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ACCESSING FINANCIAL SERVICES ON MEMBER ADVANCEMENT OF LICENSED DEPOSIT TAKING SACCOS IN NAIROBI COUNTY, KENYA

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ABSTRACT

The purpose of this study was to examine access to financial services on member advancement of licensed deposit taking SACCOs in Nairobi County, Kenya. The study adopted a descriptive cross-sectional survey design, where both quantitative and qualitative approaches were applied. Questionnaires and semi-structured interviews were used in data collection. Email (internet) and drop and pick methods were also used. Collected data was organized according to the research objectives and hypotheses using statistical package software for social sciences (SPSS). The sample had 39 respondents out of a population frame of 42 participating licensed deposit taking SACCOs in Nairobi County. They comprised of the chief executive officers, the deputies and the departmental heads from the sampled licensed deposit taking SACCOs. Data was analyzed using descriptive and inferential statistics. Descriptive statistics included mean, standard deviation, frequencies and percentages. Inferential statistics included correlation analysis and regression analysis. The results indicated that financial services had a statistically insignificant positive relationship with Member advancement of deposit taking SACCOs in Nairobi county Kenya. Access to financial services is a significant challenge in Kenya, where majority of the population is excluded from the formal banking sector. Deposit taking SACCOs continue to look out for their members' interests particularly those under served by banks and providing a level of service that is not generally available in other financial institutions. The operating income is returned to depositors in the form of interest on savings and lower interest rates on loans. Licensed deposit taking SACCOs should develop diversified financial products that meet the needs of different levels of membership and therefore retain their loyalty. This changes their financial behavior for prudent borrowing to improve the liquidity conditions thus generating funds for on lending to the growing credit demand.

Key Words: *Member Advancement, Financial Services, Product Diversification*

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INTRODUCTION

SACCOs (referred to as Credit Unions in the European countries) around the world provide access to affordable financial services, while simultaneously helping their members gain better access to financial markets. Credit Unions were invented in south Germany in 1846 by Freidrich W Reifeisen and Hermans chultze Delitsche. Herman schultze Delitsche established savings and credit cooperatives for minor artisans and the urban middle classes. Freidrich Reifeisen founded the rural savings and credit cooperatives. Credit Unions were developed to meet the fundamental human need of saving and borrowing methods without taking risks (Blake & Jong, 2008). Today, SACCO societies have significant role in empowering their members Socio-Economic Status all over the world. In Western Europe there were around 11,000 local and regional credit unions with over 56,000 outlets, 33 million strong membership and a staff of more than 400,000. Their market share was 17 percent of savings, ranking third after the commercial and savings banks (Burger & Zellmer, 1995).

The French Credit Union *Agricole* was the largest bank in the world outside of Japan. The German people's banks having over 28 percent of the savings market share, Rabo bank of Netherlands 25 percent. Ireland was considered to have a strong Credit union movement, with 1.6 million people in membership. Canada having the highest concentrations of Credit unions. In the French speaking Quebec region, there were 1300 Credit unions and many outlets. These are more than a third of the region's savings on deposits, and make a third of all consumer loans. In Saskatchewan, 57 percent of the population belonging to Credit Unions. In the USA Credit Unions established their presence with over 18,000 Credit Unions, and more than $300 billion in assets. They held 13 percent of the consumer credit market and eight percent of consumer savings (Kempson, 2007).

Birchall (2004) in Geneva international labour organization (ILO) conference, observed that Membership based businesses become so successful that Financial services such as savings and loans, contribute in directing flows of money and spread risks. They do not really need additional capital from a separate class of investors. The mutual form, in which members lend, borrow, and agree to insure each other is effective, they do not take too many risks or invest too far from their core business (Johnson & Sherraden, 2006).

Branch (2013) described The World Council of credit Union as the global trade association and development agency for credit unions. The council promotes the sustainable development of credit unions around the world to empower members through access to quality and affordable financial services. The World Council solicits views from member countries and represents credit unions to global standard setters including the Bank for International Settlements (BIS), Financial Action Task Force (FATF), Financial Stability Board (FSB), International Accounting Standards Board (IASB) and the (G20) Group of 20 (Bonus, 1986).

In Africa, Credit unions, known as (SACCOs) provide the same financial services as banks but are considered not-for-profit organizations and adhere to cooperative principles (Brian, Gons & Cifuentes, 2010). The ability to save and access loans help members increase their incomes and accumulate wealth. This has been especially true of the working poor, the self-employed and small producers who often find themselves with limited participation in the economic growth of their countries (Yeron, 1994).

