

**THE EFFECT OF MANAGEMENT COMPETENCE,
COMPETITION AND WORKING ENVIRONMENT ON
PERFORMANCE OF PUBLIC SERVICE VEHICLE SACCOS IN
NAIROBI COUNTY**

BY

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DECLARATION

This Research project is my original work and has not been presented for a degree in any other university.

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DEDICATION

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ABBREVIATIONS

CEO	ó	Chief Executive Officer
CIC	ó	Cooperative Insurance Company
KNFC	ó	Kenya National Federation of Cooperatives
KUSCCO	ó	Kenya Union of Savings and Credit Cooperatives
KSH	ó	Kenya Shillings
NTSA	ó	National Transport System Authority
PSV	ó	Public Service Vehicle
SACCO	ó	Savings and Credit Cooperative
SASRA	ó	Sacco Society Regulatory Authority
SEM	ó	Structural Equation Model
SPSS	ó	Statistical Package for Social Sciences
SQ -	ó	Service Quality
TC	ó	Travel Cost
WACC	ó	Weighted Average Cost of Capital
WIBA	ó	Work Injury Benefits Act

ABSTRACT

SACCO performance is affected by so many factors key among them being management competence, competition and the working environment. This study sought to establish the extent to which the three factors (management competence, competition and the working environment) impact on the overall performance of public service vehicle SACCOs in Nairobi County with the main objective being to establish the relationship between the variables under study. The study targeted a population of 63 PSV SACCOs registered and operating in Nairobi County of which a survey was done to help draw a generalized conclusion on the PSV SACCOs performance in Nairobi County with the study considering a period of five years from 2010-2014. The study used a descriptive research design with SPSS and the multiple regression model being used to analyze and present data. From the data collected and analyzed, the study found to exist a positive relationship between management competence and SACCO performance such that as management competence rises, SACCO performance rises and falls when management competence falls. Data analysis further revealed another positive relationship between SACCO performance and the working environment such that a favorable working environment commands better SACCO performance while unfavorable working environment caused poor SACCO performance. However a negative relationship was seen to exist between SACCO performance and level of competition such that as the level of competition went up, SACCO performance was seen to drop and only increase when the level of competition went down. The study recommended that SACCO members elect people with managerial competence to manage their SACCO affairs and that SACCO directors appoint/employ highly qualified staff to help them run their SACCOs because management competence was seen to have a positive effect on SACCO performance. The study further recommended that SACCOs seek to increase the routes in which they operate by merging as this is likely to reduce the effect of competition which had a negative effect on SACCO performance. Lastly that SACCOs seek to improve and perfect the working environment more so the issue of wages paid to their staff to improve their motivation and hence increase SACCO performance.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

A cooperative society is an autonomous association of persons united voluntarily to meet their common economic and social needs through jointly owned and democratically controlled enterprise (Birchall, 2004). This means that cooperative societies are economic organizations whose activities are devoted primarily to the promotion of economic and social welfare of members by providing services which enable them to realize and appreciate the objectives, benefits and values of their cooperatives. A SACCO is the acronym for savings and credit co-operative (Hussi et al., 1993).

Public service vehicles (PSVs) commonly known as matatu, forms the main public transport in Kenya, estimated to control 80% of the public transport and are estimated to have an annual turnover of Kshs73 billion. To its credit, the Matatu sector buys Kshs 4 billion insurance premiums every year and remits Kshs 1 billion taxes annually. The matatu SACCOs have played a significant role in the growth of public transport and have now become a respected brand in the sector. The SACCOs proved to be the most viable way to manage large public transport fleets. They have also been pioneers in changing the image of public transport, which was dominated by rogue drivers and touts without regard for traffic rules (Republic of Kenya economic survey, 2011).

PSVs also play a very important role in the social- economic development of this country as they provide incomes to the owners, informal and formal employees, insurance companies, associated businesses and taxes to the Central and Local governments. With over 22,052 licensed PSV operators in Kenya by December 2013, the sector is able to provide up to 80,000 and 56,000 jobs directly and indirectly respectively. The PSVs are individually owned and managed. However, some owners are members of Savings and Credit Cooperative Societies (SACCOs) where they save and borrow money and access transport routes commonly controlled by the SACCOs (Gicheru, 2009).

1.1.1 Management Competence, Competition and Working Environment

A credit union is a co-operative that is member-owned, member-patronized and member-managed non-profit financial institution that serves specified members (Gould et al 2004). Performance of credit unions is affected by the following factors among others.

Demographic trends of the U.S. population influences the entire financial services industry, especially the aging of the Baby Boom generation. Recently, they have been experiencing their peak earning and savings years. Most major household expenditures (homes, appliances, electronic devices, college tuitions, etc.) are behind them and their prime concern is preparation for retirement which makes them direct most of their savings to fixed income securities and accounts rather than credit unions (Gould et al., 2004).

Credit unions face stiff competition from financial institutions as their members are constantly exposed to advertising and promotional themes from competitive financial institutions for loans, savings accounts and various other financial services. In addition, newly created financial instruments are being marketed aggressively by depository financial institutions as well as non-bank purveyors, brokerage houses, mutual fund families, etc. Competition is growing in every segment of the financial services marketplace. The largest players, commercial banks, have enhanced their strength and retargeted their efforts (Dakura et al., 2005).

The major advantage that credit unions had over commercial banks which is the ability to reach, organize and offer financial services to many micro- and small enterprises and poor and working-class households who had not been considered by commercial banks has been wiped out by one of the most significant developments in the 1990s the repeal of the Glass-Steagall Act, which had kept commercial banks and investment banks as separate entities. This is no longer a reality as many large commercial banks have quickly and successfully expanded their portfolio of offerings. They have become even closer to the goal of a ñone-stop-shopö for financial services to both corporations and individual consumers (Scott, 2012).

In Brazil, the member-owner management of credit unions is characterized by low levels of professionalism and agency problems. Cooperatives in Brazil are sometimes created with almost no planning, something which leads to staffing deficiencies and an inadequate support structure exposing them to damaging political interference and unbridled self-interest (Carvalho et al., 2015)

1.1.2 Performance of SACCOs

Hammer and Champy (1993) define performance as the outcome or the end results of activities of an entity of a business usually measured at the end of each financial period to determine how successful it has been. Financial performance is a subjective measure of how well an organization can use assets from its primary mode of business and generate revenues. Performance is used as a general measure of a firm's overall health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

There are many different ways of measuring performance for different organizations. In SACCOs, performance is measured over time in terms of total net assets and membership. Every stakeholder is usually interested in the performance of the SACCO as this determines its continuity, sustainability ability to achieve its core objective among other things (Hammer and Champy, 1993).

1.1.3 How Management Competence, Competition and Working Environment Affect Performance of SACCOs

The principle aim of any organization is to run the business profitably and sustainably. Sustainability requires business to run both effectively and efficiently and generate sufficient profit to enhance their wealth. On the other hand, the primary objective of a SACCO is to organize and promote the welfare and economic interests of its members by mobilizing savings and advancing them loans at reasonable rates of interest efficiently and effectively. This objective is what forms the basis of performance in SACCOs. (Birchall, 2004).

For a SACCO to post good performance, several factors must be in play. These factors include; management competence, working conditions and competition. Performance is a function of these factors such that if these factors are favorable, the SACCO is likely to post excellent performance and experience poor performance where one or all of the factors are not favorable (Hammer and Champy, 1993).

1.1.4 Matatu SACCOs in Nairobi County

Nairobi is the capital of the East African country of Kenya and is one of the areas where urbanization has been consistently high. The fact that Nairobi has served as the country's administrative since 1907 and is the commercial and economic capital also explains why it has consistently experienced population growth and continues to increase in size and stature. As a result, there has been a steady increase in demand for resources and infrastructure services, which the government has been unable to provide. One of these deficient services is in public transportation. The institutions responsible for providing a public transportation system for the metropolitan area have been unable to effectively respond to the rising public demand, leaving the city of roughly 3.5 million people without a functioning public transportation system. This service gap has made it possible for matatus to quickly answer the unmet need of Nairobi's increasing population (Nairobi county government & operations).

Matatu transport began in the late 1950s during the colonial period and increased after Kenya's independence in 1963 when Africans migrated to Nairobi seeking employment opportunities. Recognizing the opportunity for financial gain while providing a much-needed service, mini-bus taxis, which were largely owned by middle-income Kenyans, began offering transport services from rural areas and from informal settlements around the city. Due to high demand, the number of matatus increased. They continued to operate illegally in the city until 1973 when then President Jomo Kenyatta issued a decree officially recognizing matatus as a legal mode of public transport. The decree allowed matatus to operate without obtaining licensing (Mutongi 2006). The main idea was to increase and make the mobility of people more efficient and create more jobs in the informal sector (Kimani et al., 2004).

