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DETERMINANTS OF FINANCIAL PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN NAKURU TOWN, KENYA

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ABSTRACT

The Savings and Credit Cooperative Societies (SACCOS) are financial institutions in the line of co-operatives societies that aims to meet common needs of the members through savings mobilization, loans and financial advisory services. They enhance economic growth and development by availing funds to members so as to engage in viable business ventures. Despite this contribution, SACCOS have not been able to perform effectively in Kenya due to financial instability in their operations. Therefore, the researcher felt the need to investigate the determinants of financial performance of Saccos in Nakuru Town, Kenya. The objectives of the research study were based on; membership size, frequency of supervision and employment management practices. It was further guided by theories; organizational theory and trade-off theory. Descriptive survey research design was employed and helped in detailed capture of important information for the study. Census technique was used to include all Managers of 32 SACCOS in Nakuru town who provided data through structured questionnaires. Inferential and descriptive statistical methods incorporated means, standard errors, correlation coefficients and regression coefficients to analyze the data. The study findings showed that membership size affected financial performance of SACCOS. The correlation between the membership size and financial performance was positive and statistically significant ($r = 0.564$; $p < 0.001$). The employment management practices were found to affect financial performance as expenditure was 35.8% lower ($P < 0.1$) within the budgeted estimates. SACCOS were recommended to improve their service delivery to attract more potential members and still keep the existing ones. The researcher further recommended better alignment of employment management practices to organization structure to make them more relevant as they play key role in financial performance. This research work would benefit the Saccos through encouraging them to engage in practices that can lead to financial stability in their organizations. As such, they will be able to deal with obstacles that hinder their service delivery to their members.

Keywords: *Savings and credit co-operative societies, membership size, frequency of supervision, employment management practices, financial performance*

INTRODUCTION

The Savings and Credit Cooperative Societies (SACCOS) are financial institutions in the line of co-operatives societies that aims to meet common needs of the members through savings mobilization, loans and financial advisory services (Auka & Mwangi, 2011). They enhance economic growth and development by availing funds to members so as to engage in viable business ventures. SACCOS offer most similar products with other financial institutions such as commercial banks. In this sense, they are suitable for low income households who find it difficult to access credit from banks. Delivering financial services to the members is the key function of Savings and Credit Cooperative societies. These include financial products and advisory services (Collins & Clark, 2003). To adequately do this, they ought to perform effectively. Financial performance is subjective measure of how well a Sacco can undertake its activities using the available resources and generate optimal revenues. This indicates the organization financial health and sustainability.

According to Kiama (2014), desirable performance in Savings and Credit Cooperative Societies indicates that they are efficient and effective in their resource utilization. This also involves management of transaction costs. They have to measure their performance to determine whether they have desirable outcome for survival. Planning for future helps organizations to cope with uncertainties and unexpected changes in economic and technological groups. Therefore, they have established financial strategies to guide that purpose. Effective financial performance measurement ensures that SACCOS' financial strategy is implemented. Financial performance can be measured through liquidity. Good performance can be indicated by the ability of the meet its financial obligations as they come due (Fiorillo, 2006). Performance can also be determined by the rate of return on assets, the rate of return on equity, Operating profit margin and Net income from various activities.

A study by Kivuvo and Olweny (2014), noted that capacity to generate revenue influences the performance of a SACCO. This capacity is largely determined by the number of members that belongs to a SACCO. When other factors are constant, the higher the number, the higher the amount of revenue. Therefore, membership size of SACCOS determines its financial performance (Bwana & Mwakujonga, 2013). Poor financial service delivery leads to decline in membership. Even the potential members lose hope in SACCO thus the common requirements cannot be fulfilled. The level of income also determines the membership size. Saccos ought to take initiatives of properly educating the members on how they can do business and improve their income. Sensitivity to cost of funds obtained by SACCO members determines their future requests for the same. If they are unfavorable, then such members are likely to withdraw their membership (Hausknecht & Holwerda, 2013).

Financial institutions such as SACCOS need proper supervision through the government intervention. To have confidence in the same, members needs assurance in terms of protection of their savings (Becker & Gerhart, 1996). Bad financial performance can be as a result of lack of appropriate supervision of SACCOS. They are left to engage in financial malpractices that lead to wastage of members funds. The books of accounts are not audited as required. Misuse of money leaves little for Saccos businesses and loans to members (Musafiri-Papias & Ganesan, 2009).

