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## Effect of Membership Size on Financial Performance of Savings and Credit Cooperative Societies in Narok County, Kenya

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### Abstract

Kenya is among the leading countries in Africa that command a large Savings and Credit cooperative movement. However, the financial performance of Savings and Credit cooperatives is often affected by many internal and external factors that undermine the going concern of SACCOs. The general objective of this study was to establish the determinants of financial performance of Savings and Credit Cooperatives in Narok County, Kenya. The study examined the effect of Membership size. This study was guided by Organizational Theory. The study adopted cross sectional survey research design. The target population comprised of 213-registered, where only 17 were active based on the financial statements. Purposive sampling technique was used where 17 active SACCOs in Narok Town were considered. Secondary data was collected from financial statements of individual SACCO. Linear regression technique was applied to analyse data where the dependent variable Return on Equity (ROE) was regressed against the independent variable ( Membership size).The study established Membership size had no significant effect on the ROE,  $t(87) = 1.71, p=0.090$ . Based on the significant effects of the underlined variable, this study concludes that the effect of membership size, was not a significant contributor to the financial performance of SACCOs in Narok County. However the study recommends that SACCOs need to put more efforts, build their membership size to boost their savings and put measures in place to enhance their competitive advantage. This will increase the level of SACCO deposits and other income, in order to enhance financial performance of SACCOs in Narok County.

**Keywords:** Financial Performance, Number of Members, Increase or Decrease in Members, Members Deposits, Savings and Credit Cooperative Societies

### Introduction

Savings and credit cooperative societies (SACCOs) provide financial services to many people in Kenya and many developing nations. The main objective of SACCOs is to promote economic interests and general welfare of their members by providing them with avenues for borrowing for the purpose of enhancing production and welfare (Cheruiyot *et al.*, 2012).

SACCOS and other types of Micro Finance Institutions were established worldwide for the purpose of filling the gap left by Formal Financial Institutions (FFIs) including banks which were not ready to provide financial services to poor people (Zikalala, 2016). These institutions posit that poor people are risk borrowers who do not own collaterals such as houses, land in surveyed areas with title deeds, and other fixed assets (Zikalala, 2016; Kadigi, 2015). SACCOs have made it possible for the poor people to access credit with reasonable rates of interest and conditions that favors them. Ahimbisibwe (2007) noted that without SACCOs and other types of MFIs, the poor would permanently remain poor. This fact is also supported by the International Finance Corporation (IFC) which found that about 60% to 69% of the populations in many African countries had no access to financial services from FFIs (Kariuki and Rai, 2010)

Importance of SACCOs over the recent decades have been realised throughout the world. It is estimated that around 760 million people in the world are members of SACCOs which create 100 million jobs (Barrientos, 2008). For example, in the USA alone SACCOs were serving four million people with gross businesses worthy \$93 billion. Credit Mutual in France and Rabo bank in the Netherlands are among the leading banks in their countries (Okoye, 2009). In South America for example, SACCOs are well developed in most countries which include Argentina, Brazil, Chile and Uruguay (Ngondi, 2013). In Latin America, there are numerous examples of successful SACCOs, for example in Bolivia poultry production SACCOs produces about 60% of the country's chickens and nearly 30% of fertilizer inputs requirement for the country (Mosley, 2001). In Tanzania, contribution of SACCOs in the economy of poor people and the country as a whole cannot be over emphasised. For example, by December, 2006 there were over 3,500 registered SACCOs in the country with approximately 420,000 members (Duursma, 2007). In the Kenyan context, SACCOs contribute 45% of the country's GDP and that the sector has effectively managed to mobilise Ksh 200 billion deposits and assets worthy Ksh 210 billion (Hezron and Muturi, 2015). SACCOs have increased incomes, assets, food consumption, education expenditure, improved housing and decline expenditures in health to its members compared with non-members (Sharma *et al.*, 2005).

