THE FINANCIAL RISK MANAGEMENT STRATEGIES USED BY SAVINGS AND CREDIT COOPERATIVE SOCIETIES OPERATING FOSA SERVICES IN NAIROBI COUNTY

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D53/CE/14427/2009

A RESEARCH PROJECT PRESENTED TO THE SCHOOL OF BUSINESS KENYATTA UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A DEGREE IN MASTERS IN BUSINESS ADMINISTRATION.

OCTOBER, 2012.
DECLARATION

I hereby declare that this research report is my original work and has never been presented by any other person to the Kenyatta University or any other institution before.

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ACKNOWLEDGEMENT

My sincere thanks go to my lecturer/supervisor, Mr. Anthony Thuo, who has tirelessly guided me to go through the entire research work.

To all colleagues and more so Mr. Muthee; You are a real brother. God bless you.
DEDICATION

This piece of work is dedicated to my dear wife Peris Nyambura, my son Jakes Mutugi and daughter Prudence Shiro for bearing with my absence and company during the time of study and the use of family resources in this venture.
ABSTRACT

The purpose of this study was to determine the risk management strategies used by FOSA SACCOs in Nairobi County. The population of study was the FOSA SACCOs in Nairobi County. The study focused on all 44 FOSA SACCOs. The population of interest was the risk managers or managing directors of the organizations. The research instrument used was questionnaires which were pre-tested to confirm clarity of the questions and their validity and reliability. Questionnaires are typically used to determine the current status or situation or to estimate the distribution of characteristics in a population. (Mugenda and Mugenda, 1999). Data was be analyzed using quantitative techniques and then presented using distribution tables, diagrams, charts and graphs.

The major findings drawn after the analysis was that most FOSA SACCOs use the strategies of active oversight board, policies, procedures and limits and comprehensive internal controls in financial risk management. The main recommendation is that more improvement on the strategies that are currently used is necessary to ensure that they remain relevant and meeting the specific needs of the FOSA SACCOs. Additionally financial risk management information systems need to be explored and adopted.
DEFINITIONS OF TERMS

Risk: is a function of the likelihood of something happening and the degree of losing which arises from a situation or activity with potential to impede an entity’s ability to achieve its goals and objectives.

Risk management: “Enterprise risk management is a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.” (Committee of Sponsoring Organizations, 2004). Risk management is the process to manage the potential risks by identifying, analyzing and addressing them. The process can help to reduce the negative impact and emerging opportunities. The outcome may help to mitigate the likelihood of risk occurring and the negative impact when it happens (Partnerships BC, 2005).

A Savings and Credit Co-operative (SACCO): is a democratic, unique member driven, self-help co-operative. It is owned, governed and managed by its members who have the same common bond: working for the same employer, belonging to the same church, labour union, social fraternity or living/working in the same community. A Savings and Credit Co-operative’s membership is open to all who belong to the group, regardless of race, religion, colour, creed, and gender or job status. These members agree to save their money together in the SACCO and to make loans to each other at reasonable rates of interest. Interest is charged on loans, to cover the interest cost on savings and the cost of administration.

FOSA: is a facility that offers services similar to those offered by Commercial Banks owned by members to serve the members. Revenue generated from FOSA activity is shared by all members through payment of annual dividends.

FOSA SACCO. These are saccos that offer FOSA services.

Sacco Societies Regulatory Authority (SASRA): is a Semi-Autonomous Government Agency under the Ministry of Cooperative, Development and Marketing. It is a creation of the Sacco Societies Act 2008 and was inaugurated in 2009 charged with
the prime responsibility to license and supervise deposit taking Sacco Societies in Kenya.

The establishment of SASRA falls within the Government of Kenya’s reform process in the financial sector which has the dual objectives of protecting the interests of Sacco members and ensuring that there is confidence in the public towards the Sacco sector and spurring Kenya’s economic growth through the mobilization of domestic savings.
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<th>Description</th>
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<tr>
<td>FSD</td>
<td>Financial Sector Deepening</td>
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<tr>
<td>SACCO</td>
<td>Savings and Credit Cooperative society</td>
</tr>
<tr>
<td>SASRA</td>
<td>SACCO Societies Regulatory Authority</td>
</tr>
<tr>
<td>FOSA</td>
<td>Front Office Service Activity</td>
</tr>
<tr>
<td>BOSA</td>
<td>Back Office Savings Account</td>
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<tr>
<td>ANN</td>
<td>Artificial Neural Networks</td>
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<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>MoCDM</td>
<td>Ministry of Cooperative Development and Marketing</td>
</tr>
<tr>
<td>MIS</td>
<td>Management Information System</td>
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<td>FRMIS</td>
<td>Financial Risk Management Information System</td>
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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

In its most basic form, risk is about awareness of, and reaction to potential circumstances that could impede an entity's ability to achieve its goals and objectives. From this perspective, managers of an organization should formalize ways of identifying those circumstances and to develop steps to reduce or avoid the risks (Hill et al 2010). The chance of something happening will impact the achievement of objectives (Partnerships BC, 2005 and NIST, 2004). Risk management involves identifying, measuring, monitoring and controlling risks. The process is to ensure that the individual clearly understands risk management and fulfills the business strategy and objectives (SBP, 2003).

