

**ROLE OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN WEALTH
CREATION IN LIMURU SUB-COUNTY**

BY

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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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ABSTRACT

Since independence, Cooperative movement in Kenya has experienced tremendous growth and is actually ranked first in Africa (Sacco Societies Regulatory Authority, 2011). It is entrenched in virtually all the sectors of the economy. Through the support of the government, the movement has produced some of the biggest players in provision of saving and credit services both to the rural and urban population in Kenya. In the rural areas there has been an upsurge of SACCOs that are now playing an important role in enhancing economic growth and development. Since the formalities involved in the formation of the SACCOs are simple, and due to their popularity, the government has continued to register more of these forms of organizations. Although Cooperatives have been there for a long time, poverty is still prevalent amongst the rural population in Kenya. These people still struggle to pay school fees for their children and some cannot afford the basic facilities like school fees and foodstuff. The research objective was to explore the role of Savings and Credit Cooperative Societies in creating wealth for their members in Limuru Sub County of Kiambu County in Kenya. Wealth created to the individual member was measured by the asset such member acquired since joining the SACCO. Other variables tested were the total shares and deposits which are here referred to as the members investment in the SACCO, total loans received by the member from the SACCO, the management effectiveness of the SACCO measured through the SACCO turnover and the products offered by the SACCOs. Descriptive research design was applied. The study population comprised of members of SACCOs in Limuru Sub County where a random sample of five percent of all the members were investigated. Both primary and secondary data was used as sources of data. Primary data was collected using a semi-structured questionnaire distributed to the sampled group. Statistical Package for Social Sciences (SPSS) was used to analyze the data. Descriptive statistics especially, frequencies and standard deviations was applied. Inferential statistics especially regression analysis was run to help establish, trends and relationships, and which made it easier for the researcher to understand and interpret implications of the study. Pie charts and tables have been used to represent data in a pictorial format, which could be easily used and understood by other users. The research findings established that SACCOs play an important role in wealth creation in the Sub County. The most among the four variables tested, loans acquired by members from the SACCOs contribute most to the wealth creation of such a member. The research recommended that women and youth be encouraged to join SACCOs in the region. The conclusion of the research was that all the independent variables contributed positively to the dependent variable.

Key words: SACCO Society, Wealth Creation, SACCO Members

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DEDICATION

I dedicate this academic dissertation to all who have been of support and encouragement to me in pursuit for knowledge and especially to my loving wife Ann and my children Grace, Faith and Daniel for their patience, love and support which enabled me to complete this project

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LIST OF ABBREVIATIONS

B.O.S.A	Back Office Service Activities
C.A.K	Cooperative Alliance of Kenya
C.S.R	Corporate Social Responsibility
D.C.O	District Cooperative Officer
F.O.S.A	Front Office Service Activity
G.D.P	Gross Domestic Product
I.C.A	International Cooperative Alliance
I.F.A.D	International Fund for Agriculture and Development
I.L.O	International Labor Organization
KERUSSU	Kenya Rural Savings and Credit Union
K.F.A	Kenya Farmers Association
K.N.F.C	Kenya National Federation of Cooperatives
K.P.C.U	Kenya Planters Cooperative Union
K.Rep	Kenya Rural Enterprise Programme
KUSCCO	Kenya Union of Savings and Credit Cooperatives
M.C.D.M	Ministry of Cooperative Development and Marketing
P.H.P	Peoples Housing Process
SACCO	Savings and Credit Cooperative
SASRA	SACCO Societies Regulatory Authority
S.P.S.S	Statistical Package for Social Sciences

DEFINATION OF TERMS

SACCO Society: Means a savings and credit cooperative society registered under cooperative society act, 1997 (Republic of Kenya, 2004)

SACCO business: Refers to financial intermediation and any other activity by SACCOs based on cooperative principles and also in accordance with SASRA Act, 2008.

Wealth Creation: Means empowering a person economically (Enderle G, 2009).

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The study was intended to explore the role of Savings and Credit Cooperative Societies in creating wealth for their members in Limuru Sub County of Kiambu County in Kenya. Since independence, Cooperative movement in Kenya has experienced tremendous growth and is actually ranked first in Africa (Sacco Societies Regulatory Authority, 2011). It is entrenched in virtually all the sectors of the economy. Through the support of the government, the movement has produced some of the biggest players in provision of credit facilities to the rural and the poor population.

In the rural areas there has been an upsurge of SACCOs that are now playing an important role in enhancing economic growth and development. Since the formalities involved in the formation of the SACCOs are simple, and due to their popularity, the government has continued to register more of these forms of organizations. Although Cooperatives have been there for a long time, poverty is still prevalent amongst the rural population in Kenya. These people still struggle to pay school fees for their children and some cannot afford the basic facilities like school fees and foodstuff (Wanyama, 2007).

A SACCO is a form of organization registered under the Cooperative Societies Act. This Act was first enacted in parliament in 1966 but reviewed in 1997 and in 2004. The Act allows at least ten people with a common objective to come together and register a Cooperative Society. A SACCO being one of the several types of Cooperatives is registered by at least ten people with a common objective of saving and then obtaining loans out of their savings (Maina and Kibaanga, 2004).

SACCOs are categorized into two, urban and rural. Urban SACCOs are formed by employees of one or several related organizations where savings and loan repayments are deducted from their salaries. Rural SACCOs on the other hand, are formed by individuals who reside in one locality or are in the same type of business. These SACCOs are formed by poor people who have difficulties in accessing loans from banks and other financial institutions. They include 'matatu' operators, church members, farmers and shopkeepers amongst others. As of December 2009, more than eleven thousand cooperatives had been registered with at least half of them being SACCOs. Some of these SACCOs have since developed and are offering some banking services known as Front Office Service Activity (F.O.S.As) (Wanyama, 2007). The study seeks to establish the role of SACCOs in wealth creation for their members in Limuru Sub County. The study was intended to establish the impact the SACCOs have on the economic status of their members after joining them.

SACCOs are based on the two main theories of cooperatives. The agency theory is applicable where the members who are the principals invest their capital in them and then entrust such capital to the managers who are the agents so as to manage the SACCOs based on the interests of the members. SACCOs especially the farmers ones are based on the marketing theory. Such SACCOs are formed so as to market the members produce. They provide good marketing channel for their members.

1.1.1 Kenyan Economic Growth

The Kenyan annual economic growth rate for the last ten years increased from two point nine per cent in 2003 to a high of seven per cent in 2007 and five per cent in 2011 according to the Kenyan Medium Term Plan paper of 2008 to 2012. One of the major hindrances of higher growth rate is poverty which is prevalent amongst the rural population. During the early days

after independence, the banks had a very low penetration rate in the rural areas which made it necessary for the government through the Ministry of Cooperative Development and Marketing to continue to encourage formation and support the existing SACCOs in the country. This has been identified as vehicles of wealth creation amongst the rural population. According to Kenya's Vision 2030 first term plan (2002-2007) which was popularly been known as Economic Recovery Strategy for Wealth Creation and Employment, the government intended to reduce the number of Kenyans living below the poverty line from forty six per cent to twenty eight per cent. In the medium term plan of 2008 to 2012, the government identified SACCOs as vehicles of facilitating higher savings and investment under the category of Financial Services sector.

The long term economic strategy for the country is entrenched in the manifestos of the election coalitions and which were given a lot of emphasis during the campaigns towards the General Election in March 2013(Kenya Today, 2013 and Mwakilishi .com 2013). They put a lot of emphasis on poverty reduction and wealth creation and are geared towards Vision 2030 economic strategy of propelling Kenya into an

1.1.2 Cooperatives Societies in Kenya

A cooperative is an autonomous association of persons united voluntarily to meet their common economic cultural needs and aspirations through a jointly owned and democratically controlled enterprise .The key idea behind a Cooperative society is to pool the scarce resources, eliminate the middlemen and to achieve a common goal or interest (Ministry of Cooperative Development and Marketing, 2007). Cooperatives are good vehicles for assisting the people improves their socio-economic situation. They are institutions that derive their strength and validity from member solidarity cooperation and concern for each other. Kenya is ranked first on Cooperatives in Africa and Sixth in the world (SASRA, 2012

Table 1

Sample Results of a Study on SACCOs Conducted by WOCCU in 2009

Country	No. of members	Membership	Savings (USD M)	Loans (USD M)
Kenya	3996	3835250	2751	2517
Senegal	681	1900212	296	345
Mali	132	1356882	120	150
Uganda	2021	878912	64	64
Togo	73	873615	150	125
Ethiopia	5925	477817	88	13
Cameroun	203	302068	193	123
Ghana	409	281447	94	76
Mauritius	108	92000	6	58
South Africa	31	20012	15	11
Ivory Coust	97	2288643	218	
Zimbabwe	53	65000	0.5	
Burkina Faso	70	1441952	163	

Source: SASRA 2011

Cooperatives have been practiced by people from time immemorial; people organized themselves to graze cattle communally, built houses, go hunting and even dig shambas together. Modern co-operative as a practice started in the year 1844 in Britain by Rochdale Pioneers and its principles are followed world wide. These principles are voluntary and open membership, democratic member control, economic participation, autonomy and independence, education, training and information, cooperation among cooperative members and concern for community in general. The first co-operative in Kenya was initiated by the European settlers in the Rift Valley in 1908. The cooperative was called Lubwa Farmers' Cooperative Society. It was not until 1931 when the cooperative societies ordinance became law that these societies could formally be registered as cooperatives. The first Co-operative society to be registered under the new Act was the Kenya Farmers Association (KFA) which started as a company in 1923. A new ordinance was then passed in 1945 and a commissioner of co-operative was appointed the following year. By independence time, there were over 600 primary co-operatives in Kenya. Kenya National

Federation of Cooperatives (KNFC) was formed in 1964, and in 1966 a new Act was passed under cap 490 of the laws of Kenya (Maina, and Kibanga, 2004).

Primary cooperatives comprise groups of individuals who are either actual producers of products such as sugar, milk, tea, coffee or consumers who join up to save and obtain credit most conveniently. Most primary Cooperatives operate at the village level, district level and a few at national levels. Secondary cooperatives societies also referred to as unions are generally composed of primary cooperatives as their members. All Cooperative societies are affiliated to a national apex body called the Cooperative Alliance of Kenya (CAK) while individual saving and Credit Cooperatives (SACCOs) affiliate to the Kenya Union of Saving and Credit Cooperative society (KUSCCO) (Ministry of Cooperative Development and Marketing, 2007). There are 5,122 registered SACCOs out of the total 12,000 registered Co-operatives, which is about 44% of the total number of co-operatives in Kenya. Out of the 5,122 SACCOs 150 are rural SACCOs (commodity based) while the rest are Urban SACCOs (employee based). All SACCOs operate Back Office Service Activities and have been able to mobilize over Kshs 230 billion, which is about 31 percent of the national saving and granted loans to the tune of Kshs 210 billion (Ministry of Cooperative Development and Marketing, 2010).

SACCOs have registered tremendous growth since mid-1970s and have currently achieved an average growth rate of 25 percent per year in deposits and assets. SACCOs have also created employment for Kenyans thus contributing to the government's efforts of achieving the goals of Vision 2030. SACCOS have grown tremendously and currently have about 3.7 million members. The 230 SACCOs with FOSAs have diversified into specialized bank- like activities which include deposit taking, saving facilities, debit card (ATM) and money transfers both local and international (Ministry of Cooperative Development and Marketing, 2007).

SACCOs play an important role of serving the financing requirements need of households, small and medium enterprises (SMEs). They encourage individuals to save thereby creating or accumulating capital which contribute to economic development of the country.

The policy of Cooperative movement in Kenya is to spur sustainable economic growth, by focusing on achievement of desired outcome through strengthening of the movement, improving co-operative extension service delivery and corporate governance (Kuria, 2011). Cooperatives have immense potential to deliver goods and services where other organizations have not ventured into. This is due to the fact that these Cooperatives have been established deep into the rural areas where handily other organizations venture into.

1.1.3 Limuru Sub County

This is one of the Sub Counties in Kiambu County in Kenya. It lies about 30 kilometers north of Nairobi the capital city of Kenya. It borders Kikuyu Sub County on the south, Narok County on the west, Lari Sub County on the north, Githunguri Sub county on the north eastern and Kiambaa Sub County on the east. It has a population of 131132 according to the Kenyan census of 2009, Kenya National Bureau of Statistics (2011), it covers an area of 281.80 square kilometers and consists of five wards which are Limuru Central, Limuru East, Ngecha/ Tigoni, Ndeiya and Bibirioni (IEBC, 2012). The population in this sub County is mostly rural. This is due to the fact that large settlement areas were established after independence where people were moved from villages and issued with pieces of land. This is mostly in Ndeiya, Ngecha and Bibirioni areas. The main town is Limuru which houses the Sub County headquarters and where most large and small traders have established their businesses. The largest industry in Limuru Sub County is Bata Shoe Company situated in Limuru town and which employs a large number of people. Other industries include several tea processing factories and animal feeds processing

factories. Other towns include Tigoni, Kabuku, Ngecha, Lironi, Ngarariga and Kwambira. The Sub County is served by both railway line and good roads. The main Kenya Uganda railway passes within the heart of the Sub County as well and the main Nairobi Nakuru highway. The poverty index which is for the whole Kiambu County is 27.2 as compared to the country's index of 47.2 (www,flickr.com, 2013).

1.1.4 SACCOS in Limuru Sub County.

Limuru Sub County has 26 SACCOS which can be classified into three main categories. These categories are Urban SACCOS, Rural SACCOS and transport SACCOS. Urban SACCOS are those ones that are established by employees of organizations and whose members contribute their savings and repay their loans through check off system whereby the employer deducts such contributions and remit them to the SACCOS. There are 14 urban SACCOS in the region. Rural SACCOS are established by residents who may either have a common bond or may be living together in the neighborhood. Such SACCOS are established by churches and the community. In the Sub County, there are 5 such SACCOS. The last category is the transport SACCOS. Such SACCOS are established by public transport operators who may mostly be operation within a common route. The SACCOS were mostly established in 2011 when the government of Kenya introduced a policy where the operators were required to form such SACCOS so as to instill discipline within the sector. There are 7 transport SACCOS in the Sub County. The total membership in the year 2012 was 5181 and the total share capital was Kenya shillings 291 million. The total loans issued was Kenya shillings 206 million and the total turnover for the year was Kenya shillings 53 million (MODM, 2012).

1.2 Statement of the Problem

Due to poverty level among the majority of the population in the rural areas in Kenya, it is not possible for such population to participate effectively in the development activities. This is due to lack of access to the tools of wealth creation. More than forty per cent of the Kenyan population in these areas is still living in poverty where a family survives with less than one United States dollar a day which makes it difficult for them to participate in the national building. This has been a major concern to the government and this is clearly outlined in the Kenyan Vision 2030 strategy paper (Kenya National Bureau of Statistics, 2012). In most developing countries, majority of the poorest live in the rural areas and demand for financial services is very diverse, International Fund for Agriculture and Development (IFAD, 2000). Increasing the access of the poor to sustainable financial services is an important goal for the governments of such countries (Sunildro, 2013). Poverty reduction development goals and affordable savings and credit instruments are important for coping with the economic fluctuations and risks that cause the poor especially vulnerable and lacking opportunities to acquire production assets. The government intends to utilize SACCOs as vehicles of accessing finances which in turn will enable the rural population to create wealth and hence reduce poverty in their midst.

In developing countries like India, SACCOs have succeeded as vehicles of wealth creation and have brought a positive change in the living standard of numerous rural populations (Chakraberty and Ghosh, 2009). Anyanzwa (2013) in his paper on Farmers cooperatives: Key to wealth creation observed that cooperatives enable members in Kenya to access credit. Access to credit could empower small holders and help them meet the growing global demand for food.

The studies done in Kenya, do not provide clear evidence that SACCOs have been successful in wealth creation despite a lot of emphasis being put by the government to sensitize the people especially the rural poor on their advantages. Only a small percentage of the populations are members of SACCOs may be because there is no significant evidence of positive change on those who have already joined the SACCOs.

The study seeks to establish the role that the SACCOs have played in wealth creation for their members in Limuru Sub County. The study was intended to establish the level of change in the economic status of the SACCO members for a period of five years from 2007 to 2012. This was established through the examination of average growth of loans and share capital of these members.

1.3 Research Objective

The general objective of the research was to establish the role of SACCOs in wealth creation in Limuru Sub County.

The specific objectives were to;

- 1) Examine the growth of loans issued to members by the SACCOs in Limuru Sub County
- 2) Establish the growth of investment in share capital/deposits of members by the SACCOs in Limuru Sub County
- 3) Establish how effective SACCOs are managed in Limuru Sub County
- 4) Examine how attractive SACCO products are to members in Limuru Sub County

1.4 The Research Questions are

- 1) Is there any growth on investment in share capital/deposits for SACCO members share in Limuru Sub County?
- 2) Is there any growth in loans given to members of the SACCOs in Limuru Sub County?

- 3) How effective are SACCOs being managed in Limuru Sub County?
- 4) How attractive are the products offered by the SACCOs to their members in Limuru Sub County?

1.5 Significance of the Study

The findings of this study will achieve the following goals;

- 1) Will add value to the body of knowledge on the role that SACCOs play in facilitating creation of wealth to their members.
- 2) Shall enhance improvement of financial services and other products offered by SACCOs for the benefit of their members in rural areas such as Limuru Sub County
- 3) The improvement of the regulatory and operational framework of SACCOs in the country.
- 4) Will highlight the challenges facing SACCOs for effective rural financing hence a foundation for further studies.