The SACCO regulation was gazetted in June 2010, requiring all SACCO Societies that were operating Front Office Services Activity (FOSA) to apply for licenses from SASRA (regulator) and to meet Prudential regulatory framework. This was part of the wider reform agenda in the financial services sector to ensure that SACCO industry plays its pivotal role in driving national economic development in line with Vision 2030 (Gogo & Oluoch, 2017). The application of regulatory framework in supervision of deposit taking financial institutions was a first step in mainstreaming SACCO societies into the formal financial system by promoting best practices in the conduct of SACCO business (Accosca, 2012).

Statement of the Problem

Kenyan SACCO sector is the largest in Africa and the seventh worldwide. With over Kshs 230 billion in assets and a savings portfolio estimated at Kshs 190 billion, the SACCO movement in Kenya constitutes a significant proportion of about 20% of the country's savings. It is clear that SACCOs increasingly become vital components of Kenya's economy and social development. According to Kamau (2014), the objective of Savings and Credit Cooperative Societies is the empowerment of members through services such as savings services, credit and investment services.

Despite the increase in the number of services offered and the tremendous growth of SACCOs in Kenya, member credit demands are not met due to insufficient funds. According to the SACCO Societies regulatory Authority report 2015, loans disbursed to members accounted for only one quarter of the total assets. The situation caused greater concern on the factors leading to limitation in the growth and advancement of members in the SACCO sector in Kenya (Richardson & Finnegan, 2014). The problem remained unsolved; member's borrowing demands were not adequately met as credit demand exceeded the amount of funds available for lending. Richardson (2014) asserted that the lack of finance was the challenge facing SACCO members as they could not capture investment opportunities arising within their environments. Therefore, this study examines access to Financial Services on member advancement.

Various studies were conducted on SACCO financial services in Kenya. Kamau (2014) examined the access of SACCO services on investment by households in Kiambu County, Kenya; Gogo and Oluoch (2017) studied the access to financial services by members of Deposit Taking SACCOs in Nairobi; and Mwai and Okatch (2017) examined the access of financial services on poverty eradication among farmers in Muranga County, Kenya. These studies did not reveal any significant effect of financial services on member advancement. Therefore, the study sought to examine access to financial services on member advancement of licensed deposit taking SACCOs in Nairobi County, Kenya.

The study was guided by the following hypotheses:

- **H_{01}:** Financial Services have no significant effect on member advancement of deposit taking SACCOs in Nairobi County, Kenya.
- **H_{A2}:** Financial Services have significant effect on member advancement of deposit taking SACCOs in Nairobi County, Kenya.

LITERATURE REVIEW

Theoretical framework

The study adopted product diversification and aggressive market penetration theory. Cuevas and Fischer (2006) stated that a significant benefit of savings mobilization is the remarkable surge in the volume of funds available for on lending. With liquidity to spare, a front office service credit union can offer a broader selection of savings and loan products tailor made to the needs of the membership. It is shown that all human beings, whether rich or poor, have the following similar daily physical needs: Work, Housing, Health, Education, Transportation, Security, Savings. Virtually everyone experiences the same needs throughout his lifetime, but not everyone has the same needs at the same time (Berger & Humphrey, 1997).

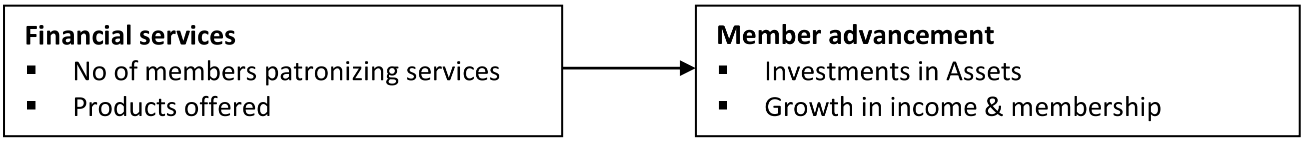
Esho et al. (2005) contended that product diversification is necessary to meet the needs of a diverse membership such as one finds in credit unions. At certain times during one's life, different needs emerge such as small loans for school fees, unforeseen medical expenses, or working capital for a microenterprise. At other times, a person may need larger loans for capital investment to expand an enterprise or for home improvement. At still another time, there may be a need to save for planned investments in the future. Failure to meet these diverse needs is one reason for high dropout rates at some SACCOs that do not offer diverse products (Worthington, 2010). While there is no comprehensive assessment of credit union dropout rates, few front office credit unions worry about it. Smith and Woodbury (2010) argued that aside from meeting member needs, there is an institutional benefit from product diversification; the diversification of risk. As a credit union diversifies its loan portfolio, it is able to minimize the consequences of over lending to one segment of the population. Diversification of risk is important to credit unions because any significant deterioration in the quality of a loan portfolio can cause trouble in its public image, its ability to mobilize savings, and ultimately its financial sustainability. Credit union membership and credit union lending portfolios generally are broadly diversified. Service to the poor is blended with service to a broader range of the local population (Sanne, 2002).