Despite the importance and contribution of SACCOs in rendering good services of providing access to financial services among the poor people, they are encountered by a myriad of challenges that are likely to affect their performances. In India for example, SACCOs are faced with problems which include inadequate capital, poor member participation, inadequate managerial skills, corruption, frauds and absence of common brands. These challenges have created inefficiency and lack of competitiveness in the institutions which is likely to impair their performance (Siddaraju, 2012). In Malaysia, co-operatives including SACCOs are facing many obstacles which include among others; improper governance, poor financial performance, managerial inadequacies and lack of capital (Tehrani *et al.*, 2014). In the case of Uganda, most SACCOs face a number of challenges which in turn are handicapping their performance (Kakungulu *et al.*, 2010). Tanzania is not an exception as SACCOs have been encountering problems of poor management, lack of working capital, embezzlement, high loan delinquency rates and poor business practice (Mwakajumulo, 2011; Maghimbi, 2010). Ondieki *et al* (2011) reported that SACCOs in Kenya were confronted by myriads challenges such as poor record keeping, high illiteracy level among their members, loan backlogs, inadequate capital, managerial deficiencies and audit arrears.

A study by WOCCU (2008) revealed that SACCOs were facing severe liquidity problems and majority of them were unable to meet demands of their clients for loans and withdrawal of savings. According to Mvula (2013), common issues that were affecting performance of SACCOs in Malawi were inadequate capital, poor asset quality, poor governance, poor profitability, poor liquidity and noncompliance. On the other hand, Mudibo (2005) noted that some of the factors that were affecting performance of SACCOs in Malawi include among others; weak regulation, limited product and services, low marketing and poor image. A number of previous other studies (Zikalala, 2016; Mang'ana *et al.*, 2015; Nkuru, 2015; Maingi, 2014; Gweyi, 2014; Odieki *et al.*, 2011) were conducted on the area of dynamics of SACCOs in the light of investment in information technology, resource mobilisation, growth sustainability, social economic, growth of income and performance.

Zikalala (2016) for example studied the role of SACCOS in promoting access to credit in Swaziland; Mang'ana *et al* (2015) studied the extent to which SACCOs had invested in Information Technology; Maingi (2014) evaluated factors that were affecting financial performance of SACCOs in the Kenyan context. Others include Odieki *et al* (2011) who studied financial performance of SACCOs in Kisii central while Nkuru (2015) dealt with factors that were affecting growth of SACCOs within the agricultural sector in Kenya. As one can observe, each of the above mentioned previous authors studied some aspects of SACCOs within certain specific areas. However, no previous authors analyzed factors influencing financial performance of SACCOs in Narok County. The aim of this study therefore was to fill this knowledge gap by analyzing the determinants of financial performance of SACCOs in Kenya with special emphasis to Narok County.

### **The Problem**

Kenya is applauded for having the most vibrant and dynamic Savings and Credit Cooperative Societies (SACCOs) sector in Africa ranging from Agricultural and livestock Savings and Credit Cooperative Societies in rural areas to the financial SACCOs that are prevalent in urban areas. SACCOs play a fundamental role in financial service provision and pooling of capital for investments and wealth creation spurring economic growth through domestic savings (Ratemo, 2015). However, the current literature indicates limitations in the way SACCOs have carried out their mandate. Mwende and Kalio (2014) in their study noted that lack of sufficient internal capital and mismanagement led SASRA to withdraw licenses of SACCOs for example Nest SACCO, Green Hills Sacco, Maono Daima SACCOs, Ufundi and Transcom. SACCOs in Narok County are performing poorly due to loan default, assessment and management of risk on loan and investments, negative cash liquidity leading to low dividend payout, membership withdrawals and poor investment decisions which undermines the going concern of SACCOs (KNA, 2017). SACCOs in Narok have collapse including Jua Kali SACCOs due to lack of funds, membership withdrawals, wrong investment's decision, loan default and poor management (KNA, 2017). This is a situation that pervades many SACCOs in Narok County. Further there is hardly any empirical literature that discusses the determinants of financial performance in Narok County. This study sought to fill this pertinent gap by focusing on the performance of SACCOs based on membership size among SACCOs in Narok County, Kenya.

### **Objective of the Study**

The general research objective of the study was to establish the determinants of financial performance of SACCOs in Narok County, Kenya.

Specifically the study sought to examine the effect of membership size on financial performance of SACCOs in Narok County.

### Hypothesis of the Study

The study sought to ascertain the following null hypothesis:

H<sub>01</sub>: Membership size has no significant effect on financial performance of SACCOs in Narok County, Kenya.

### Significance of the Study

The findings would be used by board of directors and chief executive of SACCOs in developing saving mobilization by increasing membership and member's deposits. The study will also add value to existing literature on membership size and the financial performance of SACCOs. Future researchers also in this line of study would have the opportunity to use the findings to further their research. SASRA can find useful information that would help in formulating policies that would lead to regulating of SACCOs.