1.6 Justification of the Study

The study was intended to establish the extent to which SACCOs have contributed in wealth creation for their members in Limuru Sub County. The study limited itself to SACCOs which is one of the several types of Co-operative Societies in Kenya. SACCOs were established in Kenya shortly after independence and the government has continued reforming them through amendment of the existing Acts and introduction of new ones. Many more SACCOs have continued to be registered and the country is ranked first in Africa in terms of Cooperative development. Limuru Sub County being a farming area and with a vibrant population is one of the Sub County with the highest number of registered SACCOs.

Although this is a fact, majority of the population has remained poor and still struggle to meet the basic necessities of live which include food and education costs. There is no clear evidence to show that SACCO members are economically better than those that are none members. There are still a very large number of natives who are not members of SACCOs hence the necessity for this study to establish the main reason for the poor membership (Ministry of Cooperative Development and Marketing, 2012). The study will establish the extent to which SACCOs has assisted in wealth creation in this Sub County.

1.7 Scope of the Study

The study was confined to the residents of Limuru Sub County who are members of the SACCOs. These residents were the key contributors to the research. The research confined itself to those residents who have been members of the SACCOs that are registered in Limuru Sub County. Secondary data was obtained from the District Cooperative Officer for the Sub County who is the Ministry of Cooperative Development and Marketing representative. The officer provided information through the annual financial report for the financial year 2012 and which also contained the data for the financial year 2011.

CHAPTER TWO

LITERATURE REVIEW

2 Introduction

The literature to be reviewed will be on the history, formation and growth of the Cooperatives in Kenya and in other countries. The study will then concentrate on the rural SACCOs and in Limuru Sub County. The case study will be done within Limuru Sub County which is situated in Kiambu County in Kenya. The researcher will evaluate the impact that SACCOs have had in the eradication of poverty within the Sub County.

2.1 Theoretical Review

2.1.1 Agency Theory

A Cooperative is based on agency theory, which is the relationship between agents and principals. Agency theory explains how best the relationship between agents and principals can be tapped for purposes of governing an organization to realize its goals. The members are interested in the accumulation of their capital, and managers who had a surplus of ideas to effectively use that capital. Since the owners of capital who are the members have neither the requisite expertise nor time to effectively run their Cooperatives, they hand them over to the managers for control and day-to-day operations, hence, the separation of ownership from control, and the attendant agency problems (Randel et al, 1997) The primary participants are the managers, the management boards and the members and, but other key players whose interests are affected by the Cooperative are employees, suppliers, customers, partners and the general community.

2.1.2 Marketing Theory

Cooperatives capture a larger share of industry earnings for the membership, but additionally, contribute to market or industry efficiency. Cooperatives mainly the farmers based

are formed so as to market the members produce hence economies of scale. The exploitation of markets for the cooperative produce transpired guarantees the survival of a Cooperative. In Gujarat, the demand or market for the milk already existed. The cooperative provided a good marketing channel and an instant payment system to farmers. It thus enabled farmers to buy inputs and other needed resources on time (Tewari, 2011)

2.1.3 Capital mobilization theory

In the provinces of Gujarat and Maharashtra in India, the capital mobilization by cooperatives (Tewari, 2011). This was hence mutually reinforcing mechanism which ensured the survival of cooperative and their sustainability. Capital mobilization includes receiving fund either from within or without so as to accumulate such funds for a common purpose. In Maharashtra, for example, introduction of cooperative banking and agricultural development in rural areas mutually reinforced each other. Farmers could get reasonably cheap credit from cooperative. The farmers then increased their production due to improved agricultural technology and sold at reasonable prices in the market. This enhanced the farmers' profit which in turn enabled them to repay their loans on time.

2.2 Definition of a Cooperative

International Cooperative Alliance ICA, (2005) define a Cooperative Society as autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise (Cooperative Initiative Panel, 1999). International Labour Organization (ILO) defines Cooperative as an association of persons usually of limited means who have voluntarily come together to achieve a common economic end through formation of a democratically controlled business organization making equitable contributions to the capital required and accepting a full

share of risks and benefits of the undertaking' (Jan, 2009). The Cooperative Planning Committee of India in 1946 defined a Cooperative as a form of organization in which persons voluntarily associate together on the basis of equality for the promotion of their economic interests (Saeed and Ansari, 1990).

From the above definitions, we can conclude that a Cooperative organization is an association of persons who join together on a voluntary basis for the furtherance of their common interests. Cooperation is derived from a Latin word 'corporate' which means 'working together'. In its special sense, it means the system of people voluntarily associated, working together in terms of equality to eliminate their economic exploitation by middlemen in respect of any economic need common to them. Democratically controlled enterprise means organizations controlled by their members who actively participate in setting their policies and making their decisions. Persons serving as elected representatives are accountable to the members of the society. In primary co-operatives, members have equal voting rights (one member, one vote) and the co-operatives at their levels are also organized in a democratic manner.

According to the International Cooperative Alliance (ICA), as sighted by Jan (2009), Co-operatives are guided by the seven principles of Cooperatives. These principles must be the base of the formation of any Cooperative. The first principle is on voluntary and open membership and explains that Cooperatives are voluntary organizations open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, ratio, political or religious discrimination. This principle encourages any person from any background to join a Cooperative.

The second principle is on democratic member control. It states that Cooperatives are democratic organizations controlled by their members who actively participate in their policies and making decisions, serving as elected representatives are accountable to the members. Members have equal voting rights and each member has one vote in primary Cooperatives irrespective of the shareholding. This principle encourages democracy and accountability in Cooperatives.

The Third principle is on members' economic participation and states that members contribute equitably to and democratically control the capital of their Cooperatives. Members receive compensation on the basis of capital invested in the Cooperative as a condition of membership. The members allocate surpluses for developing their Cooperatives by setting reserves. The principle is intended to encourage economic participation of all the members and also encourage individual growth of investment in the Cooperative.

The fourth principle is on autonomy and independence and it states that Cooperatives are autonomous self help organizations controlled by members. They can enter in to agreements with other organizations for any reason including business dealings. They can borrow and lend money but must ensure democratic control in all these dealings. This is meant to caution the members and the general public on the independence of a Cooperative organization.

The fifth principle is on education, training and information and states that Cooperatives provide education and training for their members and all the other stake holders so as to enable them contribute effectively to the development of their Cooperatives. They inform the general public about the nature and benefits of cooperation. This is meant to ensure that all the

stakeholders are enlightened and informed at all times for their own benefit and for the benefit of their Cooperatives.

The sixth principle is on corporation among Cooperatives and states that Cooperatives serve their members most effectively and strengthen the Cooperative movement by working together through local, regional, national and international structures. This is intended to ensure that Cooperatives work together and participates in common forums and also work with each other.

The seventh principle is on concern for community and states that Cooperatives work for the sustainable development of their communities through the policies approved by their members. The idea is to encourage Cooperatives to become part of the environment under which they operate in. This is simply concerned with Corporate Social Responsibility (CSR) by Cooperatives.

2.2.1 History of Cooperatives

The history of Cooperatives can be traced back to the eighteenth century. But the first Cooperative based on the cooperative principles initially known as Rochdale principles was established in the year 1844 in Rochdale England (Cornfourth, Thomas, Lewis and Spear, 1988). The cooperative was registered by consumers with an intention of pooling resources together so as to avoid exploitations from merchants on consumable goods. In Kenya the first cooperative was registered in 1955 which was Rumbwa Farmers' Cooperative Society with an objective of assisting white settlers in Nandi to sell their farm produce at reasonable prices (Gachie, 2013). Bwisa, (2013) explains that the co-operatives in Kenya trace its routes to the period immediately after the country's independence when the world was divided largely into two camps: a capitalist west and a socialist east. In the seasonal paper number ten of 1965, the thinking of the Kenya

Government was summarized as “African Socialism”. With this paper, the parastatal sector was born and the cooperative movement given new impetus.

The Cooperative Societies Act was enacted in 1966 with an aim of regulating the cooperative societies in Kenya. After that there was a rapid growth in Cooperatives becoming a shining example of how common people can come together, pool their financial resources and assist each other in achieving their common objectives. To date, the cooperative movement in Kenya commands a substantial portion of the nation’s wealth. According to Bwisa (2013), Cooperative efforts have occurred throughout history. Since early man cooperated with others to help kill large animals for survival, people have been cooperating to achieve objectives that they could not reach if they acted individually. Cooperation has occurred throughout the world. History records show that the people of Babylon practiced Cooperative farming and that the Chinese developed savings and loan associations similar to those in use today. In North America, clearing land in preparation for the planting of crops, threshing bees, and barn raisings all required Cooperative efforts. Rewind your own history and you will realize that even in your own community there were activities done cooperatively. Records in history indicate the Cooperative movement began in Europe in the 19th century and in particular Britain and France. During that decade, several cooperative societies were formed. In 1810 in Wales, Robert Owen and others purchased a mill and ran it with a model of a Cooperative. After that, many cooperatives were formed and did successful businesses. By 1830, there were several hundred Cooperatives. Although some were initially successful, most Cooperatives founded in the early 19th century had failed by 1840. However, a few of them were very successful especially those from England. In 1844 the Rochdale Society of Equitable Pioneers established the Rochdale Principles on which they ran their Cooperative. This formed the basis for development and

growth of the modern Cooperative movement. The Rochdale Society of Equitable Pioneers was a group of people who held businesses in Rochdale, England. The Rochdale principles which explain the basis of the formation of a Cooperative have been developed and reinforced over the years and in different countries but they remain the original ones enacted in 1844. They assist the Cooperatives to achieve their goals and objectives.

In Kenya the first Cooperative Society, Lumbwa Cooperative Society, was formed in 1908 by the European Farmers with the main objective of purchasing fertilizer, chemicals, seeds and other farm input and then market their produce to take advantage of economies of scale. In 1930, Kenya Farmers Association was registered as a Cooperative Society to take over the role of supply of farm input played by Lumbwa Cooperative Society. The African smallholder farmers fought for formation of their own Cooperatives and later in 1950's they were allowed to promote and register Cooperatives for cash crops like coffee and pyrethrum. Consequently at independence in 1963, there were one thousand and thirty Cooperative Societies with six hundred and fifty five of them being active with a total membership of three hundred and fifty five thousands.

There are two main categories of Cooperatives in Kenya. These are the agricultural based Cooperatives and the non agricultural based ones. The agricultural based Cooperatives are involved in the production, marketing and distribution of their products. Some have even grown to the level of manufacturing and processing of their produce. This results to value addition on the products hence more income to the Cooperatives. Such Cooperatives mainly includes milk producing ones pyrethrum, Sugarcane also coffee producing Cooperatives. A good example of such Cooperative is the Githunguri Dairy Farmers Cooperative Society in Kiambu County which has established a milk processing plant where milk collected from farmers is processed and

packed then sold to the market. Wanyama, (2008). In addition to those ones there are also others in different sectors of the Kenyan economy which includes land buying Cooperatives, Housing, fisheries and cotton producers Cooperatives. In the recent past there has been an upsurge of a new type of Cooperatives in the transport sector. This is after the government of Kenya enacted an Act on public transport which requires the operators to form Cooperatives mainly referred to as Transport SACCOs so as to be allowed to continue operating.

In the financial sector, Savings and Credit Cooperative Societies have dominated all the activities of Cooperatives. These are found in all the sectors of the economy. They are categorized in two main categories which are Urban SACCOs and Rural SACCOs. Cooperatives are also venturing into the informal sector where traders' engaged in informal activities which includes hawkers of different types of goods and also Jua Kali artisans. They come together and register their Cooperatives which they use to access loans and also save for the purpose of obtaining loans.

The cooperative movement in Kenya is further organized into a four-tier vertical structure that links up Cooperatives at the local level to the national level. At the lowest level is the primary Cooperatives which have the membership of individuals. Any person can join a primary Cooperative so long as he abides by the requirement of the provisions of that Cooperatives Bylaws. These Cooperatives may be formed in villages, work places or by a community which has a common bond. A common bond describes the relationship between the members which makes them common.

At the next level come the secondary Cooperatives whose membership is derived from primary Cooperatives. This means that secondary Cooperatives can not recruit their members

from the general public. Such secondary Cooperatives are formed by other Cooperatives coming together. These Cooperatives are mainly found at the district level or the national level. Such Cooperatives includes the District Cooperative Unions and other National Cooperative unions. Some of the secondary Cooperative societies include Muranga District Cooperative Union in Muranga County, K. Unity SACCO ltd in Kiambu County, Kenya Union of Savings and Credit Cooperatives (KUSCCO), Kenya Planters Cooperative Union (KPCU), Kenya Rural Savings and Credit Cooperative Union (KERUSSU) and the National Cooperative Housing Union (NACHU). The top most level of Cooperatives consists of the apex body which is the Cooperative Alliance of Kenya. This is the mouth piece of the Kenya Cooperative movement and it is an affiliate of the International Cooperative Alliance. It represents Kenya in the international forums for Cooperatives and implements the International Cooperative Alliance agenda in Kenya. Its memberships consist of national Cooperative organizations and also other Cooperatives.

2.2.2 Structure of Cooperatives in Kenya

The apex body for the cooperatives in Kenya is the Cooperative Alliance of Kenya (CAK) registered after the dissolution of Kenya National Federation of Cooperatives (KNFC) and which is affiliated with the International Cooperative Alliance (ICA). It acts as the spokesperson for all cooperatives and represents them in the international forums. Below it are the secondary cooperatives which draw their membership from other cooperatives but not individual members. They are formed so as to bring together Cooperative Societies in the same line of business or in one region. We have both national and district based secondary cooperatives. The lowest form of a cooperative organization is the primary cooperatives which draw their membership from individuals. They can be registered by a minimum of ten people who have a common objective and a common bond.

2.2.3. Role of the Government in Cooperatives.

Due to the importance of Cooperatives in Kenya, the government has continued to show a lot of interest in this sector. As a clear demonstration to this, the government maintained a fully fledged Ministry of Cooperative Development and Marketing until the year 2013 which used to register and regulate the Cooperatives. It has also continued to review and amend the Cooperative Societies Act. The first amendments were made in the Cooperative Societies Act 1997 which was a major initiative by the Ministry to address the problems faced by Cooperatives. In 2004, the Act was again amended and a new Act enacted. The enactment of this Act provided a legal framework that would enhance accountability and incorporate best practices in management. To be in conformity with the amendment Act of 2004, all Cooperative institutions amended their Bylaws in February 2005 (Government of Kenya, 2004). In 2008, the Ministry also enacted a SACCO Act which was specifically aimed at regulating the savings and credit cooperative societies in the country; this was after realizing the rapid registration and growth of SACCOs. Although it derives most of its provisions from the Cooperative Societies Act, the SACCO Act is independent for the SACCOs.

According to Wanyama (2009), evidence from previous researches shows that Cooperatives play an important role in Kenya's economy. In the agricultural sector, Cooperatives used to handle large percentages of sales for various commodities which includes milk, coffee, cotton, pyrethrum and tea. This however is now changing due to a stiff competition from commercial enterprises with the exception of coffee and dairy Cooperatives whose share in the total market has remained stable. Some Cooperatives which used to market pyrethrum and cotton have collapsed thus reducing drastically the market share previously held by them.

Although this has been the trend, the SACCOs which are Cooperatives classified under the financial sector, have contributed greatly to the economic development of the country. The total combined SACCO assets as at 2010 were worth approximately Kenya shillings 210 billion (SASRA, 2011) The members deposits which includes shares and savings amounted to Kenya shillings 170 billion during the same period.

Cooperatives are required to maintain proper books of accounts and the record of all their activities by the government. They are supposed to have their books of accounts audited on annual basis and to file their returns with the Ministry of Cooperatives. The management of such Cooperatives is supposed to exercise prudence in all their dealings. The Cooperative Societies Act provides that the Management Committees or the Management Boards of any Cooperative must be elected in an Annual General meeting where all members are free to attend. These committees are elected democratically by the members who are entitled to one vote each irrespective of one's share holding in the Cooperative. Such committee is required to serve for three years with one third retiring annually but eligible for reelection. The committee may be reelected again for another term but the office bearers can only serve for a maximum of six years and then replaced by others. The elections of Cooperatives are supervised by the officials of the Ministry of Cooperatives who also maintain a lot of influence on the management through regular visits and periodic reports. All these measures are put in place to ensure transparency and accountability in the management of the Cooperatives by the government.

2.3 Types of Co-operatives

Cooperatives can be categorized into six main categories according to International Cooperative Alliance (2005). All Cooperatives fall into either one or more of the six categories regardless of them being in rural or urban settings. These categories are Marketing/Producer

which deals with marketing members produce, Consumer/Retail which are formed by consumers of commodities, Worker/Employment which are formed by workers, Housing which assist members in acquiring houses, Services which provide services for members and Financial which assist members in saving and credit.

2.3.1 Savings and Credit Cooperative Societies

SACCOs are currently the most popular type of cooperatives and are classified under the category of financial cooperatives are specifically formed in order to provide savings and credit services to the members (Republic of Kenya, 2010). They are the most famous type of cooperatives in Kenya at the moment. According to the Ministry of Cooperative Development and Marketing annual report of 2009 there are over 6000 SACCOs with a total savings of 230 billion shillings accounting for forty five per cent of the total savings in the country. Some SACCOs are very huge commanding above one billion shillings in terms of savings. Some of these SACCOs include Harambee, Mwalimu and Ukulima in Nairobi (MODM, 2012).

