

30007

**FACTORS AFFECTING EMPLOYEES PERFORMANCE IN THE NEW
SACCO REGULATORY REGIME - A STUDY OF MERU COUNTY**

BY

NDEGWA JOSEPH WACHIRA

REG. NO.D53/OL/16218/2006

**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILMENT OF
THE REQUIREMENTS OF THE AWARD OF MASTERS IN BUSINESS
ADMINISTRATION KENYATTA UNIVERSITY**

Ndegwa, Joseph
*Factors affecting
employees performance*




2013/416787

APRIL 2012

KENYATTA UNIVERSITY LIBRARY

DECLARATION

This research project is my original work and has not been presented for the award of any degree in another university.

Signature  Date 30/04/2012

Joseph Wachira Ndegwa

Reg. no.D53/OL/16218/2006

This research project was done by the candidate under our supervision as university supervisors


Signature  Date 30/04/2012

Mr. Julius Murungi

Lecturer

Department of Business Administration

Kenyatta University

Signature  Date 25/05/2012

Mr. Shadrack Bett

Chairman

Department of Business Administration

Kenyatta University

ABSTRACT

In the advent of the new Sacco regulations and the establishment and commencement of the operations of SASRA, human resources management issues are a major concern to Saccos if they are to fit into a regulated regime. The new regulations are aimed at enhancing efficiency, growth, confidence and stability of Saccos. The reports that have to be prepared where none were required in the past, the standards set for such reports which are based on IFRS, strict deadlines and penalties for failure to meet the deadlines requires enhanced performance from the sacco employees. Saccos in Kenya especially rural saccos inherited human resource practices that do not conform to internationally accepted standards to which, the new regulations will benchmark in recruitment and selection, compensation and reward management, training and development as well as performance management. This research shall seek to find out how saccos currently carry out their human resources management processes, establish the requirements by the regulations. The research adopted a descriptive survey research design that describes the existing conditions and attitudes. The target population for this study was the six SASRA licensed deposit taking Saccos in Meru County with the respondents being the chief executive officers of the licensed Saccos. Primary data was collected by use of self administered questionnaires with close ended questions which were availed and retrieved using drop and pick method. The completed questionnaires were reviewed for completeness and validity, coded and keyed into the computer for analysis using SPSS. The study concludes that Sacco's did not have a performance management system and that all employees were encouraged to draw their personal development plans. Additionally, the study concludes that the Saccos had a recruitment and selection policy and that the Saccos advertised locally for vacant positions. The study also concludes that the Saccos were considered highly as an employer by other people and that commitment of workers was reduced by a wrong recruitment decision. The study recommends that Saccos should adopt good performance management system as this will aid in achieving long-term mutual benefits in terms of quality, efficiency, performance, opportunities, and competence. In addition, upon adopting a good performance management system good resources allocation and utilisation mechanisms will be put in place which will greatly aid in curbing corruption within the Saccos as well as ensuring that the employees adequately and effectively perform their tasks and duties.

DEDICATION

This study is dedicated to my mother Jane Gathoni and my late dad John Ndegwa for the sacrifices they made their entire life to get me to where I am and to my wife Jane who kept the pressure on and my son Ian who challenged me every morning to move on.

ACKNOWLEDGEMENT

First I wish to thank the board of directors of Meru South Farmers Sacco Society Limited for having enabled me financially to go through this course and allowing me time to pursue it to this level. I also wish to sincerely thank my supervisor Mr Julius Murungi for his patience, time and valuable guidance that he offered. I also wish to acknowledge the advice and guidance given by Mr.Robert Zulwa, Mr.Alex Kyule, Mr. Njuguna and Madam Jedidah Muli all lecturers at Kenyatta University. My fellow students Mrs Dorothy Munene and Mr Gichobi as well as my seniors Mr. Njagi Matumo and Mr.Chris of Tharaka Nithi Teachers Sacco. Finally I convey my gratitude to my entire family for the encouragement they gave me during my studies. I wish you all a fulfilling life.

ABBREVIATIONS AND ACRONYMS

BOSA	Back Office Savings Activity
ERSWEC	Economic recovery strategy for wealth and employment creation
FOSA	Front Office Savings Activity
ICA	International Cooperative Alliance
IFRS	International Financial Reporting Standards
IMF	International monetary fund
KERUSSU	Kenya Rural Savings and Credit Societies Union
KUSSCO	Kenya Union of Savings and Credit Cooperatives
MUSCCO	Malawi Union of Savings and Credit Cooperatives
SACCO	Savings and Credit Cooperative Society
SASRA	Sacco Societies Regulatory Authority
SPSS	Statistical package for social sciences
UBS	Union Banking Sections
WOCCU	World Council of Credit Unions

OPERATIONAL DEFINITION OF TERMS

Employment	The entire process of attracting, recruiting, placement and induction of a new employee into the organisation.
Performance management	This is the set of actions that Sacco takes to ensure that the employees are well motivated to increase productivity for both individual employees and the organisation
Reward management	These regards how rewards are administered including policies, processes and procedures
Training	The process of imparting skills and knowledge relating to a certain job in an organisation to enhance the employee's performance or prepare him or her for a more demanding task or job.

TABLE OF CONTENTS

Declaration.....	ii
Abstract.....	iii
Dedication.....	iv
Acknowledgement.....	v
Abbreviations and Acronyms	vi
Operational Definition of Terms.....	vii
Table of Contents.....	viii
List of Figures.....	xi
List of Tables	xii
CHAPTER ONE: INTRODUCTION.....	1
1.1 Background of the Study	1
1.2 History of Sacco's in Kenya	2
1.3 Statement of the Problem.....	4
1.4 Research Objectives.....	5
1.4.1 General Objective	5
1.4.2 Specific Objectives	5
1.4.3 Research Questions.....	6
1.5 Significance of the Study.....	6
1.6 Scope of the Study	7
1.7 Limitations of the Study	7
CHAPTER TWO: LITERATURE REVIEW.....	8
2.1 Introduction.....	8
2.2 Theoretical Frame Work.....	8
2.3 Sacco Societies Regulatory Authority.....	10
2.4 Human Resources Management Processes.....	11

2.4.1 Recruitment And Selection.....	11
2.4.2 Reward Management.....	14
2.4.3 Performance Management.....	16
2.4.4 Training And Development.....	19
2.4.5 Conceptual Framework.....	23
CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY	24
3.1 Introduction.....	24
3.2 Research Design.....	24
3.3 Target Population.....	25
3.3 Data Collection Methods and Procedures.....	26
3.4 Data Analysis Methods.....	27
CHAPTER FOUR :DATA ANALYSIS AND INTERPRETATION	28
4.1 Introduction.....	28
4.1.1 Response Rate.....	28
4.2 Demographic Information.....	28
4.3 Performance Management.....	30
4.4 Recruitment and Selection.....	32
4.5 Reward Management.....	35
4.6 Training And Development.....	37
CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS.....	39
5.1 Introduction.....	39
5.2 Summary of The Findings.....	39
5.2.1 Performance Management.....	39
5.2.2 Recruitment and Selection.....	39
5.2.3 Reward Management.....	39
5.2.4 Training and Development.....	40
5.3 Conclusion.....	40
5.4 Recommendations.....	40
5.5 Recommendations For Further Studies.....	41
REFERENCES.....	42

Appendix 1: Letter of Introduction..... 46
Appendix 11: Questionnaire..... 47

LIST OF FIGURES

Figure 4. 1: Gender	28
Figure 4. 2: Age	28
Figure 4. 3: level of education	29
Figure 4. 4: Period of Work	29
Figure 4. 5: Performance Management System	30
Figure 4. 6: Whether the Sacco has a recruitment and selection policy	32
Figure 4. 7: How the Sacco advertises	33

LIST OF TABLES

Table 3.1: Target Population.....	25
Table 4. 1 Level of Agreement with the Following Statements on Performance Management.....	31
Table 4. 2: Level of Agreement with the Following Statements on Recruitment and Selection.....	33
Table 4. 3: Level of Agreement with the Following Statements on Reward Managemet.....	35
Table 4. 4: Level of Agreement with the Following Statements on Training and Development.....	37

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Among the financial services strategy to be implemented under the vision 2030 will be the organisation of the national social security and pension system, insurance and banking sectors as well as Sacco's and capital markets with a view to facilitating higher savings and investments. Measures will therefore be taken to improve the reach and access of financial services since currently only 19% of Kenyans have access to formal financial services this is according to the IMF staff country report of July 2010.

Nzomo (2008) found that though the cooperative society's act 1997 has given the Commissioner of Cooperative Societies regulatory and supervisory powers The Act has been considered inadequate for SACCOs. Official supervision is also considered weak due to lack of adequate capacity

In achieving this objective the SACCO Societies (Deposit Taking Sacco Business) Regulations, 2010 to implement the SACCO Societies Act 2008 were published on 18th June 2010. The Regulations provide the minimum operational regulations and prudential standards required of SACCOs operating Front Office Savings Activity (FOSAs). For Saccos to fully comply with these regulatory requirements they shall be required to change the way they carry out their human resources management processes.

David (2010) state that the positive and negative effects of changing regulation must constantly be considered in any organisations planning. He further says that regulatory change has been a powerful stimulant for many of the changes that have taken place over the last twenty years. Changing regulation creates great opportunity but also great risks that organisations management processes need to address.

The challenges to the successful implementation of the new regulatory framework differ significantly both because of the size and diversity of the Sacco societies. However, inadequate technical skills, both at board and management levels remain the key challenge. The Authority will continue to work with these stakeholders to ensure that key areas like governance, management capacity, financial management, credit management and automation are continually addressed and in a sustainable way. (SASRA 2010). In order to address the management capacity gap as identified above as a key challenge to the successful implementation of the regulations, Saccos have to re look at the entire human resource management processes.

