

# **EFFECT OF FINANCIAL MANAGEMENT DECISIONS ON FINANCIAL PERFORMANCE OF SELECTED NON- DEPOSIT TAKING SACCOS IN KIAMBU COUNTY, KENYA: THEORETICAL REVIEW**

**Raphael Njenga**

Ph.D. (Finance) Fellow, School of Business, Kenyatta University, Nairobi, Kenya

**Ambrose Jagongo**

School of Business, Kenyatta University, Nairobi, Kenya

©2019

**International Academic Journal of Economics and Finance (IAJEF) | ISSN 2518-2366**

**Received:** 9<sup>th</sup> May 2019

**Accepted:** 20<sup>th</sup> May 2019

Full Length Research

**Available Online at:** [http://www.iajournals.org/articles/iajef\\_v3\\_i3\\_204\\_217.pdf](http://www.iajournals.org/articles/iajef_v3_i3_204_217.pdf)

**Citation:** Njenga, R. & Jagongo, A. (2019). Effect of financial management decisions on financial performance of selected non-deposit taking SACCOs in Kiambu County, Kenya: Theoretical review. *International Academic Journal of Economics and Finance*, 3(3), 204-217

## **ABSTRACT**

Savings and Credit Co-operatives societies' financial performance has not sufficiently compensated members on their investments leading to an outcry and dormancy in operations from the studies carried out on their financial performance. The financial management components have been seen to affect financial performance in Savings and Credit Co-operatives societies, especially on area of debt to equity mix, working capital and investment portfolios on financial performance. This paper offers a background on financial management decisions and financial performance. It provides an empirical and theoretical overview on the relationship that exists between financial

management decisions and financial performance of SACCOs in Kenya. This paper concludes that financial management decisions on capital structure, working capital and investments are significant predictor of financial performance and that Gross Domestic Product affect both financial management decision and financial performance. This paper indicate a need to an empirical research to ascertain the exert relationship between the financial management decision and financial performance of SACCOs.

**Key Words:** *financial performance, SACCO, financial management decisions, gross domestic product*

## **INTRODUCTION**

The strength or weakness of a savings and credit cooperatives societies or any financial institution depends on how best the financial management decisions are made (Jagongo et al., 2013). Generally, financial management explores sources of funds, application of those funds into investments ventures, working capital, capital structure and the dividend pay-out policies. Application of Sacco's funds is majorly on advancing credit to members at affordable interest rate where members guarantee each other (Ofei, 2001).

Besides financial intermediation, investment is a fundamental function in SACCOs, (USAID 2010, SACCOs reports). A study done in UK by Chong & Thavanayagam (2012) indicates that financial management decisions and the seasonal reviews on moderating rules and policies must interplay well to result into optimal financial performance of a SACCOs. Prudent financial management decisions can be argued to be the solid influencer on the shareholders and the investors' loyalty to ensure the ideal financial performance of SACCOs according to a study findings by Friday et al., (2010)). Therefore, what is the nature and extent of the effects of financial management decisions on ideal financial performance of SACCOs in presence of moderating variables? The current study target is to indicate the exact relationship on the financial management variables on financial performance of SACCOs.

## **The Concept of SACCOs**

SACCOs have been developed to meet the fundamental human need to find a way of saving and borrowing methods without taking risks and without handing over too much power to a money lender. SACCOs were invented in south Germany in 1846 at the time of agricultural crisis and continued heavy drought in Europe, by two community business leaders: Freidrich W. Reifies and Herman Schultz- Delitsche, who are considered as the founding fathers of the saving and credit cooperatives (SACCO) movement, USAID (2006). Today SACCO societies have significant role in empowering their members Socio-economic Status all over the world. SACCO Societies contribute to develop the local economies where the poor live through their unique and strong linkages with the community. They enable poor people to have their voices heard, in addition to improving their daily working and living conditions, because SACCOs are democratic organizations and owned by those who use their services.