According to Kioko (2010), Savings and Credit Cooperative Societies in Kenya have the ability to promote economic growth and development through employment creation, poverty alleviation and food security. They are supposed to provide financial advisory services to members on how they can create wealth through utilizing the loans. To access credit, SACCOS encourage members to save. It is through savings that they can qualify for loans to engage in investments and other business involvements to create wealth and contribute to economic growth of Kenya (Kilonzi, 2012). There are inadequate financial services through SACCOS in Kenya particularly in rural households (SASRA, 2013). This can be explained by fall in financial exclusion from 38.4% to 32.7% of the population between the year 2012 and 2013.

SACCOS in Kenya are struggling to provide financial services to members. For instance, they are finding it difficult to issue the amount of loans as requested by the members (Agumba, 2008). This means that the amount of funds at their disposal is insufficient implying poor financial performance. Revenue earnings by SACCOS

depend on the activities they undertake with the members savings. Good performance can be supported by prudential investments by Savings and Credit Cooperative Societies (Wanyama, Develtere & Pollet, 2009). However, SACCOs in Kenya are not investing sufficiently for better returns. Most of them make uninformed decisions that lead to loss of member's money. Management competence is an issue of major concern. It guides financial management and determines financial performance for SACCOs. On contrary, there have been cases of money lost from this organization (Mudibo, 2005).

Financial performance depends on the financial managers who are charged with making major decisions. Therefore, the inadequate financial performance in some Kenyan SACCOs can be as a result of incompetent managers (Delaney & Huselid, 1996). This is a situation built in the employment management practices adopted by the SACCO. The qualification of the employees determines their productivity. SACCOs remunerate the employees with no good outcome in terms of productivity. It means that the resources and returns are put in the wrong place thus subjecting the SACCO into poor performance.

Muriuki (2010), noted that members wants Saccos to safeguard their money and provide them with the most important services; the loans. Meet the amounts of loans sought by members. Some lose hope after failing to acquire loans despite saving with Saccos. In some instances, SACCOs may fail to follow due process in giving loans to members. This leads to major cases of default hence losses. If few members take huge part of the savings and fail to repay, then other members cannot access the same facilities (Cuevas & fisher, 2006). Lack of appropriate appraisal on loans has contributed to undesirable financial performance. Unwanted performance can also be attributed to lack of involvement of all the members whose input is significant in the running of the institution. Most Kenyan SACCOs are associated with poor financial management that leads to inappropriate business and investing decisions. As such, they generate little income and miss the opportunities of building wealth. Most of them are undercapitalized and lacks efficiency.

PROBLEM STATEMENT

Savings and Credit Cooperative Societies (SACCOs) contribute immensely to the growth and development of economies. They promote savings culture among people that is crucial for planning in terms of investments and expenditures. Saccos plays a big part in financial accessibility thus enabling members to engage in viable businesses that generate income to improve living standards. Despite the potential and contribution of SACCOs in Kenya, they have not delivered financial services to members as expected due to undesirable performance. Most of them engage in financial malpractices such as giving huge loans without proper appraisal for the same. Lack of competent management leads to adoption of mediocre financial decisions that never improve performance. Supervision of SACCOs has not catered for the needs of members in terms of consumer protection. This means that it has not been done as it should be. Moreover, some SACCOs fail to meet loan requirements as sought by members due to insufficient funds at their disposal leading to stagnant or decrease of membership. Undercapitalization makes some unstable and to some extent unsustainable in terms operations. Past studies have not solved the problem of undesirable performance of Saccos to the satisfaction of members. This study is important in that it provides relevant information on employment management practices, membership size, and frequency of supervision, qualifications and remuneration. They have been analyzed well based on their effect on financial performance of Saccos in Kenya and recommends how undesirable performance can be rectified.

OBJECTIVES OF THE STUDY

The main objective of the study was to assess the determinants of financial performance of Savings and Credit Cooperative Societies in Nakuru town, Kenya. The specific objectives include;

- To establish the effect of membership size on financial performance of Savings and Credit Cooperative Societies in Nakuru town, Kenya.
- To determine the influence of frequency of supervision on financial performance of Savings and Credit Cooperative Societies in Nakuru town, Kenya.
- To assess the effect of employment management practices on financial performance of Savings and Credit Cooperative Societies in Nakuru town, Kenya.