Armstrong (2003) states that the key role of human resources management is achieving high performance through people by integrating human resource and business strategies, enhancing motivation, commitment and job engagement, creating human capital advantage for the organisation through attracting people with superior knowledge and developing the required skill sets. (Dominic et al 2003) goes on to emphasize that in today's highly competitive climate, organisational survival and growth are dependent upon attracting, recruiting and retaining quality people.

Armstrong (2007) specifies the following as the aims of reward management, reward people for the value they create, reward the right things to convey the right message about what is important in terms of expected behaviours and outcomes, facilitate the attraction and retention of skilled and competent people the organisation needs thus winning the war for talent, support in the development of a performance culture, help in motivating people and gaining their commitment and engagement and develop a positive employment relationship and psychological contract.

1.2 History of Sacco's in Kenya

The first Saccos were registered in Kenya in 1964 after the country became independent in 1963. In the following years, several Saccos based upon common bonds linked to residence, occupation and churches were formed. However, in 1969 the government required that Sacco's be strictly based on a secure crop or employment relationship. In this "check off system" Sacco's received payments

directly from employers, processors (cooperatives, parastatal or private companies) or marketing organizations. This system ensured that a member's income would have automatic deductions to repay loans and was a significant factor in the development of Saccos. In the case of rural Saccos, the exclusive right to trade for certain crops conferred on marketing cooperatives (monopoly) helped this arrangement. However, urban Saccos proliferated at a much faster rate than rural Saccos.

By 1975 marketing co-operatives had formed District Unions which had Union Banking Sections providing Front Office Savings Activities (FOSA) especially in those regions with industrial and commercial crops like Coffee, Dairy, Sugarcane, and Cotton among others. The Unions were modeled in the Nordic Co-operative system. By 1992 there were 16 Union Banking Sections in the country, with savings of over Kshs 500 million. In 1992 the Government introduced a Policy to separate UBSs from Unions and make them into autonomous Rural Saccos, catering for the same clientele. This was after some UBS's collapsed with members funds.

In Kenya, the Sacco movement has evolved in the past 40 years into a formidable force for the social and economic transformation of Kenyan people. There are over 12,000 registered co-operative societies with a membership of over 7 million out of which 5,000 are Saccos and 230 have Front Office Service Activities (FOSAs)

About 63% of the Kenya population directly and indirectly depends on the co-operative related activities for their livelihood. The Sacco sector has mobilized over Kshs 200 billion in savings which is about 31% of the national savings. Of the 19 million Kenyan adult population 22.5% are served by commercial banks and MFIs while 17.6% are served by Saccos.

The government enacted the Co-operative societies Act 1966 and the Rules in 1969 to better manage co-operatives to avoid failures due to loan delinquencies and insecurity of member savings. As of May 2010, the Ministry Of Cooperative Development and Marketing estimated that there were 220 deposit taking Saccos, and estimates that the total assets of the 220 will be around Kshs 160 billion (US\$2.1 billion). This can be extrapolated to an estimate of around Kshs 200 billion (US\$ 2.7 billion) for the entire sector.

1.3 Statement of the Problem

The Sacco Societies (Deposit Taking Sacco Business) Regulations, 2010, to implement the Sacco Societies Act 2008 were published on 18th June 2010.

The Regulations provide the minimum operational regulations and prudential standards required of Saccos operating Front Office Savings Activity (FOSAs).

The need to comply with the requirements set by the new regulations, the strict deadlines for the preparation and submission of regulatory reports, the need to adopt appropriate use of technology for faster generation of regulatory and management reports shall place new demands with regard to performance to all licensed sacco society employees. Focus by the regulator and the board of directors will be on the performance of employees.

Faced with stiffening competition, increasingly demanding customers, high labor costs, and, in some markets, slowing growth, service businesses around the world are trying to boost their productivity. But whereas manufacturing businesses can raise it by monitoring and reducing waste and variance in their relatively homogeneous production and distribution processes, service businesses find that improving performance is trickier: their customers, activities, and deals vary too widely. Moreover, services are highly customizable, and people — the basic unit of productivity in services — bring unpredictable differences in experience, skills, and motivation to the job. (Eric H. *et al.* 2006)

Past researchers have identified that, inadequate technical skills, both at board and management levels remain the key challenge in areas like governance, management capacity, financial management, credit management and automation. Salaries for the staff are not competitive as those paid to other financial institutions because members reject offering salaries that appear higher than what they earn from their employers, trade or businesses. Therefore attracting and retaining better qualified managers and staffs is difficult. (Mudibo2008).

Mudibo (2005) further notes that there was noticeable absence of appropriate personnel and administration policies and Accounting Procedures Manual, job descriptions and specifications and performance appraisal tools. Unprofessional process of recruitment that encouraged, favouritism, tribalism, and nepotism sometimes attracting incompetent personnel were being used. There have also been instances of illegal dismissal of employed staff. The extent to which these enumerated factors affect performance of sacco employees is a area where no research has been carried out in licensed deposit saccos.

According to (Rothwell 1996), there are six causes of performance gaps: consequences, incentives, and rewards, data, information, and feedback, resources, tools, and environmental support, individual capacity, motives and expectations, skills and knowledge.

This study seeks to find out which factors affects employee performance in the new sacco regulatory regime in sakra licensed deposit taking Saccos in Meru County.

1.4 Research Objectives

1.4.1 General Objective

To determine the factors affecting employee's performance in savings and credit co-operative societies.

1.4.2 Specific Objectives

- I. To establish how recruitment and selection affects employees performance in a regulated sacco regime.
- II. To establish how training and development affects employee performance in a regulated sacco regime
- III. To establish how performance management system affects employees performance in a regulated sacco regime.
- IV. To establish how reward and compensation affects employees performance in a regulated sacco regime.

1.4.3 Research Questions

- I. How does recruitment and selection affect employee's performance in a regulated sacco regime?
- II. How does training and development affect employee's performance in a regulated sacco regime?
- III. How does performance management system affect employee's performance in a regulated sacco regime?
- IV. How does reward and compensation affect employee's performance in a regulated sacco regime?

1.5 Significance of the Study

The research findings would be very useful to various interest groups including but not limited to national cooperative organisations such KUSCO limited, KERUSSU limited, Cooperative Bank of Kenya Limited and Cooperative Insurance Group Limited as it would help them identify key areas of capacity building required for Sacco's. SASRA through the research findings would also be able to identify the key human resource challenges facing Sacco's on the road to compliance. This would enable the regulator indulge further to assist the Sacco's to comply and at the same time adjust their regulations on some areas to allow for capacity building required.

Independent training institutions and consultants would also use the findings of the research to identify the areas where they can intervene to bridge any knowledge gaps existing. The institutions would be able to design programmes that can be offered at the point and time of need. The government through the treasury and the ministry of cooperative development and marketing can get further insight on Sacco's through this research which would enable them design appropriate policy in the strife for financial deepening and inclusion.

1.6 Scope of the Study

There are nine deposit taking saccos in Meru County out of which six had been licensed by sasra as at 23rd January 2012. The study shall be carried out in the six sasra licensed deposit-taking Saccos in Meru County and shall target the chief executive officers of those Sacco's. The chief executive officers are the ones who are responsible for the day to day running of the saccos which includes management of staff and other resources. They are responsible for the ultimate performance of the saccos for which they account to the board of directors.

1.7 Limitations of the Study

It is expected that there will be some degree of fear from the targeted chief executive officers to disclose information about their Saccos which would reflect them as not well managed. I will put every effort to reassure them that the information will be confidential and treated as such. I will also show them that the research will help the regulator understand them better whenever they face challenges in compliance.

There is a degree of variance between various saccos management setups and therefore Sacco's in Meru County may not be representative of other Sacco's in the country.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews the human resources procedures and processes as applied in the sampled Sacco's, the requirements set out by sasra and their effect to the processes as currently applied.

2.2 Theoretical Frame Work

The rationale for Sacco regulation is reviewed in this section and the specific relevant provisions of the act shall be reviewed.

The theoretical perspectives of the following human resources processes will be reviewed in key areas which shall include recruitment & selection, training and development, Compensation and reward management, and performance management System.

Sasra (2011) Regulation of the saccos is expected to result in the following benefits which includes integrating Saccos into the formal financial sector, enhancing confidence in the leadership and Management of Saccos, members & sector, encourage fair competition by demolishing unethical business practices, create new business opportunities for Saccos-Agency business, GoK development funds and shift focus to institutional development rather than individual leaders & managers.

According to ica, In Kenya 1 in 5 is a member of a co-operative or 5.9 million and 20 million Kenyans directly or indirectly derive their livelihood from the Co-operative Movement and at the same time, co-operatives are responsible for 45% of the gdp and 31% of national savings and deposits. They have 70% of the coffee market, 76% dairy, 90% pyrethrum, and 95% of cotton.

About 250,000 people are employed by co-operatives. This reflects the important role that Sacco's which is the specialized financial arm of the cooperatives, play in economic development of the economy in Kenya.

Sacco supervision report -2010 sasra) indicates that the total assets of the sacco sub sector stood at Kshs: 216 billion funded by member deposits and share capital standing at Kshs: 164 billion. The total loans issued to members stood at Kshs: 158 billion which is equivalent to 73% of the total assets. The ministry of cooperative development and marketing had identified the following key reasons as to why a separate regulation was required for the deposit taking Saccos.