### Literature Review

#### Theoretical Framework

This study was guided by Organizational Theory

#### Organizational Theory

Kimberly (1976) introduced this theory. The organizational theory states that organizational performance can be measured based on its size. It describes the profitability as an element of performance in regard to firm size. It further explains the organization efficiency in terms of management of transaction costs, agency costs and control costs. Large organizations are able to diversify their operations. They can trade in a variety of products or can differentiate their services to better meet their clients' needs (Jones, 2012).

Organization theory explained financial performance from firm size point of view. Therefore, Membership size influences the revenue of the SACCOs that contributes to financial performance. However the size of members may not guarantee more revenue as some members may not save more due to lack of training and other personal challenges.

#### Conceptual Framework

The Conceptual Framework in figure 2.1 is conceived as a functional relationship membership size and financial performance as the dependent variable.

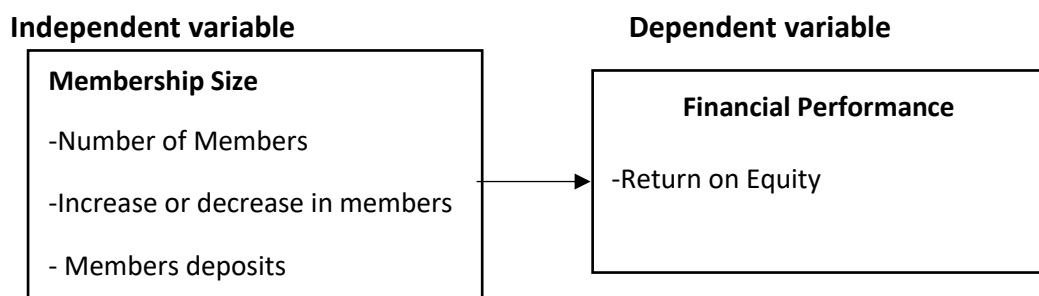


Figure 1: Conceptual Framework

A SACCO member is a person who belongs to that SACCO willingly by filling in the membership form and paying the required membership fees. Most SACCO members have a common bond either of occupational or production nature. This characteristic makes a SACCO to be an association of people who have come together with common goal geared at improving their livelihood economically (Sacco's operations report, 2016).

A study by Kivuvo and Olweny (2014), noted that capacity to generate revenue influences the performance of a SACCO. This capacity is largely determined by the number of members that belongs to a SACCO when other factors are constant, leading to a higher amount of revenue. Therefore, membership size of SACCOs determines its financial performance (Bwana & Mwakujonga, 2013)

Size of membership in SACCOs is a very important factor that has an influence on financial performance of SACCOs. This implies that SACCOs with large number of members has more chances of accumulating large amount of capital and consequently issue more loans compared with the one with small number of members. In addition, large number of membership in SACCOs guarantees flow of revenue and consequently enhances its financial performance.

According to SASRA (2013), SACCO membership is significant as it provides a source of business and hence economic viability of the Sacco. However, during a Sacco formation, the promoters will interest members who are in the same occupation or geographical area. This ensures that all members have a common goal to pursue and a common interest in the affairs of the SACCO.

Auka and Mwangi (2013) reported that SACCOs were facing stiff competition as their members were seeking financial services from commercial banks and other financial service providers in Kenya. Further investigations revealed that, although SACCO membership and the demand for loans from SACCOs was reported to have increased, SACCO were facing the problem of low capital base thus causing SACCO members to seek financial services from other financial service providers (Njagi et al., 2012).

SACCOs member's loyalty is determined by interest rates on loans, modes of payments (cash, cheques, mobile banking) and variety of products hence members loyalty is the key determinant to maintenance of membership size by SACCO. Membership size may guarantee continued flow of revenue hence this enhances SACCO performance (Koskei & Naibei, 2017). The more the members the more available funds gain though membership fee and more contribution by members. This money will be advanced in terms of loans which bring more revenue to the SACCO through interest charged to members. The SACCO also earns revenue through commissions and bank charges charged to members after undertaking various transactions. This has a paramount effect in enhancing financial performance of SACCOs.

