABM Co. - Kampala RD
52	BAUMANN	NAIROBI
53	BEA	NAIROBI
54	BEMPO	NAIROBI
55	BESBIX	NAIROBI
56	BEVFLO	NAIROBI
57	BIBILIA	Hurlingum kilimani Rd
58	BIDS	NAIROBI
59	BILA JASHO HUPATI	Pambazuko Hall-Gikomba
60	BLOCK HOTELS	NAIROBI
61	BLOOM	Indu Farm-Sameer Industries
62	BLOWPLAST	Blowplast Co. Funzi Rd
63	BLUE TRIANGLE	YWCA Hostel - Nyerere Rd
64	BOMCO	Bon Motors Co. -Ind.Area
65	BM	BM Security ltd
66	BOOKIES	NAIROBI
67	BOSKAIR	NAIROBI
68	BRAEMEG	Braeside/Braeburn School
69	BRITANIA	NAIROBI
70	BRICO	British Council -1st floor
71	BUNGE	Parliament Bldg
72	BUNMA FASHIONS	NAIROBI
73	C.C.F	NAIROBI
74	C.I.C	C.I.C Bldg-Uperhill
75	CABROSTA	NAIROBI
76	CALPRO	NAIROBI
77	CALTEX	Caltex Plaza Basement-Limuru Rd
78	CANNON QUEEN	Cannon Insurance-6th floor
79	CARL-MANG	Wakulima Hse-H/Selassie
80	CART	NAIROBI

81	CARVIC	Vic Preston Station-1st fl
82	CASDEV	Casino Interna.-Museum Rd
83	CASSABS	NAIROBI
84	CCF(CHILDREN FUND)	W/lands R/About
85	CHAI	K.T.D.A Bldg 3rd floor-Moi Ave
86	CHAMPION	Saralee Household Co. - Ruaraka
87	CHEMICHEMI	NAIROBI
88	CHRISTIAN COMMUNITY	NAIROBI
89	CHUI	680 Htl
90	CHUNA HOUSING	Nairobi University
91	CHUNA	Nairobi University
92	CITY	Lonrho Hse-KPMG
93	CITY CHICKEN&EGGS	NAIROBI
94	COFFEE WORKERS	Wakulima Hse-H/Selassie
95	COINNAIL	Addis Ababa Rd-Indust.A.
96	COLGATE	Colgate Palmolive-Indust.A
97	COLOURPRINTERS	Colourprint Enterp.-Rd "C"
98	COLOUR PARK	NAIROBI
99	COMHIGH	Development Hse-2nd floor
100	COMMERCIAL DEVELOPMENT CORP	NAIROBI
101	COMOCO	CMC Bldg 1st fl- Lusaka Rd
102	COMPAIR	Holman Bros -Bunyala Rd/Dunga Rd
103	CON-AFRIC	NAIROBI
104	CONCORDE	Centenary Hse 3 fl-W/Lands
105	CO-OP AUDIT DEPT	NAIROBI
106	CO-OP BANK	NAIROBI
107	COPY CAT	Kijabe Street
108	CORPABS	NAIROBI
109	COSMIL	Mombasa Millers Co.Ind. A
110	COTUBA	NAIROBI-KINOO
111	C.P.C	Cash Products Co.-Ruaraka
112	CRESENT	Crescent Medical Centre
113	CREDIT AFRICA	Fourway Towers-8th floor
114	CREDIT REF. BUREAU	CRB Centre-Witu-Off lusaka
115	CRETCO	NAIROBI
116	CROSS ROAD	NAIROBI
117	CUNHAM	NAIROBI
118	DALABIMA	Chester Hse-2nd fl(A.Fobes)
119	D&S	Davis&Shirtliff-Dundori Rd
120	DAWA	Synenta - Mogadishu Rd
121	DESIGN	Kul Graphics-Msa Rd
122	DHAMINI	Bishop Garden Towers

