



FACTORS AFFECTING GROWTH OF SACCOS WITHIN THE AGRICULTURAL SECTOR IN KENYA: A CASE OF MERU FARMERS SACCOS

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Abstract

Savings and Credit Co-operatives (SACCOS) play an increasingly important role in the process of financial intermediation in the highly competitive financial market in Kenya. It is upon this realization that Meru Farmers SACCO Society, needs to look at the factors that are affecting its growth. This initiative will go a long way in the SACCO's Growth has the effect of bringing multiplier effects thus members are able to achieve economic empowerment and invest some of their savings in real assets or otherwise and thus vulnerability in old age is reduced Growth model, economies must save a certain proportion of their national income, if only to replace worn out or impaired capital goals. Therefore, to bridge this gap we sought to find out the factors affecting growth of SACCOS within the Agricultural sector in Kenya. The specific objectives that guided this study were: determine how the management skills of SACCOS officials affect growth of cooperative society; establish how competition from commercial banks and other financial institutions affect growth of cooperative societies; find out how the income levels of members affects the growth of cooperative societies; and, determine how technology affects growth of cooperative societies. The descriptive study design was used to state to what extent the variables indicated above have determine the growth of their cooperative society. The target population composed 2100 SACCOS members. Hence, the sample size composed of the 210 SACCOS members. The sampling method to be used was probability sampling technique where the researcher employed proportionate stratified random sampling method to select the respondents. Data was collected through administration of questionnaires designed based on the research objectives. Both quantitative and qualitative approaches was used in data analysis. Descriptive statistics used included frequencies, measures of central tendencies and dispersion and also inferential statistics that include regression and analysis of variances will be used to determine level of significant of the variables. Income levels, competition from other financial institution, management skills of SACCOS official were the most significant factors that predicted growth of SACCOS. Therefore, in order to increase SACCOS growth there is the need to put in strategies that address issues relating to sound Income levels, competition from other financial institution, management skills of SACCOS official financial base as these variables have been identified to be key the determinants influencing growth of SACCOS within the agricultural sector in Kenya.

Keyword: Growth, competition and income level

Introduction

1.1 Background of the study

The cooperative movement in its varied activities is worldwide and rightly described as a movement, indicative of its social as well as economic purposes. Today it is encouraged by governments, to achieve mass participation in national development and thereby provide the means to raise the standards of living for the mass of the people and more especially so within the scattered rural areas. Since in any country the cooperative movement comprises the mass of individual cooperative societies federated as a national movement in different ways.

Co-operatives have played an important role in the development of the economies of Kenya, Uganda and Tanzania and have led to the uplifting of the standards of living of the people. According to Kohls (2002), cooperative societies are legal, practical means by which a group of self-selected, selfish capitalist seek to improve their individual economic positioning a competitive society. Co-operatives have been involved in the provision of credit for the purchase of land, farm inputs, housing, education, medication and development of various business ventures. It is estimated that there are more than 10 million cooperative members in the region.

This sector has continued to grow and some cooperative societies have very large financial base and are now engaging themselves in banking activities through their Front Office Operation (FOSA). During the late 1960s' and early 70s', many cooperative societies were formed not necessarily to buy land but to acquire other properties and individual development These cooperatives cut across all sectors of the economy, namely, agriculture, finance, housing, manufacturing and the general service sectors.

Cooperatives in Kenya contribute about 47% of the GDP and 34% of the national savings; empirical evidence indicates further that some 78% of the Kenyan people derive their livelihood either directly or indirectly from Cooperatives. During the year 2011, cooperatives recorded a turnover of about Ksh.50 Billion (WOCCU, 2010). From this data, we conclude that cooperatives have great potential as poverty economic pillars.

Kenya leads the continent's cooperative movements with more than Ksh.102 Billion in accumulated savings, constitutes about 31 per cent of the countries national savings and 67 per cent of Africa's total (WOCCU, 2010). Kenya also has the highest number of cooperative savings societies and individual members in Africa totaling 3,500 SACCOS with a total membership of about 4.6 million. Out of this total, 2,676 SACCOS are active as compared to Uganda with 1,310 some of which are not active (WOCCU, 2010). The SACCOS in Kenya are more enterprising, judging by the

number of loans issued to members, currently standing at Ksh. 75.8 Billion out of a total of Ksh.119.4 Billion loaned out throughout the continent during the last one year.

1.2 Statement of the Problem

Mudibo (2005) argues that while the Cooperative movement had proved to be a formidable vehicle for wealth creation among its members prior to, and after, independence in Kenya, recent developments suggest that something has gone wrong. Large coffee cooperative societies have collapsed or being split-up. Nearly all the cotton cooperatives have collapsed; Land buying cooperatives are alleged to have swindled their members or just benefited the leaders; and many savings and credit cooperatives have experienced problems arising from favoritism in approval of loans, fraud practiced by leaders and management.

The co-operative sector is faced with weak marketing structures, poor management and leadership capacity, and a weak capital base. As a result, co-operative performance has been declining and a majority of them are not able to compete effectively.” [The National Development Plan 2002-2008, paragraph 3.6.4, page 38, Government of Kenya] thus the Co-operatives are currently undergoing a turbulent period trying to adjust to the liberalization of the economy. According to Mwaura (2010) competition has hits hard on Agricultural cooperative societies because of their strength in the industry is still low and have to compete with other well-established commercial cooperative societies.Indeed, we have faced with challenge of growing SACCOs as a strong tool to meet our financial needs it is against this background that the researcher sought to study the factors affecting growth of SACCOs within agricultural sector in Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

The broad objective of this study is to finds out the factors affecting growth of SACCOs within the Agricultural sector in Kenya.