The savings for SACCOs are mobilized through the Front Office Services Activities (FOSAs) and Back Office Service Activities (BOSAs). Savings accounts are operated by the FOSA for the members where one can deposit and withdraw money like in a bank. Members can also save in BOSA through buying shares and deposits which can only be refunded when the member withdraws from the SACCO. Members can then utilize these shares and deposits as security for the loans they apply for from the SACCOs.

SACCOs are classified into two groups which are Urban and Rural ones. Urban SACCOs are the ones which draw their membership from the employees of one or several related organizations. Their popularity is drawn from the fact that the members deductions for both savings and loan repayments are deducted by the employer and then remitted to the SACCO. On

the other hand, Rural SACCOs are on registered by individuals who may either be residing in the same locality, doing the same or related business or are from the same religion. The most popular types in this category are the ones where members are drawn from groups of traders and church members. In rural SACCOs, savings and loan repayment is done by the member who deposits the money individually to the SACCO.

2.4 Creation of Wealth

Wealth can be defined in several ways. According to Heilbroner (1987) as cited by Enderle (2009), wealth is a fundamental concept in economics indeed, perhaps the conceptual starting point for the discipline. Despite its centrality, however, the concept of wealth has never been a matter of general consensus.

Wealth is store of value that often creates new value or creates its own income, grows over time according to both the rate of appreciation of individual assets and the interest rates that are associated with them As opposed to Income which is a flow of earnings from work, government transfers, or from any other over a period of time. Wealth can be held in different forms. It may be held in a number of assets which includes land, buildings, vehicles market stocks and bonds, bank accounts in banks and other financial institutions or inventories in businesses. Wealth may be held for various reasons which includes consumption during retirement, consumption by offsprings, security during depression periods or even catering for a planned future event. Wealth is measured mostly by Net worth assets less liabilities (Nembhard, 2005)

Wealth may be categorized into either individual or community. Individual wealth is commonly known as private wealth while community wealth is the wealth of a nation commonly known as public wealth. So as to understand the concept of wealth, we first might concentrate on

what is meant by the wealth of a single nation. The wealth of a nation includes both private and public goods and assets, that is, endowments of two types (Enderle 2009). These includes those that can be attributed to and controlled by individuals who may either be they persons, groups or organizations and those from which no one inside the nation can be excluded. Goods can be defined economically as public according to their characteristics of non-rivalry and non-exclusive consumption (Enderle, 2000.) The market functioning and its production of goods depends on their nature. This shows whether they are good or bad. But it is different when we are describing a wealth of an individual. Usually we consider only those assets that are under his control but ignore those in the public domain which may also benefit such an individual. On the international levels, institutions find public goods more important than the individuals.

The wealth of a nation can be defined as the total amount of both public and private assets which are relevant economically and which includes financial, social, human and physical capital. Therefore wealth creation for a nation will include the production of both public and private assets hence the importance of the role of price mechanism and markets. Due to the fact that wealth is a stock, there are times when its flows increase or decrease over a period of time which in turn increase or decrease the overall total of such assets. Such a distinction in economics is quite relevant for the discussion on wealth since the flows such as one person's income which may be used as an indicator of the country's development, explain the economic situation of an actor only inadequately because the future expected flows have got a subject of risk and uncertainty (Enderle, 2009)

The other issue that is fundamental is the question of how the financial instruments which may be in form of stocks and other flows can be expressed properly in terms of monetary equivalents so as to be summed up with money to come up with the total amount of money.

United States experience in the recent past indicates that there might be a difference between the performances of firms economically and the real economic performance of such firms since the monetary indicators may only be relied upon in a situation where the markets are functioning properly. But still this will pertain only to private goods but not the public ones. This means that it might be very difficult to equate money to the wealth. Money making process can at times result to destroying wealth while at the same time wealth creation may result to loss of money. In real sense wealth creation and making money should be synonymous with each other. This then leads us to this question on what is meant by creation of wealth. Wealth creation then means more than having wealth in one's possession which is one form of increasing wealth. In history, the countries which had been colonized had the colonial masters acquiring a great deal of wealth which in actual sense had no ethical and legal concerns of such wealth. The countries that follow the capitalist system of government which encourage its citizens to acquire wealth and accumulate it without limitation, firms in such a system do not actually create wealth in their capital accumulation. This leads us to a situation where we need to investigate the meaning of the concept of wealth creation.

Creating something means coming up with a new thing or dismantling the old one and then creating a better one. Wealth creation will involve innovation in technology and since such innovation is made successful in economic and financial terms, then wealth creation is more than that. Wealth creation is aimed at improving the human lives benefits which will include both material and spiritual part of such a human being. This then means that wealth creation goes beyond acquisition and accumulation of such wealth. It can be said to be a qualitative transformation of wealth.

In the country's point of view, the meaning of wealth creation can be analyzed and understood properly when we observe the trends of the economies of the countries that were involved in the Second World War. When the war ended, Germany and Japan whose economies had been largely destroyed by the war had to create almost new economies. China which had a civil war from 1966 to 1976 had to come up with a centrally planned to a market-oriented economy. Taking those countries as examples, then we can conclude that wealth creation for a country is an initiative which ensures that resources are mobilized for the betterment of the futures of such countries.

In general, the state and firms in that country operate towards one objective of creating both public and private wealth. Although wealth creation may result to other benefits to the citizens of a country which may include better lives due to introduction of better medical equipments, it has instrumental value being usable for consumption or investment. Consumption should not be the sole purpose since this will lead to poverty. To ensure that wealth is maintained or there is a growth in wealth, then investment must be encouraged. A higher rate of investment currently will call for reduced consumption which will result to benefit the future generations. But consumers today go against this notion of consuming less and investing more. In most countries in the world, especially the developing ones, the rate of investment is so low as compared with the rate of investment. It can reasonably be reasonably argued that human beings are presently over-exploiting nature, to the detriment of the future generations which will have to pay. It should therefore be important for us all to consider the concept of sustainability in our notions of consumption, investment, and wealth. Wealth creation must be sustainable, fulfilling the demand to meet the needs of the present generation without compromising the ability of future generations to meet their own needs. (Enderle, 2009).

Wealth creation must also involve the concept of distribution within the process which begins at the point of generation and ends at the point of consumption or investment. It is a fact that wealth production and wealth distribution are interrelated. The separation of the two may not be very easy and has actually caused a struggle between nations. It is therefore important that we eliminate this difference being created between the two and take the interrelations between the two dimensions into account.

After having clarified different aspects of the concept of wealth creation, we now turn to the question of the drive behind it. What drives people, firms, and countries to engage in wealth creation? The answers to this question can be said to be individual self-interest, desire to have more, the desire to live, the will for power, the enjoyment of wealth, glory, honor, and well-being of nations. In a situation where these motivations, taken individually or in mixed combinations, they might be insignificantly related directly to the wealth creation, but instead they are behind the economic activities in general and, are likely to incite merely the acquisition and possession of wealth. At the same time, the purpose of business and consequently its role in society gets elevated. Business is no longer just about making money and acquiring wealth, relegated to the role of the ugly, yet indispensable servant that provides others with the material means to pursue higher spiritual ends.

Accordingly, it does not deserve a low reputation that is, unfortunately, even reinforced by those who stress the purely material and instrumental view. Rather, it is a creative and thus noble activity including both material and spiritual aspects, driven by a mix of motivations that are self- and other regarding. We may ask why, in history, wealth creation has often been ignored, disregarded or even treated with contempt. It seems to me that these attitudes depend on the valuation of the material world and the bodylines of the human person as well as on the

notion of creation. If the material world is considered inferior or even evil and if hostility towards the human body prevails, wealth cannot but share these qualities and is likely to be denigrated. Operating under those assumptions, it becomes nonsensical to produce such wealth, were it not for another, really valuable purpose. Moreover, without proper understanding, the creation of wealth cannot be really appreciated for its capacity to serve as a purpose of economic activity that matters more than the possession and acquisition of wealth. In sum, the determined affirmation that wealth creation is both good and necessary constitutes an essential prerequisite for thriving business in the long run. This necessarily includes, as mentioned above, a distributive dimension that permeates the entire creation process. It deeply affects the motivation for wealth creation as this motivation, in turn, strongly impacts wealth distribution (Enderle 2009).

One of the prominent economists has provided the analysis and the fact of how economic stagnation or economic growth may interact with the moral character, social and political development of a society over time. When the histories of United States, Britain, Germany and France are carefully researched well as the economics and politics in the developing world, one develops a deep understanding of economic growth, similar to our concept of wealth creation. Economic growth can be described as the production of a combination of private and public goods by both market forces and public policy. It should be broadly based and sustainable, which in turn involves a distributional and an environmental dimension. “Economic growth has not only negative side-effects but also bears moral benefits in terms of openness of opportunities, tolerance of diversity, economic and social mobility, commitment to fairness, and dedication to democracy. In turn, the moral quality of society affects economic activity and policy.

Consequently, Friedman conceives economic growth in both material and moral terms and rejects opposing material versus moral” (Nembhard, 2005)

2.5. Cooperatives and Wealth Creation

The main reason for the formation of a cooperative is to pull resources together with an intention of empowering their members economically hence reduces poverty in general. In the developed countries like the United States, Cooperatives are mainly workers based where they have ventured into businesses in many different sectors and industries which include retail, healthcare, manufacturing, technology and education among others. They generate revenue for their members and hence create wealth (Durden et al, 2003).

Cooperatives began by enabling people to raise themselves out of poverty and reduced the risks of vulnerability by providing pooling mechanisms for their resources and building up collective approaches to social protection. As the movement developed it became a means by which low and middle-income people continued to accumulate economic advantages (Smith 2004). Cooperatives raised whole classes of people out of poverty and prevented them from slipping back into it. What of the experience in developing countries? The cooperative form was established early in the twentieth century by colonial governments who passed cooperative statutes and set up cooperative registrar departments. From the 1950s onwards, in the emerging post-colonial nations, cooperatives were seen as organizations that could build up national economies, in some cases for example, Tanzania, Zambia and Ghana as a stage on the road to socialism. There were some notable successes. Where an export market or a large local urban market could be created for farmers, agricultural cooperatives became strong: coffee and cocoa cooperatives in Africa, dairy cooperatives in India, and beef production cooperatives in Argentina and Brazil are good examples. Sometimes, as in the Indian dairy cooperatives, these

developments helped smaller farmers as well as larger – some 11 million families in India earn part of their income from dairy cooperatives. However, organizations which were supposed to be member-run and democratic, were planned, initiated and often controlled from above, by government departments or cooperative regulators.

Different scholars have different opinions as regards to the SACCOs as vehicles of wealth creation but have not really provided us with the real reason why these organizations have not succeeded in their task in rural Kenya and more so in Limuru Sub County. Turtiainen, (2008) observed that Cooperatives may prove to be a channel able to reach the poor. They provide facilities for savings enabling savers to gradually accumulate financial resources, purchase goods and make investment. Nembhard, (2005) asserts that Cooperatives have income and wealth benefits and spillover effects for their communities that include economic stability, recirculation of resources and accumulation of assets. This is a clear indication that SACCOs do not only benefit their members but also the community through the “spill over” effect.

Cooperatives are not designed to help the poor but are rather a chance of the poor to work them out of poverty by working together and pooling their resources (Munkner, 2012). In the emerging economies, Cooperatives are entrenched in many sectors of the economy and have succeeded in creating wealth for the rural poor. In India rural Cooperatives serve as a tool for providing a sustainable livelihood for millions of rural Indians who don't have a means of livelihood. Cooperative credit was perceived as a powerful tool for enhancing production, productivity and for poverty alleviation (Chakraborty & Ghosh, 2009). A well-knit and efficiently organized Cooperative Society certainly promotes the economic standard of the rural masses. Cooperatives play a very significant role in the process of rural development (Porkodi & Aravazhi, 2013). In South Africa, the Peoples Housing Process (PHP) implemented in 1998 is

conceptually a housing Cooperative which lead to Cooperatives being included as part of the strategies for job creation in the Presidential Growth and Development summit of 2003 (Jacobs 2011).

Here in Kenya, Siringi (2011) observed that the government has put in place various policies and resources to fight against poverty. Cooperatives are major players in poverty reduction and wealth creation. Kuria (2012) observes that Cooperatives have immense potential to deliver goods and services in areas where both public and private sectors have not ventured. They are recognized by the government to be major contributor to national development since they are found in all sectors of the economy. In Kenya, Cooperatives are found virtually in all sectors of the economy. In some parts of the country, they have succeeded in empowering the members developed the area. A success story is Githunguri Dairy Farmers Cooperative Society in Kiambu County which has transformed people's lives and has been used as a channel for creating wealth (Wanyama, 2007). A study by Kenya Bankers Cooperative concluded that SACCOs are a tool in economic recovery and poverty reduction since they enable ease in accessing credit and other financial services in marginalized areas (Ntothia, 2001). Kenya Rural Enterprise Programme (K.rep) highlighted that micro and small enterprises have proved to empower and reduce poverty. Aleke (1995) as cited by Tumaini (2011) observes that financial services give poor people the means to increase their assets and improve their living standards.

2.5.1 Growth in Average Investment Levels by Members of SACCOs

Members usually invest in shares and also deposits in the SACCO. The level of investment for each member determines the size of loan which such a member will qualify. In many SACCOs, the maximum amount of loan will be the total shares plus the deposits multiplied by a factor. This then means that a member who has invested more in the SACCO will

get a bigger loan which in return will create more wealth to him/her. If the average level of investment in the SACCOs is high in a certain region, then the wealth level will be high as compared with an area where the average investment level is low.

Financial cooperatives provide safe facilities for savings, enabling savers to smooth consumption, prepare for emergencies, gradually accumulate financial resources, self-finance the purchase of durable goods, and make investments (Turto, 2008). Savings and credit cooperatives are the far most common financial cooperatives in rural areas both in developed and developing countries.

In SACCOs, the economic strength of members is determined by the share capital of each one of them and also the amount of loans they borrow. The larger the share capital of each member in a SACCO, the stronger the member economically. Therefore the SACCO should continuously encourage members to increase their share capital and also to increase their borrowings so as to increase their economic strength. This is done through regular education meetings where members are educated on the products and services offered by the SACCO. They are also educated about the benefits of the SACCO loans as compared with those from banks and other financial institutions since SACCO loans are always cheaper. Most SACCOs charge an interest rate of one percent per month which is far below what banks charge on their loans.

2.5.2 Growth in Average Loans to SACCO Members

SACCOs are forms of organizations which are in the group of financial services. Their original purpose was to provide small loans to poor farmers or small entrepreneurs, but especially in the developed world they have grown to become everybody's banks. Although

originally serving only their members, they now are open also to nonmembers borrowers must, however, usually become members and buy at least one share (Turto, 2008).

The size of loan that a member qualifies will determine the economic status of such a member. Small loans for example of less than ten thousand shillings are mostly used for consumption purposes like buying food or paying school fees but in most cases large loans will be invested in businesses or farming which in return may create wealth for such a member. Loans that are invested in businesses or farming enables the member to repay them promptly and apply for more loans which will create more wealth to the member and to the community at large since such wealth will trickle down to the other residents through a multipliers effect. This is because other residents may find employment in the businesses and farms.

For a member to be able to borrow a bigger loan, he or she must increase his/ her investment in the SACCO. The investment includes shares and deposits which are usually multiplied by a factor which may either be two or three or even one and a half so as to arrive at the maximum loan qualified. This ensures increase in wealth for the member since shares and deposits are refundable in a situation where a member is leaving the Cooperative. In most cases, the increase in loan borrowing ability grows proportionately during the life of a member in the Cooperative. The first loan by a member is usually smaller than the subsequent loans. This is because of the SACCOs initiatives of encouraging members to increase their savings/ investments so as to borrow more.

SACCOs main source of income is the interest charged on the loans issued to their members. The rate of interest to be charged is a policy decision of the individual SACCO but most of them charge a rate of twelve percent per annum on their development loans. Such

interest is retained by the SACCO as income and used to cater for the operation expenses. In a situation where a surplus remains after the end of the financial year, the SACCO distributes such surplus back to members in form of dividends and bonuses. Therefore a SACCO will encourage members to borrow loans so as to charge more interest and hence retain higher surpluses to distribute back to members. This in the long run creates wealth for the members through earning dividends and bonuses and also encouraging them to increase shares and deposits which are refundable.

2.5.3 Effectiveness of SACCOs Management

The effectiveness of the management of SACCOs operating in the Sub County will have a direct impact on the level of wealth creation in that region. Since SACCOs are expected to assist their members and the community in general in creating wealth, then the more effective the SACCOs are, the higher the rate of wealth creation in the Sub County.