Servon and Kaestner (2008) emphasized on aggressive outreach to the poor even if not serving them exclusively. The credit union membership base is diversified economically. Diversification of membership decreases the covariance credit risk to the credit union. Community credit unions develop a membership base diversified in economic activity and socio economic condition. Not all of the membership (and therefore the financial base) would be affected by a sectoral economic crisis. Credit union services are not focused exclusively on the poor. Smaller loan sizes, typical of loans to the poor, tend to involve higher costs per client. Credit unions serving the poor can better maintain sustainability by spreading their costs across loans of larger and medium sizes as well. In this manner, the credit union reaches a large absolute number of the poor on a sustainable basis (Tokle & Tokle, 2000).

Burger and Timme (1993) argued that the key to aggressive market penetration is to have a variety of high quality financial products and services available to different segments of the population. When a front office service credit union is successful at improving its physical image while simultaneously improving the quality of its financial products and services, it attracts new members. One of the best ways to verify the usefulness of a credit union services is monitoring the number of new people who join to access those services, or measuring the number of existing members utilizing the services (Walliman, 2011).

Conceptual framework

The study sought to examine access to financial services on member advancement of licensed deposit taking SACCOs in Nairobi County, Kenya. The independent variable was financial services and the dependent variable was member advancement. The conceptual framework in Figure 1 illustrated the perceived link between the independent (financial services) and the dependent variable (member advancement).



Independent Variables **Dependent Variable**

Figure 1: Conceptual Framework

Empirical Review

Financial Services

Access to financial services is a significant challenge in Africa, where majority of the population is excluded from the formal banking sector. In the year 2007, more than 70 percent of households in Kenya relied on informal sources of financing. Credit unions are not for profit organizations that exist to serve their members rather than to maximize corporate profits. Like banks, credit unions accept deposits and make loans; but as member owned institutions, credit unions focus on providing a safe place to save and borrow at reasonable rates. Service Fees and loan rates at credit unions are generally lower, while interest rates returned are generally higher, than other for profit institutions (Willis, 2009).

Credit unions continue to look out for their members' interests particularly those under served by banks and provide a level of service that is not generally available in other financial institutions. They make a difference for their members and the communities they serve. They give to members the choice of ownership, because they are owned by the very people they serve. Credit unions exist solely to serve their members, not to enrich an outside group of shareholders. Credit unions are placed in a not for profit category because operating income is returned to depositors in the form of interest on savings and lower interest rates on loans. They serve as a healthy check on the mainstream commercial banking system. Competitive pricing by credit unions keeps pressure on the banks to increase the rates they pay on savings accounts and lower their fees and rates on loans to the benefit of customers (Worthington, 2010).

Tokle and Tokle (2000) highlighted the need for credit unions to develop products that change financial behaviour. Such services are viewed as a transition into the mainstream financial system. They are ideally positioned to enhance the financial capability of their members. Credit union loans have a number of key features that differentiate them from loans offered by banks and other credit providers. They offer very small loans for amounts that many banks would consider unprofitable. Unlike most bank loans, where interest is charged on the principal amount borrowed, interest on a credit union loan is paid on the reducing balance of the loan, and at a rate of no more than 1 per cent per month.

In many credit unions, borrowers are sensitized to keep up with their repayment schedule. The loans are transparent, with no transaction charges or hidden fees. Most of the loans come with free loan protection insurance where borrowers are covered up to certain limits in the event of death or permanent disability. Because they offer small loans, which represent low risk to the lender, credit unions provide a means for individuals to build up a good credit rating thereby encouraging prudent borrowing (Byrne et al., 2005). In addition to standard savings accounts and loan facilities, many credit unions also offer additional services that empower people to take control over their finances. Among these are budget account services where members can deposit a fixed amount to their account every week/month to provide for payment of recurring bills, such as utilities, motor tax, insurance etc. For a small fee, the credit union manage the payment of these bills from the budget account.

Use of Website content ensures wide outreach to all the members. It is an Interactive website featuring a wide array of products and services designed to maximize the financial security of the members and potential members. Some of the common products and services offered are: Pay Bill, Mobile Banking service, regular Savings Account, Business and Investment Loans, Visa Credit Card and Visa Debit Card service, Fixed deposit accounts, point of sale cash points and the Automated teller machines (ATM). The ATM cards enable members to use other bank visa branded ATMS thus allowing them to access many other ATMS in the banking networks (Dandapani *et al.,* 2008).

In a study on factors affecting SACCO membership in Kenya, Too and Muturi (2015) found that financial services offered by SACCOs had a positive and significant influence on SACCO membership in Nairobi County, Kenya. SACCOs should improve their financial services to attract members and retain them for many years. Some of the ways through which SACCOs improve their financial services are through providing quarterly statements, providing loans which have short and long payment durations based on members capability and through the provision of insurance loans among others. Naibei and Koskei (2017) examined the determinants of member loyalty among selected SACCOs in Kericho County, Kenya. Using a descriptive research design, the study found that access to financial services had an influence on member loyalty among selected SACCOs in Kericho County. Variety of products offered by the SACCO had positive relationship with the loyalty of SACCO members. Proportionate increase in variety of products offered by SACCOs results to proportionate increase in loyalty of members.