In the early 1990s, Kenya experienced difficult economic times forcing commercial banks to demand higher minimum operating balances for individual accounts to sustain their businesses. This saw many middle and low income persons unable to operate bank accounts. SACCOs became popular among employed persons who had been unable to maintain or operate bank accounts and they responded by introducing a Front Office Service Activity (FOSA) which offered quasi banking services at competitive rates opening a new chapter in the SACCO business. (SASRA, 2010)

Financial Sector Deepening (FSD) Kenya recognizes the critical role of SACCOs in providing access to financial services to low income households in Kenya. FSD (2009), Indicated that SACCOs are one of the leading sources of rural finance and in many rural areas the local SACCO is the only provider of financial services. About 200 of the SACCOs are considered deposit-taking SACCOs, offering Front Office Savings Activities (FOSA). This implies that FOSA SACCOs operate more funds than those only operating Back Office Savings Account (BOSA). Based on the 2010 performance of the SACCO subsector, the deposit taking SACCOs accounted for over 75% of the deposits and total assets for the subsector as illustrated by the table 1.0 below.
Table 1.0: Comparison of the Deposits Taking SACCOs to the Non Deposit Taking SACCO Societies

<table>
<thead>
<tr>
<th>Categories of SACCOs</th>
<th>No. of SACCOs</th>
<th>Members (No.)</th>
<th>Share Capital (Ksh.M)</th>
<th>Deposits (Ksh.M)</th>
<th>Loans (Ksh.M)</th>
<th>Total Assets (Ksh.M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deposit Taking SACCOs (DTS)</td>
<td>215</td>
<td>1,546,966</td>
<td>5,414</td>
<td>123,137</td>
<td>123,493</td>
<td>171,344</td>
</tr>
<tr>
<td>Non Deposit Taking SACCOs</td>
<td>3,065</td>
<td>351,690</td>
<td>1,255</td>
<td>34,403</td>
<td>34,433</td>
<td>44,799</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>3,280</strong></td>
<td><strong>1,898,656</strong></td>
<td><strong>6,669</strong></td>
<td><strong>157,540</strong></td>
<td><strong>157,926</strong></td>
<td><strong>216,143</strong></td>
</tr>
<tr>
<td>% of DTS to Total</td>
<td>7%</td>
<td>81%</td>
<td>81%</td>
<td>78%</td>
<td>78%</td>
<td>79%</td>
</tr>
</tbody>
</table>


The increased funds/deposits and larger amounts being loaned out to people/members some who don’t qualify exposes them to more risk. The question; how do SACCOs shield themselves from the possible financial risks? Are there mechanisms or systems that enable them identify possible risks before they occur? Are concerns that need to be investigated. This is further illustrated by SACCO briefs (2011), which highlighted that, the SACCO Societies Regulatory Authority (SASRA) has been mandated to license and supervise SACCOs. The need for closer oversight is that accepting withdrawable deposits is particularly considered a high-risk activity as depositors risk losing their money.

Eurofinas, the European Federation of Finance House Associations, indicates that new consumer credit and outstanding consumer credit growth has increased steadily from 2001 to 2005 in Europe (shown in Figure 1.0). Therefore, financial institutions require strategies to minimize their risk. In Tanzania, the directorate of banking supervision gave a list of risk management guidelines to be implemented by Banks and financial institutions which included; active board and senior management oversight, adequate policies, procedures and limits, adequate risk measurement and monitoring, management information systems and adequate internal controls. (Directorate of banking supervision, 2010)
Nara (2012) in his paper Risk Management in Savings and Credit Cooperatives, found that Nepalese SACCOs lack systematic and quantitative methods to identify, monitor and control aggregate risk due to lack of comprehensive risk management system. There were instances of significant losses in some SACCOs because of insufficient attention on risk management which had been done through audit committee and internal audit system. He further observed that the Contribution of external audit on risk management is minimum and there are instances where some SACCOs had witnessed serious delinquency crisis due to poor risk management.

Murugu (2012) in his study, the effect of credit risk management practices on the performance of SACCOs in Kenya. A case of Nairobi based SACCOs, found that SACCOs have heavily relied on particular credit risk techniques which are not adequate to mitigate against loan losses in a dynamic and competitive lending environment. Secondly adequate credit risk monitoring and control mechanisms are lacking in majority of SACCOs which results in late detection and determination of non-performing and defaulted loans. Thirdly, governance structures that would ensure that the laid down credit risk policies are strictly adhered to is clearly lacking in majority of SACCOs.
1.2 Statement of the problem

Over the last few decades, risk management has become an area of development in financial institutions. The area of financial services has been a business sector related to conditions of uncertainty. The financial sector is the most volatile in the current financial crisis. Activities within the financial sector are exposed to a large number of risks. For this reason, risk management is more important in the financial sector than in any other sectors (Carey, 2001). Carey regards financial institutions as the main point of risk-taking in an uncertain environment.

Risk management is less well developed within smaller entities where the strong "enterprise culture" mitigates against managing risks in a professional structured way. This attitude persists despite evidence that businesses that adopt risk management strategies are more likely to survive and grow.

The ICAEW's policy document, Entrepreneurship: The Key to Growing the SME Sector (2011) stated: "SMEs place too little emphasis on risk management. The so called "lifestyle business" are not immune from common pitfalls and growing business are often highly vulnerable. Both require accessible and standardized tools that will identify risks and match them with appropriate techniques.

Efforts have been undertaken by the Kenyan Ministry of Cooperative Development and Marketing (MoCDM) to reform the enabling environment for SACCOs. The SACCO Societies Act 2008, which passed into law requires deposit-taking SACCOs to meet strong regulatory standards and hence there is an urgent need for the 200 SACCOs offering FOSA to reform as they will be the first to be targeted by the regulation (FSD, 2010). There is need therefore for more robust management information systems which will enable SACCOs to manage their operations more efficiently, manage growth, and generate reliable reports for both management and the forthcoming regulatory authority.

Oldfield and Santomero (1997) pointed that adequate risk management systems require substantial firm-level commitment. Risk exposures must be identified, measured and managed. To do so, risk managers must have the ability to understand
global positions and the exposures inherent in them. This requires sophisticated computer systems linking global positions and updating exposures.

In line with this, for effective management of financial risks, SACCOs and financial institutions need to pay great attention to the day to day happenings in the firm. Risks should be identified and dealt with in a continuous process rather than after a specified period of time. It is however worthy to note that the risks faced by SACCOs are of diverse nature depending on the nature of their operations, setups (rural or Urban) and the number of its members. The strategies also used to manage the risk are by far based on the same. The bottom line however, SACCOs and financial institutions need to put in place a mechanism that can help them identify, evaluate and deal with risks as they occur. This research is geared towards finding out whether SACCOs operating FOSA services have such mechanisms to manage financial risks.

