

Influence of Cooperative Management on Sustainable Performance of Deposit Taking Savings and Credit Cooperatives in Kenya

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Abstract: Cooperative management in a savings and credit cooperative (SACCO) is a strategic process comprising of savings mobilization, credit administration and member relationships management. The aspects enable SACCOs to achieve a competitive advantage by facilitating them meet needs of members and to leverage on the strength of membership. Therefore, sustainable performance could be an outcome of savings mobilization, credit administration and the members' relationship with each other and with the cooperative. However, most cooperatives have had unsustainable performance and low survival rate due to inadequate information on the influence of cooperative management on sustainable performance. Thus, the specific objective of the study was to establish the influence of cooperative management on sustainable performance, by examining SACCO management in terms savings mobilization, credit administration and member relationships management. The study was an explanatory cross-sectional survey targeting all the deposit taking SACCOs in Kenya. From the descriptive analysis, 71.45% of the respondents agreed that cooperative management positively influence sustainable performance of Saccos. Further, the predictor variable was found positively correlated with sustainable performance of Saccos at 77.3% and to explain 79.4% of variation (i.e. R²) in SACCOs' performance. Likewise, the regression results revealed that governance had a significant positive coefficient (B= 0.213, p =0.000) which imply that a unit change in management would enhance sustainable performance of SACCOs by 0.213 units. The study then recommends that SACCOs should improve on strategic management by ensuring strategic decisions are aligned to strategic actions. This will reduce the disconnect between strategy formulation and execution leading to improved competitive advantage of Saccos and fulfilment of their strategic purpose, mission and vision.

Key words: savings and credit co-operatives; sustainable performance; co-operative management

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I. INTRODUCTION

Strategy continue to dominate research on enterprise performance with the critical concern being how strategy can help an enterprise to survive and sustain performance in perpetuity, not just in the short term or through good economic periods (Talaja, 2012). According to Gibcus and Kemp (2003) a strategy can be perceived as an integrative pattern of decisions that determine and reveal organizational purpose, objectives or goals, action plans (processes) and resource allocation – aimed at achieving superior performance. Therefore, strategic management scholars agree that strategy is managerial decisions that determine performance of an entity by mobilizing resources using governance and management processes (Mazzarol et al., 2011; Wheleen & Hunger, 2008; Johnson et al., 2011; Talaja, 2012). Based on the assertion cooperative could be viewed as a purposive and entrepreneurial entity with specialized unique corporate governance and management that interacts with its environment to maintain long-term viability. Hence, corporate management plays an important role in sustainable performance by providing purpose and direction to an enterprise (Bennett, 1999, p 3).

Nevertheless, cooperatives like in other SMEs, are usually argued are too busy dealing with operational problems and events on a day-to-day basis and devote no time to strategic management (Birchall, 2010; Mazzarol et al., 2011; Hanlon and Scott, 1993). This is supported by Kobia (2011), who argue that despite significant progress that has been made in the establishment of cooperatives performance and sustainability has been a great challenge for majority of them. This has resulted to unsustainable performance and low survival rate of cooperative enterprises (Kobia, 2011). The scenario is reflected in numerous cases where cooperative

enterprises have failed to meet their stated objectives, at times even leaving their members worse off (Mude, 2006; RoK, 2012). Surprisingly, even with the entry of the savings and credit co-operative societies regulatory authority (SASRA), as well as improved supervision by county governments, the number of dormant cooperatives in Kenya have been increasing with time, while performance of the active ones have been inconsistent and below potential (Okeyo, 2010). According to Wanyama (2009), over 35% of registered cooperatives are either dormant, deregistered or have already collapsed. A further analysis by SASRA (2014) and KNBS (2015) indicate that out of the 8592 SACCOs registered as at 31st December 2014 only 1995 were active. The worst scenario is where cooperatives are unprepared to react to developments that affect their business or threaten their ability to remain relevant to members.