123	DHL	NAIROBI
124	DHOBI	NAIROBI
125	DIARA	NAIROBI
126	DIVERSEY	Diversey Lever-kangemi
127	DODCON	Norfork Towers- Kijabe Street
128	DUDU	ICPE-Kasarani
129	DUME	Central A.I Station -L.Kabete
130	EASTEL	Siemens-Utumishi Hse
131	EBAMAKA	Egetube Hse-Near City Stad.
132	ECONOMIST TANK	Banbaros Ltd-Msa Rd
133	ECUMENICAL DEV.	NAIROBI
134	ELIMU	South B
135	EMCO STEEL	NAIROBI
136	EMERGENCY	NAIROBI
137	EMPLUG	NAIROBI
138	ENERGY	Nyayo Hse-21st floor Room 2118
139	EQUITY	NAIROBI
140	ERB	Integrity Centre-Valley Rd
141	EXAM	NHC BLDG-Harambee Ave
142	EXICO	NAIROBI
143	FAGCOP	Agriquip Co. -Lusaka Rd
144	FAMILY FINANCE	Family Finance bldg
145	FARMERS CHOICE	kahawa West
146	FIDELITY	NAIROBI
147	FINCOR	CFC Bank-Waiyaki way
148	FINNLEMM	Nyaku Hse - Hurlingham
149	FOUNTAIN	Faulu (k)-Ngong Rd-Next Nakumat
150	FPFK	FPFK-Kindaruma Rd
151	FRIENDLY	NAIROBI
152	FUGO	Full Gospel-Donholm Hse No.45
153	FUNDILIMA	NAIROBI
154	GALA	Galaxy Co. Kampala Rd
155	GALA TOWERS	Kitui Rd-Indust.Area
156	GALSHEET	NAIROBI
157	GAMETRACKERS	Nginyo Towers-5th floor
158	GARO	NAIROBI
159	GENERAL MOTORS	NAIROBI
160	GEOSTAFF	Geomax Consulting Bldg
161	GERTRUDE HOSP.	Gertrude Children Hospital
162	GIATHINWA FARMER	NAIROBI
163	GIBBEYS	GIBB East Africa
164	GITHERE	Githere Invest. Uchumi Hse-8th fl