1.3 Objectives of the study

1.3.1 General Objectives

The general objective of the study was to determine the financial risk management strategies used by savings and credit cooperative societies operating FOSA services in Nairobi County.

1.3.2 Specific Objective

The specific objectives of the study were:

i) To find out whether FOSA SACCOs have an active oversight board to assist in financial risk management.

ii) To establish whether FOSA SACCOs use financial risk management information systems in financial risk management.

iii) To find out whether FOSA SACCOs use policies, procedures and limits in financial risk management.

iv) To establish whether FOSA SACCOs use risk measurements and monitoring strategies in financial risk management.

v) To find out whether FOSA SACCOs use comprehensive internal controls in financial risk management.
1.4 Research Questions

This research seeks to answer the following question:-

i) Do FOSA SACCOs have an active oversight board to assist in financial risk management?

ii) Do FOSA SACCOs use financial risk management information systems in financial risk management?

iii) Do FOSA SACCOs use policies, procedures and limits in financial risk management?

iv) Do FOSA SACCOs use risk measurements and monitoring strategies in financial risk management?

v) Do FOSA SACCOs use comprehensive internal controls in financial risk management?

1.5 Significance of the Study

The research finding and recommendation shall be used by the government through SASRA to be able to effectively monitor SACCOs in terms of risk management and recommend strategies most appropriate for all SACCOs.

The research findings shall be useful to the SACCOs in forming a bench mark for their operations. They shall use the recommendations to make effective risk management strategies for their organization.

Researchers and scholars will use the report as a reference and source for secondary data for future research and studies.

Potential investors/SACCO members will use the report to help them make a more informed decision on where they invest their funds or which SACCOs to join.

1.6 Scope of the Study

The research was carried out in Nairobi County. The study population was all SACCOs operating FOSA services in Kenya. The study was limited to the strategies of financial risk management in SACCOs operating FOSA services.
1.7 Limitations of the Study

The researcher had difficulties in collecting data due to the distance between the respondents; the FOSA SACCOs are located far apart to each other. The busy nature of FOSA SACCOs staff, led to delay in filling the questionnaires and a lot of patience was required.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

In this chapter, literature from other studies done on this topic and similar topics has been reviewed. The review has attempted to address the justification for adoption of financial risk management strategies by SACCOs offering FOSA services.

2.2 General Literature

2.2.1 Role of active oversight board in financial risk management.

Boards of directors have ultimate responsibility for the level of risk taken by their institutions. Accordingly, they should approve the overall business strategies and significant policies of their institutions, including those related to managing and taking risks, and should also ensure that senior management is fully capable of managing the activities that their institutions conduct. While all boards of directors are responsible for understanding the nature of the risks significant to their institutions and for ensuring that management is taking the steps necessary to identify, measure, monitor, and control these risks, the level of technical knowledge required of directors may vary depending on the particular circumstances at the institution.

Directors should have a clear understanding of the types of risks to which their institutions are exposed and should receive reports that identify the size and significance of the risks in terms that are meaningful to them. In addition, directors should take steps to develop an appropriate understanding of the risks their institutions face, possibly through briefings from auditors and experts external to the institution. Using this knowledge and information, directors should provide clear guidance regarding the level of exposures acceptable to their institutions and have the responsibility to ensure that senior management implements the procedures and controls necessary to comply with adopted policies.

Senior management is responsible for implementing strategies in a manner that limits risks associated with each strategy and that ensures compliance with laws and regulations on both a long term and day-to-day basis. Accordingly, management should be fully involved in the activities of their institutions and possess sufficient
knowledge of all major business lines to ensure that appropriate policies, controls, and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated. Senior management is also responsible for establishing and communicating a strong awareness of and need for effective internal controls and high ethical standards. Meeting these responsibilities requires senior managers of an institution to have a thorough understanding of banking and financial market activities and detailed knowledge of the activities their institution conducts, including the nature of internal controls necessary to limit the related risks.

2.2.2 Effect of financial risk management information systems on financial risk management.

The effectiveness of an institution’s financial risk measurement process is highly dependent on the quality of management information systems. The information generated from such systems enables the board and all levels of management to fulfill their respective oversight roles, including determining the adequate level of capital that the institution should be holding. Therefore, the quality, detail and timeliness of information are critical. In particular, information on the composition and quality of the various portfolios, including on a consolidated basis, should permit management to assess quickly and accurately the level of financial risk that the institution has incurred through its various activities and determine whether the institution’s performance is meeting the financial risk strategy.

It is also important that institutions have a management information system in place to ensure that exposures approaching risk limits are brought to the attention of senior management. All exposures should be included in a risk limit measurement system. The institution’s information system should be able to aggregate credit exposures to individual borrowers and counterparties and report on exceptions to credit risk limits on a meaningful and timely basis.

Institutions should have information systems in place that enable management to identify any concentrations of risk within the credit portfolio. The adequacy of scope of information should be reviewed on a periodic basis by business line managers,
senior management and the board of directors to ensure that it is sufficient to the complexity of the business.

An effective management information system (MIS) is essential for sound liquidity management decisions. Information should be readily available for day-to-day liquidity management and risk control, as well as during times of stress. Data should be appropriately consolidated, comprehensive yet succinct, focused and available in a timely manner. Ideally, the regular reports an institution generates will enable it to monitor liquidity during a crisis; such reports would have to be prepared more frequently under a crisis situation. Managers should keep crisis monitoring in mind when developing liquidity MIS. There is usually a trade-off between accuracy and timeliness. Liquidity problems can arise very quickly, and effective liquidity management may require daily internal reporting. Since institution liquidity is primarily affected by large, aggregate principal cash flows, detailed information on every transaction may not improve analysis.

