

The role of Cooperative Education in the performance of Savings and Credit Cooperative Societies. (A case of SACCOs in Nyeri District)

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**September 2008**

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*The role of  
cooperative education*



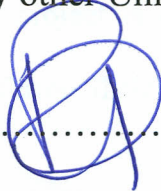
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## DECLARATION

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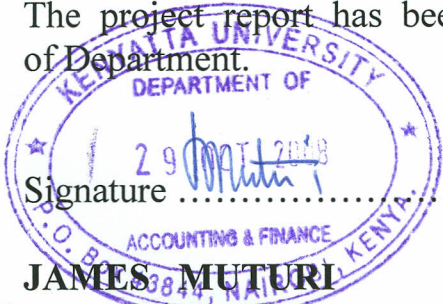
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## **DEDICATION**

This research project is dedicated to my beloved family who helped me to reach this far by offering their immeasurable support throughout my study period.

## **ACKNOWLEDGEMENT**

The successful production of this project report was made possible through support, cooperation, guidance and contribution from various individuals and institutions. It is therefore with gratitude that such inputs are acknowledged. First and foremost I extend my gratitude to my supervisor Mr. Ambrose Jagongo for his guidance, support and constructive criticism. He tirelessly worked to see me through this report. My appreciation also goes to my entire family for all the support and understanding towards me through out the study period.

I would also like to extend my special thanks to my colleagues at work for their invaluable contributions to this research work. I sincerely thank all those SACCO members, management and supervisory committees and employees for having agreed to participate in data collection exercise. Finally for those who were directly or indirectly involved in the preparation of this report and have not been acknowledged individually I say thank you and may God bless you all.

## OPERATIONAL DEFINITION OF TERMS

### **ANNUAL GENERAL MEETING:**

It is a meeting of all members and should be held at least once an year. The aim is to deliberate on issues concerning the SACCO affairs. It is also the supreme authority of a cooperative society as vested in the Cooperative Societies Act Section 27 (1).

**BY – LAWS:** These are rules and regulations made by a Cooperative Society and registered under the Cooperative Societies Act.

**CAPITAL:** In this context means the permanent members equity in the form of common stock and includes all disclosed reserves, retained earnings, grants and donations.

**CO-OPERATIVE:** It is an autonomous association of persons united voluntarily to meet their common economic, social, cultural needs and aspiration through a jointly owned and democratically controlled enterprise.

### **COOPERATIVE SOCIETY:-**

This is a society registered under section 4 of the Cooperative Societies Act CAP 490 of the laws of Kenya.

### **COOPERATIVE EDUCATION:-**

Cooperative Education is one of the principles of cooperatives as adopted by International Cooperative Alliance (ICA) commission of 1966. The same is in acted in the Cooperatives Societies Act Section 4a (v) and G.O.K. Sessional paper No. 6 of 1997. The Cooperative Education aims at disseminating Cooperative knowledge to members. It also imparts relevant management knowledge, business & entrepreneurial skills to employees and committee members to enhance efficiency and effectiveness in the services rendered to Cooperatives

### **COOPERATIVE SOCIETIES ACT:**

It means an act of parliament relating to the constitution, registration and regulation of cooperative societies in Kenya .It is CAP 490 of the laws of Kenya.

**MANAGEMENT COMMITTEE:** It is the governing body of a cooperative society to whom management of its affairs is entrusted and includes a board of directors.

**DIVIDEND:** In relation to a member of a cooperative society, means that members share of the surplus of the society which is divided amongst its members in proportion to a members share holding of the total share capital of the society.

**ENTERPRENEURSHIP:**

The process of scanning the environment to identify business opportunities, mobilizing resources, implementing the opportunities and finally launching an enterprise that grows by.

**RURAL SACCOs :** For members working in the informal sector of the economy. e.g. coffee, dairy , pyrethrum producers etc.

**SAVINGS AND CREDIT COOPERATIVE SOCIETIES:**

These mobilize savings from members in the form of shares and deposits which they use for on lending to members.

**SACCO PLAYERS:** In this context refers to SACCO members, employees and Committee members.

**SHARE:** Means the amount represented by a members portion in the equity of a society as a co-owner .

**SUPERVISORY COMMITTEE:**

Means an oversight committee elected at a general meeting. According to Cooperative Societies Act, the committee should consist of three members.

**URBAN SACCO :** For those members who are employed in the formal sector of the economy.

## ABBREVIATIONS AND ACRONYMS

<b>AGM</b>	-	Annual General meeting.
<b>CBS</b>	-	Central Bureau of Statistics
<b>DCO</b>	-	District Cooperative Officer
<b>FOSA</b>	-	Front Office Service Activity
<b>GOK</b>	-	Government of Kenya
<b>ICA</b>	-	International Cooperative Alliance.
<b>ICMIF</b>	-	International Cooperative and Mutual Insurance Federation
<b>ILO</b>	-	International Labour Organization
<b>KUSCCO</b>	-	Kenya Union of Savings and Credit Cooperative.
<b>SACCOs</b>	-	Savings and Credit Cooperative Societies .
<b>SCWE</b>	-	Savings and Credit With Education
<b>SMEs</b>	-	Small and Micro Enterprises.
<b>UN</b>	-	United Nations
<b>UNESCO</b>	-	United Nations Education, Scientific and Cultural Organization
<b>WOCCU</b>	-	World Council for Credit Unions.

## **ABSTRACT**

Co-operative Education is one of the Principles of Cooperatives. Its objective is to foster understanding for members leaders and employees in carrying out their respective roles and ensuring that the general public is informed about the nature of the cooperative movement. The Cooperative Education therefore aims at developing an enlightened and responsible leadership capable of directing and effectively controlling Cooperatives for the benefit of members and for continued prosperity of the Cooperative movement and the nation. This is achieved through imparting relevant management knowledge, business and entrepreneurial skills needed by employees and Committee Members to enhance efficiency and effectiveness in the services rendered by Cooperatives. It is in view of this that this study sought to explore the role of Cooperative Education in the performance of SACCOs. This study was carried in Nyeri District and focused on main areas related to the problem i.e. perception of Cooperative Education among SACCO members, employees, management committee and public, importance of SACCOs and effects of Cooperative Education in SACCO performance, in adequate cooperative education and challenges facing SACCOs. Various related literatures were reviewed in order to establish the importance of the study, high light gaps and provide benchmark for comparing the findings.

The target population was drawn from fifty five (55) operating SACCOs in the district and consisted of members, cooperative officials and staff. The target population was 16,250 members, 385 officials and 221 staff members. Out of this total 1703 (10%) individuals and the DCO Nyeri District participated in the study due to researchers financial constraints and lack of time. Stratified random sampling was used and SACCOs selected for participation informed. Data collection was conducted by use of questionnaire. Descriptive design was used while data was analysed through Statistical Package for Social Sciences (SPSS) Computer Package. Data was collected and presented in tables. Percentages, frequencies, bar graphs and pie charts were used in reporting the data. The research findings point out the need for quality Cooperative Education, adequate time for Cooperative Education need for Cooperative Education in areas like financial reporting, financial and time management. This translates in better performance of SACCOs in terms of membership growth, turn over, financial growth, and improved rebates to members.

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# CHAPTER I

## INTRODUCTION

### 1.0 Background Information

Education generally can be looked at as an investment in human skills. Investment in education can help to foster economic growth, enhance productivity, contribute to national and social development and reduce social inequality (Council of African Ministers of Education, 2000). All over the World education is recognized as a Central element in socio-economic development (UNESCO, 2005)

According to GOK (1997) Cooperative Education is one of the principles of cooperatives. Its objective is to foster understanding for members, leaders and employees in carrying out their respective roles and ensuring that the general public is informed about the nature of cooperative movement. It aims at 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 cooperatives. Also according to GOK (1991) it assists in developing an enlightened and responsible leadership capable of directing and effectively controlling cooperative enterprises for the benefit of members – thereby upholding the ideals and values of cooperation for continued prosperity of cooperative movement and the nation.

Co-operatives according to GOK (1991) records reveal that the movement began in a small city called Rochdale in Manchester England in 1844 during the Industrial Revolution when the economy was depressed and jobs were scarce. A group of 28 weavers from the middle and lower classes who had grown tired of dominance by the oppressive and exploitative industry owners started a cooperative society. They started what became the first model of cooperative called equitable society of the Rochdales which became the pillars of the cooperative movement.

Cooperatives are not pure profit maximizers but are service driven for the welfare of members. They are controlled through cooperative values and principles as adopted by International cooperative Alliance (ICA, 1966). These are voluntary and open-membership, democratic member control, member economic participation, autonomy and independence, education training and information, cooperation among cooperatives and concern for community.

According to GOK (1991), cooperatives were started in Kenya in 1908 by white farmers. However Africans were only allowed to form cooperatives in 1945. After independence the government took deliberate measures to promote societies as a way of raising the living standards of the rural folks. The sessional paper No.10 of 1965 (GOK), recognized cooperatives as one of the best means of economic development. The authors of that paper titled "African socialism and its application to planning in Kenya" had foreseen the power of the cooperative movement as an instrument that would assist the government to channel development funds. The movement gave rise to institutions like the cooperative Bank of Kenya, Cooperative Insurance services, SACCOs etc.