Member Advancement

Smith and Woodbury (2010) indicated the growth witnessed in credit unions since they were started; Growth in savings volume and in the number of members and clients served. The fact that total deposits grew many times as fast as the number of members, suggests that the credit unions have been successful both in attracting new members and in deposit accumulation. The dramatic increase in total deposits demonstrates that the institutions have been successful in building the trust of new and existing savers. Further growth is seen when institutions establish the financial disciplines necessary to build sound institutions where savers entrust their deposits. Therefore, credit unions hold to the principle that internally generated savings provide an independent and sustainable supply of funds that are invested in the local community (Branch & Klaehn, 2001).

Richardson (2014) viewed Savings and credit as fundamental to sustainable economic development. They are the most frequent source of funding for microenterprise startup and expansion. Voluntary savings enable households to smooth consumption in the face of uneven income flows, to accumulate assets for the future, to invest in education, and to better prepare for emergencies. Onchangwa (2012) conducted a study to establish whether Savings and Credit Cooperative Societies (SACCOs) have any effect on member investment culture in Kenya. He established that investment plays an important role in sustaining growth and development of the country. High rates of investments depend on high rates of savings. They also argue that a high saving economy accumulates assets faster and thus grows faster than a low saving economy.

ACCOSCA (2011) classified SACCOs as vehicles for economic growth through savings and investment. Moreover, the government of Kenya recognizes cooperatives as the major contributor to national development with the country's population approximately 42 million. Whether in developing, transitioning, or developed countries, the purpose of a credit union remains the same: to provide members with financial services to improve their economic and Social wellbeing through asset accumulation and income generation (Lyons & Neelakantan, 2008).

In Kenya, the impact of licensing front office operations, in the year 2011 witnessed the continued growth of the sector on various key fronts such as membership and advancements in technology; Thus facilitating service delivery and increased number of branches. Key definitive milestones in efficiency and service delivery profoundly transformed the sector both in the short and medium term. SACCOs comprise over 50% of all cooperatives in Kenya and as financial institutions they play a critical role of financial intermediation in the country's financial sector The SACCO sub sector comprises of large SACCOs, some of which have a total asset base of over Kshs. 15 billion to the very small ones that have under Kshs. 10 million in assets and are well spread across the country. Deposit taking SACCOs accumulated assets to the tune over 171 billion (Servon & Kaestner, 2008).

SASRA reports (2013) revealed that most counties registered growth in branch network. The branch distribution reflected the level of economic activities across the regions. Deposit taking SACCOs embrace the use of technology to deliver services to members. The most notable is the connectivity to ATMs and mobile delivery channels. They connect to the Cooperative SACCO Link network and several others hooked on the Pesa point ATM networks. The use of mobile phone to deliver financial services witnessed software vendors in the SACCO subsector partner with the telecommunications companies to integrate mobile solutions to their core systems (Pana & Mukherjee, 2010).

This significant development enable SACCO members to withdraw or deposit money into the FOSA accounts, make enquiries on the accounts, get notifications on their loans as well as pay for bills conveniently without having to travel to Fosa premises. SACCOs in Nairobi County estimated at 42 accounted for over 70% of the total assets and deposits in the entire subsector. This is mainly because they are salary based, thus providing a stable source of deposits and market to lend. The same trend is replicated of the deposits and assets (Ondieki, 2011).

The trend is however reversed when it comes to membership with Nairobi SACCOs accounting for less than 40% of the total membership. Based on the current performance, the deposit taking SACCOs have the largest market share accounting for over 75% of the deposits and total assets for the subsector. These SACCOs also comprise the large SACCOs in terms of key indicators including membership, assets and deposits. The Kenyan SACCO sector was observed to contribute significantly to the total financial industry and consequently the economy. It contributes to over forty five percent of the nation's Gross Domestic Product and Contributes to over 31% of the national savings, supporting over 60% of the nation's population either directly or indirectly.

METHODOLOGY

The study adopted a descriptive cross sectional survey research design. The population of interest composed of all licensed deposit taking SACCOs in Nairobi county, registered by the SACCO societies regulatory Authority (SASRA, 2014). This was a total of 42 deposit taking SACCOs which were categorized in different sizes according to number of members in each SACCO. There were other licensed deposit taking SACCOs registered with the SACCO societies regulatory authority but excluded from the population because they operated in the rural areas and in other counties outside Nairobi and their inclusion would conflict the objectives of the study.