The management information system should be used to check for compliance with the institution’s established policies, procedures and limits and with treasury prudential requirements on liquidity. Reporting of risk measures should be done on a timely basis and compare current liquidity exposures with any set limits. The information system should also enable management to evaluate the level of trends in the institution’s aggregate liquidity exposure.

Management should develop systems that can capture significant information. Day-to-day management may require more detailed information, depending on the complexity of the institution and the risks it undertakes. Management should regularly consider how best to summarize complex or detailed issues for senior management or the board. Besides, other types of information important for managing day-to-day activities and for understanding the institution’s inherent liquidity risk profile include; asset quality and its trends, earnings projections, The institution's general reputation in the market and the condition of the market itself, the type and composition of the overall balance sheet structure and the type of new deposits being obtained, as well as its source, maturity, and price.
2.2.3 Policies, procedures and limits used in financial risk management.

An institution's directors and senior management should tailor their risk management policies and procedures to the types of risks that arise from the activities the institution conducts. Once the risks are properly identified, the institution's policies and its more fully articulated procedures provide detailed guidance for the day-to-day implementation of broad business strategies, and generally include limits designed to shield the institution from excessive and imprudent risks. Institutions should have policies and procedures that address their significant activities and risks, management is expected to ensure that they are modified when necessary to respond to significant changes in the institution's activities or business conditions.

To ensure that, an institution's policies, procedures, and limits are adequate, they should at minimum address the following:

(i) Provide for adequate identification, measurement, monitoring, and control of the risks posed by its significant activities;
(ii) Be consistent with complexity and size of the business, the institution's stated goals and objectives, and the overall financial strength of the institution.
(iii) Clearly delineate accountability and lines of authority across the institution's activities
(iv) Provide for the review of activities new to the institution to ensure that the infrastructures necessary to identify, monitor, and control risks associated with an activity are in place before the activity is initiated.

2.2.4 Risk measurements and monitoring strategies in financial risk management.

Effective risk monitoring requires institutions to identify and measure all material risk exposures. Consequently, risk monitoring activities must be supported by information systems that provide senior managers and directors with timely reports on the financial condition, operating performance, and risk exposure of the institution, as well as with regular and sufficiently detailed reports for line managers engaged in the day-to-day management of the institution's activities.
In order to ensure effective measurement and monitoring of risk and management information systems, the following should be observed: the institution's risk monitoring practices and reports address all of its material risks, key assumptions, data sources, and procedures used in measuring and monitoring risk are appropriate and adequately documented and tested for reliability on an ongoing basis, reports and other forms of communication are consistent with the institution's activities, structured to monitor exposures and compliance with established limits, goals, or objectives and, as appropriate, compare actual versus expected performance, and reports to management or to the institution's directors are accurate and timely and contain sufficient information for decision-makers to identify any adverse trends and to evaluate adequately the level of risk faced by the institution.

2.2.5 Comprehensive internal controls used in financial risk management.

An institution's internal control structure is critical to its safe and sound functioning generally and to its risk management system, in particular. Establishing and maintaining an effective system of controls, including the enforcement of official lines of authority and the appropriate separation of duties such as trading, custodial, and back-office is one of management's more important responsibilities.

Indeed, appropriately segregating duties is a fundamental and essential element of a sound risk management and internal control system. Failure to implement and maintain an adequate separation of duties can constitute an unsafe and unsound practice and possibly lead to serious losses or otherwise compromise the financial integrity of the institution. Serious lapses or deficiencies in internal controls, including inadequate segregation of duties, may warrant supervisory action.

When properly structured, a system of internal controls promotes effective operations and reliable financial and regulatory reporting, safeguards assets, and helps to ensure compliance with relevant laws, regulations, and institutional policies. Internal controls should be tested by an independent internal auditor who reports directly either to the institution's board of directors or its audit committee. Given the importance of appropriate internal controls, the results of audits or reviews, whether conducted by an
internal auditor or by other personnel, should be adequately documented, as should management's responses to them.

In order to ensure the adequacy of an institution's internal controls and audit procedures, the following should be observed: (a) the system of internal controls is appropriate to the type and level of risks posed by the nature and scope of the institution's activities, (b) the institution's organizational structure establishes clear lines of authority and responsibility for monitoring adherence to policies, procedures, and limits, (c) reporting lines provide sufficient independence of the control areas from the business lines and adequate separation of duties throughout the institution such as those relating to trading, custodial, and back-office activities, (d) official institutional structures reflect actual operating practices, (e) financial, operational, and regulatory reports are reliable, accurate, and timely; wherever applicable, exceptions are noted and promptly investigated, (f) adequate procedures exist for ensuring compliance with applicable laws and regulations, (g) internal audit or other control review practices provide for independence and objectivity, (h) internal controls and information systems are adequately tested and reviewed; the coverage, procedures, findings, and responses to audits and review tests are adequately documented; identified material weaknesses are given appropriate and timely high level attention; and management's actions to address material weaknesses are objectively verified and reviewed; and (i) the institution's audit committee or board of directors reviews the effectiveness of internal audits and other control review activities on a regular basis.

2.3 Empirical Literature

Moonasar (2007) in his research, 'Credit Risk Analysis using Artificial Intelligence: Evidence from a Leading South African Banking Institution', concluded that artificial intelligence can be used in financial institutions as a Decision Support System for financial risk management.

Prapawadee and Phuenngam (2009), in their research, critical factors for effective risk management procedures in financial industries, they found a set of seven critical success factors which can be used as a guideline on how to increase the effectiveness of risk management procedures. These factors are (1). Commitment and support from

Nara (2012) in his paper Risk Management in Savings and Credit Cooperatives, found that Nepalese SACCOs lack systematic and quantitative methods to identify, monitor and control aggregate risk due to lack of comprehensive risk management system. There were instances of significant losses in some SACCOs because of insufficient attention on risk management which had been done through audit committee and internal audit system. He further observed that the Contribution of external audit on risk management is minimum and there are instances where some SACCOs had witnessed serious delinquency crisis due to poor risk management.