According to Griffiths (2004) and Galor (2004) to address performance instability in cooperatives, one would require clear understanding of Sacco management among other factors that influence their success or failure. The researcher believes that “Until this is done, the movement is likely to remain weak and lack visibility at the national and international levels” (Wanyama, 2009 p. 29). The study examined influence of SACCO management in terms savings mobilization, credit administration and member relations management. The specific objective was to assess the influence of SACCO management on sustainable performance of Saccos in Kenya, while study hypothesized that SACCO management does not significantly influence sustainable performance of Saccos in Kenya.

II. LITERATURE REVIEW

Theoretical Framework

Considering cooperatives unique social-economic orientation, to perform a holistic analysis, the study was adopted a multi-theoretical approach (Mazzarol et al, 2011 a). The approaches included the Chamberlain’s theory of strategy and the Dynamic theory of cooperatives. First, the Chamberlain’s theory of strategy was used to explain influence of optimal strategy on firm performance. Secondly, the dynamic theory of cooperatives was used to explain how cooperative enterprise strategy can be used to achieve economic efficiency and competitiveness in cooperatives (Evans & Guthrie, 2006).

Conceptual Framework

Rankin and Russell (2005) definition of cooperative sustainability was adopted, which is a cooperative being economically successful and being able to maintain this position. From review of a broad range of literature, the study hypothesized that management influence sustainable performance of Saccos in Kenya. Sacco performance was measured by return on assets, while SACCO management was defined as credit management, savings mobilization and member relations management (Mazzarol, 2009; Mazzarol et al., 2011 a, b; Mazzarol et al., 2012).

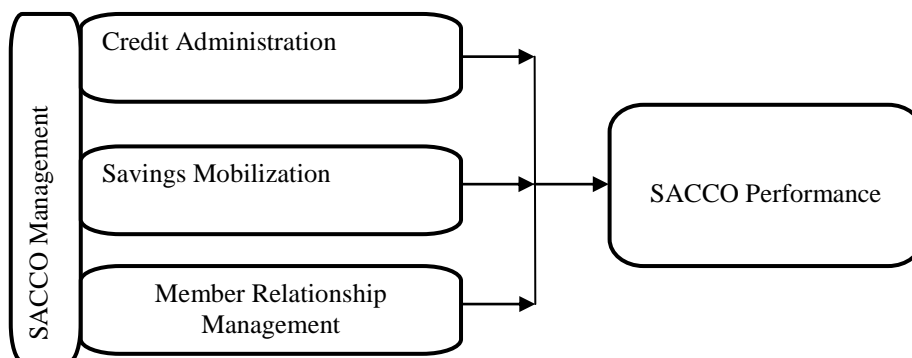


Figure 1. Conceptual framework

III. EMPIRICAL REVIEW

SACCO Management

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

Savings Mobilization

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

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

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

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

Credit administration

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

As SACCOs grow in terms of the number and size of loans, diverse products and clients, multiple locations and more employees, and more complex processes and procedures; it becomes critical to have prudent credit administration. According to (Kargi, 2011) the credit administration as the core function of every of SACCO, enhance the ability of members to exploit desired profitable ventures. Thus, through the effective credit administration, SACCOs not only support the viability and profitability of their own business, they also contribute to systematic stability and efficient allocation of capital in the economy (Psillaki, Tsolas, & Margaritis, 2010). Further the credit administration function facilitates efficient management of the SACCO loan portfolio to ensure equitable distribution of funds and encourage liquidity planning. To achieve prudence and best practice, credit administration should always be guided by clearly spelt out policies and procedures, strategic plan, by-laws, the SACCO act and regulations. Samoei (2015) argue that a sound credit policy would help improve prudential oversight of asset quality and efficiency by setting minimum standards of assessing risk, pricing, documentation, securities, authorization and ethics. Simply put, the credit policy should

set the Saccos lending philosophy, specific procedures and means of monitoring the lending activity evaluated in order to ensure sustainability in profits.

In Kenya, Sacco credit administration is guided by Part VI of the Sacco societies' regulation 2010. Lending being a core business of SACCOs, to ensure sustained operations the law provides detailed lending requirements (see regulation 28) (RoK, 2010). It highlights functions of credit management in Sacco and advices on the importance of developing policies that would ensure security of loans extended to members (Njuguna, 2012). Moreover, Saccos aim of providing easy access to credit can only be realized if such credit given efficiently and effectively (Talaja, 2012). This can in addition guarantee continued existence and operational sustainability of the Sacco society.