According to GOK (1991) registration of Savings and Credit Cooperative Societies popularly known as SACCOs began in Kenya in the mid 1970s and have played an increasingly important role in the social-economic development of Kenyans. They play a pivotal role in the micro finance sub-sector in the country. They have mobilized shares and deposits to the tune of Kshs.102 billion (year 2005) which they use for on lending to members, in turn, the members invest the funds in small and micro enterprises (SMES) which contributes significantly to the socio-economic growth of the country. In terms of resource mobilization according to Odhiambo (2006) the SACCO movement is ranked number one in African and number seven in the world, by world council of credit Unions (WOCCU).

SACCOs are members owned and member driven/controlled. As cooperatives they subscribe to a philosophy, same ideals and values that promote mutual self help, social justice, solidarity and social integration. They have been able to impact positively on lives of especially the most vulnerable in the society and have developed or become some of the most successful enterprises in the world today (KUSCCO, 1996).

SACCOs play a significant role in the financial sector controlling about 15% of the market and in most cases providing financial intermediation to market segments shunned by the conventional financial sector (KUSCCO, 2000). The system boasts of an outreach close to 25% of the population who benefit directly or indirectly and preside over substantial amounts of financial resources. SACCO societies constitute about 42% of all registered cooperatives and contribute significantly to the economic well being of its members (according to Ministry of Cooperative Development and Marketing records, 2005). According to a research by WOCCU (2004) Kenya contributed 60% (shs.87 million) of the Savings portfolio against the continent's total of shs.138 million (Dollars 1.9 million). Further the Kenyan SACCO assets base was worth US dollars one million against Africa's total of dollars 2 millions.

According to Central Bank of Kenya (2004 – 2005) estimates and annual reports it shows that at the height of the banking crisis in 1997, when most banks closed down their branches in the rural areas, 155 SACCOs stepped in and opened branches in these areas. Hence the SACCOs have come to replace banks in these areas and are providing financial services to the markets that at times do not have any type of financial services available to them. A study carried out by the Ministry of Cooperative Development and Marketing indicates that SACCOs make up 15% of Kenyans financial market. The SACCOs not only mobilize members' savings but also disseminate applied technology to members and also provide credit to members for defraying urgent expenses e.g. school fees, hospital bills etc. (Isaboke, 2003).

A study by WOCCU (2004) revealed that Kenya has the largest SACCO industry in Africa covering seven broad sectors and commanding 80% of the savings. Cooperatives in Kenya range from community based societies to SACCOs for salaried workers, farmers, traders, artisans, transporters and service providers. In Nyeri district for example according to the Ministry of Co-operative Development and Marketing district report 2006 there are over fifty (50) operating SACCOs. Findings in a study on the importance of SACCOs by Oteki (2000) revealed that SACCOs have helped people to educate their children, buy land, build houses and start business. They not only cater for the formally employed but also the informal sector including Jua Kali. Due to the affordable rates of interest, reasonable terms and diverse outreach, SACCOs have become very popular with the low income population.

According to a survey conducted by the C B S (2004), 11.9% of the population borrow from SACCOs beating commercial banks at 4% and microfinance (MFIS) at 3.6%. SACCOs have increasingly gained recognition as affordable sources of credit. Currently Kenyan SACCOs have accumulated close to Kshs.130 billion in savings with an asset base estimated about 152 billion.

A study by ICMIF (2003) in Europe clearly showed that Cooperatives often out perform stock companies. In recognition of the important role of Cooperatives in achieving the millennium Development Goals, the UN produced guidelines to help member states create a supportive environment for the establishment and promotion of Cooperatives. As a result, the International Cooperative Alliance (ICA) and the International Labour Organization (ILO) have jointly designed a global cooperative campaign against poverty with the theme “Cooperative out of poverty”.

In Kenya, the Ministry of Cooperative Development and Marketing draws its mandate from the Government of Kenya circular No.1/2004. The Cooperatives are governed through cooperative Societies Act and cooperative rules (2004). There are also Commissioners circulars that are sent from time to time to the societies.

Due to the importance that the government lays on Cooperatives the Public Officers Ethics Act 2003, states that all Cooperative Committee members are required to declare their wealth annually. The government through the ministry of Cooperative Development and Marketing has established a governance and ethics department whose role is to ensure good corporate governance principles to improve accountability and transparency. Due to need of change of management style from process oriented management to result based management, employees and management are required to execute performance contracts. The management committees are also supposed to implement the Procurement Act in every purchase transaction.

According to Odhiambo (2006), despite the Government recognition of the importance of Cooperatives they still continue to suffer from financial constraints, members' apathy, wrangles, poor management, low capitalization etc. It is in view of this that the study will seek to determine the role of Cooperative Education in the performance of SACCOs.

## **1.1 Statement of the Problem**

According to GOK (1997) Cooperative Education is aimed at fostering the understanding of SACCO members, leaders and employees to carry out their respective roles and ensure that the general public is informed about the activities in the Cooperative Movement. However the SACCOs have not fully exploited their full potential and there is evidence of poor handling of the business and the management of the large asset base Muluku (2003). SACCOs in Kenya

according to Kioko (2000) still require a lot of Cooperative Education especially in the rural areas if they are to fully achieve their goals and remain competitive. However despite all the emphasis on Cooperative Education by the government of Kenya, SACCOs do not take it seriously hence some have collapsed and others continue to be mismanaged resulting to members dissatisfaction and apathy. This can be attributed to lack of proper Cooperative Education (Wanyonyi 2003).

This study therefore investigated the role played by Cooperative Education and aimed at establishing its contribution in the performance of SACCOs in Kenya.

## **1.2 Objective of the Study**

The objectives of the study were:-

- (i) To establish the perception among SACCO players on Cooperative Education.
- (ii) To establish whether Cooperative Education is relevant in SACCO Management
- (iii) To determine the impact of Cooperative Education on the SACCOs.
- (iv) To establish the challenges facing the SACCOs..

## **1.3 Research Questions**

The study was guided by the following research questions:

- (i) Are SACCO Members, Management and Employees aware of the impact of Cooperative Education in SACCOs?
- (ii) Is Cooperative Education offered in SACCOs relevant ?
- (iii) To what extent does Cooperative Education affect the performance of SACCOs?
- (iv) Are there challenges facing the SACCOs that warrant need for Cooperative Education?
- (v) What is the perception of SACCO players on Cooperative Education?

## **1.4 Significance of the Study**

According to WOCCU (2006), education is paramount in every economic organization and more so in cooperatives. However, most SACCOs in Nyeri district according to KUSCCO (2004), have not realized their potential due to inadequate or lack of Cooperative Education. It is therefore hoped that the findings of this study would provide information that would guide the policy makers and planners on how SACCOs can improve performance through Cooperative Education. The study aimed at contributing to a reservoir of knowledge that may assist the policy makers and more so the Cooperative Education providers.

Further the findings of the study was meant to serve as a pointer on the need to improve the resource allocation on Cooperative Education. It would also provide information that would be useful in directing efforts of those who are interested in assisting the SACCOs towards achieving quality Cooperative Education, members participation, growth and stability.

## **1.5 Scope and limitations of the Study**

The study covered Savings and Credit Cooperative Societies (SACCOs) operating in Nyeri District in a span of 3 years. Those studied were randomly selected from the entire population. Limitations of the included non availability of some respondents, suspicions and high illiteracy rate especially from ordinary members.

## **1.6 Summary of the chapter**

This chapter explains what Cooperative Education entails and clearly distinguishes it from any other form of education since it is in acted in the Cooperative Societies Act. In this chapter an overview of the importance of Cooperatives and SACCOs in Kenya has been covered. It is due to this that there is need for Cooperative Education to enhance their performance as stated in the statement of the problem. The chapter also highlights the objectives, research questions, scope and limitations of the study.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

The study looked at the role of Cooperative Education in the performance of SACCOs, while considering the impact of SACCOs in Kenyan economy. The need for Cooperative Education especially for Members, Employees and Management was also discussed. SACCOs face a lot of challenges and therefore the role of Cooperative Education in combating such challenges was tackled. Also the adequacy and relevancy of the currently offered Cooperative Education in SACCOs was considered. Related literatures regarding the above areas were reviewed and a summary and gap in literature presented.

#### **2.1 Impact of SACCOs in Kenyan Economy**

SACCOs according to Mwangi (2003) are mainly formed with an aim of mobilizing of savings and channeling the funds to individual members for specific development projects. They combine people, resources and capital into larger, more viable and economically competitive units according to Kemei (2007).

The SACCOs aim at building financial strength including adequate reserve and internal controls that ensure continued service to membership. The purpose is to improve economic and social well being of all members. SACCOs play a significant role in the financial sector controlling about 13% of the market and in most cases providing financial inter mediation to market segments shunned by the conventional financial sector (Boit, 2005). The system boosts of an out reach close to 25% of the population who benefit directly or indirectly and preside over substantial amounts of financial resources.

SACCOs play an important role to promote equity, equality and mutual self help to members. According to the Canadian Cooperative vision of 1981, Cooperatives share a vision as cooperators of people working together to achieve their social and economic well being of rooting their economic power in local and community organizations that preserve the dignity of people and nature. The vision is pursued through Cooperative organizations based on equity, equality and mutual self help. The synergy credited through SACCO is very important for the economic and financial well being of the SACCO members because in Cooperative what is missing by one person might be supplied by others. (Larserve 1997). Through SACCOs, members are offered an opportunity to gain access to affordable financial services, thereby reducing the widening disparity between the rich and the poor.

In the recent past, according to Ministry of Cooperative Development and Marketing (Hon. P.N. Ndwiga in his speech during the 7<sup>th</sup> African SACCO congress (2006), SACCOs have emerged as key players in providing access to sustainable financial services and further aided socio-economic development. The SACCOs play a significant role as a non-conventional banking alternative in saving mobilization and providing access to financial services to a market niche that is shunned by conventional banking system.