Three SACCOs were excluded from the sampling frame as they had only been issued with provisional registration for non-compliance with the requirements for capital adequacy. As a result of the small sample of the licensed deposit taking SACCOs in Nairobi County (39); It was possible to collect data from the entire population and hence a census inquiry was used. The sample comprised 39 respondents which was 92% of the target population. This indicated that the sample was sufficiently large even for descriptive studies for which the minimum sample size was 10%.

Table 1: Sample Size

Size of SACCO	No of SACCOs	Sample Size
Large	4	4
Medium	18	18
Small	20	17
Total	**42**	**39**

The study used a questionnaire and a research interview guide to collect primary data. The Chief executives, the Deputies and the department heads were the key informants in each SACCO as they were deemed to possess the specific information of accessing financial services on member advancement. The interview guide was used for in-depth qualitative data collection on various themes on the study. These two instruments were administered concurrently and only one respondent was interviewed in each SACCO. The research instruments were pre-tested using a sample size of five respondents as per recommendation by Mugenda and Mugenda (2004) who observed that a successful pilot study uses 1% to 10% of the actual sample size. Both reliability and validity of the research instruments were examined.

Quantitative data was entered and analyzed by both descriptive and inferential statistics using Statistical Package for Social Sciences (SPSS) version 21 and Microsoft Excel. Descriptive analysis was conducted to present the main characteristics of the sample. Inferential statistics included regression analysis and correlation analysis. Regression analysis was used to analyze the contribution of the independent variable to the dependent variable and to test the hypotheses. The following represents the regression equation according to the general model used to represent the relationship between the dependent variable **(Y)** as a linear function of the independent variables (**X**) with (**e)** representing the error term (cooper and Schindler, 2010).

$$\mathbf{Y = B_0 + B_1X_1 + e}$$

Where: **Y**= Member Advancement; $\mathbf{X_1}$= financial services; $\boldsymbol{\beta}_{\mathbf{0}}$=Constant; $\boldsymbol{\beta}_{\mathbf{I}}$ is regression coefficient to be estimated; **e** =Error term reflecting other factors

FINDINGS AND DISCUSSION

The researcher issued 42 questionnaires to the Chief Executive Officers of the deposit taking SACCOs in Nairobi County. All the 42 questionnaires were filled in by either the Chief Executive officers, their deputies and the department heads and returned. This represented a 100 per cent response rate which was excellent and representative. Bryman and Bell (2011) stated that a response rate of 50% is adequate for analysis and reporting, 60% is good and 70% is very good and above 80% is excellent. The persistent and personal calls to the respondents informing them of the study intents and personal administration of questionnaires by the researcher and research assistants ensured good response rate.

The results indicated that majority (67%) of the respondents were male, and 33% were female. These results were consistent with the findings of Onchangwa (2012) where they noted that alignment with one third rule of the Kenya Constitution brings about gender balance and good corporate governance in the institutions. The findings established that men were active in the formal sectors while women were active in the informal sectors and gave a ratio of 28: 14

The results indicated that majority (93%) of the respondents were the chief executive officers and only 7% of the respondents were the rest of the management team either the deputy chief executive officers or the departmental heads. These results indicate that the chief executive officers, being positioned at the top level of management in the organization, have wider knowledge and skills to oversee the internal operations and bind the business with external stakeholders.

The results found that majority (54.8%) of the respondents had worked for more than 6 years; 42% worked between 4-6 years, while a small percentage 2.4% worked for 1 year. The findings imply that most chief executive officers had more than 6 years of experience. This means the chief executive officers make remarkable contribution to the performance and growth of the organizations. This aligned with the 2016/2017 performance contracts of the public institutions.

The findings indicated 50% of the respondents had a Bachelor's degree, 43% of the respondents held Masters, while 7% of the respondents held Diploma. These results indicate that majority of the respondents in the study were degree holders. Therefore, they had requisite academic background to enable them make deposit taking decisions as well as complete the questionnaire satisfactorily. These findings were consistent with those of the SACCO Societies Act (2008) which recommend Deposit taking SACCOs to be run by professionals.

Table 2: Gender distribution

Gender	Frequency	Percentage
Male	28	67
Female	14	33
Total	42	100
Position		
Chief executive officers	39	93
Others	3	7
Total	42	100
Number of years served		
>6	23	54.8
4-6	18	42.9
<1	1	2.4
Total	42	100
Level of education		
Masters	18	43
Degree	21	50
Diploma	3	7
Total	**42**	**100**

Financial Services

Diversification of products and services

The researcher performed tests on diversification of products and services as a Measure of the percentage of product patronage by the members; and also to examine whether data collected was adequate and appropriate for inferential and other statistical tests. The data was regarded appropriate for statistical analysis if 50 to 75 percent of the members patronize the SACCO products and services.