RESEARCH QUESTIONS

- How does membership size affect financial performance of Savings and Credit Cooperative Societies?
- What is the influence of frequency of supervision on financial performance of Savings and Credit Cooperative Societies?
- Do employment management practices affect financial performance of Savings and Credit Cooperative Societies?

LITERATURE REVIEW

Literature review constitutes of the theoretical framework, empirical review and conceptual framework. It provides insights and more understanding to the determinants of financial performance of Savings and Credit Cooperative Societies.

Theoretical Framework

Theoretical framework outlines theories that assist in explaining financial performance of SACCOs. They include organizational Theory and trade-off theory.

Organizational theory

The organizational theory explain the organizational performance based on its size. It describes the profitability as an element of performance in regard to firm size (Kimberly, 1976). It further explains the organization efficiency in terms of management of transaction costs, agency costs and control costs. Sunk costs, vertical organizational integration and industry profitability are associated with firm size thus influences the financial performance. Large organizations are able to diversify their operations. They can trade in a variety of products or can differentiate their services to better meet their clients' needs (Jones, 2012). Diversification helps in managing risks thus promotes better performance. According to organizational theory, big organizations are better positioned to achieve effective financial performance than the small ones. As such, firms aims to expand much as they can. Moreover, size of the firm determines its ability to acquire economies of scale that helps in costs reductions (Hosmer, 1995).

Organizational theory is applicable in current study that assesses the determinants of financial performance of Savings and Credit Co-operative Societies. Membership size is one of the variables in the study. Membership size in SACCOs determines the size of the organization. Organization theory explains financial performance from firm size point of view. Therefore, Membership size influence the revenue of the SACCOs that contributes to financial performance.

Trade-Off Theory

Trade-off theory explains the financial performance of an organization in regard to the method of financing used (Kraus and Litzenberger (1973). Trade off theory states that the ratio of debt to equity financing is determined by balancing the costs and benefits. An organization trades-off the dead weight costs that arise due to bankruptcy and tax shield benefits associated with debt financing. Firms gets benefits of tax shields when they apply debt financing in their operations. However, in case they utilize the debts inappropriately, they may suffer the problem of financial distress. Financial distress means that the organization is experiencing difficulties in settling their debt obligations. Trade off theory hence calls for suitable balance between the equity and debt financing. Inclusion of equity in the debt financing helps to neutralize the problems associated with use of debt (Frank & Goyal, 2007).

Trade off theory was applicable due to its importance in methods of financing organizations. The financial performance of SACCOs is influence by the decisions made by management concerning the debt and equity financing. The quality of decisions depends on the management competence. The employment management practices of SACCOs indicate whether they can employ qualified managers and officials who can make informed decisions. The Trade-Off theory talks about appropriate balance between debt and equity financing. SACCOs are

required to meet minimum requirements. Debt and equity financing affects the capital levels of Sacco's. Saccos are supervised to ensure that they are always maintaining the minimum capital for sustainable operations.

Empirical Review

Empirical review outlines explanations of membership size, frequency of supervision and employment management practices based on related previous studies.

Membership size

Koskei and Naibei (2017), did a study on the determinants of member loyalty among SACCOs. A survey of selected SACCO's in Kericho County, Kenya. They established that Sacco member's loyalty is determined by interest rates, mode of disbursement and variety of financial products. They suggested that there was a need of providing competitive interest rates and improving on efficiency in disbursements of funds. Customer loyalty is a key determinant to maintainance of membership size by Sacco. However, this has not been clarified in the study. Membership size may guantee continued flow of revenue and that enhances financial performance.

Muriuki (2010), did a study on the factors affecting Sacco performance in Meru South district: a case of Tharaka Nithi Teachers Sacco. The research revealed that dividend payout ratio was influenced by profitability, growth opportunity, cashflow and size. Risk had a negative effect on the dividend pay out ratio. However, the study did not clarify on the size. Size of an organize is majorly about the number of members. In that case, the membership size affected the performance that determined the dividend payout ratio. The current study established the influence of membership size on financial performance of SACCOs.

