

**EFFECT OF PRUDENTIAL FRAMEWORK ON THE FINANCIAL  
PERFORMANCE OF DEPOSIT TAKING SACCOS IN NAIROBI CITY COUNTY**

**MARGARET NJERI NGUNJIRI**

**C153/CTY/PT/21680/2012**

**A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF HUMANITIES AND  
SOCIAL SCIENCES IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR  
THE AWARD OF THE DEGREE OF MASTER OF ARTS IN PUBLIC POLICY AND  
ADMINISTRATION OF KENYATTA UNIVERSITY**

**FEBRUARY, 2023**

## DECLARATION

### **Student's Declaration**

This research project is my original work and has not been presented for a degree in any other institution. No part of this research should be reproduced without the author's permission.

Signature\_\_\_\_\_

Date\_\_\_\_\_

**Ngunjiri Margaret Njeri (MPPA)**

**C153/CTY/PT/21680/2012**

### **Supervisor's Declaration**

This research project has been submitted for defense with my approval as Kenyatta University lecturer

Signature\_\_\_\_\_

Date\_\_\_\_\_

**Prof. David Minja**

**Department of Public Policy and Administration**

**Kenyatta University**

## TABLE OF CONTENTS

<b>DECLARATION .....</b>	<b>ii</b>
<b>TABLE OF CONTENTS .....</b>	<b>iii</b>
<b>LIST OF TABLES.....</b>	<b>vii</b>
<b>LIST OF FIGURES.....</b>	<b>viii</b>
<b>ABBREVIATIONS AND ACRONYMS.....</b>	<b>ix</b>
<b>OPERATIONAL DEFINITION OF TERMS .....</b>	<b>x</b>
<b>ABSTRACT.....</b>	<b>xi</b>
<b>CHAPTER ONE.....</b>	<b>1</b>
<b>INTRODUCTION .....</b>	<b>1</b>
1.1 Background to the study.....	1
1.1.1 Prudential Regulations Globally and in Africa .....	5
1.2 Statement of the Problem .....	7
1.3 Objective of the study.....	9
1.3.1 General Objective .....	9
1.4 Research Questions .....	9
1.5 Justification and Significance of the Study .....	9
1.6 Scope of the Study .....	11
<b>CHAPTER TWO.....</b>	<b>12</b>
<b>LITERATURE REVIEW AND THEORETICAL FRAMEWORK.....</b>	<b>12</b>
2.0 Introduction.....	12
2.1 Regulation of Financial institutions .....	12
2.2 Theories of regulation of Financial Institutions .....	14
2.2.1 Public interest theory .....	14
2.2.2 Private interest theory .....	15

2.2.3 Public choice /Capture theory of regulation.....	16
2.2.4 Legal theory of finance .....	17
2.3 Legal framework of SACCOs in Africa .....	18
2.4 Elements of Sacco regulatory framework in Kenya .....	19
2.4.1 Capital Adequacy ratio.....	19
2.4.2 Liquidity requirements.....	19
2.4.3 Credit Management.....	20
2.4.4 Regulation on corporate governance .....	20
2.4.5 Regulation on Reporting of Financial Performance .....	20
2.4.7 Regulation on investment policy .....	21
2.4.7 Regulation on General Operations.....	21
2.5 Financial Performance Measures .....	22
2.7 Link between Sacco regulatory framework and financial performance.....	23
2.8 Conceptual Framework .....	24
<b>CHAPTER THREE.....</b>	<b>25</b>
<b>RESEARCH METHODOLOGY.....</b>	<b>25</b>
3.1 Introduction.....	25
3.2 Research design.....	25
3.3 Description of variables .....	25
3.4 Study Locale .....	25
3.5 Target Population .....	26
3.6 Sample Size and Sampling Design .....	26
3.7 Research Instruments .....	27
3.8 Instrument Validity .....	27
3.9 Instrument Reliability.....	27

3.10 Data collection procedures .....	28
3.11 Data analysis .....	28
3.12 Ethical considerations.....	29
<b>CHAPTER FOUR .....</b>	<b>30</b>
<b>RESEARCH FINDINGS AND DISCUSSIONS .....</b>	<b>30</b>
4.1 Introduction.....	30
4.2 Response Rate.....	30
4.3 Demographic Information .....	31
4.3.1 Gender.....	31
<b>4.3.2 Participants' Age .....</b>	<b>33</b>
4.3.3 Educational level .....	34
4.3.4 Work Experience .....	35
4.4 Descriptive Statistics .....	36
4.4.1 Capital Adequacy and Financial Performance of SACCOs.....	38
4.4.2 Liquidity Management and financial performance of SACCOs .....	40
4.4.3 Credit management and financial performance of SACCOs .....	42
4.4.4 Investment Restrictions and Financial Performance SACCOs .....	44
4.5 Inferential Statistics.....	46
4.5.1 Model Summary .....	46
4.5.2 ANOVA .....	47
4.5.3 Regression Coefficients .....	47
<b>CHAPTER FIVE .....</b>	<b>51</b>
<b>SUMMARY, CONCLUSION AND RECOMMENDATIONS .....</b>	<b>51</b>
5.1 Introduction.....	51
5.2 Summary of Study Findings .....	51

5.3 Conclusion .....	52
5.4 Recommendation .....	53
5.5 Suggestions for further Study .....	54
<b>REFERENCES .....</b>	<b>56</b>
<b>APPENDIX 1: LIST OF DEPOSIT TAKING SACCO'S IN NAIROBI.....</b>	<b>60</b>
<b>APPENDIX II: QUESTIONNAIRE .....</b>	<b>61</b>
<b>APPENDIX III : RESEARCH AUTHORIZATION.....</b>	<b>67</b>
<b>APPENDIX IV : RESEARCH APPROVAL .....</b>	<b>68</b>
<b>APPENDIX V: NACOSTI PERMIT .....</b>	<b>69</b>

## LIST OF TABLES

Table 4.1: Participants' age category .....	33
Table 4.2 Descriptive statistics results of the main variables .....	36
Table 4.3 Descriptive Statistics for capital adequacy .....	38
Table 4.4 Descriptive Statistics for liquidity management .....	41
Table 4.5: Descriptive Statistics for credit management requirements .....	43
Table 4.6: Descriptive Statistics for investment restrictions .....	45
Table 4.7: Model Summary .....	46
Table 4.8: ANOVA .....	47
Table 4.9: Regression Coefficients.....	49

## LIST OF FIGURES

Figure 2.1: Conceptual Framework.....	24
Figure 4.1: Respondents on examination performance .....	30
Figure 4.2: Participants' gender .....	32
Figure 4.3: Educational level .....	34
Figure 4.4 :Participants' Work Experience.....	35
Figure 4.5: Comparative growth trends in capital adequacy .....	40

## ABBREVIATIONS AND ACRONYMS

ACCOSCA	African Confederation of Co-Operative Savings and Credit Associations
BOSA	Back Office Services Activity
FOSA	Front Office Services Activity
GOK	Government of Kenya
ICA	International Cooperative Association
ICURN	International Credit Union Network
KUSCCO	Kenya Union of Savings and Credit Cooperatives Limited
KERUSSU	Kenya Rural Savings and Credit Societies Union
MOCD&M	Ministry of Cooperative Development and Marketing
NGO	Non-Governmental Organization
SACCO	Savings & Credit Cooperative (Credit Union)
SSA	Sacco Societies Act
SASRA	Sacco Societies Regulatory Authority
WOCCU	World Council of Credit Union

## **OPERATIONAL DEFINITION OF TERMS**

<b>Credit management</b>	This is the most common way of giving your clients credit, laying out installment agreements that will permit them to cover their bills on time and in full, recuperating installments, and guaranteeing that clients (and laborers) submit to the SACCO's credit strategy.
<b>Deposit taking SACCOs</b>	SACCOs also carry on daily cash transactions across the counter operations in addition to doing savings and credit transactions. Deposit taking SACCOs licensed to operate in Nairobi City County for the purposes of this study shall comprise all DT-SACCOs licensed by SASRA to operate in Nairobi City County and having their head office or branch operations there.
<b>Investment restrictions</b>	These frameworks used by the SACCOs to choose and modify the investment strategy-components in accordance with SARSA's guidelines.
<b>Liquidity management</b>	This is the strategy adopted by the SACCOs to optimize, maximize, and safeguard its liquidity
<b>Performance of Saccos</b>	This is depicted as an examination of a SACCO's genuine presentation to its foreordained points and targets. The foreordained objectives and goals are set essentially concerning liquidity, benefit, development, and financial exchange execution.
<b>SACCO</b>	This is a monetary establishment that is possessed and shown to its individuals determined to energize thrifty living, offering individuals low-interest supporting, and offering other monetary types of assistance.

## ABSTRACT

The SACCO Societies Act's founding legislation established the SACCO Societies Regulatory Authority's authority over, management of, and guidelines for store taking (SASRA). Prudential standards have been introduced to direct SACCO development and improvement through this new legal structure. The goal of this survey was to fill the gap by taking a research on the effect of the Sacco prudential framework on the financial performance of deposit taking SACCOs in Nairobi City County. The survey utilized descriptive research design to research the connection between the performance of the Sacco prudential guidelines and financial performance. The target populace would be the whole populace of the 36 stores taking SACCOS in Nairobi City County. The researcher focus on the 36 Chief executive officers and Staff in these 36 Deposit taking SACCOS in Nairobi City County. The examining procedure for the examination would purposive sampling. Purposive sampling is material to subjective exploration and involves the researcher choosing people and locales in light of the singular's capacity to show comprehension of the examination issue and focal peculiarity in the review. The data for this examination was gathered utilizing questionnaires. Wiersman (1986) the most appropriate examination instrument for enlightening studies research is a questionnaire. The items in the questionnaire were tested for reliability and validity. The information gathered was analyzed through the descriptive statistics like frequency tables, percentages with the assistance of the Statistical Package for Social Sciences (SPSS). Based on the results, it was determined that the corrected  $R^2$  coefficient was 0.850, or 85.0%. This illustrates how the four factors; capital sufficiency, liquid management, credit management, and investment restrictions can account for 85% of variations in the financial performance of SACCOs. The survey comes to the conclusion that investment limitations, credit management, enough capital, and liquidity all play a significant role in the rise of the financial income of deposit-taking SACCOs. The protection of deposits and the stability of financial systems depend on the core capital. The prudential framework is crucial for maintaining professionalism in the financial markets, safeguarding deposits, and raising financial earnings. Thus, it was clear that the prudential regulatory framework had implications for controlling the capital structure to impact SACCOs' financial performance. The survey recommends that deposit taking SACCOs should follow the capital adequacy guidelines in order to protect themselves from the risk of going bankrupt. To guarantee that SACCOs are adequately capitalized, management should implement tighter internal control systems on capital adequacy practices. This will improve the SACCOs' capacity to manage any risks that might occur from their line of work. To be able to benefit from increasing business, SACCOs must also adhere to all the standards outlined in the SACCO rules and regulations.

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background to the study**

Sacco is an abbreviation for Savings and Credit Cooperative. The Savings and Credit Co-operatives (SACCOS) is a group of people who can set common goals and develop their work economically. The two core capabilities of a SACCO company are monetary mediation and speculation. The most basic skill of the SACCO Association is making money. That is, a prepaid asset by integrating savers and borrowers, pooling cash as reserves and offers, identifying all costs of the business and using it to increase the productivity of both players (Reynolds, 1998). SACCO has gained popularity as one of the most important financial means to various people.

SACCO was invented in southern Germany during the agricultural crisis in 1846 and experienced severe dryness by two local business pioneers in Europe, Herman Schultze-Delitsche and Freidrich W. Reicheise. Overview of the Savings Credit Union (SACCO): Herman Schultze-Delitsche has launched a savings credit system suitable for small craftsmen and the working class in large cities. Friedrich Reicheisen is the founder of the State Savings Credit Union. In Italy, Luigi Luzzatti set up savings and credit unions, setting the standard for two German ancestors. The two structures spread rapidly from 1900 to 1930 in Europe, Latin America, North America and Asia, and through the Catholic Bishop to Ghana (Birchall, 2004).

SACCO's social order plays a major role in enabling individuals to gain socio-economic status everywhere. The historical background of Sacco society shows that it was basically

designed to help people in need in underprivileged financial classes such as the United States, Europe and India (Birchall2004). Despite the fact that Sacco made progress in Africa between 1965 and 1989, increased to satisfy public institutions without giving individuals the purpose, work and responsibility of the Sacco society of virtually unlimited construction and dependent on government reserves, the legislature is represented by board failure, humiliation, lack of directness, and lack of individual internal control. Because of this reality, Sacco society has lost its tendency to become a majority ruler and has been barely constrained by dynamic individuals. Individuals have lost the right to make agreements and make decisions. This condition corresponds to the improvement of Sacco in Africa (Osoro2010).