1.3.2 Specific Objectives

The specific objectives of this study will be:

- i) To determine how the management skills of SACCO officials affect the growth of SACCOs within the Agricultural sector in Kenya
- ii) To establish how competition from commercial banks and other financial Institutions affect the growth of SACCOs within the Agricultural sector in Kenya.
- iii) To find out how income levels of SACCO members affect the growth of SACCOs within the Agricultural sector in Kenya
- iv) To establish how technology affect the growth of SACCOs within the Agricultural sector in Kenya

1.4 Justification of the study

The finding of the study are essential to many Institutions since the societies have a big role to play as the country struggles to turnaround the economy, of particular interest the study will benefit the management of agricultural Cooperative Society who will use it to understand the factors that affect growth of SACCO within the agricultural sector in Kenya and what areas to concentrate on in order to gain competitive advantages. The Members of the society used the report to understand cooperative dynamics and especially in electing leaders who will steer the society mission in future. Other organisation will use the report so as to give strategic guideline and understand their role in developing such societies.The commissioner of cooperatives will have an interest in the report for policy decisions and improve regulations of societies. Other researchers will find it useful as a point of reference.

2.1 Theoretical Review

2.1.1 Agricultural Cooperative Marketing Theory

Cotterill (1996) argues that expanding agricultural cooperative marketing theory to the differentiated product markets indicated that cooperatives can perform as competitive yardsticks for consumers in oligopolistic food industries. Cooperatives represent one of the few options that farm entrepreneurs have for surviving in a more concentrated and integrated global agriculture. Cooperative marketing with a focus on value-added activities. As an off-farm extension of the farm firm, the essential function of agricultural cooperatives is to perform vertical integration. Cooperatives harmonize transactions and in so doing lower transaction costs reducing the margin between the farm and retail prices. This joint action is necessary for farmers to accomplish vertical integration because of disparities between the minimum efficient scale of operation in farming in relation to the upstream and downstream industries

Sexton (1995) claimed that farm operators are able to better deal with market power of processors by using vertical integration through cooperatives and provide direct economic benefits to them. The cooperative then can be seen as an integral part of the economic organization of agriculture that enables farm operators to enhance their status as entrepreneurs through vertical collective action.

According to Rogers and Petraglia, (1999), cooperatives from a public policy perspective are seen as pro-competitive market instruments. Producer members respond to improved prices by producing more since members individually determine their production decisions. Empirical evidence suggests that consumer prices are generally lower in markets with a substantial cooperative presence

2.1.2 Agency Theory

According to Royer (1999), agency relationships exist whenever an individual or organization (the agent) acts of behalf of another (the principal). Principal-agent problems arise because the objectives of the agent are usually not the same as those of the principal, and thus the agent may not always best represent the interests of the principal . The terms of an agency relationship are typically defined in a contract between the agent and the principal (which could bind the agent to

act in the principal's interests, for example). Because contracts are generally incomplete, "there are opportunities for shirking due to moral hazard and imperfect observability." (Royer, 1999). Hence, the main focus of agency theory is on incentive and measurement problems, but the risk-sharing implications of incentive contracts are also crucial.

Sykuta and Chaddad (1999) point out that "most applications of agency theory focus on the incentive vs. risks having trade-off of contracts aimed at aligning the interests of the agent with those of the principal." Agency theory is thus very relevant to the institutional structure of cooperatives because employed agents (managers) may not act in the best interests of cooperative owner-members (principal). The challenge, therefore, is which ownership and capital structures can be developed to lower agency costs

Principal-agent problems in a cooperative are likely to give rise to member dissatisfaction. Cooperatives experience greater principal-agent problems than proprietary firms due to "the lack of capital market discipline, a clear profit motive, and the transitive nature of ownership." Because cooperatives have no market for their equity (as opposed to IOFs), there is less incentive for members to monitor the actions of their managers.

2.1.3 Theory of Cooperatives

Helmberger and Hoos (1962) can be regarded as having developed the first complete mathematical model of behaviour of an agricultural cooperative. Sexton (1995), who provides a brief overview of developments in the economic theory of cooperatives uses the neo-classical theory of the firm to develop short-run and long run models of a cooperative (including behavioral relations and positions of equilibrium for a cooperative and its members under different sets of assumptions) using traditional marginal analysis. In their model, the operative's optimization objective is to maximize benefits to members by maximizing "the per unit value or average price by distributing all earnings back to members in proportion to their patronage volume or use" (Torgerson *et al.*, 1998).

Sexton (1995) regards this "landmark" paper so highly because (1) the (correct) analysis of cooperative and member behaviour is based on a clear set of assumptions; (2) the model clearly distinguishes between short and long-run behaviour in a cooperative; and (3) based on these characteristics, the model set the stage for further advances in cooperative theory in the 1970s and 1980s.

2.2 Empirical Review

2.2.1 Management Skills and growth of SACCOs in Kenya

Cole (2010) argues that management is a collection of activities involving planning, organising, motivating and controlling. Planning involves deciding the objectives or goals of the organisation and preparing how to meet those objectives. Cooperatives plan by preparing annual budgets, which are approved by members during the annual general meeting. The members present allocate the societies monies to different cost centres. However, management over looks such plans with little or no consequences.