Onsase, Okioga, Okwena and Ondieki (2013) assessed the effects of performance management practices on provision of financial services by savings and credit cooperative societies. The study findings that efficiency and effectiveness influenced performance via appropriate performance management practices. They did explain how performance management affected the membership. The issue of concern to members is the management of their savings that can guarantee them benefits such as easier access to loans. The current study shows that lack of or inappropriate performance management practices leads to inadequate financial performance of SACCOs.

A research study by Makena (2014), on rebranding strategy and performance of savings and credit co-operatives revealed that branding can have a positive effect on SACCO membership via enhanced membership retention, increase in membership and increases in shareholding and savings. Putting the results into perspective, it can be asserted that rebranding is a viable alternative for SACCOS seeking to project a new image and improve its market share. The research did not indicate how Sacco could optimize revenue through increased membership. The current study shows how Saccos can be influenced to contribute more funds for increased common benefits.

Mumanyi (2014) assessed the challenges and opportunities facing SACCOs in the current devolved system of government of Kenya; A case study of Mombasa County. The study pointed out education as one of the major challenges facing SACCOs in Mombasa County. It did not explain the extent to which education to members enhanced their stay and contribution in the SACCO. Education is an important ingredient that helps the members to invest the loans they acquire into viable business ventures. Membership size determine the level of organization revenue and performance.

Frequency of Supervision

Mutinda (2016), sought to establish the impact of prudential regulatory framework on financial performance of deposit taking SACCOs in Kenya. The study indicated that loan provisioning requirement, minimum liquidity, minimum investment requirement and minimum capital capital requirement influenced financial performance of SACCOs in Kenya at a large extent. These constructs were found to have a positive relationship with return on investment. However, the research study did not show how these requirements are adhered to through supervision. The frequency of supervision makes prudential regulatory framework on saccos meaningful.

Otherwise, Saccos may not follow them if not supervised frequently. The current study has stated that failure to operate within the regulation affects the performance.

A research by Kioko (2010), on the impact of SASRA regulations on the financial performance of SACCO's in Kenya found that higher capital requirements, and increase in management efficiency impacted positively to SACCO's profitability in the post- capital regulation period. The study also revealed that capital regulation affects financial performance in SACCOS. In conclusion, he noted that financial stability could be damaged by improper policy adjustments meant for risks' mitigation. SASRA regulations are meant to protect the sacco members. SACCOS have to be supervised to ensure that the work within the regulations. The current study examined the effect of frequency of supervision on performance of SACCOS.

Porteous, Collins and Abrams (2010) undertook a study on prudential regulation of microfinance financial access initiative. They noted that there is need to maintain a high standing among all the financial intermediaries with regard to investment vehicles they can engage in. This has a great impact on financial performance of the organizations. Their study was on Microfinance while the current study is on SACCOS. Furthermore, they did not link prudential regulation to frequency of supervision of SACCOS.

Kabaiya, F. M. (2012), carried out a study on the the relationship bet ween corporate governance practices and financial performance of saccos in murang'a county. They indicated that Saccos ought to satisfy the regulatory provisions to enhance better governance and financial performance. The study confirmed that saccos had systems of board committees to undertake functions assigned the boards of management. The research did not provide a detailed explanation on the effect of frequency of supervision.

Employment Management Practices

Omolo (2015), carried out a research study on corporate governance best practices and performance by deposit taking savings and credit co-operative societies in Nairobi city county, Kenya. He used Ordinary Least Squares (OLS) regression to analyze data. The research findings showed that the relationship between the board size and corporate financial performance was strong and positive. The independence of the board influenced performance. The study concluded that SACCOS should have large board size composed of individuals outside the directors in order to improve and sustain good performance. The study dwelled so much on board size and did not go further to describe their core role. Corporate board is involved in major organization decisions that pertains employment. The current study has investigated the influence of employment management practices on performance of savings and credit co-operative societies. This is an important extension to the study by Omolo (2015).

Bwana and Mwakujonga (2013), investigated the issues in SACCO development in Kenya and Tanzania based on the historical and development perspectives. They found that performances of Saccos in the two Countries were affected by lack of well-trained officials and proper administrative framework, bureaucracy and inability to raise vast financial resources. They recommended that policy makers and governments to come-up with policies and strategies that will support the growth of SACCOS. They did not provide a direct link between the employment management practices to performance of Saccos. The issue of lack of well-trained officials belongs to employment management practices of SACCOS. It is their duty to employ officials that are well trained and retrain them. The current study examines the training of financial officials as an element of employment management practices and the effect it has on the performance of SACCOS in Nakuru town, Kenya.