Rating tools in measuring financial performance among Kenyan SACCOs include CAMEL (Capital Adequacy, Asset Quality, Management and Liquidity) and PEARLS (Protection, Effective financial structure, and Asset quality, Rates of return and costs, and Liquidity and Signs of growth), SASRA (2013). However, most of the SACCOs prefer CAMEL over PEARLS since some of the ratios in the PEARLS cannot be easily achieved by the Kenyan SACCO. The ratio of 15% of membership growth required cannot be easily realized as SACCO operates within a “common Bond” system thus limited membership catchment. CAMEL rating as an offsite evaluation tool has been adopted to identify SACCO that are financially vulnerable and therefore need increased supervisory attention. SACCOs with a rating of 1 are considered more stable, 2 or 3 considered average, while rating of 4 or 5 considered below average and are closely monitored to ensure their viability.

## **Financial Management**

The SACCOs` capital structure is characterized by the registration fees, the amount of shares capital contributed and external borrowing. During the SACCO`s AGM (annual general meeting), members pass a resolution by fixing the maximum borrowing powers that a SACCO can borrow within the ensuing year (cooperative society Act, 2004). The share capital to be contributed by every member varies from one SACCO to another depending with the bylaws that govern individual SACCO (Ndirangu,2011).

Application of SACCOs funds is majorly on advancing credit to members at affordable interest rate where members guarantee each .However Ofei (2001) and Ademba (2010) established in their studies that SACCOs are regularly confronted with liquidity challenges, inefficiency problems, not being able to mobilize a sufficient savings, and loans delinquency problems among others. Receivables in SACCOs are loans advanced plus the accumulated

interests on loans. Liquidity (cash and cash equivalent) of a SACCO can be argued to be indicator or estimator of timely loans advances to the members.

Fundamental function of a SACCO Society is to make investments, USAID (2010) reports. This is usually done by bringing savers and borrowers together in a system that enables them to pool their money as savings and shares, and transforming these funds into loans by calculating all of the costs of doing this business to make profitable useful to both parties (the SACCO Society and its members). SACCOs are allowed to invest the excess liquidity prudently in various investment portfolios such as short term instruments like treasury bills, and unit trust instruments like money market where risk exposure to SACCOs funds is minimal (The Cooperative Society Act Cap 490,2004). The SACCOs funds are invested in investment portfolios which are less risky (Cooperative society Act, 2004 ). In pursuit of principle of cooperation among cooperatives, most SACCOs are affiliated through shareholding in the NACOs (national cooperatives societies organization's) such as cooperative bank , Kenya union of savings and credit cooperatives, (KUSCO) and cooperative insurance company, (CIC) among others. However, SASRA (2012) indicates that investment strategies in SACCOs are wanting .Olado (2012) study on SACCOs established that the growth of Sacco's wealth has a direct relationship to investments while Ademba (2010) indicates that the biggest challenge with SACCOs is change in investment policies. Therefore, it can be argued from these studies that financial performance is affected by investments portfolios and changes on these portfolios are key factors affecting financial performance of SACCOs.

SACCOs are leading sources of financial services providers in rural areas (Financial sector deepening, 2010 and SASRA 2012).The non-deposit taking SACCOs accounts for 89.2% of all the SACCOs in the SACCOs industry (SASRA 2012). Reports extend to indicate that there has been poor financial performance on non-deposit taking SACCOs.

### **The Moderating Effect of Gross Domestic Product in SACCOs**

KPMG (2013) indicates that many countries which have achieved economic development have a vibrant and dynamic cooperative sector which contributes substantially to the growth of those economies. According to SASRA (2011) SACCOs control 67% of the total assets and 62% of the total deposits in the entire African continent Johnson et al.,(2011) demonstrates that SACCOs in Kenya have rapidly grown to be the largest in Africa, accounting for 60, 64, and 63 per cent of the continent's savings, loans and assets respectively .Kenyan SACCOs contributes to over 45% of GDP and an estimate of at least one out of every two Kenyans directly or indirectly derives their livelihood from cooperative movement (Kembo,2013). Lidgerwood et al., (2013) explains that out of Kenya's 20 million adult populations, commercial banks and micro finance institutions serve 22.5 per cent while 17.6 per cent are served by SACCOs. Indeed, Ademba (2010) established that nonperformance of economy was among major factors affecting SACCOs.