## **2.2 The Need for Cooperative Education**

Education is paramount in every economic organization and according to WOCCU (2006), it is the backbone of the SACCOs. Education is also enacted in the Cooperative Societies Act Section 4 a (v). The Ministry of Cooperative Development and Marketing vide Presidential circular (GOK) 1/2004 was given education as one of its mandate. Therefore in view of this, the importance of education cannot be overemphasized. It is through Cooperative Education that

Education that SACCOs are able to run their operations. However in most cases, important as it is according to Moywaywa (2005) this department is usually ignored by most SACCOs. For example study by WOCCU has shown that since SACCOs have members that are also owners and users, there is great risk of conflict of interests, personal against the groups' interests. Failure to take cognizance of the above factors has led to growing apathy, insider cliques, inefficiencies and poor decisions that have often left SACCOs deserted or shunned altogether by would be potential members.

Due to lack of Cooperative Education some board members have no knowledge of SACCO businesses. In some cases, SACCOs are unable to employ high caliber management staff and the burden of due diligence is left to SACCO members who may have limited education in Cooperatives according to Mudido (2004). This leads to SACCOs experiencing weak management and governance issues and inadequate capacities. Yet according to GOK Sessional Paper No. 6 of 1997, the Cooperative Education policy has an aim of imparting relevant management knowledge, business and entrepreneurial skills to employees and committee members to enhance efficiency and effectiveness in the services rendered by cooperatives.

There is therefore need for education at the following levels.

- i. Membership level
- ii. Committee level
- iii. Employees level
- iv. General public

### **2.2.1 Education at the Membership Level.**

According to GOK Sessional Paper No. 6 of 1997, there is need to educate members at the membership level. Education Programmes are aimed at developing an informed and loyal membership . Members need to be educated on the nature of SACCOs, duties and responsibilities of members and the benefits that accrue from Cooperative membership. In a study done by Makena (1999) on effects of Cooperative Education it came out clearly that 60% of the members were not aware of their rights and obligations.

Due to lack of loyalty of their SACCOs a research by Dasalu Management Consultants revealed that some SACCO members are joining pyramid schemes which despite various warning from the government have picked up since year 2006. Among the popular pyramid schemes are Development Entrepreneurship and Community Initiative (DECI), Bright Vision project and Global International among others.

According to Ademba (2007), pyramid schemes constitute the most immediate threat to the SACCOs because some of the members have borrowed from them and deposited their money with the illegal outfits hoping to make a quick profit but putting SACCOs at the risk of holding a substantial portfolio of bad loans. Members also lack enough education especially as regards electing of their leaders. According to Murungi (2005), there is need for members to elect honest, responsible and informed individuals as members of the committee. Leadership in the Cooperative movement is supposed to be elected democratically i.e. the tenet of one man-one vote irrespective of the shares held. The aim is to make elections free and fair. The regular

Cooperative Education disseminated to members also helps to inculcate the leadership skills of upcoming leaders according to Kadasia (2003).

According to GOK (1998) report, due to lack of education, at times, when a leader is voted out by members for being dishonest, inefficient or ineffective he forms a splinter group so as to give the new management a hard time. The newly elected management find themselves in constant fights against real and imaginary issues such that they end up not delivering during their tenure. Poor leadership, which may be partially attributed to lack of education, leads to splinter societies that draw membership from the mother society thus rendering it uneconomically viable. This leads to poverty and deterioration of the welfare of the community according to the same report. Through Cooperative Education members are able to understand their rights. Most members have no sense of ownership as long as they get loans and dividends they don't care about how their organization (SACCO) is operated. Management therefore tend to take advantage of such ignorance according to Mwangi (1997).

Cooperatives especially SACCOs have been faced with various problems like lack of integrity on part of management committee and employees, misappropriation and misapplication of funds, excessive costs for operations, general inefficiency etc. These according to Sogomo (2004) may be attributed to lack of basic understanding among cooperatives, lack of technical and managerial skills and lack of knowledge and experience on the part of employees. Cooperative Education has therefore the objective to foster understanding for members, leaders and employees in carrying out their respective roles and ensuring that the general public is informed about the nature of the cooperative movement according to Mudibo (2001)

### **2.2.2. Education at Management Committee Level**

According to Cooperative Societies Act committee members are elected by the members in the general meeting. Section 28 of the act states the requirements of the committee members and their duties and obligations. Other qualities may be set in the individual SACCOs by – Laws.

Education is required according to GOK Sessional paper No. 6 of 1997 in order to enlighten the committee on responsible leadership capable of directing and effectively controlling Cooperative enterprises for the benefit of members and upholding the ideals and values of Cooperatives principles. Education also imparts entrepreneurial skills and instills management discipline.

Most committee members need to be educated on the need on utilization of finances, depending on the qualification of the management committees. In most cases according to a study by Musymi (2001) on Cooperative governance there is poor leadership and lack of proper knowledge in finance management among committee members. This usually leads to poor investment decisions which are made on impulse and therefore very imprudent. There is also a lot of interference from the management committee on the work on the staff who in most cases are more qualified than the former.

According to ICA(2000) the only institutions that survive the vagaries of the market extortions are those that strategize and adopt best management practices. Therefore adherence to internationally accepted prudential standards can not be overemphasized. SACCO Management

committees who are entrusted with members fund must exhibit high ethical behavior and discharge their duties responsibly according Muluku (2003). This can only be achieved through Cooperative Education.

Members according to Mutundu (2007) must always be knowing how their SACCO is performing including existing challenges and no information gap should be left as this is dangerous and may lead to members being misinformed by those who may be having other personal interests. In doing so, wrangles in the cooperatives will be minimized.

Most cooperative societies according to Mwangi (2005) in his article “Cooperative – which way forward” have to draw a strategic plan spanning five years and over. This will involve all issues of good corporate governance like setting benchmarks, employing qualified and capable staff, institutional capacity building, diversification and competitiveness in delivery of products and services, appropriate public relations etc. This can only be achieved through proper education.

According to Kibanga (2005) in an article “Cooperative investment (Plaza Mania)” in Cooperative digest magazine, there is a lot of deviation or abandonment of the core business and veering into irrelevant areas which aren't allowed in SACCOs by-laws. This highly affects the Societies performance. These are usually done without proper feasibility studies and are usually implemented for prestigious purpose at the expense of the core business. For example some management committee members invest in high rise buildings “plazas” at the expense of offering credit. This highly affects the financial growth of the SACCOs and unless adequate education is done, the SACCOs may collapse.

According to Ngumo (2005) in his article “ The Cooperative movement in Kenya. The eagle that won't fly” corruption has always bedeviled the Cooperative Movements and the SACCOs have not been spared either. In most cases, there is conflict of interests while transacting SACCO business due to corrupt practices. Corrupt practices include areas where by the management committee members employ unqualified staff due to personal interests.

Management therefore requires a lot of education on the public procurement Act and Public Ethics 2003 Act. According to Cooperative Societies Act , Section 28 (4h) its also mandatory for a committee member within thirty days of being appointed to declare his wealth to the Commissioner of Cooperatives. The term of service of the Management is also enacted in Cooperative Society's Rules, 2004 section 23(1) as only three years and no member is to be elected to a committee for more than two consecutive terms.

Most Committee members are not fully informed on the need to file indemnity forms. This is enacted in Cooperative Societies Rules No.29. This is to safeguard the society against any loss caused due to the management negligence. According to the GOK (2006), most management committee members disregard the role of the employees and they like performing the latter's duties yet they are not professionals. This according to Nyamwange (2006), does not fully embrace the principles of responsibility and accountability. It is therefore important that the management is educated on their duties and responsibilities. These findings concur with those of KUSCCO (2000)

### **2.2.3. Education at Employee Level**

According to Cooperative Societies Act Section 28 (5) and Cooperative Rules 2004 section 27, Management committee are given a duty to appoint manager and other employees. In some cases SACCOs are unable to employ high caliber management staff due to conflict of interest. A study by Nkatha (2002) on role of the Cooperative Management committees in employment of staff in Cooperatives revealed that over 80% of employees in the cooperative sector at any given time are directly or indirectly related to the management committee members. This affects the quality of service offered since most staff are incompetent and the 'god father' syndrome is rampant. According to Nkirote (2001) it is therefore expected that management will recruit competent staff from the market to avoid SACCOs experiencing weak and inadequate capacities.

In the highly changing and competitive world according to Ngumo (2005), employees who are hired on the basis of who and not what they know and are utterly un empowered to perform cannot provide the needed edge. Lumumba (2005) elaborates on the need of imparting relevant business and entrepreneurial skills which are highly required by employees in order to enhance efficiency and effectiveness while offering services. This concurs with Nkirote (2001) statement that employees need to be educated on work ethics and integrity while at work place for proper efficiency.

### **2.2.4 Education at Public Level**

According to GOK Sessional Paper No.6 of 1997 creating awareness to the general public about the nature of Cooperatives and the benefit that accrue to members of the Cooperative is paramount.

The education needed focuses on SACCOs as business organizations, their operations, benefits to members and the special Cooperative values and attributes such as equality and equity and cooperation for mutual benefits. This is offered through booklets, pamphlets, periodicals and discussion programmes through the public media.

