AN INVESTIGATION ON THE MEMBERS' ATTITUDES AS REGARDS THE LENDING POLICIES FOR THE SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN KENYA: A CASE STUDY OF MWALIMU SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED, NAIROBI.

MBA PROJECT
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MBA PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS AND ADMINISTRATION, FACULTY OF COMMERCE

KENYATTA UNIVERSITY

JULY, 1998
DECLARATION
This research project is my original work and has not been presented for a degree in any other University.

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This research project has been submitted with my approval as University Supervisor.

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DEDICATION

This research project is dedicated to my dear wife, Josephine Kerubo, our two daughters, Eunicares Mong’are and Christine Kwamboka and our two sons, Anaclate Machera and Harrison Obiko for their love and patience while I was away in Kenyatta University for the MBA Program.

May God sustain you.
ACKNOWLEDGEMENTS

A great number of people contributed so much to the completion of this project.

First, I sincerely thank my supervisor, Anna Mukonambi for her professional and invaluable guidance, suggestions and advice throughout this research project.

I also acknowledge all my lecturers who did a wonderful service and in particular Mr. Ochola for assisting in interpreting the data, Mr. Kalenywa Atheru, Dean Faculty of Commerce and Mrs Risper Orero, Chairperson, Accounting Department for their constructive instructions, suggestions and advice in building up this project report.

Acknowledgement also goes to my student colleagues, Kihara, Maiyo, Rono, Origa, Mary, Nyam, Odongo, Catherine and Lilian for their companionship throughout the program. You all know what you were to me as I was to you.

I would also like to greatly thank my parents Martin Machera and Agnes Nyabonyi, brothers and sisters and all those who were around me for their financial help throughout the program period. Special thanks go to Kefa Onyancha for his wonderful support and Mr. James K. Mutura DGM Finance Mwalimu SACCO for the information.

Lastly, special thanks go to Mrs Joyce M. Muema for her assistance in typing this work and Mr. A.D. Bojana for proofreading the project.

To all of you I say, "Thank you and May God Bless You".
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ABSTRACT

Savings and credit co-operative societies are one of the many non-agricultural co-operative societies in Kenya. They are unique in that, out of their services and daily operations, they can be classified as financial institutions. Because of their great contribution towards economic development, the government through the Ministry of Co-operative Development issues policies which guide their operations. These policies are reviewed periodically to be in line with changing economic conditions.

The researcher’s main objective was to find out the attitudes members held towards the lending policies and also the aspects of such policies that members were not satisfied with. The other objective was to find out whether members’ attitudes were influenced by the salary scale or the number of years one had been in the society.

The researcher undertook a case study of Mwalimu Savings and Credit Co-operative Society Ltd, Nairobi where a sample of 150 was used. A questionnaire was used in collecting data. The data collected were analysed by way of tabulation, mean scores, percentages and semantic differential profiles. From the study it was found that, depending on the lending policy in question, members’ attitudes varied from positive to negative. Further, it was established that members’ satisfaction or dissatisfaction with particular lending policies was not influenced by either salary scale or number of year one had been with the society.

From the findings it was recommended that those policies to which members held negative attitudes be dropped and that the government should withdraw its involvement in the running of day-to-day operations of the savings and credit co-operative societies. This could ensure autonomy of such societies and members’ full participation in their management could enhance high savings.
LIST OF ABBREVIATIONS

1. ACCOSCA - African Confederation of Co-operative Savings and Credit Association.
2. CFP - Central Finance Program
3. CIS - Co-operative Insurance Services Ltd
4. CPCS - Co-operative Production Credit Scheme.
5. CSS - Co-operative Savings Schemes
6. CUNA - Credit Union of National Association
7. DGM-F - Deputy General Manager-Finance
8. GM - General Manager
9. GNP - Gross National Product
10. KANU - Kenya African National Union
11. KIA - Kenya Institute of Administration
12. KUSCCO - Kenya Union of Savings and C Ltd
13. MOCD - Ministry of Co-operative Development
14. SACCOs - Savings and Credit Co-operative Society
15. UBS - Union Banking Section
16. WOCCU - World Council of Credit Unions
CHAPTER ONE

INTRODUCTION

1.1 Background

Among the major developing countries, Sub-Saharan Africa has the lowest provision of basic needs, the highest population growth and the lowest efficiency in investment per capita GNP growth rates continue to stagnate or to decline in most countries. This is attributed to the structure and organization of the present-day international economic systems which are characterised by "external factors over which African states have little or no control, such as unpredictable fluctuations in world commodity prices, deteriorating terms of trade, rising protectionism in the north, decreasing foreign investment in Africa and declining levels and more stringent conditions of aid".

Many African States have taken the initiative to counter such deteriorating conditions by way of institutional policies aimed at averting and minimising the economic problems in the recent years. These are aimed at restoring and improving the levels of economic management and performance. One such effort is the formation of the African Confederation of Co-operative Savings and Credit Association (ACCOSCA).


The Co-operative Movement is acknowledged as one of the best institutional frameworks for conducting the economic affairs of the nation. The movement is expected to play a leading role in the national development strategies by complementing government efforts in the mobilization of potential development.3

1.2 Historical Perspective

Goran Hyden argues that the study of the co-operative movements is of particular interest to Kenya because of the many years the country suffered from the "relatively intensive colonization".4 This state of affairs, he continues, "left the majority of African farmers outside the monetary economy until the 1950s". The negative attitudes of the government towards the movement on one hand and the paramount authority of the whole population on the other, made it impossible for the Africans to enjoy anything from the existing facilities provided by the co-operative societies ordinance of 1931. Instead, the ordinance provided the European farmers with powers to organize themselves into co-operative societies for the marketing of their agricultural products.

The Africans first opportunity to form co-operative societies was provided for by the 1946 co-operative societies ordinance. Under this ordinance the Office of the Registrar of Co-operatives was created. However, this was challenged by the Europeans and Civil Servants. To them the average African had not reached a stage in the history of development whereby he would reap the maximum good from associations. A successful co-operative movement, they assert, required, "an intelligent and enlightened",

members who displayed full "interest in the management of its affairs", and "had an adequate understanding of the principles of co-operatives".  

Sessional paper No. 10 of 1965 put emphasis on the need for "mutual social responsibility" in the process of development. It also stated that co-operatives are particularly well-situated for participation in rural development because they have "direct roots in African traditions", 6 The 1966-70 Kenya Development Plan, contained a specified programme of Co-operative Development, emphasized by the phrase that "there is only one course of action open to the nation, and, that is to strengthen the co-operatives to play their role adequately". The Second Kenya Development Plan (1970-74) outlined efforts to "consolidate the already existing co-operatives and turn them into multi-purpose".  

1.3 Savings and Credit Co-operative Societies in Kenya  
During the famous airlift of the Kenya Government Officers and Students by KANU in early 1960s to various overseas countries in preparation for independence, the officers in the Ministry of Co-operative Development did not come back as they went.  

from mastering the skills in the management of the traditional agricultural co-operatives, they discovered new fields of co-operatives, that is, Co-operatives of Savings and Credit Societies for salaried communities in urban areas. When they came back they gave their recommendations to the government and quoted that "co-operative savings and credit societies would contribute a lot to the economy of this country and help uplift the standards of living of the workers". Their efforts in promoting savings and credit societies led to a conference on mobilization of Local Savings held at Kenya Institute of Administration (KIA) in 1965. After the conference, experts from the legal section of the Ministry of Co-operative Development and a few experienced Co-operators from CUNA were assigned the task of formulating standardized model by-laws of savings and credit co-operative societies which gave birth to the savings and credit co-operative societies in Kenya, and the first two societies to be formed were:

- Mwea Tebere - for the rice growers in Kirinyaga District
- Vya - for a community in Mombasa under a Parish.

Many SACCOs that followed were formed on the basis of residential or tribal bond of union. "Most of them collapsed, making the Department of Co-operative Development at the Ministry of Co-operative and Development in 1969 to draw a policy that the credit

production scheme would be promoted in rural areas and SACCOs would be for salary and wage earners, and no new societies would be registered unless they had the assurance of functioning on a payroll deduction from their employers". This resulted into SACCOs that had members from all over the country.

In 1970, the government issued a sessional paper No. 8 on "Co-operative Development Policy for Kenya "which emphasized the important role savings and credit co-operatives were to play in the economic development of Kenya.

The encouragement of thrift among the salaried community and the accumulation of savings and credit co-operatives can make a significant contribution towards providing local development capital and thereby reducing the need for borrowing from outside the country.  

Sessional Paper No. 4 of 1987 titled "Renewed Growth through the Co-operative Movement", the government re-stressed the view that "the co-operative movement is one of the well-established institutional arrangements for conducting the economic affairs of the nation" and recognizes that "co-operatives form an essential development tool to achieve the national objectives which include: individual freedom; political equality; social justice; human dignity; freedom from hunger; disease; ignorance and exploitation; equal opportunities and the expansion and integration of the economy with equitable shaping in its benefits".

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The government having realized the changes and developments within which co-operatives were operating both nationally and internally; socially, economically and politically, re-defined the role of its agencies in co-operative movement. It modified and reviewed the existing policies and introduced new policies deemed appropriate in order to give the co-operative movement the direction and momentum for growth and keeping to the aspirations of its members and the economic realities of the country.

Immediately after independence, two SACCOs were registered. "In 1978 (Table 1.1), there were 630 SACCOs with 387,519 members, they had saved Kshs. 375,005,000 and outstanding loans amounted to Kshs. 357,005,000. By 1988, there were 1723 SACCOs with 650,926 members who had saved Kshs. 5,665,391,000 and had outstanding loans amounting to Kshs. 4,645,621,000. By 1996, there were 3031 SACCOs, with 1,962,471 members who had saved Kshs. 20,788,047,000 and had outstanding loans amounting to Kshs. 18,237,657". 13 This clearly shows a tremendous growth in both the numbers and members of SACCOs. From (Table 1.2) of the Co-operative Societies by type, MOCD Statistics (1995), SACCOs constituted almost half the total number of Active Co-operative societies. They were 2,590 against a total of 5,222. SACCOs by the same time had more than half the active members. They were 2,833,900 against a total of 3,558,100. This calls for their critical attention and guidance for them to contribute greatly to economic development.

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Source: MOCD Statistics 1997
1.4. SACCOs and their Objectives

Their Primary Objective as stated in the model promotion manual is:

*to provide savings and credit facilities. It is out of the savings mobilized that credit is extended to the members on softer terms and conditions than what is offered by other existing financial institution. The SACCOs by providing such savings and loan facilities thus make a very significant contribution towards providing local development capital and reducing need to borrow abroad.*

This clearly shows that a SACCO is a financial co-operative organized by people with a common interest or bond. They pool assets, providing funds for loans, to those in need in the bond. The members own the SACCO, elect committee members and supervisory personnel from among the membership. SACCOs have operating principles "founded in the philosophy of co-operation and its central values of equality, equity and mutual self-help, set by great thinkers, that is, Robert Owen and Rochelale Weavers in England in 1844. They were champions of SACCOs' operations and outlined "Co-operative principles which are in use up to today:

- Open membership to all within the common bond;
- Democratic control, that is, one member, one vote;
- Limited dividend on share capital;
- Return (dividend) in proportion to members patronage/contribution;
- Political and religious neutrality;
- Co-operation among co-operators at local, national and international levels; and

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14. Model promotion manual for savings and credit co-operative; African Confederation of Co-operative Savings and Credit Association (ACCOSCA) Publications: 1987; P.3-4
Continuous education to all members''.

1.4.1 Types of Savings and Credit Co-operative Societies in Kenya

There are mainly two types of SACCOs, a distinction made in Kenya to fit in its economic characteristics. The first category is the Rural SACCO which has two features, that is, the Co-operative Production Credit Scheme (CPCS) and the Co-operative Savings Scheme (CSS). The CSS gave birth to the banking section commonly known as the "Union Banking Section "(UBS). The second category is the urban commonly known as the savings and credit and credit co-operative societies (SACCOs) which were the main concern of the researcher and they are meant for salary and wage earners.

Generally, SACCOs in Kenya are young financial intermediaries, but the fastest in growth among all the financial intermediaries. They exist practically in all ministries, parastatal organizations, big companies, hospitals and educational institutions.

Because of their importance in socio-economic development, the government attaches great importance to them. This can be seen through the institutions set up by the government to facilitate their growth and development and enhance their operational efficiency and effectiveness. Such institutions include:

Educational institutions to educate and train personnel such as, the Co-operative College of Kenya established in 1967 by the Ministry of Co-operative Development.

The Kenya Union of Savings and Credit Co-operative Ltd (KUSCCO) set up in 1973 as a National Apex body for the SACCOs. It offers specialised services such as promotion, accounting and supply stationery.


The government through the Ministry of Co-operative Development (MOCD) set guidelines, meant to enable the SACCOs achieve their objective of mobilizing savings and lending them back to members at favourable interest rates:

- to prevent liquidity problems,
- to ensure fairness in loan granting,
- to facilitate loan recoveries,
- to minimize loan defaulting.

These guidelines are meant to assist SACCOs manage their affairs for the optimum benefit of their members. However, these guidelines together with lending policies have implicit controversies. This was the major concern for the researcher.

1.5 Overview of Mwalimu SACCO Ltd, Nairobi

1.5.1 Historical overview and its developments

Mwalimu SACCO was started by 11 employees of TSC and got registered on 24th October, 1974. A week later, the number of members rose to 60 with a total
subscription of Kshs.6,000. Their office was in Pan-African House until 1982. In 1976, the society invited secondary school teachers from Nairobi and by then they had employed an accountant who was running all the affairs of the society.

In early 1980, there was a passionate request/appeal for primary school teachers from those districts which had not formed teachers SACCOs to join it. The districts that requested included West Pokot, Samburu and Turkana. However, this opened admission for primary school teachers countrywide.

In 1992, the society stopped completely the registration of primary school teachers and restricted membership to TSC employees in departments 37, 38, 41 and 52 and Mwalimu Secretariat as is contained in the By-Laws 1997. It also admits employees from Kenya National Examinations Council (KNEC) members who may be transferred to different sectors or ministries and opt to remain members, their membership is not affected. Membership growth rate is 4000 annually and stands at around 44,000 members in 1998 (Mr. J.K. Mutura, DGM-F).