The financial performance of financial cooperatives is an important indicator because it shows the sustainability of current outreach as well as the potential for additional outreach. The case studies collected financial data from the cooperative networks in the case-study countries, but the data are not sufficiently consistent to make comparisons between the networks, and the data do not deal sufficiently with the financial viability of the individual primary financial cooperatives. However, the network wide results allow us to make cautious estimates of the financial viability, sustainability, and potential capacity of expansion of outreach of the respective cooperative financial networks (Turto, 2008)

The effectiveness of SACCOs in a region will be influenced by the quality of the management committee members and staff. This is indicated by the overall growth in assets by

the SACCO. The net worth of the SACCO which is the assets less liabilities will be a good indicator of the management effectiveness. Also the efforts made by the SACCOs and also the government in enlightening the residents on the benefits of joining them will influence the number of SACCOs registered hence the level of wealth creation. The effectiveness of the SACCO is measurable through the turnover realized within a period of time. This can be obtained from the secondary data which may be SACCO's financial statements or from other reports available.

2.5.4 Effectiveness of Products Offered by the SACCOs

SACCOs provide different services to their members which range include different types of loan products like Development, school fees, emergency and top up. Other services include savings accounts in different categories, safe custody of documents, cash transfer and cheque payment among others. The loan repayment success for any SACCO will directly influence the wealth creation in the region. The average size of loans taken by members of a SACCO tells more about the level of wealth for those members. The management of a SACCO should ensure that these products are continually reviewed and refined so as to provide the best benefits to the members and compete effectively with products from other financial institutions like banks and micro finance institutions.

2.6 Empirical Review

Previous empirical studies have provided the nexus on the role of SACCOs on Wealth creation. Yaheskel et al (2011) observed that farmers' cooperatives are key to wealth creation. Kelly and Ratner (2010) observed that shared ownership like local ownership through cooperatives is a valuable tool for enhancing community wealth over a long term. Schwartz (2013) observes that a cooperative plan creates an investment fund that can allow people to access capital. The investors

will earn a return on their investment hence create wealth. Stitely (2011) in the research on cooperatives indicated that cooperatives help people to achieve sustainability. They generate shared wealth for their members and also promote progressive place based endogenous economic growth. Nembhard (2005) has observed that cooperative business contribute to wealth building for their members. This is done through asset building and wealth creation. She also observed that cooperatives have provided dividends to their members in addition to economic control over land, quality products and jobs which have led to economic stability and independence of the members. Credit unions also provide paths to asset building and wealth accumulation. They provide financial services, loan opportunities, saving and investment for such members. Mckinley (2013) has observed that cooperatives provide increased earnings, better benefits and asset building opportunities for their members. Sharing profit among members is a way of building wealth. The cooperatives create jobs and wealth for low wage women even during the period when the economy is in recess.

International Cooperative Alliance (2012) in its paper on cooperative financial tool: Contributing to long term development and wealth generation observed that cooperative members contribute equitably to the capital enterprise while having an equal participation to ownership. Part of the annual surpluses by cooperatives is redistributed back to the members at the end of the year as an adjustment of the price of transactions with the cooperative. These reserves illustrate the natural contribution of cooperatives to long term generation of wealth. Jacobs (2011) noted that wealth and jobs can be created through enabling worker cooperatives. Ananor-Boadu et al (2003) as cited by Nembhard (2008) observed that the members of the cooperative are the residual recipients of the organizations financial performance and their payment is referred to as patronage distribution or refund. The patronage distribution or refund received by a member depended on the volume of business the member did with the cooperative.

In his paper on wealth creation through mass capital mobilization through cooperative enterprise model: some lessons for transplanting the Indian experience in South Africa, Tewari (2011) observed that Maharashtra and Gujarat provinces in India have experienced phenomenal economic growth and higher standard of living during the last one hundred years through cooperatives. Cooperatives enterprises in those provinces considered a model of community growth which is the driver to growth in the rural areas in particular. Cooperatives mobilize credit or capital which has been their primary objective. They provide good marketing channels and instant payment system to farmers so as to enable them buy inputs and other needed resources on time. Bernard (2012) while presenting a paper on the role of cooperatives in linking small scale farmers to local and regional markets of staple food in Uganda observed that SACCOs mobilize their members to pay share capital. They encourage the rural savings which are channeled to investment, job creation and wealth.

Here in Kenya, Anyanzwa (2013) in his paper on Farmers cooperatives: Key to wealth creation observed that cooperatives enable members to access credit. Access to credit could empower small holders and help them meet the growing global demand for food. They also help them improve their livelihood, safeguarding the environment and spreading benefits through the value chain. His study proved that belonging to a producer organization which are mainly cooperatives is one of the way that smallholders input costs increase so does their prices, yields, productivity and profits. Without access to credit, most smallholders are confined to sub optimal inputs and methods and therefore low productivity. Kuria (2011) states that cooperatives help create more equitable growth. They help make markets work better for poor people by generating economies of scale, increasing access to information and improving bargaining power. They can provide an opportunity and empowerment of people by enabling them to participate in democratic process thus empowering development effects beyond their economic status.

Savings and Credit Cooperatives in Kenya have mobilized Kenya shillings 230 billion worth of savings and assets worth Kenya shillings 250 billion, MCDM (2011). SACCO sector occupies first position in Africa and seventh position world wide. Being the largest in Africa, Saccos control sixty seven per cent of the total assets and sixty two per cent of the total deposits for the entire continent (SASRA, 2011). This confirms that the subsector occupies a commanding position in the social and economic development of our country thus need by all of us to embrace such organization. The report continues and states that SACCOs have created direct and indirect employment for two hundred and fifty thousand people in Kenya. They contribute forty five percent of the national Gross Domestic Product (GDP). United Nation has recognized cooperative business model as a major factor in realizing economic and social development in the world. Individuals, communities and governments are encouraged to recognize cooperatives in helping achieve internationally agreed goals such as Millennium Development Goals.

SACCOs have played an important role in the development of the Kenyan economy which has led to the uplifting of the standards of living of the people. Through their SACCOs members are able to access quality education and Medicare, funds for enterprise development, home purchase or construction and many other financial benefits. The Cooperative Movement has played a very big role in the development of our country by pooling resources for investments and wealth creation. The Movement remains the most important vehicle through which poor Kenyans can pull resources and eventually grown to cover various economic areas.. (SASRA, 2011)

2.6.1 Summary for the Chapter

SACCOs role in wealth creation in Limuru Sub County will provide an important information to all the stakeholders on whether the business model applied can be replicated in

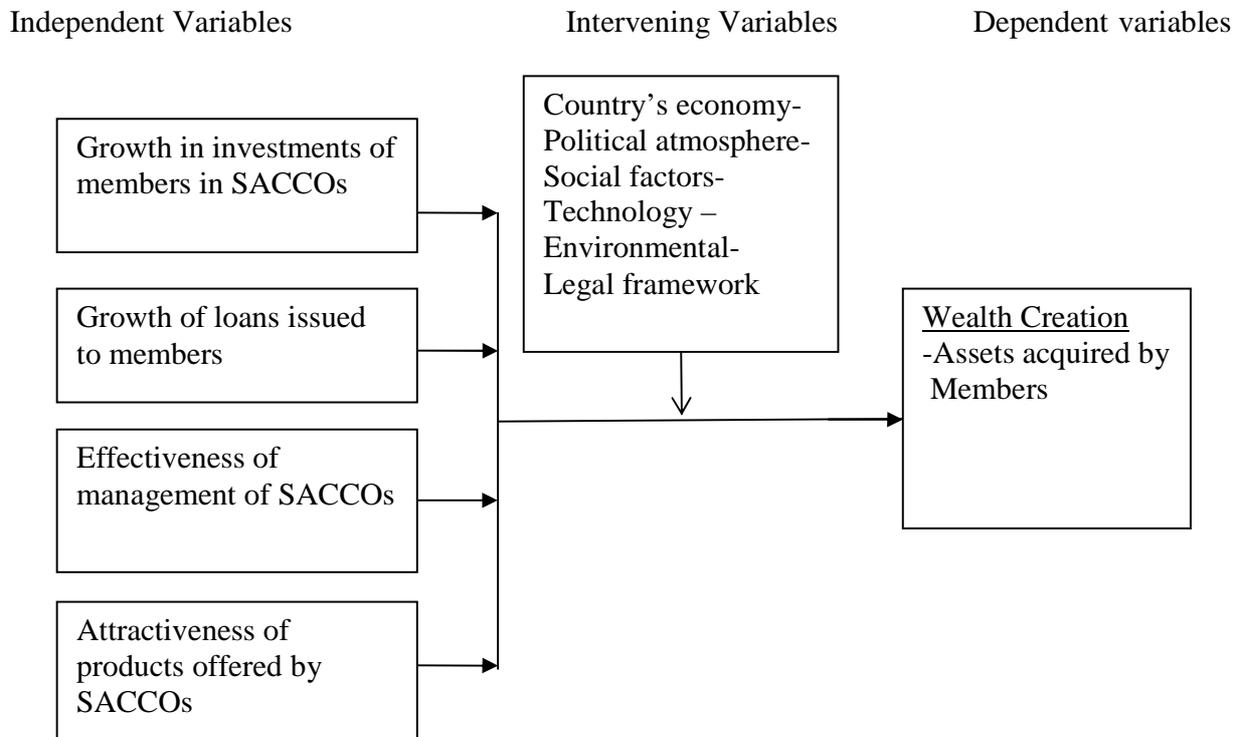
other regions. The study is intended to determine the impact of SACCOs on the wealth creation on the individual members. The variables used which are total members investments in the SACCO, total loans acquired from the SACCO, the SACCO turnover and the product effectiveness are tested to determine the impact on the individual wealth which is determined through the assets acquired since joining the SACCO. None of the studies cited in the empirical review above have tested the four variables on wealth creation and hence the research is important.

2.7 Conceptual Framework

Wealth creation by SACCOs is influenced by different variables which include investment levels, numbers of SACCOs in a region and their effectiveness, numbers of members in these SACCOs and the products offered by them.

Figure 1

Relationship Between SACCOs and Wealth Creation



2.7.1 Intervening Variables

These are the factors commonly referred to as PESTEL factors. They are all external in nature and cannot be controlled. They includes political atmosphere in the country, Social factors, the economic performance, technological changes, environmental factors and legal factors in the country. They will directly intervene and affect the direct impact the independent variables hence need for consideration in the research.

2.7.2 Dependent Variable

Wealth is a store of value, a portfolio of assets that have the potential to appreciate over time. It provides a return on investment, Nembhard (2008). It is typically measured as net worth which consists of all assets minus all liabilities. It is officially measured per household or family

since most official data is reported at that level, and it is also difficult to tease out individual ownership of joint assets such as in a marriage. Usually referred to as an individual's wealth what gets measured is a family's asset holding. This means how many assets does the family or household declare, and how much is the wealth portfolio worth. The assets included in most wealth measures are equity in a home, real estate, business equity, stocks, and bonds, interest bearing accounts and other financial assets, sometimes consumer durables and sometimes the present value of a retirement fund or other insurance. Wealth creation by SACCOS will be measured by the assessment of assets acquired by the members after joining the SACCO. The overall increase SACCO assets and their net worth will be and indicator of wealth created. The researcher will determine whether the SACCO members have acquired more assets in the last five years as a result of being members of such SACCOS.

The other measuring tool shall be the growth in share capital by the members in the SACCOs and also the growth in the size of loans obtained by the members after joining the SACCO. The growth in loan size shall be termed as increase in wealth.

2.8 Research Gap

Although many scholars who includes Chakraberty and Ghosh, (2009), Durban et al (2003), Porkodi and Aravazhi, (2013) have concluded that SACCOs are vehicles of wealth creation in rural areas, they have not addressed clearly what elements actually in the SACCOs which contribute to the wealth creation and which element is more important among several that are available. In Limuru Sub County, SACCOs have been there for more than ten years but there are still a large number of members who are still very poor hence slow pace in the wealth creation. The researcher would examine four independent variables and verify whether and how they contribute to the dependent variable which is wealth creation in Limuru Sub County.

CHAPTER THREE

RESEARCH METHODOLOGY

3 Introduction

This chapter will mainly look at the methodology and approach which was used in data collection.

3.1 Research Design

This research problem was studied through the use of a descriptive research design. This is a method of collecting data in a consistent and systematic way by constructing a set of questions through questionnaires (Babbie, 2004). A cross sectional survey method was chosen where a set of information was collected for a sample at one point in time. According to Cooper and Schindler (2003) a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive survey designs were used in preliminary and exploratory studies to allow researchers to gather information, summarize, present and interpret for the purpose of clarification. The choice of the descriptive survey research design is based on the fact that in the study, the research is interested on the state of affairs already existing in the field and no variable would be manipulated. This study therefore will be able to generalize the findings to a larger population. The main focus of this study will be quantitative. However some qualitative approach was used in order to gain a better understanding and possibly enable a better and more insightful interpretation of the results from the quantitative study. Data will be collected from a sample of the population and was then analyzed for a cross sectional survey to explore the relationship between variables.

3.2 Target Population

Target population is defined as a compute set of individuals, cases and objects with some common observable characteristics of a particular nature distinct from other population. According to Ngechu (2004), a population is a well defined or set of people, services, elements, events, group of

things or households that are being investigated. This definition ensures that population of interest is homogeneous. The target population which was studied consisted of the residents of Limuru Sub County who are members of SACCOs.

3.3 Sample Frame and Sampling Procedure

The sample for SACCO members was obtained from all the 26 SACCOs in the Sub County. The total number of SACCO members in Limuru in 2012 was 5281 (Ministry of Cooperative Development and Marketing, 2012) A sample size of two hundred and sixty four was chosen. A sample size of five percent of the total members can be a good representation of the population (Watson, 2001). The sample will be as follows:

Table 2
Research Sampling

Wards	SACCO Members	Percentage	Sample
Limuru Central	2947	5	147
Limuru East	858	5	43
Ndeiya	299	5	15
Bibirioni	699	5	35
Tigoni/Ngecha	478	5	24
Total	5281	5	264

Source: Researcher (2013)

Stratified sampling technique was used in the research. This technique means that the population is first categorized into strata. For this study, the strata were the five wards in Limuru Sub County which are Limuru Central, Limuru East, Ndeiya, Ngecha/Tigoni and Biririoni. This method is considered appropriate as it enabled the researcher to get diverse views from different categories of the target respondents in the residents.

3.4 Research Instrumentation

Questionnaires were used to obtain important information about the population. The questionnaires contained both closed and open ended questions. Open ended questions were unstructured where possible and answers were not suggested so as to enable the respondent to use own words.

3.4.1 Validity and Reliability

Pre-testing of the data collection instruments was done. Pre-testing of the instrument enables the researcher to assess the clarity of the instrument and its ease of use. Mugenda and Mugenda (1999) suggests that pre-testing allows errors to be discovered as well as acting as a tool for training a research team before the actual collection of data begins. They further argue that effective revision is the result of determining participant interest, discovering if the questions have meaning for the participant, checking for participant modification of a question's intent, examining question continuity and flow, experimenting with question-sequencing patterns, collecting early warning data on item variability and fixing the length, and timing of the instrument. Validity and reliability of the data collected is to ensure good quality research. The reliability is concerned with the quality of measurement. In its everyday sense, reliability is the consistency or repeatability of your measures. Validity concerns that whether the concept really measures the aimed concept.

Validity refers to the extent to which a test measures what it is supposed to measure Cronbach, L, (1990) According to Mugenda and Mugenda (2003), validity refers to the accuracy and meaningfulness of inference, which is based on the research results. It is the degree to which results obtained from the analysis of the data actually represent the phenomenon under the study. Validity therefore has to do with how accurate the data obtained in the study represent the

variable of the study. If such data is a true reflection of the variables, then inferences based on such data will be accurate and meaningful.

Prior to using the research instrument (questionnaire), the content validity of the instrument was determined by the researcher discussed the items in the instrument with the supervisor. This has checked for vocabulary, language level and how well the questions posed was understood. The comments, suggestion and observation obtained were used to improve the instrument by making the question clear, correcting deficiencies and any other changes that was deemed necessary. For research instrument considered valid, the content selected and included in the questionnaire were also relevant to the variable being investigated (Kerlinger, 2003). The research instrument was not only used to collect data but also to cross check the correctness of data obtained by others.

Reliability of an instrument refers to the extent to which the measures give consistent results (Mugenda and Mugenda 1999). It is actually the degree to which a test consistently measures any item it has been applied to measure. A dependable measurement is required in any research being conducted. It can also be defined as the extent to which a consistency over time and the accurate presentation of total population of the study is referred to as reliability and if the result of the study can be reproduced under similar methodology then the research instrument (questionnaire) is considered to be reliable. In this study the reliability of the questionnaire was measured by the result obtained at the end of data collection and answering the research questions and measuring the study objective.