165	GLOBAL FREIGHT	Jomo Kenyatta Inter.Airport
166	GOLBIS	Biscuits Co.Kampala Rd
167	GOVERNORS	NAIROBI
168	GRAIN MILLERS	NAIROBI
169	GUNDI	Henkel (K) Ltd-Ruaraka
170	H & M	NAIROBI
171	HACO	Haco Industries-Kasarani
172	HAKI	NAIROBI
173	HARAKA	NAIROBI
174	HARAMBEE	Harambee Plaza
175	HARIA STAFF	Haria Cash-Haria Plaza-M.Mbingu
176	HAULIERS	Multiple Hauliers-Lungalunga
177	HAZINA	Hazina Hse-Ngong Rd/Kibera Rd
178	HEFI	NAIROBI
179	HELB	Anniversary Towers-19th floor
180	HENKEL CHEMICALS	NAIROBI
181	HEWA	BOC Gas Co.-Kitui Rd
182	HILL	NAIROBI
183	HIPPO	NAIROBI
184	HOECHEM	High Chem Nanyuki Rd
185	HORTFLOW	Jomo Kenyatta Inter.Airport
186	HOW-HUM	Hawara Humpreys-Muthangari
187	HUDUMA	MP Shah Hosp.-Parklands
188	HURUMA	KBS-Mlolongo Depot
189	IBERAFRICA	Lungalunga-Near Donholm
190	ICL	NAIROBI
191	IDB	IDB Bank-Harambee Ave.
192	IMPALA	Impala Glass Co.Addis Aba
193	INORERO	Sch.of Prof.Studies-SPS
194	INSTEEL SACCO	NAIROBI
195	INTER FLOW	NAIROBI
196	INTERCON	Htl Intercontinental-Back G.
197	INTERSECURITY	Lusaka Rd
198	INTERSHADE	NAIROBI
199	IN-TIME	In-Time Couriers
200	INVESCO	NAIROBI
201	IRON	NAIROBI
202	IRRIGATION	Hurlingum Lenana Rd
203	ISUZU WORKERS'	NAIROBI
204	J F MACLOY	Mcloy Engineers-Enterprise
205	J.L.MORISON	Morison Engineering-Bandari Rd.
206	JACARANDA WORKERS	NAIROBI

207	JAMII	South B-Dunga Rd
208	JEMBE	NAIROBI
209	JINYIME UPATE	German School-Village Mkt
210	JISAIDIE	NAIROBI
211	JOGOO	Agriculture Hse-2nd floor Rm 219
212	JOKEFO	Jomo Kenyatta Foundation
213	JOS-HANSEN	Jon & Hansen-Baba Ndogo
214	JUMBO	Jubilee Insurance-4th fl RM 418 B
215	JUMUIYA	NAIROBI
216	K.M.A.	NAIROBI
217	KABETE D F C	NAIROBI
218	KAJA	NAIROBI
219	KAM	NAIROBI
220	KAMAKISU	NAIROBI
221	KAMBA	Taita Estate - Funzi Rd
222	KAMONGO	Kamongo Paper-Kampala Rd
223	KANISA	NAIROBI
224	KAPA	NAIROBI
225	KARATA	NAIROBI
226	KARI	kari Hq-kangemi
227	KARIA ROSES	NAIROBI
228	KARIBU	NAIROBI
229	KARURA DEV	NAIROBI
230	KASNEB	Kasneb Towers-Hospital Hill
231	KATE	NAIROBI
232	KAZA	NAIROBI
233	KCT	Kenya Credit Traders-Witu Rd
234	KEBRO	NAIROBI
235	KEFU	NAIROBI
236	KELIBU	NAIROBI
237	KEMRI	NAIROBI
238	KENAFRIC	NAIROBI
239	KENCOM	Kencom Hse-City Hall Way
240	KENFIRE	Kenya Fire Appliances-Dunga Rd
241	KENPIPE	NAIROBI
242	KENPOL	NAIROBI
243	KENSTA	NAIROBI
244	KENTOURS	St.Georges Hse 2nd fl-Parl.Rd
245	KENVERSITY	Kahawa Sukari-Thika Rd
246	KENYA AFRICAN CONTRUCTORS	Kariobangi
247	KENYA ALLIANCE	Chester Hse-1st floor
248	KENYA BANKERS	Community opp.Nbi Club,Ngong Rd