From Table 1.3, the membership grew steadily and stood at 41,808 members by 1997. Their savings also increased steadily with a corresponding steady increase in outstanding loans and stood at Kshs.1,627,341,712 and Kshs.1,405,996,841 respectively by
| TABLE 1.3  MWALIMU SACCO, NAIROBI. MEMBERSHIP AND REVENUE, 1998 |
|---------------|-------------|-------------|-------------|-------------|-------------|
| | 30,678 | 34,649 | 36,715 | 38,800 | 41,808 |
| | 716,209,448 | 866,502,442 | 1,063,365,107 | 1,327,116,789 | 1,627,341,712 |
| | 627,662,003 | 709,780,795 | 949,987,821 | 1,185,855,156 | 1,405,996,841 |
| **4. Total Revenue** | | | | | |
| | 66,372,890 | 76,521,916 | 94,737,262 | 137,059,491 | 148,271,274 |
| | 4,807,154 | 7,846,426 | 7,740,784 | 6,232,677 | 15,918,593 |
| | 1,431,858 | 1,649,741 | 1,494,118 | 2,368,977 | 2,319,805 |
| | 928 | 739 | 733 | 700 | 500 |
| **5. Dividend/Interest** | | | | | |
| (a) Amount paid | | | | | |
| (i) Dividend | 1,335,090 | 952,848 | 1,101,450 | 1,551,280 | 1,672,320 |
| (ii) Interest | 42,052,227 | 46,704,787 | 47,820,458 | 77,187,630 | 80,281,256 |
| (b) Rate | | | | | |
| (i) Dividend | 6% | 5.5% | 6% | 8% | 8% |
| (ii) Interest | 6% | 5.5% | 4% | 5.9% | 5.8% |
| **6. Assets - (Cost)** | | | | | |
| | 63,431,941 | 63,484,293 | 63,484,293 | 63,484,293 | 66,329,508 |
| | 9,472,556 | 10,099,248 | 11,732,562 | 13,172,888 | 17,795,886 |
| | 1,313,269 | 1,336,490 | 1,536,094 | 1,542,005 | 1,973,337 |
| | 4,774,792 | 6,252,994 | 6,476,531 | 6,814,256 | 6,738,880 |
| | 1,725,389 | 1,725,389 | 1,725,389 | 3,566,389 | 3,566,389 |
Total revenue increased steadily and a great contribution came from interest on loans granted to members, it contributed Kshs.148,271,274 to total revenue in 1997. Although the interest and dividend paid to members showed an increase, their rates have remained constant over time and in some instances decreasing tremendously like, for interest in 1994 to 1995, there was a decrease from 5.5% to 4%.

From Table 1.4 it can be seen that Mwalimu SACCO, Nairobi has invested in a number of organizations. This adds up to their revenues which is used in paying the employees of the society and part of it goes to the members as dividends or interest. These investments have increased over time for example investments in KUSCO shares stood at Kshs.101,000 in 1997 up from Kshs.1000 in 1993, investment in CIS stood at Kshs.408,780 in 1997 up from Kshs.400,000 in 1993 and investments in C.F.P stood at Kshs.3,431,816 in 1997 up from Kshs.1,642,928 in 1993.

As outlined in the by-laws, Mwalimu SACCO is run by members, that is a Board of Representatives which is constituted by the branch representatives not exceeding 500 members. They hold annual and special meetings as outlined in the by-laws. From the board of representatives members, a central management committee is elected to run the affairs of the society. CMC comprises a minimum of 7 and a maximum of 9 members and include the chairman, vice chairman, treasurer and secretary all of whom must be elected by the committee. CMC meetings are held regularly at least once each month. CMC is a policy making body for Mwalimu SACCO. The members are elected on a three year term. On the organizational chart, CMC is followed by Executive Officers who are the General Manager, Deputy General managers and the Chief Accountant who
### TABLE 1.4 MWALimu SACCO, NAIROBI INVESTMENTS 1998

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<tr>
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</thead>
<tbody>
<tr>
<td>1. KUSCO Shares</td>
<td>50</td>
<td>1,000</td>
<td>1,000</td>
<td>7,000</td>
<td>7,000</td>
<td>101,000</td>
</tr>
<tr>
<td>2. CODIC Shares</td>
<td>1000</td>
<td>50,000</td>
<td>50,000</td>
<td>100,000</td>
<td>100,000</td>
<td>1000,000</td>
</tr>
<tr>
<td>3. Co-operative Shares</td>
<td>100</td>
<td>1,478,500</td>
<td>1,626,300</td>
<td>1,788,900</td>
<td>2,146,600</td>
<td>2,253,900</td>
</tr>
<tr>
<td>4. CIS Shares</td>
<td>20</td>
<td>400,000</td>
<td>400,000</td>
<td>400,000</td>
<td>408,780</td>
<td>408,780</td>
</tr>
<tr>
<td>5. C.F.P</td>
<td>-</td>
<td>1,642,928</td>
<td>1,642,928</td>
<td>2,689,701</td>
<td>3,431,816</td>
<td>3,431,816</td>
</tr>
</tbody>
</table>
attend the meetings of the society but have no right to vote. Mwalimu SACCO has branches which form electoral zones for the society. The branches are run by elected Chairman, Vice Chairman, Treasurer, Secretary and at least seven members to be in the committee. These branch representatives are the sole representatives of the branches in the Board of Representatives. Branch officials meet once every two months and shall be in office for a period of one year but may be re-elected at the expiry of their term.

1.6 Background of the problem

Although there is not much literature on the SACCOs, various categories of people, that is, members and interested parties have registered their complaints and criticisms on the lending policies ranging from the Government involvement in the management of cooperatives to restrictive commissioner’s for co-operative development controls.

Many writers have highlighted the inadequacies, effects and short comings of the co-operative laws in general and the lending policies in particular in the promotion, development and operations of the SACCOs and their negative effect on the SACCOs’ role and impact in the mobilization of savings.

17 Mandizha, C, "Co-operative Laws Governing Savings and Credit Co-operatives in North America and other movements". 1985, p.27

18 Ogola, J.J.; Op. cit
Mwarania, K.M. and Mutugu, T.M., OP. Lit
(Mandizha 1985) talks of loan interest rates and dividend and argued that:

Many of the acts and rules set the interest rate on loans at 6% per annum on the unpaid balance. The income accrued from charging interest is used by the societies to cover their expenses. Yet keeping the rate of 6% is disastrous for the societies given the annual inflation rates in some countries. The problem exists with the dividend rates being fixed in either the acts or the rules. In many states, the rates are fixed between 4% and 7%. In some countries, competition is causing members to put only enough monies in the society to improve their "borrowing capacity". Any other funds the members may have are put into the types of financial institutions whose interest rates are better.

On the reserve requirements she argues that:

*Often the requirements are too difficult for small societies to comply with, while large societies must continuously meet them although they have substantive financial positions.*

(Ogola, J.J., 1986) similarly on reserve fund argues that:

*The mandatory reserve fund percentage is arbitrary and too high. After all savings and credit societies are not formed to create reserves but to make loans to members, instead of tying up so much money in reserves, the society should be free to lend it to members for productive purposes.*

The above and many more arguments clearly indicate that policy guidelines can result to negative effects making the intended not to be achieved. Mwarania and Matugu (1986) in their paper discussed the SACCOs objectives and their incompatibility with economic development. They further highlighted the problems that hinder the proper functioning of SACCOs. These problems were seen as emanating from the operating

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democratic membership, open membership, service at cost, limited interest on capital, maximum period for loan repayment emanating from the government patronage.

Mudibo (1997) in a paper he presented on *Structural Adjustment programme and its effect on SACCOS* states that there are opportunities open to SACCOS and they include:

- Deregulation of interest rates which implies that SACCOS can now charge realistic interest rates depending on the market rates,
- Eligibility of SACCOS to obtain licenses on Corporate Forex Bureaus
- SACCOS can easily deal in Open Market Operation such as the high yielding Treasury Bills.

1.7 Statement of the problem

The lending policies are an important aspect in guiding the operations of savings and credit co-operative societies (SACCOS). However, the willingness of member of the SACCOS to save in them, and their commitment to the societies may greatly depend on the attitudes they may hold towards the lending policies. Complaints and criticisms have been aired by members and other interested parties as regards to these policies.\(^21\)

Different authors, De Melo (1980), Galbin, Fisher (1982), Koot (1978), Mandizha

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Mwarania and Matugu (1986) and Ogola (1986) have highlighted the inadequencies, effects and shortfalls of co-operative laws in general and the lending policies in particular, in the promotion, development and operation of the SACCOs and their negative effects on the SACCOs role and impact in the mobilization of savings. It is from all these controversies, especially, regarding the lending policies that the researcher felt that, there had not been any systematic study done to find out the attitudes members of Mwalimu SACCO hold on the existing lending policies.

1.8 Objectives of the study

The first and main objective was to find out the attitudes members of Mwalimu SACCO have towards the current lending policies. The second objective was to find out aspects in the loaning policies that members were dissatisfied with. The third objective was to find out if the attitudes held by members were influenced by either the number of years one had been a member or the salary level.

1.9 Importance of the Study

- The study is expected to be of importance to the management team of Mwalimu SACCO, in particular, in the management of the lending policies for the optimum benefit of their members.
- The study is also expected to be of importance to the Ministry of Co-operative Development; it is expected to provide a systematic evidence on how the policies are received, for revaluation.
- The study is to form a starting point for academicians, for further research, especially to the growing number of researchers studying co-operative movements.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The literature review covers the importance of attitudes as an important psychological determinant of consumer behaviour among the complexity of cultural, social and market mix tools, that is, the 4ps which are price, product, promotion and placement. It relates consumer’s attitude to the consumption of the services provided by the savings and credit co-operative societies to members. It also gives the content of the lending policies.

2.2 Importance of attitudes

Several studies have been done to show the importance of attitudes in the consumption of services. Usenge (1987) carried out a study to show the importance of attitudes in insurance services and their influence on behaviour. Kotler (1984) in his analysis of psychological factors that influence buyer behaviour, emphasized attitudes and beliefs, consumer’s learning experience, personality, self-concept and perception as the major ones.

Attitudes directly affect purchase decisions, (Churchill 1983) and these in turn directly affect attitudes through experience in using the products or services selected. Consumptions or purchases behaviour are based upon attitudes existing at the time.
2.2.1. Attitudes and their measurement

Different authors have defined the term attitude differently. Assael (1981) defined attitudes as learned predispositions to respond to an object or class of objects in a consistently favourable or unfavourably way.

Summers (1970), contends that the most popular concept of attitude was formulated by Katz and Scotland (1958), and Krech, et al, (1962), where it consists of three components

- Cognitive
- Emotional and
- Action tendency

Cognitive (beliefs) are beliefs one has about objects and they vary from one person to another. Such beliefs are about the desirable or undesirable, acceptable or unacceptable, good or bad qualities of the object.

The emotional or feeling component refers to the emotions or feelings attached to the object. Elements of such feelings are called bi-polar adjectives and include, love-hate, like-dislike or admire-detest. These bi-polar adjectives were useful in designing the questionnaire which was used in collecting the data from the members of Mwalimu SACCO, Nairobi.
The action tendency or behavioural component incorporates the behavioural readiness of the individual to respond to the object in a particular manner or way.

The cognitive, emotional and action tendencies are intertwined such that if a person believes that his country is good and stands for good goals and practices, he will be in a state of readiness to respond in a way to be helpful, supportive and participative. It was from such a background that the researcher based his study on an investigation into the members' attitudes towards the lending policies of SACCOs in Kenya.

Howard (1983) argues that, attitudes are important when it comes to analysing their marketing implications, "since they are active rather than neutral, this postulates that they are accurate predictors of behaviour and this is critically important for both fundamental and operational research in marketing". One can justifiably conclude that "an attitude, no matter how conceived, is simply one of the terms in the complex regression equation we use to predict consumer behaviour." 

Remmers (1954) has outlined assumptions in the measurement of attitudes thus: that attitudes are measurable and that measurable attitudes are common to the group, that they are held by many people, and that they vary along a linear continuum. (Assael 1981) proposed that attitudes are related to behaviour. The more the consumer


favours a brand name, the more likely he/she is to purchase it, or attitudes are measures of inclination to purchase a good or service.

Howard (1963), outlines several methods of measuring attitudes and they include:

- Method of summated ratings (Likert type of scale).
- Scalogram analysis (Gutman scale)
- Rating methods (use of judges)
- Judgement methods (Thurstone), and
- Semantic differentials (Osgood).

The contention that evaluative beliefs and direction of the response readiness will tend to be consistent, was important for this study, for it implied that members' commitment to their society and the decision to save and consume the services largely depended upon one's evaluation of the lending policies that guide and control the operations of the savings and credit co-operative society.

2.3 Lending Policies of the Savings and Credit Co-operatives in Kenya

(Appendix A)

The Ministry of Co-operative Development issued the lending policies for SACCOs in Kenya in 1985, they were reviewed in 1992 and in 1997. The policies were to be brought to the attention of members and are to conform with and supplement the by-laws of the SACCOs to:
• ensure that SACCOs do not experience liquidity problems;
• ensure fairness in loan granting;
• facilitate loan recoveries; and
• minimize loan defaulting.

The ministry flexed these policies such that SACCOs could have additional restrictions especially with regard to repayments and maximum amount of loan. The policies are as below.

2.3.1. Lending requirements

Under this, members can start getting loans after six months of continuous contribution and the minimum amount of shares should be Ksh. 600. Loans should be given to members only at 1% rate of interest per month on the balance of the loan. Members should belong to only one SACCO at each time.

2.3.2 Emergency loans

Emergencies include sudden hospitalization, funeral expenses, court fines and other unforseen circumstances beyond the members’ control. School fees loan will also be given and will cover overseas college fees according to the By-Laws (1998). Together with the outstanding balance of the normal loan it should not exceed four times the members, shares.
2.3.3 Repayments

The repayment is to be determined by the management committee, but in all cases should not exceed 48 months (4 years). In repayment, the member shall not suffer more than two thirds of his/her monthly basic salary. Basic salary excludes rental house allowance and medical allowance. Emergency and school fees loans shall be repaid within 12 months (1 year).

2.3.4 Guarantee

The requirement is that, unless the loan applied for is equal or less than a member's shares, it must be secured by guarantors. Members are not allowed to guarantee more than three members and all guarantors must be members of the society.

2.3.5 Other securities

These include pledges in form of articles like share certificate, land title deeds or insurance policy up to surrender value. SACCOs in turn must deposit such articles in a bank for safe custody, but should be handed back immediately, the loan balance equals the shares. The validity of the articles must be confirmed before they are accepted.

2.3.6 Defaulters and withdrawals

In withdrawing membership from the society, a member is required to give a notice of not less than 60 days. Such a member should have had a loan balance equivalent to his shares and the members he/she guaranteed should have had loan balances equal to their shares or should seek a replacement guarantor.
When a member defaults a loan he/she shall be notified after one month with a copy to all the guarantors. If no subsequent payment is done guarantors are called upon to honour their obligations.

The above are the lending policies contained in the circular issued by the commissioner for Co-operative Development and other subsidiary legislations Mr. R.W. Bommet (1997).

The above guidelines were an important determinant of members’ attitudes on the lending policies and such evaluative beliefs which are either positive or negative normally influence the direction of the member’s readiness in the consumption of the SACCOs services.