Member relationship management

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

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

According to Street and Cameron (2007) member relationship management is important in the development of strategy and planning in cooperatives. Similarly, Ortmann and King (2007) indicate that member relationship management help a cooperative to achieve market power by consolidating members with common objectives and proactively engaging them in strategic planning and operational decision-making across the whole value chain. It also provides a strategic fit among corporate, business and operational levels of strategy, by having members as key players at all the levels. Further member relationship management enhance business competitiveness by enabling board and employees to manage cooperative functions in consistency with members' expectations (Mazzarol et al., 2012). In this case, Nunez-Nickel and Moyano-Fuentes (2004) found that member relationship management helped cooperatives to forge stronger supply-chain linkages that consequently enabled them to dominate a market, product or service. Likewise, a co-operative being a coalition of members with common interests, Birchall (2010; 2014) posit that the member relationship management provide a hub for organising particular local economic interests or for protecting common pool resources. It also facilitates flexibility, a strong sense of common purpose amongst members (Mazzarol et al., 2011 b), and good coordination as well as good communication. This makes member relationship management an operational tool that could significantly affect sustainable performance of cooperatives (Onaolapo & Oladejo, 2011), through vibrant mobilization of resources in a way that not possible for other firms (Salvatori, 2012).

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

Sacco Performance

Sacco enterprise performance refers to total social-economic outcomes resulting from the interactions of organizational factors in the course of operations (Wheelen et al., 2008; Barney & Clark, 2007). It is generally perceived as the ability to meet organizational goals (effectiveness); utilize organizational resources (efficiency); and satisfy the stakeholders (relevancy) through corporate governance and management processes, exercised within certain regulations (Jenatabadi, 2015). Thus, it is the most important goal and a strategic measure of output in every organization (Porter, 2004) because it is only through performance that an organization is able to grow and progress. In this consideration, Louis-Antoine et al. (2011) suggest RoA as an ultimate measure that could comprehensively evaluate sustainable performance in cooperatives.

In SACCOs, a category of cooperatives in Kenya, objective measures of performance such as the rate of dividends and the rate of interest on deposits (RoA) are regarded appropriate because they account for the cost of using members' funds in financing a cooperative's operations (Makori et al., 2013). Therefore, the study will use RoA to measure performance since it is a basic source of competitive advantage that implies customers are provided with what they perceive to be of superior value worth paying for (Wanyama, 2009).

IV. RESEARCH METHODOLOGY

Research Design

An explanatory research design was used to establish causal relationships between Sacco management and performance of Saccos. Further, the research adopted across-sectional sample survey in which questionnaires and document reviews was used to collect both quantitative and qualitative data for analysis using correlation, and regression methods (Cooper & Shindler, 2011). Questionnaires used a five-point Likert scale on the level of agreement ranging from 1 (= strongly disagree) to 5 (= strongly agree) to various statements. Control variables included respondents' characteristics and enterprise features.

Target Population

The target population was 215 deposit-taking SACCOs in Kenya because they comprise an important and vibrant segment of SACCOs. The study respondents were Sacco managers and general members. Managers are the legally recognized individuals involved in actual management of SACCOs, while general members are the owners and experience greatest impact of Sacco performance. A trial survey was conducted on 10 SACCOs, a 10% of the sample based on arguments by Hertzog (2008) that a 10% of the sample size is sufficient if the pilot study is not aimed at providing statistical estimates for the full study. To determine the study sample size, Cochran formula for calculating sample size was used (Israel, 2013).

Data Processing and Analysis

Credibility and reliability of data analysed was tested using the Cronbach alpha, where a coefficient of 0.7 or higher was considered sufficient (Sekaran and Bourgie, 2009). In data processing and analyses, the study used descriptive statistics, correlation, regression analyses and ANOVA.

V. RESEARCH FINDINGS AND DISCUSSION

The researcher sought opinions on Sacco savings mobilization, credit administration credit and member relationship management. Findings are as stated in the tables and figures below.