Developing countries today value the power of SACCOS and credit unions as a practical tool to mitigate needs. Sacco society helps promote poor neighborhood economies through surprisingly strong connections with the surrounding area. SACCOS is a majority vote and is claimed by those who use the government, so they give the poor the opportunity to listen to them and work on their daily work and environment. SACCOS is an ideal tool for empowering the poor in an easy-to-manage way. They are participatory, open to the needs of their neighbors, revitalizing the benefits of the network and ready to support particularly vulnerable groups (Verma2004).

At the global level, the United Nations has declared 2012 the year of co-agents, recognizing and congratulating the important role it has played, and has continued to be co-agents for the past 170 years. This ended with promoting a 10-year blueprint for ICA to hire. In this blueprint, the staff will unite and try to build on what has been added up to that point. Through this mission statement, operative enterprises aim to be a recognized

innovator in financial, social and natural sustainability by 2020. Action plans that are popular with individuals, and the fastest-evolving types of large corporations (World Bank, 2012).

According to the 2009 WOCCU faction, Africa's Sacco has 16 million participants, the third highest after North America and Asia, with 102 million and 36 million unique participants. Unlike other mainland African countries, only 0.4% of global savings will be activated for a total of US \$ 1.1 trillion, 0.4% of global credit will be allocated to equity and the rest will be US \$ 912 billion. Africa's SACCO has an absolute subscriber base of 16 million, with a reserve of \$ 4.4 billion and a prepayment of \$ 3.9 billion (WOCCU). Kenya has donated up to 62% of its reserves and 65% of SACCO's down payments to the sum of savings and credits collected by SACCOS in Africa (11th SACCA Conference, Swaziland 2010).

In Kenya, the development of SACCO has been an impressive force in the social and financial changes in Kenya's population for the past 40 years. There is a supplementary social order of 12,000 with over 7 million participants, of which 5,000 have SACCOS and 215 have front office management exercises (FOSA'S). Approximately 63% of Kenya's population depends directly and indirectly on related exercises that are useful for their work. Sacco's sub-sector is important for the development of Kenya's vast co-operatives, including both monetary and non-monetary co-operatives. SACCOS is a monetary co-operative, and non-monetary co-operatives include many co-operatives that leave a lasting mark on Kenya's existence, including dairy products, livestock, espresso, anglers, housing and multipurpose. It will be. The SACCO area has the full resources of

Kshs. 627.68 billion successfully preparing to undertake some of the monetary agreements for Kenyans (people (SASRA Sacco Annual Supervision Report, 2020).

With its rapid development, the Government of Kenya has set SACCO regulations, introduced global financial enforcement standards, and has promised to begin monitoring SACCO solely for the purpose of motivating the board of directors and enforcing SACCO. With the enactment of the Sacco Social Law (SSA) in 2008 and the accompanying SASRA approval, SACCOS Deposit Insurance has been placed under policy and control. They are expected to apply for a license to work at FOSA. The purpose of establishing supervisory standards and guidelines for the SACCO Deposits business was to improve transparency and accountability in line with the ongoing changes in the currency area (SACCO Act 2008).

The 2008 SACCO Social Law enacts the approval, supervision and regulation of armpit storage by the SACCO Social Regulatory Authority (SASRA). With this new legal structure, regulatory guidelines have become familiar with the development and progress of SACCO. The creation of SASRA took into account the rapid development of SACCOS, and there was no corresponding legitimate structure to guide its development and progress. With this in mind, the 2008 SACCO Social Act was enacted to address the approval, policy and management of SACCO's deposit business through the implementation of regulatory and non-regulatory policies. The foundation of SASRA was in line with the government's efforts to change the currency area to strengthen its position as a district currency center and as a reference point for currency transitions. The ongoing currency change process in the currency area will first protect the interests of the Sacco people, ensure public security for the Sacco region, and support Kenya's financial

development by providing its own reserves. The new guidelines put a heavy burden on SACCOS, facilitating development, integration and acquisition. Due to these policies, some SACCOS may end management of the front office (Ochieng, 2014).

### **1.1.1 Prudential Regulations Globally and in Africa**

Various countries in the world were fitted to the currency area since the 1970s, but inspiration for change is moving from a country to another. Changes in financial regions in developed countries economically rely on a significant conclusion of the specificity called "globalization" of banks and financial companies (Hahn, 2006). However, the currency area changes in emerging countries from Latin America and Asia, and is displayed as a general financial adaptation and development program characteristics. Depending on the progress of the intervention, we adjust the company mainly, adjust the asset to adjust the area under the market loan rate (high legal parliament) organization) financial "dirt", "not calm". Therefore, a significant aspect of the currency area of the agricultural country is to change the financial region (from constraints) for issuing the development area of the saving venture cycle, and then improving the operation ability of the financial framework am. Economic (sponge) of emerging countries in 2006.

Encounters with currency fluctuations in emerging markets are mixed. Some are fruitful and some are not. Latin American countries, especially Argentina, Colombia, Chile, Brazil, Uruguay and Mexico have embarked on revolutionary financial changes since the mid-1970s, but their efforts often end in financial misery and policy setbacks (Hahn, 2006). Rather than all the monetary policies of Latin American countries being destroyed rapidly and suddenly, monetary progress was cautious in South Korea and Taipei, China, but with reasonable degree of success. Choand Khatkhate (1989) investigated the

encounters of five Asian countries. They found that change significantly increased the monetization of reserve funds: Philippines, Sri Lanka, Indonesia, Malaysia, but in general, reserve fund speculation and banking resource structures do not work well in these countries. It was. Meanwhile (1990s), various African countries and the current economy (formerly the Central Planned Economy) have also attempted extensive changes in the currency area. The results are still accessible in the distributed archive (Cho & Khatkhate, 1989). The encounters of many emerging economies in response to financial changes have given us a great opportunity to rethink their various parts. However, the encounters collected so far have basically limited the review of monetary change initiators and experts to the identification of appropriate preconditions and the proper planning and ordering of monetary changes.

Currently, the main prerequisites for fruitful financial progress are (a) macroeconomic reliability (in terms of cost certainty, adjusted spending schedules, actual translation scope, and positive risk environment) and (b) It has been suggested that it is an appropriate financial framework to be justified. Money basics such as bookkeeping and auditing, general code of conduct (system for approving agreements), exposure requirements, regulatory policy and surveillance design (Cho & Khatkhate, 1989). An important issue regarding the order of ascension is the legitimate desire between domestic and foreign ascension (publication of current and capital records). It is now generally accepted that internal financial progress must be achieved before attempting external progress. Also, for external development, the course and current records are changed first, then the capital records. Some creators prefer a steady and consistent path of

progress in emerging markets rather than suddenly breaking all policies (Cho & Khatkhate, 1989).

## **1.2 Statement of the Problem**

The regulatory body works to effectively oversee, control, and develop the Sacco industry by encouraging ethical corporate conduct to promote stability and growth (SASRA, 2020). According to Mbogo's (2010) analysis of Stima SACCO, the SACCO faced the following difficulties as a result of the new regulatory environment: issues with capital adequacy, a high compliance cost, capacity issues with human resources, strict liquidity requirements, onerous disclosure requirements, and balancing compliance with political interests. According to a survey of Sacco's regulatory impacts by Ngaira (2011), most Sacco have regulatory rules to avoid being forced out of business in the event of foreseeable liquidity issues. Further research on the implementation of supervisory guidelines was recommended.

A study by Kiplagat K. (2020) on the impact of soundness regulation on the financial performance of Kenyan banks shows that researchers can look at intervening variables in the relationship between performance and research predictors. The study identified liquidity management, credit risk and management efficiency as the significant predictors. While the challenges facing Kenyan SACCOs in implementing the prudential framework have been extensively studied, e.g. Mbogo 2010, Mudibo 2006, there is no study done on the effect of the prudential framework on the financial performance of deposit taking SACCOs in Nairobi City County. This study therefore will bridge the knowledge gaps that exist by establishing effects of implementing the SACCO prudential

framework on the financial performance of the deposit taking SACCOS in Nairobi City County.

### **1.3 Objective of the study**

#### **1.3.1 General Objective**

The study aimed to investigate the effects of the SACCO prudential framework on the financial performance of deposit taking SACCOS in Nairobi City County.

#### **1.3.2 Specific Objectives**

The study objectives were

- i. To determine the effect of effective liquidity management on the financial performance of deposit taking SACCOS in Nairobi City County.
- ii. To examine the effect of credit management requirements of the financial performance of deposit taking SACCOS in Nairobi City County.
- iii. To explore the effect of investment restrictions on the financial performance of deposit taking SACCOS in Nairobi City County.

### **1.4 Research Questions**

- i. What is the effect of effective liquidity management on the financial performance of deposit taking SACCOS in Nairobi City County?
- ii. What is the effect of credit management requirements of the financial performance of deposit taking SACCOS in Nairobi City County?
- iii. What is the effect of investment restrictions on the financial performance of deposit taking SACCOS in Nairobi City County?

### **1.5 Justification and Significance of the Study**

The majority of SACCOs encountered difficulties with illiquidity, inadequate capital, poor credit management, and low member confidence, which had a detrimental impact on

their performance, prior to the passage of the SACCO societies act in 2008, which gave rise to the SACCO prudential norms. Evidence demonstrates that DT-SACCO performance in Kenya in terms of profitability declined continuously from the years 2012 to 2017, and that the majority of SACCOs were still experiencing the problems that prudential practices were supposed to address. This indicates that performance continued to decline.

Policymakers in the SACCO sector will find the study's recommendations helpful when drafting laws and regulations targeted at improving the sector's management and performance. SACCO members in the nation will also profit from improved returns on their investments as a result of the implementation of strict controls and reliable methods for gauging financial performance. Additionally, it will let SACCO members and savers decide whether to grow their savings or look into different investment opportunities. The findings of this study provide SACCO development and its various partners with the basic data to improve execution while meeting different administrative needs. Various stakeholders will benefit from the study in the following different ways: It will enable the Sacco regulator to understand the effect of the implementation of the SASRA prudential framework on the performance of the SACCOS. It will enable the employees of SACCOS to understand concepts within the SASRA prudential framework that would enable them ease of implementation. The findings of the researcher will assist SASRA to sensitize the importance of the prudential framework to the Sacco industry for positive embrace and implementation and to assist in doing a cost-benefit analysis on the effects of SASRA prudential framework in SACCOS. Scholars and researchers will also make

use of the study because it will reveal areas in which knowledge gaps need to be filled and add to our understanding of SACCO performance.

### **1.6 Scope of the Study**

This study is limited to identifying the impact of implementing the SACCO Regulatory Framework on SACCO's financial performance. The survey is limited to Nairobi, out of 47 Kenya counties, due to limited time and funding. The city of Nairobi was selected for this study because the researchers live in Nairobi and the population is easy to assess. Also, from Kenya's 215 SACCOS deposit; 36 is located in Nairobi City County. Selected SACCOS CEOs and employees will participate in the survey.

## **CHAPTER TWO**

### **LITERATURE REVIEW AND THEORETICAL FRAMEWORK**

#### **2.0 Introduction**

This chapter encompasses literature reviewed in connection with the proposed research objectives. Literature reviews logically lead to a specific purpose of research. This chapter contains regulatory theory, financial institution regulation, elements of the Sacco regulatory framework, links between frameworks and financial performance, and conceptual frameworks. The reviews performed provide a knowledge base about the problem area.

#### **2.1 Regulation of Financial institutions**

This guideline is characterized by Mitnick (1980) as "a constraint on intentional decisions by parties that are not directly related to or exceed controlled movements." Nevertheless, this definition implies that market members are not associated with the normalization cycle. This may not exactly be the situation, particularly if self-arrangement happens. The more extensive definition is given by Chaves and GonzalezVega (1994) as "a bunch of enforceable strategies that cutoff or direct the exercises of market members and consequently change the result of those exercises."

Goodhart et al., (1992) argued in a study of the US monetary economy that monetary policy was undoubtedly a public good because it served three purposes. It brings solidity, candidness, and investor security. Noia et al., (1998) hypothesized that the general demand for public finance advocacy is rooted in the pursuit of strength, value, and competent and feasible use of those assets. I agreed to the discovery.