## **Financial Performance**

A study carried by Friday et al.,(2010) asserts that prudent financial management can be argued to be the solid influencing factor on the shareholders and the investors' loyalty to ensure the ideal financial performance of SACCOs. Further, Orlando (2012) contends that dividends and rebates paid from SACCOs' surpluses to shareholders are indicators of growth of SACCOs' wealth. The SACCO surpluses results from accumulated loan interest, returns from investments, registration fees, fines and penalties imposed on members.

According to KPMG (2013) reports, developed markets are financially performing well though with increasing problem of bad debts. In this regard Great Britain introduced financial exclusion policies and rules on credit unions on maximum interests rates per month on loans at 2% and dividend pay-out rate maximum of 8% on members shares. On the other hand mutual banks and credit union building societies in Asian markets have been facing decrease in operating profits after tax, for the past couple of years, Roberts et al.,(2014) concedes that cooperatives societies in Africa have been facing profitability challenges while financial sector deepening (2010) indicates that SACCOs are the leading sources of rural finance. This report contends that in many rural areas, the local SACCO is the only provider of financial services. Notably, SACCOs operates objectively to promote welfare and economic interests of its members among others principles (The Cooperative Act, 2004).

## **Regulation of SACCOs**

In Africa, cooperatives societies were only owned and operated by the colonial rulers under the regulations stipulated by business practice laws. Cooperative societies grew exceedingly due to intensive colonization in Africa which left the vast majority Africans outside the monetary economy. Most of the cooperatives grew after 1955 when Africans were allowed to grow cash crops; this is what actually gave a boost to their growth as a result of increased and diversified market (Friedman, 2007).

Cooperatives in Kenya were started in 1908 and membership was limited to white colonial settlers, Ndirangu (2011). In 1945, the Co-operative Ordinance Act was passed through which the Government of Kenya (GoK) legally controlled the co-operatives. The role of the government was redefined from one that sought to control co-operatives development, to one that now seeks to regulate and facilitate their autonomy. This allowed the co-operatives to compete with other private enterprises (Republic of Kenya, 1997).The 1997 act was amended in 2004 through the co-operative societies amendment act of 2004 which was enacted to re-enforce state regulation of the co-operative movement through the office of the commissioner for co-operatives development.

The amendment was necessitated by inconsistencies and inadequacies of the 1997 act. Some of inconsistencies were that cooperatives were left without regulatory mechanism to play the role that the government was playing there before. This led to corruption and mismanagement such as split of viable cooperatives into small ineffectual units, failure of SACCOs to hold elections, gross mismanagement of resources by officials unauthorized cooperative investments and illegal payments, Olando, (2012). Further, the Amendment Act of 2004 saw the commissioner of cooperatives being added more powers and responsibilities to regulate SACCOs on promotion, inspection, enquiries, auditing, surcharge, liquidation and provision of technical extension services. This was in additions to Amendment Act in 1997 on government role on cooperatives which included the role of cooperatives registration, operation ,advancement and dissolution, development of cooperatives partnership, legislation and regulation.

The SACCO Societies Act of 2008 was enacted later to provide for the licensing, regulation, supervision and promotion of deposits taking savings and credit co-operatives by the SACCO societies regulatory authority, Wanyama (2009). The role of is SASRA is to license deposit taking SACCOs, regulate and supervise management of SACCOs (Republic of Kenya, 2008).Currently, non-deposit taking SACCOs are regulated by the cooperative act cap 490 and supervised by the department of cooperatives under the ministry of industrialization and enterprise development . According to SASRA (2013) reports, the cooperatives sector is categorized into financial and non-financial cooperatives. None financial cooperatives deal with the marketing of members' produce and services such as dairy, livestock coffee, tea, handicrafts and many more similar cooperatives. Financial cooperatives comprise of SACCOs, housing and investment cooperatives.