Descriptive Analysis

Table 1: Responses on credit management

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

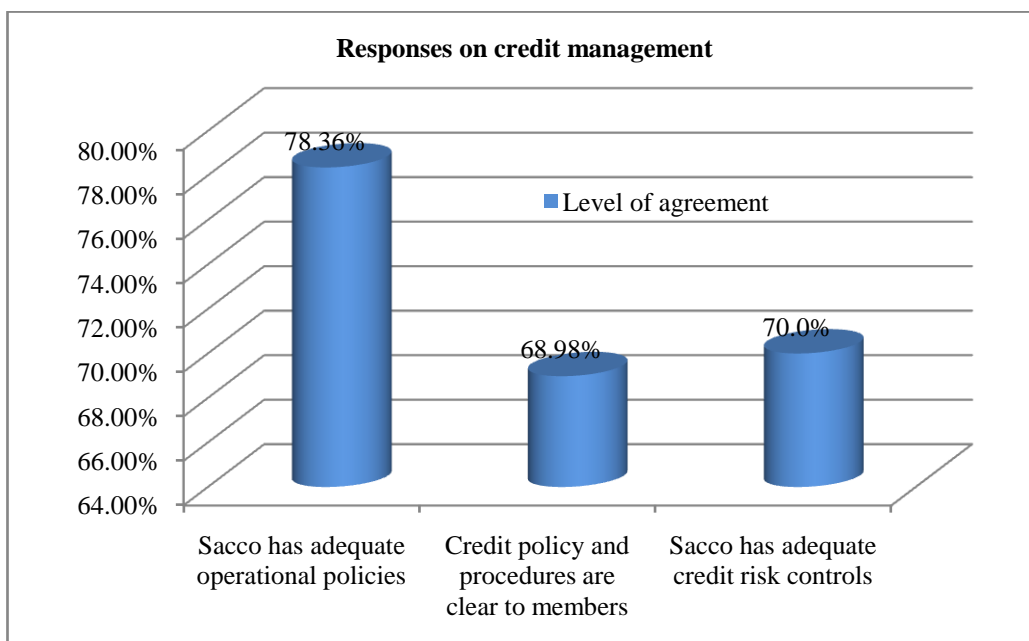


Figure 2: Responses on credit management

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

On effective management, only 79.6% of the respondents agreed that their Sacco has enough policies. This implies that the credit management in the Saccos represented by 16.3% respondents is inefficiently. The argument is supported by Kahuthu (2016) and Alukwe (2015) who studied on compliance to SASRA regulations, as well as Samoei (2015) Kamau (2015) studies on credit administration who adduce that inefficient management in some Saccos is due to inadequate policies. Also in the study, 24.5% of respondents disagreed that their credit policy and procedures are clear to members, while 30.6% also disagreed that their Saccos has adequate credit risk controls. All these results provide insights on poor understanding of influence of policies on efficient management and consequent superior Sacco performance.

Table 2: Responses on Member relations management

Statement	SD	D	N	A	SA	Mean
Our Sacco has member relationship department	10.2%	55.1%	0.0%	27.6%	7.1%	2.663
All operations in our Sacco revolve around creating value for our members	12.2%	23.5%	7.1%	34.7%	22.4%	3.316
I am satisfied with the Sacco services to members	1.0%	2.0%	8.2%	57.1%	31.6%	4.163