Hahn (2006) abandoned the purpose of catching up with the strength of the financial framework through maintaining basic credibility and security for a variety of reasons, primarily market disappointment, and public institutions currency. The adequacy of financial institutions and investor insurance. Goodhart et al. (1998); Llewellyn, (1999) point out that guidelines are usually considered government guidelines, but this is not always the case. In the case of state intervention, enforceable public regulation replaces market impulses with state orders. Guidelines need the ability to successfully and effectively deal with market disappointments. Vitas (1991) shows that an important part of the debate during election speculation about guidelines revolves around the cost and adequacy of guidelines, not justification of them. The more informal laws imitate the policies of the productive economic sector, the more successful they will be. For a policy to be viable, it must be enforceable (Chaves and GonzalezVega, 1994). Ultimately, direct or indirect government involvement in time commitment policies is important given that only public institutions have the legal capacity to maintain consistency (Benston, 1998).

Hahn (2006) found that monetary policy arises in the light of market disappointment, and that policy corrects failure. Dale (1997) argued that hypothetical support for public arbitration in monetary affairs generally stems from market failure and the need to deal with improper asset transfers (Barth et al., 2002). Has made a lot of discussions about government intervention in monetary policy. The presence of constrained externalities in infrastructure and data imbalances offsets market disappointment, in the absence of market disappointment. It is a lucrative task for government intermediaries to improve socio-government support.

## **2.2 Theories of regulation of Financial Institutions**

Three broad theories of regulation can be found in the academic literature: public interest theory, private interest theory and Capture theory of regulation.

### **2.2.1 Public interest theory**

According to the public interest theory, which was first put forth by Arthur Cecil Pigou (Hantke-Domas, 2003), regulations are put in place in response to public demands for the rectification of unsatisfactory market behavior.

The public interest approach has determined the idea of large-scale guidelines for the 20th century and is still underestimated in the discussion of guidelines (Barth et al, 2006). This traditional methodology used by financial analysts to clarify the existence of guidelines emphasized the existence of guidelines due to their interest in public relief of flawed and discriminatory market samples (Pigou, 1932). Market disappointment and effective government mediation are the basis of the public premium hypothesis. From this point of view, administrative mediation basically serves as a complement to the state's social assistance. Therefore, this approach is regularly referred to as the " public interest theory " of the guidelines.

Public interest is important for financial status support, and cash savings benefit tests are conducted to determine if spending on market activities is beyond the scope of balanced support for extended social status support. Therefore, this policy emphasizes the need to extend support for social conditions (Hertog, 2012). This includes the cost of policy planning and execution, policy compliance, and compliance with business rules and excesses (part of the skills lost if socially ideal amounts of work and products are not created). increase. This can be due to distorted changes in the costs of policy discovery,

enforcement, and compliance and the costs of complying with business rules. The public interest hypothesis is accepted as something that benefits the general public, not the individual. Government agencies are considered to serve the interests of the general public in which they function, not the private interests of the data controller.

There is a public interest debate on capital policy and storage protection to create a sound financial framework, as the stability of the financial framework can affect overall macroeconomic performance (Kaufman & Kroszner, 1997). Legal protection insurance for investors and lenders from subsequently appointed administrative agencies, such as stock exchange supervisors, is exempt for lender and buyer insurance reasons. A critical test from a public interest perspective is that many types of policies have barely restored social value. Transitional restrictions that protect banks and other monetary organizations from competition, portfolio restrictions that prevent expansion, and geographic restrictions that prevent domestic or cross-border development are generally difficult to justify for open revenue reasons. Resolutions or administrative procedures that protect executives from various forms of disciplinary action by investors and exiles provide an additional model. Guidelines that may not be of interest to the public are also ubiquitous in many areas (Stigler1988). The public interest hypothesis is to serve contributors or funders. This hypothesis supports the credit executives are seeking in this review.

### **2.2.2 Private interest theory**

The theory was developed by Stigler (1971). Private premium view recognizes the existence of market frustration, but sees guidelines as a factor in combining supply and demand to determine a particular format and reason. Despite the fact that the state tends

to be a major provider and buyers can demand policies, the industry itself is the influence of key stakeholders, both in favor of and against certain types of policies (Stigler, 1971).

The basic point of this hypothesis is that state coercion can be used to help certain individuals or gatherings through fiscal policy, so the outflow of that power should be considered an item whose designation is represented by demand and delivery. Is possible (Posner, 1974). Political entertainers want to be utility maximizers whose utility capacity gains and catches up with political power (fairness). These private profit hypotheses are based on those who are closely involved in recognizing market disappointments and correcting them by opening up further business areas. In cash management, mutual support markets form external disciplines that control and regulate industry behavior. The agency's cost hypothesis emphasizes the need to balance conflicts between the interests of organizations, customers, managers, and citizens. (Edward, 1997). This confirms the venture's goals in this review.

### **2.2.3 Public choice /Capture theory of regulation**

The theory was postulated by Buchanan and Tullock (1962). According to policy capture theory, managed policies often serve managed organizations rather than customers. Competitors usually have the incentive to plan or run as a cartel. In general, people are protected from such plots by the inevitable motivational power of businesses to cheat. The Catch hypothesis states that organizations are seeking permits and other administrative arrangements to discourage various companies from entering the market. Companies are looking for value guidelines to prevent cost competition. From this perspective, the controller controls the tasks of the cartel evaluation plan. Individual companies within the cartel cannot do this themselves (Fry, 1988).

An organization is an administrator because it is virtually unimaginable to have as much data as an organization managed by an administration expert, and because these experts regularly rely on data from these organizations. I'm looking for a way to get the secure benefits of a policy implemented. The controller is "captured" by the very company that is supposed to manage it. Despite the use of the trap hypothesis, the policy's public decision hypothesis argues that representatives of government agencies are no exception to the criterion that individuals are driven by their personal circumstances. They enhance their own fulfillment, not the public interest. This finding suggests that government agencies are trying to expand the concept of order to serve the interests of officials. As an individual responsible for providing government insurance against market predicament, civil servants are a good response to lobbyists and their own interests (Dewatripont, 1994).

The public decision hypothesis sees executive interaction as different parliaments pursuing their respective benefits. Companies can use this directive to limit competition. Buyers may be aware of low cost or item changes. The controller itself may pursue its own interests by increasing its reputation and wages. The theoretical goal of financial literacy is unlikely to serve the interests of a single congregation. Public decision-making hypotheses do not expect productivity to be the goal of the management cycle. Policies may improve useless results, but they could not (Dewatripont, 1994). The hypothesis is that policies cannot produce the desired results, and as a result, regulatory standards can weigh heavily on customers. This makes the autonomic factor more relevant to the review.

#### **2.2.4 Legal theory of finance**

The theory was proposed and developed by Katharina Pistor in 2013. The financial hypothesis believes that the monetary economy sector is legally developed and in itself occupies half the space between the state and the market, public and private. At the same time, the monetary economy has an element that directly bears the responsibilities stipulated in regulations and agreements. This is especially the case in the midst of a currency emergency, where full demand for legitimate liability leads to the collapse of the financial framework. This low-finance paradox tends to be resolved by suspending all regulations when the durability of the framework is questioned. In other words, it's peak time. This is where power becomes apparent (Pistor2013). This theory supports disclosure of core and institutional capital, clear signs of financial pressure at the end of the bag, and liquidity, which is said to be the limit of this review.

### **2.3 Legal framework of SACCOs in Africa**

Cooperative laws are broad and vary from country to country. Some countries have solid and comfortable regulations with independent formal systems, but that is a powerless and useful area. As in Denmark, there are no useful regulations other than partnerships with other companies, but it is a solid and comfortable range (Scheel, 1994). Fairbairn states that the comfortable areas developed tend to be regulated by what looks like a corporate structure. In general, the cooperation of coordinated co-operatives and coordinated interests from the state has resulted in looser and looser compliance regulations over the last 50 years (Verma, 2004). Many African countries are undoubtedly better at regulating microfinance and non-bank financial institutions. Some have adopted regulatory standards that apply specifically to SACCOS, while others use existing financial regulations to control SACCOS. In the majority of African countries, SACCOS policies

and controls are subject to the Banking Authority (National Bank). In some other regions, such as Kenya and South Africa, clear guidelines, Sacco Social Law and Cooperative Banking Law have separated autonomous managers (Verma, 2004).

## **2.4 Elements of Sacco regulatory framework in Kenya**

SASRA's cash management rules meet regulatory standards. The principles of soundness in accordance with the provisions of laws and regulations include, among other things, clear criteria for capital adequacy, liquidity strategies, degree of external acquisition, resource procurement and provision, maximum lending and insider lending (SACCO Act 2008).

### **2.4.1 Capital Adequacy ratio**

SACCOS receiving deposits has a minimum holdings associated with capital requirements, Tier 1 capital of at least 10 million Kenyan shillings, Tier 1 capital of at least 10% of total resources, institutional capital of at least 8% of total capital, and Tier 1 capital. Expected to meet. At least 8% of absolute branches (SACCO Act 2008). Jansson's synopsis of monetary policy in Latin America and the Caribbean and its impact on microfinance is that the main reason for monetary policy is competent and sustainable, keeping pace with the welfare and adequacy of financial institutions that make money. It was to promote the accumulation and distribution of wealth. From the general public the overseer should aim to find some kind of harmony between resolvability and practice.

### **2.4.2 Liquidity requirements**

15% of reserves and current liabilities are held in cash. SACCOS is expected to establish alternative liquidity management procedures, keeping in mind the methodology for

balancing liquidity deficiencies in the event of a crisis. Liquidity is monitored weekly and a monthly declaration of liquidity return to authorities is required.

### **2.4.3 Credit Management**

An advanced approach is required to explicitly specify credit limits, conditions and status for insider loans. The borrower receives a quarterly statement for each prominent credit bureau. The Sacco Society requires early confirmation in order to submit a new credit item. External acquisition: Sacco receives less than 25% of the total principal and charges interest (SACCO Act2008).

### **2.4.4 Regulation on corporate governance**

Management is a way of controlling and enforcing associations. At a minimum, the board of directors (elected at the annual meeting) must establish a review board and a credit council. It is also their duty to manage credit cards, venture capital, human capital, reserves, liquidity, data storage, profits and opportunities and make appropriate arrangements. A major change in government is that superiors and senior executives are likely to be screened by SASRA. The separation from the board and management obligations was clarified in the rules to ensure simple and responsible management (SACCO Act 2008).

### **2.4.5 Regulation on Reporting of Financial Performance**

Business execution practices expect all businesses to have a good accounting framework so that actual monetary execution can be understood. Pay attention to the issues your company is facing or needs to address. Therefore, this requires a corresponding accounting sample from SACCO to comply with the Global Accounting Guidelines (SACCO Act 2008). The Co-operative Act provides that all co-operatives examine the

accounts for each fiscal year and make the records available to investors four months after the end of the fiscal year. Before being shown to investors, recordings are anticipated to receive the Cooperative Development CCD approvals. Board members will therefore lose their position at the following regular meeting if records are not assessed and presented within four months, unless the CCD is satisfied with the justification for disappointment (SACCO Act 2008).

SACCO announces requirements for SASRA monthly returns (equity, liquidity and investment), quarterly returns (provisioning of resource and credit risk, risk returns, financial execution) and annual returns (valued finance). There is a possibility of complying with the essentials in the summaries (SACCO Act 2008).

#### **2.4.6 Regulation on investment policy**

Under the SASRA regulatory agreement, interest in non-procured resources should not exceed 10% of absolute resources and land and structures should not exceed 5% of total resources. The board is responsible for detailing the company's strategy, which is updated as often as possible. Financial risk should not exceed 40% of the center's capital or 5% of the total business (SACCO Act 2008).

#### **2.4.7 Regulation on General Operations**

The SASRA policy has common principles for managing SACCO's activities, as shown below. Enforcement activities, SASRA has the authority to inspect SACCO's facilities and records and, if defective, recommend enforcement measures, including litigation orders. Rebellion in a legitimate facility conveys well-defined penalties and involves the dismissal of chiefs and other vigilant officials.

Once the Store Protection Conspire is approved, the parts store will be protected in the event of a SACCO collapse. SASRA later established a deposit insurance fund, which SACCO will add accordingly. Branch commitment. Prior approval by SASRA is required to open, close or migrate branches and various business environments (SACCO Act 2008). Administration to an individual; SACCO will continue to operate as specified in the Joint Employment Standards and will continue to manage the individual. Fair service to individuals is the main motivation for excluding bonuses and other rewards from credit to individuals from the annual assessment (SACCO Act 2008).