Saccos were operating under a weak legal and regulatory frame work. They have not been adequately covered in the Cooperative society's act of 1966, 1997 and 2004. The cooperatives society act 2004 formed the basis for the regulation of Saccos through section 19(a) which provided that the minister for cooperative development and marketing can by notice in the Gazette form a body to regulate the operations of savings and credit co-operative societies. The liberalisation era overseen through the cooperative act of 1997 had led to the collapse of most cooperatives through corruption, mismanagement and outright fraud.

There was no specific development strategy framework in place for Sacco Societies in spite of their very important role in the financial services sector in Kenya. The unique role and position of saccos in the financial sector had not been fully recognized and therefore they were bundled together with the other categories of cooperatives involved in production and marketing of products such as coffee, milk and pyrethrum. This was working against the business of saccos as specialized financial institutions.

There was very low adoption of international performance standards in the Sacco sector undermining member confidence and exposing member's funds to the risks of loss. There were no effective operational policies that would ensure proper allocation and utilization of resources in the saccos which meant key operations were not result oriented, no clear role definition for board and management.

There was no specific standard of disclosure requirements for Saccos hence there was not adequate information on the performance of the Saccos and their management. It was impossible to identify failing management until there was total failure which often results in serious loss of member funds. Most failures in the sector were almost always a surprise to the ministry.

Most Saccos were operating on manual systems that were prone to errors and manipulations, slow and inefficient in service delivery. The managements were reluctant to adopt computer technology due to fear and also the fact that in some instances employees exploited the loopholes in the manual systems to their benefit. The low remuneration paid by Saccos made them unattractive to qualified personnel who would be able to adopt computer and information technology. Lack of qualified staff lead to unprofessional adoption of technology which resulted in loss of funds from the saccos as they were exploited by vendors.

There was poor human resource management leading to high staff turnover. Staffs in Saccos were poorly trained, remunerated and de-motivated. Job insecurity due to changes in the Board members and weak terms and conditions of service lead to poor performance by sacco staff. There was noticeable absence of appropriate personnel and administration policies and Accounting Procedures Manual, job descriptions and specifications and performance appraisal tools. Unprofessional process of recruitment that encouraged, favouritism, tribalism, and nepotism sometimes attracting incompetent personnel were being used. There have also been instances of illegal dismissal of employed staff. (Mudibo 2005)

2.3 Sacco Societies Regulatory Authority.

Under the economic pillar of the vision 2030 Kenya is to also streamline informal finance and Savings and Credit Co-operative Organisations (SACCOs), as well as micro-finance institutions.

The financial service strategies to be implemented will be the reorganisation of the national social security and pension system, insurance and banking sectors as well as Saccos and capital markets with a view to facilitating higher savings and invest.

Measures will therefore be taken to improve the reach and access of financial services since currently only 19% of Kenyans have access to financial services. (Erswec-medium term plan 2008-2012).

According to Sacco briefs issue 1 – March 2011 Similar to other deposit-taking financial institutions in Kenya, saccos have to comply with a wide range of regulatory provisions in their day-to-day operations. These include but not limited to, governance rules where at a minimum, the Board of Directors (elected at the annual general meeting) have to establish an audit committee and credit committee. It will also be their responsibility to establish appropriate policies on credit, investment, human resource, savings, liquidity, information preservation, dividend, and risk management.

A major change on governance is that directors and senior management are subject to vetting through a fit and proper test to be carried out by sasra. The separation of the responsibilities of the board and the management has been clearly outlined in the regulations to ensure transparency and accountability in the running of the sacco.

The regulations further provide for prudential standards whereby the act and the regulations include clear standards regarding, among others capital, liquidity, the extent of external borrowing, asset categorisation and provisioning, maximum loan size, and insider lending. Clear reporting requirements for the saccos to adhere to monthly for capital adequacy, liquidity and deposits and quarterly for risk classification of assets and loan loss provisioning, investment returns, financial performance as well as annual for audited financial statements have been clearly set in the act.

2.4 Human Resources Management Processes

The above requirements pose a definite challenge to the way Sacco's carry out their human resources processes especially in the following key areas:

2.4.1 Recruitment and Selection

According to Dominic *p et al.* (2003), in today's highly competitive climate, organizational survival and growth are dependent upon attracting, recruiting and retaining quality people. To (Margaret 2003) the primary purpose of the recruitment and selection process is to achieve one desired end, appointing the right person to the right job. Appointment decisions are the most important decisions a manager has to make. They affect the manager's ability to achieve targets, the quality of services or products delivered to the customer and the well being of the whole team. (Margaret A 2009) further notes that acquiring and retaining high-quality talent is critical to an organisation's success. As the job market becomes increasingly competitive and the available skills grow more diverse, recruiters need to be more selective in their choices, since poor recruiting decisions can produce long-term negative effects, among them high training and development costs to minimise the incidence of poor performance and high turnover which, in turn, impact staff morale, the production of high quality goods and services and the retention of organisational memory. At worst, the organisation can fail to achieve its objectives thereby losing its competitive edge and its share of the market.

(Judith G. *et al.*, 2007) confirms that the effective recruitment and selection of employees is a fundamental HRM activity, one that if managed well can have a significant impact on organisational performance as well as lead to a more positive organisational image (Pilbeam and Corbridge, 2006). Ineffective recruitment has a number of cost implications for employers: low morale which can affect employee performance; lost business opportunities, as well as higher levels of labour turnover.

According to Margaret (2003) a poor trainee not in tune with organisations ethos and aims can damage production, relationships with suppliers, spoil relationship with customers and affect the overall quality of service. The new appointee can adversely affect morale and commitment of core workers and negate efforts to foster team working. Correcting a wrong selection decision can be expensive. For successful recruiting and selection human resource planning is imperative. This involves to (Armstrong 2005) preparing plans for finding people from within the organisation and for training programmes to help people learn new skills. If needs cannot be satisfied from within the organisation preparing longer term plans for meeting them by

attracting high quality candidates as the employer of choice. (ica general assembly 2001) noted that Sacco's need to recruit qualified staff with a higher formal education and as a consequence this qualified staff would only come with higher remuneration.

To (Margaret a 2009) also related to the success of a recruitment process are the strategies an organisation is prepared to employ in order to identify and select the best candidates for its developing pool of human resources. Organisations seeking recruits for base-level entry positions often require minimum qualifications and experience. These applicants are usually recent high school or university/ technical college graduates many of whom have not yet made clear decisions about future careers or are contemplating engaging in advanced academic activity. At the middle levels, senior administrative, technical and junior executive positions are often filled internally. The push for scarce, high-quality talent, often recruited from external sources, has usually been at the senior executive levels. Most organisations utilise both mechanisms to effect recruitment to all levels.

Margaret a (2009) suggests that Successful recruitment involves the several processes of: development of a policy on recruitment and retention and the systems that give life to the policy; needs assessment to determine the current and future human resource requirements of the organisation. If the activity is to be effective, the human resource requirements for each job category and functional division/unit of the organisation must be assessed and a priority assigned; identification, within and outside the organisation, of the potential human resource pool and the likely competition for the knowledge and skills resident within it; job analysis and job evaluation to identify the individual aspects of each job and calculate its relative worth; assessment of qualifications profiles, drawn from job descriptions that identify responsibilities and required skills, abilities, knowledge and experience; determination of the organisation's ability to pay salaries and benefits within a defined period; identification and documentation of the actual process of recruitment and selection to ensure equity and adherence to equal opportunity and other laws.

As an employer, sacco should be looking for a recruitment strategy that is both effective and cost-efficient. By keeping track of what has worked and what hasn't worked in the past, and ensure that the process results in the sacco having employees with the right qualifications doing the right jobs.

2.4.2 Reward Management

To Armstrong (2007) reward management is concerned with the formulation and implementation of strategies and policies that aim to reward people fairly equitably and consistently in accordance with their value to the organisation. It deals with the design, implementation and maintenance of reward process and practices that are geared to the improvement of organisational, team and individual performance.

Armstrong(2007) enumerates specific aims of reward management as being, to reward people for the value they create, to reward the right things to convey the right message about what is important in terms of expected behaviours and outcomes, to facilitate the attraction and retention of the skilled and competent people the organisation needs thus winning the war for talent, to support the development of a performance culture, to help in motivating people and gaining their commitment and engagement and finally to develop a positive employment relationship and psychological contract.

A good reward management system must constitute not only financial but also non financial rewards and holistic in that it should be integrated with all aspects of human resources management aimed at improving performance and commitment of the employees. Hence reward management strategies should be driven by the corporate human resources strategies.

To Armstrong 2007 total reward management process should give guidance in four areas including non financial rewards, employee benefits, pay structures and finally the measurement and management of performance. Non financial rewards satisfy individual needs for challenge, responsibility, and influence in decision making, variety, and recognition and career opportunities while employee benefits satisfy employee's needs for security and provide remuneration in forms other than pay which meet other needs and may be tax efficient. Pay structures which by combining

market surveys and job evaluation define equitable and competitive levels of pay, pay relativities and pay progression limits.

Reward management can drive and support desired behaviour by indicating what type of behaviour will be rewarded and how says (Armstrong 2007). This can be done by the reward processes relating basic pay levels to contribution and value to the organisation, rewarding people in accordance to organisation and team performance, providing incentives which relate pay directly to output, relate pay increases or bonuses to performance levels, contribution or increase in competence and skill, deliver the message through incentive performance related pay or bonus schemes that performance is important and will be rewarded accordingly and finally develop a performance oriented culture through the performance management processes.