In an effort to bring sanity and control the matatu industry, the government issued a legal notice requiring all the public transport vehicles to join SACCOs or limited liability companies and by March 2011, over 655 matatu SACCOs had been registered with the Ministry of Cooperative Development and Marketing. Several rules and regulations have been put in place to try and control this sector which is regarded to be chaotic. Some of these rules include the restriction of issuance of Public Service Vehicle (PSV) licenses to companies that own at least five vans. The fresh set of regulations meant to reduce road carnage also demand that Matatu and bus drivers be employed on permanent and pensionable terms complete with insurance cover, annual leave and scheduled shifts (Republic of Kenya, 2010).

1.2 Research Problem

According to Porter (1980), superior performance can be achieved in a competitive industry through the pursuit of a generic strategy which he defines as the development of an overall cost leadership or differentiation focus approach to industry competition. If a firm does not pursue one of the strategy types, it will be stuck in the middle and will experience low performance when compared with firms that pursue generic strategies. Porter further argues that the strategy is about selecting the set of activities in which an organization will excel to create a sustainable difference in the market place.

There are 63 PSV SACCOs in Nairobi County but most of them are formed not for the need of good management of their fleets but rather as a way of complying with rules and regulations. This motive of formation has led to poor performance (net assets and membership) of PSV SACCOs in Nairobi County. For a SACCO to post good performance, several factors must be in play. These factors include; management competence, working conditions and competition. Performance is a function of these factors such that if these factors are favorable, the SACCO is likely to post excellent performance and experience poor performance where one or all of the factors are not favorable. Improvement in working conditions and management competence leads to increase in performance and vice versa. Increase in competition on the other hand leads to decreased performance (NTSA, 2015)

Several studies have been conducted about performance of credit unions among them, Scott (2012) who studied efficiency of Credit Unions found a positive relationship between environmental characteristics and efficiency. Westley and Shaffer, (1997) in Credit Union policies and performance in Latin America also found a positive relationship. Glass et al. (2010) when investigating performance determinants and the opportunity cost of regulatory compliance too found a positive relationship and finally Dakurah et al. (2005) looked at attitudes towards and satisfaction with Credit Unions in Alberta and found that a good percentage of respondents understood concept of credit unions. Many of these studies have focused on the financial measure of performance of credit unions, and neglected key measures of credit unions performance which are net asset base and membership hence the knowledge gap.

Locally various scholars have carried out research on SACCOs in Kenya. Some of these include Mwaura (2014) determinants of financial performance of public transport businesses in Kenya: case of Kiambu County, Mwangi (2014) the influence of members income and conduct of SACCOs in the relationship between characteristics and efficiency of SACCOs in Kenya, Muturia (2013) an investigation of the factors influencing the performance of matatu SACCOs in Kiambu county: the case of selected matatu SACCOs operating in Thika town, Kenya. None of these studies has addressed the factors affecting PSV SACCOs in Nairobi County hence the second knowledge gap.

The literature available so far indicates that there has since been no study aimed at addressing the factors affecting PSV SACCOs in neither Nairobi County nor assessing performance of credit unions in respect of net assets and membership hence the knowledge gap. This study therefore seeks to answer the question what factors are affecting the performance (net assets and membership) of PSV SACCOs in Nairobi County?

1.3 Research Objectives

The objective of the study will be to establish how selected factors (management competency, competition and working environment) affect the performance (net assets and membership) of PSV SACCOs in Nairobi County.

1.4 Value of the Study

This study will be of value to the management teams of SACCOs in Kenya specifically the PSV SACCOs whose duty is policy formulation as a reference point to enhance an upward trend in growth of their SACCOs. The study will also add knowledge into how SACCOs should be managed for a rapid growth. The findings of this study will be of importance to co-operative industry which is directly affected by the dynamic business environment and scholars who will use it for further research in the same area or related field or for teaching in institutions of learning.

The study will also be important to financial institutions which operate in the same environment as SACCOs. The government and corporate policy makers who might be interested to know the impact of a dynamic environment in respect to the growth of SACCOs in Kenya will gain from the study. The study will be of great help to KUSCCO, KNFC, CIC and cooperative bank who rely on cooperative societies for business. They might find this study useful as they formulate their strategic plans.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter discusses theoretical review and empirical studies. Under theoretical review, agency theory, political theory and stewardship theory are reviewed in order to further inform expected relationships among study variables based on the relationship proposed by those theories. Under empirical studies, this chapter presents studies carried out and which are relevant to this study as presented by other researchers and scholars.

2.2 Theoretical Review

Various theories are discussed in order to explain the expected relationships among study variables (management competency, working environment, competition and performance) based on the relationship proposed by those theories.

2.2.1 Agency Theory

Agency theory argues that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns. In agency theory terms, the owners are principals and the managers are agents and there is an agency loss which is the extent to which returns to the owners fall below what they would be if the principals (the owners) exercised direct control of the corporation. Agency theory specifies mechanisms also known as agency cost aimed at reducing agency loss. These include incentive schemes for managers which reward them financially for maximizing shareholder interests. Such schemes typically include plans whereby senior executives obtain shares, perhaps at a reduced price, thus aligning financial interests of executives with those of shareholders (Eisenhardt, 1989).

In the case of SACCOs, the owners are the customers and also the managers as they elect one of their own each year to manage the SACCO affairs on their behalf. This leads to reduces agency loss and agency costs because checks and balances are less. The effect of managerial competency on SACCO performance, one of the issues covered by this study,

is guided by agency theory. Managerial competence enables the agent make good organizational decisions that would lead to better performance of the SACCO thus benefiting both members and managers. Agency theory therefore informs of the relationship between managerial decision outcomes as effected through the managers and performance of the SACCO (Mwangi, 2014)

2.2.2 Political Theory

Political theory is the study of the concepts and principles that people use to describe, explain, and evaluate political events and institutions. Political theory brings the approach of developing voting support from the members. In Nigeria, many SACCOs have been formed through government directives to certain categories of government officials to form a given number of SACCOs in their villages of origin (Abdullah and Valentine, 2009).

This theory is relevant to management of Saccos because SACCO management team is usually elected by way of voting. In that way, floodgates for nepotism, corruption, mismanagement and financial indiscipline are opened. In some other cases, SACCOs spring up in response to government promises of providing subsidized services to members. This category could be referred to as òpolitical SACCOsö which usually do not stand the test of time (Abdullah and Valentine, 2009).

2.2.3 Stewardship Theory

To the degree that an executive feels their future fortunes are bound to their current corporate employers through an expectation of future employment or pension rights, then the individual executive may perceive their interest as aligned with that of the corporation and its owners, even in the absence of any shareholding by that executive (Barney, 1990). These theoretical considerations argue a view of managerial motivation alternative to agency theory and which may be termed as stewardship theory.

According to Davis et al. (1997), a steward protects and maximizes shareholders wealth because by so doing, the steward's utility functions are maximized. In this perspective, stewards are managers working to protect and make profits for the shareholders.

Stewardship theory emphasizes on the role of management being stewards and therefore integrating their goals as part of the organization's goals. The stewardship perspective suggests that stewards are satisfied and motivated when organizational success is attained. The theory recognizes the importance of governance structures that empower the steward and offers maximum autonomy built on trust.

This theory applies to SACCOs because owners are the customers and also the managers and hence protect and maximize shareholders wealth because by so doing, their steward's utility functions are maximized. They integrate their goals with the overall SACCO goals and become satisfied and motivated when the SACCO performance is excellent.

2.3 Factors Affecting Performance of Credit Unions

Apart from the factors considered for study in this project (management competency, working environment and competition), there are many other factors that affect performance of credit unions. These factors are discussed below.

2.3.1 Capital Structure

Capital structure, otherwise referred to as, financial structure, is the means by which an organization is financed. It is the mix of debt and equity capital maintained by a firm. It suggests that managers of the firm should be able to identify when the optimal capital structure is attained and try to maintain it at that level. This is the point at which the financing costs and the cost of capital (WACC) are minimized, thereby increasing firm value and performance (Kajanathan and Nimalthasan, 2013).

2.3.2 Organizational Culture

Organizational culture is a performance determinant that has been intensely studied in the recent period. Organizational culture is an intangible factor of social and psychological nature, which leads employees to behave and act in a certain way. It arises along with the growth of company personnel because of each employee's personality and if not controlled can have a negative influence on performance. The technical side of organizational culture consists of a set of rules, procedures, decisions and recommendations. Through these techniques, company's management attempts to induce

a positive attitude and behavior for company employees. Once a certain culture is implemented among personnel, it has a strong effect on new employees. It is therefore very important for it to be a positive and constructive one. The components of organizational culture are very difficult to quantify (Denison and Mishra, 1995).

2.3.3 Innovation

Innovation is the ability to come up with new products or new ways of doing things. Innovation is one of the key factors influencing the performance of modern companies, intensively studied and promoted presently, in the context of the fierce competition at microeconomic level, but it is also a priority direction for development at macroeconomic level, national and international. Innovation is usually a distinct activity within a company. Innovation requires much investment in research and development which requires huge capital outlay. This makes it difficult for small businesses to be innovative as they are constrained by lack of capital. Credit unions too can be able to stand stiff competition and improve their performance by investing in research to innovate new products and new methods (Salim and Sulaiman, 2011).