Organising, this is determining activities and allocating responsibilities for achieving those plans. It calls for coordinating activities and responsibilities into an appropriate structure. This activity is left entirely to management in the cooperative sector. This has actually led to neglect and eventually loss of society property. Motivating is meeting the social and psychological needs of employees in the fulfilment of organisation goals. Little effort is done to motivate members apart from ensuring that they get what they have applied for and controlling involves monitoring and evaluating activities, and providing corrective mechanisms. Audit committees have been put in place to provide the necessary checks and balances. However most are compromised by management and thus do not serve effectively.

As noted by Cole (2010) management is the distinct process consisting of planning, organising, actuating, and controlling performed to determine and accomplish the objectives by the use of people and resources. Terry also observed that management is a function of, productivity, people, profits, public responsibility (4 Ps) and men, money, materials, machines (4 Ms).

Cooperative societies require well trained who understand their role effectively so as to facilitate and enhance the already achieved growth. However management of societies is determined by the democratic nature of governance in cooperative societies. The members elect the management committee for a specific term. The problem with this is that mostly the people elected are not good managers and end up running down the societies (Mudibo, 2009).

This is a major problem even currently in most cooperative societies. Influential members who have little or no knowledge in management end up taking leadership positions hence running down the very objective of growth of the societies. Mudibo continues to say that; majority of the problems bedevilling co-operatives arise from bad governance and poor economic management. While leaders direct and control the organizations, and managers run them, members have authority to demand and enforce good governance in their organizations.

According to Mudibo (2009) Since the co-operative agents are custodians, trustees and stewards of the societies, they are accountable and answerable to members, and are expected to be efficient, effective, responsible, responsive, honest, faithful, diligent and prudent. Observes that, in the management of co-operatives there has been an overlap of duties between the management committee and management staff. This reflects poor leadership and non-adherence to good management practices.

Training is the systematic modification of behaviour through learning, which occurs as result of education, development and planned experience (Armstrong, 2000). It also involves investing in people to enable them to perform better and empower them to make use of their natural abilities. The objective is to develop the competencies of employees and improve their performance. It also helps employees to grow with the organization so that future needs for human resources will be met from within.

2.2.2 Competition and growth on SACCOs in Kenya

Competition is the ability of the firm to increase or maintain its market share of its products or services, which is always under threat by other firms in the same industry. Competition is important because good competition brings about quality goods and services, innovation and efficiency in provision of goods and services.

The nature and degree of competition in an industry hinge on the five forces model, the threat of new entrants, the bargaining power of customers, the bargaining power of suppliers and the threat of substitute products or services. (Pearce and Robinson 2009) argues that for company to deal with these forces and grow despite their effects, it must understand how they work in its industry and how they affect the company in its particular situation.

According to Michael Porter five competitive forces model, firms have to continually scan the internal and external business environment so as to maintain or increase their market share (Pearce and Robinson 2009). This will determine the long run profit attractiveness of the market or market segment. The ability of the firm to sustain competitive advantage in an intense rivalry market segment is very important to that company.

The entrance of NGO, Micro-Finance Institutions and the shift in focus among some commercial banks to tap into the micro and small enterprise niche has brought to bear for the SACCOs that there are more niches in rural areas than just the agricultural sector. In a bid to remain competitive, these rural SACCOs are aligning themselves to serve a wider range of clientele, including salaried groups – e.g. teachers, civil servants; micro and small entrepreneurs; institutions, all of who play a role in rural economies.

Banks and micro-finance Institution continue to compete with cooperative societies for the same savings from the employees (Mudibo, 2009). This competition is very intense and as such, each has to come up with superior products to attract more deposits. This has led to banks giving unsecured loans unlike in the past when collateral security was necessary. Cooperative societies on the other hand have opened up their lending by refinancing old loans and new innovative loans on household equipments and furniture. This competition has brought new innovations and created opportunities to members to enhance their well being (Mudibo, 2009).

2.2.3 Income Levels and growth on SACCOs in Kenya

Income on the other hand is the funds or returns that one gets either on a yearly or on periodic payment derived from holding an investment. It is also the pay for offering a service to an individual or organisation. People on regular or contractual employment expect a return at the end of every month.

According to Asharaf and Gons (2009), savings is about choosing between current and future consumption, they further say Savings theories tradition predict that current consumption is related not only to current income but to a long term estimate of income. The life cycle hypothesis (Modigliani, 1966) predicts that individuals hold their consumption constant over their lifetime; they save during their working period and draw down their savings during retirement.

Reward systems consist of organisation-integrated policies, processes and practices for rewarding its employees in accordance with their contribution skills and competence and market worth. He argues that this is important because it meets their expectation that employees will be treated fairly and equitably in relation to their contribution. (Armstrong 2000)

2.2.4 Effects of Technology on growth of SACCOs in Kenya

Modern business organizations have embraced use of Information Technology (IT) in order to improve their competitiveness, efficiency, customer service and performance. The Co-operative sector being a major player in our economy cannot be left behind in utilizing the technology for enhanced growth. The study aimed at establishing the extent of IT use and its effect on decision making in SACCOs.