A good reward management system must be able to focus attention on areas where maximum added value can be achieved through performance related pay and bonus as well as gain sharing schemes which relate rewards specifically to improved performance in those areas. People may be rewarded on the basis of to which extent they support such values as innovation, quality, team working and continual improvement generally. The reward management process should enable competitive pay by defining where the organisation wants its pay levels to be in relation to market rates. Procedures can be set to track markets rates and to analyze recruitment problems and employee turnover rates hence establishing if pay is uncompetitive.

While emphasising the importance of financial rewards in the form of pay (Armstrong 2007) reward management must provide for non financial rewards which focuses on the needs that people have though at different degrees which include the need for achievement, recognition, responsibility, influence and personal growth. McClelland identified three major needs for management staff as being power, affiliation and achievement.

Armstrong (2006) further acknowledges that reward management is concerned with the formulation and implementation of strategies and policies, the purposes of which were to reward people fairly, equitably and consistently in accordance with their value to the organisation and thus helped the organisation to achieve its strategic goals. It dealt with the design, implementation and maintenance of reward systems

that aimed at meeting the needs of both the organisation and its stakeholders. A model Sacco's as envisaged by woccu should have its staff being competitively remunerated and hence the management should be able to minimize staff turnover.

2.4.3 Performance Management

Drasfield (2000) Performance Management is a process which is designed to improve organizational, team and individual performance which is owned and driven by line managers. It is concerned with getting the best performance from individual in an organization as well as getting the best performance from teams and the organization as a whole.

Performance management involves sharing of an understanding of what needs to be achieved and then managing and developing people in a way that enables such shared objectives to be achieved. At a minimum performance management must encourage initiatives, equitably reward effort and contribution, provide equal opportunity for development, and challenge individual capacities and offer dignity and worth of individuals (Dransfield 2000)

Amos, et al. (2004) state that "the effective management of individual performance is critical to the execution of strategy and the organisation achieving it's strategic objectives". Performance cannot be left in anticipation that it will develop naturally, despite the employee's natural desire to perform and be rewarded for it. This desire needs to be accommodated, facilitated and cultivated (Amos, et al., 2004). In return for this performance, organisations extend themselves in various forms of acknowledgement (Foot and Hook, 1999). Individual performance has become a topical issue in today's business environment, so much so that organisations go to great lengths to appraise and manage it (Armstrong and Baron, 1998).

Armstrong (2000) describes performance management as a strategic and integrated process that delivers sustained success to organizations by improving the performance of the people who work in them by developing the capabilities of individual contributors and teams. Both inputs (behavior) and outputs (results) should be considered. According to (Carter 2008), Performance management reminds us that

being busy is not the same as producing results. It reminds us that training, strong commitment and lots of hard work alone is not results.

To Drucker a good performance management system includes a statement outlining the organisations values, a statement of the organisations objectives, individual objectives which are linked to the organisations objectives, regular performance reviews throughout the year, performance related pay and training and counselling. (Noel *et al* 1981) confirms that performance is a function of all the human resource components including selecting people who are best able to perform a job, motivating them to better perform and appraising them so as to be able to reward and develop them.

Armstrong (2005) describes the purpose of performance management as being to contribute to the achievement of high performance by the organisation and its people where high performance means reaching and exceeding stretching targets for the delivery of productivity, quality, customer service, growth, profits and shareholder value. It aims to make the good better, share understanding about what is to be achieved, develop the capacity of people to achieve it and provide the support and guidance people need to deliver high performance and achieve their full potential to the benefit of themselves and the organisation. It is also concerned with underperformers in a positive way by providing the means for people to improve their performance or make better use of their abilities.

The main activities of the performance management process includes role profiling where the key results areas and competency requirements are agreed, followed by performance agreement or contract which defines expectations which entails what the individual has to achieve in the form of objectives, how performance will be measured and the competencies need to deliver the required results. A personal development plan which sets the actions people intend to take to develop themselves in order to extend their knowledge and skills, increase levels of competence and improve their performance in specified areas (Armstrong 2005).

Performance management system can be used to empower people in an organisation. Empowerment is defined as the process of giving people control over, and

responsibility for their work and ensuring that they have the knowledge and skills to do it to the satisfaction of both the organisation and themselves. The processes enables employees to sit together with the managers to discuss roles, responsibilities and training needs so that the scope for enlarging or enriching jobs can be identified and action plans agreed to enhance knowledge or skills. It can also be used to encourage and train managers to include counselling and coaching on performance and development matters as an essential part of their role

Every task individuals undertake presents them a learning opportunity. This happens if they reflect or are helped to reflect on what they have done and how they have done it and draw conclusions as to their future behaviour if they have to carry out similar task. When managers issue instructions to individuals or agree with them what needs to be achieved, followed by a review of how well the task was accomplished provides a learning opportunity according to (Armstrong 2005)

According to Donovan (2009) a primary purposes of measurement is to assess performance levels and to analyze what is happening and where. The most beneficial aspect of performance measurement, however, is pinpointing problem areas and focusing attention on actions that will have the best impact on overall business performance. What management defines as critical success factors at the strategic level must be linked clearly to the business process and activity level. Successfully linking the real drivers of business performance is a prerequisite to effective performance measurement.

The success of a performance management system is reliant on the commitment/support of an organisation's management. Performance management systems must be seen to reward personal development and achievement (Hendrey, 1995). Within the performance management field itself, it is important that targets are viewed to be fair and equitable across all groups. It is imperative that employees have confidence in their work and recognize that management supports them (Cherrington, 1994; Baird,1986). A good performance management system motivates employees to better their own performance, promotes self-motivation, and builds and strengthens

relationships via open communication between employees and managers (Baird, 1986).

A good performance measurement system also benefits the entire organization by letting people know exactly what is needed and expected. This is accomplished by providing a way for individuals and teams to monitor their own performance and create their own feedback to identify areas for improvement. This fast feedback will shorten decision and correction cycle times. The result will be improved operating performance according to (Donovan 2009). What are desperately needed are the right measurements and fast feedback that let a manager adjust, correct and guide an area of the company to be more synchronized with the overall business strategy while at the same time keeping near and longer-term financial measures on course.

2.4.4 Training and Development.

Moskowitz m. (2008) to survive and thrive in today's and tomorrow's highly competitive and constantly evolving world employers must be able to continuously update and improve employee knowledge, skills, attitudes and behaviours. Effective training facilitates change to achieve organisational goals. (Chan 2010) confirms that done properly training is a win –win proposition for both employer and employee. However everyone losses big time when the effort fails to live up to the promise. Organisations cannot afford to miss the mark when providing training programmes. Ineffective or nonexistent programmes can lead to serious legal and economic consequences.

Snell (2007) further confirms that training has become increasingly vital to the success of modern organisations which compete on competencies that is the core sets of knowledge and expertise that give them an edge over their competitors. Training plays a central role in nurturing and strengthening these competencies. He further says that rapidly changing technologies, empowerment, total quality management, teamwork and international business make necessary for managers and employees to develop the skills that will enable them to handle more demanding assignments.

Herman (2009) defines development as systematic efforts affecting individuals' knowledge or skills for purposes of personal growth or future jobs and/or roles while Training is the systematic approach to affecting individuals' knowledge, skills, and attitudes in order to improve individual, team, and organizational effectiveness. According to (Fitzgerald 2003), training-related changes should result in improved job performance and other positive changes like acquisition of new skills; that serve as antecedents of job performance. The effectiveness of training varied depending on the training delivery method and the skill or task being trained. For example, the most effective training programs are those including both cognitive and interpersonal skills, followed by those including psychomotor skills or tasks.

Training not only may affect declarative knowledge or procedural knowledge, but also may enhance strategic knowledge, defined as knowing when to apply a specific knowledge or skill training may enable consistency in performance across conditions. Stress training helps maintain performance consistency. Performance consistency may also result from enhancing trainees' self-efficacy or self management skills. A final illustration of training benefits related to performance is cross-cultural training, in which employees are trained to perform their jobs in a different culture and/or adjust psychologically to living in that culture

According to (Haslinda A. 2009) human resources and the potential they possess are key drivers for an organization's success. With globalization and technological advances, today's organizations are continuously changing. Thus, organizational change impacts not only the business but also its employees. In order to maximize organizational effectiveness, human potentials, individuals' capabilities, time, and talents must be managed and developed.

Fitzgerald (2003) emphasises that that training is only successful if there is change in behaviour such as use of new knowledge or skills on the job. Training must be tied to performance otherwise it is an event with little payback to the organisation. He goes on to define development as the acquisition of knowledge and skill that may be used for the present and future job. It prepares individuals to enrich the organisation in future and can also be seen as the act of being involved in different types of training activities and classes. Development is necessary so people can meet new challenges

and ensure the long-term health and vitality of the organisation. It positions people to meet challenges head-on. It enables workforce create change rather than react to it. A good development programme (Noel *et al* 1983) explains must have a general development program enable organisation develop and foster self development with specific job skill training and enable development of long term career paths. (Verna 2001) describes knowledge is perishable. The shelf life of expertise is limited because new technologies, products, and services continually pour into the marketplace. No one can hoard knowledge. People and companies must constantly renew, replenish, expand, and create more knowledge.

Meaghan s. (2002) suggests that the results of employee training include higher productivity, enhanced creativity and increased employee confidence. Furthermore, this investment ensures qualified applicants for "hire from within" policies. (Fitzgerald 2000) suggests that training employees can create a superior return-on-investment beyond enhanced productivity in the workplace. Training employees increases employee loyalty, as many workers will recognize that the firm is working to help them attain their career goals.