### **Membership Size and Financial Performance**

Koskei and Naibei (2017) studied determinants of member loyalty in SACCOs. The study was to; establish the influence of interest rates on loyalty of SACCO members; determine the influence of the mode of disbursement of funds on loyalty of SACCO members; to determine the influence of variety of SACCO products on loyalty of SACCO members and to determine the influence of collateral required by SACCOs to SACCO products by SACCO members in the

selected SACCOs. A survey of selected SACCOs in Kericho County, Kenya was done. Data was collected using Self-administered questionnaires. Data was analysed by use of correlation analysis and regression analysis. They established that SACCOs member's loyalty is determined by interest rates, mode of disbursement and variety of financial products. They suggested that there was a need of providing competitive interest rates and improving on efficiency in disbursements of funds. Customer loyalty is a key determinant to maintenance of membership size by Sacco. Though, this has not been clarified in the study. Membership size guarantees continued flow of revenue in terms of share contribution, deposits, commissions and transactions costs which will enhances financial performance of SACCOs.

Onsase et al (2017) assessed the effects of performance management practices on financial service delivery by SACCOs. The objectives were to: determine the extent to which Performance Management Practices were undertaken in the SACCO; evaluate the level of Performance of financial services in the Sacco; establish the extent of the relationship between Performance Management Practices and the level of performance of financial services. The study adopted a descriptive design. Data were analysed using descriptive statistics. The study findings that efficiency and effectiveness influenced performance via appropriate performance management practices. They did explain how performance management affected the membership. The issue of concern to members is the management of their savings that can guarantee benefits such as easier access to loans. This research established that lack of or inappropriate performance management practices leads to inadequate financial performance of SACCOs.

Makena (2014) carried out a research on rebranding strategy and SACCOs performance. The objective of the research was to investigate the effect of rebranding strategy on performance of SACCOs in Meru County, Kenya. The survey incorporated both branded and non-branded SACCOs in Meru County. In the study it was established that branding had a good influence on membership of SACCOs membership retention, increase in membership contribution and increases in savings and shareholding. In line with the result, it is confirmed that rebranding is a valuable way for SACCOs that seek to portray a new image and increase its market share. The research did not indicate how SACCOs could optimize revenue through increased membership. The current study shows how members of SACCOs can be influenced to contribute more funds for increased common benefits.

(Ochieng, 2018) carried out a study on determinants of financial performance of savings and credit cooperative societies in Nakuru town, Kenya. The objectives of the research study were based on; membership size, frequency of supervision and employment management practices. Descriptive survey research design was employed to capture of important information for the study. Inferential and descriptive statistic was used to analyse the data. The study findings showed that membership size affected financial performance of SACCOs because it determines the level of organization revenue from members deposits, fees and commissions.

### **Methodology**

A cross sectional survey research design was used since the study collected secondary data from different SACCOs and is appropriate in establishing to establishing statistical relationships among variables through complex statistical modeling (Khalid et al., 2012).

The study targeted only the 20 registered and active SACCOs operating in Narok County between the years 2013 to 2018. However, the researcher used criterion purposive sampling where only 17 of the SACCOs that were operating in Narok County between 2013 to 2018 were considered for the study.

Secondary data was collected from audited and published financial statements of the 17 SACCOs available from the main offices of the SACCOs. From each year data on membership size was extracted for all the SACCOs under study. Financial performance was measured by Return on Equity and Return on Assets for each SACCO where, data on profit after tax, total assets and total equity were collected.

Data was analysed using both descriptive and inferential statistics. Descriptive statistics of mean and standard deviation was used to assess the magnitudes of the responses for easy comparison and interpretation. The inferential analysis constituted correlation coefficient for assessing the relationship between the variables, analysis of variance (ANOVA) used to evaluate the effectiveness of the model to explain the relationship between the variables while regression analysis was used to evaluate the percentage contribution of the independent variables to the performance of the SACCOs. The hypotheses of the study were tested for significance at a p value of 0.05. SPSS and Ms Excel was used as tools for data analysis. The results were presented using figures and tables. Simple linear Regression model was used to test the significance of the influence of the independent variables on the dependent variable. The linear regression model is as presented.

$$Y = \alpha + \beta_1 X_1 + e$$

Y = A measure of Financial Performance based on ROE  
 $\alpha$  = Constant term

$\beta$  = Beta coefficient

$X_1$  = Membership size.

e = Error term

**Return on Equity** = Total Profits/ Total Equity.

**Membership size** is the total number of registered and active members of a SACCOs as at the end of a financial year. A SACCOs with more members is expected to have more turn over resulting to high levels of profits.