IT use in SACCOs is low this has been attributed to low technical skills of IT staff, few IT staff, small IT departments, lack of IT departments in some SACCOs, lack of IT managers and the fact that IT departments in SACCOs have been recently established despite the fact that majority of the SACCOs are more than 30 years old. IT is found to enhance the decision making process but its use as an aid in decision-making is low. Sacco's with more IT staff intensified the use of IT in their functional areas than those with few IT staff. Equally, SACCOS that had installed computers earlier than others are intensified the use of IT in their operations. It is recommended that the SACCOS engage qualified IT staff, the existing staff together with the management committees be trained in IT to enhance their efficiency, IT is an important tool both in the management of the SACCOs and in record keeping and retrieval.

3.1 Research Methodology

This study adopted descriptive survey because it ensure complete description of the situation making sure that there was minimum bias in the collection of data and allowed the situation of large amounts of data from a sizeable population in an economical way (Hussey and Husey, 1997) The target population the study was of 2100 members of Meru Farmers SACCOs spread across the four division in Imenti South District (SACCOs registry 2012). Due to members being spread out in a large geographical area 210 members were sampled from four location. The researcher voluntarily completed questionnaire. The data collected was then coded, entered, and analyzed using Statistical Package for Social Sciences. Descriptive statistics helped to establish patterns trends and relationship and makes it easier to understand and interpret the implication of the study. Inferential statistics that include regression and analysis of variances will be used to determine whether income levels, management skills of SACCOs officials, competition from commercial banks and other financial Institutions, technology are factors that affects growth of SACCOs within the Agricultural sector in Kenya.

Findings and Discussions

4.1 Effects of income levels on the growth of SACCOs' in Kenya

Table 4.1 Distribution of Income levels of the respondents

	Frequency	Percent	
Below 10,000	45	22.5	
11,000-30,000	80	40	
31,000-50,000	23	23	
51,000-70,000	20	10	

71,000-99,000	17	8.5	
Over 100,000	15	7.5	
Total	200	100.0	

Source (author, 2014)

The amount of money contributed by members to a SACCO, tend to influence its financial base and thus the growth. Table 4.1 above shows that majority 80(40%) of the respondents interviewed had income level between 11,000-30,000 while respondents with the highest income level were 15 representing (7.5%) of the total respondents. Hence, majority of the respondents have low income, which might have implication on the amount of money they contributed to the SACCO.

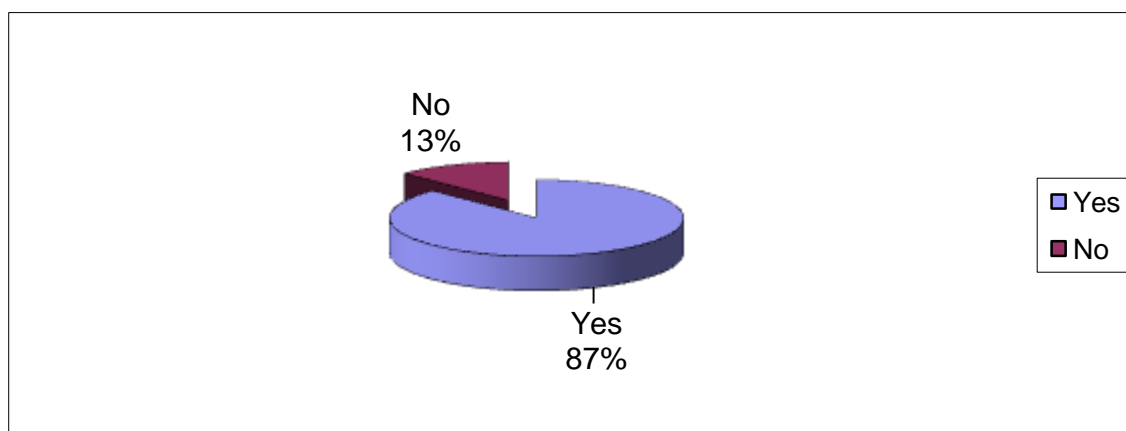
The small number of people who borrow loans from the SACCO yet they contribute money with intention of borrowing could be attributed to the tedious process of the application of loans whereby you are supposed to look for guarantors. The respondents argued that SACCOs' are using the group-based model as a channel for financial services provision. The group methodology is used by many institutions out of the believe that they are able to reduce the cost of gathering information about the borrower, improve the loan repayment through shared liability for default, create better access to information on the character of the borrower and in finding out the creditworthiness of potential borrowers.

When the group becomes weak and the group pressure (collateral) shrinks, this increases the credit risk SACCO and often times leads to loan default. Groups usually become fragile when the joint liability is affected when loan default occurs. Good clients usually resent the application of this joint liability because they feel that they are being overburdened by debts of other people over and above their own, especially in a situation where an individual pledged some collateral besides the group liability. Many may even opt out of the group on completion of their loans. Such exits usually lead to group shrinkage and fragility. In addition the borrowing of respondents from other financial institutions could also be attributed to the low level of income which most of the respondents earn which might not support loan repayment.

4.2. Implication of Management skills of SACCO officials

Through electing committee members to be charged with responsibilities of managing SACCO activities are one-way SACCO members ensure there is democracy in Management of the affairs. Meru Farmers SACCO members' where asked to indicate whether they participate in electing management committee for the SACCO; majority (87%) of the respondents agreed that they participate in electing management committee while minority of 13% said they don't participate in electing management committee. This could be attributed to those members who are new in the SACCO and also those members who don't attend annual general meeting to resolve the SACCO affairs.