Table 3 findings indicated that almost all SACCOs are committed to developing diversified products and all the members patronize the services which is 100 percent response. The findings were in agreement with Burger and Zellmer (1995) who highlighted the need for credit unions to develop diversified products that change financial behavior of the members; and those that are ideally positioned to enhance the financial capability of their members.

Table 3: Diversification of products and services

Opinion Statement	Frequency	Percentage
Diversification of products and services	42	100%

Common products offered in licensed deposit taking SACCOs

Table 4 findings indicated that all deposit taking SACCOs offered the common financial products and services of operating savings accounts, lending short term advances, processing salaries of their members which were channeled through the SACCO front office by their employers, and maintaining fixed deposit accounts for various categorized period for their members whose main objective is to invest in such accounts and yield returns at the expiry of the specified periods.

The results gave a 100 percent response thus justifying the recommendations of the regulatory Authority for deposit taking SACCOs to offer common diversified products / services to facilitate smooth supervision (SASRA, 2012). Therefore, these results provided a justification for further statistical analysis to be conducted hence the statements were retained for analysis.

Table 4: Common products offered in licensed deposit taking SACCOs

Products	Frequency	Percentage
Saving accounts	42	100%
Short term advances	42	100%
Salary processing	42	100%
Fixed deposits	42	100%

Descriptive Results

Table 5 showed that 100% of the respondents agreed deposit taking SACCOs offer savings and loan products with competitive interest rates. Further 100% of the respondents agreed that credit unions have an upper advantage over other providers of financial services to marginalized clients , 100% of the respondents agreed that significant benefit of savings mobilization is the remarkable surge in the volume of funds available for on lending, 100% of the respondents agreed that product diversification is necessary to meet the needs of a diverse membership such as one finds in credit unions(school fees, unforeseen medical expenses & development credit for investments), 97.6% agreed that aggressive market penetration lead to a variety of high quality financial products and services available to different segments of the population, and finally, 97.6% of the front office services credit union is successful at improving its physical image while simultaneously improving the quality of its financial products and services.

The mean score for responses for this section was 4.47 which indicate majority of the respondents patronize the SACCO Financial services as per the below scale, hence making it a key driver of Member advancement.

The descriptive results were measured on the scale of 5 - 1, with 5 indicating strongly agree(SA), 4 -Agree(A), 3 - Disagree(D), 2 - strongly disagree(SD) and 1 - Do not know(DK). The standard deviation gives the variations of the responses from the mean. It provides an indication of how far the individual response to each factor varies from the mean. The standard deviation of 0.514 on all the statements indicated that the respondents were moderately distributed.

Table 5: Descriptive Results on Financial Services

Opinion Statements	SA%	A%	D%	SD%	DK%	Mean	Std. Dev
DTS offer products with competitive interest rates	21(50)	21(50)	0(0)	0(0)	0(0)	4.5	0.506
Credit unions have an upper advantage to marginalized clients	13(31)	29(69)	0(0)	0(0)	0(0)	4.4	0.485
Benefit of savings is the remarkable volume of funds for on lending.	15(35.7)	27(64.3)	0(0)	0(0)	0(0)	4.4	0.485
Product diversification meet the needs of a diverse membership	20(47.6)	22(52.4)	0(0.0)	0(0)	0(0)	4.5	0.505
Aggressive marketing lead to products available to segments of the population	21(50)	20(47.6)	0(0)	1(2.4)	0(0)	4.5	0.552
FOSA is successful at improving physical image and quality of financial products and services	21(50)	20(47.6)	0(0)	1(2.4)	0(0)	4.5	0.552
Average						**4.47**	**0.514**

Member Advancement

This was the dependent variable of the study on which socio-economic conditions for investing in assets for future test, and descriptive statistics were performed to determine the influence of independent variable on member advancement of licensed deposit taking SACCOs in Nairobi County, Kenya.

The researcher performed tests on Improving Socio-economic conditions by investing in assets for the future as a Measure of the percentage of growth in savings volume and in the number of members and clients served and also to examine whether data collected was adequate and appropriate for inferential and other statistical tests. The data was regarded appropriate for statistical analysis if the total deposits grew many times as fast as the number of members.

Table 6 findings indicated that members save and borrow credit from SACCOs to improve their socio-economic conditions by investing in assets for the future; which gave 100 percent response. The findings were in agreement with the views of Sanne (2002) that credit unions hold to the principle that internally generated savings provide an independent and sustainable supply of funds that are invested in the local community. They are fundamental to sustainable economic development and most frequent source of funding for microenterprise startup and expansion.