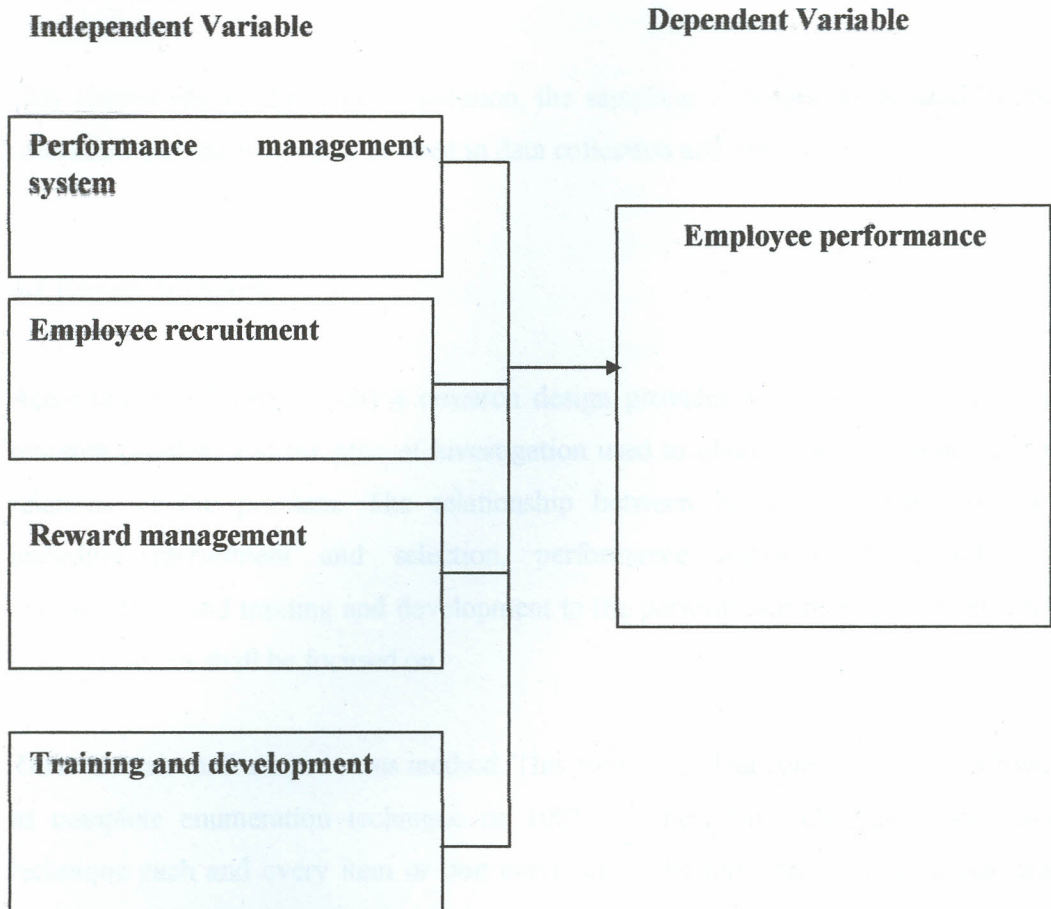
The changing legal operating environment with the introduction of The Sacco Act 2008 is expected to change the demands placed on employees and managers of licensed Sacco's. The primary reason that organisations train their employees is to bring their knowledge, skills and abilities up to the level required for satisfactory performance. Further training enables the employee acquires new knowledge and skills ultimately enabling them to perform other jobs in other areas or at higher levels. (Snell 2007)

In a presentation entitled Capacity Challenges Faced by saccos in Malawi musco on the job orientation, mentoring, coaching, classroom training staff development plan, short term courses and long term courses were identified as ways that would go a long way in enhancing staff capacity in the Sacco's in order to adapt quickly to a regulated environment. In order not to be left behind in this liberalised economy, Sacco's need to update themselves with the ever-changing Information Technology so as to compete effectively in the market with other financial institutions. Sacco staff should

have sufficient technical knowledge and adequate professional experience. The advent of the new regulations is expected make Sacco's invest more in human capacity building according to (Mwangi 2010). This will be a break from the norm where investment in human resource has been limited as it was not given priority among other areas of the Sacco budgeting and resource allocation.

In assessing an effective Sacco management woccu recommends that one checks the extent to which staff are thoroughly trained in their job duties and cross trained in other job responsibilities for jobs held by other staff in order to enhance member service. An elaborate succession plan should be in place which should provide trained management to take over position whenever need arises especially for the senior management. This ensures that the long term stability of the Sacco is assured. Sacco staff should have sufficient technical knowledge and adequate professional experience

2.4.5 Conceptual Framework



Source : Researcher (2012)

CHAPTER THREE: RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

This chapter shows the target population, the sampling technique to be used by the researcher and the method to be used in data collection and data analysis.

3.2 Research Design

According to (Bryman 2008) a research design provides both the structure of the research problem and the plan of investigation used to obtain empirical evidence on relations of the problem. The relationship between human resource processes including recruitment and selection, performance management reward and compensation and training and development to the performance of employee in sasra licensed sacco shall be focused on.

This research shall adopt census method. This method of data collection is also known as complete enumeration technique or 100% enumeration technique. Under this technique each and every item or unit constituting the universe is selected for data collection. A census can provide data for every administrative unit, however small.

The census technique of data collection is advisable in the following cases, where it is necessary to make complete enumeration in detail of the items constituting a universe like that of census of population, where it necessary to have the exact and accurate results and a slight in the result is likely to cause loss of life or serious casualties to people serious damages to the machineries and equipments. For example, in the case of a factory manufacturing some medicines census technique of data collection is very much advisable and where the size of the universe is considerably small.(Karuna 2011)

According to Kothari, R.C. (2009) it can be presumed that in a census when all the items are covered no element of chance is left and highest accuracy is obtained. Under this technique of data collection, the result of the enquiry is likely to be exact and

accurate. This is because the information's are collected from each and every unit of the universe without ignoring any one. An extensive and detailed study of the unit is made possible. For example, in the population census a lot of information relating to the population viz age, sex, marital status, religion, nationality, education, occupation, employment, income, wealth etc. are all collected in addition to the number of individuals constituting a unit (Karuna 2011)

Survey research is used to answer questions that have been raised, to solve problems that have been posed or observed, to assess needs and set goals, to determine whether or not specific objectives have been met, to establish baselines against which future comparisons can be made, to analyze trends across time, and generally, to describe what exists, in what amount, and in what context (Glasow 2005) further explains.

In survey research, independent and dependent variables are used to define the scope of study, but cannot be explicitly controlled by the researcher. Before conducting the survey, the researcher must predicate a model that identifies the expected relationships among these variables. The survey is then constructed to test this model against observations of the phenomena. The quality of any given design can be judged according to certain logical tests. The concepts offered for these tests include trustworthiness, credibility, confirmability and data dependability. (Robert 2009). The survey strategy is perceived as authoritative by people in general and is both comparatively easy to explain and to understand. It allows the collection of large amount of data from a sizeable population in a highly economical way.

3.3 Target Population

(Glasow 2005) observed that a prerequisite to sample selection is to define the target population as narrowly as possible. It is often not possible, however, to know the true population. In such cases, (Attewell and Rule 1991) suggested that a theoretical sample may be used. Theoretical samples purposively select organizations that exhibit the desired features that are the focus of the researcher's study

The target population will be six Sasra licensed deposit taking Sacco's in Meru County. Meru County has well established Sacco's with a diversified representation

of all sectors including agricultural based, employer based, faith based, and traders Sacco's. This is therefore a fairly representative sample of the Sacco's to be found in the other 47 counties in the country. Meru as a county has also had a long history of the cooperative movement and therefore a rich history of cooperative practices hence suited for this study.

Name of Society	Postal Address	Date Licensed
Diocese of Meru Sacco Society Ltd.	P.O.Box 1207 – 60200 Meru	19 th December 2012
Maua Methodist Hospital Sacco Ltd.	P.O. Box 469 – 60600 Maua	19 th December 2012
Meru Mwalimu Sacco Society Ltd.	P.O. Box 1694-60200 Meru	19 th December 2012
Nyambene Arimi Sacco Society Ltd.	P.O. Box 493-60600 Maua	22 nd December 2012
Meru North Farmers Sacco society ltd.	P.O. Box 353-60600 Maua	19 th December 2012
South Imenti Tea Growers Sacco Society Ltd.	P.O. Box 511 – 60202 Nkubu	19 th December 2012

Table: 3.1. SASRA Licensed Deposit -Taking Sacco Societies. **Source:** (SASRA 2012).

3.3 Data Collection Methods and Procedures

Self-administered questionnaire shall be used for data collection and shall compose of closed ended questions. They shall be delivered and collected from the respondents

later for analysis. (Warwick and Linger 1975) states that researchers would settle on instruments which provided high accuracy, generality and explanatory power with low cost, speed and a minimum of management demands but with high administrative convenience. Questionnaires work best with standardised questions that one can be confident will be interpreted the same way by all respondents (Saunders *et al* 2009). The researcher will make every effort to ensure that most of the questionnaires are responded to and returned by the respondents.

3.4 Data Analysis Methods

Data from respondents will first be checked to confirm whether all questionnaires are answered. Analysis of collected data will be done using SPSS.

CHAPTER FOUR

DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents analysis and findings of the study as set out in the research methodology. The study findings are presented on to investigate the factors affecting employee's performance in the new Sacco regulatory regime in Kenya.

The data was gathered exclusively from the questionnaire as the research instrument. The questionnaire was designed in line with the objectives of the study.

4.1.1 Response Rate

The study targeted respondents in collecting data with regard to the factors affecting employees' performance in the new Sacco regulatory regime in Kenya.