SACCOs especially in the nineties have had a negative public image as being corrupt and embezzlers of members' funds. There is therefore a lot of education needed in order to create a positive image to the public (Odhiambo, 2006). According to KUSCCO (2006), the SACCOs need to expand the out reach of members through aggressive marketing and awareness campaigns and help build their images that the media have negatively highlighted. There is also need for SACCOs to diversify their base through expanded field of membership. Most SACCOs according to KUSCCO (2006) are losing their members through various structural reforms e.g. retrenchment. The membership of SACCOs for example according to statistics from the Nyeri District Ministry of Cooperative Development and Marketing office has not been growing at the same rate as the number of those retiring and withdrawing.

### **2.3 Challenges Facing SACCOs that Warrant Need for Cooperative Education**

According to KUSCCO (2005), SACCOs like any other business organizations operate within a very challenging environment. Most of these challenges tend to be a threat and hindrance to the performance and exploitation of full potential of SACCOs yet due to globalization and the liberalization of the economy, SACCOs have to adopt a competitive modern business model. Sessional Paper No.6 of 1997 provides a policy framework for cooperative development in a changing economic environment and the cooperative management approach.

The policy paper is developed in line with government's development strategy spelt –out in national policy documents among them Sessional Paper No.1 of 1994 and the Development Plan GOK (1994 –1996).

The cooperatives and more so the SACCOs, have to be in line with the Structural Adjustment Programme (SAPs) and market reforms undertaken since 1980's. Sessional Paper No.1 of 1986 on Economic Management for Renewed Growth emphasized on the importance of steering the economy to accelerate and sustain development. The Sessional Paper No.1 of 1994 on Recovery and Sustainable Development to the year 2010 re-affirms the need for a private sector led development of the Kenyan economy. Therefore according to Odhiambo (2006) SACCOs have to survive in the competitive, environment if they are to continue contributing to the National Economic Growth.

Technology is a major challenge to SACCOs and yet according to Kavulani (2006), the modern approach to business requires SACCOs to introduce information technology in their set ups. Most SACCOs according to her do not have standardized SACCOs software to make them competitive while others have still been operating their finances manually. Most of the SACCOs according to KUSCCO (2006) lack the skills and the experience to design relevant products, and yet according to Mbui (2006) customers expectations are being driven by changing technology and businesses that fail to adopt information communication technology are doomed.

Credit is the engine of the SACCO according to WOCCU (2006). It is through credit that a SACCO earns income, which enables it to cover all the functioning costs and to ensure development.

The SACCO movement in Kenya is credit dominated at the expense of saving thus leading to many SACCOs failing to meet the growing demand of loans (KUSCCO, 2002). In most cases the societies loaning policies are rarely followed. According to a survey done by Fin Access on financial services in Kenya, SACCOs serve 2.3 million Kenyans compared to 2.5 million of other banking systems.

Conflict of interests is another challenge facing the SACCOs. A study by WOCCU has shown that since SACCOs have members that are also owners and users, there is great risk of conflict of interest, personal against the group interests. Failure to take cognizance of the above factors have often led to the group apathy, insiders cliques, inefficiencies and poor decisions that have often left the SACCOs deserted or shunned altogether by would be potential members. The findings concur with those of Mukindia (1999) in his study on corruption in Cooperatives.

According to GOK (2003), usually committee members have no knowledge of SACCO business and in some cases, SACCOs are unable to employ high caliber management staff and the burden of due diligence is left to SACCO members who may have limited education on Cooperatives. This leads to SACCOs experiencing weak management governance issues and inadequate capacities. These findings concur with those of Macharia (2006) who states that lack of Cooperative Education contributes around 64% of the managerial problems facing SACCOs.

Cooperatives operate within a very competitive environment (Ademba, 2006). The environment forces affect the cooperatives posing as opportunities or threats.

According to Mwiti (2006) in her study on strategic management in Cooperatives, the Cooperative organizations need to adjust to the environmental changes. These require skills for the Cooperative manager which is only achieved through Education.

A research by Kyengo (2004) on causes of non-performing loans in SACCOs, revealed that competition is rampant in this service industry. SACCOs are facing stiff competition from Commercial banks, microfinance institutions, Non-governmental organizations (NGOs), hire purchase companies and money lenders “shy locks”. This situation has been currently aggravated by the resurgence of pyramid schemes some of which are posing as SACCOs according to Odhiambo (2007). This according to Nyamwange (2007) can be controlled through Cooperative Education.

HIV/Aids pandemic is another challenge that requires education in SACCOs according to Mwengo (2003). The pandemic according to a study by Cooperative Insurance Company (CIC) has not spared the SACCO members officials and staff. The implication is that it has reduced savings, caused loan losses and reduction in interest income. There has also been pressure on SACCO societies to meet medical expenses of ailing members. This concurs with another finding by Nyamweya (2000) on the effects of AIDS/HIV on SACCO membership in Nakuru District. This highly affects the performance of the SACCOs.

Most SACCOs depend on the good will of the employers to deduct shares, loans and interest for them from the members and remit the same to the SACCOs, according to Odhiambo (2007). However there have been cases of non-remittance or delayed remittances of cooperative dues by the employer. For example according to the records from the Ministry of Cooperative Development and Marketing year 2005 annual report (Nyeri district) Kshs.15 million had not been remitted to the various SACCOs by the employers. This mostly affected the local and

municipal councils, non-teaching staff dues from the educational institutions etc. This according to the Nyeri District Cooperative Officer (2006) makes it very difficult for SACCOs to plan effectively and therefore result in long loan queues.

Management may at times be forced to borrow loans from the commercial banks which may in most cases be paid at higher interest rates than the ones they lend to their members according to Mwangi (2006). The SACCO therefore need education on prudence in their operations (KUSCCO, 2005)

Recovery of the loans given to members is another challenge affecting the growth of SACCOs that require members' education. Some members according to study by Maritim (2004) change pay points. For example instead of money being paid through their FOSAs, it is paid through other commercial banks. Others according to Omollo (2003) borrow money from various institutions and therefore their salaries are not able to cater for all the deductions. As a result of this in the 2007, the Teacher Service Commission (TSC) which usually deducts loans, interest and shares for the teacher based SACCOs had threatened not to be effecting any deductions for the commercial banks.

Offsetting shares with loans has highly affected the capital base of the SACCOs. In recent years according to Mwangi (2006), there has been a trend of some commercial banks "buying" members loans from SACCOs. In essence this is a sure way of killing the SACCOs. This concurs with findings by Wangereka (2006) on the factors influencing access to credit in rural SACCOs.

SACCOs according to Boit(2005) need education to counter other challenges like lack of performance standard, lack of emergency resource funds to stabilize saving mobilization, poor governance, insufficient institutional capacity to deliver financial services and weak accountability among others.

dishonest committee members end up exaggerating the members education programmers so as to pocket the extra funds derived from such corrupt deals. All this is at the expense of members' education and the scenario becomes a vicious circle.

A study by Gichuki (2004) reveals that there is a lot of apathy among SACCO members. The turn out during the Annual General meetings is at times very low. Some members so along as they get services from SACCOS do not care how their organization is being run. There is usually lack of ownership and some members rarely attend meetings. This has led to some SACCOS especially the transport based SACCOS to penalize their members for failure to attend Annual General Meetings. However Njeru (2001) argues that the Agendas during the AGM are so crowded that there is not time for proper members' education. This is especially worse for urban SACCOS which according to the nature of the members work limits the time available for such education.

According to KUSCCO (1999) education programs are very expensive for some SACCOS and this contributes to members getting minimal education. The cost is in the form of payment for facilitators, subsistence to participants, cost of venues, education materials etc. Thus lack of resources can be attributed to the minimal education availed to members. It is in view of this that WOCCU first introduced the savings and credit with education (SCWE) village banking model in the Philippines in the late 1990s. The aim is to educate the members as they join the savings credit. KUSCCO (2007) also concurs that most of the SACCOS lack the skills and experience to design relevant education programs suited for each SACCO needs. However Buluma (2001) argues that Cooperative Education providers take advantage of the SACCOS by charging them exorbitantly thus reducing accessibility of Cooperative Education to SACCOS.

## 2.5 Summary and Gap in Literature

The background information clearly showed the importance of SACCOs and that their impact on economic development could not be overemphasized. However lack of Cooperative Education has been an impediment to achieving full exploitation of their potentials so as to enhance their performance (KUSCCO, 1999). It was apparent from the literature reviewed that the Cooperative Education offered is inadequate due to various reasons.

The reviewed literature clearly indicated that there were problems in inadequacy of education amongst the SACCO fraternity. However, much as the government has tried to emphasis on Cooperative Education, its effects are yet to be felt for the SACCOs continue to face challenges, provide inadequate/ irrelevant education and others still continue to perform poorly. This study aimed at finding the current position of Cooperative Education and the impact it has on the performance of SACCOs.

According to study by Odiyo (1998) Cooperative Education is not taken seriously by the SACCOs. This concurs with those of Njeru (2001) who states that agendas during AGMS are crowded thus making it hard for members to get proper education. The study aimed at evaluating the perception of Cooperative Education among the management, staff and members of SACCOs.

It came out clearly that education programs are very expensive (KUSCCO, 1997) and members rarely attend Cooperative Education forums. This study aimed at establishing whether the budgetary allocations were availed for members education and the current attendance position in education forums.

SACCOs according to a study by Nyongesa (2000) face a lot of challenges while operating their business some of which are beyond their control . The findings concur with those of the Ministry of Cooperative Development and Marketing which concludes that this is a major drawback to the performance of SACCOs. The study therefore sought to establish the role of Cooperative Education in creating awareness in combating such challenges.