249	KENYA EAGLE	NAIROBI
250	KENYA INSURERS	Hughes Bldg-3th fl.-Kenyatta Ave.
251	KENYA POLICE STAFF	Utumishi Hse 3rd floor-next to Alico
252	KENYA RE	Reinsuarance Plaza
253	KENYATTA MATIBABU	KNH-Maintenance Depot
254	KENYUCO	Utalii Hotel-Thika Rd
255	KEWISCO	KWS-HQS Complex-Langata Rd
256	KEVI	Gilgil Rd - Off Lungalunga
257	KIWI	Sarale Co.- Ruaraka
258	KIAMUMBI	NAIROBI
259	KILELE	NAIROBI
260	KILIMO CONSUMERS	Kilimo Hse Canteen
261	KIMFA	Village Market-Limuru Rd
262	KIMISITU	Utumishi Hse-1st fl,Mamlaka Rd
263	KINGA	NAIROBI
264	KINGSIZE	Coca Cola-Embakasi,Next to KQ Hqs
265	KIRUNGI	NAIROBI
266	KISE	Kenya Institute of Special Edu
267	KSTC	Kenya Science-Ngong Rd
268	KIWI	NAIROBI
269	KIWOCO	Kirinyaga Construction-Embakasi
270	KMA	KMA Headquarters
271	KTTC WORKERS	Gigiri-Before UN offices
272	KUDHEIHA	Kudheiha Workers-Sonalux
273	KUMBUKA	NAIROBI
274	KUMBUKUMBU	Museum-opp.Intern.casino
275	KUNI	NAIROBI
276	KWA	NAIROBI
277	KWAL	NAIROBI
278	LAKESTAR	NAIROBI
279	LAS VEGAS	Westlands (Casino)
280	L.S.K.	Hughes Bldg-4th floor
281	LAWMAN	C&P Shoe Industries-Msa
282	LAXMAN	Laxcon Hse-Limuru Rd
283	LEADER	NAIROBI
284	LIMA	Enterprise Rd, NAIROBI
285	LION	Lion of kenya Ins.Wiliamson Hse 7th
286	LISCO	Schndler-kijabe st.
287	LITHO	Kenya Litho-Changamwe
288	LOBONAR	Lobonar Co.-Addis Ababa
289	LOMOCO	NAIROBI
290	LOMPASAGO	Theevan Buldg 3rd fl-City Stadium

291	LONGHORN	Longhorn Publishers-Funzi
292	MACHUMA	Aquava Agencies-Enterp.Rd
293	MAGADI	Magadi Soda
294	MAGANA	Magana Flowers-Kinoo
295	MAGEREZA	Mageso Chambers-Moi Ave.
296	MAISHA BORA	Uniliver Co.-Commercial st.
297	MAJANEES	NAIROBI
298	MAJIKO	NAIROBI
299	MAKTABA	NAIROBI
300	MALA	Malva Engineering-Pate Rd-Lungalu.
301	MAMCO	NAIROBI
302	MAMUKA	NAIROBI
303	MAO	Kasarani-next to Haco Ind.
304	MARAFIKI	Wakulima mkt near KFA
305	MARIBU	Electricity Hse-8th floor
306	MARS	Industrial Cooling
307	MASTERWAYS	Masterways Properties-Kimathi st
308	MATATISO	Matt&Plant Co.-Addis-Ind.A
309	MATER	Mater Hospital-South B
310	MATINGA	Blackwood Co.Homabay Rd
311	MAWASILIANO	NAIROBI
312	MAWAZO	Wire Products
313	MAY FAIR CASINO	Parkland Holiday Inn
314	MAYBAKER	Ambank Hse-14 floor
315	MAZIWA	NAIROBI
316	MECOL	NAIROBI
317	MEMO	NAIROBI
318	MERDAT	NAIROBI
319	MERIDIAN	Meridian Hotel-Muranga Rd
320	METAL WORKERS	E.A.Metal Works-Chogoria Rd
321	METAL WOOL	Metal Crown-Nanyuki Rd
322	METHODIST	NAIROBI
323	MHASIBU	Kensia Hse-Muranga Rd
324	MIMOSA	Mimosa Court-Ngong Rd
325	MITUNGI	Spectre Ltd-Off Msa Rd
326	MIWO	NAIROBI
327	MKAGUZI	NAIROBI
328	MOBIL	Mobil Plaza- Muthaiga
329	MOTO	NAIROBI
330	MTANGAZAJI	KBC Station opp. Norfolk Hotel
331	MTK	Mastermind Ltd-Msa Rd
332	MUCUMEWO	NAIROBI