## **2.5 Financial Performance Measures**

Execution estimation is a course of surveying the headway made (Actual) towards accomplishing the foreordained presentation objectives (pattern). Estimation is overseen utilizing yields measures and result measures. Financial execution measure is an emotional indicator of how effectively a company can use resources from its core business model and generate incomes. Execution measures are quantitative and subjective; they give an instrument to associations to oversee progress towards accomplishing foreordained objectives (Benninga & Czaczkas, 2000).

The traditionally financially estimation approach has some real flaws (Kaplan and Norton1992). These include applied financial cues such as results center components, productivity, revenue, and resource base. They may be ready when things go wrong and the effects are still felt to be in tune. Such markings and countermeasures do not show us when things go wrong. These markers are diminishing rather than prophylactic factors and do not provide a warning signal (Kaplan & Norton1992). There are various interests in the execution of money, but all actions should be taken by collection. Details such as

B. Income from activities, wages or income from work can be used in the same way as an absolute business unit. The most widely used monetary indicators of practice are return on assets (ROA), return on equity (ROE) and Returns on investments (ROI) (Benninga & Czaczkes, 2000).

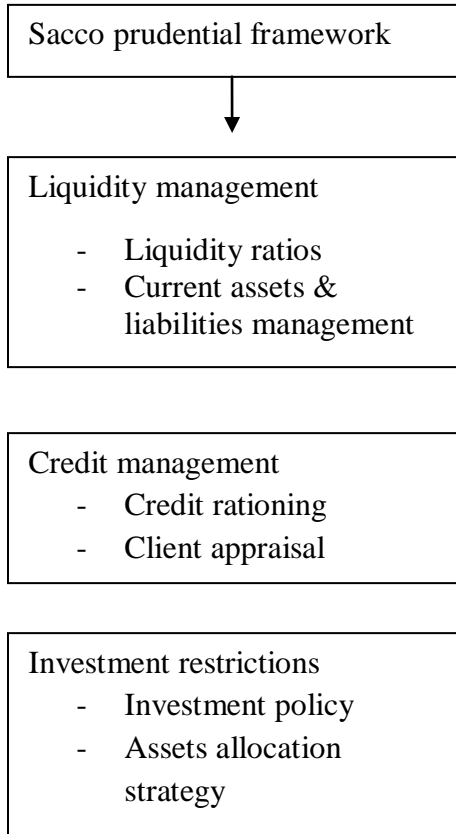
## **2.6 Link between Sacco regulatory framework and financial performance**

Functional guidelines and design criteria are clear and normative, as shown in SASRA (2012). Leaders rehearse to ensure that Sacco society functions and develops in a structure that fosters sound financial and business relationships, rather than ruthless and impeding development. Dewatripont1994; Bath et al. 2001); combining effective administrative enforcement with advances in club monetary enforcement. The enhanced policy has both negative and positive effects, increasing the cost of consistency and increasing the need for additional staff to check consistency. This can reduce the accessibility of assets to influence development, modification, and the way finance companies see them. Chance of their return. For customers, this can mean reduced credit supplies, money exchanges, and board dangers (Brownbridge et al. 1999).

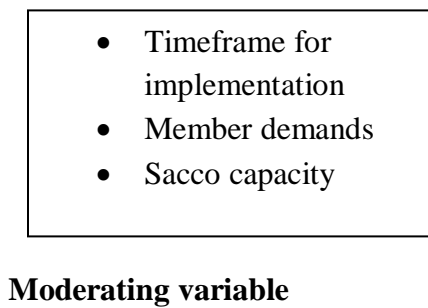
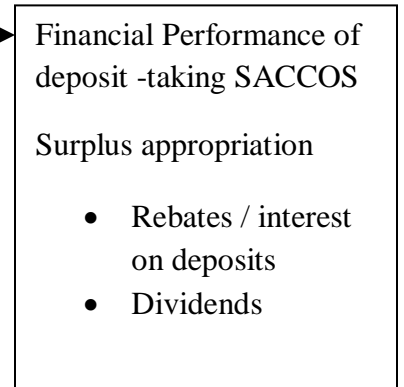
Certain spending related to the implementation of the directive has increased, reducing the accessibility of credit and management to customers. For example, as banks seek additional capital and liquidity, banks' lending limits are compromised, resulting in lower lending rates, in that sense affecting lending in the wider economy (Mishkin, 2001). Wambui (1993) on audit report guidelines for company selection found that the majority of organizations whose accounting is audited each year are generally superior to those that do not.

## 2.7 Conceptual Framework

### Independent Variable



### Dependent Variable



**Figure 2.1: Conceptual Framework**

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section outlines methodology that was utilized in data gathering, analysis of data and presentation of findings.

#### **3.2 Research design**

Kothari (2004) reveals that research methods are an approach to consciously tackle exploration issues. This includes the exploration strategies used in the exam and the various exam procedures used. Cooper and Schindler (2008) characterize the survey plan as the placement and design of the survey used by professionals to obtain answers to the survey questions. This survey utilized a descriptive survey. Mugenda and Mugenda (2003) state that research studies seek to present existing traits by gathering information from individuals within a group and obtaining information about their judgments, ways of thinking, behaviors, or values. Research enhances the information supply of large populations in a very efficient way.

#### **3.3 Description of variables**

Dependent variable is deposit-taking SACCOs' financial performance while the independent variable is SACCO prudential framework which is measured by liquidity management, credit management and investment restrictions.

#### **3.4 Study Locale**

The survey was done in Nairobi City County. Nairobi has the most DT SACCOs, including 36 head offices and 20 different branches across the country. The majority of

these SACCOs get their members from the service sector, which is the most significant industry in the country. Due to their geographic location, these SACCOs must contend with fierce competition from a variety of institutions, including banks, insurance companies, capital markets, pension plans, microfinance organizations, and development finance institutions. In this regard, the survival of the DT-SACCOs in the county depends on their ability to innovate in a way that gives them a competitive advantage.

### **3.5 Target Population**

The population is the complete set of components in which the derivation takes place (Cooper & Schindler, 2007). Kothari (2007) characterize the population as a collection of people, cases, or objects with certain normally perceptible traits. The study population is 36 businesses that SACCOS occupies in Nairobi. A target population is a person, object, or collection of objects that is tested for estimation (Creswell, 2017). The target population is the total population of SACCO's 36 deposit offices in Nairobi. Researcher focused on the 36 CEOs and their staff of these 36 deposit-taking SACCOS in Nairobi City County.

### **3.6 Sample Size and Sampling Design**

There are 36 deposit-taking SACCO, in Nairobi City County, who are selected to approach each CEO and staff and invite them to participate in exploration surveys. According to Cooper and Schindler (2008), this method of study, in which everyone in the target population has the opportunity to participate in the study, is called census. According to Creswell (2017), a census is appropriate when the population is small and the components are very uneven. They suggest that a sample extracted from a reasonably small, non-uniform population should not be representative of the extracted population.

### **3.7 Research Instruments**

According to Orodho (2003) research instruments are tools for gathering important information for the research. Data from this study was collected through questionnaire. Wiersman (1986) notes that the most appropriate research tool for descriptive research is questionnaires. A questionnaire is a survey device that answers questions asked by participants in combined mode. Closed-end questions were used to outline possible options for participants to choose a contextual answer. The questionnaire is intended to provide data on the impact of capital adequacy ratios, liquidity management, credit management and investment restrictions on SACCOS monetary settlements in Nairobi.

### **3.8 Instrument Validity**

Validity shows how much an instrument estimates the develop being scrutinized. The substance chose and included should be pertinent to the need or gap laid out (Mugenda and Mugenda, 1999). Items in the questionnaire were tested for content validity. To test for content validity, the items were ordered from general to specific and were related to the objectives. The items were structured to measure what they were supposed to measure (wiersman 1986).

### **3.9 Instrument Reliability**

This is a proportion of how often the exploration tool produces consistent results or information following repeated preliminary steps. The researcher applied the split-half method to determine whether the questionnaire's items were reliable. The objects were divided into even and odd-numbered categories using the split-half approach. One percent of the sample population was randomly split into two groups, with even numbered items administered to one group and not the other (Wiersman, 1986).

Cronbach (1951) put forth up the Alpha regard line at 0.7. On the off chance that a coefficient of 0.7 and more is got after calculations, the study instrument was accepted (Kothari, 2004).

### **3.10 Data collection procedures**

The questionnaire was provided to participants who are the CEO and staff of 36 SACCOS in Nairobi City County in the survey. The drop-and-pick method was utilized. The researcher sought permission from 36 deposit SACCOS officers in Nairobi City County.

### **3.11 Data analysis**

Data analysis entails preparing the data for analysis, characterizing the fundamental characteristics of the data used in the study, and using inferential statistics to evaluate hypotheses and models (Mugenda & Mugenda, 2003). The Statistical Package for Social Sciences (SPSS) was utilized to analyze the data gathered using descriptive statistics. With the aid of descriptive statistics like percentages and frequencies, SPSS assists in summarizing the data. The analysed data summarized and presented using tables clearly showing the frequency, percentages, standard deviation and co-variance.

Simple and multiple regressions was done to show the relationship between the dependent and independent variables. The regression equation was;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Where: Y = Financial performance of DT – SACCOS

X<sub>1</sub>= Liquid management

X<sub>2</sub> = Liquidity Management

X<sub>3</sub> = Investment restriction

$\beta_0$ ,  $\beta_1$ ,  $\beta_2$ , and  $\beta_3$  = Beta coefficients, &  $\varepsilon$  = Error Term

### **3.12 Ethical considerations**

In order to conform to the ethical standards when conducting a research, approval to conduct this research was gotten from the graduate school, Kenyatta University. Moreover, informed consent that included signatures were obtained from all participants of the study. It was explained that interest is unyielding and that the participants were permitted to pull out any time during the assessment time period and participants were not obliged to partake in the study.

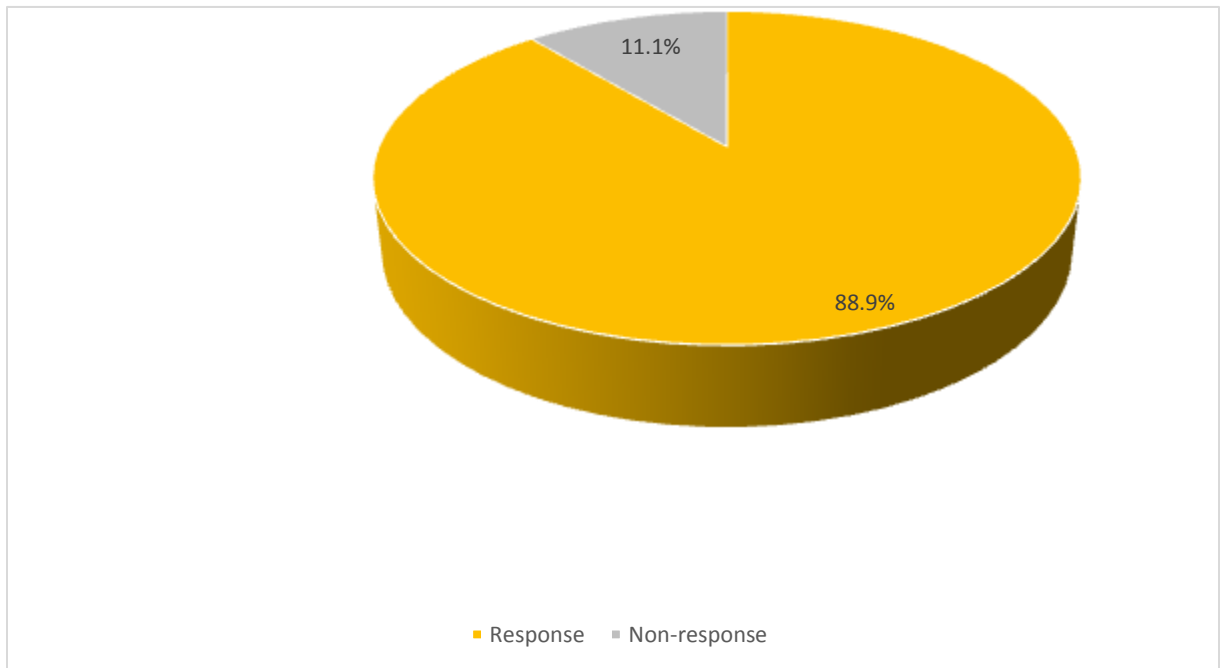
## CHAPTER FOUR

### RESEARCH FINDINGS AND DISCUSSIONS

#### 4.1 Introduction

The examination discoveries and discussions are presented in this part. The study's objective was to ascertain how the SACCO regulatory framework affected the financial success of deposit-taking SACCOs in Nairobi City County, Kenya. Both secondary and primary data were utilized in the investigation. Figures and tables were utilized to introduce the inspected information.