2.4 **Kenya’s Financial Environment and Financial Intermediation**

In Kenya, financial intermediaries are categorized as below:

- The Commercial Banks such as Kenya Commercial Bank, National Bank of Kenya, Barclays Bank, Trust Bank and Standard Chartered Bank.
- The Postbank - Post Office Savings Bank
- The Savings and Credit Banks or Credit Financial Institutions.
- Building Societies, Savings and Loan Institutions
- Other Financial Intermediaries such as insurance, hire purchase companies, and stock exchange, and

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• The savings and credit co-operative societies. These financial intermediaries perform a number of financial intermediations.  
• Denomination intermediation where they accept small amounts of savings from members and pool it to make loans  
• Default - risk intermediation which means their willingness to make loans to risky borrowers.  
• Maturing intermediation which means borrowing short-term fund from savers and making long-term loans to borrowers who require lengthy commitment of funds.  
• Information intermediation which involves the provision of information on market condition changes.  
• Risk pooling intermediation where they insist in assets with a wide variety of risk - return characteristics.  
• Economies of scale which implies financial diversification.  

While the other financial intermediaries are profit maximizers, SACCOs uniquely operate solely for the benefit of their members and thus are non-profit making.

Mbingo (1988) argues:

The implementation of dynamic savings mobilization policy depends upon the existence of an adequate network of well co-ordinated savings mobilization institutions adopted to the needs of the community in which they are suited and at the level of income of potential savers,...particularly time of rural households and small enterprises, which do not always find in the range available to them, financial instruments that enable them to invest in ways most suited to their financial situations,... As a matter of philosophy, principle, procedure and practice, only SACCOs have put in place suitable access to credit, due to their convenience, accessibility and simple fast procedures in credit granting. To this extent, savings and credit co-operatives have been identified as an effective institutional framework for mobilization of personal savings.\(^{25}\)

2.5 SACCOs and the Law in Kenya

Widstrand (1970) argues that:

The law is one of the chief mechanisms both translating policy about co-operatives with action and for preventing such policies being put into action. The law is not a neutral spectator of the development process, but is a set of rules and principles created and set to work by sets of individuals and these individuals may very well misunderstand or disagree with each other or approach the rules with different pre-conceptions about what is right and desirable in their operations so that the rules and their operations in practice may be so far removed from the pronouncement of policy which preceded them.\(^{26}\)

(S, A. Wako 1977) in the bill tabled in Parliament states, "A change created by a co-operative society in accordance with section 49 of this Act shall comply with the provisions of the Law applicable to the particular type of change".

From the above, therefore, it can be implied that because SACCOs are provided for in the Co-operative Societies Act, and their activities are guided by the Commissioner’s lending policies it is imperative to study these policies to determine

\(^{25}\) Mbingo J.L., Commissioner of co-operative Development in Swaziland, "Guide for promoting and organizing the SACCOs in Swaziland", ACCOSCA Publications 1988, p.30

\(^{26}\) Widstrand C.G., Op.cit, p. 81
their critical defects, gaps and problems that may derail their effective implementation to achieve the required objectives and goals by the government. This necessitates the highlighting of the effects and implications of aspects such as:

- government intervention in the management of the SACCOs,
- effects of co-operative principles, their implications in relation to the government’s objectives.

2.5.1 Government’s role in development and management of SACCOs

The rapid growth in co-operatives since independence was fuelled by heavy government support through direct assistance and subsidized services. This government assistance, though well-intended and, has indeed produced positive results has also created many other problems related to dependency that now require to be seriously addressed. These include:-

- Direct intervention of government in the day-to-day management of co-operatives in Kenya has highly compromised the universally accepted co-operative principles and values.

- Heavy government involvement, has hindered emergence of member controlled and member managed societies as members rely on the government to safeguard their interests. This has compromised societies values that include self-help, self-responsibility, democracy, equality, equity and solidarity.

- As a result of continued involvement in co-operative societies in form of free
technical and financial assistance as well as development of management and financial systems, the societies have almost become wholly dependent on the government. This has hindered the consolidation of the societies values of self-responsibility, self-reliance and self-control.

Arising out of the foregoing, there is therefore dire need for the government involvement in co-operative societies to be substantially reduced. Although not empirically proved Okoth Ogendo (1986), argued that:

Success has come mainly to those societies that have had strong internal organizational structures especially where these are also independent in practice and politically of the enormous powers vested in co-operative commissioners. Experience suggests that excessive governmental control and intervention in co-operatives has not been associated with such success. Correlatively societies that have failed because of gross inefficiency, embezzlement and similar corrupt practices have done so in spite of strict government control. Hence what this suggests is that standard legal arrangements within which co-operativism has operated in most African countries may have failed to inspire public confidence or to curb precisely those abuses that it was feared autonomy would breed.27

Hyden (1973) highlights that, government intervention tends to stifle co-operative initiative, limiting their ability to changing circumstances, needs and investment opportunities. In some instances decisions have to be made shrewdly and quickly because of the rapidly changing economic conditions. However, this may not be the case where for example in the SACCOs where everything has to be referred to the commissioner. This therefore calls for a more flexible mechanism where most of the initiatives and responsibilities are left in the hands of the members.
Sessional paper No.6 (1997) refers:

In order to professionalise and democratise the management of the co-operatives and enable them to be member-based and member-controlled self-reliant organisations that will be in a position to compete more effectively with the rest of the private sector, the government involvement in the day-to-day management of co-operatives will be reduced substantially.  

The above contention has seen the revision of the co-operative societies Act, Cap 490 of the Laws of Kenya. Hopefully, this revision of the Act, will enable the MOCD be restructured to conform and be able to effectively address the newly-emerging needs of the liberalised movement. This move will make the ministry plan the role of regulators and facilitators aimed at creating a conducive environment for development of an autonomous and self-sustaining co-operative societies. In the government's effort to provide enabling environment for growth and development of co-operative societies, it will continue to facilitate procurement of external donor assistance under the government's normal laid down procedures and regulations. Such external support will be aimed at creating capacity for self-help oriented growth.

2.5.2 Conflict within the co-operative principles

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. Co-operative principles are guidelines by which co-operatives put their values into practice. However, there can be seen a conflict of interest between the co-operative principles and the governments objectives of using co-operatives in the mobilization of funds from members for development.

For example, the principle of co-operative societies being voluntary and open for
membership. This does not refer to anyone who may want to join but rather to all those who fall within a particular class. This principle is therefore seen as being too restrictive and it means that SACCOs can serve their members only. The SACCOs especially insist on the check-off system by way of getting members' contributions. This locks out those who are not on such a system. This in the end makes some SACCOs to be too small to enjoy the economies of scale for they do not have enough funds, for example, to diversify their operations (activities). The idea of voluntarism should be keenly looked at especially in areas of financial management, otherwise it has seen so many SACCOs being financially mismanaged.

The principle of democratic member control: this means that members are in control of their SACCOs and irrespective of the number of shares, each member has one vote. Democratic Control has its pitfalls for it cannot guard against sub-optimal decision. This may result especially at general meetings and elections where incompetent people may be elected and therefore end up mismanaging the union. This will stifle the government’s objective of mobilizing funds for development. Such conflicts will make most SACCOs not to be efficient in their operations.
CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

In this section, the population of the study sample is defined, the sampling frame and sample selection method, a description of the data collection instrument and data collection method are also made. There is also a highlight on the data analysis techniques that were used by the researcher.

3.2 Population of the study

The population consisted of all the active members of Mwalimu SACCO Ltd. The members are sub-divided into branches countrywide.

3.3 Sampling frame

A list of all the branches was sought from the Mwalimu SACCO Headquarters in Nairobi. There are 39 branches countrywide. 12.83% of the branches which were close to each other were picked. This was deliberate because of financial and time constraints. A list of the members in the selected branches were sought from Mwalimu SACCO Headquarters - Nairobi from which sampling was done (Convenient sampling).

3.4 The Sample

A sample of 150 respondents was selected using systematic sampling method. From each branch, 30 respondents were systematically selected.
The sampling interval will be determined by dividing the population by the sample size:
\[ \frac{N}{n} \]
where \( N \) stands for the number of members of interest and \( n \) is the sample size.

3.5 Data Collection

The data collection instrument was by a questionnaire which was designed for the whole sample, with a semantic differential scale (Osgood, Suci and Tanenbaum; 1957) as the main part of the questionnaire. Of the three dimensions, that is evaluation, potency and activity, the bi-polar adjectives used were mainly valuative, as the study aimed at an evaluation of the lending policies from the members perspective. Masinde (1986) outlined the same construction of the "anchoring" items or bi-polar adjectives.

For the Questionnaire (Appendix B1), it was first pretested and this enabled the researcher remove identified ambiguities. Then the "drop and pick later" method was used. This was used because all the respondents were literate. However, this was supplemented with personal interviews to clarify warring issues to both parties, that is, the respondents and the researcher.

3.6 Data Analysis

After collection of the data, it was analysed by way of:

- One-way and cross-tabulations
- Mean scores
- Percentages

Scores from the semantic differential scale for each group of members were added up to get the mean score which indicated the attitude toward the particular lending policy in question. The mean scores by salary scales were used to plot a self-report semantic differential profiles to show the variations in attitudes across the salary scales. Other items were analysed by means of tabulations and percentages. This involved responses on the satisfaction of the lending policies, overall assessment of the lending policies and these were pegged on either the salary scales or the number of years the respondent had been in the SACCO.

The non-parametric chi-square statistical test was used to test for independence between:

- overall assessment of the lending policies and the respondents' salary scale;
- the respondents' satisfaction with the lending scale and their salary scale;
- the overall assessment together with satisfaction of the lending policies by the respondents and the number of years they have been members.
The following formula was used to test for independence chi-square test for independence:

$$X^2 = \frac{(O-E)}{E}$$

and the degree of freedom for the test as

$$d.f = (C-1) \times (R-1)$$

Where

- $X^2$ = Chi-square test for independence
- $O$ = Observed frequencies
- $E$ = Expected frequencies
- $C$ = Number of columns in the contingency table
- $R$ = Number of rows in the contingency table

Because some of the expected frequencies were too small in some tables (Appendix D), the following rule was applied in the modification of the contingency tables.

The true sampling distribution of $X^2$ that is calculated for testing independence is only approximated by the chi-square distribution. This approximation is similar to substituting the normal distribution for the binomial distribution in certain instances. The approximation is normally adequate if the sample size is sufficiently large. In practice, the sample will be large enough when the expected frequencies for each cell are five or more. If some expected cell frequencies are smaller than five, this requirement can be made by combining two rows or columns before calculating $X^2$. A corresponding number of degrees of freedom must then be made to account for the lower number of cells.\(^{30}\)

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CHAPTER 4
DATA ANALYSIS AND FINDINGS

4.1 Introduction

Data in this study were summarized and presented in terms of mean weight scores, graphs, cross tabulation, tables and percentages. The semantic differential scale items were used to gather information on members' attitudes and the mean weight scores of bipolar describing phases or adjectives entered on the scale.

Mean score summarized members' attitudes towards the various lending policies, and aspects of the policies that they were not satisfied with. Tables, graphs and percentages analysed the differentiation in members' attitudes towards the various lending policies across different salary scales of respondents and the number of years they had been in the society. This made the use of the semantic differential profiles an easy alternative for analysis.

4.2 Members' attitudes toward the lending policies

4.2.1 Lending requirements

As for the lending requirements, respondents held negative attitudes as regards the time the society has been in existence from the time of inception to the time a loan may be sought. Respondents held that the period (six months) is rather long (mean score 3.6). Respondents however held this period as necessary (mean score 4.3) and appropriate (mean score 4.2). Similarly, respondents held positive attitudes as regards the number
of months (six months) a member has to contribute consistently before he/she can apply for a loan. They held that the period is sufficient (mean score 4.1), appropriate (mean score 4.5) and that the amount (Kshs.600) is very easy to raise (mean score 4.6) as can be seen from (Table C1: Appendix C). However, according to the revised lending policies (1998) Appendix A1 for Mwalimu, the minimum amount shall be Ksh.7,500 or Kshs.10,000 before a loan can be given.

As for the requirement that when a member withdraws and rejoins later he/she be considered as a new member, respondents held it as a satisfactory condition (mean score 3.0). However, they held negative attitudes on the period (six months) the cash contributed out of the check-off system takes before it can be considered in boosting the members' shares. They indicated that the period is too long (mean score 4.5). This made them to consistently hold that the period therefore was not necessary (mean score 2.2).

As for the requirement that a member pledges his/her future salary from any employer towards loan repayment by the society, respondents held positive attitudes. They indicated that the requirement is very important (mean score 4.4), Table C1: Appendix C.

Respondents held positive attitudes towards the requirement that loan shall be given to only members of the society. They indicated that the requirement is very good (mean
score 4.8). This was further supported by the percentages of the responses on the requirement that loans should be given to non-members of the society so long as they had adequate security. 86.4% of the respondents indicated that they strongly disagreed with the requirement, 3.8% of the respondents neither agree or disagree, 5.3% of the respondents agree, and 4.5% of the respondents strongly agree with the requirement (See table 2).

Table 2: Responses toward the society lending loans to non-members so long as they have adequate security.

<table>
<thead>
<tr>
<th>Type of response</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Neither Agree or Disagree</th>
<th>Strongly Disagree</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Scale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10,000 and below</td>
<td>3 [7.5%]</td>
<td>2 [5%]</td>
<td>2 [5%]</td>
<td>33 [82.5%]</td>
<td>40 [100%]</td>
</tr>
<tr>
<td>Between 10,001-14,000</td>
<td>2 [2.8%]</td>
<td>3 [7.1%]</td>
<td>1 [2.4%]</td>
<td>36 [85.7%]</td>
<td>42 [100%]</td>
</tr>
<tr>
<td>14,001 and above</td>
<td>1 [2%]</td>
<td>2 [4%]</td>
<td>2 [4%]</td>
<td>45 [90%]</td>
<td>50 [100%]</td>
</tr>
<tr>
<td>Total</td>
<td>6 [6%]</td>
<td>7 [5.3%]</td>
<td>5 [3.8%]</td>
<td>114 [86.4%]</td>
<td>132 [100%]</td>
</tr>
<tr>
<td>Percentage</td>
<td>4.5%</td>
<td>5.3%</td>
<td>3.8%</td>
<td>86.4%</td>
<td>100%</td>
</tr>
</tbody>
</table>

From the table, regardless of the salary scale, the majority of respondents in all the categories strongly disagree (negative attitude) with the requirement that loans be given to non-members of the society so long as they have adequate security. 82.5%, 85.7% and 90% of the salary scale Kshs.10,000 and below, between Kshs.10,001 - Kshs.14,000 and Kshs.14,001 and above respectively strongly disagree with the requirement.

As for the requirement that a member shall belong to only one savings and credit co-operative society at a time, respondents held that, the requirement is very restrictive
(mean score 4.7) and therefore is not necessary (mean score 2.2). However, they held that the requirement is enforceable (mean score 4.0.)