333	MUGACO	Bruce Hse(Muthiga Advoc.)
334	MURPHY	NAIROBI
335	MUSUMENO	E.A.Faundry-Baba Ndogo
336	MUTHAIGA	NAIROBI
337	MUUNGANO	Norfolk Hotel
338	MWALIMU	Mwalimu Coop.Hse 6th&7th Fl
339	MWAMBA	NAIROBI
340	MWANGA	NAIROBI
341	MWITO	Next to KIE-Along Desai Rd
342	NACARECO	NCR Bldg-H/Selassie Ave
343	NACICO	Nacico Plaza-Gikomba
344	NAFAKA	NCPB-Outering Rd
345	NAHIHO	Hilton Htl
346	NAIROBI CASEMENT	Hebatullah Glass-Funzi Rd
347	NAIROBI CONSUMERS	Nairobi Consumers Hse-Gikomba
348	NAIROBI HOSPITAL	Nairobi Hosp.-Argwing Kodhek Rd
349	NAIROBI SCH.STAFF	Nairobi High School-
350	NAIROBI Wholesalers	NAIROBI
351	NAKU	Nakumatt Down Town
352	NAPRO	Yaya Towers-Yaya Centre
353	NASCA	Nas Airport-JKIA
354	NASERIAN	Serena Htl-Nyerere Rd
355	NASSEFU	NSSF Bldg-Community
356	NATION STAFF	Nation Centre-2nd floor
357	NDUTIRIA	NAIROBI
358	NGO	NAIROBI
359	NHIF	NSSF Bldg-Community-Block A 14fl
360	NIMEPATA	Life Ministry-Jabavu Rd
361	NJOROMA	NAIROBI
362	NJIWA	Nyati Hse-Loita Street
363	NOCK	National Oil-Kapiti Rd
364	NOREL	Norwegian Church-Langata
365	NOTAFF	Transami(SDV)Airport North Rd
366	NURU	Subaru(K)Co.Addis Ababa
367	NYAMA	Carnivore Restaurant-Langata Rd
368	NYATI	(Securicor)Oddesy Plaza -South B
369	NYAYO CHAI	NAIROBI
370	NYEUPE	NAIROBI
371	NYUMBA	HFCK Bldg-3rd floor
372	OCCIDENTAL	Postbank Hse 11th floor
373	ODDS & ENDS	NAIROBI
374	OLIVECA	NAIROBI

375	OLIVETTI	NAIROBI
376	ORIENTAL	NAIROBI
377	OSHWALS	NAIROBI
378	OTIS	Elevator-Finance Hse-11th floor
379	OUTDOOR	NAIROBI
380	OXFORD	NAIROBI
381	PAN AFRIC	Panafric Insurance-2nd fl.
382	PARKLANDS STAFF	Parklands Sports Club
383	PARLIAMENTARIANS	Parliament Bldg
384	PAYLESS	Budget(near city hall)
385	P.C.E.A.	South C-Muhoho Avenue
386	PEGASUS	ICEA Bldg(Kenol Kobil)-11fl
387	PEGRUGE	NAIROBI
388	PEMBE	Pembe Co.Homabay Rd
389	PESA	De La Rue-Thika Rd
390	PETSO	Petro.&Indust.Services Rd A
391	PEUGEOT	Mashalls-Harambee Ave
392	PHARMA	NAIROBI
393	PHOENIX	NAIROBI
394	PHOTOMAP	NAIROBI
395	PIL	Packaging Indust.Ltd-Lungalunga
396	PISCOO	Pioneer Insurance-3rd floor
397	PLANNED PARENTHOOD	NAIROBI
398	PLASTIC	General Plastic-Enterprise Rd
399	PLY & PANELS	Mobil Plaza- Muthaiga
400	POLETECH	NAIROBI
401	POSTBANK	Postbank Hse 13th floor
402	POSTEL	NAIROBI.
403	POSTMAIL	Tom Mboya Post Office 2nd floor
404	PRECSTA	Premier Academy
405	PRESS	D.L.Patel Press-Opp.Labour
406	PRESTIGE PACKAGING	Prestige Packaging-Msa Rd-N.Park
407	PRIL UPENDO	Plastic-Gilgil Rd-Off Lunga
408	PRISCO	NAIROBI
409	QUEEN CLEANERS	Queens DryCleaners-k st.
410	QUEENSWAY	Pricewater Coopers-Rahimt.
411	RADIANT	NAIROBI
412	RADIO GUARD	NAIROBI
413	RAJ SACCO	NAIROBI
414	RAHA	NAIROBI
415	RAHAMANI	Reg. Centr 4 Map-Kasarani
416	RAMBHAI	Rambhai Co. -Lusaka Rd