3.5 Data Collection

The primary data was obtained from the semi structured questionnaires administered to the respondents. The questionnaires were administered using drop and pick method. Secondary data was collected from financial statements of the SACCOs and the Ministry of Cooperative Development and Marketing reports. The study collected both primary and secondary data for the purpose of analyzing the relationship between wealth creation and the four independent variables which are growth in members' investment in SACCOs, Growth in Members loans from SACCOs, Effectiveness of SACCOs management and SACCO products effectiveness in Limuru Sub County. Primary data was collected using a questionnaire while secondary data was obtained from audited and registered annual reports of the SACCOs

3.6 Data Analysis Technique

The data collected through questionnaires was analyzed after being edited. Statistical Package for Social Sciences (SPSS) computer package was used in the exercise. The data was analyzed to establish the extent to which the independent variables contribute to the dependent variable. The findings have been presented in form of tables, graphs and statistical figures. Thus, descriptive statistics involves the collection, organization and analysis of all data relating to some population or sample under study data collected from the field was be coded and presented in graphic and tabular forms. The coding process involved corroborating the findings from the questionnaire with that from the interviews. The analysis of the findings was done immediately after the presentation of data followed by the discussion of those findings. A linear regression equation was used for the test. The dependent variable which is the wealth creation is depicted as Y while the independent variables which are the average growth in investment by SACCO members, average growth in loans given to SACCO members, effectiveness of the SACCO management through

turnover and the total share capital of the SACCOs shall be x_1 , x_2 , x_3 and x_4 respectively. The linear regression is as shown below:

Equation 1

$$Y = a + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \epsilon$$

Where ϵ is the error term representing any variable that is not explained by the model

“a” represents the constant term

β_1 , β_2 , β_3 and β_4 are the correlation coefficients

x_1 represents the members investment in the SACCOs

x_2 represents the total members loans received from the SACCOs

x_3 represents the effectiveness of SACCOs to their members by turnover

x_4 represents the SACCOs total share capital

3.7 Chapter Summary

This chapter describes the research methodology that was used in this study including the population, data collection methods, data reliability and validity and analysis methods. This study targeted all licensed SACCOs in Limuru Sub County census methodology was used because the target population is small and all accessible. Data was collected using semi-structured questionnaires using the drop and pick later technique.

CHAPTER FOUR

DATA ANALYSIS, DISCUSSION AND INTERPRETATION OF THE RESEARCH FINDINGS

4.1 Introduction

This chapter focuses on the analysis of data and the presentations of the research findings. It assesses the role of SACCOs in wealth creation in Limuru Sub County. The data was mainly collected through questionnaires given to SACCO members in the Sub County.

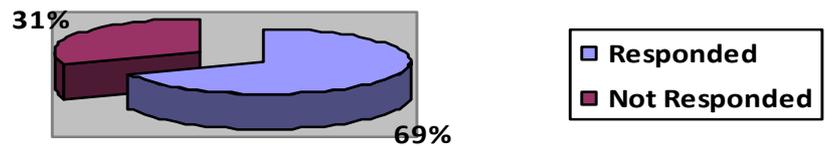
4.2 Demographic Description of the Respondents

Demography is an important part of understanding and analyzing the wealth creation in any region. Age for example will provide information about the likely age group that is more involved in wealth creation. It would then be concluded that demographics can make a significant contribution in accurately forecasting wealth creation in any region.

4.2.1 Response Rate

The researcher distributed 200 questionnaires to the members of the SACCOs which represented about five percent of the total membership of SACCOs in Limuru. This was arrived at after omitting all the seven transport SACCOs which have been in operation for only one year (M.O.C.D 2012). Out of the 200 questionnaires distributed, 138 were returned which represents sixty nine percent while 62 questionnaires were not returned which represents thirty nine percent hence the response was successful.

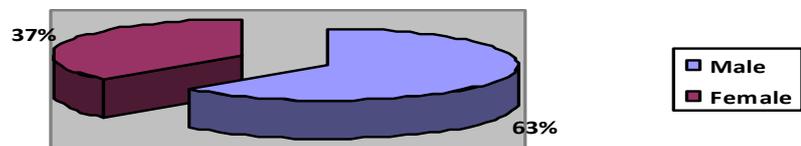
Figure 2
Response Rate



4.2.2 Gender of the Respondents

Out of the 138 members who responded and returned the questionnaires, 87 were male while 51 were female which represent sixty three per cent and thirty seven per cent respectively. This indicates that about two out of three members of SACCOs in Limuru are men. This would indicate that SACCOs are more embraced by men in Limuru than by women.

Figure 3
Gender of the Respondents



The above figure confirms an earlier study on wealth creation by Gordon Nembhard. In many cases Black women are left to raise African American children, but often have the fewest

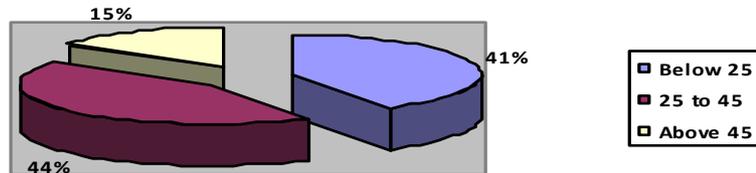
resources, not just lower incomes, but much less wealth. Nembhard (2005). Intra-group wealth inequality is much more severe for African Americans and Latinos than whites. Solutions are difficult because any behavioral and policy changes make only incremental advances because of the years of cumulative disadvantage in inheritance, capital and credit markets, income.

To counter this trend, the government needs to come up with an initiative so as to encourage females to join the SACCOs. In India very few women were members of SACCOs by the year 1970. In Kashmil, ninety four per cent of all the members were men. The government came up with an initiative where an intervention programmes for establishment of women Cooperatives. This has assisted in increasing women membership in that state. This method can also be applied in Kenya.

4.2.3 Age of the Respondents

Out of the 138 members who returned the questionnaires, 57 were below 25 years with 33 males and 24 females. 60 members were between 26 and 45 years with 42 males and 18 females in this category while those above 45 were 21 with 12 males and 9 females. This indicates that most members of SACCOs in Limuru are below the age of 45 year. The data also shows that the SACCO membership declines after the age of 45. This could be as a result of older SACCO members having accumulated wealth before the age of 45 and then withdrawing from these SACCOs so as to venture into other businesses which are conducted by individuals without the need of other people. These could be sole proprietorship or private enterprises.

Figure 4
Age of Respondents



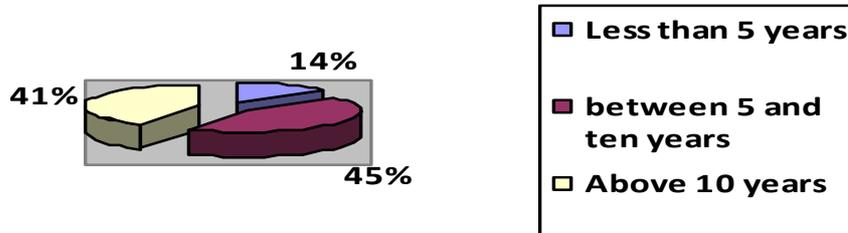
4.3 Length of Membership in the SACCOs

Out of the total respondents, three males below 25 has been a member of a SACCO for less than 5 years, 29 have been members for between 5 to 10 years and none above 10 years. For females below 25 years, 12 have been members for less than 5 years; another 12 have been in SACCOs for between 5 and 10 years while none was above 10 years.

In the category of those who are between 25 and 45, 9 males have been SACCO members for less than 5 years, 12 have been members for between 5 to 10 years while 21 have been members above 10 years. For females, 3 have been SACCO members for less than 5 years, 15 are between 5 and 10 years while none has been a member for more than 10 years. In the category of those above 45, all the 12 males have been SACCO members for a period exceeding 10 years as well as all the nine females. This indicates that most of the members of SACCOs in Limuru are males between 25 and 45

Figure 5

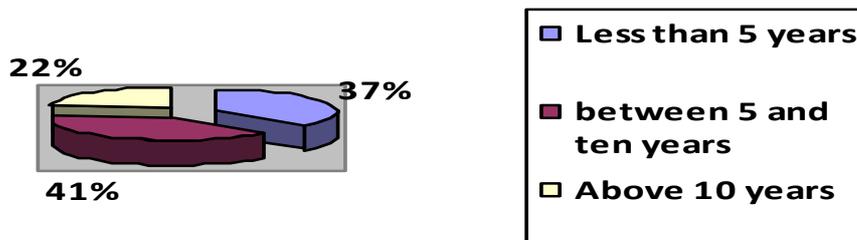
Time in SACCOs for Male



The above figure shows that the largest percentage of the men has been members of SACCOs for a period that is between five and ten years. This is related to their ages and confirms that men join SACCOs when during their active part of life.

Figure 6

Time in SACCOs –Female



As their male counterparts, the largest percentage of female have been SACCO members for between five to ten years which confirms the part of life when females are also economically active.

4.4 Initial Investment for the Members

Respondents were asked to indicate their initial share capital/ deposits when they joined the SACCO. They were required to state whether it was below 5000 shillings, from 5001 to 10000 and above 10000 shillings. All the 138 respondents indicated that their initial share capital was below 5000 shillings.

4.5 Share Capital/ Deposits Today.

The respondents were asked to indicate their share capital today. The choices were less than 10000 shillings, 10001 to 50000 shillings and above 50000 shillings. 11 indicated that their share capital / deposits are less than 10000 shillings, 78 have between 10001 and 50000 and 49 have share capital / deposits that 50000 shillings. This is a clear indication that SACCOs facilitate growth in investment for their members.

Figure 7

Current Share Capital/ Deposits

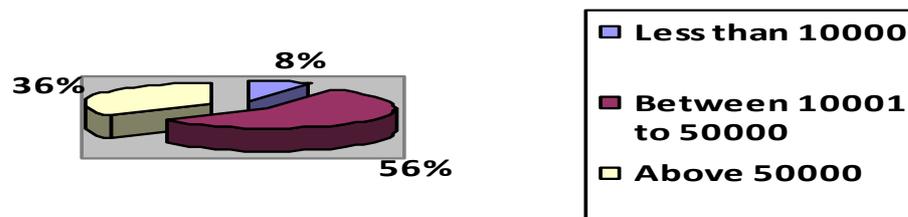


Figure 7 above indicates that fifty six per cent of the respondents have a share capital of between 10000 and one and 50000 shillings while thirty six per cent have more than 50000 thousands in shares and deposits. This is interpreted that members investments increase overtime

during the life of that member in the SACCO hence SACCOs facilitates growth in investments for members.

4.5 Loans Received by the Members

A cross checks of all the SACCOs indicated that the maximum amount issued as a loan to members is based on the shares and deposits invested by such a member in the SACCO. This is multiplied by a factor ranging from 2 to 4. Thus all the SACCOs were encouraging their members to increase their shares and deposits so as to qualify for bigger loans. Out of all the respondents, 120 which is eighty seven per cent of all the respondents indicated that they have obtained loans from the SACCOs while 18 which is only thirteen per cent said they haven't. 18 received less than Kenya shillings 5000 as their first loan, 27 received between 5000 and 10000 while 75 received more than Kenya shillings 10000 the first time they received a loan. 51 respondents indicated that they utilized the first loan for school fees, 9 bought food while 60 invested the money by either buying land, starting businesses or constructing houses. A total of 42 respondents received between Kenya shillings 10,000 and 50000 as their latest loan, 47 received between Kenya shillings 50001 and 250000 while 21 received more than Kenya shillings 250000. 10 of them did not respond to this question.

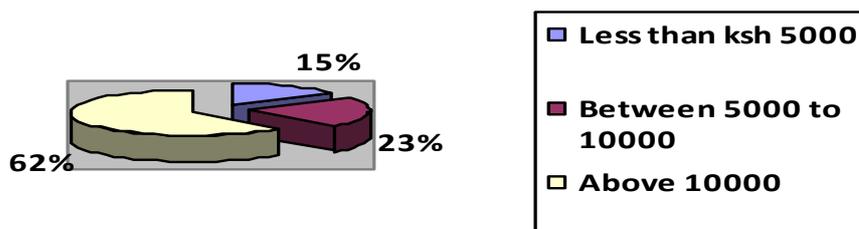
From the responses, we can conclude that almost all the respondents received a bigger loan than the first one they received from the SACCOs. This is an indication that the SACCOs are assisting members to create more investments hence more wealth.

Figure 8
Loans to Members



The above figure shows that majority of the members have taken loans from the SACCOs. This is a clear indication that SACCOs in the region are fulfilling the noble task of providing loans for members which is the most important task for such organizations.

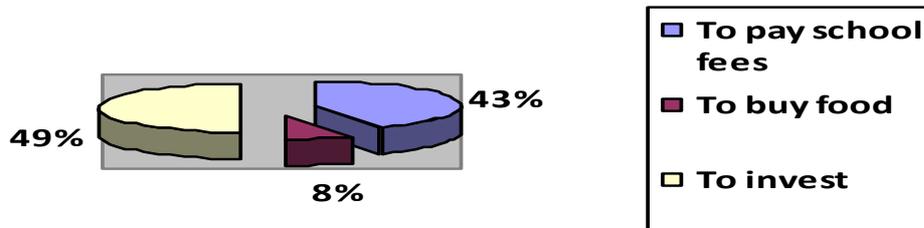
Figure 9
Size of First Loan



The figure above shows that only fifteen per cent of the members took a loan of less than five thousand shillings as their first loan. When related with the initial share capital/ deposits above, it can be seen that members ensure that their deposits increase so as to borrow bigger loans from SACCOs.

Figure 10

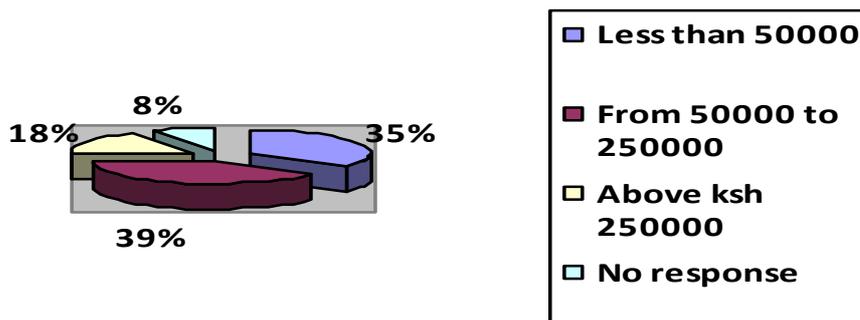
How was the First Loan Utilized?



In the above figure, forty nine per cent of the respondents which is the largest portion of the respondents indicated that they invested the money they received from their first loan. This shows that most of the members in the region view SACCOs as channels for sourcing funds for investment hence wealth creation.

Figure 11

Latest Loan



The researcher wanted to know whether members loans increase overtime as the members continue being in the SACCOs. As indicated in the figure above, only eighteen per cent of the respondents borrowed a loan of less than fifty thousand shillings while thirty nine per cent

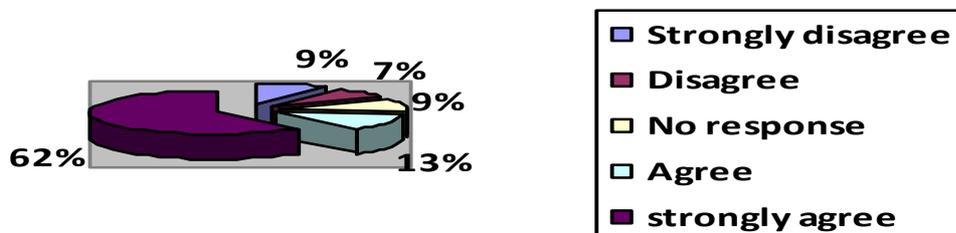
and thirty five per cent borrowed between fifty thousand and two hundred and fifty thousand and above two hundred and fifty thousand shillings respectively. This clearly shows that majority of the respondents have obtains bigger loans than the initial ones. This confirms that members' ability to borrow loans which is the share capital and deposits has been increased. This is an investment for the member hence a wealth which has been created. It also confirms that wealth is created out of the loans obtained since it was confirmed earlier that most members in the region utilize their loans on investing.

4.6 Growth in Members Investment in SACCOs and Wealth Creation

Respondents were asked to rank statements relating to investment in SACCOs in relations to wealth creation according to the level of agreement with 1 being ranked as strong disagreement, 2 as disagree, 3 as neutral, 4 as agreement and 5 as strong agreement. In all circumstances, the highest percentage of the respondents strongly agreed with the statement which is a clear indication that growth in members' investment in SACCOs has a positive relationship with wealth creation in Limuru Sub County.

Figure 12

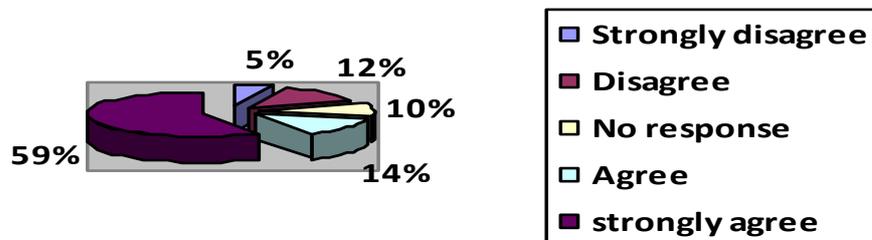
My Investment in the SACCO has Grown in the Last 5 years



The figure above represents a response to the question on whether the respondents agree that their investment has grown in the last five years.. 13 respondents strongly disagreed, 10 simply disagreed, 13 had no response 18 simply agreed but 84 strongly agreed with the statement. This is a clear indication that SACCOs support investment growth for members. This is in line with the overall objective of capital accumulation for members, Starling, (2004).