Carey conclude in the research, “Effective risk management in financial institutions: The turnbull approach”, that, the operational problem in financial institutions can be life-threatening to other businesses and noted establishing the appropriate cultural framework needs the support from all employees in every process, such as identifying, monitoring and controlling risk. (Carey, 2001).

Murugu (2012) in his study on ‘the effect of credit risk management practices on the performance of SACCOs in Kenya. A case of Nairobi based SACCOs’, found that SACCOs rely on particular credit risk techniques which are not adequate to mitigate against loan losses in a dynamic and competitive lending environment, adequate credit risk monitoring and control mechanisms are lacking and governance structures that would ensure that the laid down credit risk policies are strictly adhered to is clearly lacking in majority of SACCOs.

A document from PricewaterhouseCoopers International Limited entitled “Creating value: Effective risk management in financial services.” they detailed their use of an online survey and interviews with senior executives in financial institutions on the subject of risk management. The research shows “how effective is the risk management function at adding value to the business?” They begin with briefly suggesting that the financial institute must concentrate on such things as commitment from the top, embedded risk managers, culture and governance, and quality and utility of data etc (PricewaterhouseCoopers, 2007).
2.4 Critical Review
The various works done by different authors have been majorly focused on financial institutions in general without regard to the large growth in the FOSA SACCOS. SACCOS are generally community affair in the sense that they are formed by people ascribed to a common background. There are chances that despite the large sums of members contributions, management expertise may be poor and employment of competitive mechanisms to manage the SACCOS resources may be lacking.

The regulation body; SASRA, has put in place requirements and measures in the regulation of FOSA SACCOS but is silent on financial risk management measures. If we are to see FOSA SACCOS grow forwards and membership increase, then the owners must feel secure that their resources are secure.

2.5 Gaps to be filled by the Study
From the above previous research reviewed, much of the work has been focused on the credit risk in SACCOs in general. Others have focused on the key success factors of financial risk management in financial institutions.

FOSA SACCOs being a new concept in Kenya and now being under a new oversight body, SASRA, the researcher seeks to find out what financial risk management strategies are used so as to mitigate risks.

2.6 Conceptual Framework
Conceptual framework is a graphical or diagrammatic representation of a relationship between variable in a study. It helps the researcher see the proposed relationship between the variable easily and quickly. In this study, the conceptual framework is based on five independent variables that are presumed to affect risk management. (Mugenda and Mugenda, 2003)
Active Oversight Board

Policies, Procedures and Limits

Management Information Systems

Measurements and Monitoring

Comprehensive Internal controls

Independent Variables

Risk Management
(Application of the independent variables)

Dependent Variable

Intervening variables
- Government policy
- Nature of FOSA
- Size of the FOSA

Source: Researcher 2012
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction
In this chapter, various issues on the research methodology are discussed. The main focus is on the research design, target population, sampling and sample size, data collection procedure and data analysis and interpretation.

3.2 Research Design
The researcher used descriptive design to carry out the research. According to Saunders et al (2009), it portrays an accurate profile of persons, events or situations. Descriptive research determines and reports the way things are. It attempts to describe such things as possible behavior, attitudes, values and characteristics (Mugenda and Mugenda, 2003).

3.3 Target Population
The target population was all SACCOs operating FOSA services in Nairobi County. Data was collected from all FOSA SACCOs in Nairobi County. The data was collected from the risk managers in the various FOSA SACCOs in the target population see appendix 3.

3.4 Sampling and Sample size
The target population was sufficiently small and finite. The researcher conducted a census. Data was collected from every member of the population.

3.5 Data Collection Procedure
Primary data was collected using the questionnaire while the secondary data was collected from the records of SASRA. The researcher used the drop and pick method to administer the questionnaire. The questionnaire had closed ended questions. Questionnaires provide an efficient way of collecting responses from a large sample prior to quantitative analysis. (Saunders et al 2000)
3.6 Data Analysis and Interpretation

The data collected was analyzed using descriptive statistics. Descriptive statistics involves methods such as the distribution tables, mean, median, mode, standard deviation and variance. Data obtained was coded, organized and presented using frequency tables and percentages. The Scientific package for Social Sciences program was used to analyze the data.
CHAPTER FOUR

4.0 DATA ANALYSIS AND PRESENTATION OF FINDINGS

4.1 Introduction

This chapter presents the findings of the study from the research questions investigated, further analysis and interpretation of findings. The data was collected by use of questionnaires. The researcher used tables derived from the findings of the research study.

4.2 Response Rate

The researcher had a total population of 44 respondents to whom questionnaires were administered.

Table 4.1: response rate

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid successful</td>
<td>38</td>
<td>86.4</td>
<td>86.4</td>
<td>86.4</td>
</tr>
<tr>
<td>unsuccessful</td>
<td>6</td>
<td>13.6</td>
<td>13.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

From the table above out of the questionnaires administered, 86.4% were returned well filled and 13.6% were either not returned or not properly filled.

4.3 Data Analysis

4.3.1 Quantitative Analysis

The data was scanned, coded and presented through frequency tables.

4.3.2 Qualitative analysis

The open ended questions in the questionnaire facilitated qualitative analysis of the responses received. Observations received were analyzed qualitatively.
4.4 Results

4.4.1 Demographics

Table 4.2: gender of respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>female</td>
<td>9</td>
<td>23.7</td>
<td>23.7</td>
<td>23.7</td>
</tr>
<tr>
<td>male</td>
<td>29</td>
<td>76.3</td>
<td>76.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

From the table above majority of the respondents were male forming 76.3% while the female were 23.7%. It can be concluded that majority of those assigned the job of financial risk management are male.