Respondents held positive attitudes as regards the procedure for approving membership applications. They indicated that the procedures are fast (mean score 4.2), systematic (mean score 4.4) and therefore are not strict (mean score 2.3) and are not discriminatory (mean score 2.1). Respondents equally held positive attitudes towards the procedures and requirements for loan application. They held that the procedure and requirements are very necessary (mean score 4.6), systematic (mean score 4.4), and therefore they are not restrictive (mean score 2.1).

As for the requirement that employees of the society can be members of the society but cannot be in the management committee, respondents indicated that the requirement is very good (mean score 4.4), necessary (mean score 4.3), and therefore is not restrictive (mean score 2.3) and is not discriminatory (mean score 2.0), Table 1 Appendix C. Respondents held positive attitudes as regards the processing of loans once approved. They held that the process is fast (mean score 4.1), very fair (mean score 4.5), and therefore is not discriminatory (mean score 1.5) and is not easy to manipulate (mean score 1.7). For the interest charged on all the loans (not exceeding 1%), respondents held negative attitudes. They held that the rate is slightly higher (mean score 3.5).

As for the condition that the maximum loan given shall not exceed four times a members' shares, respondents held positive attitudes. They indicated that the condition was
adequate (mean score 4.2), and effective (mean score 3.7). For the requirement that every society shall maintain 10% cash reserve of the total members savings, respondents held that although the rate is necessary (mean score 4.1), it was rather high (mean score 4.1).

As for the requirement that a member can be granted an additional loan subject to the approval of the Commissioner for Co-operative Development, respondents held that the requirement is restrictive (mean score 4.0), not generous (mean score 2.4) and therefore not necessary (mean score 1.9). This clearly indicates that members are not comfortable with the government involvement in the management of their SACCO.

In summary, as can be seen from the semantic differential profile (figure 1), there was no unique variation in the respondents’ attitudes as regards the lending requirements. Regardless of the respondents’ salary scale, their attitudes tended to follow a similar pattern in most instances.
Figure 1. A summary of respondents’ attitudes towards the lending policies across the salary scale measured by mean scores.

The Semantic Differential Profiles

<table>
<thead>
<tr>
<th>I. LENDING REQUIREMENT</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Requirement 1(a)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period is long</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period is necessary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Period is appropriate</td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Requirement 1(b)</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Period is long</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requirement is sufficient</td>
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</tr>
<tr>
<td>Amount is easy to raise</td>
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<td></td>
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<td></td>
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<tr>
<td>Amount is appropriate</td>
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<td></td>
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<tr>
<td><strong>Requirement 1(c)</strong></td>
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<td><strong>Requirement 1(d)</strong></td>
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<td>Period is long</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Requirement is necessary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Requirement 1(e)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>Requirement is enforceable</td>
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<tr>
<td>Requirement is important</td>
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<td>Requirement is good</td>
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<td><strong>Requirement 3</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requirement is restrictive</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requirement is necessary</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Requirement is enforceable</td>
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<td></td>
</tr>
<tr>
<td><strong>Requirement 4</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procedure is fast</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procedure is systematic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procedure is strict</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Procedure is discriminatory</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Period is short
Period is not necessary
Period is not appropriate
Period is short
Requirement is not sufficient
Amount is not easy to raise
Amount is not appropriate
Requirement is bad
Period is short
Requirement not necessary
Requirement not enforceable
Requirement not important
Requirement is bad
Requirement not restrictive
Requirement not necessary
Requirement not enforceable
Procedure is slow
Procedure not systematic
Procedure not strict
Procedure not discriminatory
<table>
<thead>
<tr>
<th>Requirement 5</th>
<th>Procedures are necessary</th>
<th>Procedures are restrictive</th>
<th>Procedures are systematic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirement 6</td>
<td>Condition is restrictive</td>
<td>Condition is good</td>
<td>Condition is necessary</td>
</tr>
<tr>
<td>Requirement 7</td>
<td>Process is fast</td>
<td>Process is fair</td>
<td>Process is discriminatory</td>
</tr>
<tr>
<td>Requirement 8</td>
<td>Rate is high</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Requirement 9</td>
<td>Condition is adequate</td>
<td>Condition is effective</td>
<td></td>
</tr>
<tr>
<td>Requirement 10</td>
<td>Rate is necessary</td>
<td>Rate is high</td>
<td></td>
</tr>
<tr>
<td>Requirement 11</td>
<td>Condition is restrictive</td>
<td>Condition is generous</td>
<td>Condition is necessary</td>
</tr>
</tbody>
</table>

**II. EMERGENCY LOANS**

<table>
<thead>
<tr>
<th>Requirement 12</th>
<th>Condition is restrictive</th>
<th>Condition is adequate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Requirement 13</td>
<td>Amount is adequate</td>
<td></td>
</tr>
</tbody>
</table>

- Procedure not necessary
- Procedure not restrictive
- Procedure not systematic
- Condition not restrictive
- Condition is bad
- Condition not necessary
- Condition not discriminatory
- Process is slow
- Process is unfair
- Process not discriminatory
- Process not systematic
- Process not easy to manipulate
- Rate is low
- Condition not adequate
- Condition not effective
- Rate not necessary
- Rate is low
- Condition not restrictive
- Condition not generous
- Condition not necessary
- Condition not restrictive
- Amount not adequate
111. REPAYMENTS

Requirement 14
Period is long
Period is restrictive

Requirement 15
Period is long
Period is adequate

Requirement 16
Condition is restrictive
Condition is necessary

Requirement 17
Condition is necessary

Requirement 18
Condition is strict
Condition is enforceable
Condition is very good
Condition is necessary

Requirement 19
Condition is necessary
Condition is discriminatory

IV WITHDRAWALS

Requirement 20
Requirement is necessary
Period is very long
Period is restrictive

Legends:

Period is short
Period not restrictive

Period is short
Period is inadequate

Condition not restrictive
Condition not necessary

Condition not necessary
Condition not strict
Condition not enforceable
Condition is very bad
Condition not necessary

Condition not necessary
Condition not discriminatory

Requirement not necessary
Period is very short
Period not restrictive

Kshs.10,000 and below
Between 10,001 and Kshs.14,000
Kshs.14,001 and above
4.2.2 Emergency Loan

Emergencies include sudden hospitalization, funeral expenses, court fines and other unforseen circumstances beyond the member’s control, but shall not cover or include house rent dues or other loans covered under this policy. This is a requirement that most respondents had mixed reactions about. However, with the clause "includes unforseen circumstances beyond the member’s control" made respondents view the requirement as moderate as regards its adequacy (mean score 2.9).

As it can be seen from the semantic differential profile (figure 1) and Table 2 Appendix C), respondents held that the emergencies listed are restrictive (mean score 4.0) and therefore moderate in terms of its adequacy (mean score 2.9). They further held that the maximum amount (Kshs.30,000) on emergencies is not adequate (mean score 2.3). Respondents, therefore, suggested that most of those unforseen circumstances beyond the member’s control to be included in the emergencies be specified in the policy. Among those they suggested to be included include:

- The purchase of permanent assets such as land when they become available, and household durables especially those on hire purchase like furniture.
- Natural calamities such as floods, drought which may result to severe famine, landslide and clashes where many people are displaced and killed.
- Thuggery, burglary and theft of one’s properties.
- School fees should include overseas fees.
- Wedding expenses, dowry and overseas tours during holidays.
- Sudden transfers especially to very far places from your present station.
Respondents argued that inflation has eaten the Kenyan shilling so much, such that its value has depreciated and its purchasing power decreased tremendously. The maximum amount cannot cover full fees asked by most national secondary schools per year. In some hospitals, depending on the nature of hospitalization, the bills go as high as half a million shillings. The respondents therefore suggested that:

- The amount be revised upwards taking into account inflation.
- The amount should be in commensurate with the requirement of the emergency.

Therefore, the maximum amount should not be pre-determined. They further suggested that the amount should be pegged to one's ability to repay within a reasonable period especially when he/she does not have any other loan.

In summary, therefore, it can be seen from the semantic differential profiles (figure 1) that respondents' attitudes regardless of their salary scale tend to follow a similar pattern. From (Table C2: Appendix C), it can be seen that there is no unique variation in the mean scores among the different salary scales, for example, where respondents indicated that the requirement is restrictive mean scores were 4.2, 3.7 and 4.4 for Kshs.10,000 and below, between Kshs.10,001 and Kshs.14,000/- and Kshs.14,001 and above salary scale respectively.

4.2.3 Repayments

The repayment periods are pre-determined by the management committee. In general, the requirement as regards repayment states that for normal loans the repayment period shall not exceed 48 months (4 years) and for emergency loans the period shall not exceed
12 months (1 year). As regards this requirement, respondents viewed it negatively. They stated that the repayment period is short (mean score 2.2) (Table C3: Appendix C) and that the period is rather restrictive. As for the requirement that deductions start a month following the one in which the loan is given, respondents held it rather negatively. They rated the period as very short (mean score 1.8) and inadequate (mean score 2.4).

As for the requirement that members shall not suffer more than two thirds of their basic salary in repayment where basic salary excludes medical and house allowances, respondents held that the condition is very restrictive (mean score 4.4) and therefore is not necessary (mean score 2.1). This necessitated most respondents to suggest that both medical and house allowance be considered as part of the basic salary. These allowances are automatic and are taxed like any other income. Respondents held positive attitudes for the requirement that shares will not be used to repay any outstanding loan balance. They indicated that the condition is necessary (mean score 3.9.)

As for the requirement that guarantee system is to be used to secure loans which are more than a members’ shares, respondents held very negative attitudes towards the requirement. Although the requirement is enforceable (mean score 4.5) respondents held that it is very strict (mean score 4.4) and therefore saw it as a very bad (mean score 1.5) requirement. The respondents also saw it as not necessary (mean score 2.2). For the requirement that collateral securities may be used to secure loans, respondents had a rather mixed reaction. They held that although the requirement is fairly necessary (mean score 3.6), it is also fairly discriminatory (mean score 3.2).
As it can be seen from the semantic differential profile (figure 1), there is no great variation on the respondents’ attitudes toward the policy on repayment. Regardless of the salary scale, the trend on the profile follows a similar pattern.

4.2.4 Withdrawals

As regards withdrawals, the policy stipulates that when a member intends to withdraw from the society’s membership, he/she may be required to give the society a written notice of up to 60 days of his/her intention to withdraw. Respondents across the various salary scales held negative attitude toward the policy. They held that the requirement is not necessary (mean score 2.1) and therefore indicated that the period is long (mean score 4.3) and restrictive (mean score 4.2) (Table 4C: Appendix C).

In general, from the semantic differential profile (figure 1), respondents across the various salary scales held similar attitudes towards the policy. This is because the flow in the profile follows the same pattern.

4.3 Overall satisfaction and assessment of the lending policies

From the semantic differential profile (Figure 1), respondents across the various salary scales held similar attitudes towards the lending policies. From the profiles, there is no unique or great variation in the pattern they take. This is also supported by the responses towards the satisfaction of the society’s lending policies (Table 3). (54.5%) of the respondents were satisfied with the lending policies while (45.5%) were not satisfied.
Table 3: Responses towards the satisfaction of the society’s lending policies

<table>
<thead>
<tr>
<th>Type of response</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000 and below</td>
<td>19</td>
<td>21</td>
<td>40</td>
</tr>
<tr>
<td>Between 10,001-14,000</td>
<td>23</td>
<td>19</td>
<td>42</td>
</tr>
<tr>
<td>14,001 and above</td>
<td>30</td>
<td>20</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>72</td>
<td>60</td>
<td>132</td>
</tr>
<tr>
<td>Percentage</td>
<td>54.5%</td>
<td>45.5%</td>
<td>100%</td>
</tr>
</tbody>
</table>

From the table (Table 3), in all the salary scales, the number of respondents that were satisfied with lending policies were more than those that were dissatisfied with the policies.

Further, more respondents rated the overall assessment of the lending policies as good (50%) and excellent (3.8%) as compared to those who rated it as poor (5.3%). None of the respondents rated the policies as very poor. However, (40.9%) of the respondents rated it as average. This can be seen from Table 4. In general, therefore, most members are satisfied with the lending policies of the society and with a few amendments most of those who rate it as average may fall in the category of those who rate it as either good or excellent.
Table 4: Responses on overall assessment of the lending policies

<table>
<thead>
<tr>
<th>Type of response</th>
<th>Excellent</th>
<th>Good</th>
<th>Average</th>
<th>Poor</th>
<th>Very Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary Scale</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10,000 and below</td>
<td>0</td>
<td>17</td>
<td>20</td>
<td>3</td>
<td>0</td>
<td>40</td>
</tr>
<tr>
<td>Between 10,001 - 14,000</td>
<td>1</td>
<td>21</td>
<td>18</td>
<td>2</td>
<td>0</td>
<td>42</td>
</tr>
<tr>
<td>14,001 and above</td>
<td>4</td>
<td>28</td>
<td>16</td>
<td>2</td>
<td>0</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
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<td>66</td>
<td>54</td>
<td>7</td>
<td>0</td>
<td>132</td>
</tr>
<tr>
<td>Percentage</td>
<td>3.8%</td>
<td>50%</td>
<td>40.9%</td>
<td>5.3%</td>
<td>0</td>
<td>100%</td>
</tr>
</tbody>
</table>

From the table, it can be seen that across the salary scales, the number of the respondents who assessed the policies as good and excellent is more than those who rated the policies as average and poor as none of the respondents rated the policies as very poor.

In general, there were a number of lending policies that most respondents were not satisfied with and therefore held negative attitudes towards them. They include:

- The requirement that the society must have been in existence for at least six months before it can give loans. Respondents rated this period as slightly long (mean score 3.6).
- The requirement that a member must have contributed consistently for six months an amount not less than Kshs. 600. Respondents held that this period slightly long (mean score 3.6)
- The condition that cash contributed out of the check-off system to boost a member’s shares shall take six months before it can be considered as part of the shares. Respondents considered the period as too long (mean score 4.5) and therefore not necessary (mean score 2.2).
The condition that every society shall maintain 10% cash reserve of the total member’s savings. Respondents rated this rate as high (mean score 4.1).

The requirement that a member shall be granted an additional loan subject to the approval of the Commissioner for Co-operative Development. Respondents held this requirement as being restrictive (mean score 4.0), not generous (mean score 2.4) and therefore not necessary (mean score 1.9).

The condition that the maximum amount for emergency loans shall be Kshs.30,000. Respondents indicated that this amount is not adequate (mean score 2.3).

The requirement that the repayment period for normal loans shall not exceed 48 months (4 years) and for the emergency loans the period shall not exceed 12 months (1 year). Respondents rated this period as too short (mean score 2.2).

The requirement that deductions on all loans shall start a month following the one in which the loan is given. Respondents held that the period is too short (mean score 1.8) and therefore inadequate (mean score 2.4).

The requirement that in repayment members shall not suffer more than two thirds of their basic salary. Respondents indicated that this condition is very restrictive (mean score 4.5) and therefore is not necessary (mean score 2.1).