#### 4.2 Response Rate



**Figure 4.1: Respondents on examination performance**

**Source: Review Data (2022)**

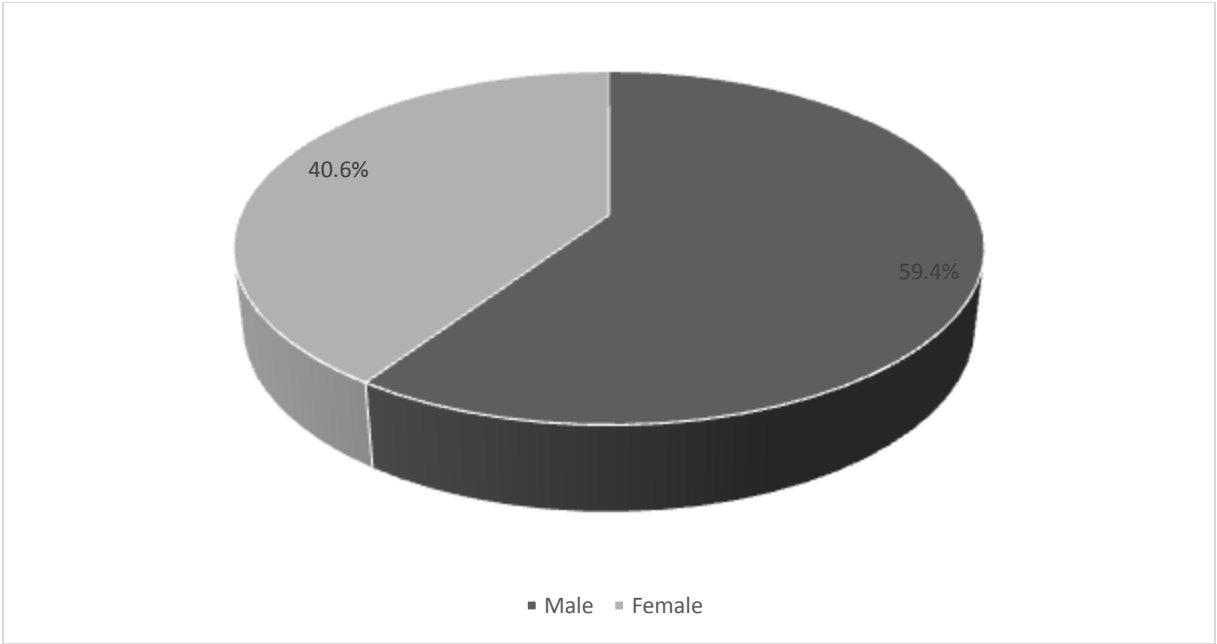
A total of 36 surveys were dispersed by the researcher to chosen participants. A total of 32 surveys were completed and returned to the researcher. This resulted in an 88.9% response rate, which is thought to be enough for the research. Creswell (2017) note that a response rate of half is reasonable for examination, a response rate of over half is great, and a response rate of over 70% is generally excellent. Thusly, the response rate was adequate for the study to reach appropriate determinations from the information. The results were in Figure 4.1.

### **4.3 Demographic Information**

Participants were approached to show their segment data to lay out whether the participants of the review are a delegate test of the objective populace for speculation reason. The discoveries are as displayed in following subsection.

#### **4.3.1 Gender**

The participants were enquired to designate their respective genders. The outcomes were displayed in Figure 4.2.



**Figure 4.2: Participants' gender**  
**Source: Review Data (2022)**

The results in Figure 4.2 show that men made up the majority of the participants, as shown by the percentage of 59.4%. However, it was noticed that 40.6% of the responders were female. These discoveries propose that there was no predisposition in light of the fact that the two sexual orientations were genuinely addressed in this review.

### 4.3.2 Participants' Age

Since the age of the members is a pivotal consider the review since it influences one's insight and response to circumstances, the review set off to decide the age dispersion of the participants. Table 4.1 incorporates a rundown of the outcomes.

**Table 4.1: Participants' age category**

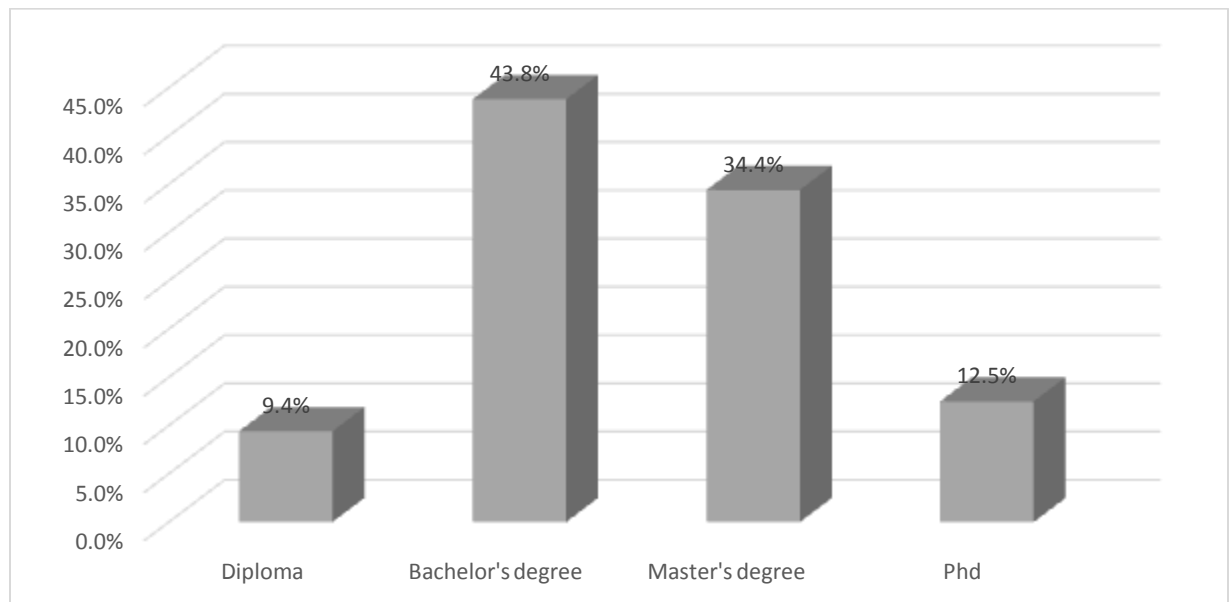
<b>Age</b>	<b>f</b>	<b>%</b>
21 – 30 years	4	12.5
31 – 40 years	9	28.1
41 – 50 years	13	40.6
Above 50 years	6	18.8
<b>Total</b>	<b>32</b>	<b>100</b>

**Source: Review Data (2022)**

The findings exhibited in Table 4.1 uncovered that 40.6% of participants were between the ages of 41 and 50, 28.1% were between the ages of 31 and 40, 18.8% were beyond the age of 50, and 12.5% were between the ages of 21 and 30. This clearly implies that everyone who responded based on age distribution was able to answer the inquiries. This shows unequivocally that moderately aged people made up a significant piece of the labor force at store taking SACCOs.

### 4.3.3 Educational level

The achieved educational level by participants was noteworthy as it determines participants' capability to comprehend the SACCO prudential framework used by the SACCOs and consequently be in a situation to properly respond to the inquiries. The discoveries were delineated in Figure 4.3.



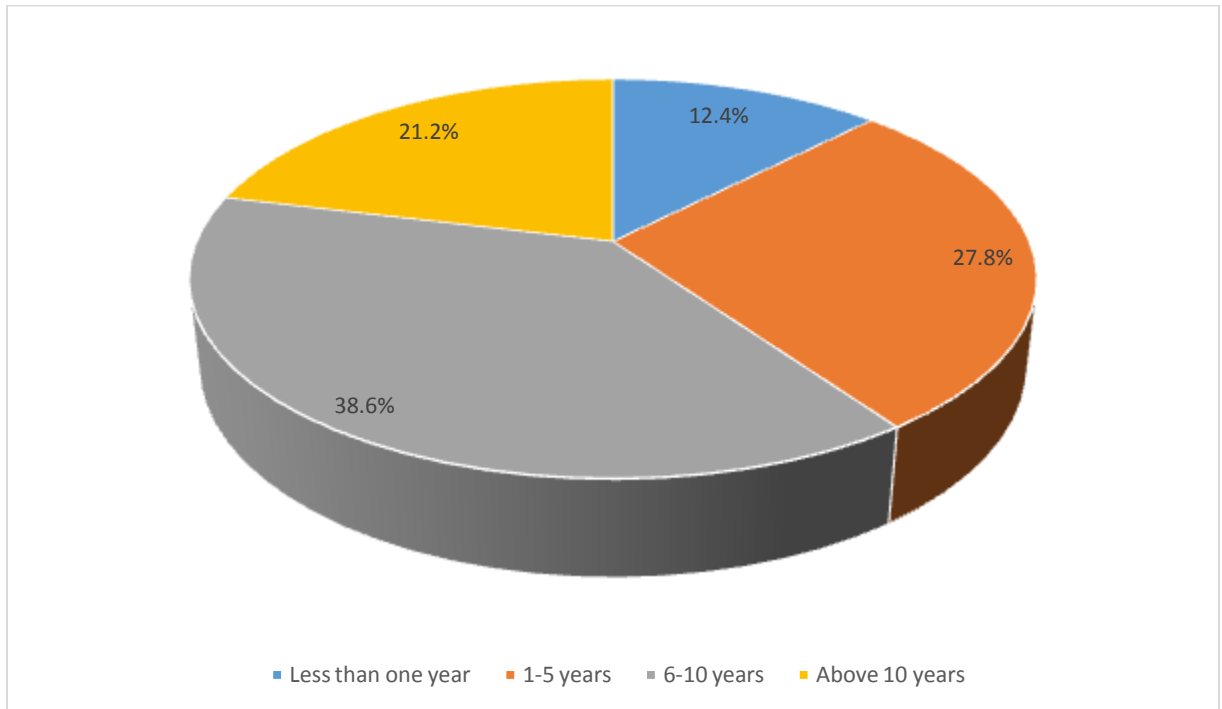
**Figure 4.3: Educational level**

**Source: Review Information (2022)**

The research results in Figure 4.3 reveal that numerous participants had attained the first degree as their highest educational level at 43.8%, followed by master's degree with 34.4%. However, those with diploma as the highest educational level comprised the smallest proportion of 9.4% while those with PhD are presented by 12.5%. These findings infer that all the participants had requisite level of knowledge to comprehend the information required by this exploration.

#### 4.3.4 Work Experience

The scholar examined the data acquired on the work experience term of the participants engaged with the concentrate as introduced in Figure 4.4.



**Figure 4.4 :Participants' Work Experience**

**Source: Survey Data (2022)**

The results displayed in Figure 4.4 illustrates that numerous participants had worked at deposit-takings SACCOs in Nairobi City County for a period of between 6 and 10 years as presented by 38.6%. However, those who had worked between 1 and 5 years constituted 27.8%. Further, 27.8% of the participants had worked for more than 10 years while 12.4% had worked less than 1 year. These outcomes indicate that the participants had different lengths of experience with their SACCOs which allowed them to provide information for the study presenting different points of views influenced by their lengths of experience.

#### 4.4 Descriptive Statistics

This study introduced the general proportions of the observed example using the mean, standard deviation, and coefficient of variety. Based on the data acquired on the elements that were the focus of this review, investigation of illustrative measurements was undertaken. The key component of the observed case served as the framework for the justification of the quantitative information inquiry for this evaluation.

**Table 4.2 Descriptive statistics results of the main variables**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Return on assets	32	0.1435	0.0127
Core capital ratio	32	0.1134	0.3652
Deposits ratio	32	1.4352	0.2832
Interest rates	32	0.1324	0.0247

**Source: Secondary Data (2022)**

As per the descriptive data in Table 4.2, Kenya's registered SACCOS had an average ROA of 0.1435. The average Core Capital Ratio (CAR) figure for SACCOS was 0.1134, with a standard deviation of 0.3652, indicating that most SACCOS are able to make their payments on time. As a result, it is a portion of liquid assets held in household and non-financial SACCOS deposits. If this ratio is greater than 100%, the SACCOS's core capital level is sufficient to cover erratic funding. As a result, as can be shown from median values, practically all SACCOS are vulnerable to hypothetically large deposit withdrawals.