Figure 13

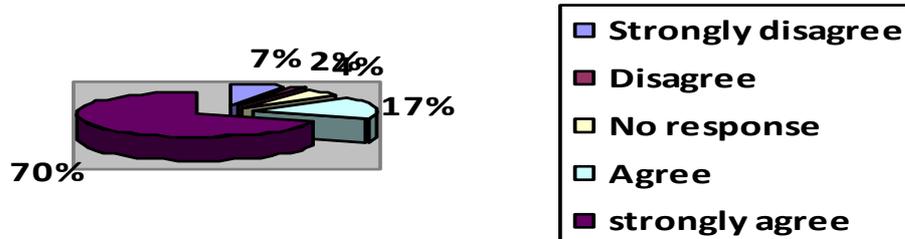
The SACCO Facilitates Growth in Investment for Members



The above figure shows the responses on the question whether the respondents agree with the statement that growth in SACCO investment facilitates wealth creation. 8 strongly disagreed, 18 simply disagreed, 14 did not respond, 21 simply agreed while 85 strongly agreed with the statement. This shows that 59 percent of the members are in agreement that SACCOs facilitate growth in investment. This is a confirmation that it is through SACCOs that members' investment grow.

Figure 14

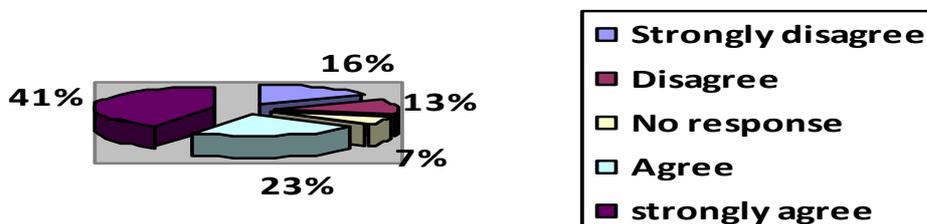
Growth in SACCO Investment Facilitates Wealth Creation



The figure above shows the response to the question whether the respondents agree that investment in SACCOs facilitates wealth creation. 10 strongly disagreed, 3 simply disagreed, 6 did not respond, 23 simply agreed and 96 strongly agreed. This indicates that 70 per cent of all the respondents strongly agree that growth in SACCO investment facilitate wealth creation. Hence SACCOs in the region are being used by members to create wealth through investment.

Figure 15

Members With Higher Investment in SACCOs are Wealthier



The figure above indicates the responses from a statement that members with higher investment in SACCOs are wealthier. 22 of the respondents strongly disagreed, 18 simply disagreed, 9 did not respond, 32 simply agreed and 57 strongly agreed. This shows that majority of the respondents strongly agreed that higher investment in SACCOs results to more wealth for members. This means that SACCOs investment by members' results to wealth for those members

Table 2

Urban SACCOs' Membership and Share Capital.

NAME OF SOCIETY	MEMBERSHIP		EMPLOYEES		SHARE CAPITAL (KSHS)	
	2011	2012	2011	2012	2011	2012
Karirana	524	537	3	3	23,154,769	25,841,246
Nyara	158	154	-	-	8,612,543	9,984,213
Mefa	58	63	-	-	1,908,541	2,406,144
Limuru D.Staff	186	173	1	1	13,510,775	14,621,108
Conduits	120	123	-	-	972,087	1,507,327
Brackenhurst	70	77	-	-	4,567,890	5,456,921
Terrazan	387	392	-	-	12,054,362	13,523,479
Marijoe	70	64	-	-	2,432,579	3,823,609
Redhill	75	69	-	-	3,390,457	4,288,486
Pamoja T.	70	83	-	-	7,116,563	7,906,117
Flow Glow	271	284	-	-	9,319,660	9,983,946
Stragollen	97	103	-	-	3,257,891	3,876,312
Kentmere	42	48	-	-	4,079,400	4,775,874
Kiatu	913	1011	5	5	130,543,890	146,873,102
Ombi	32	43	-	-	2,147,699	2,963,220
TOTAL	3,073	3,224	9	9	227,069,106	257,831,104

Source: Ministry of Cooperative Development and Marketing (2013)

Table 3
Rural SACCOs' Membership and Share Capital

SACCO NAME	MEMBERSHIP		EMPLOYEES		SHARE CAPITAL	
	2011	2012	2011	2012	2011	2012
Limuru Traders	438	461	3	3	8,975,173	9,437,098
ACK Limuru	119	132	-	-	1,271,643	1,639,241
Bibirioni Water	597	614	1	3	7,990,886	8,321,457
Ndeiya	129	137	1	1	330,655	392,409
Ndeyusa	84	79	-	-	638,475	854,234
TOTAL	1,159	1,423	5	7	19,206,832	20,644,439

Source: Ministry of Cooperative Development and Marketing (2013)

Table 4
Transport SACCOs' Share Capital and Membership

SACCO NAME	SHARE CAPITAL		NO. OF MEMBERS		NO. OF EMPLOYEES	
	2011	2012	2011	2012	2011	2012
LIKANA	2.9	3.6	157	146	1	1
EVERBEST	1.6	1.95	98	102	-	1
LIKAMBU	1.2	1.8	63	61	-	-
LINGANA	0.6	1.0	47	42	-	-
LIRA LINE	2.1	2.9	113	117	-	-
LINA	0.4	0.8	27	31	-	-
MAMULI	0.5	0.9	38	35	-	-
TOTAL	9.3	12.95	543	534	1	2

Source: Ministry of Cooperative Development and Marketing (2013)

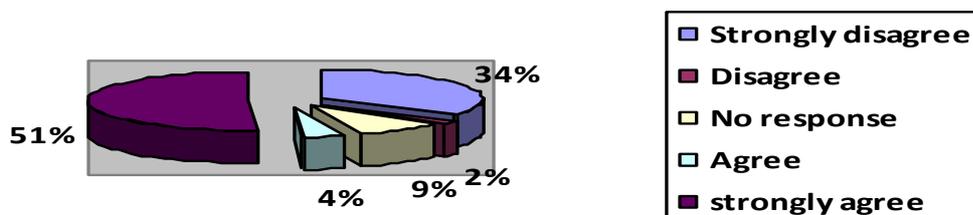
4.7 Growth in Members Loans from SACCOs and wealth creation

The other set of statements were in regard to growth in members loans from SACCOs. The respondents were required to indicate the level of agreements or disagreement in the ranking of 1 to 5 ranked as the previous set of statements. In all situations, the respondents were in strong agreement that growth in members' loans from SACCOs have a positive relationship with wealth creation in Limuru Sub County. The following were the responses. The secondary data which was collected from the Annual Report for all Cooperatives in Limuru Sub County and which was provided by the District Cooperative Officer (DCO) confirmed that the total shares capital for the financial year 2011 increased by fourteen per cent in the financial year 2012 from Kenya shillings two hundred and fifty five million to Kenya shillings two hundred and ninety one million. This further confirms that there is a substantial growth in share capital hence the members investment in the region.

Tewari, (2011) observes that Co-operatives in India accepted deposits from lenders who are the members and then loaned the funds to the needy farmers at reasonable rates for them to revamp agriculture hence feed the nation. SACCOs should provide cheap loans to their members.

Figure 16

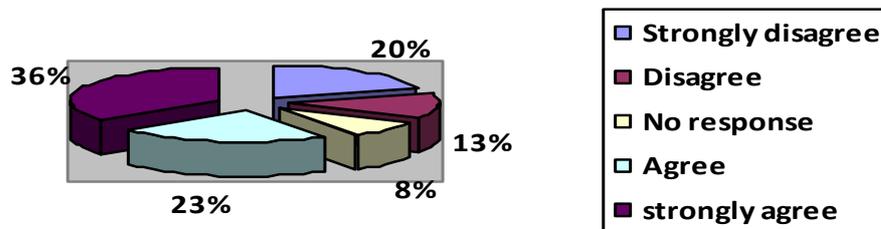
My Loan in the SACCO has Increased in the Last 5 Years



The above figure shows the responses to the question that the loans to members from the SACCO have grown within the last 5 years. 47 of the respondents strongly disagreed, 3 simply disagreed, 12 did not respond, 6 simply agreed and 70 strongly agreed. This indicates that majority of the respondents agree that their loans from SACCOs has increased for the last 5 years. This is clear evidence that SACCOs ensure growth in loans for their members.

Figure 17

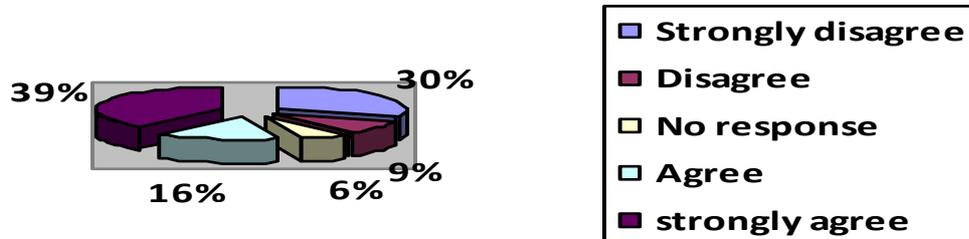
SACCOs Facilitates Growth in Loans for Members



The above figure shows the responses to the question that SACCOs facilitate growth in loans. 28 strongly disagreed with the statement, 18 simply disagreed, 11 did not respond, 32 simply agreed and 49 strongly agreed. This is an indication that majority of the respondents agree that SACCOs facilitate growth in loans for their members. SACCOs are strong in collecting savings which is the principle source for lending operations, Turto (2008). It is through SACCOs that member's ability to borrow loans is increased.

Figure 18

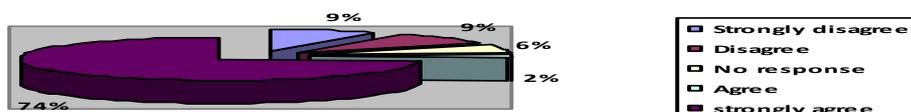
Growth in SACCO Loans Facilitates Wealth Creation



In the above figure the respondents were responding to a question that growth in SACCO loans facilitates wealth creation. 42 strongly disagreed with the statement, 13 simply disagreed, 8 did not respond, 22 simply agreed and 53 strongly agreed. This shows that majority of the respondents strongly agreed that SACCO loans facilitate wealth creation hence SACCOs facilitate wealth creation.

Figure 19

The First Loan by Members from SACCO is Smaller than Subsequent Loans



The above figure shows the responses from the statement that the first loan by members from SACCOs is usually smaller than the subsequent loans. 12 respondents strongly disagreed with the statement, 13 simply disagreed, 8 did not respond, 3 simply agreed but 102 strongly agreed with the statement. This shows that 74 per cent of the respondents strongly agree that the

first loan in SACCOs is smaller than the subsequent loans. This then is interpreted members loans grow overtime during the life of the member in a SACCO.

Table 6
Urban SACCOs Loaning Activity

NAME OF SOCIETY	LOANS GRANTED KSHS		LOANS REPAID KSH		LOANS OUTSTANDING KSHS	
	2011	2012	2011	2012	2011	2012
Karirana	17,657,413	19,647,483	10,234,789	15,870,693	21,345,765	19,647,281
Nyara	6,012,545	5,634,895	3,944,231	2,349,046	4,324,183	4,379,053
Mefa	2,843,928	1,886,465	1,687,414	1,538,649	1,074,329	1,346,829
Limuru	11,866,361	8,254,487	10,560,403	7,122,548	12,438,395	9,084,342
Conduits	4,385,231	3,765,927	1,698,540	2,315,496	2,764,891	1,318,094
Bracken	3,684,875	3,482,906	2,533,676	2,025,614	1,239,170	1,910,327
Terrazan	8,913,406	9,450,360	4,326,219	6,485,312	5,277,462	7,840,271
Marijoe	1,864,129	1,697,550	987,562	1,015,320	1,389,416	1,575,013
Redhill	891,202	769,995	985,407	713,645	790,095	683,139
Pamoja	8,437,012	7,569,314	5,879,836	4,609,274	4,768,639	5,820,183
Flow Gl	8,167,326	7,892,013	4,940,983	5,492,042	3,702,942	4,679,379
Stragolle	1,243,825	948,270	989,431	1,017,397	1,246,724	780,941
Kentmer	3,055,662	1,243,462	2,600,959	1,783,214	2,541,188	2,780,397
Kiatu	129,471,289	133,572,563	106,134,082	112,642,179	132,462,111	127,834,906
Ombi	2,129,367	1,831,169	1,704,641	1,002,318	2,176,457	1,531,329
Total	210,623,571	207,646,859	153,334,217	165,982,747	192,777,897	191,211,484

Source: Ministry of Cooperative Development and Marketing (2013)

Table 7
Rural SACCOs Loan Activity

NAME OF SOCIETY	LOANS GRANTED (KSHS)		LOANS REPAID (KSHS)		LOANS OUTSTANDING (KSHS)	
	2011	2012	2011	2012	2011	2012
Bibirioni water	7,290,250	8,546,218	4,148,678	5,362,654	6,813,072	5,438,216
Limuru Traders	5,967,000	5,271,232	4,631,608	5,142,062	8,748,009	4,953,218
ACK Limuru	1,324,189	1,432,605	590,326	742,018	1,081,079	926,429
Ndeiya	262,200	450,169	80,485	298,746	181,715	216,493
Ndeyusa	270,700	342,515	97,918	143,288	226,173	297,210
TOTAL	15,104,339	16,042,739	9,549,015	11,688,768	17,050,048	11,831,566

Source: Ministry of Cooperative Development and Marketing, (2013)

Table 8**Transport SACCOs Loan Activity**

NAME OF SOCIETY	LOANS GRANTED (KSH)M		LOANS REPAID (KSH) M		LOANS OUTSTANDING (KSH)M	
	2011	2012	2011	2012	2011	2012
LIKANA	-	3.2	-	1.8	-	1.4
EVERBEST	-	1.2	-	0.8	-	0.4
LIKAMBU	-	1.02	-	0.9	-	0.12
LINGANA	-	1.1	-	0.6	-	0.5
LIRA LINE	-	1.05	-	0.7	-	0.35
LINA	-	1.0	-	0.61	-	0.39
MAMULI	-	1.2	-	0.82	-	0.38
TOTAL		9.77		6.23		3.54

Source: Ministry of Cooperative Development and Marketing, (2013)

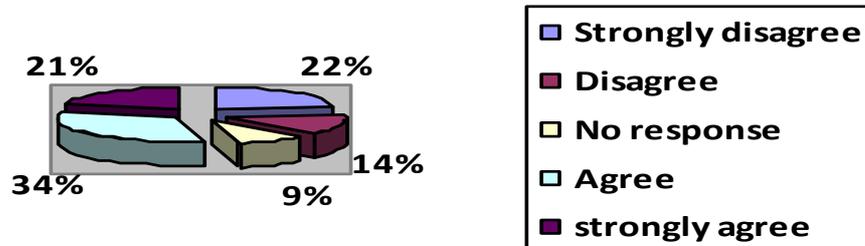
The secondary data which was collected from the Annual Report for all Cooperatives in Limuru Sub County and which was provided by the District Cooperative Officer indicates that the total loans for the financial year 2011 increased by three percent in the financial year 2012 from Kenya shillings two hundred and twenty six million to Kenya shillings two hundred and thirty three million. This further confirms that there is a substantial growth in the average loans to members hence the members' wealth in the region.

4.8 SACCOs Effectiveness and Wealth Creation

The third set of statements was on effectiveness of SACCO operations in relation to wealth creation. The respondents were to indicate their take on the statements related to the effectiveness of their SACCOs and how this affects wealth creation. Respondents were indifferent in some situations but seventy one per cent of the respondents strongly agreed that effective management in SACCOs facilitate wealth creation. The responses were as follows;

Figure 20

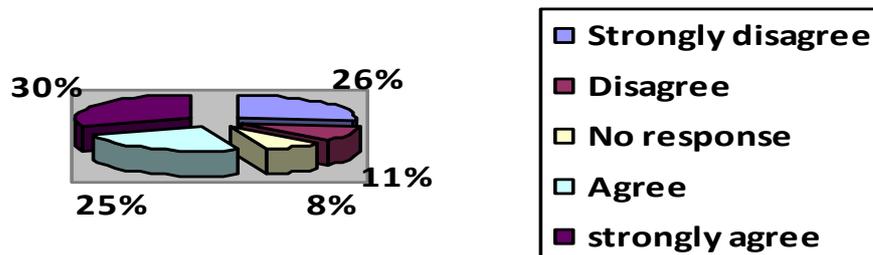
My SACCO is Effective in its Operations



This figure above represents the responses on the statement that the members SACCOs are effective in its operations. 31 strongly disagreed, 20 simply disagreed, 13 did not respond, 45 simply agreed and 29 strongly agreed with the statement. This shows that majority of the members either agrees or strongly agree that their SACCOs are effective in their operations.

Figure 21

The Management is Qualified to Manage all SACCO Operations

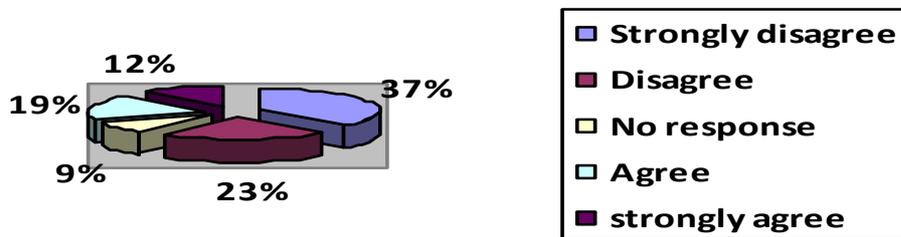


The figure above represents the responses to the statement that the management is qualified to manage the SACCO operations. 36 respondents strongly disagreed with the

statement, 15 simply disagreed, 11 did not respond, 34 simply agreed and 42 strongly agreed. 30 percent of the respondents which is the largest portion strongly agree that their SACCO management is qualified as indicated in the above figure. This means that the SACCOs management is effective.