2.3.4 Security Issues

There has been the existence of cartels, conflicts and rivalry in the control of Matatu sector in the country. There are strong business and political groups with vested interests in the Matatu industry who are deeply entrenched route-based cartels. The activities of the Mungiki group and Kamjesh gangs, who have the control of certain Matatu routes and stages in the city of Nairobi, attest to the great rivalry and competition prevalent in the industry. Another growing threat in the Matatu industry, especially in the city of Nairobi and its environs is the gangsters who disguise themselves as passengers and board the vehicles only to rob passengers and carjack matatus along the way (Mutoria 2013).

2.3.5 Policy Framework Governing Operations of Credit Unions

Despite the rapid growth and outstanding contributions of the Matatu industry, the industry has faced many problems. Excessive regulatory constraints inhibit business competitiveness worldwide. Africa is striving to industrialize but often, government

policies or their absence provoke immense costs and adverse reactions by the entrepreneurs. Sometimes the policies or regulations are at fault during the times of their implementation. The emerging policy concerns pertaining to availability, profitability and affordability of PSV transport include tax policy, Policies relating to the cost of insurance and the extent to which PSV operators can afford, government policy on PSV vehicles importation and Regulation of the industry and the training of the drivers (Muturaia 2013).

2.4 Empirical Studies

Studies have been carried out globally, regional and locally on growth of wealth explaining financial stewardship and an influencing factor. The present study considered the various studies identifying found beneficial. The study sought the relevant information on previous studies from university libraries, private libraries, and public library and through the internet search. Such material was in journals, research papers and working papers.

Westley and Shaffer (1997) explored empirical linkages between credit unions' policies and their financial performances, in three Latin American countries. Two types of policy variables were examined: one group of variables that affected the incentives of borrowers to repay loans, and another group of variables that affected the credit union's ability to screen loan applications accurately. Certain variables from each group were found to affect both delinquency and profitability, in accordance with theory. The findings were strongly consistent with moral hazard on the part of borrowers as well as an efficiency wage hypothesis for credit unions. In addition, the average credit union in the sample was found to operate at a substantially smaller than would be profit-maximizing at the observed vector of net put prices, possibly reflecting administrative inefficiencies.

Dakurah et al. (2005) mailed a questionnaire to 1500 Alberta residents with the aim of eliciting understanding of and attitudes towards credit unions. Analysis was conducted with a series of scale and log it regression analyses based on the Theory of Planned Behaviour. Results indicated that 78% of respondents were familiar with and understood the concept of credit unions the majority being male at 58%. Respondents who were

active members of a credit union generally held positive attitudes towards their credit unions, and 89% rated their credit unions as performing well under a set of six performance categories. Analysis from the log it models found credit unions involvement with the local community and customer service to be the major reasons for credit union patronage.

Cinquina (2008) did a study on the Sustainable public urban transport systems using the case of Curitiba. The presence of an urban plan is determinant in achieving the sustainability of the public transport system. Having a team with a good vision of what it is going to be in the future and implementing a well thought plan is fundamental, as well as the economical viability of the system should be self-sustaining. It is important to rely on local institutions, because they know better the problems of their city and the public transportation needed. Also, they should have a strong autarchic character, so to not totally depend on the political party that rules the city at a given time.

Githui et al (2010) examined the structure of users' satisfaction on urban public transport service in developing country using the case of Nairobi. The study investigated public transport service attributes that influenced overall passengers' satisfaction and ultimately enhancing public transportation ridership in developing countries. The study developed Structural Equation Model (SEM) to elucidate the interrelationship between the observed variables and unobserved variables and their impact to the overall commuters' satisfaction. Unobserved attributes such as Service Quality (SQ), Safety (S) and Travel Cost (TC) were estimated. Level of satisfaction was found to be significantly influenced by Service Quality (SQ), Safety (S), Travel Cost (TC) and the perception on the systems' performance.

Glass et al. (2010) carried out a study to investigate how producer-specific environmental factors influence the performance of Irish credit unions. The empirical analysis used a two-stage approach with the first stage measuring efficiency by a data envelopment analysis (DEA) estimator, which explicitly incorporated the production of undesirable outputs such as bad loans in the modeling, and the second stage using truncated

regression to infer how various factors influence the estimated efficiency. The study found that 68% of Irish credit unions do not incur an extra opportunity cost in meeting regulatory guidance on bad debts.

Muriuki (2010) investigated how governance, education and training, market risks and membership base affect SACCO performance taking a case of Tharaka Nithi Teachers SACCO. Descriptive research design was used in the study. Since the population was not homogeneous, stratified random sampling design was used as a technique to draw a sample from the sampling frame. Questionnaires were used as data collection instruments and the data was analyzed using the SPSS. The results showed that governance had enormous effects on the performance of the SACCO. Further, the results also indicated that the aspects of education and training played a major role in influencing governance structures. The researcher recommended that the SACCO diversifies its products to take into account the needs of the members and the available market as a means for resource mobilization.

Saliha and Abdessatar (2011) studied the determinants of financial performance using an empirical test, the simultaneous equations method. Their findings affirm the presence of a significant interaction between performance, debt and shape control. In addition, this comparative study on the listed and unlisted companies shows that listed companies are characterized by growth and profitability than those of unlisted companies. The structure of ownership of unlisted companies is highly concentrated and subjected to the effect of debt financing. Indeed, the poor performance of unlisted companies is due to the closed nature of its capital and high leverage which increases the risk of bankruptcy.

Bolella (2011) studied public perception of public transportation and its built environment in the new haven ó Springfield Corridor. This research found that people place a significant value on the quality of public spaces created by transit, captured here through the use of digitally rendered built environments that depict several features of good public spaces: wide sidewalks, greenery, reduced building setbacks, etc, combining different levels to define four distinct groupings of public spaces. It also discovers that an

individuals' willingness to pay for public spaces varies based on geography of their community.

Muthui (2011) sought to establish the factors that influence the financial performance of Nyeri Teachers' SACCO Society Limited and specifically to establish how the use of Management information system, staff motivation, staff training and development of new products and services influence financial performance of Nyeri Teachers' Sacco Society limited. The study adopted mixed mode approach. It targeted one C.E.O, 9 Board of Directors and 25 employees of the SACCO. There was a very strong relationship between the SACCO's performance and the independent variables. The study recommended good accounting and MIS systems, significant capacity building at all levels, flattening of SACCO organizational structure and the vetting of C.E.Os and top managers of the SACCO before appointments are made.

Mugondo (2012) carried out a study to determine the strategic responses adopted by Matatu operators to changes in the external environment in Kenya. The sample size was 57 matatus in for the five year period 2008 ó 2012. He employed a descriptive survey. The study found out that Matatu Saccos just like other players are affected to a varying degree by both micro and macro turbulent environment. The legal, economic and technological environments in descending order of importance were found to rank highest.

Scott (2012) sought to determine the causes of variation in efficiency of credit unions over the past decade. The study created an evaluation metric for credit union performance using a nonparametric technique called data envelopment analysis. Efficiency is based on the credit unions ability to maximize the members' benefits by providing adequate loans and savings accounts at low prices while minimizing the resources used. He used a sample 704 credit unions from 2001 to 2010. The study found that several environmental characteristics influenced efficiency. The findings demonstrated evidence for economies of scale as number of members, average savings size, and total assets all positively

influenced efficiency. The results also indicated that federal charter, number of branches, share of real estate loans, and average loan size negatively correlated with efficiency.

Chitere et al. (2012) examined transport services with emphasis on those provided by PSVs on Thika Road. A sample of 8 routes was used and information was gathered from key informants who included, directors of the Matatu Owners Association and Kenya Bus Services, route managers and crew. Using a descriptive survey, it was found that some form of hybrid mode of transport already exists in the form of par-transit matatus and larger buses operated by bus companies with potential for being strengthened into an effective hybrid mode comprising BRT and some Para-transit PSVs.

McCormick et al. (2012) reviewed Para-transit operations and regulation in Nairobi matatu business strategies and the regulatory regime. They established that matatu owners adopted business strategies that they hope will ensure them a continuing place in the market and a reasonable reward for their efforts. Using case studies of fifteen matatu businesses operating on selected routes in Nairobi, this study examined the relationship between matatus' business strategies and the existing regulatory regime. Research findings suggested a relationship between both overall and operating strategies and the nature and level of regulatory compliance. It also found that compliance was selective, with operators following regulations deemed to be reasonable and possible. The findings suggest that compliance may be enhanced by promoting cooperation between matatu owners and government in streamlining regulations and ensuring fair and consistent enforcement, as well as by recognizing that matatus are legitimate transport businesses rendering a public service.