Table 6: Improve socio-economic conditions by investing in assets for the future

Opinion Statement	Frequency	Percentage
Improve socio/economic conditions	42	100

Descriptive Results on member advancement

Descriptive analysis was performed to establish the respondents' perception concerning member advancement of licensed deposit taking SACCOs in Nairobi County, Kenya. Table 7 findings indicated 100% of the respondents agreed Credit unions must make a surplus to build capital reserves, an essential element for meeting international standards for capital adequacy and solvency, 97.6% of the respondents agreed Member-owners have contributed their own share capital with the expectation of receiving access to the financial products and services offered, 100% of the respondents agreed Members expect to receive a real dividend yield greater than inflation, 97.6% of the respondents agreed Credit unions hold to the principle that internally generated savings provide an independent and sustainable supply of funds that are invested in the local community, 100% of the respondents agreed Savings and credit are fundamental to sustainable economic development, 97.6% of the respondents agreed Voluntary savings enable households to smooth consumption in the face of uneven income flows, to accumulate assets for the future, to invest in education, and to better prepare for emergencies (Kempton et al.,2005).

The mean score responses of 4.361 indicated majority of the respondents exhibited high responses on member advancement. This implies member advancement is a key factor in member advancement of licensed deposit taking SACCOs in Nairobi County, Kenya. The standard deviation gives the variations of the responses from the mean. It provides an indication of how far the individual response to each factor varies from the mean. The average standard deviation of 0.523 on all the statements indicates that the respondents were moderately distributed.

Table 7: Responses on member advancement

Opinion Statements	SA(%)	A(%)	D(%)	SD(%)	DK(%)	Mean	Std. Dev
Credit unions make surplus to build capital reserves for meeting international standards for capital adequacy	18(42.9)	24(57.1)	0(0)	0(0)	0(0)	4.429	0.501
Member-owners contribute share capital expecting to receive access to the financial products	11(26.2)	30(71.4)	0(0)	0(0)	1(2.4)	4.214	0.565
Members expect to receive a real dividend yield greater than inflation	11(26.2)	31(73.8)	0(0)	0(0)	0(0)	4.262	0.445
SACCOs hold to the principle that internally generated savings provide sustainable funds for investment	20(50.6)	20(47.6)	0(0)	1(2.4)	0(0)	4.428	0.590
SACCOs are fundamental to sustainable economic development	20(47.6)	22(52.4)	0(0)	0(0)	0(0)	4.476	0.505
Voluntary savings enable households to smooth consumption in the face of uneven income flows	16(38.1)	25(59.5)	0(0)	1(2.4)	0(0)	4.357	0.532
Average						**4.361**	**0.523**

Inferential statistics

The section tested the assumptions of regression thus normality and multicollinearity after which statistical tests (Correlation analysis, regressions analysis and ANOVA) were performed to test the hypothesis as per the objective.

Correlation Results

The results aimed at determining the degree of association between two or more variables. According to Zikmund (2003) correlation exists between two variables when one is related to the other and its calculation gives correlation coefficient statistics (r) whose values lies between -1 and +1. Interpretation of the correlation matrix followed the yard stick presented by Qui (2011) which stated that r of 0.9 to 1 shows very high correlation, 0.7 to 0.89 shows high correlation, 0.5 to 0.69 shows moderated correlation, 0.3 to 0.49 shows low correlations and 0.0 to 0.30 shows little, if any correlation.

Results of Table 8 indicated that there was a strong positive correlation of 0.713 between Financial services and member advancement of Deposit taking SACCOs. The P value was 0.000 implying that the relationship was significant. This meant that financial services are a strong determinant of the member advancement of Deposit taking SACCOs in Nairobi county Kenya.

Table 8: Correlation Matrix

		Member advancement	Financial services
Member advancement	*r-Pearson correlation*	1.000	
	Sig.(2-tailed)		
Financial services	*r- Pearson correlation*	0.713	1.000
	Sig.(2-tailed)	0.000	

Notes: *, **. Correlation is significant at the 0.05 and 0.01 level.(2-tailed)
r refers to Pearson's correlation coefficient

Regressions Results

The researcher used bivariate regression analysis to determine the linear relationship between the dependent and independent variables. The study hypothesis was given as follows:

- **Ho_1:** Financial Services have no significant effect on member advancement of deposit taking SACCOs in Nairobi County, Kenya.
- **Ho_2:** Financial Services have significant effect on member advancement of deposit taking SACCOs in Nairobi County, Kenya.

To test this hypothesis a bivariate regression analysis was run. The independent variable was Financial Services and dependent variable was member advancement. Table 9 indicated R to represent the correlation coefficient between the observed and predicted values of member advancement which was 0.713, R^2 was the coefficient of determination that shows the proportion of the dependent variable explained by the independent variable. R^2 of 50.9% obtained indicated the proportion of changes in member advancement that was explained by Financial Services.