In order to broaden and deepen patronage, there is need to market SACCO products and services. This entails the need to formulate, implement, monitor and evaluate effective comprehensive strategic marketing plans according to Mwema ( 2000). This concurs with findings by Mudibo (2006) who believes that there is need to empower management committee members to set up entrepreneurial skills. Also Cooperative Education according to Sessional Paper No.6 of 1997 emphasizes on the need for education for members both existing and potential, committee members and staff. The cooperative Societies Act also has enacted the need of Cooperative Education. This study aimed at establishing the awareness of the Cooperative Education among SACCO players.

According to Mutundu (2005) properly managed, the members' education would make SACCOs to be useful vehicles in assisting the country to achieve the Millennium Development Goals (MDGs) especially the eradication of extreme poverty and hunger by 2015. It was therefore important to establish the impact of Cooperative Education in SACCOs.

Due to lack of education, SACCOs have failed to achieve their potential. Some SACCOs according to Kibanga (2001) have failed to capitalize on the advantages accruing from their core strength. Instead some have chosen to perform tasks without the requisite legal, administrative,

technological and managerial tools needed. Most of them according to him have become large scale customers of the mainstream banks rather than being competitors. The SACCOs therefore need to reassess their capacities not just to mobilize financial resources but also to manage them well for faster economic growth for the nation and the welfare of their members. Members must also be educated on the circumstances under which a conflict of interest would be said to arise in business transactions. This study therefore hoped at looking further at the current role of Cooperative Education in the performance of SACCOs.

## 2.6 Conceptual framework

The figure1 presents the researchers conceptual framework.

Figure 1:Conceptual framework

### Independent Variables

### Variables

#### Cooperative Education

To:

- Staff
- Members
- Officials
- General Public

### Dependent variables

#### Performance of SACCOs

- Membership growth
- Financial growth
- Demand for new products  
e.g. FOSAs
- Dividends increase
- Reduce Staff turnover

### Intervening Variables

#### Challenges/Threats

- Political conditions
- Economic conditions
- Natural environment
- Technological environment

Source: Researcher 2007

The conceptual framework for this study on figure 1 was based on the role of Cooperative Education on the performance of SACCOs. In this regard the Management Committee, Staff and Members bear the ultimate responsibility of enhancing the success of their SACCOs. There are many challenges which affect the operations of SACCOs and slow down the full participations and operations of the business. Consequently the result is low participation and low growth of SACCOs.

As shown in the diagram, in order for Cooperative Education to achieve its' role in the performance of SACCOs, the latter have to be aware of the intervening variables. Consequently SACCOs performance will depend on how SACCOs use the Cooperative Education to overcome or take advantage of such challenges. Enlightened SACCO staff, members, officials and general public which has been educated on Cooperative issues while putting into consideration challenges/threats like political, economic conditions, natural & technological environments will eventually improve the SACCOs financial growth, dividends rates, staff turnover, membership growth and demand for new products.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.0 Introduction

In this Chapter, procedure and strategies that were used in the study are described. The research design, target population, sampling procedures, data collection procedures, pilot study, data analysis and presentation are discussed.

#### 3.1 Research Design

The research design adopted was descriptive. According to Lockesh (1984), descriptive research studies are designed to obtain pertinent and precise information concerning the status of phenomena and whenever possible draw valid general conclusions from the facts discovered. The design therefore rendered itself useful to be an accurate description of the variables and their relationship in the area of study.

#### 3.2 Target Population

The target population consisted of the various types of SACCOs in Nyeri District.

Table A :Target Population

Type of SACCOs	No	No staff	No. of members	No. of Official committee	No of Supervisory committee
Jua Kali SACCOs	3	4	197	21	9
Transport SACCOs	11	47	1022	77	33
Rural SACCOs	16	88	7601	112	48
Urban SACCOs	25	82	7430	175	75
<b>Total</b>	<b>55</b>	<b>221</b>	<b>16250</b>	<b>385</b>	<b>165</b>

Source: Nyeri District Ministry of Cooperative Development & Marketing Office (2006).

In this study, the accessible population were SACCO Members, Committee Members, SACCO employees and DCO in Nyeri District of Central Province. There are fifty five (55) operating SACCOs in Nyeri District according to year 2006 District Annual Report for the Ministry of Cooperative Development & Marketing.

Singleton (1993) noted that the ideal setting for any study should be easily accessible to the researcher and should be that which permits instant rapport with the informants. Nyeri district was therefore chosen because it was easily accessible to the researcher.

### 3.3 Sample And Sampling Procedures:

A sample of seventeen hundred and four (1704) individuals as reflected in the table A were used in this study. The sample size was obtained from 14 SACCOs (25%) of the operating SACCOs in the District by stratified random sampling as presented in table B.

This number was taken to be a fair representation of the population in SACCO Members, staff and officials in Nyeri District. It was also the number that the researcher could financially cater for.

TABLE B : Sample size of SACCOs to be selected

	<b>NO.</b>	<b>25%</b>
Jua Kali + Transport	13	4
Rural SACCOs	16	4
Urban SACCOs	25	6
<b>TOTAL</b>	<b>55</b>	<b>14</b>

SOURCE: Nyeri District Ministry of Cooperative Development and Marketing office (2006)

TABLE C: Sample size of Individuals to be interviewed

	No	Sample percentage	Sample size
Employees	221	10%	22
Management committee members	385	10%	39
Supervisory committee members	165	10%	17
Members	16250	10%	1625
DCO	1		1
<b>TOTAL</b>	<b>17,022</b>		<b>1,704</b>

Source: Nyeri District Ministry of Cooperative Development and Marketing Office (2006)

### 3.4 Data Collection Procedure

To ensure that all the respondents were found at appropriate time, the researcher visited the 14 selected SACCOs in person and made prior arrangements with the management. An agreement was reached as to when to issue and collect the filled-in questionnaires. The researcher did this personally so as to ensure confidentiality and an acceptable return rate.

### 3.5 Instruments

The nature of the study demanded that the questionnaires be used since primary data was required. Questionnaires were designed to collect data. Each questionnaire had two parts. Part one consisted of personal information of the respondent. Part two had questions related to the education in SACCOs as presented in appendix 1 – IV.

### 3.6 Pilot Study

It was necessary that the research instruments be piloted as a way of finalizing them (Wiersma, 1985). The purpose of the study was to make meaningful observation on the reliability of the instruments and also gauge time taken to conduct the study. Before the actual

collection of data, piloting of the questionnaire was done in two SACCOs which did not participate in the final study .This represented 3.6% of the target population. The researcher used the pilot study to identify any items in the questionnaire that were ambiguous or unclear to the respondents and validated them. In order to enable the researcher to familiarize herself with administration of the instruments, the pilot study was done by the researcher herself.

### **3.7 Data Analysis and Presentation**

The data collected was coded and analyzed using the statistical package for social scientists (SPSS). Data analysis procedures employed involved both qualitative and quantitative procedures. This was because quantitative and qualitative data was gathered. The data was presented in form of percentages, frequency tables, pie charts and bar graphs. Bell (1993) maintains that when making the results known to a variety of readers, percentages have a considerable advantage over more complex statistics. Borg and Gall (1983), hold that the most widely used and understood proportion is the percentage. Data presentation was made by use of tables ,frequency distributions, pie charts and bar graphs to enhance clarity.

## CHAPTER FOUR

### DATA ANALYSIS AND PRESENTATION

#### 4.0 Introduction

This chapter presents the data collected from the field to answer the research questions of the study. The purpose of the data analysis is to interpret the data as stipulated in the research methodology. Data analysed includes perception among SACCO players on Cooperative Education, impact of Cooperative Education on performance of SACCOs, Relevance of Cooperative Education in SACCO Management and establishes whether there are challenges facing SACCOs that require Cooperative Education in Nyeri District. The findings have been presented and discussed.

#### 4.1 Response rate:

The aim was to establish the proportion of the management and supervisory committee, staff members and SACCO ordinary members who responded to the questionnaires.

The findings were as reflected on table 1.

Table 1: Response rate :Management Committee:

Response	Frequency	Percentage
Responded	39	100
No Response	0	0
Total	39	100

For the 39 Management Committee issued with a questionnaire, all of them responded 100%.

(ii) Response rate: Supervisory Committee response

The researcher sought to establish the response rate from the supervisory committee members and the findings were presented on table 2.

Table 2: Response rate: Supervisory Committee response

Response	Frequency	Percentage
Responded	17	100
No. Response	0	0
Total	17	100

All the supervisory committee, 17 responded to the study.

(iii) Response rate: Staff Members

The researcher wanted to know the staff response rate and table 3 presents the findings.

Table 3: Staff response rate

Response	Frequency	Percentage
Responded	22	100
No. Response	0	0
Total	22	100

All the 22 members of staff responded as table 3 reflects.

**4.1.1 Personal Details:**

The study collected data about personal details such as age, level of education, number of years in the SACCO for SACCO employees, Management and Supervisory Committees. The researcher for example wanted to know how the ages of members

impacted on their involvement in SACCO leadership and the findings were as presented in table 4.

Table 4: Age distribution of SACCO Management and Supervisory Committee Members:

Age in years	Frequency	Percentage
Below 25	0	0
26 -35	3	5.4
36 – 45	20	35.7
46 – 55	26	46.4
Above 55	7	12.5
Total	56	100

The data collected on the average ages revealed that majority of management and supervisory committee members lie in the age groups of between 36 – 45 at 35.7% and 46 -55 at 46.4%. These are also the age groups that have gained experience at their places of work and therefore can be responsible.