Niyonsenga (2012) studied public transport supply for Kigali, Rwanda. Public transport is supplied to provide mobility to people who do not have access to private, or provide an alternative option to private car mobility. Public transport is increasingly adopted for many purposes, such as providing mass mobility, managing traffic congestion, mitigating air pollution, reducing energy consumption and creating development opportunities. The results indicated that, the prevailing public transport in Kigali could serve up to 65% of

the potential demand, regardless of the distance required to reach the bus stop. 37% of the demand was adequately served, in case both spatial and temporary aspects of service were considered. This low service performance was due to the deficiencies of public transport route network and the service capacity constraints.

Gordon (2012) studied intermodal passenger flows on London's public transport network. Urban public transport providers have historically planned and managed network and services with limited knowledge of their customers' travel patterns. Unlike airlines or interurban rail providers, who typically issue tickets specifying distinct origins, destinations and transfer points often in designated vehicles and seats, the nature of urban transport operations has necessitated fare payment schemes which yield only aggregate ridership data, at resolutions no finer than that of the station gate or bus fare box.

Kilonzi (2012) carried out a study to determine the effect of SASRA regulation on Sacco's financial performance. Causal research design was chosen to establish the effects of SASRA regulations on the financial performance of SACCOs in Kenya. The study targeted the 98 SACCOs registered by SASRA. The sampling method chosen for the study was purposive sampling. A linear regression model of SACCOs return on assets versus SASRA regulations was applied to examine the relationship between the variables. The study found that higher capital requirements, and increase in management efficiency impacted positively to SACCO's profitability in the post- capital regulation period. The study further revealed that capital regulation affects financial performance in SACCOs. The study concluded that financial stability could be at risk as a result of shocks impinging on the economic system and absence of proper policy adjustments to mitigate the effects of these shocks.

In a study that targeted all SACCOs regulated by SASRA for the period 2009 to 2013 to establish how members' income and conduct of SACCOs affects the relationship between characteristics and efficiency of SACCOs in Kenya, Mwangi (2014) found that size and age had a significant positive effect on efficiency of SACCOs a relationship that was moderated by the income of members. Multiple regression analysis was used to

establish the relationship. The study recommended policy interventions geared towards nurturing existing SACCOs with a view to increasing their size.

In a study by Mwaura (2014) aimed at establishing the determinants of financial performance of public transport business in Kenya taking a case of Kiambu County, the study found that holding all other independent variables constant, a unit increase in Influence of SACCOs, operatives culture and government influence lead to a 0.891, 0.813 and 0.857 in financial performance respectively. A sample of 56 investors from the population of 116 investors had been used and data analyzed through use of SPSS software and the results interpreted using regression analysis to establish the relationship. Research findings concluded a positive relationship between both overall and operating strategies and the nature and level of regulatory compliance. The study advised that compliance may be enhanced by promoting cooperation between Matatu owners and government in streamlining regulations and ensuring fair and consistent enforcement, as well as by recognizing that Matatus are legitimate transport businesses rendering a public service.

2.5 Summary of Literature Review

Literature review looked at the studies as conducted by other scholars in as far as public transport, SACCOs and performance are concerned however none of them sought to know the factors affecting public service vehicle SACCOs in Nairobi County hence the knowledge gap. Nairobi County is one of the first growing counties in Kenya and so is the public transport sector which has been experiencing rapid changes in terms of regulations and governance in the recent past hence the need to investigate the factors affecting the performance of PSV SACCOs in Nairobi county.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out the process and the various phases that will be systematically followed in completing the study. The chapter covers; research design, target population, data collection and data analysis.

3.2 Research Design

The research adopted a descriptive research design. According to Mugenda and Mugenda (2003), descriptive research design is a systematic, empirical inquiring into which the researcher does not have a direct control of independent variable as their manifestation has already occurred or because they inherently cannot be manipulated. The studies are concerned with what, where and how of a phenomenon hence more placed to build a profile on that phenomenon. Descriptive research design was more appropriate because the study sought to build a profile about the factors affecting performance of public service vehicle SACCOs in Nairobi County.

3.3 Population of the Study

Population in statistics is the specific population about which information is desired. According to Ngechu (2004), a population is a well defined or set of people, services, elements, events, group of things or households that are being investigated. The population of this study was public service vehicle SACCOs operating in Nairobi County. According NTSA, there were 63 registered public service vehicle SACCOs in Nairobi County by January 2015. The population of this study was therefore 63 PSV SACCOs.

3.4 Sample Design

Sampling frame is the list or directorate from where units of observation are selected. Because of the low population under study, a sample was not selected but rather a survey of the total 63 PSV SACCOs was conducted to determine the factors affecting their

performance. This provided more accurate results/findings compared to the use of a sample.

3.5 Data Collection

Data pertaining to the factors influencing the performance of PSV SACCOs operating in Nairobi County was collected by use of a questionnaire to obtain both primary and secondary data from top management and SACCO employees. The questionnaire was preferred because it enabled large coverage of the population with little time and at low cost. Anonymity of the respondents helped them to be honest in their responses, avoid bias and also allowed respondents to have enough time to answer questions thus avoiding hasty responses.

Questionnaires included both open-ended and closed-ended questions. The questionnaires were self-administered to the respondents. Before commencing the actual data collection exercise, the questionnaire was tested by sending it to three selected respondents (driver, member and SACCO accountant) with a view of amending questions where difficulties arose. The questionnaires were then collected back after two weeks and analyzed both qualitatively and quantitatively.

3.6 Data Analysis

The data collected was classified, sorted, edited and compiled. Measures of central tendency were used to analyze the quantitative data. The data was presented in form of tables, frequency distributions, percentages and graphs. The analysis of the data was done with the help of SPSS in order to present it in descriptive form. In order to determine the factors affecting performance of PSV SACCOs in Nairobi County, the researcher conducted a multiple regression analysis using the following regression model. Factors such as members' income, interest rates and size of the SACCO were held constant in this model.

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + \epsilon$$

Where; Y = Performance of PSV SACCOs

B₀ = A constant

X₁ = Management competence

X₂ = Competition

X₃ = Working environment

B₁, B₂ & B₃ = Coefficients for respective determinants

= Error term

Performance was measured by the net asset value and number of members in the SACCO. SACCOs with the highest number of members and net asset value were assumed to have high performance and were therefore assigned the highest score.

Management competence refers to the ability to use available resources efficiently, maintain high levels of employee performance and meet organizational objectives. This was measured by the level of education and years of experience. SACCOs whose management had the highest level of education and experience had high management competence and were therefore assigned a high score and vice versa.

Competition on the other hand refers to rivalry in which sellers try to outdo each other as they compete for customers and market share by offering the best practicable combination of price, quality, and service. For the purpose of this study, competition was measured by the number of competitors in the market. SACCOs with the lowest number of competitors were assigned a high score and vice versa.

Working environment/conditions refer to the surrounding conditions in which an employee operates. This factor was measured by working time, wages earned, provision of equipment required to perform duties and terms of employment. SACCOs with the highest score had best working conditions and vice versa.

CHAPTER FOUR

DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter discusses the response rate obtained from the study and provides descriptive statistics of the study variables (management competency, competition, working environment and performance) by way of frequency tables.

4.2 Response Rate

The study targeted the whole population of 63 registered SACCOs operating in Nairobi County and out of it 29 responded making up a success rate of 46% which the researcher deemed as a good representative of the population and hence sufficient to draw conclusion from. Other researchers who got low response rates include Machuki (2011) who obtained 43.3% (23 out of 53) in a study of listed firms in Kenya and Mwaura (2014) who obtained 41% (47 out of 116) in the study of financial performance of public transport businesses in Kenya: case of Kiambu County.

4.3 Data Validity

Data validation is the process of deciding whether the numerical results quantifying hypothesized relationships between variables, obtained from regression analysis, are acceptable as descriptions of the data. The validation process can involve analyzing the goodness of fit of the regression, analyzing whether the regression residuals are random, and checking whether the model's predictive performance deteriorates substantially when applied to data that were not used in model estimation. An R^2 close to one does not guarantee that the model fits the data well, because as Anscombe's quartet shows, a high R^2 can occur in the presence of misspecification of the functional form of a relationship or in the presence of outliers that distort the true relationship. One problem with the R^2 as a measure of model validity is that it can always be increased by adding more variables into the model, except in the unlikely event that the additional variables are exactly

uncorrelated with the dependent variable in the data sample being used. For this study, R^2 (coefficient of determination) was used to test the validity of data showed that the model fits the data well because it is not close to one ($R^2 = 0.077$).

4.4 Descriptive Statistics

This entails an analysis of the study variables in terms of mean, standard deviation, percentages and frequency distribution tables.

4.4.1 Management Competence

The study measured managerial competency using level of education and duration of experience in SACCO management. Managerial competence considered directors' qualifications, directors' experience, employee qualifications and employee experience. For each person, scores were assigned for highest level of education attained as follows: masters degree and above = 5, first degree = 4, diploma = 3, high school = 2, primary school = 1, and none = 0. Similarly, for number of years in SACCO management, scores were: 10 years and above = 5, 6 years and less than 10 years = 4, 3 years and less than 6 years = 3, one year and less than 3 years = 2, and less than one year = 1. The percentage score for each SACCO was obtained from the data collected. The results for managerial competency are shown in Table 4.1.