The SACCO subsector is described as two-tiered given the range of financial services to members and regulatory regime. The traditional SACCOs, described in law as Non-Deposit taking provide a limited range of savings and credit products, registered and supervised under the Cooperative Services Act, CAP 490 while deposit taking SACCOs are regulated and supervised by SASRA act registered in year 2008.Non deposit takers are classified into rural and urban SACCOs .Urban SACCO are employer based SACCOs where members are drawn from same employer while rural SACCOs are service or product based SACCOs, (Olando,2012).

## **STATEMENT OF THE PROBLEM**

Despite the non-deposit taking SACCOs being majority of about 89.2% of SACCOs` population in the SACCO industry, non-deposit taking SACCO's commands a market share of 28% against deposit takers command of 72% in key financial indicators in the Kenyan SACCOs` industry (SASRA,2013). In extension, statistics indicates that the SACCOs` industry financial growth of 14% realized in 2013 was driven by deposit taking Sacco's which account about 10.8% of the

total number of a Sacco's in the industry; The financial performance impact of 89.2% majority of non-deposit taking SACCOs was very small with some of the SACCOs operating at loss and others paying huge dividends at the disadvantage of core capital. Olando (2012) indicates that SACCOs are challenged in promoting quality financial management especially on capital structure management and loans delinquency management. Clement et al., (2013) notes that SACCOs have not been able to grow their wealth sufficiently through accumulation of adequate institutional capital to finance their projects. Contrary to the general increase in non-deposit taking SACCOs (SASRA, 2013), Kiambu county commissioner of co-operatives reports (2013) contends that active SACCOs in Kiambu County have been declining. Amounts Defaulted increased significantly for the three years under review from Ksh.280,035,341; Ksh.377,158,077 and Ksh.1,011,753,404 for 2011,2012 and 2013 respectively. The percentage of the defaulted amounts to loans granted also increased from 4.6%, 5.4% to 12.4% for same period respectively. Further, the percentages of the turnover variances to loans granted from one year to the other reduced significantly from 84.52% for the period between 2011 - 2012 to 46.01% for the period between year 2012 - 2013. Further, reports acknowledges that there has been an outcry of delay in loan processing, increase in external loans borrowings from other financial institutions by the SACCOs to boost their inadequate working capital contrary to SASRA (2013) finding of overall decline in external borrowing by 1.3 % in Kenyan SACCO industry. In extension the reports indicates a decline in the dividend paid out with some SACCO`s paying no dividends at all. This portrays a bleak future in general economic growth of Kiambu County as posited by Nyambura (2014) who established that a unit increase in influence of SACCOs lead to a 0.891 increase in determining financial performance of businesses in Kiambu County. Karago & Okibo (2014) established that Investments decisions made by the SACCO influence their financial performance and thus need to invest in prudent projects in order to achieve better returns. Most studies have discussed on financial each of management decisions singularly on financial performance of saccos but have failed to collectively measure their impact/ influence on saccos financial performance. This paper creates the need to empirically investigate how the financial management decisions collectively affect the financial performance of Saccos. This would immensely benefit sacco`s management efficiency since these decisions collectively and not singularly affect financial performance of saccos leading to optimal investors (shareholders) compensation.

## **THEORETICAL REVIEW**

Various scholars have theorised on financial performance of firms and other theories linking it to financial management decisions. This paper discusses theories on financial performance; pecking order theory, contingency theory, MM theory and modern portfolio theory which strongly indicate the financial management decision components and linkage to financial performance.