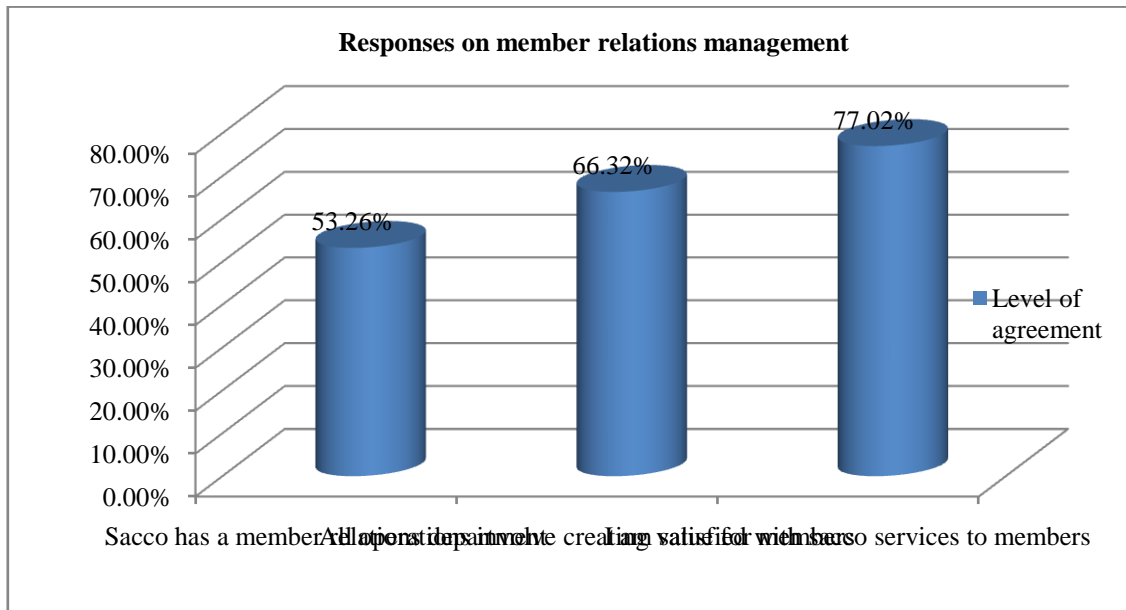


Figure 3: Responses on member relationship management

Most SACCOs in Kenya retain a strong sense of ‘community’ which make member relationship management critical to survival and performance (FSD, 2017). Unlike in companies, each cooperative member develops external relationships with others and the cooperative. Most distinct is that people deliberately consent to associate and be members of the association. Such a relationship creates a sense of belonging and ownership a prerequisite for survival and sustainable performance. Maroor, (2013) suggests that strong member relationship management is necessary to optimize member satisfaction in efforts to overcome still competition.

Based on the foregoing, this study sought respondents’ opinions on the existence and benefits of member relationship management. On existence of member relationship activities in Saccos, majority of respondents 65.3% disagreed that their Sacco has member relationship department while only 34.7% of the respondents agreed. The finding is consistent with Cheruiyot et al (2014) who found that majority of respondents 68.7% agreed, while 11.3% disagreed and 20% were not sure their Sacco undertakes member relationship management. The low emphasis on member relationship in Saccos could greatly be attributed to the cooperative business model where member is the owner and the customer at the same time. This further validates suggestion that there is inadequate information on the influence of cooperative enterprise strategy on sustainable performance.

On importance of member relationship, 57.1% of the respondents agreed, while 35.7% disagreed that it is important therefore all operations in their Sacco revolve around creating value for the members. In addition, the study found that over 88% of the respondents are satisfied with the Sacco services to members. The findings is in agreement with Davis (2016) who found 69 % agreed they were satisfied with the cooperative Bank services and over 58 % felt that the cooperative membership gave them a sense of belonging and ownership. These results indicate the benefits the cooperatives gained with its emphasis from general relationship management and partnership approach. These studies results are also consistent with Sudhakaran and Ramu (2014) who demonstrate that the implementation of member relations management activities generates better firm performance when managers focus on maximizing the value of the member. In Sudhakaran and Ramu (2014) 53.9% of the respondents agreed; 37.4% disagreed and 8.7% were undecided that member relations management improves the cooperative’s success and survival in market. Also 63.5% agreed, 9.6% disagreed, while 26.9% were undecided that member relations management improves the cooperative’s member satisfaction. Further 71.3% agreed, 10.4% disagreed and 18.3% were undecided that member relations management improves the cooperative’s member retention and loyalty.