Figure 4.1. Participation in electing Management Committee for Meru Farmers SACCO



Source (author, 2014)

Good management skills and Training is import in management of any business entity for long-term survival and growth. Figure 4.1 above shows that the majority (79.2%)of the responded interview supported that management skills affect the growth of SACCO while 20.8% said that management skills have no effect the growth of SACCO. This could be attributed to those respondents who are ignorant of the way the SACCO activities are been managed.

Table 4.2. Management structure and clarity of the management teams

	Frequency	Percent	Frequency	Percent
	Yes		No	
Governance structures and performance of the SACCO	163	81.5	37	18.5
Clarity of roles of board of directors, committees and senior managers	151	75.5	49	24.5

Source (author, 2014)

The researcher wanted to know how transparent is the SACCO staff, some respondents 36(18%) said some committee members were abusing the office in the Meru Farmers SACCO and on further probing they said the members were abusing their powers to gain unfair advantages over others in the SACCO, selfish interests, lack of commitment, internal rivalries, mismanagement of financial resources and lack of accountability to the shareholders. Hence some management Committee members do not always act in the best interest of the SACCO. They take advantage of the

ignorance of the members of their cooperative societies and use their resources for their own personal gain. This led to 18% of the Management Committees to be seen to be failing to act in the best interest of their cooperatives

The respondents' felt if this remains unchanged can affect their confidence on the management of the SACCO activities. However, despite the noted abuse of office by committee members the respondents understood the cooperative movements' beliefs, values, philosophy, mission and vision.

4.3 Effects of technology on the growth of SACCOs' in Kenya

The researcher wanted to find out the effect of technology on organizations on the growth of Meru Farmers SACCO. Out of the 200 respondents interviewed majority 136(68%) agreed that technology on organizations have effect on the growth of Meru Farmers SACCO while it was only 64(32%) who said that it has no effect.

Table 4.3. Effects of support from the parent churches on SACCO growth

	Frequency	Percent	
Yes	136	68	
No	64	32	
Total	200	100.0	

Source (author, 2014)

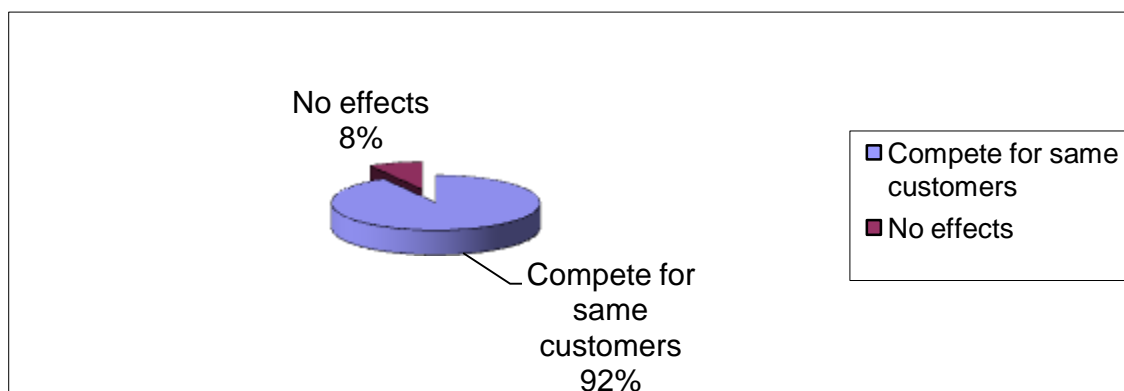
The respondents' perception of the extent of the effect of technology on organizations on the growth of Meru Farmers SACCO was assessed in order to seek the extent to which this affect the growth of SACCOs' in Kenya. Out of the 200 respondents interviewed: the majority 92(46%) said this affect to a very great extent, 51(25.5%) to a great extent, 23 (11.5%) to moderate extent. 19(9.5%) to low extent and 10(5%) respondent didn't answer the question. Hence from respondents' point of view we can see that they acknowledged that support from other organization could influence the growth of the SACCO.

Table 4.4. Extent of the support on the growth of Meru Farmers SACCO

	Frequency	Percent	
To a very great extent	92	46	
To great extent	51	25.5	
To a moderate extent	23	11.5	
To low extent	19	9.5	
Not Applicable	10	5	
Missing	5	2.5	
Total	200	100.0	

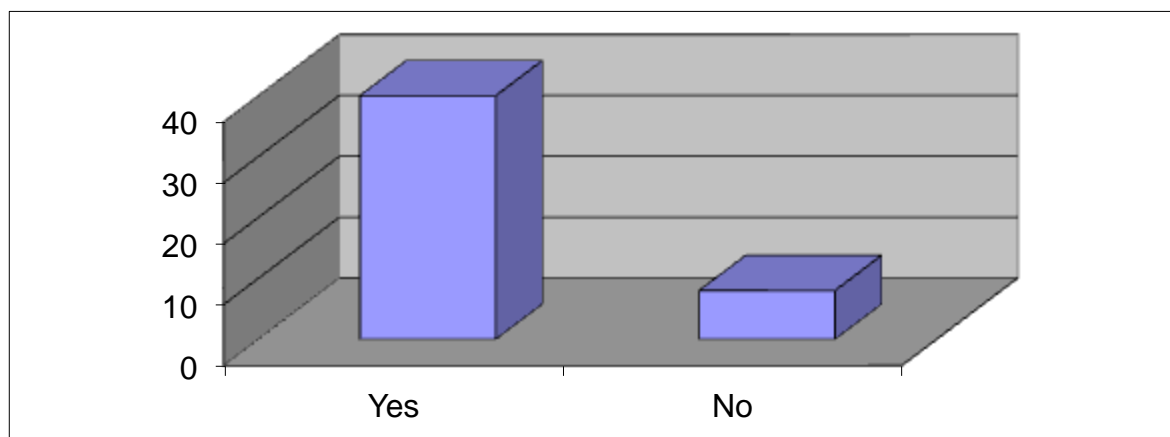
Source (author, 2014)