Davis (2006), wrote a paper entitled 'Beyond human resource management in co-operatives'. He had investigated the issue of HRM in cooperatives through fieldwork. These cooperative organizations include major institutions such as; International Co-operative Alliance, Asian confederation of credit unions, and the British society for co-operative studies. He found that majority of cooperatives lagged behind in terms performances due to inadequate Personnel or HRM systems. in the majority of co-operatives. Additionally, cooperatives are lagging behind the private sector in HRM according to this study. The research was carried on more developed cooperative

movements than the ones in Kenya. The Kenyan economy is still developing thus different dynamics. The researcher looked into the issue of personnel in saccos from employment management practices' perspective

Marangu, Lyria and Rukangu (2015), did a study on influence of human resource management practices in growth of Sacco societies in Meru County, Kenya. Results from findings showed that growth of Saccos was affected by staffing, reward system, job design and performance management. For SACCOs to growth, they have to perform well. It was indicated that staffing influenced growth. However, they did not go into detail of staffing that is determined by the nature of employment management practices. The researcher established the association between the employment management practices and performance of Saccos in Nakuru town, Kenya.

Financial Performance

Lagat, Mugo and Otuya, (2013) investigated the effect of credit risk management practices on lending portfolio among savings and credit cooperatives in Kenya. Results indicate a significant effect of the risk management practices; risk identification, risk analysis and risk monitoring on lending portfolio. However, risk evaluation did not have a significant effect on the lending portfolio of the savings and credit cooperative societies. The researcher further identified that most Sacco's had adopted risk management practices as a means of managing their portfolio. The current study has made extension on the research by Lagat, Mugo and Otuya (2013) through investigating lending portfolio as an element of financial performance in SACCOs.

Ndonga, (2016) undertook a study on factors affecting financial performance of employees' savings and credit co-operative societies. The objectives were based on interest rates charged, attitude towards risk, amount of loan desired and the savings mobilized. The research showed a negative relationship between the interest rates and financial performance of SACCOs. It implies that increase in interests could have lowered the demand for loans. The ability of members to afford reduced thus affecting performance. Attitude towards risk, amount of loan desired and value of savings mobilized had a positive relationship with performance thus SACCOs were recommended to make effective improvements on those factors. Making reliable improvements in an organization requires an effective financial strategy to guide it. This was not captured in the study. The current study attempted to fill the gap by initiating financial strategy towards the financial performance based on employment management practices and membership size. This variables have a direct effect on the level of revenue that determines the financial performance of Saccos.

A study by Osoro and Muturi (2015), on the Effects of liquidity-risk management practices on the financial performance of savings and credit co-operative societies in Kisii County, Kenya found that return on assets of saccos was highly influenced by Capital adequacy. However, asset quality and capital leverage did not affect savings mobilization. The current researcher sought to determine financial performance of SACCOs by assessing the frequency of supervision. Supervision aims at checking out whether the capital requirements are adhered to by the SACCOs. Adherence to minimum capital requirements encourages SACCOs to maintain adequate capital for effective financial performance.

Okwee (2011), did a study on corporate governance and financial performance of SACCOs in Lango Subregion. Findings showed a significant number of SACCOs had not complied well with corporate governance guidelines. Risk influence corporate governance at a small extent. The correlation between corporate governance and financial performance was strong and positive. Corporate governance ought to guide main issues in SACCOs such as expenditure management for better efficiency. This was not explained in the study. The outcomes from various expenses affects financial performance. Moreover, any expense costs should be efficient.