Table 3: Responses on Savings mobilization

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

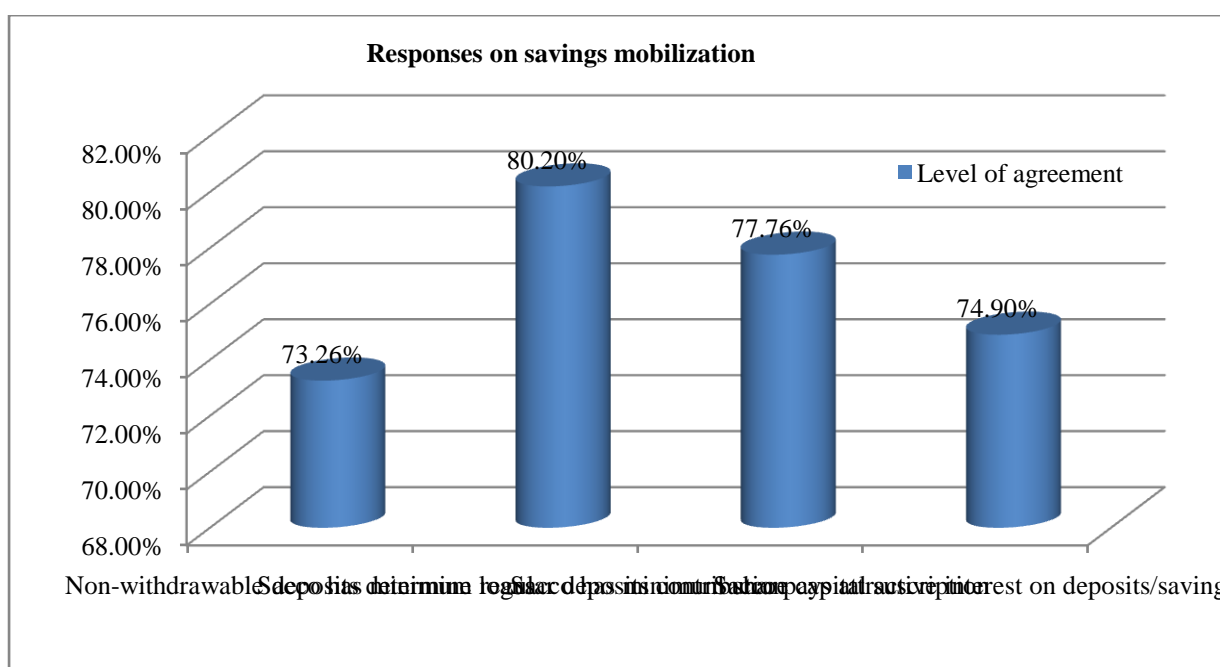


Figure 4: Responses on savings mobilization

According to Branch and Janette (2002) what most distinguishes credit unions from microfinance entities is their ability to mobilize large numbers of small and voluntary savings accounts. Karagu and Okibo (2014) in their study on financial factors influencing performance of Savings and credit cooperative organization in Kenya also concluded that growth savings and deposits is an important component of financial performance. From the study, 71.4% of the respondents agreed, while 28.6% disagreed that their Saccos non-withdrawable deposits determine amount of loan a member qualifies. The finding is in agreement with Kamau (2015) revelation that majority of the SACCOS have deposits as a condition of borrowing because it has a tangible financial basis that can be established with certainty. This study also indicates that 86.7% of respondents agreed, while 13.3% disagreed that their Sacco has minimum regular savings contribution. This may be an indication that savings are important to sustainable operations of Saccos.

Further, the study found that 79.6% of respondents agreed, while 20.4% disagreed that their Sacco has minimum share capital requirement for all the members. The finding is consistent with D T Saccos regulations 2010 requirement that all Saccos should have minimum equity capital, a similar view is expressed Kahuthu (2016) and Alukwe et al. (2015). Alongside that, 70.4% of respondents agreed, while 20.4% disagreed that their Sacco pays attractive interest on deposits and FOSA savings. The finding is consistent with Sudhakaran and Ramu (2014) found savings balances and financial performance (ROA) to have strong positive relationship ($p=94.3\%$ at 5% level of significance). The finding also corresponds with SASRA (2016) report that Saccos pay high returns to members. According to the report, “The average interest rates paid by commercial banks for savings in 2015 was 1.58% which was an improvement from the 1.54% recorded in 2014, while the DT-SACCOS paid an average interest of 8.08% to members on their saving deposits...in 2015” (SASRA, 2016 p 22). These relatively good returns, together with use of deposits as security for credit promotes savings culture

in Saccos. However, this can be a source of financial risk to a DT-SACCO where the lending rates are insensitive to upward movement of interest rate on deposits.