#### 4.4.1 Capital Adequacy and Financial Performance of SACCOs

The scholar found various affirmations in regards to what capital adequacy means for SACCOs' monetary exhibition. Members were approached to rate the amount they concurred or couldn't help contradicting every assertion on capital adequacy and what it has meant for SACCOs' monetary exhibition. The survey utilized Five-likert scale from 1 to 5, where 1 denoted a strong disagreement to 5, strong agreement. Table 4.3 presented the outcomes.

**Table 4.3 Descriptive Statistics for capital adequacy**

<b>Statements</b>	<b>n</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std Dev</b>	<b>CoV</b>
There has been a growth in reserves due to regulation implementation	32	1.00	5.00	3.58	0.65	0.13
The SACCO has minimized on external borrowing due to improved management of capital	32	1.00	5.00	3.63	0.59	0.15
Payments of returns to members has not been affected by management of capital adequacy	32	1.00	5.00	3.59	0.62	0.14
The SACCO understands the management of capital adequacy to meet the ratio standards set the regular	32	1.00	5.00	3.64	0.57	0.12
Overall financial performance of the SACCO has improved due to the management of capital adequacy of the SACCO	32	1.00	5.00	3.67	0.61	0.15
Average scores				<b>3.67</b>	<b>0.62</b>	<b>0.14</b>

**Source: Survey Data (2022)**

The outcomes exhibited in Table 4.3 uncovered that numerous participants agreed that there has been a growth in reserves due to regulation implementation (mean = 3.58).

Participants agreed that SACCO has minimized on external borrowing due to improved management of capital (mean = 3.63). Participants agreed that payments of returns to members has not been affected by management of capital adequacy (mean = 3.59). The participants agreed that SACCO understands the management of capital adequacy to meet the ratio standards set the regular (mean = 3.64). Also, participants agreed that overall financial performance of the SACCO has improved due to the management of capital adequacy of the SACCO (mean = 3.67). The findings imply that capital adequacy practices generally affect how well DT-SACCOs with operating licenses in Nairobi City County. The results are in line with research by Kivuvo and Olweny (2014), which came to the conclusion that SASRA was correct to support a larger capital basis for SACCOs in Kenya. Capital adequacy has a favorable effect on financial performance, according to a study by Kahuthu, Muturi, and Kiweu (2015). Adalakun and Olufemi (2015) came to the same conclusion in a different study, stating that maintaining investor confidence requires ongoing monitoring of commercial banks' adherence to minimum capital requirements, which will promote the generation of credit and protect consumer deposits.

From the data collected at SASRA annual report (2022) it reveals comparative growth trends in the three (3) critical capital adequacy ratios prescribed in the Regulations 2010 and thus a confirmation of the continued stability of the DT-SACCO financial system in Kenya. The outcomes are exhibited in figure 4.5.



**Figure 4.5: Comparative growth trends in capital adequacy**

**Source: Field Data (2022)**

#### **4.4.2 Liquidity Management and financial performance of SACCOs**

The researcher found a number of remarks regarding how liquidity management affects SACCOs' financial performance in Nairobi City County. The extent to which each assertion about liquidity management and how it has affected SACCO performance was agreed upon by participants was asked. The survey utilized Five-likert scale from 1 to 5, where 1 denoted a strong disagreement to 5, strong agreement. Table 4.4 presented the outcomes.

**Table 4.4 Descriptive Statistics for liquidity management**

<b>Statements</b>	<b>n</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std Dev</b>	<b>CoV</b>
Regulation has assisted in improving the liquidity of the SACCO	32	1.00	5.00	3.69	0.68	0.15
Maintaining the liquidity ratio has affected the provision of services to members	32	1.00	5.00	3.71	0.65	0.14
Investments in other financial institutions has increased as a result of liquidity ratio management	32	1.00	5.00	3.67	0.62	0.12
The SACCO is able to meet its obligations both short term and service provision with ease	32	1.00	5.00	3.81	0.67	0.15
Overall profitability has increased due to effectively managing the liquidity of the SACCO	32	1.00	5.00	3.73	0.63	0.13
Average scores				<b>3.72</b>	<b>0.65</b>	<b>0.14</b>

**Source: Survey Data (2022)**

The outcomes exhibited in Table 4.4 uncovered that numerous participants agreed that regulation has assisted in improving the liquidity of the SACCO (mean = 3.69). Participants agreed that maintaining the liquidity ratio has affected the provision of services to members (mean = 3.71). Participants agreed that investments in other financial institutions has increased as a result of liquidity ratio management (mean = 3.67). Participants agreed that SACCO is able to meet its obligations both short term and service provision with ease (mean = 3.81). Additionally, the participants agreed that overall profitability has increased due to effectively managing the liquidity of the SACCO (mean = 3.73). The findings show that the performance of DT-SACCOs with

operating licenses in Nairobi City County is influenced by liquidity management techniques. This is upheld by Mugambi et al. (2015), who observed that cash the executives is fundamental as a liquidity the board device in store taking SACCOs and that a money the executives strategy ought to be set up to accomplish the best monetary presentation, and Omino (2014), who guaranteed that at whatever point SACCOs took a more careful position in dealing with their ongoing liabilities, this prompted an expansion in working incomes for the SACCOs, empowering them to have sufficient incomes. Nonetheless, they are contrary to the discoveries of Mutinda (2016) and Khan and Syed (2013), who found that liquidity the executives leastly affected the monetary execution of SACCOs in Kenya and a negative relationship among liquidity and bank execution in Pakistan, separately.

#### **4.4.3 Credit management and financial performance of SACCOs**

The researcher found a number of remarks regarding how credit management requirements affect SACCOs' financial performance in Nairobi City County. Participants were asked to rate how much they agreed or disagreed with each claim made about how credit management regulations have impacted SACCOs' financial performance. The survey utilized Five-likert scale from 1 to 5, where 1 denoted a strong disagreement to 5, strong agreement. Table 4.5 presented the outcomes.

**Table 4.5: Descriptive Statistics for credit management requirements**

<b>Statements</b>	<b>n</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std</b>	<b>CoV</b>
					<b>Dev</b>	
Regulation has assisted in improving credit management	32	1.00	5.00	3.66	0.71	0.14
Better management of credit has improved the liquidity of the SACCO	32	1.00	5.00	3.73	0.68	0.12
Internally generated funds has improved the provision of services to the members	32	1.00	5.00	3.72	0.65	0.16
Financial costs have reduced due to better credit management since introduction of regulation	32	1.00	5.00	3.69	0.63	0.15
Overall profitability has increased due to effectively managing credit in the SACCO	32	1.00	5.00	3.58	0.62	0.14
Average scores				<b>3.68</b>	<b>0.66</b>	<b>0.14</b>

**Source: Survey Data (2022)**

The outcomes exhibited in Table 4.5 uncovered that numerous participants agreed that regulation has assisted in improving credit management (mean = 3.66). Participants agreed that better management of credit has improved the liquidity of the SACCO (mean = 3.73). Participants agreed that internally generated funds have improved the provision of services to the members (mean = 3.72). This is supported by Omino (2014), who found that good liquidity management practices are essential to performance because they help deposit-taking SACCOs handle their current liabilities more carefully, which led to an upsurge in operational cash flows for the SACCOs and allowed them to generate enough cash flow to pay their short-term obligations.

The survey also uncovered that numerous participants agreed that financial costs have reduced due to better credit management since introduction of regulation (mean = 3.69). Participants agreed that overall profitability has increased due to effectively managing credit in the SACCO (mean = 3.58). These results are consistent with Kioko's (2016) research on the impact of capital adequacy guidelines on reserve funds and credit helpful social orders in Kenya, which exhibited that SACCOs had enormously profited from the guidelines in different ways, including overseeing credit risk, supporting public certainty, giving a wellbeing net to individuals' stores, giving working capital, expanding their capacity to loan, laying the preparation for future development, and forestalling bankruptcy.

#### **4.4.4 Investment Restrictions and Financial Performance SACCOs**

The researcher found several claims regarding the impact of investment limits on SACCOs' financial performance. Participants were asked to rate how much they agreed or disagreed with each statement about investment limits and how they had an impact on SACCOs' financial performance. The survey utilized Five-likert scale from 1 to 5, where 1 denoted a strong disagreement to 5, strong agreement. Table 4.6 presented the outcomes.

**Table 4.6: Descriptive Statistics for investment restrictions**

<b>Statements</b>	<b>n</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>Std Dev</b>	<b>CoV</b>
Regulation has assisted in improving the investment returns of the SACCO	32	1.00	5.00	3.53	0.55	0.12
Maintaining the investment ration has affected the provision of services to members	32	1.00	5.00	3.51	0.57	0.14
Choice of the investment option has been made easier by regulation	32	1.00	5.00	3.48	0.52	0.15
Overall profitability has increased due to effectively managing the investments of the SACCO	32	1.00	5.00	3.47	0.53	0.13
Average scores				<b>3.67</b>	<b>0.62</b>	<b>0.14</b>

**Source: Survey Data (2022)**

The outcomes exhibited in Table 4.6 uncovered that numerous participants agreed that regulation has assisted in improving the investment returns of the SACCO (mean = 3.53). Participants agreed that maintaining the investment ration has affected the provision of services to members (mean = 3.51). Participants agreed that choice of the investment option has been made easier by regulation (mean = 3.48). Furthermore, numerous participants agreed that overall profitability has increased due to effectively managing the investments of the SACCO (mean = 3.47). The findings imply that investment restrictions generally affect how well DT-SACCOs with operating licenses in Nairobi City County. The outcomes are upheld with a survey by Gatner (2016) who found that a rise in total assets only occurs when investments outweigh the monetary estimate of an

asset's value loss due to depreciation. SASRA regulatory agreement, interest in non-procured resources should not exceed 10% of absolute resources and land and structures should not exceed 5% of total resources (SASRA, 2016).

#### 4.5 Inferential Statistics

To determine the impact of the SACCO regulatory framework on the financial performance of deposit-taking SACCOs in Nairobi City County, the scholar utilized regression analysis. The ANOVA findings, regression coefficients, and model summary are exhibited in the following subsection.

##### 4.5.1 Model Summary

The discoveries of coefficient of adjusted determination  $R^2$  and coefficient of correlation  $R$ , are as displayed in Table 4.7

**Table 4.7: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.922	0.850	0.842	0.120

**a. Predictors: (Constant),** Capital adequacy, liquid management, credit management and investment restrictions

**b. Dependent Variable:** SACCOs' Financial Performance

**Source: Review Information (2022)**

The outcomes uncovered that the variables had a good relationship as presented by a coefficient of correlation (R) of 0.922. The findings uncovered that coefficient of adjusted  $R^2$  was 0.850, or 85.0%. This illustrates how the four factors; capital sufficiency, liquid management, credit management, and investment restrictions can

account for 85% of variations in the financial performance of SACCOs. Other elements outside the scope of the existing survey can account for the residual of 15%.

#### 4.5.2 ANOVA

This was performed at 95% level of significant. The outcomes are exhibited in Table 4.8.

**Table 4.8: ANOVA**

<b>Model</b>	<b>SS</b>	<b>df</b>	<b>MS</b>	<b>F</b>	<b>Significance</b>
Regression	4.17	4	.227	2.23	0.001 <sup>a</sup>
Residual	52.35	28	1.237		
Total	56.52	32			

**a. Predictors: (Constant),** Capital adequacy, liquid management, credit management and investment restrictions

**b. Dependent Variable:** SACCOs' Financial Performance

**Source: Survey Data (2022)**

The outcomes of Table 4.8 uncover that  $F_{\text{Calculated}}$  was 2.23 and  $F_{\text{Critical}}$  was 1.17, showing that  $F_{\text{Calculated}} > F_{\text{Critical}}$  and establishing the inclusive relevance of the regression model for the inquiry. The survey's p value of 0.001, which is less than 0.05, indicates that at least one variable meaningfully impacted the financial success of SACCOs.