Table 4.1: Management Competence

Range/Score	Frequency
0 and below 42	0 (0%)
42 and below 70	4 (13.8%)
70 and below 84	13 (44.8%)
84 and below 98	11 (37.9%)
98 up to 140	1 (3.4%)
Total number of SACCOs	29 (100%)
Arithmetic mean	80.9
Standard deviation	13.5
Lowest (score)	60
Highest (score)	102

Source: research data

4.4.2 Competition

The study measured competition using number of routes plied by the SACCO and number of competitors on those routes. Scores were assigned as follows: 0 to 2 routes-1, 3 to 4 routes-2 and 4 routes and above-3, 0 to 2 competitors-3, 3 to 4 competitors-2 and above 4 competitors-1. The percentage score for each SACCO was obtained from the data collected. The results for competition are shown in Table 4.2.

Table 4.2: Competition

Range/Score	Frequency
0 and below 3.6	0 (0%)
3.6 and below 6	0(0%)
6 and below 7.2	0(0%)
7.2 and below 8.4	1(3.4%)
8.4 up to 12	28 (96.6%)
Total number of SACCOs	29(100%)
Arithmetic mean	10.1
Standard deviation	0.4
Lowest (score)	8
Highest (score)	11

Source: research data

4.4.3 Working Environment

The study measured working environment using the terms of employment of SACCO staff, daily average earnings, average daily working hours and the extent to which employees are provided with required equipment to enable them carryout their duties effectively. These were measured as follows: permanent-5, contract-3, casual-1. Ksh. 500 and below-1, ksh. 501 and less than ksh. 1,000-2, ksh. 1,000 and less than ksh. 1,800-2 ksh. 1,800 and less than ksh. 2,500-2, ksh. 2,500 and above-5. 8 hours and below-5, 9 hours and less than 12-4, 12 hours and less than 18-3, 18 hours and above-2. Always-5, sometimes-4, hardly-3 and never-2 for terms of employment, daily average earnings, average daily working hours and provision of equipment respectively. The percentage score for each SACCO was obtained from the data collected. The results for working environment are shown in Table 4.3.

Table 4.3: Working Environment

Range/Score	Frequency
0% and below 30	0 (0%)
30 and below 50	2 (6.9%)
50 and below 60	1 (3.4%)
60 and below 70	12 (41.4%)
70 up to 100	14 (48.3%)
Total number of SACCOs	29 (100%)
Arithmetic mean	72.6
Standard deviation	13.5
Lowest (score)	45
Highest (score)	85

Source: research data

4.4.4 SACCO Performance

The study measured SACCO performance using average number of members for the period 2010-2014 and the average total net assets of the SACCO for the period 2010-2014. These were measured as follows: 0 to 50-1, 51 to 100-2, 101 to 200-3, 201 to 400-4 and above 400 -5 for number of members. Ksh. 300,000 and below -1, ksh. More than 300,000 but less than 600,000-2, ksh. 600,000 but less than 900,000-3 ksh. 900,000 but less than 1,200,000-4 and ksh. 1,200,000 and above-5. The percentage score for each SACCO was obtained from the data collected. The results for SACCO performance are shown in Table 4.4.

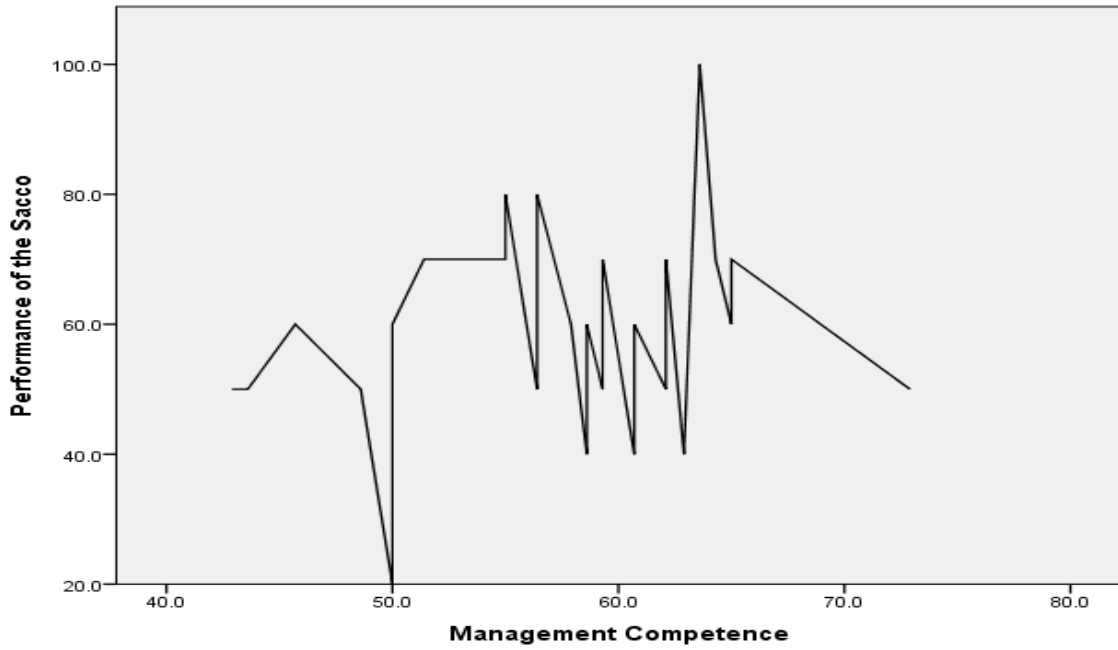
Table 4.4: SACCO Performance

Range/Score	Frequency
0 and below 3	1 (3.4%)
3 and below 5	4(13.8%)
5 and below 6	7(24.1%)
6 and below 7	7(24.1%)
7 up to 10	10(34.5%)
Total number of SACCOs	29 (100%)
Arithmetic mean	6.4
Standard deviation	1.8
Lowest (score)	2
Highest (score)	10

Source: research data

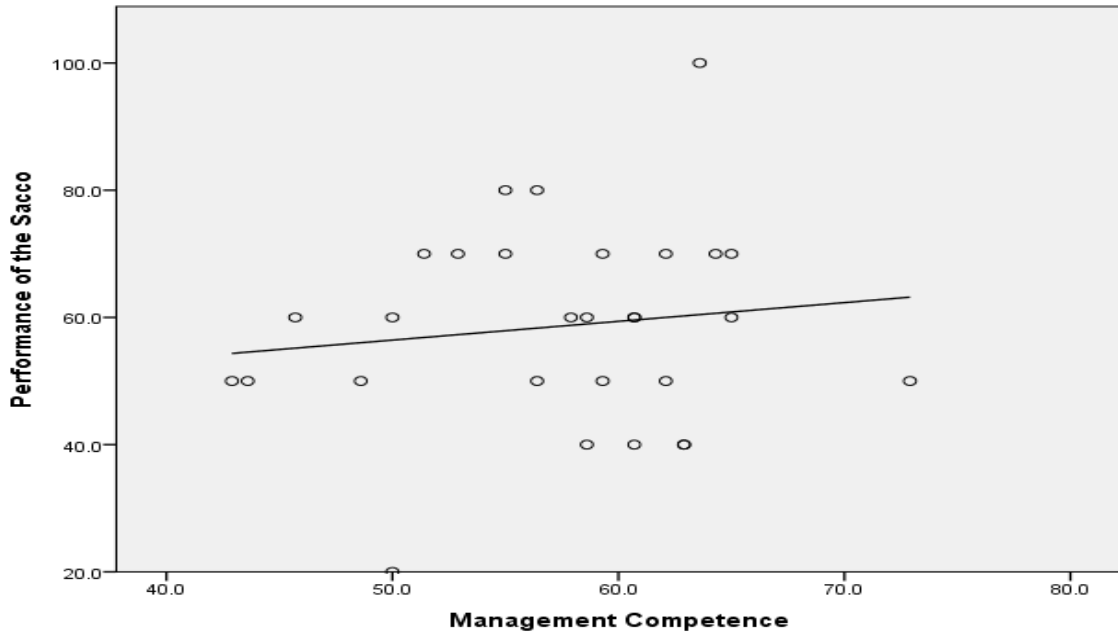
To determine the relationship between performance of the SACCO against management competence, performance of the SACCO against competition and performance of the SACCO against working environment, SPSS was used to illustrate the trending scenarios of the variables.

Figure 4.1: Relationship between PSV SACCO Performance and Management Competence.