### Findings

Descriptive analysis was carried out to find out the effect of membership size on the financial performance of the SACCOs in Narok. The study sought to assess whether the SACCO membership has a direct correlation with the performance of the SACCOs. In order to determine the relationship the study collected data on membership size of the SACCOs. The data was first analyzed using the mean and the results are presented in Table 1.



Table 1

*Membership Size*

No. of Members	No. of SACCOs *						Mean
	Year						
	2013	2014	2015	2016	2017	2018	
Below 201	14(82.3)	14(82.3)	13(76.5)	12(70.6)	11(64.7)	11(64.7)	12(73.5)
201-400	1(5.9)	0	1(5.9)	1(5.9)	2(11.8)	2(11.8)	1(6.9)
401-600	0	1(5.9)	1(5.9)	2(11.8)	2(11.8)	2(11.8)	1(7.8)
Above 600	2(11.8)	2(11.8)	2(11.8)	2(11.8)	2(11.8)	2(11.8)	2(11.8)
<b>Total</b>	17(100)	17(100)	17(100)	17(100)	17(100)	17(100)	17(100)

\*% in Parenthesis

The results show that most of the SACCOs (73.5%) had an average membership size of between 1-200 members, followed by 11.8% with a membership of more than 600. Another 7.8% of the SACCOs had a membership of between 401 to 600 while only 6.9% of the SACCOs which had a membership of between 201 and 400.

The average membership per year for the SACCOs was then calculated and results are presented in Table 2.

Table 2

*Average Membership*

Years	2013	2014	2015	2016	2017	2018	Mean
Membership size for all SACCOs	4394	4728	5186	6205	6521	6523	5592
No of SACCOs	17	17	17	17	17	17	17
Average membership size for all SACCOs	258	278	305	365	384	384	329

The results in Table.2 show the average membership for the 17 SACCOs per year as ranging from 258 to 384. This is computed by taking the total membership of all the 17 SACCOs divided

by the number of SACCOs. The results were further presented in Figure 4.2 so as to show the trend on membership more clearly for the study period between 2013 to 2018.

In order to show the trend in average membership through the years, the findings are presented in figure 1

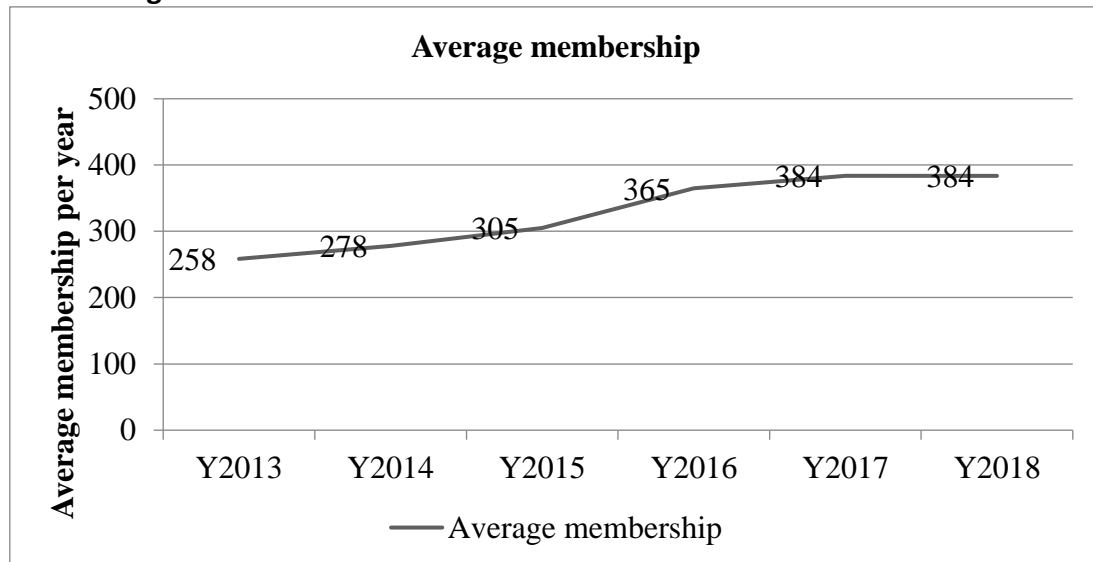


Figure 1: Average Membership of SACCOs over the Study Period

The average number of members in the entire SACCOs under study for the five years has shown a steady increase as indicated on figure 4.1. The results show that there is a steady increase from 258 to 384 for the years 2013 to 2018 respectively. This implies that the average membership in the SACCOs has shown an increase. This might be attributed to the ability of the members to support the activities of the SACCOs.