#### 4.1.2 Gender distribution of SACCO Management and Supervisory Committee Members

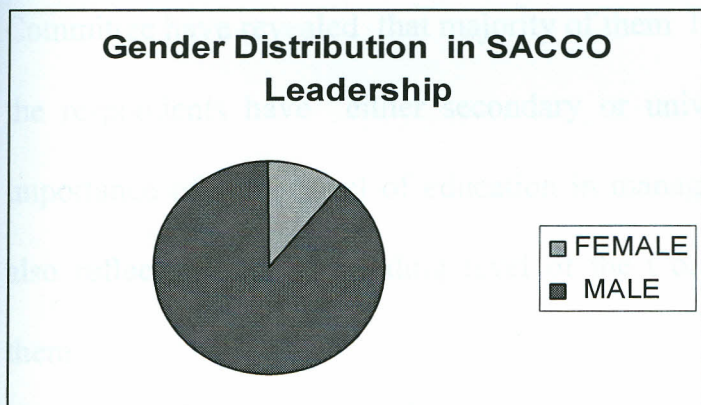
The researcher wanted to establish gender distribution in SACCO leadership and the findings were as reflected in table 5 and figure 2.

Table 5: Gender Distribution

Gender	Frequency	Percentage
Male	50	89.3
Female	6	10.7
Total	56	100

Out of the 56 Management & Supervisory Committee Members who responded, 50 of them which represents 89.3% were male while only 6 (10.7%) were female. This implies that most women members are not in electable posts and that leadership of SACCOs in Nyeri District is controlled by male members.

Figure 2: Pie chart showing gender distribution in SACCO Leadership:



#### 4.1.3 Levels of Education

This sought to establish the education level of elected leaders in SACCOs and the findings were as in table 6 and figure 3.

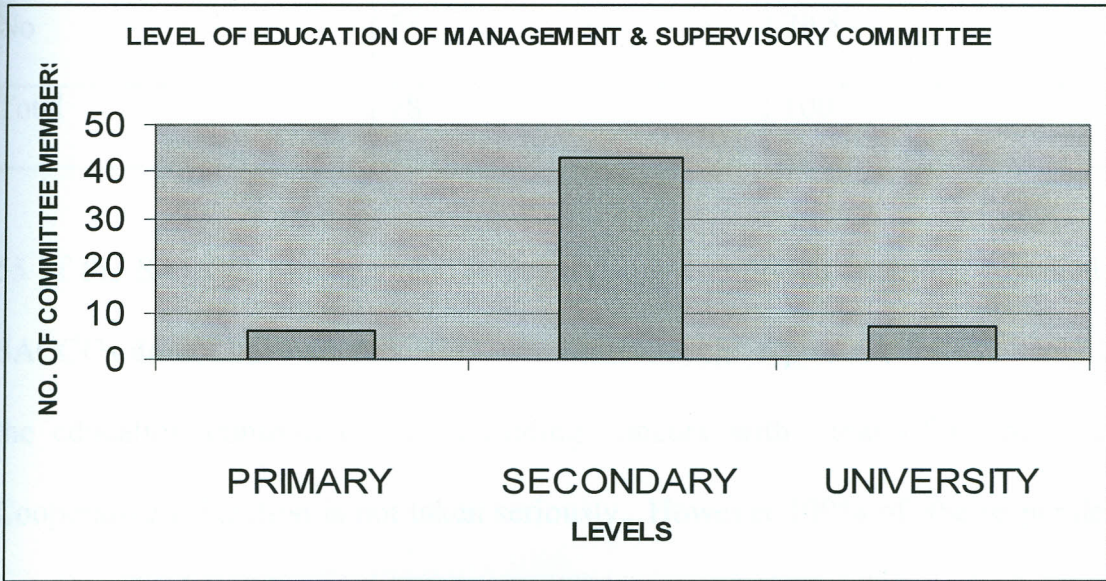
Table 6: Education levels of management and supervisory committee members:

Level:	Frequency	Percentage
University	7	12.5
Secondary	43	76.8
Primary	6	10.7
Total	56	100

#### Analysis of the levels of education among SACCO Management and Supervisory

Committee have revealed that majority of them have formal education. About 89.3% of the respondents have either secondary or university education. This reflects the importance of some level of education in managing the operations of a SACCO. This also reflects the understanding level of the Cooperative Education when presented to them.

Figure 3: A bar graph showing the level of education of Management and Supervisory Committee.



The findings reflect an adherence to the cooperative rules that for one to be elected one has to know how to read and write GOK (1997, 2004).

#### 4.2.0. Perception of Cooperative Education to stakeholders.

In order to understand the value given by SACCOs to Cooperative Education, it was important to find out whether the SACCOs have education committee and table 7 reflects the findings after both the committee and staff members responded.

Table 7: Presence of education committee in SACCOs.

Response	Frequency	Percentage
Yes	23	29.5
No	55	70.5
Total	78	100

55 of the SACCO Management & Supervisory committee and staff revealed that most SACCOs do not have an education committee. This represents 70.5%. Only 29.5% had the education committee. This finding concurs with that of Gichuki (2004) that Cooperative Education is not taken seriously. However 100% of the respondents stated that Cooperative Education is important.

#### 4.2.1 Need for Cooperative Education:

The research revealed that all the respondents 100% appreciate the need for Cooperative Education and the role it plays in the performance of their SACCOs. The District Cooperative Officer Nyeri District also concurred with them.

#### 4.2.2. Education on joining the SACCOs

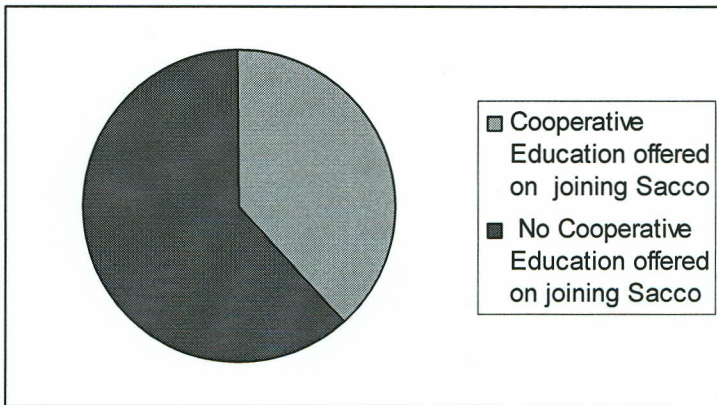
The researcher sought to establish whether cooperative education is offered on joining the SACCO and table 8 and figure 4 presents the findings.

Table 8: Response of Staff & Management Committee

Response	Frequency	Percentage
Yes	30	38.5
No	48	61.5%
Total	78	100

From the analysed data, the research revealed that 48 (61.5%) of the respondents did not receive any Cooperative Education on joining the SACCO while only 30 (38.3%) did so. This is despite the fact that cooperative societies are unique enterprises that require one to be orientated into their operations. The findings concur with the DCO's response that some SACCOs collapse due to lack of Cooperative Education.

Fig.4: Pie chart showing the frequency of offering Cooperative Education on joining a SACCO



#### 4.2.2. Education on joining the SACCOs

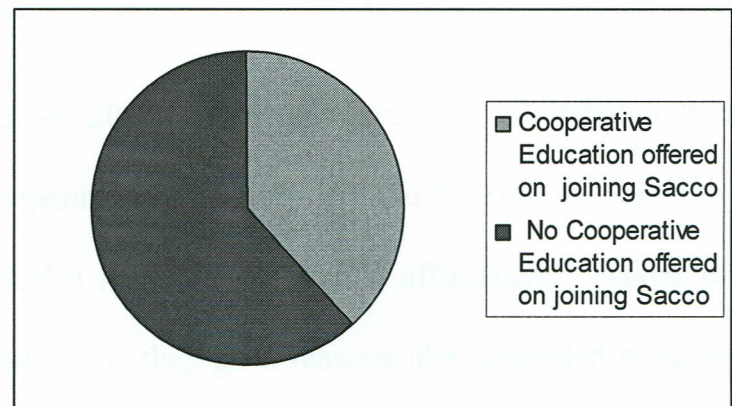
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Fig.4: Pie chart showing the frequency of offering Cooperative Education on joining a SACCO



This shows that in effect little Cooperative Education is being offered to the management and staff and yet they are the SACCOs policy makers. As a result important decisions may not be made in accordance to cooperative regulations and hence undermines the performance of SACCOs. It is essential that newly elected SACCO management board are oriented on cooperative values and principals. This concurs with findings by Macharia (2006) who states that lack of Cooperative Education causes managerial problems in SACCOs.

#### **4.3 Adequacy of time allocated for Cooperative Education:**

This sought to establish whether enough time is allocated to cooperative education by SACCOs and table 9 reflects the findings.

Table 9:Response rate from ordinary members

Response	Frequency	Percentage
Yes	48	23.4
No	157	76.6
Total	205	100%

Out of 205 ordinary members who responded on the question regarding time availed for Cooperative Education, 157 (76.6%) felt that the time allocated is not enough. Only 48 (23.4%) responded on the affirmative. Asked further why they think the time is inadequate, they gave reasons like congested programs/topics, choice of education days which are not convenient to some members, while others felt that

Cooperative Education days should be separated from AGMs. Most of them were against Cooperative Education being one of the Agendas in the AGMS. This concurs with findings by Njeru (2001).