## **Pecking Order Theory of Capital Structure**

Pecking order theory by Myers & Mailuf (1984) posits that management of any firm prefers to finance projects or investments first from retained earnings, then with debts followed by hybrid forms of finance like convertible loans. Costs incurred due to information asymmetry, bankruptcy costs and agency costs to be maximally reduced when issuing equity that affect the capital structures policy. This theory maintains that businesses adhere to a hierarchy of financing sources and prefer internal financing when available, and debt is preferred over equity if external financing is required (equity would mean issuing shares which meant 'bringing external ownership' into the company). Thus, the form of debt a firm chooses can act as a signal of its need for external finance. The main source of finances to a SACCO is member's deposits. The SACCO's core business of savings and advancing credits is usually faced with insufficient liquidity where the demand for loans exceeds the deposits. Through the resolution at annual general meeting, the directors of the SACCO are given powers to borrow externally, exercised only to meet the short fall to extent of meeting the loans demand.

## **Working Capital Management Theories**

Contingency theory by Vroom and Yetton (1978) is a behavioural theory that states that there is no universal formulae to manage firms but each firm operate optimally contingent (depends) upon internal and external constraints. The constraints in the organisation may vary such as in resources, managerial decisions or even operation activities. The design of the organisation must fit with environment. Every Sacco endeavours to operate optimally by meeting its member's demands using its constrained resources. Sacco's working capital largely depends with the managers decisions based on the members loan facilities demand and resources available at any given time. The design of the Sacco's bylaws on loan facility offered by the Sacco dictates priorities of the loans disbursements to members at any given time.

The MM (1950) theory emphasis the need of contingency plan to help in cash flow benefits by management of current assets and liabilities and the inter-relationships that exists between them ; The need for conservative strategy to ensure that the firm is always liquid and is able to meet its liabilities as they fall due. The need for maturity matching of liabilities with assets/investments and the aggressive approach of utilising funds to finance fixed assets. Sacco's main sources of income are from interests realised from loans disbursed to members in their core business of saving and crediting. Usually, Sacco's ensures they are adequately liquid to meet the member's demands and settlement of liabilities as they fall due. The management decisions on its investments are skewed on the ease to realise funds quickly from such investments to meet members demands as guided by the cooperative act and individual Sacco's by-laws.

## **The Modern Portfolio Theory**

Markowitz (1952) modern portfolio theory (MPT) approaches investments by examining the entire market and the whole economy. MPT places a large emphasis on the correlation between investments. The theory assumes that investors prefer to minimize risk. The theory assumes that given the choice of two portfolios with equal returns, investors will choose the one with the least risk. If investors take on additional risk, they will expect to be compensated with additional return (Pandey, 1999).

Diversification generally does not protect against systematic risk because a drop in the entire market and economy typically affects all investments. However, diversification is designed to decrease unsystematic risk. Since unsystematic risk is the possibility that one single thing will decline in value, having a portfolio invested in a variety of stocks, a variety of asset classes and a variety of sectors will lower the risk of losing much money when one investment type declines in value. The SACCOs should set aside some of its profits to a general reserve account at 20% which should not be shared as rebates or dividends to members but should only be expended during SACCOs` liquidation (Cooperative society Act,2004 ).Such monies should be invested in riskless assets to ensure that members do not lose at liquidation time .The SACCO`s directors have to make decisions on alternatives investments opportunities available in the market by correlating various projects expected returns in the prevailing market and invest in project where returns variance from expected is least or where extra risk is well compensated.

## **EMPIRICAL LITERATURE**

Karago and Okibo (2014) on financial factors influencing performance of SACCOs used multiple regression to analyse fund misappropriation , investment decisions, loan default and SACCO`s members withdrawals and concluded that investment decisions made by SACCOs influences their performance and hence should invest in prudent project. However the extent to which investment affect the performance was not given. The study did not also look at other financial management decisions such as working capital management and capital structure.

Pandey (2003) contends that an unlevered firm is an all-equity firm, whereas a levered firm is made up of ownership equity and debt. Financial advantage takes the form of a loan or other borrowing (debt), the proceeds of which are (re)invested with the intent to earn a greater rate of return than the cost of interest. SASRA reports (2008), states that the SACCO`s sources of capital funds are members registration fees, defined members` shares contributions and deposits. These monies and reserves can be invested in preferred less risky investments portfolios .The reports did not show the magnitude of the impact of such investment on financial

performance and if such investment should be long term or short time or both for optimal financial performance.