CONCEPTUAL FRAMEWORK

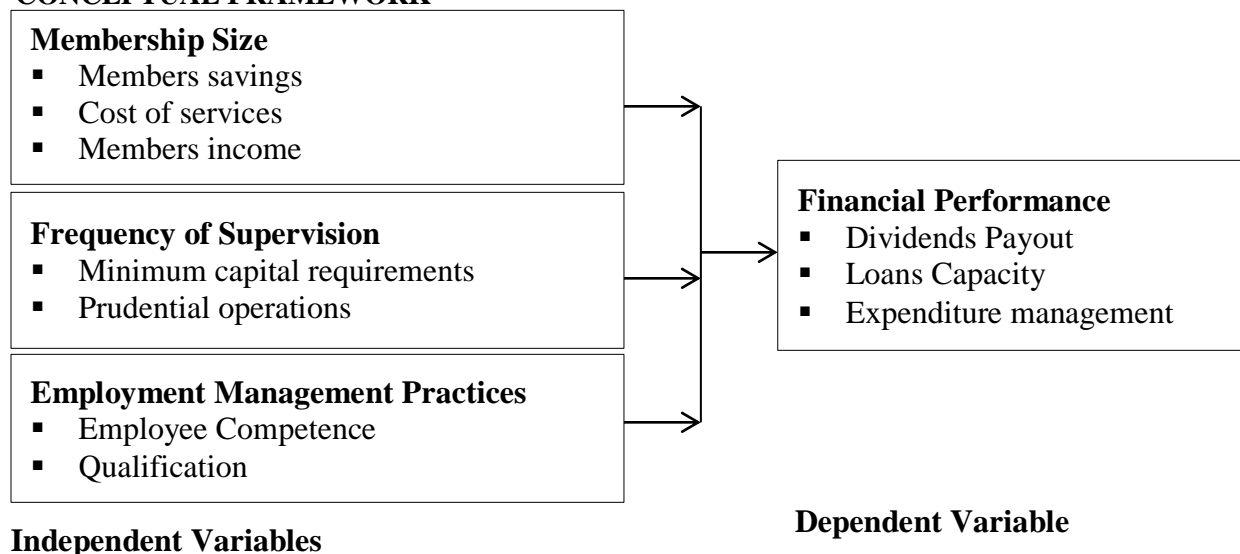


Figure 1: Conceptual Framework

RESEARCH METHODOLOGY

This study used a descriptive survey research design. Kothari (2004) stated that descriptive survey research design helps to depict the respondents correctly. It also enhances detailed description of the problem under the study. The researcher targeted the 32 managers of 32 Savings and Credit Cooperative Societies in Nakuru Town, Kenya. Managers make top decisions concerning the running of SACCOs. Therefore, they were deemed to possess information concerning membership size, frequency of supervision, employment management practices and financial performance. The study collected data from managers of Savings and Credit Cooperative Societies using structured questionnaires. Questionnaires as research data collection instruments provide the respondents with time to indicate their views or opinions without bias. They were therefore, the most suitable and effective tools to collect data. The data collected from managers of savings and credit cooperative societies was cleaned, coded, and entered in to Statistical Packages for Social Sciences (SPSS program) version 20 for analysis. The data was then analyzed using descriptive (means and standard deviations), correlation and regression analysis. Descriptive analysis used means and percentages to describe how membership size, frequency of supervision and employment management practices affect the financial performance of Savings and Credit Cooperative Societies. On the other hand, both correlation and regression analysis established the relationship between membership size, frequency of supervision and employment management practices and financial performance. Data was presented through statistical tables.

FINDINGS AND DISCUSSIONS

This section outlined the findings from the study concerning effect of the membership size, frequency of supervision and employment management practices on financial performance of Savings and Credit Cooperative Societies in Nakuru town, Kenya. These findings were discussed according to the study objectives.

Effect of membership size on financial performance of SACCOs

The researcher sought to find out the effect of membership size on financial performance of SACCOs in Nakuru Town. The findings are illustrated in table 1. The bivariate correlation between the membership size and financial performance of 32 sample SACCOS in terms of dividends paid was positive and significantly ($r= 0.564$; $p<0.001$). Membership is a major source of revenue for the SACCOS, with revenues rising with membership, which explains the positive correlation found with the dividends paid.

Table 1: Means and correlation coefficients between financial performance and the membership size of SACCOS (n=32) within Nakuru Town.