Figure 4.2. Effects of other financial Institutions on Meru Farmers SACCO



Source (author, 2014)

Competition is key external factor, which affects most business in Kenya, these also includes SACCOs'. In this study the researcher asked respondents their views regarding the effect of competition from banks and other financial on the growth of Meru Farmers SACCO. From the results of data analysis 166(83.3%) of the respondents said that the other financial Institutions affect the growth of Meru Farmers SACCO through competition while it was only 34(16.7%) who felt that the other financial institutions has no effects on the growth of Meru Farmers SACCO.

Figure 4.3 Effects of competition on the growth of Meru Farmers SACCO

Source (author, 2014)

The respondents were asked to rate the extent of competition from commercial banks and other financial Institution using a 5-point linkert scale; out of the 200 respondents interviewed the majority 98(49%) said these financial institutions affects Meru Farmers SACCO to a very great extent, 50 (25%) said to great extent, 20(10%) to a moderate extent, 15(7.5%) to low extend, 10(5%) to every low extent and 7(3.5%) said not applicable. Hence from the respondents' opinion it shows that the other financial Institutions pose a great challenge to the growth of Meru Farmers SACCO.

4.5 Multicollinearity Test

Multicollinearity test was performed on the variable as a way of eliminating any correlation between two or more independent variable which may cause error with the findings. Multicollinearity exists where two or more independent variables are highly correlated with each other such that two or more independent variables measure the same thing but in a different ways. When this exists, the estimated regression coefficients can fluctuate widely, making it precarious to interpret the coefficients as an indicator of the predictors variable (Cooper & Schindler, 2006).

Fields(2009), suggest that tolerance value less than 0.1 indicates a serious collinearity problem. Field indicates that when the VIF(Variance Inflated Factor) value are greater than 10, then there is a cause for concern. From the table below, it can be seen that all the tolerance value are higher than the acceptable limit of 0.1 and all the VIF value are essentially less than 10. This means that the data was free from the problem of Multicollinearity. Table 4.5 indicates the results of the test.

Table 4.5 Test of Collinearity

Coefficients		
Model	Collinearity Statistics	
	Tolerance	VIF
Income levels	.831	1.138
Competition from other financial institution	.958	1.173
Management skills of SACCOs officials	.739	1.136
Technology adoption	.841	1.152

a. Dependent Variable: Growth of SACCOs

4.6 Testing the Study Model

The objective of the research study was to analyse determinants influencing growth of SACCOs within the agricultural sector in Kenya. Independent variable assessed includes; Income levels, competition from other financial institution, management skills of Saccos official and technology adoption while the dependent variable was growth of SACCOs. To analyse this, a multiple linear regression model was developed and adopted in the study. However, ANOVA Test and Adjusted R square were computed as the preliminary test for the model to test for the variable-fit and suitability in the model to test for the variable-fit and suitability in the model and determine the extent to which the independent variable explain variability in the dependent variable.

4.6.1 Model Summary and ANOVA Test

ANOVA Test and Adjusted R square were computed as the preliminary test for multiple linear regression model adopted in the study. These were used to show the significance of the regression model adopted in the study. Table 4.6 and 4.7 show the Model summary and the ANOVA test respectively. Model summary in table 4.6 show an adjusted R square of 65%. This means that the independent variable tested explained 65% variability in the dependent variable.

Table 4.6 Model Summary

Model	R	R Square	Adjusted R squared	Std.Error of the Estimate
1	.7883	.6704	.650	0.0805

a. Predictors:(Constant), Income levels, competition from other financial institution, management skills of Saccos official and technology adoption

b. Dependent Variable: Growth of SACCOs

Source (Survey data, 2014)

In addition, the ANOVA Test shown in the table 4.7 was used to test the significance of the regression model adopted in the study. The result of the ANOVA test showed an F-statistic of 7.91 which was statistically significant at 0.05($p < 0.05$). This shows that the model adopted in the study was significant and that, the variable tested fitted well in the model.

Table 4.7 Anova Test

	Sum of square	df	Mean square	F	Sig
Regression	11.120	4	3.028	7.910	.000*
Residual	21.037	69	0.305		
Total	32.157	73			

a. Predictors : (Constant), Income levels, competition from other financial institution, management skills of Saccos official and technology adoption

b. Dependent Variable: Growth of SACCOs

Source (Survey data, 2014)

4.6.2 Multiples Linear Regression Analysis

A multiple linear regression analysis was performed to establish the determinants influencing growth of SACCOs within the agricultural sector in Kenya. The multiple linear regression model was composed of both the dependent and independent variables.