417	RANGI	Coats Brothers-Addis Ind.A
418	REDEEMED	Redeemed Church-Huruma
419	REGENCY	Grand Regency Htl-Back G.
420	RELI	Railway Headquarters
421	RELIEF	International Red Cross near St.Geo
422	RELISA	Reli co-op Hse-6th fl,Mfangano st.
423	REMCO	Dar-es-alaam Rd Indust.A
424	RENDECLINIC	Dr.P.W.Kamau-UHMC 4th fl
425	RESORT	Resort Kenya Casino-Intercon
426	RIARA	NAIROBI
427	ROLLCHUMA	NAIROBI
428	ROMO	Soigel Co.-Muthaiga
429	ROSES	NAIROBI
430	ROYAL CARD	NAIROBI
431	SABUNI	Cussons Co.-Baba Ndogo
432	SADUKU	E.Africa Packaging-Kitui Rd
433	SAFARICOM	Safaricom Hse - Westlands
434	SAFARI PARK	Safari Park Hotel-Thika Rd
435	SAFARI TRAVEL	NAIROBI
436	SAJI	Comcrat Co.Bamburi Rd-Ind
437	SAJO	Cassini&Tonold-Bamburi Rd
438	SAL	Software Application-W/land
439	SAUTI	South B-Kapiti Rd
440	SAVEWELL	Luthuli Ave - Dr.Wamukiria
441	SAWA	ICEA Bldg - 13th floor
442	SCANIA	NAIROBI
443	SEAL	NAIROBI
444	SECON	NAIROBI
445	SUCUREX	NAIROBI
446	SENGENGE	NAIROBI
447	SHARPLEY&BARRET	NAIROBI
448	SHERIA	Sheria Hse - 1st floor
449	SHELLOYEES	Sheel&BP - Harambee Ave
450	SHIDA	Ryce Motors-Kpla Rd
451	SHIRIKA	Shirika Hse - Ngara
452	SHOPPER CREDIT	NAIROBI
453	SHUJAA	Shankardas Hse - 3rd floor Rm 301
454	SIAN ROSES	Langata
455	SIGMA	Taveta Rd
456	SIGNODE	Signode Packaging
457	SIGONA	Sigona Golf Club-Kikuyu
458	SILVER SPRINGS	Silver Springs Hotel

459	SILVER STAR	Silver Manu.-Star Hse-ngara
460	SIMLAW	Kijabe Street-Simlaw Seed
461	SIND	Silpack Industries-Likoni rd
462	SINGER	NAIROBI
463	SINK	NAIROBI
464	SKEFCO	SKF Bldg-Lusaka Rd
465	SKYNET	Skynet W/wide-Mantrac
466	SONGA	Tyson Jubilee Hse-1st floor
467	SOLAGEN	The Mall-Westlands
468	SOLAR	NAIROBI
469	SOLIDARITY	NAIROBI
470	SOS	SOS Children home Buruburu
471	SPECIALIST	NAIROBI
472	SPORTSVIEW	Sportsview Hotel-Kasarani
473	STARLIT	Starlit Insurance-11th floor
474	STERLING	NAIROBI
475	STIMA	Stima SACCO Hse-Ngara
476	SUMMIT	Midco Textiles(E.A)-Gilgil Rd
477	SURGI	Surgi Pharmacy - Comcraft Hse
478	SYSCO	NAIROBI
479	SWISSGARDE	Parklands
480	T.N.T.	NAIROBI
481	TAASISI	KIE-Muranga Rd
482	TAILORING	NAIROBI
483	TAKARE	Taws Co. -Addis Ababa-Ind.
484	TARINO	NAIROBI
485	TEGEMEO	Hardi Restaurant-Westlands
486	TELEPOSTA	Posta SACCO Bldg-4rd floor
487	TEMBO	Tembo Hse - Thika Rd
488	TENA	Tena Hse-Off Ngara Rd
489	TETCO	Lusaka Rd
490	THE STANDARD	NAIROBI
491	THILIKA	NAIROBI
492	THORMANDO	Dormans Co. Kampala Rd
493	TIBBET & BRITTEN	Tibbet&Britton-Nanyuki Rd
494	TINTIN	KICC-Tintin restaurant
495	TOPEES SACCO	Total Kenya Hse-4th floor
496	TRANSCOM	Transcom Hse
497	TRUFOODS	NAIROBI
498	TRUST	NAIROBI
499	TUZO	NAIROBI
500	TWELVE C(12 C)	Munshiram Hse-Mfangano