Table 4.3: age of respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 - 40</td>
<td>12</td>
<td>31.6</td>
<td>31.6</td>
<td>31.6</td>
</tr>
<tr>
<td>41 - 50</td>
<td>17</td>
<td>44.7</td>
<td>44.7</td>
<td>76.3</td>
</tr>
<tr>
<td>above 50</td>
<td>5</td>
<td>13.2</td>
<td>13.2</td>
<td>89.5</td>
</tr>
<tr>
<td>below 31</td>
<td>4</td>
<td>10.5</td>
<td>10.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The table shows that 10.5% of respondents are of age below 31 which shows that very few workers have little experience in the financial risk management. Those aged between 31 and 50 years are 76.3% which indicates a large proportion of people with more experience. Those above age 50 are 13.2% hence very few are aged and have a wealth of experience.
Table 4.4: years of service

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid 11 - 15</td>
<td>11</td>
<td>28.9</td>
<td>28.9</td>
<td>28.9</td>
</tr>
<tr>
<td>below 11</td>
<td>27</td>
<td>71.1</td>
<td>71.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

From the table, the researcher found that 71% of the respondents had a work experience of less than 11 years while 29% have experience of between 11 to 15 years. This is an indication that financial risk management was not being taken seriously and is a concept that has been embraced in the recent past.

4.4.2 Financial Risk Management

Table 4.5: chances of suffering financial risk

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid agree</td>
<td>34</td>
<td>89.5</td>
<td>89.5</td>
<td>89.5</td>
</tr>
<tr>
<td>disagree</td>
<td>4</td>
<td>10.5</td>
<td>10.5</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

From the above table 89% of respondents agree that there are high chances of FOSA SACCOs suffering financial risks and 11% disagree.

Table 4.6: strategies used by FOSA SACCOs in financial risk management

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid agree</td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

From the above table all the respondents agree that there are many strategies that can be used in financial risk management
4.4.3 Use of an active oversight board in financial risk management

Table 4.7 importance of oversight board

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid agree</td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

All the respondents agree that oversight boards are important in financial risk management.

Table 4.8: presence of oversight board

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid agree</td>
<td>22</td>
<td>57.9</td>
<td>57.9</td>
<td>57.9</td>
</tr>
<tr>
<td>disagree</td>
<td>14</td>
<td>36.8</td>
<td>36.8</td>
<td>94.7</td>
</tr>
<tr>
<td>n/a</td>
<td>2</td>
<td>5.3</td>
<td>5.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

From the table above, 57.9% of the respondents agree that FOSA SACCOs have oversight boards while 36.8% of the respondents say that they don’t have oversight boards and 5.3% gave a N/A response.

4.4.4 Use of financial risk management information systems

Table 4.9: importance of financial risk management systems

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid agree</td>
<td>35</td>
<td>92.1</td>
<td>92.1</td>
<td>92.1</td>
</tr>
<tr>
<td>disagree</td>
<td>2</td>
<td>5.3</td>
<td>5.3</td>
<td>97.4</td>
</tr>
<tr>
<td>n/a</td>
<td>1</td>
<td>2.6</td>
<td>2.6</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

Most of the respondents, 92.1% agree that financial management information system assist in financial risk management. 5.3% disagree while 2.6% did not know. This
indicates that financial risk management information systems are very important in the risk management of FOSA SACCOs

### 4.10: presence of financial risk management system

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>agree</td>
<td>14</td>
<td>36.8</td>
<td>36.8</td>
<td>36.8</td>
</tr>
<tr>
<td>disagree</td>
<td>24</td>
<td>63.2</td>
<td>63.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

From the above table, 63.2% of the respondents don’t use financial risk management systems while only 36.8% of the FOSAs use the financial risk management systems.

### 4.4.5. Use of policies, procedures and limits

**Table 4.11: importance of policies, procedures and limits in financial risk management.**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>agree</td>
<td>35</td>
<td>92.1</td>
<td>92.1</td>
<td>92.1</td>
</tr>
<tr>
<td>disagree</td>
<td>3</td>
<td>7.9</td>
<td>7.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

From the table above, 92.1% agree that policies, procedures and limits are important in financial risk management while 7.9% disagree.

**Table 4.12: presence of policies, procedures and limits in financial risk management.**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>agree</td>
<td>35</td>
<td>92.1</td>
<td>92.1</td>
<td>92.1</td>
</tr>
<tr>
<td>disagree</td>
<td>3</td>
<td>7.9</td>
<td>7.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
From the table above, 92.1% of the FOSA SACCOS use policies, procedures and limits in financial risk management. 7.9% do not use them in financial risk management.

4.4.6 Use of risk measurements and monitoring strategies

Table 4.13: importance of risk measurements and monitoring

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>agree</td>
<td>31</td>
<td>81.6</td>
<td>81.6</td>
<td>81.6</td>
</tr>
<tr>
<td>disagree</td>
<td>5</td>
<td>13.2</td>
<td>13.2</td>
<td>94.7</td>
</tr>
<tr>
<td>n/a</td>
<td>2</td>
<td>5.3</td>
<td>5.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

81.6% of the respondents agree that risk measurements and monitoring strategies are an important aspect of financial risk management. 13.2% do not agree while 5.3% neither agree nor disagree.

4.14: presence of risk measurement and monitoring

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>agree</td>
<td>15</td>
<td>39.5</td>
<td>39.5</td>
<td>39.5</td>
</tr>
<tr>
<td>disagree</td>
<td>21</td>
<td>55.3</td>
<td>55.3</td>
<td>94.7</td>
</tr>
<tr>
<td>n/a</td>
<td>2</td>
<td>5.3</td>
<td>5.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

From the above table, 39.5% of FOSA SACCOS use risk measurements and monitoring strategies in financial risk management, 55.3% don’t use risk measurements and monitoring strategies and 5.3% do not know.
4.4.7 Use of comprehensive internal controls

Table 4.15: importance of comprehensive internal controls

<table>
<thead>
<tr>
<th></th>
<th>Cumulative Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid agree</td>
<td></td>
<td>33</td>
<td>86.8</td>
<td>86.8</td>
</tr>
<tr>
<td>disagree</td>
<td></td>
<td>5</td>
<td>13.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

From the above table 86.8% of respondents agree that comprehensive internal controls are important in financial risk management. 13.2% disagree that comprehensive internal controls are important in risk management.