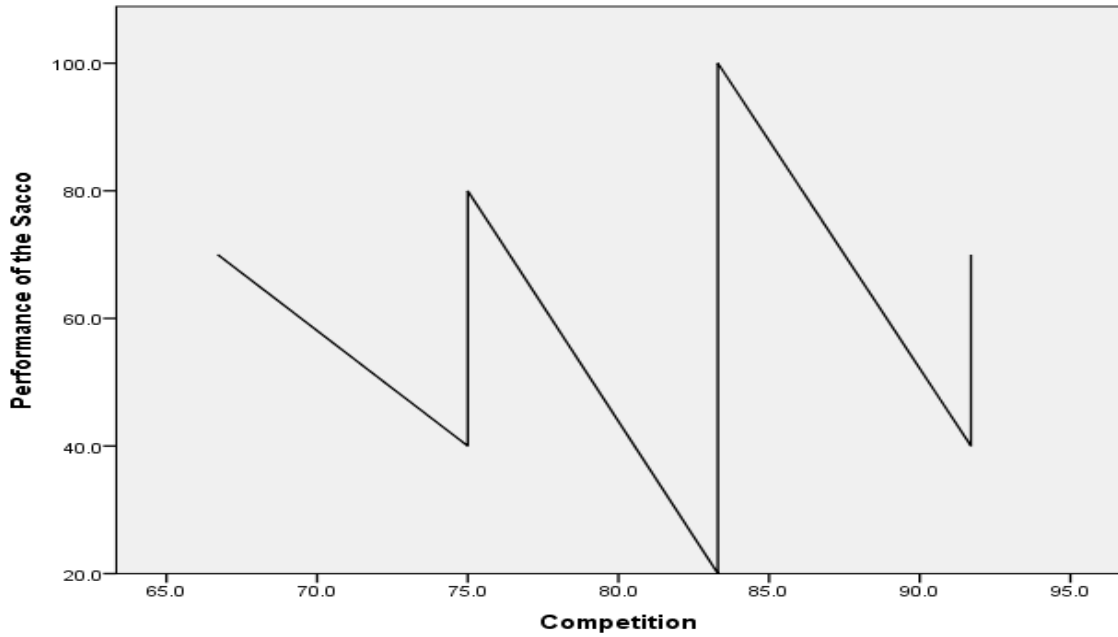
Source: research data

Figure 4.2: The Line of Best Fit for PSV SACCO Performance against Management Competence.



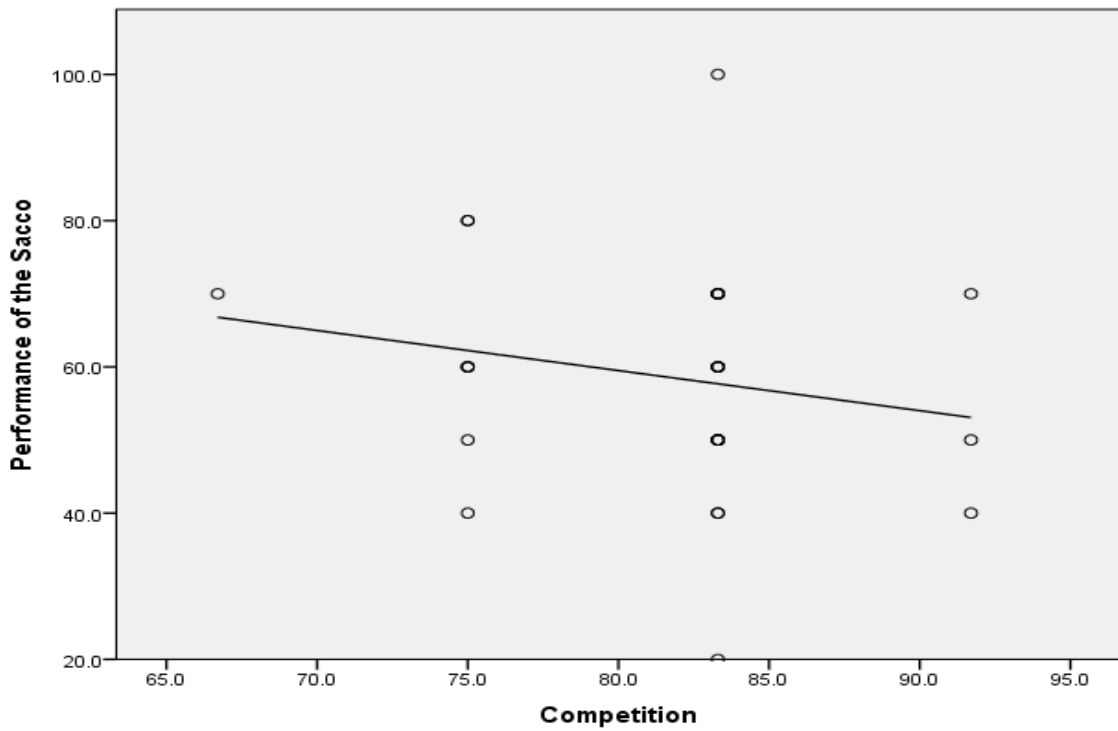
Source: research data

Figure 4.3: Relationship between PSV SACCO Performance and Competition



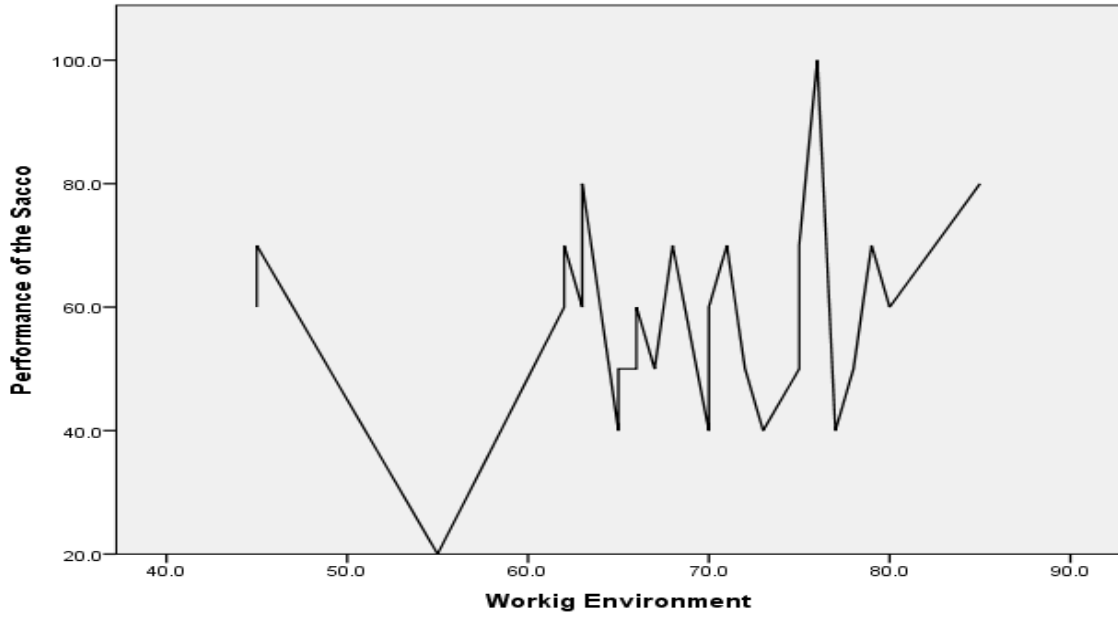
Source: research data

Figure 4.4: The Line of Best Fit for PSV SACCO Performance against Competition



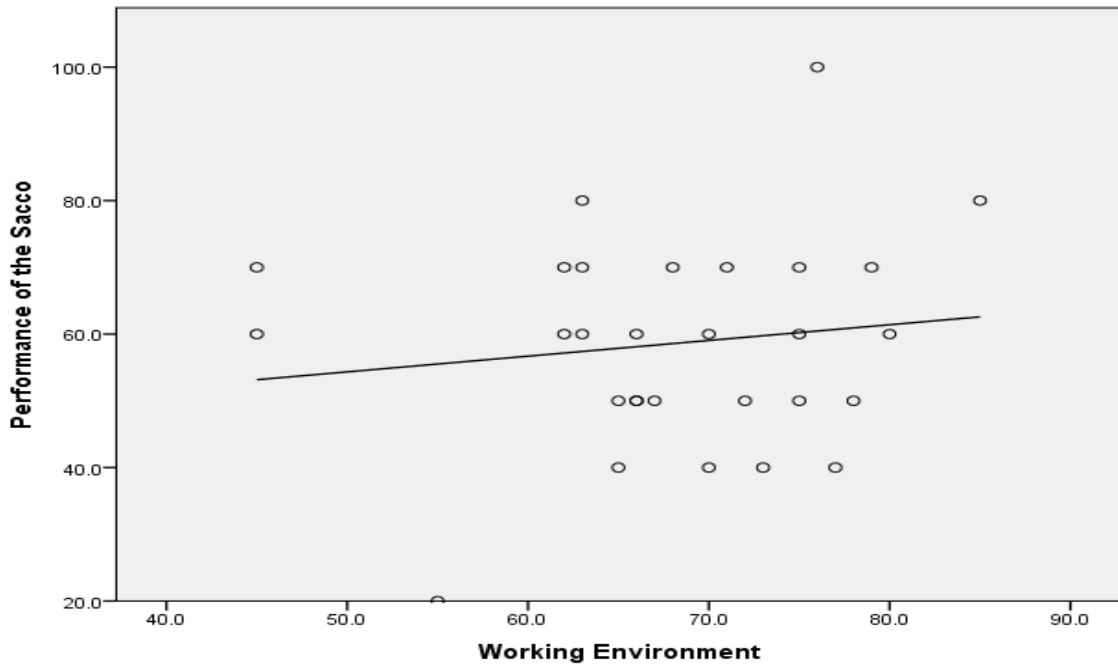
Source: research data

Figure 4.5: Relationship between PSV SACCO Performance and Working Environment



Source: research data

Figure 4.6: The Line of Best Fit for PSV SACCO Performance against Working Environment



Source: research data

4.5 Correlation Analysis

The relationship between the study variables was investigated using Pearson correlation matrix. This was important in order to assess whether any relationship exists between the variables before carrying out further analysis. The classification employed is strong (0.7 and over), moderate (0.4 and less than 0.7) and weak (0 to less than 0.4). Correlation analysis was also used to determine the existence of multicollinearity between the independent variables. Multicollinearity exists when independent variables are highly correlated ($r \geq 0.9$), and tends to lead to a poor regression model.