The requirement that the guarantee system shall be used to secure a loan more than one’s shares. Respondents rated this condition as strict (mean score 4.4), very bad (mean score 1.5), and therefore not necessary (mean score 2.2).

The requirement that when a member intends to withdraw from the society’s membership, he/she should give notice of not less than 60 days for his/her
intention to withdraw. Respondents rated this condition negatively. They rated it as restrictive (mean score 4.2), the period too long (mean score 4.3), and therefore the condition not necessary (mean score 2.1).

In general, as can be seen from the semantic differential profiles (figure 1), there was no significant variation as regards negative attitudes members had towards the lending policies. Regardless of the salary scales the profiles tend to follow a similar pattern.

When the tests for independence were carried out from the variables that came up in the analysis, it was established that there was no dependence between the following variables. Satisfaction of the lending policies and the number of years one had been in the society or one’s salary level. Overall assessment of the lending policies and one’s salary level.

Contingency tables with these variables are modified by combining some rows and columns to attain the requirements for the chi-square test for independence (Appendix D).

The hypotheses to be tested are:

1. Null hypothesis: $H_0$; Respondents satisfaction with the lending policies is independent of the number of years one has been a member in the Society.

   Alternative hypothesis: $H_1$; Respondents satisfaction with the Lending policies is dependent on the number of years one has been a member in the society.
2. Null hypothesis: $H_0$; Respondents satisfaction with the lending policies is independent of one's salary level.

Alternative hypothesis: $H_1$; Respondents satisfaction with the lending policies is dependent on one's salary level.

3. Null hypothesis: $H_0$; Respondents overall assessment of the lending policies is independent of the member's salary level.

Alternative hypothesis: $H_1$; Respondents overall assessment of the lending policies is dependent on the member's salary level.

The test-results using the chi-square test for independence (Appendix D), led to not rejecting the null hypotheses. Conclusively, respondents satisfaction with the lending policies is independent of either the number of years one has been a member in the society or one's salary level. Also, overall assessment of the lending policies is independent of one's salary level. Thus, the variation in attitudes toward the lending policies across the salary level or number of years one has been in the society is insignificant or minimal.
CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSIONS

5.1 Introduction

This is the final chapter of this project paper and it gives a summary and conclusions for the study, recommendations from the study, recommendations for further research and limitations of the study.

5.2 Summary

The main objective of the study was to find out the attitudes members of Mwalimu SACCO held on the current lending policies. The other objectives were to find out the aspects in the lending policies that members were not satisfied with and lastly to find out whether the members overall assessment on the lending policies was influenced by the members’ salary level or the number of years a member had been in the society. As it was highlighted in Chapter 2 (Literature review), attitudes are important in predicting consumers’ behaviour and therefore the determination of their needs.

Attitudes were, therefore, used to find out the behaviour of the members of Mwalimu, SACCO, Nairobi towards the lending policies. It was found that the attitudes held by members towards the lending policies range from positive to negative.

From the second and third objectives of the study, the researcher was to find out the aspect of the lending policies that members were not satisfied with and whether the
members' overall assessment of the lending policies and their satisfaction with them was dependent on the members' salary scales or the number of years they had been in the society.

Because a uniform questionnaire (Appendix B1) was used for collecting the data across the sample, then aspects members were not satisfied with were identified through the negative attitudes held and those that they were satisfied with were identified through the positive attitudes held.

The questionnaire was designed in such a way that a five-point semantic differential scale was used and was analysed by means of mean score to come up with an overall attitude held by members. From the mean scores semantic differential profiles were constructed for easier interpretation of the attitudes. On the other hand, tables and percentages were used to analyse other items. The chi-square was used to test for independence.

From the study, members held negative attitudes on aspects such as the period one has to contribute consistently before he/she can go in for a loan, the period the cash contributed out of the check-off system takes before it can be effective, commissioners' involvement in getting an additional loan, the repayment periods for both normal and emergency loans, use of guarantee system, the issue of the basic salary and the maximum amount of the emergency loan.
5.3 Conclusion

From the above, it can be concluded that if SACCOs have to survive in meeting their objectives, they must review their lending policies especially those in which negative attitudes were held. This will make them to eliminate all those aspects of the lending policies that members’ are not satisfied with such that they can have members savings with them an amount that can make SACCOs diversify their operations for them to be able to meet an ever increasing demand for higher loans and compete favourably with the other financial institutions. There is also need to educate members on the operations of the SACCOs for them to be supportive at all times. There are some aspects on which members held negative attitudes about, but if they are educated on their importance then their attitudes will definitely change. One such aspect is the period required when one wants to withdraw from the society which is meant to ensure security of a members’ savings at all times.

5.4 Recommendations

It has been highlighted in other sections of this research report that the government’s intervention especially in the management of the societies stifles their initiative. Members held negative attitudes on their being referred to the commissioners for co-operative development for additional loans.

From the foregoing it can be recommended that there is dire need for the government involvement in co-operatives to be substantially reduced and re-oriented in order to democratize and professionalize their management and enable them to be member-
based and member-controlled self-reliant organizations that will be in a position to compete more effectively with the rest of the private sector.

Members held negative attitudes on the amount of emergency loan as being Kshs.30,000. They indicated that the amount is not enough as other emergencies required an amount as much as over Kshs.100,000.

From the above, it can be recommended that this amount should be revised from time to time taking into account inflationary conditions in the economy. The amount should be determined by the magnitude of the emergency and one's ability to repay within a reasonable period. From the revised lending policies of Mwalimu SACCO (1998) (Appendix A1), maximum emergency loan is to be Kshs.60,000 and school fees loan covers overseas fees.

As regards the repayment period for both normal and emergency loans for which members held negative attitudes, it needs a review. This should be tied to the need for the loan. For the normal loans most members suggested that repayment period should be six years. This could make them get a reasonably high amount to be able to complete projects started within that period like building a house. For the emergency they suggested the period to be extended to two years. This therefore calls for the management to consider these repayment periods taking into account the members' ability to repay the loans and the economic conditions.
As regards the other aspects such as members not suffering more two thirds of their basic salary when repaying for loans, should be revised. Members expressed that because house and medical allowances are automatic and are taxed like any other income, they should be considered as part of the basic salary to increase members' ability for higher loans. These sentiments should be considered by the management committee.

The researcher feels that, the following requests put forward by members to the SACCO, should be effected to enhance high contributions and complete participation from them.

- The society should start the banking service from which members with ability, especially, in terms of collateral security can get higher loans of softer terms unlike similar loans from profit making financial institutions. The SACCO should also provide the Fixed Account service with an attractive interest rate for those with high amounts of money of which they do not intend to use in the near future.

- The society should start offering insurance services for its members. Some of the policies suggested include:
  - Life insurance
  - Accident insurance policies
  - School fees insurance policies
  - Property insurance policies, and
Savings for premium insurance policies

Members expressed the trouble they normally encounter with profit making insurance companies when claiming their maturing profits (premium) and compensation.

In general, therefore, within the current liberalized market economy, SACCOs as financial institutions, like the rest of the private sector must strive to be efficient and be able to provide competitive services in order to attract and retain their members. Part of the institutional effectiveness will be their ability to source for new ways of increasing their revenues through diversified services. As members accumulate more of their savings in the form of contributions with the growth of SACCO societies, the desire to have some of these savings being convertible into cash will grow. Hence, SACCOs through the Co-operative Bank of Kenya should be encouraged to participate in the stock market as this will facilitate transferability and market acceptability of their shares. Through this arrangement, savings can earn competitive rates of interest while borrowing can be pegged on the members’ shares.

Financial policies for SACCOs should aim at mobilizing as much savings as possible from the members. This will increase the amount of loanable funds to finance as many loan requests as possible from the members, and thereby maintain the member-incentives to save and borrow from their co-operatives. SACCOs should also explore possibilities of providing mortgages and hire purchase facilities to their members.
Education and training is one of the principles of co-operatives. This should be done by the SACCOs so as to foster understanding for members, leaders and employees in carrying out their respective roles and ensuring that members are informed about the nature of their SACCO operations. The education policy should aim at:

- Developing an enlightened and responsible leadership capable of directing and effectively controlling the society’s enterprises for the benefit of members.
- Imparting relevant management knowledge, business and entrepreneurial skills needed by the employees and committee members to enhance efficiency and effectiveness in the services rendered by the societies.

If the above are ensured then there will be upholding of the ideas and values of co-operation for continued prosperity of the SACCO movement and the nation.

5.5 Recommendation for future research

This being a case study of one SACCO from a forest of SACCOs, there is need to replicate the study in a large number of SACCOs to be representative in finding out members’ attitudes towards the lending policies in a liberalized economy.

A further research should be conducted especially on those lending policies that members were dissatisfied with to find out the root cause of their dissatisfaction.

A sample of 150 members was used in this study. The sample was drawn from 5 branches out of 39 branches countrywide. To be representative, a reasonably large sample should be investigated and if possible from all the branches to come up with
comprehensive findings. It should further be investigated whether the members’
environment and distance from the headquarters has any influence on their attitudes
towards assessing the lending policies.

One of the objectives in the establishment of SACCOs is to encourage them mobilize
savings from members from which members will get loans. Such loans are aimed at
injecting economic development in the economy. A research should be conducted to
find out, in actual figures, to what extent loans taken for such purposes have been
effectively used.

5.6 Limitations of the study

There were a number of limitations that impeded this research. Such limitations
include: The time allocated for the research was too short. This made the researcher
take a limited sample from a more convenient location. The researcher also had a
financial constraint. This was because he was not under any sponsorship. This made
him not to cover a large sample although a sample of 150 was considered reasonable
for analysis. Some of the respondents who were systematically selected were found
to have transferred and others not in existence. This made the researcher not to
receive all the questionnaires distributed although 88% of them were received.

Another limitation was that the entire study was concentrated on members of
Mwalimu, SACCO, Nairobi only. This therefore means that the findings cannot be
extrapolated beyond Mwalimu SACCO without due care because Mwalimu SACCO

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is just one out of more than 3,000 SACCOs in Kenya.

Lastly, there were no similar researches done and therefore in the construction of the questionnaire, it was highly summarized leaving out some lending policies. There was an assumption that because the researcher was to deal with elite respondents they could interpret the entire questionnaire. However, this proved not to be the case in some questions and therefore it called for the attention of the researcher to interpret those difficult questions.
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REF: LOAN POLICY FOR SAVINGS & CREDIT COOPERATIVE SOCIETIES

The Loan Policy for savings and credit cooperative societies (commonly referred to as Sacco societies) was last reviewed in 1985 under the Commissioner’s Circular letter No. PUB.1/Vol.V1/38 of 2nd January, 1998. Since then, a lot of development has taken place within the Sacco societies thereby necessitating the revision of the policy guidelines.

The revised Loan Policy as a whole is designed to conform with and supplement the By-Laws of the Sacco societies with a view to:
(a) Ensuring that Sacco societies do not get into financial difficulties by approving loans in excess of available funds.
(b) Facilitating loan processing and recoveries thereto.
(c) Minimising rate of loan defaulting.

Sacco societies wishing to improve on this loan policy by introducing more restrictive requirements, especially regarding the size of the loan and repayment period, may do so after the approval of the general meeting.

Those societies already applying restrictive requirements may continue to do so without making reference to this office. Any variation or additional requirements should not be in conflict with the By-Laws of the society or this Loan Policy. The District Cooperative Officers/Provincial Cooperative Officers and the management committee of various Sacco societies should ensure that this Loan Policy is brought to the attention of all the members for smooth and immediate implementation.

This circular supersedes all the previous circulars on Loan Policy for savings and credit cooperative societies. The revised policy will take effect on 1st September 1992.

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MCD/ORG/7/VOL.11/55

Commissioner's Circular No.1/92

LOAN POLICY FOR SAVINGS AND CREDIT COOPERATIVE (SACCO) SOCIETIES

Lending Requirements

1. For a member of SACCO society to qualify for a cooperative loan:
   (a) The society must have been in existence and active for a period of not less than six months from the date of its registration.
   (b) A member must have completed at least six months membership and contributed not less than KShs.600/- in shares/deposits.
   (c) A member who withdraws from the society and rejoins later will be treated as a new member for the purpose of this loan policy.
   (d) Savings contribution paid in cash or cheque outside the check-off system shall remain in the society for at least six months to qualify for any loan.
   (e) Any amount of savings through the check-off system in excess of one third of a member's basic salary shall remain in the society for a period of six months to qualify for any loan.
   (f) The society's books of accounts have to be up to date in accordance with the cooperative societies Act and Rules.
   (g) A member applying for a loan should undertake to pledge future salary from any employer towards loan repayment before such a loan is granted by the SACCO society.

2. (a) All loans shall be restricted to members only and shall be approved by the full management committee or the credit committee, subject to final approval by the full management committee. No member of the loan approving committee shall be present when his/her loan application is being considered.
   (b) Employees of a SACCO society shall be eligible for membership but are not eligible to become members of a management committee or any other sub-committee in the same society.
Loans for senior management staff shall be approved by the full management committee only. The District Cooperative Officer shall be constantly monitoring the performance of loans granted to the society employees.

(c) An employee who tampers with his/her monthly share contribution and loan repayment is liable to prosecution under Section 87 of the Co-operative Societies Act.

3. The rate of interest on all loans inclusive of all charges incidental to granting of the loan, shall not exceed (one) 1% per month, without a written approval from the Commissioner for Co-operative Development.

4. (a) No member should belong to more than one co-operative savings and credit society at the same time.

Where a member leaves the common bond by virtue of transfer or retirement, he may continue to be a member of that society or may transfer all his/her shares to the society which he/she intends to join under the new employer.

(b) All new applicants for membership must provide written proof from their previous employer and the management committee of the previous society that they do not have outstanding liability in the society and that they are no longer members of the same society. In case a member has any outstanding liability with the previous society, clause No.1 (g) above will apply.

5. (a) All applications for loans shall be made on prescribed forms by the society and shall in each case set out the amount applied for, the purpose of the loan, terms of repayment and type of security provided. The loan application form must be fully completed and supported by at least two most recent payslips (or a letter from the employer confirming the applicant's ability to repay the loan comfortably).

(b) It shall be an offence for an applicant, society employees, or book-keeping service employees, to give false information regarding shares, loans and guarantees.

6. Loan applications shall be considered in the order in which they are received provided that whenever there are more applications for loans than there are funds available, preference will be given, in all cases, to smaller loans.

However, where amounts applied for are approximately the same, preference will be given to loans for shorter periods. Within the foregoing preferences, priority shall be given in the following order:

(a) Members who have never had loans.
(c) New members who have qualified for loans.
(c) Members who have cleared their first loans and have applied for fresh loans.

7. The maximum amount of loan granted to a member shall not exceed four times a member’s share but subject to a maximum of 5% of the society’s total share capital and reserves (Ref. By-Law No.86). Where total deductions exceed two thirds of a member’s basic salary, the loan shall be reduced accordingly.