#### 4.5.3 Regression Coefficients

The scholar utilized regression analysis to explore how individually independent variable had an exceptional impact on the dependent variable. The outcomes are exhibited in Table 4.9



**Table 4.9: Regression Coefficients**

<b>Multiple Regression Analysis</b>					
<b>Variables</b>	<b>Unstandardized Coefficients</b>		<b>Standardized Coefficients</b>	<b>t</b>	<b>Sig.</b>
	<b>β</b>	<b>Std. Error</b>	<b>Beta</b>		
(Constant)	5.131	0.223		1.314	.001
Capital Adequacy	0.324	0.0157	0.153	1.223	.001
Liquidity Management	0.317	0.0169	0.137	1.217	.002
Credit Management	0.325	0.0163	0.129	1.236	.001
Investment restrictions	0.213	0.0124	0.117	1.123	.003

**Source: Field Data (2022)**

The relationship between the SACCO prudential framework and deposit-taking SACCOs' financial performance in Nairobi City County, Kenya, was investigated through a multiple regression analysis. The regression equation model becomes;

$$Y = 5.131 + 0.324X_1 + 0.317X_2 + 0.325X_3 + 0.213X_4$$

Where Y = Deposit-taking SACCOs' financial performance

X<sub>1</sub> = Capital Adequacy

X<sub>2</sub> = Liquidity Management

X<sub>3</sub> = Credit Management

X<sub>4</sub> = Investment restrictions

The data in Table 4.9 indicate that capital adequacy had a significant positive coefficient (β =0.324, P-value = 0.001), indicating that it has a favorable impact on the financial performance of deposit-taking SACCOs. Liquidity management had a significant positive coefficient (β =0.317, P-value = 0.002), indicating that it has a favorable impact on the financial health of deposit-taking SACCOs. Credit management revealed a significant

positive coefficient ( $\beta = 0.325$ , P-value = 0.001), indicating that it positively affects the financial performance of SACCOs that accept deposits. Investment restrictions had a significant positive coefficient ( $\beta = 0.213$ , P-value = 0.003), indicating that they had a favorable impact on deposit-taking SACCOs' financial success. These outcomes are supported by those of Kahuthu (2016), who discovered that prudential restrictions improved the deposit-taking SACCOs' financial performance in Kenya. Also, innovation boosts a company's profitability, market share, and savings while lowering operating expenses.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSION AND RECOMMENDATIONS**

#### **5.1 Introduction**

The overview of the results, the conclusion, and the recommendations grounded on the results are presented in this part. Additionally, suggestions for advance research are made.

#### **5.2 Summary of Study Findings**

The survey intended at determining the effect of SACCO prudential framework on deposit-taking SACCOs' financial performance in Nairobi City County, Kenya. The outcomes from objective one uncovered that numerous participants agreed that there has been a growth in reserves due to regulation implementation, SACCO has minimized on external borrowing due to improved management of capital, payments of returns to members has not been affected by management of capital adequacy, SACCO understands the management of capital adequacy to meet the ratio standards set the regular, overall financial performance of the SACCO has improved due to the management of capital adequacy of the SACCO as shown by a mean of 3.58, 3.63, 3.59, 3.64 and 3.67 respectively. The findings imply that capital adequacy practices generally affect how well DT-SACCOs with operating licenses in Nairobi City County.

The survey also uncovered that numerous participants agreed that regulation has assisted in improving the liquidity of the SACCO, maintaining the liquidity ratio has affected the provision of services to members, investments in other financial institutions has increased as a result of liquidity ratio management. Participants agreed that SACCO is able to meet its obligations both short term and service provision with ease and overall profitability

has increased due to effectively managing the liquidity of the SACCO as shown by a mean of 3.69, 3.71, 3.67, 3.81 and 3.73 respectively. The findings infer that the performance of DT-SACCOs with operating licenses in Nairobi City County is influenced by liquidity management techniques.

Also, the outcomes revealed numerous participants agreed that regulation has assisted in improving credit management, better management of credit has improved the liquidity of the SACCO, internally generated funds have improved the provision of services to the members, financial costs have reduced due to better credit management since introduction of regulation and overall profitability has increased due to effectively managing credit in the SACCO as shown by a mean of 3.66, 3.73, 3.72, 3.69 and 3.58 respectively. The results show that financial performance of DT-SACCOs in Nairobi City County are affected by credit management.

Finally, the outcomes uncovered that majority of the participants agreed that regulation has assisted in improving the investment returns of the SACCO, maintaining the investment ration has affected the provision of services to members, choice of the investment option has been made easier by regulation and overall profitability has increased due to effectively managing the investments of the SACCO as shown by a mean of 3.53, 3.51, 3.48 and 3.47 respectively. The findings imply that investment restrictions generally affect the operation of DT-SACCOs in Nairobi City County.

### **5.3 Conclusion**

The survey comes to the conclusion that investment limitations, credit management, enough capital, and liquidity all play a noteworthy role in the rise of the financial income

of deposit-taking SACCOs. The fortification of deposits and the solidity of financial systems depend on the core capital. The prudential framework is crucial for maintaining professionalism in the financial markets, safeguarding deposits, and raising financial earnings.

Thus, it was clear that the prudential regulatory framework had implications for controlling the capital structure to impact SACCOs' financial performance. The study also showed that an analysis of variance model with four independent variables was statistically significant. This suggests that the variables suit the return on investment explanation well. The regression analysis's findings indicate that the independent variables and financial performance as measured by return on investment have a favorable association.

#### **5.4 Recommendation**

From the findings, the survey recommends that;

Deposit Taking SACCOs should follow the capital adequacy guidelines in order to protect themselves from the risk of going bankrupt. To guarantee that SACCOs are adequately capitalized, management should implement tighter internal control systems on capital adequacy practices. This will improve the SACCOs' capacity to manage any risks that might occur from their line of work. To be able to benefit from increasing business, SACCOs must also adhere to all the standards outlined in the SACCO rules and regulations.

To completely profit from the benefits given by liquidity the board rehearses, SACCOs ought to apply thorough systems on liquidity the executives methodologies, especially on

successful administration of resources and liabilities and use of endlessly cash reciprocals. SACCOs ought to acquaint quarterly monetary detailing with the area to guarantee the market is productive and the individuals and outside financial backers can screen liquidity the board and distinguish issues almost immediately to work on their monetary execution in both great and awful financial times, foster strategy records on obligation the executives, and take on versatile liquidity the board rehearses.

The management of SACCOs may need to think about their investment horizon in order to reduce the danger of financial distress that could result from improper cash flow synchronization. Only necessary liquidity would be maintained if investment pay-offs matched cash-out flows, preventing over- or underinvestment from causing problems.

To create loan solutions that will win over members' loyalty and business, SACCOs should work to understand their members' financial needs. Center skills in regions like accounting, finance, HR, risk management and credit management are expected in a judicious working environment. Individuals ought to choose the governing body in view of the main capabilities, and the board should follow the same procedures when hiring new staff.

### **5.5 Suggestions for further Study**

Comparable research can be done in the other counties in Kenya to ascertain if consistent results can be achieved. A similar study should also be carried out on relationship between SACCOs prudential framework and financial performance of SACCOs in Kenya incorporating prudential framework variables as opposed to the current study which took into consideration only four of these variables.



## REFERENCES

- Barth, J. R., G. Caprio and R. Levine. (2006). Rethinking Bank Regulation: Till Angels Govern New York, Cambridge University Press.
- Benninga, S. & Czapczkes, B. (2000). Financial modeling. 2nd Edition, Cambridge: MIT Press.
- Benston, G. J. (1998). Regulating Financial Markets: A Critique and some Proposals the London Institute of Economic Affairs.
- Birchall Johnston (2004) Cooperatives and the Millennium Development Goals, , Geneva,
- Brownbridge, M. (2002). "Policy Lessons for Prudential Regulation in Developing Countries. Development Policy Review " 20(3): 305-316.
- Cho, Yoon-je and Khat Khate , Deena, Lessons of financial liberalization in Asia, A comparative study, World Bank discussion papers, World Bank, Washington D.C (1989)
- Dewatripont, M. and J. Tirole (1994). The Prudential Regulation of Banks MIT Press.
- Charles Goodhart; Philipp Hartmann; David Llewellyn, Financial Regulation: Why, How and Where Now the Economic Journal Vol. 109, No. 459,
- Chaves, Rodrigo A. and Claudio Gonzalez-Vega (1994), "Principles of Regulation and Prudential Supervision and their Relevance for Microenterprise Finance Organizations," in Maria Otero and Elisabeth Rhyne (eds.), The New World of Microenterprise Finance. Building Healthy Financial Institutions for the Poor, West Hartford, Conn.: Kumarian Press, pp. 55-75.

- Cho, Yoon –je and Deena Khatkhate (1989) Lessons of financial liberalization in Asia, a Comparative study
- Creswell, J.W. (2007). Educational research: Planning, conducting, and evaluating qualitative and quantitative research (2nd ed.): New Jersey: Pearson Merrill Prentice Hall
- Dawatripartwe, K., & Tirole, W. (1994). Financial Management in the 20th Century; Challenges of the Modern Financial Markets. San Diego University Press,
- Hahn W. (2006) Theories of regulation and deregulation; a critical appraisal Hertog Johan Den, 2012 Economic Theories of Regulation
- International Monetary Fund (2007) Kenya: Poverty Reduction Strategy Annual Progress Report— 2004/2005, IMF Country Report No. 07/159,
- Kenya National Bureau of Statistics (2009) Economic Survey 2009, Nairobi, Government Printer
- Kothari, C.R. (2004). Research Methodology: Methods and techniques. New Delhi. New Age International (P) Ltd publishers.
- Mbogo Mbui (2010) Business Opportunities for STIMA SACCO Society Limited in a New Regulatory Environment, Unpublished MBA Project, University of Nairobi.
- Marvin A. Schaars, (1980) Cooperatives, principles and practices, Wisconsin University.
- Frederic S Mishkin, Prudential regulations: why is it important and what are the issues, National Bureau of Economic Research, Inc

- Mitnick B. M. (1980) The political economy of regulations: creating' designing and removing regulatory reforms. New York Columbia University Press.
- Mudibo E.K. (2006) Challenges and opportunities Facing Kenyan Saving and Credit Cooperative Movement, Presentation of the African Saving and Credit Cooperative Conference.2006.
- Mugenda, M. (2003), Research Methods, Qualitative and Quantitative approaches, African Centre for Technology Studies, Nairobi, Kenya.
- Mugenda, M. and Mugenda G. (1999), Research Methods, Qualitative and Quantitative approaches, African Centre for Technology Studies, Nairobi: Acts Press
- Ochieng Lilian, (2014, 16<sup>th</sup> March) “on Business news” SACCOS may shut down due to tough new rules, the Daily Nation, PP39.
- Osoro Joseph, Sasra - Kenya: The technological needs of Saccos with the regulators expectations
- Pistor, Katharina (2013) A Legal Theory of Finance , Journal of Comparative Economics, Vol. 41, No. 2,
- Pigou, A C (1932) The Economies of Welfare London, Macmillan and Co
- Republic of Kenya (2004a) The Cooperative Societies (Amendment) Act, 2004, Nairobi, Government Printer.
- “Regulation at the Age of Crisis” ECPR Regulators Governance Standing Group  
#rd Biennial Conference University College Dublin Jun 2010
- Republic of Kenya (2008a) Economic Survey 2008, Nairobi, Central Bureau of Statistics, Ministry of Planning and National Development

Reynolds, A. (1998) 'The Impact of New Generation Cooperatives on Their Communities

Romer, P. (1993) Ideas gap and object gaps in economic development, *Journal of Monetary Economics*, Vol. 32, pp. 543-573.

11<sup>th</sup> Sacca Congress, Swaziland: Challenges facing Sacco regulations in Africa  
SACCO Societies Act, 2008 , Republic of Kenya (2008), Nairobi,  
Government Printer

Stigler, G. (1971). "The Theory of Economic Regulation." *Bell Journal of Economics and Management Science*

Verma, S.K. (2004) "Cooperative Centenary in India", *New Sector Magazine*,  
Issue No 61, April/ May 2004.

Vittas Dimitri (1991) The regulation of the thrift industries in the UK and the US ,  
World Bank  
The Sacco Supervision Report, 2020

Spong, Kenneth. 2000. *Banking Regulation: Its Purposes, Implementations, and Effects*, 5th Edition. Federal Reserve Bank of Kansas City.

Wambui, J.N. (1993): *The Usefulness of Auditors' Report in Investment Decisions: A Study of User Perception against Institutional Investors in Kenya*. Unpublished MBS Project, University of Nairobi.

Wiersma (1986) *Research methods in Education, an introduction*,

WOCCU (World Council of Credit Unions). 2011. *2011 Statistical Report*

World Bank (2012) *World Development Report*. New York, Oxford University Press.