Figure 22

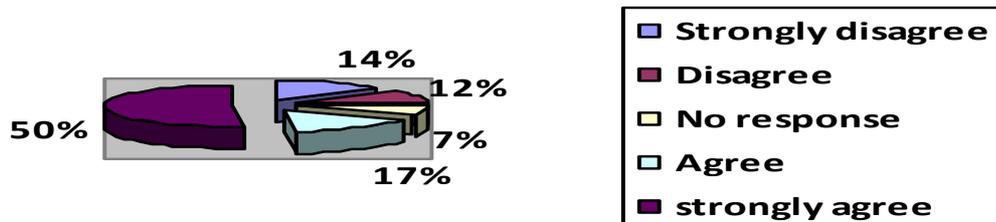
The Staff are Effective in the SACCO Operations



The above figure represents the responses to the statement that SACCO staff is effective in their operations. 52 strongly disagreed, 31 simply disagreed, 12 did not respond, 27 simply agreed and 16 strongly agreed. This shows that most members do not agree that their SACCO staff are qualified hence a need for more training for such staff.

Figure 23

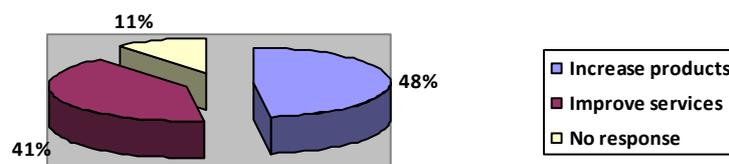
Effective Management Facilitates Wealth Creation



The above figure shows the responses to the statement that effective SACCO management facilitates wealth creation. 19 strongly disagreed, 16 simply disagreed, 9 did not respond, 23 simply agreed and 71 strongly agreed. This shows that half of all the respondents strongly agree that effective management for the SACCOs facilitate wealth creation.

Figure 24

Members are Involved in Decision Making for the SACCOs



The figure above shows the responses to the question that member is involved in the SACCOs decision making. 38 strongly disagreed, 36 simply disagreed, 16 did not respond, 31 simply agreed and 17 strongly agreed. This shows that respondents who either strongly disagree or disagree that members are involved in decision making in SACCOs form a higher percentage

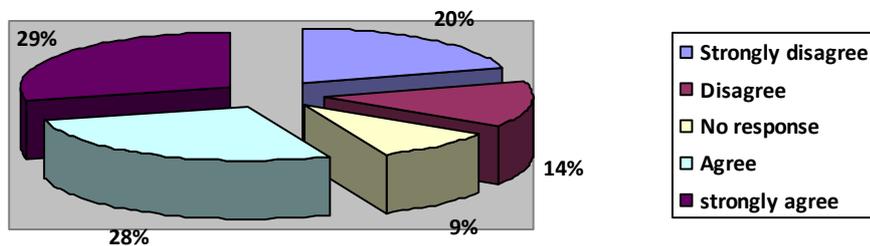
than any other combination hence SACCOs involve members in decision making. This calls for the management of SACCOs to involve members more so as to make them more effective.

4.9 SACCO Products Effectiveness and Wealth Creation

The last set of statements was on the effectiveness of SACCO products in relation to wealth creation in Limuru Sub County. In all the circumstances, the highest percentage of the respondents were in strong agreement with the statement hence the attractiveness of the SACCO products are contributors to wealth creation in the Sub County. Nembhard (2008) observes that Credit Unions excel in providing member benefits on many loan and saving products. In particular, credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, personal unsecured loans, first mortgage-adjustable rate, home equity loans, credit cards loans. Credit unions also pay members higher average dividends on their investment. The responses were as follows

Figure 25

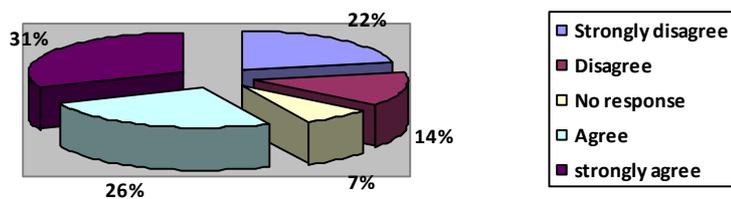
My SACCO Products are Effective to the Members



The above figure represents responses from the statement that SACCO products are effective to the members. 28 of the respondents strongly disagreed, 19 simply disagreed, 13 did not respond, 38 simply agreed and 40 strongly agreed. Majority of the respondents according to the above figure either agree or strongly agree that their SACCO products are effective to the members. This is an indication that the most members are happy with their SACCO products.

Figure 26

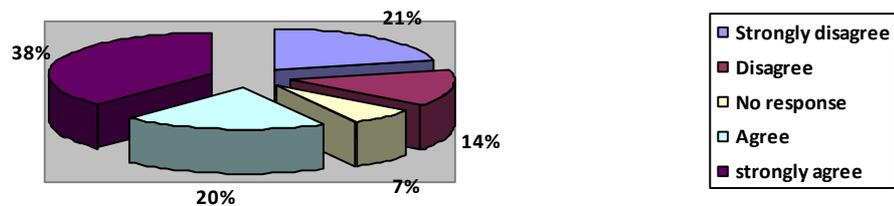
SACCOs Offer Sufficient Products to the Members



The above figure shows the responses from the statement that SACCOs offer sufficient products to their members. 29 respondents strongly disagreed, 20 simply disagreed, 9 did not respond, 28 simply agreed while 52 strongly agreed with the statement. This indicates that majority of the respondents agree that SACCOs offer sufficient products to their members. This can be interpreted to mean that most members are happy with the products offered by SACCOs.

Figure 27

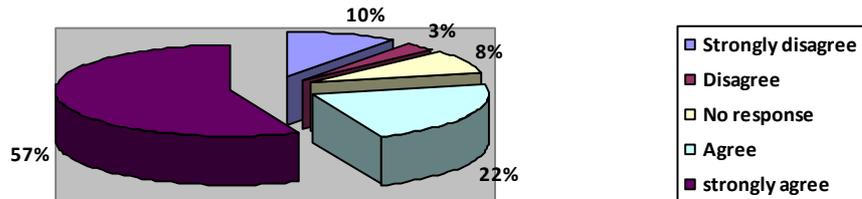
SACCO Products are Affordable to Members



The figure above represents the responses to the statement that SACCOs products are affordable to their members. 14 respondents strongly disagree, 4 simply disagree, 11 did not respond, 31 simply agreed 78 strongly agreed. SACCOs should provide affordable products to members, Turto (2008). Jackson's (2006) in his empirical research on whether credit unions in United States are overpriced observed that credit union pro-consumer behaviors. Credit unions exhibit a pricing asymmetry that lowers the interest expense associated with deposits but also lowers the interest revenue associated with loans over the interest rate cycle, consistent with a strategy of maintaining constant margins between average deposit rates and average loan rates. Keeping loans affordable and providing as high a return on savings as possible is important at any period of time and for every demographic, but is particularly important during economic downturns and financial crises, and for low-income households. Most respondents as per the above figure agree that the SACCO products are affordable to them hence are happy with the cost of these products.

Figure 28

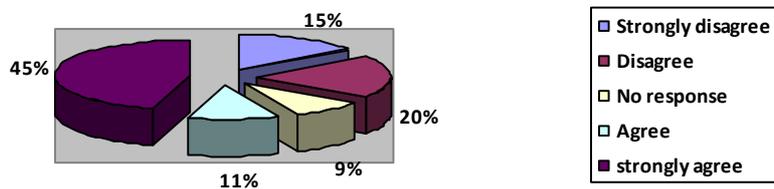
Product Attractiveness Facilitates Wealth Creation for SACCO Members



The above figure shows the responses from the statement that SACCO products attractiveness facilitates wealth creation for the members. 14 strongly disagreed, 4 simply disagreed, 11 did not respond, 31 simply agreed and 78 strongly agreed. This shows that 57 per cent of all the respondents strongly agree that SACCO products attractiveness facilitate wealth creation. This is an indication that the theory that the variable contributes to wealth creation in the region.

Figure 29

SACCOs Have Better Products Than Other Financial Institutions



The figure above represents the responses from the statement that SACCO products are better than those from other financial institutions in Limuru Sub County. 21 strongly disagreed,

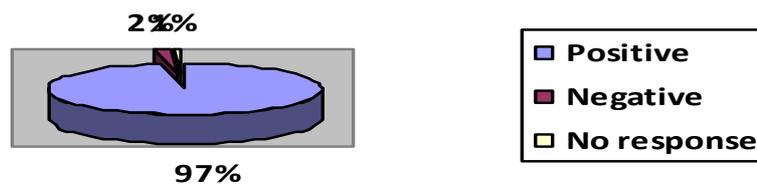
27 simply disagreed, 12 did not respond, 15 simply agreed and 63 strongly agreed. Most of the respondents are in agreement that SACCOs have better products than other financial institutions. This is interpreted to mean that SACCO products are better hence members are happy about them.

4.10 Knowledge of Other People who Have Benefited From SACCOs

The respondents were asked whether they know other people who have benefited from SACCOs. 134 which represent ninety seven per cent responded positively, 3 were negative while one did not respond. They were also requested to state how that other person has benefited. 80 or fifty eight per cent indicated that the person started a business, 48 or thirty five per cent said the person constructed a house while 10 or seven per cent said the person invested in another way. This indicates that most members invest loans obtained to create more wealth than to consume.

Figure 30

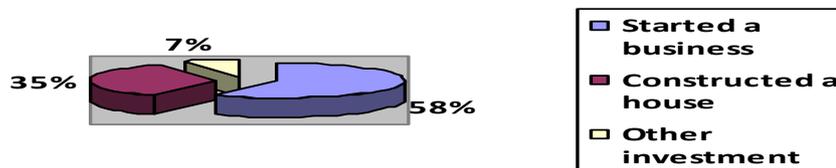
Knowledge of Other SACCO Beneficiaries



The figure above further confirms that SACCOs in limuru Sub County benefits members economically hence creates wealth. This is because most respondents indicated that they know other people who have benefited from SACCOs.

Figure 31

What Benefits



The figure represents responses on how other people known by the respondents have benefited from the SACCOs. 80 respondents indicated that those beneficiaries started businesses, 48 indicated that they constructed houses while 10 indicated that they started other businesses. This confirms that most SACCO members in Limuru Sub County invest proceeds from SACCOs hence creation of more wealth.

4.11 Has SACCOs Played a Role in Wealth Creation Sub County

Respondents were asked to state whether they think SACCOs have played a role in wealth creation in Limuru Sub County. 126 which represents ninety one per cent responded in agreement, 3 were in disagreement while 9 did not respond. This clearly shows that members in general are in agreement that SACCOs play a great role in wealth creation in Limuru. Respondents were also asked to state their recommendations on how SACCOs can be improved in order to become better in this role of wealth creation in Limuru. 66 which represent forty eight per cent indicated that SACCOs should increase their products, 57 which is forty two per cent indicated that they should improve their services and 15 or eleven per cent did not respond. This indicates that the management of SACCOs in Limuru is not viewed as a hindrance to their efficiency since only forty two per cent were concerned about the improvement of services. They would prefer introduction of more products by their SACCOs

Figure 32

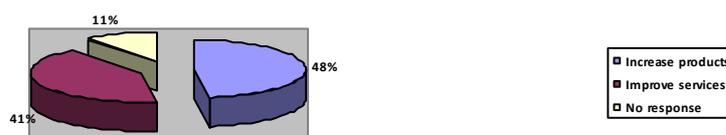
SACCOs Role in Wealth Creation



The above figure indicates the responses on the question on whether SACCOS have played a role in wealth creation in Limuru Sub County. 126 were in agreement, 3 were in disagreement while 9 did not respond. This shows that ninety one per cent percent of all the respondents were in agreement that SACCOS play a big role in wealth creation in limuru Sub County. This is also confirmed by the variables tested above.

Figure 33

How SACCOS can be Improved



Respondents were asked how SACCOS can be improved so as to serve them better. Forty eight per cent responded that SACCO products should be increase and forty one per cent indicated that services should be improves. This is an indication that members feel there is a room for improvement on both products and services. The products for SACCOS in Limuru Sub

County include different types of loans, FOSA services, different types of shares and deposits and other investment opportunities.

4.12 Linear Regression Equation

A linear regression equation was used to test the relationship between the four independent variables which are total members investment in the SACCO which are the total shares, total loans received from the SACCO which was assumed to be the total of the first loan and the last loan, the SACCO effectiveness measured through the turnover and the total share capital of the SACCO. These were depicted against the total members' net worth as the dependent variable. The secondary data for all the twenty six SACCOs in Limuru Sub County was considered in the computation of the total members net worth, the turnover and the total share capital. The individual members' data was obtained from the one hundred and thirty eight questionnaires which were issued to the members and returned after completion.

The equation was as follows;

$$Y = a + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \epsilon$$

The results were as follows

Table 9
Mean and Standard Deviation of the Data

	Mean	Std. Deviation	N
Members net worth	263028.99	302896.430	138
Total members loans	184976.81	186327.139	138
Total members shares in SACCO	56781.09	64017.238	138
SACCO turnover	7746127.54	11749274.306	138
SACCO share capital	40775065.22	58930713.113	138

The first column in the table above indicates the averages from the variables taken above. The second column indicates the standard deviation in the data taken for all the members and the third column indicates the total number of members taken in the equation

Table 10
Correlation Between Variables

		Members Total net worth	total first and latest loan	members total shares in sacco	turnover	total share capital
Pearson Correlation	Members net worth	1.000	.897	.825	.516	.522
	Total members loans	.897	1.000	.894	.487	.492
	Total members shares in SACCO	.825	.894	1.000	.464	.464
	SACCO turnover	.516	.487	.464	1.000	.998
	SACCO S. capital	.522	.492	.464	.998	1.000
	Sig. (1-tailed)	Members net worth	.	.000	.000	.000
	Total members loans	.000	.	.000	.000	.000
	Total members shares in SACCO	.000	.000	.	.000	.000
	SACCO turnover	.000	.000	.000	.	.000
	SACCO share capital	.000	.000	.000	.000	.
N	Members net worth	138	138	138	138	138
	Total members loans	138	138	138	138	138
	Total members shares in SACCO	138	138	138	138	138
	SACCO turnover	138	138	138	138	138
	SACCO s. capital	138	138	138	138	138

The above matrix table shows the correlation between variable. The Pearson correlation shows the extent to which each independent variable will be affected by a change in the dependent variable. The correlation matrix is extremely useful for getting a rough idea of the relationship between the predictors and the outcome, and for a preliminary look for multicollinearity. If there is no multicollinearity in the data, then there should be no substantial correlations between predictors, Field, (2009). The table shows that a change of one per cent in the total members net worth will be caused by eighty nine per cent changes in members' total loans, eighty two per cent in members' total shares in the SACCO, fifty one per cent in the SACCO turnover and fifty two per cent in the SACCO share capital. We can also see from the matrix above that out of all the predictors, the turnover correlates best with the total share capital which is $r=.998$ and therefore it is likely that this variable will best predict total members net worth. It should be noted that correlation between two variables must be more than 0.5 so as to indicate a meaningful relationship. In all our cases, all the four variables have values which are more than 0.5 hence are meaningful.

Table 11
Coefficients of the Variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Collinearity Statistics
		B	Std. Error	Beta		Tolerance
1	(Constant)	-16690.681	16774.214		-.995	
	Total members loans	1.208	.139	.743	8.667	.188
	Total members shares in SACCO	.531	.398	.112	1.336	.195
	SACCO Turnover	-.011	.015	-.446	-.758	.004
	SACCO share capital	.003	.003	.549	.932	.004

Dependent Variable: Members total net worth

The above table indicates the coefficients of the equation which are the variables indicated as above. The first column indicates that the constant and the four variables. The standard error column indicates that there is a degree of error. Each of the beta value has an associated standard error indicating to what extent these values would vary across different samples. These standard errors are used to determine whether or not the b value differs significantly from zero. .

The linear regression equation will be extracted from the data in the first column in the table which contains the coefficients. The constant is 16690.681, β_1 is 1.208, β_2 is 0.531, β_3 is -0.11 while β_4 is 0.003. The equation will be as follows:

$$Y = -16690.681 + 1.208x_1 + 0.531x_2 - 0.11x_3 + 0.003x_4$$

4.13 Interpretation of the Linear Regression Equation

The above equation indicates the relationship between the dependent variable which is members net worth and each of the four independent variables which are the predictors. If the value is positive, then we can conclude that there is a positive relationship between the predictor and the outcome while a negative coefficient represents a negative relationship. The b values tells shows us to what degree each predictor affects the outcome if the effects of all other predictors are held constant. The constant term represents the dependent variable which is the members' net worth and which is the wealth created for the individual member. The equation indicates that as the value of the members net worth increase by one unit, the member's total loan from SACCO increase by 1.208 units. This is only true if total members total share capital, SACCO turnover and SACCO share capital are held constant. The next value indicates that as the members net worth increase by one unit, the total members' shares will increase by 0.531

units if SACCO turnover, SACCO shares and total members total loans are held constant. If the members net worth increase by one unit, then the SACCO turnover will reduce by 0.11 units if the other three independent variables are held constant. This indicates that there is no relationship between the members' net worth and the turnover of the SACCO. The last value indicates that when members total net worth increase by one unit, the total members' shares increase by 0.003 units if SACCO turnover, total members loans and total members shares are held constant. This indicates that there is a very weak relationship between total members net worth and the total share capital in the SACCO.