Agumba (2008) stated that the cooperatives society's sources of capital in completely or partially is contributed by and is the common property of the members. He noted that SACCOs are generally run using the owner's funds. SASRA (2012), indicates that besides the institutional capital, the resolutions by SACCO's majority in an AGM can give the board of directors power to borrow externally hence the SACCO's capital structure can or is composed of the external debts and owners funds to ensure maximum returns. While doing a study in deposit-taking SACCOs, Karanja (2014) notes that there existed a perfect positive correlation between debt equity ratio with return on equity and profit after tax at 99% confidence interval and a weak positive correlation between debt equity ratio with return on assets and income growth. These studies did not indicate the ideal debt equity mix of the SACCO for optimal financial performance.

Many studies done on SACCOs have linked loan default as a key factor leading to low or stagnated SACCO performance in its growth. Magali (2013) study postulated that the risk of loan default is not only influenced by borrowers but also the managements team decisions. The study did not explain to which extent the impact of those defaults affect the financial performance. Jagongo et al., (2013) posits that SACCOs have been trying to address member's demands by mobilising funds and granting credits to members; however they have not been able to grow their wealth sufficiently through accumulation of adequate institutional capital to finance their projects. This proposition was also supported by Olado (2012) study on assessment of financial practice as determinant of growth in SACCOs. Both findings didn't explain the magnitude of impact of inadequate finances but concluded that institutional capita and available funds to facilitate SACCOs operations affect SACCOs financial performance. In extension they conclude that SACCOs' non-withdraw able capital funded assets provide cushion to absorb losses and impairment of members savings

KUSCO reports (2009) on cooperatives indicated that Gusii Mwalimu SACCO membership was declining due to delay in disbursement of loans, inadequate credit facilities among other factors which could cause redundancy of workers and suffering of clients who relied on SACCO for livelihood. SACCOs need to safeguard gains made so far and build confidence since bankruptcy of a SACCO will be a manifestation of instability in the sector (Mbuli and Olweny, 2014).

Kaplan, et al (1992) contends that SACCOs contribute substantially to people development and act as a tool for the country's domestic savings and investment. This is affirmed by Agumba (2008) study, which indicated that, SACCOs are competitively attractive to investment. However both studies did not show the magnitude of impact by investment on financial performance of SACCOs. The studies did not also indicate extent of impact if there is a

difference on financial performance when the SACCO invest either on long term, short term or when investment is on both.

SASRA reports (2012), found that investment ventures are a major challenge in co-operatives movement in the presence of highly competitive financial markets leading to low dividends payout. This reports also failed to shed more light on the extent to which the investment challenge in SACCO is affecting their financial performance. Otieno et al., (2013) indicated that 2% of registered SACCOS usually collapse yearly, 6% of members deregister as members by withdrawing their shares from SACCOS and some of SACCO`s declare dividends as low as below 3.5%.Jeremiah et al., (2014), posit that management of external debts was not good in SACCOS ; they also stated that poor performance of SACCOS is attributed to poor utilization of SACCOs funds and reserves, mismanagement of funds, poor dividend and investment decisions among other factors. This study did not indicate the magnitude of impact of the borrowed funds on financial performance .

Karago and Okibo (2014) study concluded that, investments decisions by SACCO influence SACCO`s financial performance hence recommended that SACCOs required to invest in prudent projects in order to achieve better returns. Their study indicated that 68% of SACCO`s funds are invested on advancing loans to members out of which 70% are non performing hence raising need for SACCOs to consider diversifying their investments in prudent projects to achieve better returns.