Correlation Analysis

Table 4: Correlation between SACCO management and sustainable performance

Variable		Sustainable Performance of Saccos	SACCO Management
Sustainable Performance of Saccos	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	98	
SACCO Management	Pearson Correlation	.773	1
	Sig. (2-tailed)	.000	
	N	98	98

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

Regression analysis

Table 5: SACCO management and sustainable performance of Saccos

(a) Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.891 ^a	0.794	0.754	1.58202

a. Predictors: (constant) SACCO management

b. Dependent variable: Sustainable performance of Saccos

(b) ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	36.445	1	36.445	15.675	.000 ^b
	Residual	518.475	96	2.325		
	Total	554.92	97			

a. Dependent variable: Sustainable performance of Saccos

(c) Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
1		B	Std. Error	Beta		
	Constant	1.602	.326		4.914	.000
	SACCO management	0.213	0.078	.055	2.731	.020

b. Dependent variable: Sustainable performance of Saccos

The regression equation obtained from this output was:-Sustainable performance of Saccos = 1.602 + 0.213 SACCO management + e. The adjusted R square for the regression of sustainable performance of Saccos on SACCO management of 0.754 mean that SACCO management explains 75.4% of variation in sustainable performance of Saccos. From the ANOVA results, the F-ration F-ratio (1, 96) = 36.445 significant at p <0.000, indicates that the model significantly predicts the outcome of the relationship between SACCO management and sustainable performance of Saccos. The beta un-standardized coefficient for SACCO management of 0.213 significant at p < 0.000 means that when SACCO management change by one unit, sustainable performance of Saccos change by 0.213 units. Therefore the fourth null hypothesis, which stated that there is no relationship between SACCO management and sustainable performance of Saccos, is not accepted. The implication is that there exists a significant positive relationship between SACCO management and sustainable performance of Saccos.

Saccos Performance

Sustainable performance was the dependent variable measure in ROA. The study sought opinions on performance indicators as shown in table below.

Table 5: Responses on Sacco Performance indicators

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

Njagi et al. (2013) and Alukwe et al. (2015) posit that a positive relationship exist between SACCO performance and financial stewardship, capital adequacy and funds allocation. Kahuthu (2016) extended the assertion by adducing that prudential regulations do enhance management positive affects performance of Saccos.