4.2 Demographic Information

	Frequency	Percent
Male	4	80.0
Female	1	20.0
Total	5	100.0

Figure 4. 1: Gender

According to the findings,80% of the respondents indicated that they were male while 20% of the respondents indicated that they were female.

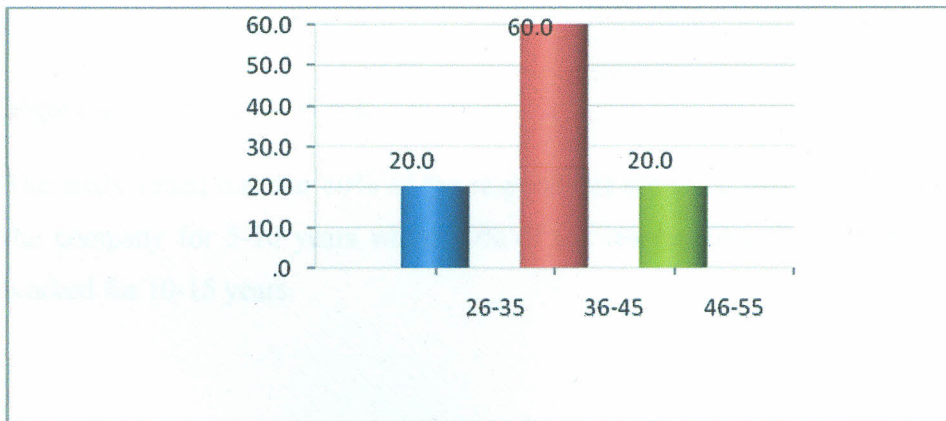


Figure 4. 2:Age

According to the findings,60% of the respondents indicated that they were aged between 36-45 years,20% of the respondents indicated that they were aged between 26-35 and 46-55 years respectively.

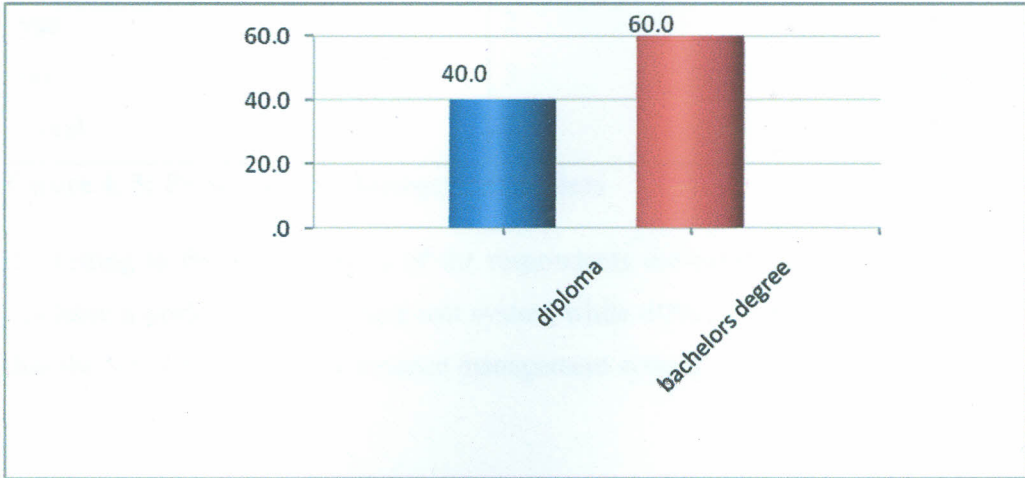


Figure 4. 3:level of education

According to the findings,60% of the respondents indicated that they had a bachelors degree while 40% of the respondents indicated that they had a diploma.

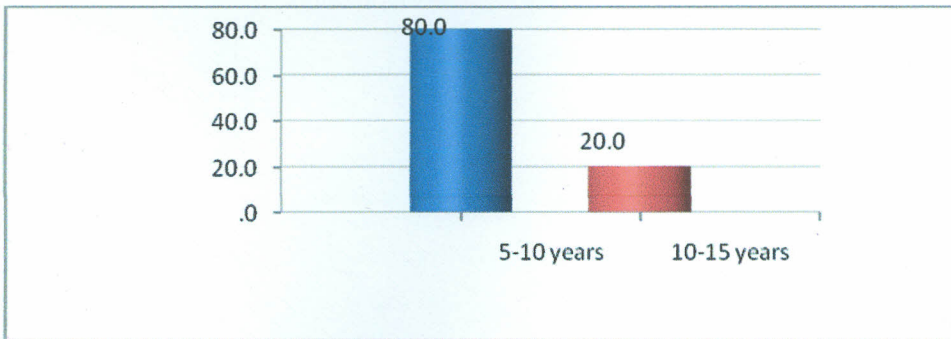


Figure 4. 4: Period Of Work

The study found out that 80% of the respondents indicated that they had worked for the company for 5-10 years while 20% of the respondents indicated that they had worked for 10-15 years.

4.3 Performance Management

	Frequency	Percent
yes	2	40.0
no	3	60.0
Total	5	100.0

Figure 4. 5: Performance Management System

According to the findings,60% of the respondents indicated that their SACCOs did not have a performance management system while 40% of the respondents indicated that the SACCOs had a performance management system.

Table 4. 1 Level of Agreement with the Following Statements on Performance Management

	Strongly agree	agree	undecided	disagree	Strongly disagree	mean	Stdev
Employees clearly know the performance expectations of their jobs	0	80	0	2	20	2.4	0.9
All employees have updated job descriptions for their jobs	60	20	0	0	20	1.8	1.3
All employees agree on what is to be achieved with their supervisors at the beginning of the year	60	20	0	20	0	2.8	1.3
All employees have assigned performance agreements	20	20	0	40	20	3.2	1.6
All staff understands the way the performance management system works	20	40	0	20	20	3.4	1.1
Performance of employees is continuously evaluated through informal progress reviews	20	80	0	0	0	1.8	0.4
Employees update their performance objectives with their superiors regularly	0	40	40	20	0	2.8	0.8
Good performers in our SACCO are always recognised	20	20	40	20	0	2.6	1.1
The setting of performance is done jointly with the head of department	40	40	0	20	0	2.0	1.2
The performance management system awards the right attitudes and behaviours	40	20	20	20	0	2.2	1.3
Performance is rated at the end of the year	20	40	20	20	0	2.4	1.1

All employees are encouraged to draw their personal development plans	40	20	20	20	0	4.0	4.1
---	----	----	----	----	---	-----	-----

According to the findings, the respondents strongly agreed that all employees were encouraged to draw their personal development plans as indicated by a mean of 4.0, the respondents strongly agreed that all staff understood the way the performance management system worked as indicated by a mean of 3.4, The respondents strongly agreed that all employees had assigned performance agreements as indicated by a mean of 3.2, the respondents agreed that all employees agreed on what is to be achieved with their supervisors at the beginning of the year and that employees updated their performance objectives with their superiors regularly as indicated by a mean of 2.8 respectively, the respondents agreed that good performers in the SACCO were always recognised as indicated by a mean of 2.6, the respondents agreed that employees clearly knew the performance expectations of their jobs and that performance was rated at the end of the year as indicated by a mean of 2.4 respectively, the respondents agreed that the performance management system awarded the right attitudes and behaviours as indicated by a mean of 2.2, the respondents agreed that the setting of performance was done jointly with the head of department as indicated by a mean of 2.0, the respondents remained undecided as to whether performance of employees was continuously evaluated through informal progress reviews and that all employees had updated job descriptions for their jobs as indicated by a mean of 1.8 respectively.

4.4 Recruitment and selection

	Frequency	Percent
yes	5	100.0

Figure 4. 6: Whether the Sacco has a recruitment and selection policy

From the findings, all the respondents indicated that their Saccos had a recruitment and selection policy

	Frequency	Percent
Locally	4	80.0
Nationally	1	20.0
Total	5	100.0

Figure 4. 7: How the Sacco advertises

From the findings,80% of the respondents indicated that the Sacco advertised locally while 20% of the respondents indicated that the Sacco advertised nationally.

Table 4. 2: Level of Agreement with the Following Statements on Recruitment and Selection

	Strongly agree	agree	Undecided	Disagree	strongly disagree	mean	Stdev
The recruitment and selection process in our Sacco ensures that people with the right attitudes and skills are employed	40	60	0	0	0	1.0	0.0
The recruitment policy does not discriminate	40	60	0	0	0	1.2	0.4
The actual process of recruitment and selection is properly documented to ensure equity	40	40	20	0	0	1.6	0.5
The recruitment policy helps to attract the best skilled people in the market for our Sacco	40	40	20	0	0	1.6	0.5
Our Sacco can and is considered highly as an employer by other people	20	60	20	0	0	3.4	4.3
Wrong recruitment decisions lead to high training and development costs	60	40	0	0	0	1.8	0.8

The response by applicants to our Sacco advertisements is good	60	20	20	0	0	2.0	0.7
Our recruitment panel involves consultants/observers for managerial positions	40	0	20	40	0	1.4	0.5
Wrong recruitment decisions lead to low staff morale	60	40	0	0	0	1.6	0.9
Commitment of workers is reduced by a wrong recruitment decision	60	20	20	0	0	2.6	1.5
There are adequate plans for finding people from within the organisation	40	40	20	0	0	1.4	0.5
Recruitment decisions affect team working	40	40	20	0	0	1.6	0.9

From the findings, the respondents strongly agreed that their Sacco was considered highly as an employer by other people as indicated by a mean of 3.4, the respondents agreed that commitment of workers was reduced by a wrong recruitment decision as indicated by a mean of 2.6, the respondents agreed that the response by applicants to Saccos advertisements was good as indicated by a mean of 2.0, the respondents agreed that wrong recruitment decisions lead to high training and development costs as indicated by a mean of 1.8, the respondents agreed that the actual process of recruitment and selection was properly documented to ensure equity, the recruitment policy helped to attract the best skilled people in the market for the Sacco, Wrong recruitment decisions lead to low staff morale and that recruitment decisions affected team working as indicated by a mean of 1.6 respectively, the respondents disagreed that the recruitment panel involved consultants/observers for managerial positions and that there were adequate plans for finding people from within the organisation as indicated by a mean of 1.4 respectively, the respondents disagreed that the recruitment policy did not discriminate as indicated by a mean of 1.2, the respondents strongly disagreed that the recruitment and selection process in the Sacco ensured that people with the right attitudes and skills are employed as indicated by a mean of 1.0.