4.14 Discussion on the Findings

From the analysis of the data output above, it can be concluded that the independent variable that contributes most on the SACCO members net worth which is hereby interpreted as the wealth created is the total loans that a member has obtained from the SACCO. This has the highest coefficient of 1.208. The other important variable is the members total shares in the SACCO which is hereby referred to as investment in the SACCO. This has a coefficient of 0.531 which is also reasonably high. The SACCO turnover which in our case was interpreted to measure how effective the management of that SACCO is has a negative relationship of 0.11 with the members total net worth while the SACCO total share capital has a very weak positive relationship of .003.

The other variable which was examined was the attractiveness of the SACCO products. It was not possible for the variable to be quantified but the responses from the respondents indicated that it is also an important variable and contribute to wealth creation in the region. However respondents felt that more products need to be introduced by the SACCOS so as to serve them better.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5 Introduction

The objective of this study was to explore the role of Savings and Credit Cooperative Societies in wealth creation in Limuru Sub County. This chapter will present a conclusion and recommendations based on the research findings.

5.1 Conclusion

The research sought to answer the following questions

1. Is there an evidence of growth in loans by members from the time they joined the SACCOs?
2. Is there an evidence of growth in share capital/deposits of individual members after joining the SACCO?
3. Are the managements effective in managing their SACCOs?
4. Are the SACCO products attractive to members?

During the research, the first three variables were quantified so as to make them testable through SPSS software. The evidence on growth in loans was obtained from the questionnaires which were returned by the respondents. The evidence of growth in the members share capital and deposits were also obtained from the returned questionnaires but the management effectiveness which was based on the SACCO turnover was obtained from the secondary data. However, it was not possible to quantify the fourth variable which is the SACCO products effectiveness hence was not tested through the software. The researcher incorporated another variable which is the SACCO share capital obtained from the secondary data to the equation. The SACCO products effectiveness was tested through qualitative evidence from the respondents in

the questionnaire. They were asked to indicate their feeling on the SACCO products and their responses were used to determine how effective they are.

From the research findings, it can be concluded that SACCOs play an important role in wealth creation in Limuru Sub County. Many of the basic, internationally recognized principles of cooperatives directly or indirectly relate to democratic asset building and wealth accumulation for members. These principles contribute to a cooperatives potential to create and sustain collective assets with multiple benefits (Nembhard, 2008).

In our research, the four independent variables that were researched on indicated a clear evidence that each of them contribute positively to the dependent variable. On growth in loans by individual members, almost all the respondents indicated that their latest loan is higher than the first loan they took from the SACCO. This is an indication that SACCOs facilitate the growth of loans by the members. It was also observed that most members borrow loans which they invest in either to invest in businesses construction on houses and buying land all of which are components of wealth creation.

The research confirmed that individual member's investment in SACCOs increase overtime which enables them to borrow bigger loans. It was observed that the maximum loan a member qualifies is determined by the investment in shares and deposits in the SACCOs. The investment in shares and deposit in refundable in case the member leaves the SACCO hence it is wealth on the part of the member.

On effectiveness of management of SACCOs, the research confirmed that most members have confidence in it as only forty two per cent of the respondents indicated that they recommend improvement of services offered. This shows that the effectiveness of management

in SACCOs contribute to wealth creation in the region. SACCO products according to the research findings are more attractive than the ones offered by other financial institutions. Interest rates on loans were sighted as the most important item which makes the SACCO product more attractive. Thus the conclusion is that effectiveness of SACCO products contribute to wealth creation in Limuru Sub County.

Investigations into wealth creation and accumulation through cooperative ownership is not easy since the individuals wealth cannot exactly be ascertained during the time of membership as it cannot be separated from the wealth of the SACCO. It can only be estimated through finding where data exists and how useful it is and figuring out ways to create data through surveys and interviews; access to cooperative business accounting and files; and changing data collection methods in official and government sources. Analyzing data to reflect the proposed definitions of wealth, exploring the variety of dimensions that the data provide insight into, and making choices about how to calculate individual wealth separately from group wealth (Nembhard, 2008)

5.2 Recommendation

From the research findings, the following recommendations are made:

It can be observed that SACCOs play an important role in wealth creation in Limuru Sub County. However the rate of penetration of SACCOs in the region is low hence a need for more sensitization of the population about SACCOs.

There is a need to encourage more women to join the SACCOs in the region since their percentage as compared to men is low. Since it has been observed that SACCOs empower members economically, women should also be involved in the wealth creation in the region

Youth which forms a large percentage of the Kenya's population should be encouraged to join SACCOs since the research indicated that only forty one per cent of the members are below the age of 25 years. Since youth are important in wealth creation in any region, the authorities in the region should encourage them to join SACCOs.

Most of the SACCOs in Limuru Sub County are concentrated in Limuru town. There is a need for more SACCOs to be registered in the other wards of the Sub County in order to spread the wealth which is being created in the region. More products need to be introduced by SACCOs for the members to benefit more. The research found that forty eight per cent of all the respondents will appreciate if SACCOs introduced more products hence a need for more research on the products needed.

5.3 Area for Further Research

The researcher recommends that further research on the growth and business models of SACCOs so as to make them more effective in their role of wealth creation in Limuru Sub County. From the Ministry of Co-operatives annual report of the year 2012, it was observed that SACCO's growth is low as compared with other financial institutions. Despite an increase in shares for members from Kenya shillings 265.8 million to 318.7 million which is an increase of twenty per cent and the loans to members increased from Kenya shillings 236.3 million to 243.3 million which is only three per cent. This indicates that there is a problem on the SACCOs business models.

5.4 Limitations of the Study

The researcher encountered various limitations that were likely to hinder access to information sought by the study. The researcher encountered problems of time as the research was being undertaken in a short period with limited time for doing a wider research. However,

the researcher countered the limitation by carrying out the research across all the SACCOs which enabled generalization of the study findings on the role of SACCOs in wealth Creation in Limuru Sub County. The respondents to be approached were reluctant in giving information fearing that the information they give might be used to intimidate them or print a negative image about the institution. The researcher handled the problem by carrying an introduction letter from the University and assured the respondents that the information they gave was to be treated confidentially and it was to be used purely for academic purpose.

The study was limited to Limuru Sub County in Kiambu County which is one of many Sub County in Kenya. This County is considered relatively above average in terms of poverty level since its poverty index is 27.2 as compared with the Country's 47.2 (KNBS,2010), hence it may not be a true representative of the rural population in the whole country. Other limitations are that the respondents may have withheld information to the researcher due to lack of understanding on the importance of the study. Others may have provided incorrect or untrue answers in their responses to the questions in the questionnaire. The researcher observed that most of the questionnaires that were not returned were those issued to the members of SACCOs that are in the rural areas of the Sub County. These include Ndeiya and Bibirioni. It was noted that these areas have a higher illiteracy rate than the other parts of Limuru Sub County hence the trend.

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APPENDIX I

LETTER OF INTRODUCTION

P.O BOX 97-00221
MATATHIA.
Mobile 0723940939
Email:davegichuhi@yahoo.com

24th May, 2013

TO THE RESPONDENT

Dear Sir/Madam

REQUEST FOR RESEARCH ASSISTANCE

I am a graduate student pursuing a Master of Science in Commerce at K.C.A University and undertaking a project on:

“Role of Savings and Credit Co-operative Societies in wealth creation in Limuru Sub County”

Limuru Sub County has been selected for this study.

In regard of this, I kindly request you to respond to the attached questionnaire. Your participation is however at your own free will.

The response to the questionnaire therein and any other information provided will be purely for academic research purpose. It will be treated with strict confidence it deserves.

Your assistance and cooperation will be highly appreciated.

Thank you,

Yours faithfully

David Gichuhi Warwathe

APPENDIX II
QUESTIONNAIRE

This questionnaire is intended to provide information for a research on the role of SACCOs in wealth creation in Limuru Sub County.

Please answer the questions and tick where applicable

SECTION A BACKGROUND INFORMATION

Gender Male Female

How old are you?

Below 25 years 26-45 years above 45 years

SECTION B MAIN QUESTIONS

- i) For how long have you been a member of a SACCO?
Less than 5 years 5 to 10 years Above 10 years
- ii) What was your initial share capital/deposits when joining the SACCO?
Less than 5000 5001 to 10000 Above 10000
- iii) What is your Share Capital/ deposits now?
Below 10000 Between 10001 and 50000 Above 50000
- iv) Have you ever taken a loan from the SACCO in the last 5 years?
Yes No
- v) How much was your first loan?
Less than 5000 5001 to 10000 Above 10000
- vi) How did you utilize the loan?
Pay School fees to buy food Invest
.....
.....
- vii) How much was your latest loan.....
- viii) What is the value of your assets acquired since you joined the SACCO?
.....

SECTION C: GROWTH IN SACCO INVESTMENT AND WEALTH CREATION

To what extent do you agree with the following statements on a scale of 1 to 5?

1= strongly disagree, 2=Disagree, 3=Don't Know, 4=Agree and 5=strongly agree.

	Statement	1	2	3	4	5
1	My investment in the SACCO has grown in the last 5 years					
2	The SACCOs facilitate growth in investment for members					
3	Growth in SACCO investment facilitates members in wealth creation					
4	Members with higher investment in SACCOs are wealthier than those with lower investment					

SECTION D: GROWTH IN SACCO LOANS AND WEALTH CREATION

To what extent do you agree with the following statements on a scale of 1 to 5?

1= strongly disagree, 2=Disagree, 3=Don't Know, 4=Agree and 5=strongly agree.

	Statement	1	2	3	4	5
1	My loans from the SACCO has increased during the last 5 years					
2	The SACCOs facilitate growth in loans for members					
3	Growth in SACCO loans facilitates members in wealth creation					
4	The first loan by a member from a SACCO is smaller than the subsequent loans					

SECTION E: EFFECTIVENESS OF SACCOS TO THEIR MEMBERS AND WEALTH CREATION

To what extent do you agree with the following statements on a scale of 1 to 5?

1= strongly disagree, 2=Disagree, 3=Don't Know, 4=Agree and 5=strongly agree.

	Statement	1	2	3	4	5
1	My SACCO is effective in its operations					
2	The SACCO management is qualified to manage all the operations					
3	The staff are effective in running the SACCO operations					
4	Effective management facilitate wealth creation for the members					
5	Members are involved in decision making for the SACCO					

SECTION F: ATTRACTIVENESS OF SACCO PRODUCTS TO THEIR MEMBERS AND WEALTH CREATION

To what extent do you agree with the following statements on a scale of 1 to 5?

1= strongly disagree, 2=Disagree, 3=Don't Know, 4=Agree and 5=strongly agree.

	Statement	1	2	3	4	5
1	My SACCO products are attractive to the members					
2	The SACCO offers sufficient products to the members					
3	The SACCO products are affordable to the members					
4	Product attractiveness facilitate wealth creation for SACCO members					
5	The SACCOs have better products than other financial institutions					

General Question

i) Do you know a person whose economic status has changed because of being a SACCO member?

Yes No

ii) How has the SACCO changed his/her economic status?

Started/improved a business constructed a house/Farm any other

iii) Are SACCOs better than other financial institutions in creating wealth?

Yes No

iv) Why (Specify).....

G) Do you think the SACCOs have played any role in creating wealth in Limuru?

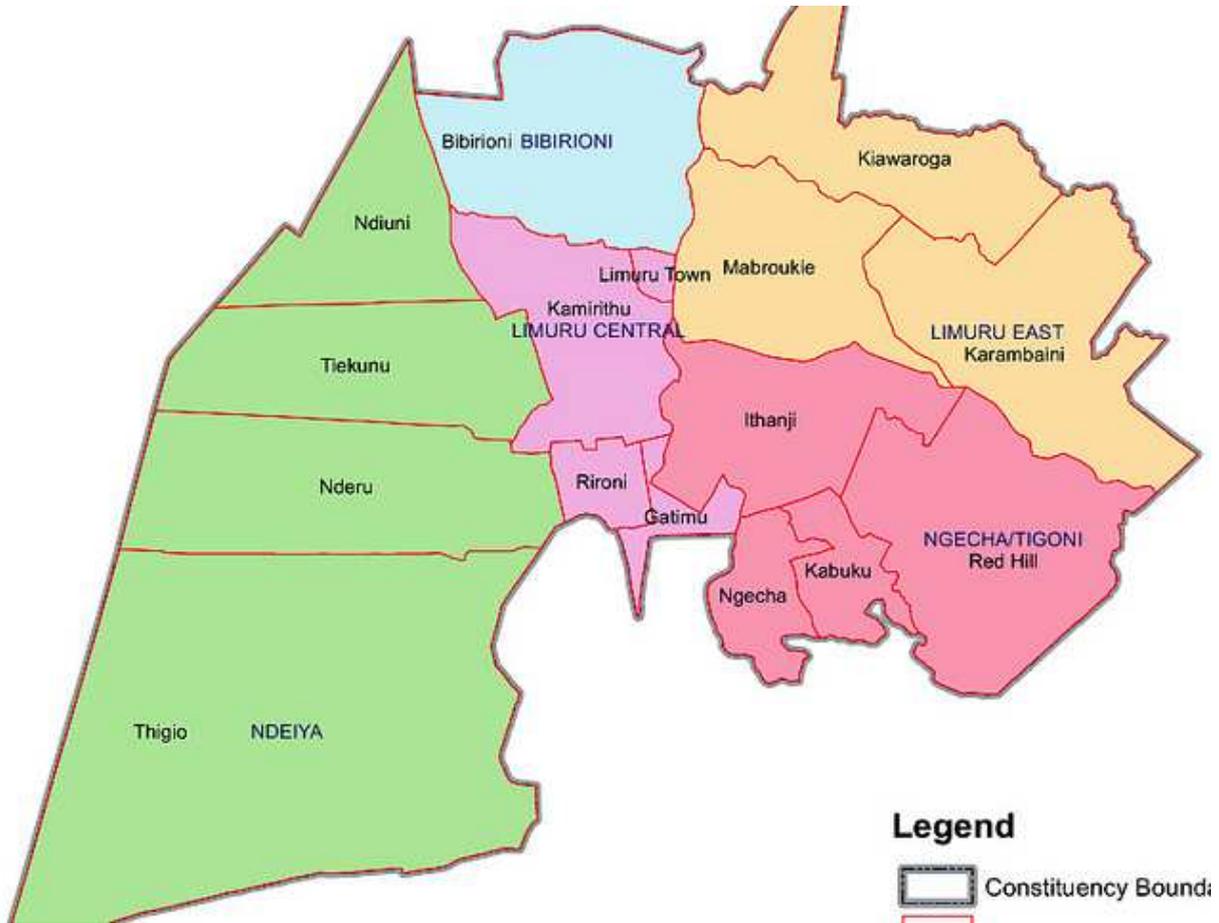
.....

H) How do you think these SACCOs can this be improved to be more effective in wealth creation in Limuru?

.....

Thank you

APPENDIX III
MAP OF LIMURU SUB COUNTY-KIAMBU COUNTY-KENYA



SOURCE-www.flickr.com

APPENDIX IV
LIST OF SACCOS IN LIMURU SUB COUNTY

Name	Membership	Ward	Shares	Loans	Net Assets
Karirana	534	Limuru East	25842146	1964281	25786145
Nyara	154	Limuru East	9984213	4379053	6914123
Mefa	63	Limuru Central	2406144	1346829	1412156
Limuru D. S	173	Limuru Central	14621108	9084342	978654
Conduit	123	Limuru Central	1407327	1318094	1012105
Brackehust	77	Tigoni/Ngecha	5456921	1910327	1892441
Terrazan	392	Limuru Central	13523479	7840271	8112726
Marijoe	64	Limuru East	3823609	1575013	1502321
Redhill	69	Tigoni Ngecha	4288486	683133	1912365
Pamoja T.	83	Ndeiya	7906117	5832183	6011631
Flow Glow	284	Tigoni Ngecha	9983946	4679379	9406399
Stragollen	103	Limuru East	3876312	780941	1738216
Kentmere	48	Tigoni/Ngecha	4775874	2780397	5346729
Kiatu	1011	Limuru Central	146873102	127834906	123946314
Ombi	43	Bibirioni	2963220	1531329	497683
Limuru Traders	461	Limuru Central	9437098	4953218	1014742
A.C.K Limuru	132	Limuru Central	1639241	926429	513370
Bibirioni Water	614	Bibirioni	8321457	5438216	2316627
Ndeiya	137	Ndeiya	392409	216493	63408
Ndeyusa	79	Ndeiya	854234	297210	214685
Likana	146	Limuru Central	3600000	1400000	300000
Everbest	102	Limuru Cental	1950000	400000	200000
Likambu	61	Limuru Central	1800000	120000	100000
Lingana	42	Bibirioni	1000000	500000	100000

Lira Line	117	Limuru Central	2900000	350000	100000
Lina	31	Limuru Central	800000	390000	300000
Mamuli	35	Limuru Central	900000	380000	100000
Total	5281		291425543	206583050	214176704

Source: Ministry of Cooperative Development and Marketing, (2013)