### **Gross Domestic Product**

In recognising of the vital role SACCOs play in financial services, the government of the republic of Kenya (2008) blue print, included in its vision 2030 project, SACCOs to be among the financial services network strategies.Kembo (2013), Contemporary studies show that SACCOS` role towards developing small micro enterprises is increasing with Kenya`s 45% GDP being driven by the cooperatives societies. SACCOs are leading sources of financial services providers in rural areas (Financial sector deepening, 2010 and SASRA 2012). Indeed, Ademba (2010) established that nonperformance of economy was among major factors affecting SACCOs. Ledgerwood et al., (2013) explains that out of Kenya`s 20 million adult populations, commercial banks and micro finance institutions serve 22.5 per cent while 17.6 per cent are served by SACCOs while KPMG (2013) indicates that many countries which have achieved economic development have a vibrant and dynamic cooperative sector which contributes substantially to the growth of those economies

### **RESEARCH FINDINGS**

The reviewed literature strongly indicates that financial management decisions affect the financial performance of SACCOs. The financial performance in saccos has not optimally

rewarded sacco's members who are its investors. In addition, literature unearth that Saccos financial performance growth in Kenya has been declining. Members of sacco's have been on receiving end where their investments in Saccos has not been rewarded adequately. Further, Kenyan gross domestic product has an effect on the Saccos investments projects, sacco's working capital changes, sacco's capital structure decisions and financial performance of sacco's.

## **CONCLUSION**

Based on the literature reviewed on financial performance of SACCOs, this paper concludes that various studies have researched on the three financial management decisions singularly and not collectively on their effect on financial performance on sacco's. However, the much provided descriptive statistical data and empirical evidence on selected SACCOs' financial management decisions indicates more gaps in the literature which need to be fixed. This paper evolves both methodological and contextual gaps based on reviewed literature on financial management decisions and financial performance in SACCOs. This paper exudes the need for an empirical research on this subject of Saccos financial performance and the three financial management decisions components within a single study.

## **REFERENCES**

- Agumba, N. & KUSCO limited, (2008). *Effectiveness of the SACCO Governance Model*. Conf. Africa microfinance conference 2007, Nairobi-Kenya.
- Ameriks, J., Andrew C., and John, L. (2006). *Wealth Accumulation and the Propensity To Plan*. Quarterly Journal of Economics.
- Carman, J.M., (1990). *Consumer Perceptions of Service Quality: an assessment of the SERVQUAL Dimensions*. Journal.
- Chong, V.K., Thavanayagam, D., (2012). *The Impact of Adverse Selection And Risk Propensity on Managers' Project Evaluation Decisions in Advances in Management Accounting*. Emerald Group Publishing Limited, Bingley, UK.
- Derek, F., Ntayi J., Muhwezi, M., (2010). *Vertical collaboration, communication technologies, trust, commitment and physical distribution service quality*.
- Gweyi, M.O & Karanja J. (2010). *Effect of Financial Leverage on Financial Performance of Deposit Taking Savings and Credit Co-operative in Kenya*. International Journal of academic in Research and accounting. Nairobi.
- Johnson, S., & Nino-Zarazua, M. (2011). *Financial Access and Exclusion in Kenya and Uganda*. *Journal of Development Studies*. doi:10.1080/00220388.2010.49285.