8. Every society shall maintain 10% cash reserve of the total member’s savings in savings in accordance with By-laws No.97 (Cash Reserve). At least 50% of the cash reserve shall be kept in a deposit account and will not be available for granting loans. Such reserve shall be updated monthly.

9. Provided that a member is qualified, an additional loan can be granted subject to approval by the Commissioner for Co-operative Development.

10. **Emergency Loans:**
   (a) Emergencies include sudden hospitalization, funeral expenses, court fines, and other unforeseen circumstances beyond the member’s control, but shall not include house rent dues or other loans covered under this policy.

   (b) Emergency loans should, as far as possible, be given within a member’s entitlement. However, where a member has reached his/her entitlement, he/she may be given a loan, but not exceeding Kshs.5,000.

11. School fees loans may be granted to a member even though he has an outstanding loan on the following conditions:

   (a) The total of all outstanding loans, including school fees, must never exceed four times a member’s shares.

   (b) Only one school fees loan may be granted in one calendar year.

   (c) School fees cheques shall be sent direct to the school where applicable and necessary.

   (d) Loans for school fees shall not include fees for overseas colleges. Fees for overseas colleges will be treated as normal loans.

12. A member who is interdicted by his/her employer and does not have an outstanding loan is eligible for a loan but such a loan shall not exceed his/her shares.

13. As per section 2(a) the loan processing is the responsibility of the management committee of the society. However, the following categories of loans will be handled as follows:-
(a) Additional loans of up to Kshs. 50,000 to be approved by the District Co-operative Officer or Provincial Co-operative Officer in case of Nairobi.

(b) Additional loans in excess of Kshs. 50,000 to be approved by the Commissioner for Co-operative Development.

(c) All loans exceeding Kshs. 150,000 to be approved by the Commissioner for Co-operative Development on the recommendation of the District Co-operative Officer.

14. Repayment
(a) The repayment period shall be determined by the management committee but in all cases shall not exceed 48 months. Any repayment period in excess of 48 months shall receive written approval of the Commissioner for Co-operative Development on production of an up-to-date cash flow statement and cash budget of the society. Repayment terms shall clearly show separately, amounts relating to the principal loan repayment and interest.

(b) Deductions for loan repayment shall commence not later than the month following that in which the loan was paid to the member.

15. Loans will be repaid from a member's salary and no member should be allowed to suffer total deductions (including savings, loan repayment and interest) in excess of two thirds of his/her monthly basic salary. Nothing in the foregoing need prevent any member from repaying his/her loan and interest in whole, or in part, prior to its maturity.

16. (a) Basic salary excludes rental house allowance. Owner occupier house allowance will be considered only on production of written advice by the employer and to the extent that the allowance is in excess of monthly mortgage instalment, if any.

(b) While a member is free to repay the loan from any other sources besides the individual salary, under no circumstances should these other sources be taken into account in determining the member's ability to repay the loan at the time of loan granting.

17. No member will be allowed to withdraw part of his/her shares or offset part of the shares against outstanding loan unless he/she ceases to be a member.

18. Where a member changes employers, he/she may transfer his/her shares to the society of the new employer, and will be deemed to have joined the society of his/her new employer from the time he/she became of the society of his/her former employer. In all cases, a member must clear any outstanding loan with the society of his/her old employer first. The society of his/her new employer shall transfer shares direct to the society of his/her new employer by drawing a cheque in the name of the society, if the member so advises.
19. Emergency loans where a member has reached his/her entitlement and school fees loans shall be repaid within 12 months.

20. A member's shares pledged as security for another member's loan shall not be surrendered to offset his/her outstanding loan, unless the former can provide an alternative security for the latter's loan.

21. Guarantee
Unless the loan applied for is equal to or less than a member's shares, it must be secured by guarantor(s). The total shares of the borrower and those of the guarantor(s) must be equal to or more than the loan applied for.

22. (a) No member will be allowed to guarantee more than three loans. All guarantors must be members of the society.

(b) Members of the management committee and the supervisory committee shall not guarantee loans among themselves.

23. The obligations of the previous guarantors shall cease upon change of guarantors but subject to new guarantors being accepted by the society. The obligation of the guarantors shall also cease when loans guaranteed have been reduced to or less than the member's shares.

Each society shall maintain a record of all guarantors to every loan in each member's personal file.

24. Other Security
Pledges in form of articles like share certificate, land title deeds or insurance policy up to surrender value may be accepted. The society must deposit such articles in a bank for safe custody but must be handed back to the members immediately the loan balance equals the shares. Confirmation as regards the validity of the articles so pledged from the issuing authority must be obtained before such documents can be admitted as security for the loan. Mortgage in real estate can be taken as security for a loan not exceeding two thirds of the montage value.

The valuation of the property and legal fees shall be paid by the member and the valuer should be a person registered under the Law and acceptable to the Ministry of Co-operative Development.

25. Defaulters and Withdrawals
Where a member wishes to withdraw from a society's membership, he/she may be required to give the society a written notice of up to 60 days of his/her intention to withdraw.

26. No member shall be allowed to withdraw from a society membership unless the member's loan is repaid in full or the loan balance can be full offset by the member's shares. Such a member will also have to satisfy the society that all loans guaranteed have been paid in full or the balance does
not exceed the shares of the members whose loans were guaranteed.

27. A member who retires from the common bond, but retains his/her membership in a co-operative society, shall be granted loan only up to the limit of his/her shares. Inter-Ministerial/Departmental transfers are not deemed to be loss of common bond.

28. A member who withdraws due to retirement or resignation will be required to clear all outstanding loans and provide alternative guarantors in cases of loans guaranteed before retirement or resignation. Where a member who is retiring or resigning is not able to clear immediately, he/she will be required to make arrangements with the society for repayments. Each society will be required to ensure that no loan is granted with repayment period going beyond the retirement/resignation date of a member if that date is known.

29. Where a member is employed on contract, he/she should be granted a loan payable within his/her contractual period. Loans to non-Kenians will normally not be considered. However, in cases of emergency, loans may be granted provided that they are guaranteed by Kenyan members.

30. In case a loan is not repaid for a month, the society shall inform the loanee immediately in writing with a copy to each guarantor. If no repayment is affected during the second month, the guarantor shall be informed of this fact and be notified that they will be called upon to honour their obligations if no repayments are affected at the end of third consecutive months. However, the society will still maintain efforts to recover the defaulted loan from the loanee.

NB: Any difficulties encountered in the implementation of this loan policy should be referred to this for clarification or interpretation.
APPENDIX A1

MWALIMU SACCO SOCIETY LIMITED

LOAN POLICY FOR MWALIMU SACCO SOCIETY LIMITED

Lending Requirements

1. For a member of SACCO, society to qualify for a co-operative loan:
   
   (a) A member must have completed at least six months and contributed not less than Kshs.7,500/- or 10,000/-.
   
   (b) A member who withdraws from the society and rejoins later will be treated as a new member for the purpose of this loan policy.
   
   (c) Savings contribution paid in cash or cheque outside the check-off system shall remain in the society for at least six months to qualify for any loan.
   
   (d) Any amount of savings through the check-off system in excess of one third of a member’s basic salary shall remain in the society for a period of six months to qualify for any loan unless such contribution have been paid regularly for the past six months.
   
   (e) The Society’s books of accounts have to be updated in accordance with the co-operative societies Act and Rules.
   
   (f) A member applying for a loan should undertake to pledge future salary from any employer towards loan repayment before such a loan is granted by the SACCO society.

2. (a) All loans shall be restricted to members only and shall be approved by the full Credit Committee on behalf of the Central Management Committee. Loan applications for Credit Committee member shall be appraised by the General Manager, approved by the other members of Credit Committee and finally endorsed by the Executive Committee.

   (b) (i) Employees of Mwalimu Sacco Society Limited shall be eligible for membership as long as they are in employment of the SACCO.

   (ii) Employees are not eligible to become members of the Central Management Committee or any other committee of the Central Management Committee.

   (c) (i) Loan application forms for Senior Management staff MC 8 and above shall be appraised by the General Manager, approved by Credit Committee and endorsed by the Executive Committee.

   (ii) Loan application for other employees below MC8
shall be endorsed by the General Manager.

(d) An employee who tampers with his/her monthly shares contribution and loan repayment is liable to prosecution under Section 87 of the Co-operative Societies Act and for purposes of employment the act will be deemed to be gross-misconduct.

3. The rate of interest on all loans inclusive of all charges incidental to granting of the loan shall be (one) 1% per month, on reducing balance or any other rate approved by Annual Delegates Meeting.

4. (a) A member of Mwalimu Sacco Limited shall not belong to other Saccos until he/she ceases being a member of Mwalimu Sacco Limited. Where a member leaves the common bond by virtue of transfer or retirement, he/she may continue to be a member of the Society or may transfer all his/her shares to the Society which he/she intends to join under new employer.

(b) (i) All new, applicants from other societies who fit in the common bond and applying for membership must provide written proof from their previous Management Committee that they do not have outstanding liability in the Society and that they are no longer members of the same society.

(ii) A member who has transferred from another Savings and Credit Society to MWALIMU SACCO LTD., shall be deemed to be an old member for purposed of this loaning policy.

5. (a) All applications for loans shall be made on prescribed forms by the Society and shall in each case set out the amount applied for, the purpose of the loan, terms of repayment and type of security provided. The loan application form must be fully completed and supported by original current payslips not more than two months old to the date of application, copies of National Identification card showing both sides and incase of emergency loans and refinancing, relevant original documentary evidence.

(b) It shall be an offence for an applicant, society employee to give false information regarding shares, loan and guarantors.

6. Loan applications shall be considered in the order in which they are received.

7. The maximum amount of loan granted to a member shall not exceed four times a member’s shares but subject to a maximum of 5% of the society’s total share capital and reserves (Ref: By-low No.86). Where total deductions exceed two thirds of a member’s basic salary, the loan shall be reduced accordingly.
8. Mwalimu Sacco Society shall maintain 10% cash reserve of the total member's savings in accordance with By-laws No. 97 (cash reserve). At least 50% of the cash reserve shall be kept in a deposit account and will not be available for granting loans. Such reserve shall be updated monthly.

9. Provided that a member is qualified, an additional loan can be granted, by Central Management Committee subject to availability of funds.

10. **Emergency loans:**

   (a) Emergencies include sudden hospitalization, funeral expenses, court fines and other unforeseen circumstances beyond the member’s control but shall not include House Rent dues or other loans covered under this policy. Subject to all other conditions in the policy, emergency loan should not exceed Kshs.50,000/-. 

   (b) Emergency loans shall be granted according to individual members' ability to repay but shall not exceed Kshs.50,000/-. 

   (c) Emergency loans should as far as possible, be given within a member’s entitlement. However, where a member has reached his/her entitlement, he/she may be given a loan, but not exceeding kshs.10,000/- or equal to shares subject to approval by Central Management Committee.

11. School fees loans may be granted to a member even though he has other outstanding loans on the following conditions:

   (a) The total of all outstanding loans, including school fees, must never exceed four times a member’s shares.

   (b) Only one school fees loan may be granted at a time.

   (c) School fees cheques will be sent direct to the school where applicable and necessary.

   (d) School fees loan shall be granted according to individual member’s ability to repay but shall not exceed kshs.50,000/-. School fees loan shall include local and foreign university loan.

12. A member who is interdicted by his/her employer and does not have an outstanding loan is eligible for a loan but such a loan shall not exceed his/her shares.

13. Categories of loans will be handled as follows:

   (a) Normal loans shall be granted at a rate of 2.6 times of savings subject to member’s ability to repay.

   (b) The normal loan lending rate shall from time to time be reviewed depending on the availability of funds.
14. **Repayments**

(a) The repayment period of normal loan shall be 36 months or as determined by the Management Committee but in all cases shall not exceed 48 months.

(b) Recovery for loan re-payment shall commence not later than the month following that in which the loan was granted to the member.

15. Loans will be repaid from a member’s salary and no member should be allowed to suffer total deductions (including savings, loan repayment and interest) in excess of two thirds of his/her monthly basic salary. Nothing in the foregoing need prevent any member from repaying his/her loan and interest in whole, or part, prior to its maturity.

16. (a) Basic salary excludes Automatic House Allowance. Owner Occupier house allowance will be considered only on production of written advice by the employer and to the extent that the allowance is in excess of monthly mortgage instalment, if any. The employer will advice on the actual owner occupier entitlement of the individual member concerned.

(b) While a member is free to repay the loan from any other sources besides the individual salary, under no circumstances should these other sources be taken into account in determining the member’s ability to repay the loan at the time of loan granting.

(c) A member clearing a normal loan by cash shall await for two months before being granted another normal loan.

17. No member will be allowed to withdraw part of his/her shares or offset part of the shares against an outstanding loan unless he/she ceases to be a member.

18. Where a member changes employers, he/she may transfer his/her shares to the society of the new employer, and will be deemed to have joined the society of his/her former employer. In all cases, a member must clear any outstanding loan with the society of his/her old employer first. The Society of his/her first shall transfer shares direct to the society of his/her new employer by drawing a cheque in the name of the society, if the member so advise.

19. Emergency loans where a member has reached his/her entitlement and school fees loans shall be repaid within 12 months.

20. A member’s shares pledged as security for another member’s loan shall not be surrendered to offset his/her outstanding loan, unless the former can provide an alternative security
for the latter's loan.

21. **Guarantee:**
   Unless the loan applied for is equal to or less than a member's shares, it must be secured by guarantor(s). The total shares of the borrower and those of the guarantor(s) must be equal to or more than the loan applied for.

22. (a) No member will be allowed to guarantee more than three normal loans. All guarantors must be members of the society and in the common bond.

   (b) Members of the Management committee and the Supervisory committee shall not guarantee loans among themselves.

23. The obligations of the previous guarantors shall cease upon change of guarantors but subject to new guarantors being accepted by the society. The obligation of the guarantors shall also cease when loan guaranteed have been reduced to or less than the member's shares.

Mwalimu Sacco limited shall maintain a record of all guarantors to every loan in each member's personal file.

24. **Defaulters and Withdrawals**
   Where a member wishes to withdraw from a society's membership, he/she may be required to give the society a written notice of upto 60 days of his/her intention to withdraw.

25. No members shall be allowed to withdraw from the society membership unless, the member's loan is repaid in full or the loan balance can be fully offset by the member's shares. Such a member will also have to satisfy the society that all guaranteed loans have been paid in full or the balance does not exceed the shares of the member whose loans were guaranteed.

26. A member who retires from the common bond, but retains his/her membership in Mwalimu Sacco Ltd., shall be granted loan only up to the limit of his/her shares. Inter-Ministry/department transfers are not deemed to be loss of common bond.

27. A member who withdraws due to retirement or resignation will be required to clear all outstanding loans and provide alternative guarantors in cases of loans guaranteed before retirement or resignation. Where a member who is retiring or resigning is not able to clear the loans immediately, he/she will be required to make arrangement with Mwalimu Sacco for repayments.