4.5 Reward management

Table 4. 3: Level of Agreement with the Following Statements on Reward Managemet

	strongly agree	agree	Undecided	Disagree	strongly disagree	mean	Stdev
Your Saccos reward system recognises good performance	40	0	40	0	20	2.6	1.7
The reward system in the Sacco ensures equity	40	0	40	0	20	2.6	1.7
Our Sacco rewards people fairly equitably and consistently in accordance with their value to the organisation	0	60	20	20	0	2.6	0.9
Our Sacco reward process and practices lead to improvement of organisational, team and individual performance	40	20	20	20	0	2.2	1.3
Our Sacco reward system facilitates the attraction and retention of the skilled and competent people	20	20	40	0	20	2.8	1.5
Our Saccos reward system serves to motivate employees	40	0	40	20	0	2.4	1.3
Our Saccos reward system support the development of a performance culture	20	20	40	0	20	2.8	1.5
There is effective documented communication on the reward	20	20	40	20	0	2.6	1.1

system							
Our Saccos reward system help in motivating people and gaining their commitment	20	40	20	20	0	2.4	1.1
Our Saccos reward system serves to attract the best people in the industry	40	20	20	0	20	2.4	1.7
Our Saccos reward system sets pay levels to be in relation to market rates	40	0	40	0	20	2.6	1.7
Our Saccos reward system recognizes and rewards increase in competence and skill	20	20	40	20	0	2.6	1.1

According to the findings, the respondents strongly agreed that their Saccos reward system facilitated the attraction and retention of the skilled and competent people and that the Saccos reward system supported the development of a performance culture as indicated by a mean of 2.8 respectively, the respondents strongly agreed that the Saccos reward system recognised good performance, the reward system in the Sacco ensured equity, the Saccos rewarded people fairly equitably and consistently in accordance with their value to the organisation , there was effective documented communication on the reward system and that the Saccos reward system recognized and rewards increase in competence and skill as indicated by a mean of 2.6 respectively, the respondents agreed that the Saccos reward system served to motivate employees, the Saccos reward system helped in motivating people and gaining their commitment and that the Saccos reward system served to attract the best people in the industry and that the saccos offered rewards in relation to markets as indicated by a mean of 2.4, the respondents further agreed that the Sacco reward process and practices lead to improvement of organisational, team and individual performance as indicated by a mean of 2.2

4.6 Training and development

Table 4. 4: Level of Agreement with the Following Statements on Training and Development

	agree	agree	Undecided	Disagree	disagree	mean	Stdev
Our Sacco has a staff training and development policy	0	40	40	0	20	2.4	1.1
All the staff are aware of the provisions of the training and development policy	20	40	0	40	0	3.0	1.2
All employees undergo one training in year in the area of work	0	60	20	20	0	2.6	1.3
Our Sacco rewards people fairly equitably and consistently in accordance with their value to the organisation	0	60	20	20	0	2.6	0.9
All potential managers and supervisors go through training and development activities to enable them handle more demanding assignments	0	60	20	20	0	2.6	0.9
Training offered for staff is pegged performance	0	80	0	0	20	2.6	1.3
Our saccos training enable development of long term career paths	20	60	0	20	0	2.2	1.1
All training and employee training in our sacco result to enhanced	60	0	0	40	0	1.8	1.1

employees productivity							
We have adequate budget allocation for training and development of staff	0	40	0	60	0	3.2	1.1

According to the findings, the respondents strongly agreed that their Saccos had adequate budget allocation for training and development of staff 3.2, All the staff are aware of the provisions of the training and development policy for training and development of staff as indicated by a mean of 3.2, the respondents strongly agreed that all the staff were aware of the provisions of the training and development policy as indicated by a mean of 3.0 ,the respondents agreed that all employees underwent one training in year in the area of work , the Sacco rewarded people fairly equitably and consistently in accordance with their value to the organisation, all potential managers and supervisors went through training and development activities to enable them handle more demanding assignments and that training offered for staff was pegged on performance as indicated by a mean of 2.6 respectively, the respondents agreed that the Sacco had a staff training and development policy as indicated by a mean of 2.4, the respondents further agreed that the Saccos training enabled development of long term career paths as indicated by a mean of 2.2, the respondents remained undecided on whether all training and employee training in the Sacco resulted to enhanced employees productivity as indicated by a mean of 1.8.

CHAPTER FIVE: SUMMARY OF THE FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the summary of the findings from chapter four. The chapter also gives the conclusions and recommendations of the study based on the objectives of the study. The objective of this study was to investigate the factors affecting employees' performance in the new Sacco regulatory regime in Kenya.

5.2 Summary of the Findings

5.2.1 Performance Management

The study found out that the Saccos did not have a performance management system. The study also found out that all employees were encouraged to draw their personal development plans as indicated by a mean of 4.0. The study further found out that all staff understood the way the performance management system worked as indicated by a mean of 3.4 and that all employees had assigned performance agreements as indicated by a mean of 3.2.

5.2.2 Recruitment and selection

The study found out that the Saccos had a recruitment and selection policy and that the Sacco advertised locally. The study also found out that the Sacco was considered highly as an employer by other people as indicated by a mean of 3.4. The respondents further agreed that commitment of workers was reduced by a wrong recruitment decision as indicated by a mean of 2.6 and that the response by applicants to Sacco advertisements was good as indicated by a mean of 2.0.

5.2.3 Reward management

Moreover, the study found out that the respondents strongly agreed that the Sacco reward system facilitated the attraction and retention of the skilled and competent people and that the Saccos reward system supported the development of a performance culture as indicated by a mean of 2.8 respectively, and that the Saccos reward system recognised good performance, the reward system in the Sacco ensured equity, the Saccos rewarded people fairly equitably and consistently in accordance with their value to the organisation, there was effective documented communication

on the reward system and that the Saccos reward system recognized and rewards increase in competence and skill as indicated by a mean of 2.6 respectively.

5.2.4 Training and development

The study further found out that the respondents strongly agreed that Saccos had adequate budget allocation for training and development of staff as indicated by a mean of 3.2 and that all the staff were aware of the provisions of the training and development policy as indicated by a mean of 3.0.

Finally the study found that the respondents agreed that all employees underwent one training in a year in the area of work, the Sacco rewarded people fairly equitably and consistently in accordance with their value to the organisation, all potential managers and supervisors went through training and development activities to enable them handle more demanding assignments and that training offered for staff was pegged on performance as indicated by a mean of 2.6 respectively.

5.3 Conclusion

The study concludes that Saccos did not have a performance management system and that all employees were encouraged to draw their personal development plans.

Additionally, the study concludes that the Saccos had a recruitment and selection policy and that the Saccos advertised locally. The study also concludes that the Sacco were considered highly as an employer by other people and that commitment of workers was reduced by a wrong recruitment decision.

Moreover, the study concludes that the Saccos reward systems facilitated the attraction and retention of the skilled and competent people and that the Saccos reward systems supported the development of a performance culture. Finally, the study concludes that Saccos had adequate budget allocation for training and development of staff and that staff were aware of the provisions of the training and development policy

5.4 Recommendations

The study recommends that Saccos should adopt good performance management systems as this will aid in achieving long-term mutual benefits in terms of quality,

efficiency, performance, opportunities, and competence. In addition, upon adopting a good management system, good resources allocation and utilisation mechanisms will be put in place which will greatly aid in curbing mismanagement within the Saccos as well as ensuring that the employees adequately and effectively perform their tasks and duties.

The study further recommends that Saccos should venture into advertising their vacant positions, products and services nationally as this will lead them in achieving a competitive advantage, increase customer loyalty, and improve efficiency as well as increase the customer base by inviting potential customers.

Finally, the study recommends that Sacco's should invest in strong human resources departments which will ensure that only qualified and skilled personnel get jobs. Hiring qualified personnel will assist the organization in achieving the set goals as well as speed up the decision making processes.

5.5 Recommendations for further studies

This study has assessed the factors affecting employee's performance in the new Sacco regulatory regime in Kenya. To this end therefore a further study should be carried out to investigate the challenges being faced in the implementation of the new Sacco regulatory regime in Kenya.

REFERENCES

- Amos, T.L., Ristow, A. and Ristow, L.(2004). *Human Resource Management* (2nd Edition). Lansdowne: Juta and Co Ltd.
- Armstrong, M. and Baron, A. (1998). *Performance Management – The New Realities*.London: IPD.
- Armstrong M. (2005) *A Hand Book of Human Resource Management Practice* (9th ED) UK Kogan Page ltd
- Armstrong M. (2003) *A Handbook of Human Resource Management Practice*. (9th Ed). Uk. Kogan Page Ltd
- Armstrong M, Hellen M. (2007) *Strategic Reward Management*, (5th Ed) UK, Kogan Page ltd
- Armstrong (2005) *Performance Management in Action*, (3rd Ed) Chartered Institute of Personnel Development
- Armstrong M. and Helen M. (1992), *A Handbook of Remuneration Strategy and Practice*. (3rd Ed). Uk. kogan page ltd, Institute of Personnel and Development.
- Attewell, P.,and Rule, J. B. (1991). *Survey and Other Methodologies Applied To IT Impact Research: Experiences from A Comparative Study of Business Computing*. Paper presented at The Information Systems Research Challenge: Survey Research Methods.
- Cherrington, D.J.(1994) *Organisational Behavior*. Boston: Allyn and Bacon.