**APPENDIX 1: LIST OF DEPOSIT TAKING SACCO'S IN NAIROBI**

1	AFYA SACCO SOCIETY LTD	P.O.BOX 11607 – 00400, NAIROBI.
2	AIRPORTS SACCO SOCIETY LTD	P.O.BOX 19001 – 00501, NAIROBI.
3	ASILI SACCO SOCIETY LTD	P.O.BOX 49064 – 00100, NAIROBI.
4	CHAI SACCO SOCIETY LTD	P.O.BOX 278 – 00200, NAIROBI.
5	CHUNA SACCO SOCIETY LTD	P.O.BOX 30197 – 00100, NAIROBI.
6	COMOCO SACCO SOCIETY LTD	P.O.BOX 30135 – 00100, NAIROBI.
7	FUNDILIMA SACCO SOCIETY LTD	P.O.BOX 62000 – 00200, NAIROBI.
8	HARAMBEE SACCO SOCIETY LTD	P.O.BOX 47815 – 00100, NAIROBI.
9	HAZINA SACCO SOCIETY LTD	P.O.BOX 59877 – 00200, NAIROBI.
10	JAMII SACCO SOCIETY LTD	P.O.BOX 57929 – 00200, NAIROBI.
11	KENPIPE SACCO SOCIETY LTD	P.O.BOX 314 – 00507, NAIROBI.
12	KENVERSITY SACCO SOCIETY LTD	P.O.BOX 10263 – 00100, NAIROBI.
13	KENYA BANKERS SACCO SOCIETY LTD	P.O.BOX 73236 – 00200, NAIROBI.
14	KENYA POLICE STAFF SACCO SOCIETY LTD	P.O.BOX 51042 – 00200, NAIROBI.
15	KINGDOM SACCO SOCIETY LTD	P.O.BOX 8017 – 00300, NAIROBI.
16	MAGEREZA SACCO SOCIETY LTD	P.O.BOX 53131 – 00200, NAIROBI.
17	MAISHA BORA SACCO SOCIETY LTD	P.O.BOX 30062 – 00100, NAIROBI.
18	MILIKI SACCO SOCIETY LTD	P.O.BOX 43582-00100, NAIROBI
19	MWALIMU NATIONAL SACCO SOCIETY LTD	P.O.BOX 62641 – 00200, NAIROBI.
20	MWITO SACCO SOCIETY LTD	P.O.BOX 56763 – 00200, NAIROBI.
21	NACICO SACCO SOCIETY LTD	P.O.BOX 34525 – 00100, NAIROBI.
22	NAFAKA SACCO SOCIETY LTD	P.O.BOX 30586 – 00100, NAIROBI.
23	NAKU SACCO SOCIETY LTD	P.O.BOX 78355 – 00507, NAIROBI.
24	NASSEFU SACCO SOCIETY LTD	P.O.BOX 43338 – 00100, NARABI.
25	NATION SACCO SOCIETY LTD	P.O.BOX 22022 – 00400, NAIROBI.
26	SAFARICOM SACCO SOCIETY LTD	P.O.BOX 66827 – 00800, NAIROBI.
27	SHERIA SACCO SOCIETY LTD	P.O.BOX 34390 – 00100, NAIROBI.
28	STIMA SACCO SOCIETY LTD	P.O.BOX 75629 – 00100, NAIROBI.
29	TEMBO SACCO SOCIETY LTD	P.O.BOX 91 – 00618, RUARAKA.
30	UFANISI SACCO SOCIETY LTD	P.O BOX 2973-00200, NAIROBI.
31	UKRISTO NA UFANISI SACCO SOCIETY LTD	P.O BOX 872-00605, NAIROBI.
32	UKULIMA SACCO SOCIETY LTD	P.O.BOX 44071 – 00100, NAIROBI.
33	UNITED NATIONS SACCO SOCIETY LTD	P.O.BOX 30552 – 00100, NAIROBI.
34	WANAANGA SACCO SOCIETY LTD	P.O.BOX 34680 – 00501, NAIROBI.
35	WANANDEGE SACCO SOCIETY LTD	P.O.BOX 19074 -00501, NAIROBI.
36	WAUMINI SACCO SOCIETY LTD	P.O.BOX 66121 – 00800, NAIROBI.

## APPENDIX II: QUESTIONNAIRE

### SECTION A

#### THE EFFECT OF THE SACCO PRUDENTIAL FRAMEWORK ON THE FINANCIAL PERFORMANCE OF DEPOSIT TAKING SACCOs IN NAIROBI CITY COUNTY

This questionnaire seeks to examine the effect of the Sacco prudential framework on the financial performance of deposit taking Saccos in Nairobi City County. The study will come up with recommendations to enhance the management practices of SACCOs and services provided by SACCOs. You have been selected to participate in this study as a representative of your SACCOs. Kindly answer the questions honestly. The information gathered in this research will be treated with utmost confidentiality and will be strictly used for the academic paper.

#### GENERAL INFORMATION

1. Name of the SACCO

---

2. Gender: Male  Female
3. For how long have you served in the SACCO Industry?  
Less than 1 year (  ) 1-5years (  ) 5-10 years (  ) Over 10 years (  )
4. How long have you worked for this SACCO?  
Less than 1 year (  ) 1-5years (  ) 5-10 years (  ) Over 10 years (  )
5. What is your age?  
Under 20 years old (  ) 21- 30 years old (  ) 31-40 years old (  ) 41-50 years old (  ) Over 51 years old (  )
6. Level of Education  
Secondary (  ) Certificate/Diploma (  ) Degree (  ) Masters (  ) PhD (  )
7. What is your current job title?  
CEO (  ) Operations Manager (  ) Finance Manager (  )  
Any other (Please specify).....



**SECTION B**

**1. What is the effect of capital adequacy requirements on the financial performance of deposit taking Saccos in Nairobi City County?**

**FINANCIAL INFORMATION FOR THE LAST FIVE YEARS**

	2020	2019	2018	2017	2016
CORE CAPITAL					
INSTITUTIONAL CAPITAL					
TOTAL ASSETS					
TOTAL DEPOSITS					
TOTAL LIABILITIES					
TOTAL SHAREHOLDER FUNDS					
CORE CAPITAL TO ASSET RATIO					
INSTITUTIONAL CAPITAL TO ASSET RATIO					
CORE CAPITAL TO DEPOSIT RATIO					
DIVIDEND PAYOUT RATE					

In your own opinion, indicate your agreement by utilizing 5-Likert scale from 5- Strongly

Agree to 1- Strongly Disagree

	1	2	3	4	5
There has been a growth in reserves due to regulation implementation					
The sacco has minimised on external borrowing due to improved management of capital.					
Payments of returns to members has not been affected by management of capital adequacy					
The sacco understands the management of capital adequacy to meet the ratio standards set by the regulator					
Overall financial performance of the sacco has improved due to the management of capital adequacy of the sacco					

**2. What is the effect of effective liquidity management on the financial performance of deposit taking Saccos in Nairobi City County?**

**FINANCIAL INFORMATION FOR THE LAST FIVE YEARS**

	2020	2019	2018	2017	2016
CASH AND BANK BALANCES					
BALANCES WITH OTHER FINANCIAL INSTITUTIONS					
SHORT TERM LIABILITIES					
LIQUIDITY RATIO					

In your own opinion, indicate your agreement by utilizing 5-Likert scale from 5- Strongly Agree to 1- Strongly Disagree

	1	2	3	4	5
Regulation has assisted in improving the liquidity of the sacco					
Maintaining the liquidity ratio has affected the provision of services to members					
Investments in other financial institutions has increased as a result of liquidity ratio management					
The sacco is more able to meet its obligations both short term and service provision with ease					
Overall profitability has increased due to effectively managing the liquidity of the sacco					

**3. What is the effect of credit management requirements on the financial performance of deposit taking Saccos in Nairobi City County?**

**FINANCIAL INFORMATION FOR THE LAST FIVE YEARS**

	2020	2019	2018	2017	2016
Risk classification of Assets and provisioning					
<b>Outstanding Loan Portfolio</b>					
Performing					
Watch					
Substandard					
Doubtful					
Loss					
Provision for loan loss					

In your own opinion, indicate your agreement by utilizing 5-Likert scale from 5- Strongly Agree to 1- Strongly Disagree

	1	2	3	4	5
Regulation has assisted in improving credit the management					
Better mananement of credit has improved the liquidity of the sacco					
Internally generated funds has improved the provision of services to the members					
Financial costs have reduced due to better credit management since introduction of regulation					
Overrrall profitability has increased due to effectively managing credit in the sacco					

4. What is the effect of investment restrictions on the financial performance of deposit taking SACCOS in Nairobi City County?

**FINANCIAL INFORMATION FOR THE LAST FIVE YEARS**

In your own opinion, indicate your agreement by utilizing 5-Likert scale from 5- Strongly Agree to 1- Strongly Disagree

	1	2	3	4	5
Regulation has assisted in improving the investment returns of the sacco					
Maintaining the investment ratio has affected the provision of services to members					
Choice of the investment option has been made easier by regulation					
Overall profitability has increased due to effectively managing the investments of the sacco					

**THANK YOU FOR PARTICIPATING IN THE SURVEY!**

## APPENDIX III : RESEARCH AUTHORIZATION



### KENYATTA UNIVERSITY GRADUATE SCHOOL

E-mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke)

Website: [www.ku.ac.ke](http://www.ku.ac.ke)

P.O. Box 43844, 00100  
NAIROBI, KENYA  
Tel. 8710901 Ext. 57530

Our Ref: C153/CTY/PT/21680/2012

DATE: 6<sup>th</sup> May, 2022

Director General,  
National Commission for Science, Technology  
and Innovation  
P.O. Box 30623-00100  
**NAIROBI**

Dear Sir/Madam,

**RE: RESEARCH AUTHORIZATION FOR NGUNJIRI MARGARET NJERI -  
REG. NO. C153/CTY/PT/21680/2012**

I write to introduce Ms. Ngunjiri Margaret Njeri who is a Postgraduate Student of this University. She is registered for MPPA degree programme in the **Department of Public Policy and Administration**.

Ms. Ngunjiri intends to conduct research for a MPPA Project Proposal entitled, **"The Effect of the SACCO Prudential Framework of the Financial Performance of Deposit taking SACCOs in Nairobi City County"**.

Any assistance given will be highly appreciated.

Yours faithfully,

  
**PROF. ELISHIBA KIMANI  
DEAN, GRADUATE SCHOOL**

EK/mn

## APPENDIX IV : RESEARCH APPROVAL



### KENYATTA UNIVERSITY GRADUATE SCHOOL

E-mail: [dean-graduate@ku.ac.ke](mailto:dean-graduate@ku.ac.ke)

P.O. Box 43844, 00100  
NAIROBI, KENYA  
Tel. 810901 Ext. 4150

Website: [www.ku.ac.ke](http://www.ku.ac.ke)

#### Internal Memo

FROM: Dean, Graduate School

DATE: 9<sup>th</sup> March, 2022

TO: Margaret Njeri Ngunjiri  
C/o Public Policy & Administration Dept.

REF: C153/CTY/PT/21680/2012

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 4<sup>th</sup> May, 2022 approved your Research Project Proposal for the MPPA Degree Entitled, "The Effect of the SACCO Prudential Framework on the Financial Performance of Deposit taking SACCO in Nairobi City County".

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking Forms per semester. The form has been developed to replace the Progress Report Forms. The Supervision Tracking Forms are available at the University's Website under Graduate School webpage downloads.

Thank you.

  
HARRIET SABOKE  
FOR: DEAN, GRADUATE SCHOOL


c.c. Chairman, Public Policy and Administration Department.


Supervisors:

1. Prof. David Minja  
C/o Department of Public Policy & Administration  
**Kenyatta University**

H/nn


APPENDIX V: NACOSTI PERMIT

  
REPUBLIC OF KENYA

  
NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY & INNOVATION

RefNo: 588337 Date of Issue: 23/May/2022


**RESEARCH LICENSE**




This is to Certify that Ms. MARGARET NJERI NGUNJIRI of Kenyatta University, has been licensed to conduct research in Nairobi on the topic: THE EFFECT OF THE SACCO PRUDENTIAL FRAMEWORK ON THE FINANCIAL PERFORMANCE OF DEPOSIT TAKING SACCOS IN NAIROBI CITY COUNTY for the period ending : 23/May/2023.

License No: NACOSTI/P/22/17596

588337  
Applicant Identification Number

  
Director General  
NATIONAL COMMISSION FOR  
SCIENCE, TECHNOLOGY & INNOVATION

Verification QR Code



NOTE: This is a computer generated License. To verify the authenticity of this document,  
Scan the QR Code using QR scanner application.