As shown in Table 4.5, there is a weak positive correlation between SACCO performance and management competence ($r = 0.132$), competition ($r = 0.196$) and working environment ($r = 0.139$). There also existed a weak correlation between the independent variables as follows; management competence versus competition ($r = 0.209$), management competence versus working environment ($r = 0.310$) and finally competition versus working environment ($r = 0.012$)

Table 4.5: Pearson Correlation Matrix

	Management Competence	Competition	Working Environment
Management Competence	1	0.209	0.310
Competition	0.209	1	0.012
Working Environment	0.310	0.012	1
Sacco Performance	0.132	0.196	0.139

Table 4.6: Correlation Model

Dependent Management Competence against Independent Competition Variable

a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.209 ^a	.044	.008	5.5992

a. Predictors: (Constant), Management Competence

Dependent Management Competence against independent Working Variable

b) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.310 ^a	.096	.063	6.8053

a. Predictors: (Constant), Working Environment

Dependent Competition against independent Management Competence Variable

c) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.209 ^a	.044	.008	5.5992

a. Predictors: (Constant), Management Competence

Dependent Competition against independent Working Environment Variable

d) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.012 ^a	.000	-.037	5.7247

a. Predictors: (Constant), Working Environment

Dependent Working Environment against independent Management competence Variable

e) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.310 ^a	.096	.063	8.9773

a. Predictors: (Constant), Management Competence

Dependent Working Environment against independent Competition Variable

f) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.012 ^a	.000	-.037	9.4434

a. Predictors: (Constant), Competition

Dependent Sacco Performance against Management Competence Variable

g) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.132 ^a	.017	-.019	15.8985

a. Predictors: (Constant), Management Competence

Dependent Sacco Performance against Competition Variable

h) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.196 ^a	.038	.003	15.7277

a. Predictors: (Constant), Competition

Dependent Sacco Performance against Working Environment Variable

i)Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.139 ^a	.019	-.017	15.8831

a. Predictors: (Constant), Working Environment

4.6 Regression Analysis

$$\hat{Y} = 80.528 + 0.355(X1) - 0.639(X2) + 0.161(X3)$$

The regression equation above was established by taking all factors into account (management competence, competition and working environment) constant at zero, determines financial performance at 80.528. The findings presented also shows that taking all other independent variables at zero, a unit increase in management competence would lead to a 0.335 in determining the performance of PSV SACCOs in Nairobi County; a unit increase in competition would lead to a -0.639 891 in determining the performance of PSV SACCOs and a unit increase working environment would lead to a 0.161 increase in determining the performance of PSV SACCOs in Nairobi County. At 0.05% level of significance and 95% level of confidence, management competence had a 0.476 level of significance; competition showed a 0.257 level of significance while working environment showed a 0.644 level of significance as per table 4.7.

Table 4.7:Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	80.528	49.998		1.611	.120
	Management Competence	.335	.464	.150	.723	.476
	Competition	-.639	.551	-.228	-1.159	.257
	Working Environment	.161	.344	.095	.468	.644

a. Dependent Variable: Performance of the SACCO

Regression Analysis generated based on SACCO performance against Management Competence, Competition and Working Environment was as below;

Table 4.8:Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.278 ^a	.077	-.033	16.0084

a. Predictors: (Constant), Working Environment, Competition, Management Competence

The three independent variables that were studied explain only 77% of the determinants of performance of PSV SACCOs in Nairobi County as represented by the R². This therefore means that other factors not studied in this research contribute 23% of the determinants of performance of PSV SACCOs in Nairobi County. Therefore, further research should be conducted to investigate the other factors (23%) that determine performance of PSV SACCOs in Nairobi County

Regression Analysis generated based on SACCO performance against Working Environment

a)Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.132 ^a	.017	-.019	15.8985

a. Predictors: (Constant), Management Competence

b)Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	41.704	24.707		1.688	.103
	Management Competence	.295	.427	.132	.690	.496

a. Dependent Variable: Performance of the Sacco

Estimation equation for Sacco Performance (Y) based on Working Environment (X1)

$$\hat{Y} = 0.295(X1) + 41.704$$

Assumptions of Regression Analysis generated based on SACCO performance against Competition.

c)Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.196 ^a	.038	.003	15.7277

a. Predictors: (Constant), Competition

d)Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	103.362	43.236		2.391	.024
	Competition	-.548	.529	-.196	-1.037	.309

a. Dependent Variable: Performance of the Sacco

Estimation equation for Sacco Performance (Y) based on competition (X2)

$$\hat{Y} = -0.548(X2) + 103.362$$

Regression Analysis generated based on SACCO performance against working environment.

e) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.139 ^a	.019	-.017	15.8831

a. Predictors: (Constant), Working Environment

f) Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	42.572	22.261		1.912	.066
	Working Environment	.235	.324	.139	.727	.473

a. Dependent Variable: Performance of the Sacco

Estimation equation for Sacco Performance (Y) based on Working Environment (X3)

$$\hat{Y} = 0.235(X3) + 42.572$$

Table 4.9: Comparison of constants against Predictors (Regression factors).

Independent Variables	CoefficientsEquation	R Square	Std. Error of the Estimate
Management Competence, Competition, Working Environment	$\hat{Y} = 0.355(X1) - 0.639(X2) + 0.161(X3) + 80.528$	0.077	16.0084
Management Competence	$\hat{Y} = 0.295(X1) + 41.704$	0.017	15.8985
Competition	$\hat{Y} = -0.548(X2) + 103.362$	0.038	15.7277
Working Environment	$\hat{Y} = 0.235(X3) + 42.572$	0.019	15.8831

Source: research data

From the comparisons there is a clear indication that Competition is a better predictor of SACCO performance ($B = -0.639$), followed by Working Environment then Management competence. It also follows that the multiple predictors are not suitable hypothesis of Performance of the SACCO.

4.7 Discussion of Research Findings

The three independent variables that were studied explained only 77% of the determinants of performance of PSV SACCOs in Nairobi County as represented by the R^2 . This therefore means that other factors not studied in this research contribute 23% of the determinants of performance of PSV SACCOs in Nairobi County. The research also indicated that competition is a better predictor of SACCO performance, followed by Working Environment then Management competence. It also follows that the multiple predictors are not suitable hypothesis of Performance of the SACCO.

The regression equation established that taking all factors into account (management competence, competition and working environment) constant at zero, determines financial performance at 80.528. The findings presented also shows that taking all other independent variables at zero, a unit increase in management competence would lead to a 0.335 in determining the performance of PSV SACCOs in Nairobi County; a unit increase in competition would lead to a -0.639 891 in determining the performance of PSV SACCOs and a unit increase working environment would lead to a 0.161 increase in determining the performance of PSV SACCOs in Nairobi County. At 0.05% level of significance and 95% level of confidence, management competence had a 0.476 level of significance; competition showed a 0.257 level of significance while working environment showed a 0.644 level of significance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter provides the summary of the findings on the variables under study (management competence, competition, working environment and performance), conclusion, recommendations, and limitations of the study as well as suggestions for further research.

5.2 Summary of Findings

A summary of findings for each variable under study (management competence, competition, working environment and performance) is provided for better understanding as the relationships established between the study variables are discussed.

5.2.1 Management Competence

The study found that majority of the respondents (24 out of 29 translating to 82.7%) had average and above average score in management competence ranging from 50% to 70% while only 4 out of 29 translating to 13.8% were below average. 3.4% (1 out of 29) however had exemplary performance of 72.9%. The study further noted that most directors who had low level of education, had more experience in SACCO management and employed highly educated employees to help them run the affairs of the SACCO hence the high scores.