#### **4.4 Challenges facing Saccos that require enlightenment through Cooperative Education.**

The study wanted to establish whether there are challenges facing SACCOs.

The data collected revealed that 100% of the respondents felt that there were challenges facing SACCOs. These according to the respondents were like stiff competition for example from banks, microfinance and pyramid schemes. Other challenges stated in the findings include failure of members to service their loans, reduced membership, lack of managerial skills and HIV/Aids scourge.

Asked how Cooperative Education helps in combating such challenges, the respondents gave the following ways; improve SACCO supervision, market SACCO products, improve membership patronage, reduce operational costs, develop new SACCO products, counter competition, improve dividend rates and assist in proper investment decision.

#### **4.5 Impact of Cooperative Education on SACCOs**

The research revealed that there are gains on SACCO performance after Cooperative Education. After offering Cooperative Education, the positive changes noted

according to the respondents are: Members patronage, more recruitment of members, increased surplus and improved dividend rates, a more informed membership, prudence in SACCO business operations and reduced wrangles in SACCOs.

#### 4.6 Members perception on Cooperative Education

The study also sought to establish the perception as regards Cooperative Education. The respondents were required to indicate how Cooperative Education has assisted them while dealing with their SACCOs and the response was as presented in table 10.

Table 10: Perception on Cooperative Education

Response	Frequency	Percentage
Gained wider knowledge	32	9.1
Assisted in making investment decisions	30	8.5
Assisted in borrowing wisely	56	16
Knowing rights and obligations	97	27.6
Being loyal to the SACCO	26	7.4
Increased wider knowledge in cooperative operations	31	8.8
How to reap benefits from the SACCO	16	4.6
Assisted in improving savings	43	12.3
Assists in contributing in AGMS	20	5.7
<b>Total</b>	<b>351</b>	<b>100</b>

Out of the 351 respondents who answered this question, as shown from the table, most respondents have gained in various ways through Cooperative Education with 97 (27.6%) being able to know their rights and obligations. The findings imply that Cooperative Education assists SACCOs in various ways and thus the need for it to be intensified.

#### 4.7 Relevance of Cooperative Education

The study sought to establish the relevance of Cooperative Education offered and therefore the respondents were asked their opinion as regards quality of Cooperative Education offered and its relevance. All of them said it was good but on asked what would be included in the Cooperative Education topics, various answers were given and most notable were as on table 11.

Table 11: Response on topics required in Cooperative Education

Response	Frequency	Percentage
Financial management	102	18.6
Public relations	27	4.9
Fraud detection	36	6.6
Cooperative by law & Act	150	27.4
Time management	43	7.9
Understanding financial reports	189	34.6
<b>Total</b>	<b>547</b>	<b>100%</b>



## CHAPTER FIVE

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 5.0 Introduction:

The purpose of the study was to determine the role of Cooperative Education in the performance of SACCOs in Nyeri District. This chapter covers the summary of major study findings, conclusion of the study, recommendations arrived at by the researcher and also presents suggestions for further research.

#### 5.1. Summary of the findings

The research sought to explore the role of Cooperative Education in the performance of SACCOs. The major findings of the study indicate the following:-

- ❖ That Cooperative Education is vital in the performance of SACCOs and members, management committee and staff require it.
- ❖ Most SACCO members are not happy with the way Cooperative Education is currently being offered in their SACCOs.
- ❖ Most SACCO societies do not have an education committee.
- ❖ Cooperative Education has assisted the SACCOs to improve their operations, develop new products, counter competition, improve surplus and dividends rates, increase membership and reduce operational costs.

- ❖ There is need to improve the quality of education offered. This was revealed by the respondents responses indicating that for management and staff much emphasis should be laid on areas like financial management, investment decisions, cooperative administration, marketing and public relations. As for ordinary members , they felt that more Cooperative Education should be offered in areas like benefits of joining and patronizing ones SACCO, need of attending AGMs and also education forums on how to understand financial statement like balance sheets and budgets.
- ❖ The study showed that Cooperative Education is rarely offered to ordinary members, management and supervisory committee and employees on joining the SACCO.
- ❖ Most SACCO members, employees, management and supervisory committee have formal education and therefore can understand Cooperative Education.
- ❖ Most of the members who attend Cooperative Education forums are enlightened and are able to make informed investment decisions after getting loans from their SACCOs. They are also aware of the need to save with their SACCOs and this enhances the performance of SACCOs.
- ❖ Most members have an urge to know their rights, duties and obligations and therefore are motivated to attend Cooperative Education forums. An enlightened membership means more positive involvement in their SACCOs thus enhancing the SACCOs performance.
- ❖ Time allocated to cooperative education is not adequate.

## 5.2 Conclusion

The findings of the study indicate that Cooperative Education plays a fundamental role in the performance of SACCOs. However a lot needs to be done especially on educating members. Also the Cooperative Education offered is still inadequate. In order for Cooperative Education to be relevant; Members and employees ought to be given a chance in selecting the areas they feel require emphasis during Cooperative Education forums.

Cooperative Education helps in information updates, assists in combating challenges, creating a conducive environment for prosperity and efficiency in SACCO operations. Despite this, there is lack of commitments by some members who never attend Cooperative Education sessions and therefore lack proper information regarding cooperatives. It is therefore important that more resources be availed and creation of cooperative awareness be enhanced.

As for the impact of Cooperative Education in SACCOs, Cooperative Education at management committee level assists them in making wise decisions, increase their entrepreneurial skills, helps them in making managerial and investment decisions for the growth and overall performance of their SACCOs

Cooperative Education to the members assists them in knowing their rights and obligations, enlightens them on how to make wise investment decision after receiving

their loans and imparts to them the need to be loyal to their SACCOs by contributing shares and servicing their loans.

Cooperative Education on the part of the staff the research has revealed assists them in doing their duties professionally for the growth and performance of their SACCOs. It makes them dedicated employees of their SACCOs.

When SACCOs embrace Cooperative Education as an important tool in their operations, this will translate into better performance in terms of improved turnover, membership, share capital and improved dividends.

### **5.3 Recommendations**

Arising from the analyzed data , the following recommendations are hereby given:

- ❖ Cooperative Education to members, employees, management and supervisory committee should not only be provided on joining the SACCOs but also continuously.
- ❖ Entrepreneurial skills are important for the management committee and SACCO staff and therefore should be included in the Cooperative Education.
- ❖ There should be adequate budgetary allocation for Cooperative Education so as to ensure continuity in offering Cooperative Education.
- ❖ Adequate time should be set purposely for Cooperative Education. Members should be motivated to attend such forums and Cooperative Education should be offered continuously.

- ❖ There is need to get the views of employees, management committees and members before setting topics to be included in the Cooperative Education. This will ensure relevance and lack of monotony thus encouraging more attendance and participation.
- ❖ There is also need to be getting feedbacks from the participants. This will help in evaluating the achievements of the Cooperative Education.
- ❖ Every SACCO should implement and have an education committee whose role should be but not limited to do the following, set up required education standards, assess training needs, promote SACCO affairs through education, organize Cooperative Education seminars, set up educational budgets and lease with the Cooperative Education providers

#### **5.4 Suggestions for further studies**

- ❖ Carry out a similar study in a different locality to find out whether similar findings can be obtained.
- ❖ Establish the factors affecting the growth of SACCOs in rural areas.
- ❖ Role of financial management in SACCOs.

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## APPENDIX I

### Questionnaire for Management & Supervisory Committees in SACCOs

The purpose of this questionnaire is to collect data.

You are kindly requested to provide answers to the questions as honestly and precisely as possible. The researcher assures you that the information gathered will be treated with utmost confidentiality and only for the purpose of the study. The information will be completely anonymous and therefore DO NOT WRITE YOUR NAME OR THE NAME OF YOUR SACCO any where in this questionnaire. Please respond to all items in the appropriate sections and tick (✓) where appropriate or fill in the required information

#### PART 1

#### Background Information

##### 1. Your Gender

Male ( )

Female ( )

2. Age 18 – 28 ( ) 26 - 35 ( ) 36 - 45 ( ) 45 - 55 ( ) above 55 ( )

##### 3. Level of education

University degree ( )

Certificate ( )

Others (specify) ( )

##### 4. Position held in the SACCO

Management Committee ( ) Supervisory committee ( )

##### (5) How long have you held an electable position in your SACCO?

below 5 Years ( )

6 – 10 years ( )

11 – 15 years ( )

16 – 20 years ( )

over 20 years ( )

**PART II**

1. Do you consider SACCOs to be an integral part in the growth of the Kenyan economy?

Yes ( ) No ( )

(b) If answer to question 1 is yes, Is Cooperative Education necessary?

2. When did you become a member? \_\_\_\_\_ years back

3. Does your SACCO have an education committee?

Yes ( ) No ( )

(b) Depending on your answer to (2) above, what is the responsibility of such committee  
(give details)

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4) Does your SACCO have education forums?

Yes ( ) No ( ) Not sure ( )

5) After being elected as a SACCO official did you receive any Cooperative Education?

Yes ( ) No ( )

(b) If yes to question 2 was the education relevant to the duties that you perform?

Yes ( ) No ( )

6) Has your SACCO been offering frequent Cooperative Education?

Yes ( ) No ( )

(b) What is your perception of the type of Cooperative Education offered by your SACCO?

Explain

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(c). In your opinion what should be included in the education topics?

7) Do the facilitators seem to understand the education requirements of your SACCO?

Yes ( ) No ( )

8) What motivates you to attend such education sessions?