Independent variable assessed includes; Income levels, competition from other financial institution, management skills of Saccos official and technology adoption while the dependent variable was Growth of SACCOs.

The model is shown in equation 4.1

The multiple linear regression model for the study was as follows;

Equation 4.1 A multiple Linear Regression model one

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \sum e$$

Y = Growth of SACCOs

β_0 = Constant term

$\beta_1, \beta_2, \beta_3, \beta_4$ = Beta coefficients,

X_1 = Income levels

X_2 = Competition from other financial institution

X_3 = management skills of SACCOs officials

X_4 = Technology Adoption

e = the error term

The significant variables were extracted by applying the t-test to the independent variable at 0.05(5%) level of significance. The results of the test were as follows:

Table 4.8 Multiple Linear Regression Analysis

Independent Variable	Coefficients Beta(β)	T-statistics	Sig.level (P-Value)
Constant		.305	.836
Income level of members	.039	3.307	.001*
Competition from other financial institution	.052	.403	.003*
Management skills of SACCOs officials	.043	1.334	.000*
Technology Adoption	-.037	-.287	.675

Dependent Variable: Growth of SACCOs

*Indicate significance at 0.05(P-value<0.05)

Source (Survey data, 2014)

The finding in the Table 4.8 show that Income levels, competition from other financial institution, management skills of Saccos official were statistically significant at 0.05(5%) level of significant ($P < 0.05$) technology adoption were not statistically significant at 0.05 level of significant ($P > 0.05$). The non- significant variable were therefore removed from the model since they did not predict the dependent variable. Therefore, the new regression model appears as shown in the equation 4.2 below

Equation 4.2 A multiple Linear Regression model Two

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \sum$$

Equation 4.2 shows that Income levels, competition from other financial institution, management skills of SACCOs official were the most significant factors that predicted growth of SACCOs. Therefore, in order to increase SACCOs growth there is the need to put in strategies that address issues relating to sound Income levels, competition from other financial institution, management skills of SACCOs official financial base as these variables have been identified to be key the determinants influencing growth of SACCOs within the agricultural sector in Kenya.

5.1 Summary of Findings

The study sought to establish the effects of income levels on the growth of Meru Farmers SACCOs; it was established that majority 80(40%) of the respondents interviewed had income level between 11,000-30,000 while respondents with the highest income level were 15 representing (7.5%) of the total respondents.

This might have negative implication on the growth of the SACCO since low levels of income translates to low amount of money contributed to the SACCO each month as supported by the majority of the respondents 89(44.5%) who were contributing amount below 5,000 as opposed to only 25(12.5%) respondents who were contributing amount between 16,000-20,000 per month. In addition other SACCOs members have quietly borrowed from the commercial banks while still owing SACCOs loans.

Further 77.7% of respondents indicated that the amount of income they contributed affect the growth of Meru Farmers SACCOs and thus the SACCO might not be in a position to meet adequately its obligation of providing loans to members.

The study also sought to determine the effects of competition from commercial banks and other financial institutions on the growth of Meru Farmers SACCOs. Regarding this question, it was established that most (60.1%) of the respondents do not borrow from other financial Institutions however; quite a good number (39.9%) agreed they borrow from other financial institutions. Their reason of borrowing from the Other financial Institutions included fast services due to implemented of ICT facilities, and sometimes the SACCOs is unable to meet the demand for loans for their members and long tedious process of approving loans where the SACCO use monthly meetings to approve loans for members, keeping them waiting while commercial banks have reduced processing time, beside this is the alternative developed collateral, namely group guarantees. Most SACCOs' delivery mechanisms, whether community based or business oriented, request clients to form groups in order to receive a loan. The group is meant to guarantee the individual borrower and to follow-up that the individual makes repayments on time because the group is a stakeholder and would not receive further loans if the individual defaults.

The SACCOs' are increasingly facing competition especially in the area of savings mobilization. For instance in Kenya, there are nearly sixty commercial banks and thirty non-bank financial institutions who in total dominate around 82% of the market. Some of the commercial banks are moving towards medium and/or small savers.

They are setting up deposits mobilization retail outlets right into the low-income but highly populated areas and since they are perceived to be safer than the new comers (SACCOs'), they tend to be more successful in building up deposit bases more easily than even the SACCOs. Clients will therefore borrow from a SACCOs but place and manage their loan funds through a commercial bank, which is considered more stable and safer.

Therefore we can say Meru Farmers SACCOs in specific and other SACCOs' in general are facing stiff competition from commercial banks which have tailored their products and services similar to those offered by SACCOs'. Some banks have even gone to the extent of buying off SACCOs loans to get more clientele, even though the interest on SACCOs loans has remained lower than that of commercial banks, this has considerably narrowed.

Majority of the respondent (92%) said the SACCOs' compete for same customers with banks and other financial institutions like micro finance. From the respondents opinion when asked to rate the extent of competition from commercial banks and other financial institution using a 5-point linkert scale; the majority 79(33.3%) said these commercial banks and other financial Institution affects Meru Farmers SACCOs to a very great extent.

Although majority (78%) of the respondents agreed that they participate in electing Management Committee as per the law, it is important to note that education and training are major issues in the cooperative sector especially among the MC members. Good management skills is important in management of any business entity for long-term survival and growth as supported by (67.2%) of the respondents. Some of the respondents' admitted that their staffs are not well trained, they lack the relevant skills to enable them make good loan decisions. This situation is further complicated by lack of management capacities and lack of adequate financial base to build their staff capacities through training.