Factor variables	Mean ± SD	Dividend paid (%)	Loan deviation from amount applied (%)	Expenditure deviation from budget (%)
----- Correlation coefficient r -----				
SACCO membership size (1= <100; 2 =100 - 500; 3 = >500)	1.87 ± 0.91	0.564**	0.064	-0.135

* P<0.05 ; **0.001

Influence of frequency of supervision on financial performance of SACCOS

The researcher established the influence of frequency of supervision on financial performance of SACCOS. The findings are illustrated in table 2. The bivariate correlation between the frequency and financial performance of 32 sample SACCOS in terms of dividends paid ($r=0.182$) was positive, weak and insignificant. The financial performance in terms of loan deviation from amount and expenditure deviation from budget ($r=-0.302$) and (0.322) respectively were weak and insignificant also. It means that there was no enough evidence to state that frequency of supervision directly affected financial performance of SACCOS.

Table 2: Means and correlation coefficients between financial performance and the frequency of supervision of SACCOS (n=32) within Nakuru Town.

Factor variables	Mean ± SD	Dividend paid (%)	Loan deviation from amount applied (%)	Expenditure deviation from budget (%)
----- Correlation coefficient r -----				
Supervisory committee quarterly reporting frequency (1, 2, 3, 4 reports quarterly)	1.62 ± 0.49	0.182	-0.302	0.322
District cooperative officer monthly visit frequency (1=3; 2= 6; 3= 9; 4=12 months /year)	2.22 ± 0.87	0.331	-0.009	-0.028

* P<0.05 ; **0.001

Effect of employment management practices

Table 4.3 shows the regression coefficients estimates for the impact of employment management practice on financial performance. There was no significant impact detected on dividend paid (%) and loan deviation (%), but having employment committee impacted positively on the expenditure. The expenditure was 35.8% lower ($P<0.1$) within the budgeted estimates. This suggests that employment committee could be associated with hiring well qualified managers whose management skills improve on financial management.

Table 3: Regression coefficients with their standard errors for the effect of employment management practice on financial performance; dividend paid (%), loan deviation (%) and expenditure deviation (%) in sample SACCOS (n=32) within Nakuru town, Kenya.

Employment management practice	Dividend paid (%)	Loan deviation from actual applied (%)	Expenditure deviation from budgeted estimate (%)
Constant	2.75 ± 1.01	27.08 ± 4.44	15.43 ± 6.40
SACCO have employment committee	0.58 ± 2.93	-0.63 ± 12.96	35.79 ± 18.68*
Advertisements made when vacancies arise	3.44 ± 2.62	-10.83 ± 11.56	15.90 ± 16.67
Committee always employ the best candidate	-1.60 ± 2.93	-0.04 ± 12.96	-3.39 ± 18.68
Model p value	0.458	0.551	0.293
F value	0.91	0.715	1.303
Adjusted R square	0.011	0.028	0.029

* P<0.1; ** P<0.05 ***0.001

SUMMARY

The study findings indicated that membership size in Savings and Credit Cooperative Societies affects the financial performance. The correlation between the membership size and financial performance in terms of dividends paid was found to be positive and statistically significant ($r=0.564$; $p<0.001$). The relationship between the frequency of supervision and financial performance was weak and statistically insignificant ($r=0.182$). There was no enough evidence to state that frequency of supervision contributed to the financial performance of SACCOS. The employment management practices were found to affect financial performance in the line of expenditure. The expenditure was 35.8% lower ($P<0.1$) within the budgeted estimates.

CONCLUSION

It can be concluded that the financial performance of Savings and Credit Cooperative Societies is affected by the membership size. In the line of dividends, membership size was observed determining the level of performance. Therefore, emphasis on increasing membership size is important to success of a SACCO. Employment management practices affect financial performance of SACCOS. It means that an effective employment committee can hire managers and officials with right skills for better financial management to spur desirable financial performance in SACCOS. The effect of frequency of supervision was found to be little on financial performance of Sacco. However, supervision is important for adherence to prudential financial practices of SACCOS.

RECOMMENDATIONS

SACCOS are recommended to improve their service delivery to attract more potential members and still keep the existing ones. It has been found that membership size promotes financial performance. SACCOS are also recommended to align their employment management practices to their organization structure to make them relevant as it plays key role in financial performance.

LIMITATIONS OF THE STUDY

The respondents were reluctant to provide information. Some took longer than the time agreed with the researcher

to fill the questionnaires. This resulted to inconvenience to some extent in the study. The study was limited to Nakuru town thus only the SACCOs in the area were considered. The study was carried out within time and budget constraints.

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