28. Where a member is employed on contract he/she should be granted a loan payable within he/she contractual period. Loans to non-Kenyans will normally not be considered. However, in cases of emergency, loan may be granted provided that they are guaranteed by Kenyan members.
29. Incase a loan is not repaid for a month, the society shall inform the loanee immediately in writing with a copy to each guarantor. If no repayment is effected during the second month, the guarantors shall be informed of this fact and be notified that they will be called upon to honour their obligations if no repayments are affected at the end of three consecutive months. However, the society will still maintain efforts to recover the defaulted loan from the loanee.

30. Any member who defaults and is attached if by any chance he/she is re-admitted should only qualify for a loan equal to his/her shares.

NB: Any difficulties encountered in the implementation of this loan policy should be referred to this office for clarification or interpretation.
APPENDIX B

KENYATTA UNIVERSITY

FACULTY OF COMMERCE

Letter to Respondents

Dear Member,

I am a post-graduate (MBA) 2nd year student in the Faculty of Commerce of Kenyatta University. I am currently collecting data to assist me to write my Research Project as regards the lending policies for SACCOs in Kenya.

Kindly, fill in the attached questionnaire which has been designed to sample opinions on the lending policies. Your opinion will be the right answer to the relevant question. This is because different people view things differently and at the end they are both right/correct. After carefully reading the questions, answer them by ticking the blank box that corresponds to your feeling about the policy.

The information you give shall be treated with strict confidentiality.

Thank you very much in advance for your kind co-operation.

Yours sincerely,

LUMUMBA O. MARTIN
MBA 11 STUDENT

ANNA MUKONAMBI
LECTURER, DEPARTMENT OF ACCOUNTING
SUPERVISOR
APPENDIX B1
QUESTIONNAIRE

To be filled by members of Mwalimu SACCO Nairobi.

The purpose of this Questionnaire is to assist in collecting data for an MBA project, Faculty of Commerce, Kenyatta University.

All the information given herein shall be treated with a high degree of confidentiality.

Your Names .......................................................... (Optional)
School .................................................................
District ............................................................... 
Designation ..........................................................

Below are the lending policy guidelines. Read each of them and for each pair tick ( ) the cell that best describes your feelings towards the guidelines or statement.

Ratings are
5 = very long
4 = long
3 = slightly long
2 = short
1 = too short

For example if in a question you feel the period is "very long" tick box No.5 and if you feel it is "short" tick box No.2, or as appropriately as possible.

A. LENDING REQUIREMENTS

1. For the member to qualify for a loan:
   (a) The society must have been in existence for a minimum of six months from the date of registration.

   (i) This period is:

<table>
<thead>
<tr>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Necessary</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

   (ii) The requirement is:
   Appropriate | [ ] | [ ] | [ ] | [ ] | [ ] | not appropriate |
(b) A member must have contributed consistently for at least six months an amount not less than Kshs.600.

(i) The period is:

Long [ ] [ ] [ ] [ ] [ ] [ ] short
Sufficient [ ] [ ] [ ] [ ] [ ] [ ] not sufficient

(ii) This amount is:

5 4 3 2 1
Easy to raise [ ] [ ] [ ] [ ] [ ] not easy to raise

(iii) The requirement is:

Appropriate [ ] [ ] [ ] [ ] [ ] not appropriate

(c) When a member withdraws from the society and rejoins latter he is regarded as a new member.

This requirement is:

5 4 3 2 1
Good [ ] [ ] [ ] [ ] [ ] very bad

(d) Any money contributed to boost the members shares outside the check-off system for purposes of acquiring a high loan can only be considered after six months.

This period is:

5 4 3 2 1
Long [ ] [ ] [ ] [ ] [ ] short

(ii) The requirement is:

Necessary [ ] [ ] [ ] [ ] [ ] not necessary

(e) A member should pledge his/her future salary from any employer towards loan repayment granted by the society.

The requirement is:

5 4 3 2 1
Enforceable [ ] [ ] [ ] [ ] [ ] not enforceable
Important [ ] [ ] [ ] [ ] [ ] not important
2. All loans shall be restricted to members only.

(i) The requirement is:

Good [ ] [ ] [ ] [ ] [ ] [ ] very bad

(ii) The society should give loans to other employees so long as they have adequate securities

Strongly Agree Neither Agree Strongly disagree
Agree [ ] [ ] [ ] [ ]

3. A member should belong to only one society at a time.

This requirement is:

5 4 3 2 1
Restrictive [ ] [ ] [ ] [ ] [ ] not restrictive
Necessary [ ] [ ] [ ] [ ] [ ] not necessary
Enforceable [ ] [ ] [ ] [ ] [ ] not enforceable

4. The procedure of approving membership application is:

5 4 3 2 1
Fast [ ] [ ] [ ] [ ] [ ] slow
Systematic [ ] [ ] [ ] [ ] [ ] not systematic
Strict [ ] [ ] [ ] [ ] [ ] not strict
Discriminatory [ ] [ ] [ ] [ ] [ ] not discriminatory

5. The procedures and requirements for loan application are:

5 4 3 2 1
Necessary [ ] [ ] [ ] [ ] [ ] not necessary
Restrictive [ ] [ ] [ ] [ ] [ ] not restrictive
Systematic [ ] [ ] [ ] [ ] [ ] not systematic

6. Employees of the society can be members but are not eligible to be members in the management committee.

(i) In your opinion this condition is:

5 4 3 2 1
Restrictive [ ] [ ] [ ] [ ] [ ] not restrictive
Good [ ] [ ] [ ] [ ] [ ] very bad
Necessary [ ] [ ] [ ] [ ] [ ] not necessary
Discriminatory [ ] [ ] [ ] [ ] [ ] not discriminatory
7. The processing of loan approved is:

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fast</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discriminatory</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Systematic</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Easy to manipulate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

8. The interest rate on all loans, inclusive of all charges indicated of granting the loan shall not exceed 1% per month on re

This rate of interest is:

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9. The maximum amount of loan granted to a member shall not exceed four times a member’s shares. This condition is:

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adequate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Effective</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

10. Every society shall maintain 10% cash reserve of the total members savings. This rate is:

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Necessary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

11. A member can be granted additional loan subject to the approval of the commissioner for co-operative development: This condition is:

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restrictive</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Generous</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Necessary</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

B. EMERGENCY LOANS

12. Emergency loans include:
- Hospitalization
- Funeral expenses
- Court fines
- School fees

(i) The condition is:

<table>
<thead>
<tr>
<th></th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restrictive</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Adequate [ ] [ ] [ ] [ ] [ ] inadequate

(ii) Suggest any other needs that should be included among emergency loans:

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

________________________________________________________________________

13. The maximum emergency loan amount is Kshs.30,000.

(i) This amount is:

5 4 3 2 1
Adequate [ ] [ ] [ ] [ ] [ ] inadequate

(ii) Give reasons if the answer is in box (1) above.

________________________________________________________________________

________________________________________________________________________

C. REPAYMENTS

14. Normal loan repayment period shall not exceed 4 years (48 months). This period is:

5 4 3 2 1
Very long [ ] [ ] [ ] [ ] [ ] very short
Restrictive [ ] [ ] [ ] [ ] [ ] not restrictive

15. Deductions for loan repayments shall commence not later than the month following that in which the loan was paid to the member. This period is:

5 4 3 2 1
Very long [ ] [ ] [ ] [ ] [ ] short
Adequate [ ] [ ] [ ] [ ] [ ] inadequate

16. In repayment a member shall not suffer more than two thirds deductions from his basic monthly salary. Basic excludes rental house allowance and medical allowance. This condition is:

5 4 3 2 1
Restrictive [ ] [ ] [ ] [ ] [ ] not restrictive
Necessary [ ] [ ] [ ] [ ] [ ] not necessary
17. No member will be allowed to withdraw part of his shares to repay an outstanding loan. This condition is:

<table>
<thead>
<tr>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Necessary</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

18. The Guarantee system is used for securing loan which are more than a members shares, this condition is:

<table>
<thead>
<tr>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strict</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Enforceable</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Very good</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Necessary</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

19. Collateral securities may be used to acquire a loan. This condition is:

<table>
<thead>
<tr>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Necessary</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Discriminative</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

D. WITHDRAWALS

20. Where a member wishes to withdrawn from the Society’s membership, he/she will be required to give a written notice of up to 60 days regarding his/her intention to withdraw.

(i) This requirement is:

<table>
<thead>
<tr>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Necessary</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

(ii) This period is:

<table>
<thead>
<tr>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very long</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
<tr>
<td>Restrictive</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

E. OVERALL ASSESSMENT

21. For how long have you been a member in the society.

22. As a member of the society, are you satisfied with the lending system of the society?

Yes [ ] No [ ]
23. If your answer is No in Question 22 above state three common reasons for members complaints regarding the lending policies:

(i) _______________________________________

(ii) ______________________________________

(iii) ______________________________________

24. What is your level of education?

[ ] University

[ ] Diploma

[ ] Form six

[ ] Form four

[ ] K.J.S.E

[ ] Other (specify) ______________________________________

25. What is your present job?

____________________________________

26. Under which of the following categories does your basic monthly salary fall?

[ ] Below Kshs.10,000 per month

[ ] Between kshs.10,001 - 14,000 per month

[ ] Over kshs.14,001 and above month

27. What is your overall assessment of the lending policies?

[ ] Excellent [ ] Good [ ] Average

[ ] Poor [ ] very poor

THANK YOU FOR YOUR CO-OPERATION
## APPENDIX C

Mean scores by salary scales

### TABLE C1.

<table>
<thead>
<tr>
<th>Salary Scales</th>
<th>Kshs.10,000 and below</th>
<th>Between Kshs.10,001 and Kshs.14,000</th>
<th>Kshs.14,001 and above</th>
<th>Total same mean score</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lending policies</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Lending requirements:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. To qualify for a loan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) The society must have been in existence for a period not less than six months.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Long vs short</td>
<td>4.0</td>
<td>3.4</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>(ii) Necessary vs not necessary</td>
<td>4.0</td>
<td>4.5</td>
<td>4.3</td>
<td>4.3</td>
</tr>
<tr>
<td>(iii) Appropriate vs not appropriate</td>
<td>4.1</td>
<td>4.2</td>
<td>4.5</td>
<td>4.2</td>
</tr>
<tr>
<td>(b) A member must have contributed consistently for six months an amount not less than Ksh.600.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Long vs short</td>
<td>3.6</td>
<td>3.8</td>
<td>3.5</td>
<td>3.6</td>
</tr>
<tr>
<td>(ii) Sufficient vs not sufficient</td>
<td>4.2</td>
<td>4.1</td>
<td>4.1</td>
<td>4.1</td>
</tr>
<tr>
<td>(iii) Easy vs not easy to raise</td>
<td>4.6</td>
<td>4.6</td>
<td>4.7</td>
<td>4.6</td>
</tr>
<tr>
<td>(iv) Appropriate vs not appropriate</td>
<td>4.7</td>
<td>4.5</td>
<td>4.4</td>
<td>4.5</td>
</tr>
<tr>
<td>(c) When one withdraws and rejoins latter he is considered as a new member.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(i) Good vs bad</td>
<td>3.1</td>
<td>2.8</td>
<td>3.1</td>
<td>3.0</td>
</tr>
</tbody>
</table>
(d) Cash contributed out of the check-off system must take six months before it becomes effective.

<table>
<thead>
<tr>
<th></th>
<th>Long vs short</th>
<th>4.5</th>
<th>4.4</th>
<th>4.6</th>
<th>4.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ii)</td>
<td>Necessary vs not necessary</td>
<td>2.3</td>
<td>2.7</td>
<td>1.7</td>
<td>2.2</td>
</tr>
</tbody>
</table>

(e) A member to pledge future salary from any employer towards loan repayment.

<table>
<thead>
<tr>
<th></th>
<th>Enforceable vs not enforceable</th>
<th>4.7</th>
<th>3.7</th>
<th>4.4</th>
<th>4.3</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ii)</td>
<td>Important vs not important</td>
<td>4.5</td>
<td>4.4</td>
<td>4.3</td>
<td>4.4</td>
</tr>
</tbody>
</table>

2. Loans to Members only

|   | Good vs bad | 4.8 | 4.9 | 4.6 | 4.8 |

3. A member shall belong to only one society at a time

<table>
<thead>
<tr>
<th></th>
<th>Restrictive vs not restrictive</th>
<th>4.9</th>
<th>4.4</th>
<th>4.7</th>
<th>4.7</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ii)</td>
<td>Necessary vs not necessary</td>
<td>3.0</td>
<td>2.3</td>
<td>1.3</td>
<td>2.2</td>
</tr>
<tr>
<td>(iii)</td>
<td>Enforceable vs not enforceable</td>
<td>3.9</td>
<td>3.9</td>
<td>4.3</td>
<td>4.0</td>
</tr>
</tbody>
</table>

4. Procedure for approving members application.

<table>
<thead>
<tr>
<th></th>
<th>Fast vs slow</th>
<th>4.3</th>
<th>4.1</th>
<th>4.1</th>
<th>4.2</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ii)</td>
<td>Systematic vs not systematic</td>
<td>4.4</td>
<td>4.4</td>
<td>4.5</td>
<td>4.4</td>
</tr>
<tr>
<td>(iii)</td>
<td>Strict vs not strict</td>
<td>2.4</td>
<td>2.4</td>
<td>2.0</td>
<td>2.3</td>
</tr>
<tr>
<td>(iv)</td>
<td>Discriminatory vs not discriminatory</td>
<td>2.5</td>
<td>2.3</td>
<td>1.5</td>
<td>2.1</td>
</tr>
</tbody>
</table>

88
### 5. Procedures and requirements for loan application

<table>
<thead>
<tr>
<th></th>
<th>Necessary vs not necessary</th>
<th>Restricted vs not restrictive</th>
<th>Systematic vs not systematic</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td></td>
<td></td>
<td></td>
<td>4.7</td>
</tr>
<tr>
<td>(ii)</td>
<td></td>
<td></td>
<td></td>
<td>2.4</td>
</tr>
<tr>
<td>(iii)</td>
<td></td>
<td></td>
<td></td>
<td>4.1</td>
</tr>
</tbody>
</table>

### 6. Employees to be members but not in management.

<table>
<thead>
<tr>
<th></th>
<th>Restricted vs not Restrictive</th>
<th>Good vs Bad</th>
<th>Necessary vs not necessary</th>
<th>Discriminatory vs not discriminatory</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(vi)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 7. The processing of loans approved

<table>
<thead>
<tr>
<th></th>
<th>Fast vs slow</th>
<th>Fair vs unfair</th>
<th>Discriminatory vs not discriminatory</th>
<th>Systematic vs not systematic</th>
<th>Easy to manipulate vs not easy to manipulate</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iii)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(iv)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(v)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 8. Interest on all loans shall not exceed 1%

<table>
<thead>
<tr>
<th></th>
<th>High vs low</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td></td>
<td>4.0</td>
<td>3.3</td>
<td>3.2</td>
</tr>
</tbody>
</table>
9. **Maximum normal loans granted shall not exceed four times a member’s shares**

| (i) | Adequate vs inadequate | 4.0 | 4.1 | 4.3 | 4.2 |
| (ii) | Effective vs not effective | 3.2 | 3.9 | 4.2 | 3.7 |

10. **Every Society shall maintain 10% cash reserve of the total members savings.**

| (i) | Necessary vs not necessary | 4.2 | 4.0 | 4.2 | 4.1 |
| (ii) | High vs low | 4.0 | 4.1 | 4.4 | 4.1 |

11. **A member can be granted an additional loan subject to the approval of the commissioner for co-operative development.**

| (i) | Restrictive vs not restrictive | 3.5 | 3.9 | 4.5 | 4.0 |
| (ii) | Generous vs not generous | 3.0 | 2.5 | 1.7 | 2.4 |
| (iii) | Necessary vs not necessary | 2.3 | 1.9 | 1.7 | 1.9 |
TABLE C2

EMERGENCY LOANS

12. Emergencies include sudden hospitalization, funeral expenses, court fines, and other unforeseen circumstances beyond the members control but shall not include or cover house rent dues or other loans covered under this policy.