- David A. (2010) *Best Practices In Planning and Performance Management, Radically Thinking Management for a Volatile World*, (3rd Ed.) New Jersey: John Wiley & Sons.
- Donovan M. Performance Measurement: *Connecting Strategy, Operations and actions* Framingham, MA. R. Michael Donovan & Co., Inc.,.
- Dominic C, Ivan T. R and Gordon T. *Recruitment and Selection: A Framework for Success*, (2nd Ed) Thomson learning
- Dugan I. (1985) *Approaches to Training and Development*, 2nd edition
- Eric H. Schott and Tim L, (2006) *Measuring Performance in Services* .Mackinsey and Company Ltd. Mackinsy quarterly.
- Glasow p.a. (2005) *Fundamentals of Survey Research Methodology*. MITRE Washington C3 Center Mclean Virginia
- Government of Kenya, *Revised Draft Sessional Paper No of 2004 On Cooperative development policy in Kenya.*
- Government of the Republic of Kenya, (2007) *vision 2030, popular version*
- Graham O. (2007) *Rural Outreach and Financial Cooperatives: Saccos in Kenya* The International Bank for Reconstruction and Development / The World Bank Agriculture and Rural Development.
- Haslinda A. (2009) *Evolving Terms of Human Resource Management and Development*, The Journal of International Social Research Volume 2 / 9.
- Herman A. and Kurt K.(2009) *Benefits of Training and Development for individuals and Teams, Organizations, and Society*. The Annual Review of Psychology.

<http://www.sasknetwork.ca/html/Employers/hr/managinghrassetsintro>. Assessed 9th April 2012.

Judith G. et al, (2007) *Effective Recruitment Strategies and Practices: Addressing Skills Needs and Gender Diversity Challenges in ITEC and Related Sectors*. Portia.

Khayota M. (2008) *Human Resources Management*, Institute of Open Learning, Kenyatta University.

Kothari, R.C. (2009) *Research Methodology, Methods and Techniques* (2nd Ed) New Delhi: New Age International

Margaret, D. (2003) *A Managers Guide to Recruitment and Selection* (2nd Ed)

Meaghan s. & Nick bontis (2002) *Voluntary Turnover: Knowledge Management Friend or Foe?*, Journal of Intellectual Capital .Mucb Limited, Ontario Canada.

Mudibo, E. (2005) *Report on Corporate Governance in Cooperatives: The East African Experience*

Noel et al (1981) *Strategic Human Resource Management: Working Paper No.279*, University of Michigan

Peter Davis. (2004) *Human Resource Management in Cooperatives*, Geneva, International Labour Office.

Rob D. (2000) *Studies In Economics and Business, Human Resource Management*, UK, Heinemann

Robert, K. (2009) *Case Study Research-Design and Methods*, (5th Ed) USA, Sage Publications inc.

Rothwell, W. J. (1996). *ASTD Models for Human Performance Improvement, Roles, Competencies, and Outputs*, ASTD Publications Dept, Virginia.

Saunders M. Lewis, P. and Thornhill, A. (2009) *Research Methods for Business Students*, (5th Ed) UK Pearson Education limited

Snell S. and Bohlander G. (2007) *Human Resource Management (International Student Edition)* USA. Thomson South Western

William F. (2003) *Training Versus Development* EBSCO Publishing Avondale

Appendix 1: Letter of Introduction

**JOSEPH W. NDEGWA
P. O. BOX 514-60400
CHUKA**

Dear Respondent,

RE: COLLECTION OF SURVEY DATA

I am a post graduate student at kenyatta university school of business pursuing a masters degree in business administration. As a requirement I am expected to conduct a research and submit a report on the same. My research is on if human resource management processes is a factor in deposit taking sacco's under the new regulatory regime - a study of Meru county.

As a manager in your organisation you are best suited to give factual information on this subject. I am therefore kindly requesting that you take a few of minutes to complete this questionnaire. Please tick or complete on the spaces provided. Do not write your name on the questionnaire and use the space provided where explanation is required.

The information provided will only be used for academic purposes and will be treated with utmost confidentiality.

Thanking you for your cooperation.

Yours faithfully

Wachira ndegwa

Appendix 11: Questionnaire

SECTION A: DEMOGRAPHIC DATA

1. What is your gender male female

2. What is your age bracket?

18-25 26-35 36-45

46-55 56 and above

3. Which of the following best describes your highest academic qualifications?

KCPE KCSE Certificate

Diploma Bachelors Degree Post Graduate

Which other professional training do you have?

Please

specify.....

4. For how long have you been with the Sacco?

.....

SECTION B. PERFORMANCE MANAGEMENT

6. Does your Sacco have a performance management system? Yes [] No []

Please indicate the extent to which you agree or disagree with the following statement. Please indicate by ticking [√] your view.

SA-Strongly agree, A-Agree, U-Undecided, D-disagree, SD-strongly disagree

	SA	A	U	D	SD
a) Employees clearly know the performance expectations of their jobs.					
b) All employees have updated job descriptions for their jobs.					
c) All employees agree on what is to be achieved with their supervisors at the beginning of the year.					
d) All employees have signed performance agreements.					
e) All staff understands the way the performance management system works.					
f) Performance of employees is continuously evaluated through informal progress reviews.					
g) Employees update their performance objectives with their superiors regularly.					
h) Good performers in our Sacco are always recognised.					
i) The setting of performance is done jointly with the head of department.					
j) The performance management system					

awards the right attitudes and behaviours					
k) Performance is rated at the end of the year					
l) All employees are encourage to draw their own personal development plans					

SECTION C. RECRUITMENT AND SELECTION

7. Does your Sacco have a recruitment and selection policy? Yes [] No []

8. How does your Sacco advertise available vacancies in your Sacco

Tick as appropriate. Locally [] nationally [] not at all []

9. Please indicate the extent to which you agree or disagree with the following statement. Please indicate by ticking [√] your view.

SA-Strongly agree, A-Agree, U-Undecided, D-disagree, SD-strongly disagree

	SA	A	U	D	SD
a) The recruitment and selection process in our sacco ensures that people with the right attitudes and skills are employed.					
b) The recruitment policy does not discriminate					
c) The actual process of recruitment and selection is properly documented to ensure equity.					
d) The recruitment policy helps to attract the best skilled people in the market for our Sacco					
e) Our sacco can and is considered highly					

as an employer by other people.					
f) Wrong recruitment decisions lead to high training and development costs.					
g) The response by applicants to our sacco advertisements is good.					
h) Our recruitment panel involves consultants/observers for managerial positions.					
i) Wrong recruitment decisions lead to low staff morale					
j) Commitment of workers is reduced by a wrong recruitment decision					
k) There are adequate plans for finding people from within the organisation					
l) Recruitment decisions affect team working.					

SECTION D. REWARD MANAGEMENT

10. Kindly tick if any of the following is offered in your sacco and cancel where it is not

1. annual bonus []
2. medical insurance []
3. education allowance for children []
4. motor vehicle purchase loan []
5. low interest mortgage []

6. fuel allowance []

7. mileage allowance []

8. best employee awards []

11. Please indicate the extent to which you agree or disagree with the following statement. Please indicate by ticking [√] your view.

SA-Strongly agree, A-Agree, U-Undecided, D-disagree, SD-strongly disagree

	SA	A	U	D	SD
a) Your Saccos reward system recognises good performance					
b) The reward system in the sacco ensures equity					
c) Our sacco rewards people fairly equitably and consistently in accordance with their value to the organisation					
d) Our Sacco reward process and practices lead to improvement of organisational, team and individual performance.					
e) Our Sacco reward system facilitates the attraction and retention of the skilled and competent people.					
f) Our Saccos reward system serves to motivate employees					
g) Our Saccos reward system support the development of a performance culture.					
h) There is effective documented communication on the reward system					
i) Our Saccos reward system help in					

motivating people and gaining their commitment					
j) Our sacco's reward system serves to attract the best people in the industry					
k) Our sacco's reward system sets pay levels to be in relation to market rates					
l) Our sacco's reward system recognizes and rewards increase in competence and skill.					

SECTION E. TRAINING AND DEVELOPMENT

12. Please indicate the extent to which you agree or disagree with the following statement. Please indicate by ticking [√] your view.

SA-Strongly agree, A-Agree, U-Undecided, D-disagree, SD-strongly disagree

	SA	A	U	D	SD
a) Our sacco has a staff training and development policy in place.					
b) All the staff are aware of the provisions of the training and development policy.					
c) All employees undergo one training in year in the area of work.					
d) Our sacco rewards people fairly equitably and consistently in accordance with their value to the organisation					
e) All potential managers and supervisors go through training and development activities to enable them handle more demanding assignments.					
f) Training offered for staff is pegged to					

performance					
g) Our sacco's Training enable development of long term career paths					
h) All training and employee training in our sacco result to enhanced employees productivity.					
i) We have adequate budget allocation for training and development of staff.					

**KENYATTA UNIVERSITY LIBRARY
MAIN CAMPUS**