9) Has the Cooperative Education assisted you in your SACCO?

Yes ( ) No ( )

If yes specify in which areas

10) After offering Cooperative Education to members do you notice any positive changes in the performance of your SACCO?

Yes ( ) No ( ) Not sure ( )

(b) if answer to 10 is Yes, what kind of changes do you notice?

11. Does your SACCO usually hold education forums for non-members?

Yes ( ) No ( )

12. Are there challenges facing your SACCO?

Yes ( ) No ( )

(b) If yes how does your SACCO face such challenges?

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13. In your opinion does Cooperative Education assist in facing such challenges?

Yes ( )      No ( )      Not sure ( )

14. Is it necessary to have a budgetary allocation for Cooperative Education?

Yes ( )      No ( )

15. Give reasons why you think Cooperative Education is important for SACCOs?

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16. In your opinion, should education be an agenda during AGM?

Yes ( )      No ( )

(b) If the answer to 16 is No give reasons

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(c) If No – when should education be done

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17. What role does Cooperative Education play in your SACCO?

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15. Do you attribute the performance of your SACCO to Cooperative Education

Yes ( )      No ( )      Not sure ( )

**Thank you for your participation and cooperation.**

## APPENDIX II

### Questionnaire For Ordinary SACCO Members

The purpose of this questionnaire is to collect data.

You are kindly requested to provide answers to the questions as honestly and precisely as possible. The researcher assures you that the information gathered will be treated with utmost confidentiality and only for the purpose of the study. The information will be completely anonymous and therefore **DO NOT WRITE YOUR NAME OR THE NAME OF YOUR SACCO** any where in this questionnaire. Please respond to all items in the appropriate sections and tick (✓) where appropriate or fill in the required information

#### PART 1

#### Background Information

##### 1. Your Gender

Male ( )

Female ( )

##### 2. Level of education

University degree ( )

Certificate ( )

Others (specify) ( )

#### PART II

1. How long have you been a member of a SACCO? \_\_\_\_\_ years

2. How did you first learn about the importance of joining a SACCO ?

From a friend ( )

Attending Cooperative Education forum ( )

Other (specify)

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3. On becoming a member, did you immediately receive any Cooperative Education

Yes ( ) No ( )

4. (a) Does your SACCO offer Cooperative Education ?

Yes ( ) No ( ) Not aware ( )

(b) If yes how often is it offered yearly?

Once ( ) Twice ( ) thrice ( ) many times ( )

(c) If the answer is Yes to question 4a do you participate in such sessions?

Yes ( ) No ( )

(d) If yes, does the education gained assist you in your dealings with the SACCO?

Yes ( ) No ( ) Not sure ( )

(e) State the areas in which the education gained has assisted you as a member

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5. Are you satisfied with the way Cooperative Education is offered in your SACCO ?

Yes ( ) No ( )

(b) If no please give reasons

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(c) What would you like to be included in the Cooperative Education Programme?

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6. If you usually attend Cooperative Education sessions, what motivates you to attend ? State

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7. Is the time scheduled for Cooperative Education in your SACCO adequate?

Yes ( ) No ( )

8. As a member do you feel that Cooperative Education is necessary in the performance of a SACCO?

Yes ( ) No ( ) Not sure ( )

**Thank you for your participation and cooperation**

## APPENDIX III

### Questionnaire for the SACCO Employees

The purpose of this questionnaire is to collect data.

You are kindly requested to provide answers to the questions as honestly and precisely as possible. The researcher assures you that the information gathered will be treated with utmost confidentiality and only for the purpose of the study. The information will be completely anonymous and therefore DO NOT WRITE YOUR NAME OR THE NAME

OF YOUR SACCO anywhere in this questionnaire. Please respond to all items in the appropriate sections and tick (✓) where appropriate or fill in the required information

1. Background information

Your Gender            Male ( )            Female ( )

2. Level of education

University ( )      Certificate ( )      Others (specify)

3. How long have you worked in a SACCO? \_\_\_\_\_ years

4. On joining the SACCO, did you receive any Cooperative Education ?

Yes ( )      No ( )

(b) If yes was the education offered relevant to the kind of work that you do?

Yes ( )      No ( )

5. Does your SACCO offer Cooperative Education to members of staff?

Yes ( )      No ( )

(b) If yes who sets the Education requirements?

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(c) Do you usually give suggestions as to what you require to be included in the Cooperative Education?

Yes ( )      No ( )

(d) If yes, is it implemented?      Yes ( )      No ( )

6. If you have been attending Cooperative Education sessions, what is your opinion as regards:-

(i) Quality of education offered? \_\_\_\_\_  
\_\_\_\_\_

(ii) Time available for education? \_\_\_\_\_  
\_\_\_\_\_

(iii) Relevance of education offered? \_\_\_\_\_  
\_\_\_\_\_

7. Has the education gained assisted you in your performance? Yes ( ) No ( )

(b) If Yes state in which ways

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

8. In the last 3 years, how many education sessions have you attended?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. Are you satisfied with the way Cooperative Education is offered in your SACCO?

Yes ( ) No ( )

(b) If no give reasons

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

(c) What is your opinion on what should be done to improve it?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10. Do you attribute the performance of your SACCO to Cooperative Education?

Yes ( ) No ( ) Not Sure ( )

**Thank you for your participation and cooperation.**

## APPENDIX IV

### Questionnaire for DCO

The purpose of this questionnaire is to collect data regarding the role of Cooperative Education in the performance of SACCOs in your District. You are kindly required to provide answers to the questions as honestly and precisely as possible. The researcher assures you that the information gathered will be treated with utmost confidentiality and only for the purpose of the study.

Please tick (✓) where appropriate or fill in the required information.

#### SECTION 1:

1. Your gender :

male ( )                      female ( )

2. How long have you been working with Cooperatives? \_\_\_\_\_ years

3. Years of experience as a DCO? \_\_\_\_\_ years

4. Are you a member of a SACCO? Yes ( ) No ( )

5. As a DCO in Nyeri District do you believe Cooperative Education has a role to play in the performance of SACCO? Yes ( ) No ( )

6. If answer to 5 is Yes, how does it assist?

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7. In your District, who sets the Education guidelines for SACCOs?

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8. After offering Cooperative Education, does your office make any follow ups?

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9. How often do you encourage SACCOs to hold Cooperative Education sessions?

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(b) Who facilitates such education sessions?

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10. How does your office ensure that the education offered is relevant in the SACCOs?

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11. Are the SACCOs serious in offering Cooperative Education in your District ?

Yes ( ) No ( )

(b) If No give reasons \_\_\_\_\_

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12. Many SACCOs have collapsed in Kenya. In your opinion what might be the cause?

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13. According to your experience in SACCOs is Cooperative Education really necessary in their performance?

Yes ( ) No ( )

14. Do you attribute the performance of SACCOs to Cooperative Education?

Yes ( ) No ( )

**Thank you for your participation and cooperation.**

## APPENDIX V

### POPULATION CATEGORY/SIZE

### LIST OF OPERATING SACCO SOCIETIES IN NYERI DISTRICT

1. Nyeri Teachers SACCO Ltd
2. Ark SACCO Ltd
3. Rware SACCO Ltd
4. Mugi SACCO Ltd
5. Nyeri Tea SACCO Ltd
6. Moukenbot SACCO Ltd
7. Mathira Tea SACCO Ltd
8. Biashara SACCO Ltd
9. 2NK SACCO Ltd
10. Taifa SACCO Ltd
11. Wikio SACCO Ltd
12. Nyana SACCO Ltd
13. Nyeri Ushirika SACCO Ltd
14. Wakulima SACCO Ltd
15. Mathira Farmers SACCO ltd
16. Nyewasco SACCO Ltd
17. Nyakati SACCO Ltd
18. Othaya Business Women SACCO Ltd
19. Namuga SACCO Ltd
20. Mweiga Estate SACCO Ltd
21. 2MGIN SACCO Ltd
22. Kayome SACCO Ltd
23. Jamii SACCO Ltd
24. Mt. Kenya Investment SACCO Ltd
25. MRM SACCO Ltd
26. Karombu SACCO Ltd
27. Urigiti SACCO Ltd
28. Tumu Tumu Schools SACCO Ltd

29. Arahuka SACCO Ltd
30. N.O.K.K. SACCO Ltd
31. Kagumo College Teachers SACCO Ltd
32. Nyenya SACCO Ltd
33. C.P.K Mt. Kenya West SACCO Ltd
34. Kirefu SACCO Ltd
35. Nyeri Business Women SACCO Ltd
36. Maisha SACCO Ltd.
37. Kimathi Institute SACCO Ltd
38. Tambuzi SACCO Ltd
39. Mt. Kenya Region EAGA SACCO Ltd
40. Nyeri Municipal Artisan SACCO Ltd
41. Nyeka SACCO Ltd
42. Mlima SACCO Ltd
43. Mountain Lodge SACCO Ltd
44. Miti Workers SACCO Ltd
45. Fabat SACCO Ltd
46. Nyeri Schools SACCO Ltd
47. Nyeri Pensioners SACCO Ltd
48. Karatina Market SACCO Ltd
49. Nyeri Youth Polytechnic SACCO Ltd
50. Hurry SACCO Ltd
51. Agrimode SACCO Ltd
52. Karatina Jua Kali SACCO Ltd
53. Sembi SACCO Ltd
54. Moutambuni SACCO Ltd
55. Focus SACCO Ltd

Source: Nyeri District Co-operative Office year 2006 – Ministry of Cooperative Development and Marketing.