Table 9: Model Summary

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.713	0.509	0.504	0.75815

a. Predictor: (Constant), Financial Services

Further Table 10 showed the regression slope coefficients representing the influence of the Financial Services on member advancement. The t- statistic was used to test the hypothesis on the significance of slope coefficient (*β*) at 5 per cent level of significance. The results showed that the t value was 3.942 and P = 0.000 indicating that β was statistically significant since the p value of the t-static obtained is sufficiently low (P < 0.005). B represents the value for the regression equation for predicting the dependent variable from the independent variable. The linear regression model of Financial Services and member advancement was Y = βo + β1X1+ε which becomes MA = 0.958+ 0.743X1. The null hypothesis was rejected and alternative hypothesis accepted that Financial Services significantly determine member advancement of deposit taking SACCOs in Nairobi County, Kenya (Worthington, 2012).

Table 10: Financial Services and member advancement regression coefficients

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Sig
	β	Std. Error	Beta		
(Constant)	0.958	.243		3.942	.000
Financial Services	0.743	.074	0.713	10.079	.000

a. Dependent Variable: MA

The overall significance of the regression model (goodness of fit) at 5% significance was tested using ANOVA (F-test). The findings indicated that the value of computed F statistic was 101.577 with a P- value of 0.000 at the 5% level of significance. The null hypothesis was rejected since the probability value (P value) obtained for F was lower ($P<0.005$). Thus, the model fit is acceptable implying that there is a significant positive linear relationship between Financial Services and member advancement of deposit taking SACCOs in Nairobi County, Kenya.

Table 11: Financial Services and member advancement ANOVA

Model	Sum of Squares	df	Mean square	F	Sig.
Regression	58.385	1	58.385	101.577	.000
Residual	56.329	98	0.575		
Total	69.776	99			

a. Dependent Variable: Member Advancement

b. Predictor: (Constant), Financial Services

The model, sum of squares, df, mean square, F, Sig. means as follows: Model allows one to specify multiple models in a single regression command Regression, Residue, Total looks at breakdown of variance in the outcome variable. It indicates the total variance which can be explained by the independent variables (model) and the variance which is not explained by the independent variable (error). Sum of squares is associated with three sources of variance, total, model and residue.

Df is degrees of freedom associated with sources of variance

Mean squares are mean squares divided by df

F and Sig. this is F-statistic and P- value associated with it. F is the mean square (regression) divided by the mean square (residual)

Discussion of key findings

Financial services had a mean 3.1300 which indicated that deposit taking SACCOs frequently offer diversified financial products, coefficient of correlation of R 0.713 which meant a strong positive and significant relationship between financial services and Member advancement. Further the coefficient of determination was established to be 50.9% meaning that Financial services causes 50.9% of changes in Member advancement implying that Financial services has a significant effect on Member advancement.

These findings were consistent with the findings of Burger and Zellmer (1995) who lauded that Deposit taking SACCOs are not for profit organizations but exist to provide financial services to their members rather than to maximize corporate profits. Like banks, Deposit taking SACCOs accept deposits and make loans; but as member owned institutions, they focus on providing a safe place to save and borrow at reasonable rates. Service Fees and loan rates at are generally lower, while interest rates returned are generally higher, than other for profit institutions (Brian & Janette, 2001).

Burger and Zellmer (2008) highlighted the need for Deposit taking SACCOs to develop products that change financial behaviour. Such financial services are viewed as a transition into the mainstream financial system. They are ideally positioned to enhance the financial capability of their members. Unlike most bank loans, where interest is charged on the principal amount borrowed, interest on Deposit taking SACCOs loan is paid on the reducing balance of the loan, and at a rate of no more than 1 per cent per month (Byrne et al., 2005)

CONCLUSIONS AND RECOMMENDATIONS

Financial services had a statistically insignificant positive relationship with Member advancement of deposit taking SACCOs in Nairobi county Kenya. ($t=0.386$ and $P=0.700> 0.05$). Access to financial services is a significant challenge in Kenya, where majority of the population is excluded from the formal banking sector. Deposit taking SACCOs continue to look out for their members interests particularly those under served by banks and provide a level of service that is not generally available in other financial institutions. The operating income is returned to depositors in the form of interest on savings and lower interest rates on loans.

Licensed deposit taking SACCOs continue to develop diversified financial products that meet the needs of different levels of membership and therefore retain their loyalty. This changes their financial behavior for prudent borrowing to improve the liquidity conditions thus generating funds for on lending to the growing credit demand.

Areas for further research

This study examined the access to financial services on member advancement of licensed deposit taking SACCOs in Nairobi County, Kenya. The results indicated that accessing financial services explained 50.9% of the member advancement of licensed deposit taking SACCOs in Nairobi County, Kenya. Therefore further studies should be conducted on other factors affecting member advancement of licensed deposit taking SACCOs in Nairobi County, Kenya. In addition, the study was limited to Nairobi County and hence the findings cannot be generalized to other Counties in Kenya due to differences in socio-demographic and economic factors from one County to another. Therefore, similar studies should be conducted to cover other Counties in Kenya.

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