<table>
<thead>
<tr>
<th></th>
<th>Restrictive vs not restrictive</th>
<th>Adequate vs not adequate</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>4.2</td>
<td>3.7</td>
</tr>
<tr>
<td></td>
<td>4.4</td>
<td>4.0</td>
</tr>
<tr>
<td>(ii)</td>
<td>3.0</td>
<td>3.3</td>
</tr>
<tr>
<td></td>
<td>2.3</td>
<td>2.9</td>
</tr>
</tbody>
</table>

13. The maximum emergency loan amount shall not exceed Kshs.30,000.

<table>
<thead>
<tr>
<th></th>
<th>Adequate vs inadequate</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>2.3</td>
</tr>
<tr>
<td></td>
<td>2.9</td>
</tr>
<tr>
<td></td>
<td>1.7</td>
</tr>
<tr>
<td></td>
<td>2.3</td>
</tr>
</tbody>
</table>
### TABLE C3

#### REPAYMENTS

14. For normal loans repayment period shall not exceed 48 months (4 years) and for emergency loans not 12 months (1 year)

<table>
<thead>
<tr>
<th></th>
<th>Long vs short</th>
<th>Restrictive vs not restrictive</th>
<th>Necessary vs necessary</th>
<th>Strict vs not strict</th>
<th>Enforceable vs not enforceable</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>2.4</td>
<td>2.3</td>
<td>1.8</td>
<td>4.6</td>
<td>4.4</td>
</tr>
<tr>
<td>(ii)</td>
<td>3.8</td>
<td>3.6</td>
<td>4.2</td>
<td>4.4</td>
<td>4.4</td>
</tr>
</tbody>
</table>

15. Deductions on all loans starts a month following the one in which the loan is given.

<table>
<thead>
<tr>
<th></th>
<th>Long vs short</th>
<th>Adequate vs inadequate</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>1.9</td>
<td>2.1</td>
</tr>
<tr>
<td>(ii)</td>
<td>2.3</td>
<td>3.3</td>
</tr>
</tbody>
</table>

16. In repayment members shall not suffer more than two thirds basic

<table>
<thead>
<tr>
<th></th>
<th>Restrictive vs not Restrictive</th>
<th>Necessary vs not necessary</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>4.4</td>
<td>2.4</td>
</tr>
<tr>
<td>(ii)</td>
<td>4.4</td>
<td>1.9</td>
</tr>
</tbody>
</table>

17. Shares will not be used to repay outstanding loan balances.

<table>
<thead>
<tr>
<th></th>
<th>Necessary vs not necessary</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>4.0</td>
</tr>
</tbody>
</table>

18. Guarantee system shall be used to secure loans more than ones shares.

<table>
<thead>
<tr>
<th></th>
<th>Strict vs not strict</th>
<th>Enforceable vs not enforceable</th>
</tr>
</thead>
<tbody>
<tr>
<td>(i)</td>
<td>4.6</td>
<td>4.4</td>
</tr>
<tr>
<td>(ii)</td>
<td>4.4</td>
<td>4.5</td>
</tr>
</tbody>
</table>
Table C4

**WITHDRAWALS**

<table>
<thead>
<tr>
<th>(i)</th>
<th>Necessary vs not necessary</th>
<th>2.5</th>
<th>1.8</th>
<th>2.2</th>
<th>2.1</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ii)</td>
<td>Very long vs very short</td>
<td>4.5</td>
<td>4.0</td>
<td>4.5</td>
<td>4.3</td>
</tr>
<tr>
<td>(iii)</td>
<td>Restrictive vs not restrictive</td>
<td>4.2</td>
<td>4.0</td>
<td>4.3</td>
<td>4.2</td>
</tr>
</tbody>
</table>

19. Collateral security may be used to secure loans.

<table>
<thead>
<tr>
<th>(i)</th>
<th>Necessary vs not necessary</th>
<th>3.8</th>
<th>3.9</th>
<th>3.3</th>
<th>3.6</th>
</tr>
</thead>
<tbody>
<tr>
<td>(ii)</td>
<td>Discriminatory vs not discriminatory</td>
<td>3.1</td>
<td>3.2</td>
<td>3.1</td>
<td>3.2</td>
</tr>
</tbody>
</table>

1.9 1.2 1.4 1.5

2.1 2.1 2.3 2.2

(iii) Very good vs very bad

(iv) Necessary vs not necessary

20. When a member intends to withdraw from the society's membership he/she should give notice of not less than 60 days for his/her intention to withdraw.
APPENDIX D

Table: D1 (a) Contingency table of actual sample results. Respondents satisfaction with the lending policies and the number of years one has been a member in the society.

<table>
<thead>
<tr>
<th>No. of years in the Society</th>
<th>Excellent</th>
<th>Good</th>
<th>Average</th>
<th>Poor</th>
<th>Very Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 years and below</td>
<td>0 (0.19)</td>
<td>3 (2.46)</td>
<td>2 (2.05)</td>
<td>0 (0.30)</td>
<td>0 (0)</td>
<td>5</td>
</tr>
<tr>
<td>Between 3 - 7 years</td>
<td>0 (1.36)</td>
<td>15 (17.73)</td>
<td>19 (14.73)</td>
<td>2 (2.18)</td>
<td>0 (0)</td>
<td>36</td>
</tr>
<tr>
<td>Between 8 - 11 years</td>
<td>1 (1.55)</td>
<td>22 (20.19)</td>
<td>17 (16.77)</td>
<td>1 (2.48)</td>
<td>0 (0)</td>
<td>41</td>
</tr>
<tr>
<td>12 years and above</td>
<td>4 (1.89)</td>
<td>25 (24.62)</td>
<td>16 (20.45)</td>
<td>5 (3.03)</td>
<td>0 (0)</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>65</td>
<td>54</td>
<td>8</td>
<td>0</td>
<td>132</td>
</tr>
</tbody>
</table>

Note: Since some expected frequencies (in brackets) are less than 5, the contingency table is modified by combining some rows and columns (Table D1(b), for chi-square test purposes.

Table D1 (b): Modified contingency table. Respondents satisfaction with the lending policies and the number of years one has been a member in the society. Respondents who rated the policies as "average" are considered as not satisfied, hence, dissatisfied for they have some reservations with the policies.

<table>
<thead>
<tr>
<th>No. of years in the society</th>
<th>Satisfied</th>
<th>Dissatisfied</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 years and below</td>
<td>18 (21.74)</td>
<td>23 (19.26)</td>
<td>41</td>
</tr>
<tr>
<td>Between 8-11 years</td>
<td>23 (21.74)</td>
<td>18 (19.26)</td>
<td>41</td>
</tr>
<tr>
<td>12 years and above</td>
<td>29 (26.52)</td>
<td>21 (23.48)</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>70</td>
<td>62</td>
<td>132</td>
</tr>
</tbody>
</table>
Solution:

<table>
<thead>
<tr>
<th>O</th>
<th>E</th>
<th>O-E</th>
<th>(O-E)^2</th>
<th>(O-E)^2/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>18</td>
<td>21.74</td>
<td>-3.74</td>
<td>13.9876</td>
<td>0.64340</td>
</tr>
<tr>
<td>23</td>
<td>21.74</td>
<td>1.26</td>
<td>1.5876</td>
<td>0.07303</td>
</tr>
<tr>
<td>29</td>
<td>26.52</td>
<td>2.48</td>
<td>6.1504</td>
<td>0.23192</td>
</tr>
<tr>
<td>23</td>
<td>19.26</td>
<td>3.74</td>
<td>13.9876</td>
<td>0.72625</td>
</tr>
<tr>
<td>18</td>
<td>19.26</td>
<td>-1.26</td>
<td>1.5876</td>
<td>0.08243</td>
</tr>
<tr>
<td>21</td>
<td>23.48</td>
<td>-2.48</td>
<td>6.1504</td>
<td>0.26194</td>
</tr>
<tr>
<td>132</td>
<td>132</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Degrees of freedom (d.f) = (c-1) (r-1) = (2-1) (3-1) = 1 x 2 = 2

X^2 = 2.01897

Since X^2 = 2.01897 < 5.991, Ho is accepted. Thus, the null hypothesis that, satisfaction of the lending policies is independent of the number of years one has been a member in the society cannot be rejected at 95% significance level.

Table D2: Contingency table of actual sample results. Respondents satisfaction with the lending policies and one’s salary level. The contingency table is not modified for all expected values in all the cells are more than 5 for chi-square test.
Solution:

<table>
<thead>
<tr>
<th>O</th>
<th>E</th>
<th>O-E</th>
<th>(O-E)^2</th>
<th>(O-E)^2/E</th>
</tr>
</thead>
<tbody>
<tr>
<td>19</td>
<td>21.82</td>
<td>-2.82</td>
<td>7.9524</td>
<td>0.36445</td>
</tr>
<tr>
<td>23</td>
<td>22.91</td>
<td>0.09</td>
<td>0.0081</td>
<td>0.00035</td>
</tr>
<tr>
<td>30</td>
<td>27.27</td>
<td>2.73</td>
<td>7.4529</td>
<td>0.27330</td>
</tr>
<tr>
<td>21</td>
<td>18.18</td>
<td>2.82</td>
<td>7.9524</td>
<td>0.43743</td>
</tr>
<tr>
<td>19</td>
<td>19.09</td>
<td>-0.09</td>
<td>0.0081</td>
<td>0.00042</td>
</tr>
<tr>
<td>20</td>
<td>22.73</td>
<td>-2.73</td>
<td>7.4529</td>
<td>0.32789</td>
</tr>
<tr>
<td>132</td>
<td>132</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

Degree of freedom (d.f) = (c-1)(r-1) = (2-1)(3-1) = 1x2 = 2

\[ X_{0.05} = 5.991 \]

Decision rule:
- If \( X^2 > 5.991 \), Reject Ho
- If \( X^2 < 5.991 \), Accept Ho

Since \( X^2 = 1.40384 < 5.991 \), Ho is accepted. Hence, the null hypothesis that, satisfaction of the lending policies is independent of one’s salary level cannot be rejected at 95% significance level.

Table D3(a) Contingency table for actual sample results. Respondents overall assessment of the lending policies and the salary level.

<table>
<thead>
<tr>
<th>Salary level</th>
<th>Excellent</th>
<th>Good</th>
<th>Average</th>
<th>Poor</th>
<th>Very Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>100,000 and below</td>
<td>0 (1.52)</td>
<td>17 (20.00)</td>
<td>20 (16.36)</td>
<td>3 (2.12)</td>
<td>0 (0)</td>
<td>40</td>
</tr>
<tr>
<td>Between 10,001-14,000</td>
<td>1 (1.59)</td>
<td>21 (21.00)</td>
<td>18 (17.18)</td>
<td>2 (2.23)</td>
<td>0 (0)</td>
<td>42</td>
</tr>
<tr>
<td>14,001 and above</td>
<td>4 (1.89)</td>
<td>28 (25.00)</td>
<td>16 (20.46)</td>
<td>2 (2.65)</td>
<td>0 (0)</td>
<td>50</td>
</tr>
<tr>
<td>Total</td>
<td>5</td>
<td>66</td>
<td>54</td>
<td>7</td>
<td>0</td>
<td>132</td>
</tr>
</tbody>
</table>

Note: Since some expected frequencies (in brackets) are less than 5, for chi-square test purposes, the contingency table is modified by combining some columns (Table D3(b)).
Table D39(b): Modified contingency table. Respondents overall assessment of the lending policies and the salary level. Respondents who rated policies as average are regarded as dissatisfied with the policies for they have some undisclosed reservations for them.

<table>
<thead>
<tr>
<th>Salary Level</th>
<th>Yes</th>
<th>No</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>10,000 and below</td>
<td>17</td>
<td>23</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>(21.52)</td>
<td>(18.48)</td>
<td></td>
</tr>
<tr>
<td>Between 10,001 - 14,000</td>
<td>22</td>
<td>20</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td>(22.59)</td>
<td>(19.41)</td>
<td></td>
</tr>
<tr>
<td>14,001 and above</td>
<td>32</td>
<td>18</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>(26.89)</td>
<td>(23.11)</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>61</td>
<td>132</td>
</tr>
</tbody>
</table>

Solution:

<table>
<thead>
<tr>
<th></th>
<th>E</th>
<th>O-E</th>
<th>(O-E)^2</th>
<th>(O-E)^2</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>21.52</td>
<td>-4.52</td>
<td>20.4304</td>
<td>0.94937</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>22.59</td>
<td>-0.59</td>
<td>0.3481</td>
<td>0.01541</td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>26.89</td>
<td>5.11</td>
<td>26.1121</td>
<td>0.97107</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>18.48</td>
<td>4.52</td>
<td>20.4304</td>
<td>0.10554</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>19.41</td>
<td>0.59</td>
<td>0.3481</td>
<td>0.01793</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>23.11</td>
<td>-5.11</td>
<td>26.1121</td>
<td>1.12990</td>
<td></td>
</tr>
<tr>
<td>132</td>
<td>132</td>
<td>0</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

 Degrees of freedom (d.f) = (c-1)(r-1)
                           = (2-1)(3-1) = 1x2 = 2

X^2 = 4.18922

X^2,0.05 = 5.991

Decision rule:
If X^2 > 5.991, Reject Ho.
If X^2 < 5.991, Accept Ho.

Since X^2 = 4.18922 < 5.991, H_0 is accepted. Hence, the null hypothesis that, overall assessment of the lending policies is independent of one’s salary level cannot be rejected at 95% significance level.

Conclusively, the dependence between the variables that may exist may be attributable to other unforseen factors not revealed by this research project.