501	TWIGA	Twiga Chemicals-Nanyuki
502	UAMINIFU	KWFT(Mimosa)-Muchai Drive
503	UBANI	Wriglys Co.-Bamburi Rd
504	UBORA	NAIROBI
505	UCHAGUZI	Anniversary towers-2nd floor
506	UCHAPAJI	NAIROBI
507	UCHUMI	Uchumi Hse-17th floor
508	UFANISI	Development Hse-2nd floor
509	UFUNDI	Ufundi Co.Hse-5th floor
510	UKAGUZI	Kencom Hse-3rd floor
511	UKOMO	Nairobi
512	UKULIMA	Ukulim Plaza-H/Selassie
513	UKWAJU	Tamarind Restaurant
514	UKWELI	Bhavesesh Centre 1st fl- Ngara
515	ULINZI	NAIROBI
516	UNGA EMPLOYEE	Unga Ltd-Commercial St.
517	UNION LOCKS	NAIROBI
518	UNITED INSURANCE	Finance Hse-9th floor
519	UNITED NATIONS	UN Hqs-Gigiri
520	UNITO	NAIROBI
521	UOKOAJI	AAR-Odyssey P.-South B
522	UPENDO	Steel Structures-Kangundo
523	USAFI	NAIROBI
524	USAIDIZI	NAIROBI
525	USHINDI	NAIROBI
526	USHURU	Forodha Hse 2nd fl-Community
527	USITAWI	International Hse-8th fl.(BA)
528	USIU AFRICA	Usiu-behind Safari Park Htl
529	UTABIBU	Aga Khan Hospital
530	UTALII	NAIROBI
531	UWEZO	Berger Paints
532	UZAZI BORA	Family Planning-Nbi West
533	VEGPRO	Jomo Kenyatta Inter.Airport
534	VEST	Wriglys Co.-Bamburi Rd
535	VICTORIA INDUSTRIES	NAIROBI
536	VILLAGE	Village Market-Limuru Rd
537	VISIONS	NAIROBI
538	VITAPLAST	NAIROBI
539	VITOMA	Eslon Plastics Co.Jirore Rd
540	VIWANDA	Kenya Ind.Estate-Likoni Rd
541	WAANDISHI	ICEA Bldg-4th floor
542	WAC	Welfare Advisory com.J.Osogo Rd.

543	WAHANDISHI	Wanjohi Consultant-Ngong R
544	WAINUZI	NAIROBI
545	WANA AEROTECH	NAIROBI
546	WANA AKILI	Quadrant-Queensway Services
547	WANA ANGA	KABETE
548	WANACHUMA	H & Young Co. Funzi Rd Ind.
549	WANADAWA	Diversey Lever-kangemi
550	WANAHAAMA	Funzi Rd - Indust. A
551	WANAHIISA	NAIROBI
552	WANAHOPIA	Xerox Corner Plaza 3rd fl-w/lands
553	WANAMART	NAIROBI
554	WANAMBAO	Timsales Co.Enterprise.Rd
555	WANANDEGE	Wanandege Plaza-Embakazi
556	WANANYUMBA	NHC Bldg-Harambee Ave
557	WANAPICHA	Kodak I.S.L -Funzi Rd Indust.A
558	WA-OMAERA	Omaera Pharmaceuticals
559	WARREN SASINI	Sasini Hse-4th floor
560	WASADO	Sadolin Paints-Jirore Rd
561	WAUMINI	Waumini Hse-Westlands
562	WAUZAJI	NAIROBI
563	WINDAL	NAIROBI
564	WINDSOR	Windsor hotel-Garden Estate
565	WONDER	Off Enterprise Rd-Indust.A
566	WOOD VENTURE	Kirinyaga Rd
567	WOTECO	General Printers-Homabay Rd
568	YAYA	Yaya Towers-Yaya Centre
569	YES SACCO	Celtel-Mombasa Rd
570	Y-FATIONS SACCO	Nation Centre
571	YOMECA	Central Hostel,State Hse Rd
572	ZAKLISCO SACCO	Victor Hse 3rd floor-kimathi st.