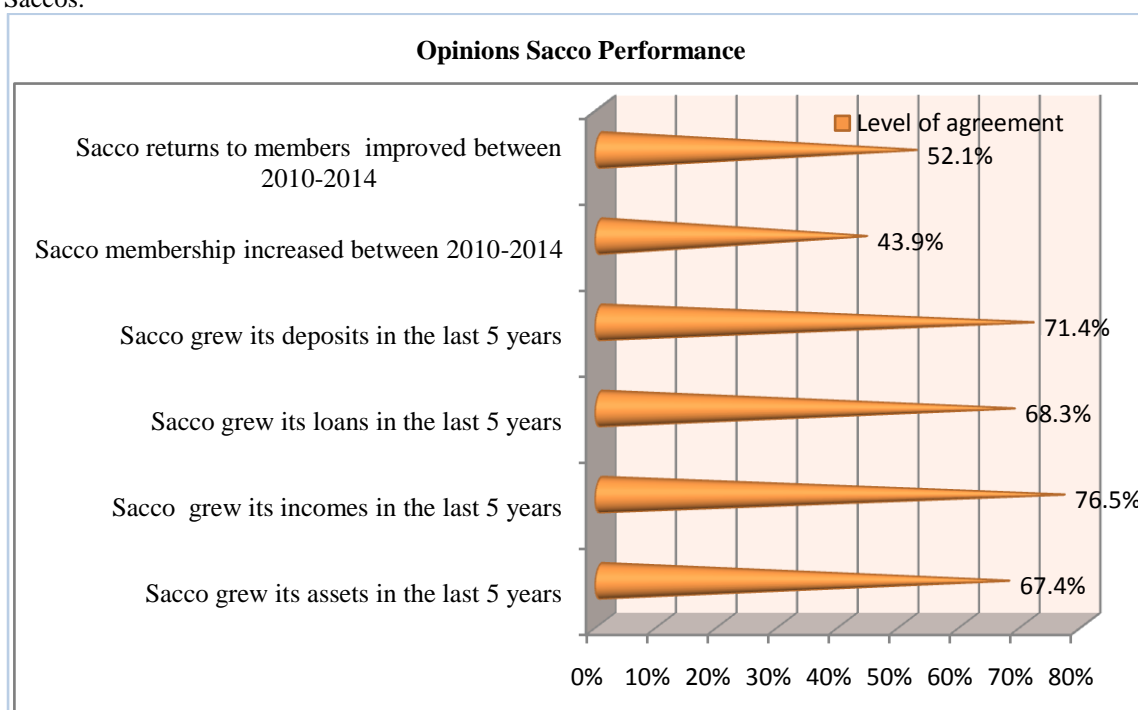


Figure 5: Opinions on Sacco performance

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

Further, 67.4% of the respondents agreed, while 23.5% disagreed that their Saccos assets grew in the last 4 years. Alongside that, 68.3% of the respondents agreed and 20.4% disagreed that their Saccos loans grew in the last 4 years. Subsequently, 71.4% of the respondents agreed, while 26.5% disagreed that their Saccos deposits grew in the last 4 years. The finding corresponds SASRA (2016 p.28) report that the total assets of the DT-SACCOs grew by 13.7% to stand at Kshs 342.84 Billion in 2015 from Kshs 301.53 Billion recorded in 2014; with the total loans growing by 13% from Kshs 228.52 Billion in 2014 to stand at Kshs 258.18 Billion in 2015. On the other hand, the report indicates that the total deposits grew by 15.3% to Kshs 237.44 Billion in 2015 from Kshs 205.97 Billion registered in 2014.

On revenues, 76.5% of the respondents agreed, while 14.3% disagreed their Saccos grew its incomes in the last 4 years. The finding is similar to Kahuthu (2016) who report that 85% of the respondents indicated their Saccos increased their incomes between 2010-2013. The author also reveals that the reduced investments in non earning assets, reduction in loan default, as well as efforts to comply with liquidity and capital ratios implied that more funds were available for loaning, leading to increased incomes. In addition, the finding is consistent with Manyara (2003) and Kobia (2011) who asserted that increase membership led to increased incomes due to increased volume of business.

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

To triangulate the data and findings from questionnaire responses, the study reviewed Sacco performance data collected from documents as shown below

Table 6: Sacco performance indicators 2006-2014 (in Kenya shillings)

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

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

In the above table, results indicates that average ROA improved from 1.03% in year 2006 to 2.51% in 2014. Validity of the finding is affirmed by SASRA (2017) report that ROA of all licensed Saccos in 2016 was 2.45%. The table also indicate that total income, total deposits, total loans, total rebates and total membership increased which be presumed was due to improved management.

VI. CONCLUSIONS

The reviewed theoretical and empirical literature revealed interrelationship between sustainable performance and cooperative management. The study findings provide substantial support for the conceptual framework, and have adduced sufficient information that having an efficient management could facilitate an organization to have a well crafted strategic purpose that would enable it to mobilize strategic resources essential to sustainable performance. Specifically, the results demonstrate that cooperative management is a powerful factor that can lead to sustainable performance of Saccos in Kenya. Lack of clarity of roles was also concluded as one of the reasons behind ineffective strategic management in Saccos, while low emphasis on member relationship as a great impediment to patronage and trust for most Sacco members.

VII. RECOMMENDATIONS

The study then recommends that Saccos should improve on strategic management by ensuring strategic decisions are aligned to strategic actions. This will reduce the disconnect between strategy formulation and execution leading to improved competitive advantage of SACCOs and fulfilment of their strategic purpose, mission and vision. Thus, successful management of a SACCO should be intelligent and active cooperation of members, board and the chief executive officer/employees.

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