5.2.2 Competition

The study found that majority of the respondents about 96.6% which translates to 28 out of 29 scored between 70% and 100%. This means that most of the SACCOs that responded did not experience stiff competition on their routes. 3.4% (1 out of 29) however scored between 60% and 70%. Most of the SACCOs operated on 1 to 2 routes only with major competition coming from other PSV SACCOs as compared to PSV shuttles and companies. The number of competition was also limited by the demand for public transport on the specific routes.

5.2.3 Working Environment

Most of the SACCOs scored above average with 41.4% (12 out of 29) scoring between 60% and 70% and 48.3% (14 out of 29) scoring between 70% and 100%. 6.9% (2 out of 29) however scored below average of between 30% and 50% while 3.4% scored averagely between 50% and 60%. Of the three factors used to measure working environment(daily working hours, daily wages and provision of equipment required to perform duties), majority of the respondents indicated that working hours and provision of equipment was good however the daily wages were not satisfactory.

5.2.4 Performance of SACCOs

Most SACCOs performance was above average with 24.1% (7 out of 29) scoring between 50% to 60%, 24.1% (7 out of 29) scoring between 60% and 70% and 34.5% (10 out of 29) scoring between 70% and 100%. However some scored below average with 13.8% (4 out of 29) scoring between 30% and 50% and 3.4% (1 out of 29) scoring between 0% and 30%. SACCOs with high number of members were found to have high net asset value while those with low number of members were found to have a lower net asset value.

5.3 Conclusion

From the data collected and analyzed, there exist a positive relationship between management competence and SACCO performance such that as management competence rises, SACCO performance rises and falls when management competence falls. Data analysis further reveals another positive relationship between SACCO performance and the working environment such that a favorable working environment commands better SACCO performance while unfavorable working environment caused poor SACCO performance. However a negative relationship was seen to exist between SACCO performance and level of competition such that as the level of competition went up, SACCO performance was seen to drop and only increase when the level of competition went down.

5.4 Recommendations

The study recommends the following; that SACCO members should elect people with managerial competence to manage their SACCOs. SACCO directors should

appoint/employ highly qualified staff to help them run their SACCOs because management competence is seen to have a positive effect of SACCO performance. SACCOs should also seek to increase the routes in which they operate by merging as this is likely to reduce the effect of competition which has a negative effect on SACCO performance. Lastly SACCOs should seek to improve and perfect the working environment more so the issue of wages paid to their staff to improve their motivation and hence increase SACCO performance.

5.5 Limitations of the Study

The study had some limitations which included the low response rate of 46.03% translating to 29 respondents out of the targeted population of 63 which tends to reduce the ability to generalize the results. This study was also not able to establish or explain the cause of the relationships seen between the study variables because of the descriptive research design that it adopted but all the same it was able to achieve its objective of establishing the relationships between the study variables. The study also used SPSS and the regression model which might not be sufficient for analyzing data.

5.6 Suggestions for Further Research

The study recommends that further research be carried out to in counties other than Nairobi to see if the relationship will hold. The same research could also be done in Nairobi County but using a different research design and different way of data analysis to test if the relationship still holds. Another research should also be carried out to compare the performance of PSV SACCOs versus the performance of PSV companies to test if the difference is significant.

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3. Number of years experience in SACCO management. Tick (ç) one bracket per person

Board members	10 years & above	6 years & less than 10	3 years & less than 6	1 year & less than 3	Less than 1 year
1	()	()	()	()	()
2	()	()	()	()	()
3	()	()	()	()	()
4	()	()	()	()	()
5	()	()	()	()	()
6	()	()	()	()	()
7	()	()	()	()	()
8	()	()	()	()	()
9	()	()	()	()	()

4. Highest level of education attained. Tick (ç) one bracket per person

Top five (if applicable) employees	Masters degree & above	First degree	Diploma	High school	Primary school	none
1	()	()	()	()	()	()
2	()	()	()	()	()	()
3	()	()	()	()	()	()
4	()	()	()	()	()	()
5	()	()	()	()	()	()

5. Number of years experience in SACCO management. Tick (ç) one bracket per person

Top five (if applicable) employees	10 years & above	6 years & less than 10	3 years & less than 6	1 year & less than 3	Less than 1 year
1	()	()	()	()	()
2	()	()	()	()	()
3	()	()	()	()	()
4	()	()	()	()	()
5	()	()	()	()	()

SECTION B: COMPETITION

6. How many routes does your SACCO ply? Tick (ç) only one bracket.

- a) 0-2 ()
- b) 3-4 ()
- c) Above 4 ()

7. How many competitors do you have on your route(s)?

Tick (ç) one bracket per item

Item	0-2	3-4	Above 4
Other matatu SACCOs	()	()	()
Matatu shuttles	()	()	()
Matatu companies	()	()	()

SECTION C: WORKING CONDITIONS

8. What are your terms of employment?

Top five (if applicable) employees	Permanent	Contract	casual
1	()	()	()
2	()	()	()
3	()	()	()
4	()	()	()
5	()	()	()

9. Average daily earnings. Tick (ç) one bracket per person

Top five (if applicable) employees	Ksh.500 & below	Ksh. 501 & less than Ksh. 1,000	Ksh. 1,000& less than Ksh. 1,800	Ksh. 1,800 & less than Ksh. 2,500	Ksh. 2,500 and above
1	()	()	()	()	()
2	()	()	()	()	()
3	()	()	()	()	()
4	()	()	()	()	()
5	()	()	()	()	()

10. Average daily working hours. Tick (ç) one bracket per person

Top five (if applicable) employees	18 hours & above	12 hours & less than 18	8 hours & less than 12	Below 8 hours
1	()	()	()	()
2	()	()	()	()
3	()	()	()	()
4	()	()	()	()
5	()	()	()	()

11. Are you provided with tools/equipment required to perform your duties effectively? Tick (ç) one bracket per person

Top five (if applicable) employees	always	sometimes	hardly	never
1	()	()	()	()
2	()	()	()	()
3	()	()	()	()
4	()	()	()	()
5	()	()	()	()

SECTION D: SACCO PERFORMANCE

12. Indicate your membership and net assets as shown below;

Item	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014
Number of members at the end of the year					
Total net assets at the end of the year					

The End

Thank you for your cooperation

APPENDIX 2: LIST OF REGISTERED PSV SACCOS IN NAIROBI COUNTY

1. ALDANA TRAVELERS SACCO
2. BABADOGO 25 TRAVELERS SACCO
3. BURUBURU 58 TRAVELERS SACCO
4. CITY TRAVELERS SACCOS
5. CLASSIC PELICAN SACCO
6. COMLINES SACCO
7. COUNTY LINK SACCO
8. DAKIKA MATATU SACCO
9. DANDORA USAFIRI SACCO
10. DIX-HULT MATATU SACCO
11. EASTLEIGH ROUTE SACCO
12. ECOSA TRAVELERS SACCO
13. EGESA SHUTTLE SACCO
14. ELEVENTH HOUR TRANSPORT SACCO
15. EMBASSAVA SACCO
16. FASTRACK UNITED SACCO
17. FORWARD TRAVELERS SACCO
18. FORTY FOUR SACCO
19. GANAKI SACCO
20. GITHURAI 45 SACCO
21. GUSII COMMUTER SERVICES SACCO
22. HIGHRISE KIBERA SACCO
23. HIMOSA SACCO
24. HOME SACCO
25. HURUMA 46 SACCO
26. INDIMA (NJE) SACCO
27. INTERCOUNTIES SACCO
28. JESMAT TRAVELERS SACCO
29. JONSAGA FLATS SACCO
30. KANGEMI MATATU OWNERS SACCO
31. KARIOBANGI MATATU SACCO
32. KARURI COMMUTERS SACCO
33. KAWANGWARE MATATU SACCO
34. KIBERA BURETI SACCO
35. KIGUMO TRAVELERS SACCO
36. KILLETON SACCO
37. KINATHI SACCO

38. KINATWA SACCO
39. KITENGELA TRAVELERS SACCO
40. LAKENYA TRANSPORT SACCO
41. LATEMA 22 TRAVELERS SACCO
42. LOPHA SACCO
43. LUCKY BABA DOGO SACCO
44. MARIMBA TRAVELERS SACCO
45. MOLO CLASSIC SACCO
46. MWAMBA TRAVELERS SACCO
47. MWIKI PSV SACCO
48. NAWAKU SACCO
49. NAWASUKU SACCO
50. NAZIGI SACCO
51. NGUMO-LINE SACCO
52. OUTER CIRCLE SACCO
53. REMBO SHUTTLE SACCO
54. RUKAGINA SACCO
55. SOUTH B MATATU OWNERS SACCO
56. ST. MARYS TRANSPORT SACCO
57. TAWALA UTAWALA SACCO
58. UMOINNER SACCO
59. UMOJA INNER CORE SACCO
60. UMOWA SACCO
61. UTAWALA BY-PASS SACCO
62. WALOKANA SACCO
63. WEST MADARAKA 14 SACCO

SOURCE: NTSA, 2015