4.16: presence of comprehensive internal controls

<table>
<thead>
<tr>
<th></th>
<th>Cumulative Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid agree</td>
<td></td>
<td>33</td>
<td>86.8</td>
<td>86.8</td>
</tr>
<tr>
<td>disagree</td>
<td></td>
<td>5</td>
<td>13.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>38</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

From the above table, 86.8% of respondents said that FOSA SACCOs use comprehensive internal controls in financial risk management. 13.2% said that the do not use comprehensive internal controls in financial risk management.

4.5 Discussion

The study was seeking to find out whether FOSA SACCOs have an active oversight board to assist in financial risk management. From the findings, all respondents, 100% said that oversight boards are important in financial risk management. However, the findings revealed that 57.9% of the FOSA SACCOs use oversight boards while 36.8% said that they don't use oversight boards in financial risk management, 5.3% took a neutral position. These findings show that most FOSA SACCOs have an active oversight board to assist in financial risk management.
The researcher conducted the research to answer the question, “Do FOSA SACCOs use financial risk management information systems in financial risk management?” Most of the respondents, 92.1% agreed that financial management information system assist in financial risk management. 5.3% disagreed while 2.6% did not know. This indicates that financial risk management information systems are very important in the risk management of FOSA SACCOs.

From the findings on applicability, 63.2% of the respondents don’t use financial risk management systems while only 36.8% of the FOSAs use the financial risk management systems in financial risk management. This indicates that this strategy is not widely used in most of the FOSA SACCOs in financial risk management. This may be attributed to the high cost of instituting the system in the organization.

The study was seeking to find out whether FOSA SACCOs use policies, procedures and limits in financial risk management. The respondents indicated an overwhelming support on the importance and use of this strategy. 92.1% of the respondents said that policies, procedures and limits are important in financial risk management and only 7.9% disagreed.

Similarly, 92.1% of the FOSA SACCOS use policies, procedures and limits in financial risk management while 7.9% do not use them in financial risk management. This indicates that FOSA SACCOs use policies, procedures and limits in financial risk management.

The researcher wanted to establish whether FOSA SACCOs use risk measurements and monitoring strategies in financial risk management. From the findings, 81.6% of the respondents agreed that risk measurements and monitoring strategies are important for financial risk management and 13.2% do not agree while 5.3% neither agree nor disagree. On the applicability, 39.5% of FOSA SACCOs use risk measurements and monitoring strategies in financial risk management, 55.3% don’t use risk measurements and monitoring strategies and 5.3% did not know. Although many respondents acknowledge that risk measurements and monitoring strategies are important few FOSA SACCOs are using it. This indicates few FOSA SACCOs use risk measurements and monitoring strategies in financial risk management.
The study focused on finding out whether FOSA SACCOs use comprehensive internal controls in financial risk management. The research findings indicate that 86.8% of respondents said that comprehensive internal controls are important in financial risk management while 13.2% disagreed. On the applicability, 86.8% of respondents said that FOSA SACCOs use comprehensive internal controls in financial risk management and 13.2% said that they do not use comprehensive internal controls in financial risk management. These findings indicate that most FOSA SACCOs use comprehensive internal controls in financial risk management.
CHAPTER FIVE

5.0 SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
This chapter gives a summary of the findings and conclusions drawn from the data and information that was collected and analyzed in chapter four. The chapter includes discussion and interpretation of the main findings of the study and recommendations which could be adapted in order to improve the management of financial risks in FOSA SACCOs in Kenya.

5.2 Summary of findings
The study revealed that active oversight board strongly influences financial risk management in FOSA SACCOs but only a few of FOSA SACCOs have active oversight boards.

The researcher found out that financial risk management information systems are very important in the management of financial risks in FOSA SACCOs. However it was noted that a small proportion of the FOSA SACCOs have functional financial risk management information system.

The study showed that policies, procedures and limits is an important strategy in financial risk management. The study also revealed that it is widely used by most of the FOSA SACCOs to manage their financial risks.

Risk measurements and monitoring strategies are also very important in the management of financial risks in FOSA SACCOs. The research also noted that most of the FOSA SACCOs do not use this strategy to manage their financial risks.

The research revealed that comprehensive internal controls are of very high importance in the management of financial risks in FOSA SACCOs and most FOSA SACCOs use this strategy to manage their financial risks.
5.3 Conclusions

Active oversight board assisting in financial risk management helps to keep an eye on the financial occurrences of the organization and hence promoting proper management of financial risks. From the research finds its right to conclude that it is one of the strategies which should be adopted in FOSA SACCOs to manage financial risks.

Financial risk management information system helps to effectively and efficiently manage financial information and quick generation of information to manage risks in FOSA SACCOs. Though most FOSA SACCOs said that financial risk management systems are important most of the firms have not embraced it. The researcher hence concludes that this strategy should be explored more and used by FOSA SACCOs.

From the findings of the research, most of the FOSA SACCOs make use of risk measurements and monitoring strategy in the management of financial risks and hence, it is one of the strategies used by FOSA SACCOs to manage financial risks.

Policies, procedures and limits define how the organization intends to carry out its tasks in management of financial risks. From the findings, it’s one of the strategies widely used by FOSA SACCOs hence, use of policies, procedures and limits in a strategy used by FOSA SACCOs in the management of financial risks. The research findings revealed that a comprehensive internal controls in financial risk management is a major strategies used by FOSA SACCOs.

5.4 Recommendations

FOSA SACCOs need to take advantage of this strategy to manage financial risks. The efficiency of the oversight boards can be boosted if properly constituted. The FOSA SACCOs not using this strategy should also put it into implementation to manage their financial risks.