Moreover, the effect of membership size on financial performance of SACCOs on the measure of financial performance (ROE) was analysed. The results are presented in the table 3

Table 3

*Results of Regression Coefficients of Membership Size on ROE*

ROE	Coef	std. err.	t	P> t	[95% CI]
<b>LnMembp</b>	1.82037	1.4529027	4.02	0.000	2.708044
<b>_cons</b>	-7.622535	2.353524	-3.24	0.001	-3.009713

The study negates the null hypothesis that membership size had no effect on financial performance in that ROE ( $t = 4.02$ ,  $p=0.000$ ). This implies that a unit increase in the natural logarithm of membership size was determined to increase ROE by 1.82037.

This study has shown that membership size has a significant effect on the financial performance of the SACCOs in Narok County which is in line with the findings that were made by Motompa (2016) who looked at factors influencing growth of saving and credit cooperative societies in Kenya: a case study of Kajiado east sub county where members participation was

found to have a positive and significant impact on SACCO growth and recommends SACCOs to educate their members as well informed members are more versatile in understanding the advantages of SACCOs and could easily be convinced to take part actively in governance and doing business in their SACCOs.

Kivuvo and Olweny (2014), also noted that capacity to generate revenue influences the performance of a SACCO. This capacity is largely determined by the number of members that belongs to a SACCO when other factors are constant, leading to a higher amount of revenue. Therefore, membership size of SACCOs determines its financial performance (Bwana & Mwakujonga, 2013).

### Financial Performance of SACCOs in Narok Town, Narok County

The performance of SACCOs was measured using ROE using the data collected on total equity and total income after tax by the SACCOs. In regard to total equity, the distribution of the SACCOs in regard to amount generated was presented in Table 4.

Table 4  
Total Equity

Amount (000) Ksh	No. of SACCOs*						Mean
	Year 2013	2014	2015	2016	2017	2018	
Below 10,001	15(88.2)	15(88.2)	15(88.2)	15(88.2)	15(88.2)	15(88.2)	15(88.2)
10,001 -20,000	0	0	0	0	0	0	0
20,001-30,000	0	0	0	0	0	0	0
30,001-40,000	0	0	0	0	0	0	0
More Than 40,000	2(11.8)	2(11.8)	2(11.8)	2(11.8)	2(11.8)	2(11.8)	2(11.8)
<b>Total</b>	<b>17(100)</b>	<b>17(100)</b>	<b>17(100)</b>	<b>17(100)</b>	<b>17(100)</b>	<b>17(100)</b>	<b>17(100)</b>

\*% in Parenthesis

The results in Table 4 show that the majority of SACCOs, (88.2%) had average equity amounting to Kshs 10,000,000 and below while the rest (11.8%) had a total equity of Kshs more than 40,000,000 as shown.

The data collected representing the total income after taxes were analyzed and the results are presented in Table 4

Table 5

*Total Income after Tax*

Amount '000'Ksh	No. of SACCOs*						Mean
	Year 2013	2014	2015	2016	2017	2018	
Below 500	15(88.2)	13(76.5)	14(82.4)	13(76.5)	11(64.7)	11(64.7)	13(75.5)
501-1,000	0	1(5.9)	0	1(5.9)	2(11.8)	2(11.28)	1(5.9)
1,001-1,500	0	1(5.9)	0	0	1(5.9)	0	0(2.0)
1,501-2,000	0	0	1(5.9)	1(5.9)	0	0	0(2.0)
OVER 2,000	2(11.8)	2(11.8)	2(11.8)	2(11.8)	3(17.6)	4(23.5)	2(14.7)
<b>Total</b>	17(100)	17(100)	17(100)	17(100)	17(100)	17(100)	17(100)

**\*% in Parenthesis**

The results in Table 5 show that the majority of SACCOs (75.5%) had a total income after tax of Kshs of up to 500,000, followed by (14.5%) who had a total income after tax of over Kshs20,000,000, (5.9%) had income after tax of between Kshs 500,000 to 1,000,000 while the rest (2%) had an income after tax of between Kshs 1,000,000 and 1,500,000 and a similar number had total income after tax of between Kshs 1,500,000 and 2,000,000.