In addition some respondents 69(34.4%) said some committee members were abusing the office in the Meru Farmers SACCOs; through using their powers to gain unfair advantages over others in the SACCO, selfish interests, lack of commitment and internal rivalries, mismanagement of financial resources and lack of accountability to the shareholders. This shows that some committee members take advantage of the ignorance of the members of their cooperative societies and use their resources for their own personal gain. However, despite the noted abuse of office by committee members the respondents understood the cooperative movements' beliefs, values, philosophy, mission and vision.

Lastly, the researcher wanted to find out the technology organizations on the growth of SACCO. From this study the researcher found out that majority 139 (69.5%) of the respondents agreed that technology of the organizations have effect on the growth of Meru Farmers SACCOs this is because through technology the SACCOs is going to enjoy faster service and improved efficiencies which has not been the case. Modern business organizations have embraced use of

Information Technology (IT) in order to improve their competitiveness, efficiency, customer service and performance. The Co-operative sector being a major player in our economy cannot be left behind in utilizing the technology for enhanced growth. The study aimed at establishing the extent of IT use and its effect on decision making in SACCOS

5.2 Conclusions

As it has been established in the study majority 89(44.5%) of the respondents interviewed had low-income levels, which were proportional to the low amount of money contributed to the SACCO. This might have negative implication on the growth of the SACCO. SACCOS' are increasingly facing competition especially in the area of savings mobilization. For instance in Kenya, there are nearly sixty commercial banks and thirty non-bank financial institutions who in total dominate around 80% of the market. Meru Farmers SACCO and other financial institutions are competing among themselves within the market place. As a result of this 'fight' for the same client and fast way of accessing loans from this institutions some SACCO are experiencing high rate of multiple borrowing among their clients. The loan burden overtime leads to loan delinquency among the affected clients. From the study some of the respondents' admitted that their management lack the relevant skills to enable them make good decisions. This situation is further complicated by lack of management capacities.

Further, the ability to raise funds remains a real challenge for most SACCOS' and some are borrowing loan funds from the commercial banks at relatively high interest rates to lend to their members at low rate. Therefore, we can conclude that income levels, competition from commercial banks and other financial institutions including the new pyramid schemes concept which constitute the most immediate threat to SACCOS', management skills as well as support from the technology affected the growth of SACCOS' within the church ministries.

5.3 Recommendations of the Study

Low level of income and limited outreach had been cited as a constraint to the growth of SACCOS and for positive growth of Meru Farmers SACCO they need to widen their outreach and allow members who are not from the Imenti South district, which form the SACCO to join. This will improve their financial base.

The problem of multiple borrowing among members could be minimized if the SACCO agree and collective develop a mechanism of identifying such clients to enable each of them make better decisions in the process of assessing debt capacity.

One of the biggest challenges in the provision and expansion of financial services by SACCOS' remains that of designing appropriate financial products and delivery mechanisms that reflects an understanding of the reality of this market. SACCOS' that desire growth will need to understand the financial needs of both their existing and potential clients. This will enable them develop and match the products and delivery methodologies to the diverse needs of these clients.

Currently, SACCOS' in Kenya tend to offer homogenous products to their different clients. For them to increase outreach and maintain loyalty among the existing clients, SACCOS' will need to match loan size to the clients needs, introduce other types of loans for example individual loans in addition to group guaranteed loans, and on the whole broaden the range of products and services beyond credit.

Competition is a key challenge mentioned in the study within the financial landscape. SACCOS' in the area of savings mobilization; with high transaction costs limiting the expansion of SACCOS', commercial banks should establish a franchise system with the SACCOS and use them as their agents at an agreed fee structure. This will enable them expand both their network and outreach as well as improve the market service delivery as the SACCOS must be able to measure up to the bank's standards.

The researcher also recommends that Meru Farmers SACCOS to work with a variety of other financial Institutions to help them to deepen their outreach of financial service provision and to redefine their relationship with commercial banks.

Cooperative members need to elect the most qualified and responsible people to the board who can ensure efficiency and productivity, apply good corporate governance practices framed on the pillars of; (i) Accountability, (ii) Efficiency and effectiveness, (iii) integrity, (iv) Responsibility (v) Transparency and open leadership.. Hence those charged with responsibilities to make decisions on the use of both human and financial resources must embrace a high degree of accountability, commitment and discipline. In order to promote, improve and strengthen co-operative management. In addition, the management Committee should appoint and delegates to a professional team of managers the authority for ongoing operations and decisions in the usual course of Meru Farmers business. This will enable rapid decision-making on ordinary business issues like approving loans that required taking advantage of opportunities in a fast paced business environment.

5.3.1 Recommendations for future research

In light of the conclusions drawn above, there is a need for further research on the implication of adoption of ICT on the growth of SACCOS' in Kenya. Further for the purposes of generalization of these findings further researcher should be done on other SACCOS' in a different sector.

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Abbreviations and Acronyms

SACCO Savings and Credit Co-operatives

FOSA Front Office Operation

GDP Gross Domestic Product

KCC Kenya Co-operative Creameries

KFA Kenya Farmers Association

MFI Micro-Finance Institutions

MSE Micro and Small enterprise

NGO Non- Government Organization