Though not widely used in most of the FOSA SACCOs, use of financial risk management information system as a strategy helps the organization to save on time when generating information and monitoring financial risks. The researcher recommends those FOSA SACCOs not using this strategy to make investments in it.
The risk measurements and monitoring strategies should be frequently updated and checked to ensure that they remain relevant to the needs of the organizations and ensure they play their role in financial risk management in FOSA SACCOs effectively.

The FOSA SACCOs should through their legislative body, SASRA, come up with unified policies, procedures and limits which can be applied across all FOSA SACCOs. These should also be updated often to ensure they are relevant to the needs FOSA SACCOs in financial risk management.

Comprehensive internal controls are an effective way to manage financial risks in FOSA SACCOs. The firms should always ensure that the internal controls are properly constituted with the right effective staff to perform the job of financial risk management.

5.5 Suggestions for further study
Further study should be carried out on efficiency of management information systems in the financial risk management in FOSA SACCOs. Management information systems are an easier way of performing tasks and which is bound to increase efficiency in management.
REFERENCES


Harris, S. (2006). How to implement an effective risk management team


Nara H. D. (2012). Risk management in savings and credit cooperative societies


SASRA (2010). *SACCO Supervision report for deposit taking SACCO Societies (Deposit-Taking Sacco Business) Regulations*. 

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APPENDIX 1

QUESTIONNAIRE
(To be answered by the Risk Manager)

The purpose of this questionnaire is to collect data in connection to financial risk management strategies used by SACCOs operating FOSA services. The data is being collected for academic purposes and any information provided will be handled with all the confidentiality it deserves. Please, do not indicate your name anywhere in the questionnaire.

**SECTION A: General Information**

<table>
<thead>
<tr>
<th>Question</th>
<th>Male</th>
<th>Female</th>
<th>31-40</th>
<th>41-50</th>
<th>Above 50</th>
<th>Agree</th>
<th>Disagree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. What is your gender?</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. What is your age?</td>
<td>Below</td>
<td>31-40</td>
<td>41-50</td>
<td>Above</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Years of service</td>
<td>Below</td>
<td>11-15</td>
<td>16-20</td>
<td>Above</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

---

4. FOSA SACCOs have a high chance of suffering from financial risk.

5. There are many strategies used by FOSA SACCOs in financial risk management

**SECTION B: An active oversight board assisting in financial risk management**

<table>
<thead>
<tr>
<th>Question</th>
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<th>Disagree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Oversight boards are important in financial risk management.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. FOSA SACCOs have oversight boards which assist in financial management</td>
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<td></td>
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</table>

**SECTION C: Use of financial risk management information systems in financial risk management**

<table>
<thead>
<tr>
<th>Question</th>
<th>Agree</th>
<th>Disagree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>8. Financial risk management information systems assist in financial risk management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. FOSA SACCOs use FRMIS in financial risk management</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### SECTION D: Use of policies, procedures and limits in financial risk management

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
<th>Disagree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. Policies, procedures and limits are important in financial risk management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. FOSA SACCOs use policies, procedures and limits in financial risk management</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### SECTION E: Use of risk measurements and monitoring strategies in financial risk management

<table>
<thead>
<tr>
<th></th>
<th>Agree</th>
<th>Disagree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>12. Risk measurements and monitoring strategies are important in financial risk management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13. FOSA SACCOs use risk measurements and monitoring strategies in financial risk management</td>
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<td></td>
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</tbody>
</table>

### SECTION F: Use of comprehensive internal controls in financial risk management

<table>
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<tr>
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<th>Disagree</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>14. Comprehensive internal controls are important in financial risk management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. FOSA SACCOs use comprehensive internal controls in financial risk management</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX 2:
LETTER OF INTRODUCTION

Dear respondent

RE: MBA RESEARCH PROJECT

This questionnaire is designed to gather information on the impacts of inflation on the standards of living of people living in urban areas and how they adapt to them.

This study is being carried out for a management project paper as a requirement in partial fulfillment of the degree of Masters in Business Administration, Kenyatta University.

Your responses will be treated strictly confidential and in no instance will your name be mentioned in the report.

Your cooperation will be highly appreciated.

Yours sincerely

ANDERSON N. NTHIMBA
Researcher.
## APPENDIX 3

### TARGET POPULATION

List of FOSA SACCOs in Nairobi County

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Asili</td>
<td>23. Maisha bora</td>
</tr>
<tr>
<td>2. Comoco</td>
<td>24. Nafaka</td>
</tr>
<tr>
<td>5. Orthodox</td>
<td>27. Jamii</td>
</tr>
<tr>
<td>7. Wanaanga</td>
<td>29. Kingdom</td>
</tr>
<tr>
<td>8. Fundilima</td>
<td>30. Safaricom</td>
</tr>
<tr>
<td>9. Stima</td>
<td>31. Tembo</td>
</tr>
<tr>
<td>10. Afya</td>
<td>32. Elimu</td>
</tr>
<tr>
<td>11. Airports</td>
<td>33. Waumini</td>
</tr>
<tr>
<td>12. Harambee</td>
<td>34. Kenversity</td>
</tr>
<tr>
<td>13. Mwalimu</td>
<td>35. Ufundi</td>
</tr>
<tr>
<td>14. Nacico</td>
<td>36. Telepost</td>
</tr>
<tr>
<td>15. Magereza</td>
<td>37. Transcom</td>
</tr>
<tr>
<td>16. Chai</td>
<td>38. Ufanisi</td>
</tr>
<tr>
<td>17. Hazina</td>
<td>39. Uprising Ufanisi</td>
</tr>
<tr>
<td>18. Nest</td>
<td>40. Kenya police</td>
</tr>
<tr>
<td>19. Nation staff</td>
<td>41. Reli</td>
</tr>
<tr>
<td>20. Ardhi</td>
<td>42. Kenya bankers</td>
</tr>
<tr>
<td>21. Ukulima</td>
<td>43. United Nation</td>
</tr>
<tr>
<td>22. Wanandege</td>
<td>44. Lenga Tumaini</td>
</tr>
</tbody>
</table>

Source: SASRA 2012