This implies that the performance of SACCOs measured by the ROE showed a decline in the last six years of the study. This can be seen in the trend shown in Figure 2

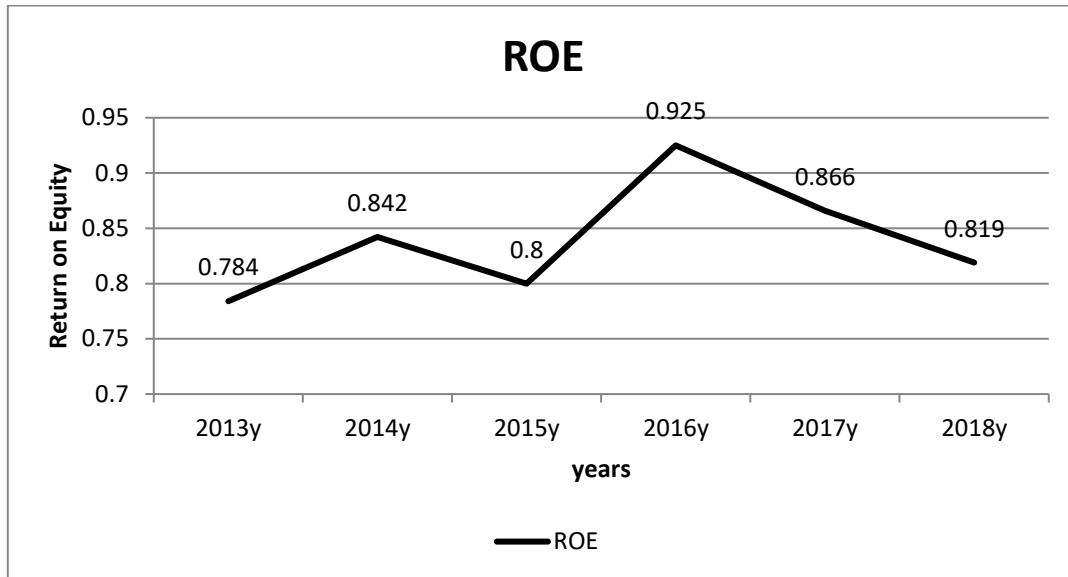


Figure 2: Return on Equity

The results in Figure 2 shows that the ROE also shows a fluctuation trend with the year 2013 recording the lowest value of 0.784 while 2016 recorded the highest value of 0.925. This indicated that within the study period the average ROE for the 17 SACCOs operating in Narok Town, Narok County rose to a value of 0.925 in the year 2016 and declined steadily through 2018.

### Correlation Analysis

The results further sought to establish how this factors correlate with the performance of the firm. It was important to analyze how these selected determinant affected the performance of SACCOs. In order to evaluate whether there was correlation between the independent and independent variable SPSS was used to correlate the independent and the dependent variable. The results are presented in table 6.

Table 6

#### *Correlation Analysis between membership and SACCOs Financial Performance*

		ROE
<b>Membership</b>	Pearson Correlation	.091
	Sig. (2-tailed)	.402

Similarly, the correlation analysis to determine whether the number of members had an influence on ROE among the SACCOs showed that there was a weak but positive non-significant correlation ( $r = 0.091$ ;  $P \text{ value} = 0.402$ ). These findings justify earlier findings such as Alfred, 2011; Gekara & Joseph, 2013 who indicated that the performance of SACCOs measured by ROA influenced by among other factors the rate of loans to members and level of investment made.

### 5 Regression Analysis for Relationship between membership and ROE

In this section R will be used to represent the correlation coefficient between the variables,  $R^2$  which is a measure of how much of the variability in the outcomes is accounted for by the predictor variables. The results are presented in table 7.