- Karagu, J.M., & Okibo, B. (2014). Financial Factors Influencing Performance of Savings and Credits Cooperatives in Kenya-*International Journal of Academic Research in Accounting, Finance and Sciences* Vol.4(2).291-302,C2014.
- Kembo M.B. (2013). *Issues in SACCOS Development in Kenya and Tanzania: The Historical and Development Perspectives*. Tanzania.
- Kemboi, M. (2013). Developing Country Studies. www.iiste.org ISSN 2224-607X (Paper) ISSN 2225-0565 (Online) Vol.3, No.5, 201
- Ledgerwood, J., Earne, J., Nelson, C., & World Bank (2013). *The New Microfinance Handbook: A Financial Market System Perspective*. Washington, DC .World Bank.
- Measor, L. (1985). *Interviewing: A Strategy in Qualitative Research*, In G.R. Burgess (ed.)
- Miles, M.B. and Huberman, A.M. (1984). *Qualitative Data Analysis*, London, Sage Publications.
- Mudibo, E. K. (2006). *Challenges and Opportunities Facing the Kenyan Savings and Credit Cooperative Movement* .Conf .The Africa Savings and Credit Co-operatives Conference at the Grand Regency Hotel 2006, Nairobi, Kenya.
- Mugenda, O. & Mugenda, A. G. (2003). *Research Methods: Quantitative and Qualitative Approaches*. Nairobi, Kenya , African Centre for Technology Studies.
- Muthoni K.P (2014). *The Effect of Financing Strategies on the Liquidity of Savings and Credit Co-operatives Societies Licensed by SACCOS Societies Regulatory Authority operating in Nairobi County*. University of Nairobi.
- Nasimiyu, C. S. & Okibo, B. (2012). *Factors Influencing the Success Business Processes Automation in Kenyan Parastatals ; A Case Study of Kenya Electricity Generating Company* .Nairobi printers, Nairobi.
- Ndirangu, S.N.(2011). *A Survey into the Causes of Financial Distress in Co-operative Societies in Nairobi* .University of Nairobi, Nairobi printers.
- Nwankwo, G. & Solomon, O. (2005). *An Empirical Analysis of Corporate Survival and Growth: Evidence from Efficient Working Capital Management*
- Nyagah, W.N. (2012). *Enhancing Financial Innovation and Access*. Conf .Enhancing financial innovation and Access Conference in Abuja- Nigeria, 2012.Kenya , Government printers.
- Nyambura, M. (2014). *Determinants of Financial Performance of Public Transport Businesses in Kenya: case of Kiambu County* .University of Nairobi, Nairobi printers.

- Ofei, K.A. (2001). *Retooling Credit Unions: The case of credit unions association of Ghana*. Ghana.
- Olando, C.O., Jagongo, A., Mbewa, M.O., (2013). *The Contribution of Sacco Financial Stewardship To Growth of SACCOS in Kenya*. International Journal of Humanities and Social Sciences.
- Onsose, K., Okwena, D.K. & Ondieki, (2013). *Assessment of the Effects of Performance Management Practices on Provision of Financial Services by Savings and Credit Cooperatives Societies: A case Study of Gusii Mwalimu SACCO, Kisii Central District, Kenya*. Nairobi , Government printers.
- Orodho, A. (2004). *Techniques of Writing Research and Social Sciences*. Nairobi, Masola Publishers.
- Pandey, L.M. (1999).*Financial Management*. Newdheli- vikaspublishing , housepvt ltd.
- Patton, M.Q. (1990).*Qualitative Evaluation and Research Methods*.2<sup>nd</sup> edn. Newbury Park, CA: Sage Publishers.
- Republic of Kenya, (1997) .*The Cooperative society Act 1997, Cap 490*.Nairobi: Government Printer.
- Republic of Kenya, (1997). *Sessional Paper no.4 of (1997) on Renewed Growth through the Cooperative Movement*. Nairobi: Government Printer.
- Robert, C., Nishida, S. I. & Greta , B. (2014). *Benchmarking the Financial Performance, Growth, and Outreach of Greenfield Microfinance Institutions in Sub-Saharan Africa*.
- SASRA report (2011). *A peek into Kenya's SACCO subsector*. Government Printer.
- Simeyo, O., Bernard, O., Ojera P.F. (2013). *An Assessment of Effect of Government Financial Regulations on Financial Performance in Savings and Credit Cooperative Societies (SACCOs) A study of SACCOs in Kisii Central, Kenya*. Kenya: Nairobi publishers.
- Thiga, E.W. (2011).*The relationship between dividend changes and subsequent period earning changes of SACCO`s in Kenya*. Nairobi , Government printers.
- Van,S.H.D.(2012).*Unlocking markets to smallholders: Lessons from South Africa*. Wageningen. The Netherlands, Wageningen Academic Publishers.
- WOCCU (2008). Global financial crisis concerns African credit unions regulators.[www.woccu.org/documents/2013\\_statistical\\_reports](http://www.woccu.org/documents/2013_statistical_reports).