Table 7

Regression Model Summary between Membership and ROE

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change in R Square	F Change	df1	df2	Sig. Change
1	.091 <sup>a</sup>	.008	-.003	.42443242	.008	.709	1	85	.402

a. Predictors: (Constant), Members

The model summary shows that the value of  $R = 0.091^a$ ;  $p$  value = 0.402;  $F$  value = 3.709 and  $R^2 = 0.008$ , this indicates that the correlation coefficient between the predictor (Members) and the outcome (ROE) is positive but not statistically significant since the  $P$  value is more than the critical value of 0.05. The  $R^2$  value of 0.008 means that the loan defaults accounts for only 0.8% of the variation in financial performance measured by ROE of SACCOs. The study further sought to test whether the model is significantly better at predicting the outcome. The  $F$  ratio which represents the ratio of improvement in prediction that results from fitting the model this is represented in table 8.

Table 8

ANOVA between Membership and ROE

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.128	1	.128	.709	.402 <sup>b</sup>
	Residual	15.312	85	.180		
	Total	15.440	86			

a. Dependent Variable: ROE

b. Predictors: (Constant), Members

The results show that the model is a very weak predictor of the relationship between Membership and ROE given that the  $F$  value (.709) as indicated on the ANOVA table was less than the critical  $F$  value at  $df = 1; 85$  which is 3.953.

Based on these findings the null hypothesis that there is no significant relationship between membership size and financial performance of SACCOs in Narok Town, Kenya, was accepted because the  $p$  value of the model was more than 0.05 hence it implies that membership of SACCO might not influence the performance of the SACCO measured by ROE.

The study also sought to establish whether the relationship between the variables was significant or not and whether positive or negative. The results are presented in table 9.

Table 9

*Regression Coefficient on membership and ROE*

odel		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	.715	.052		13.664	.000
	Members	5.653E-005	.000	.091	.842	.402

a. Dependent Variable: ROE

For this data the beta value (B) is negative (B = 5.653E-005) indicating that there is a positive relationship between the prediction (membership) and the outcome (ROE). This means that as loan default increases the ROE decreases and vice versa. This value also indicates the degree to which the predictor value affects the outcome when all other factors effect in held constant. If the t- statistic associated with the B value is significant if the P value is less than 0.05 then it means that the predictor is making a significant contribution to the model. When the value of t- is between -2 and +2 then the null hypothesis of no statistical significance between the predictor variable and the out is accepted. When the t- value is small the p value will be more than 0.05. For this study therefore the t value is – 1.842with a p value of 0.402 which indicates that loan default is a weak predictor of Sacco’s performance and hence its contribution to the model is not significant.

### Summary of the Findings, Conclusions and Policy Implication

The summary is done in line with the objectives of the study based on the output of the descriptive and inferential statistical analyses guided to test the research hypothesis of the study.

### Membership size and the financial performance

The objective of the study was to evaluate the effect of membership ship on financial performance of SACCOs in Kenya. Various methods were used to arrive at the findings. These methods included descriptive statistics, correlation analysis and regression analysis. The findings indicated that the mean number of members in all the SACCOs under study was 386. This implies that the membership for most of the SACCOs has grown within the period of the study. Correlation analysis to determine whether the number of members had an influence on ROE among the SACCOs showed that there was a weak but positive non-significant correlation.

### Conclusion

In view of the aforementioned analysis, this study concludes that the effect of membership of SACCO might not influence the performance of the SACCO hence not a significant contributor of financial performance of SACCOs in Narok County.

### Policy Implication

The study recommends that SACCOs should ensure that they build their numbers to boost their saving and hence improve on the financial performance. The membership size is influenced by other factors such as dividend payout hence the SACCOs need to focus on enhancing those factors that have an influence on the membership to eventually influence

financial performance. For the SACCO's to remain relevant in today's competitive business environment they should come up with policies to increase membership and new competitive strategies. For example, majority of SACCOs are giving loans three times of members contributions at the lending rates of 1% on reducing balance, on the other hand, some MFIs are giving nine times of members' savings at the same lending rates with SACCO's. SACCO's should look for more member increase and retention strategies rather than the dividend aspect.

### **Suggested Areas for Further Research**

Arising from the findings and the gaps in the study, a replica study is recommended for a broader coverage of SACCOs in other regions in order to test whether the conclusions of this study will hold true.

Studies need to be conducted to assess the effect of these predictor variables on non-financial indicators of performance. This will help to add knowledge and fill the gap that the current study has noted.

Future studies should apply different research instruments like questionnaire and interviews, so as to dig deeper into understanding the behavior of the various selected determinants in relationship to the financial performance of the SACCOs

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