

**AN INVESTIGATION OF THE FACTORS INFLUENCING THE
PERFORMANCE OF MATATU SACCOS IN KIAMBU COUNTY:
THE CASE OF SELECTED MATATU SACCOS OPERATING IN THIKA
TOWN, KENYA**

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D53/CE/22169/2010

**RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF BUSINESS IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF
KENYATTA UNIVERSITY**

MAY, 2013

DECLARATION

I, Muriungi Samuel Muturia, declare that the entire body of work contained in this research report is my own original work; that I am the owner of the copyright hereof (unless explicitly stated otherwise); and that I have not previously submitted it, in its entirety or in part, for obtaining any other qualification.

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ACKNOWLEDGEMENTS

This study has been a long journey and I feel indebted to those who participated in their own ways to make it a success.

I thank the almighty God for his special grace and protection over the entire period of my work.

Special appreciation goes to my Research Project Supervisor, Mrs. Phelgonah Gengafor her dedication, sincere guidance, suggestions, criticisms, understanding and support as I was doing this project report.

To the entire MBA class, thank you for your encouragement.

I appreciate the support I received from my family and friends during this difficult time. I thank my dad, Muriungi, my mum, Kawiria and my brothers, Jackson, Richard and Mwiti, for their support towards the completion of this work.

Once again may God bless you all!

ABSTRACT

Matatus are the informal industry in Kenya that provide service to millions of people each day and are essentially the backbone of the transportation system in Kenya. Transport plays an important role in integrating the various sectors in the economy. Matatus account for 80% of the total public transport in the country (Republic of Kenya, 2002). The directive by the Ministry of transport that all the Matatus to join SACCOs or limited liability companies by the end of the year 2010 (Legal notice issued on 23rd December, 2010) made the researcher to carry out a study on the factors that influence the performance of these Matatu SACCOs. This research has reviewed the work done previously by other researchers in the areas of the role of the Matatu industry in Kenya, the struggle of regulatory and economic sphere of influence in the Matatu means of transport in Kenya, the organization and the future of Matatu industry in Kenya and efforts to improve the road safety in Kenya amongst other areas. The descriptive research design was used in the methodology. Stratified sampling method was used to draw samples from the selected active Matatu SACCOs registered in Thika West District by the Ministry of Cooperative Development and Marketing. Primary data was collected for further analysis. The data was collected using questionnaires given to the sample members/owners and employees of the selected Matatu SACCOs. Measures of central tendency were used to analyze the quantitative data. The data was presented in form of tables, frequency distributions, percentages, pie charts and bar charts. The analysis of the data was done with the help of SPSS in order to present it in descriptive form. Qualitative data was analyzed by use of the content analysis. The findings and recommendations of this study is useful to the government policy makers and all the stakeholders in the Matatu SACCOs in improving management, growth and profitability of the Matatu SACCOs

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LIST OF ACRONYMS AND ABBREVIATIONS

| | |
|---------------|---------------------------------------------------------|
| GOK | Government of Kenya |
| GDP | Gross Domestic Product |
| ICA | International Co-operative Alliance |
| INTP | Integrated National Transport Policy |
| IPAR | Institute of Policy Analysis and Research |
| KIPPRA | Kenya Institute for Public Policy Research and Analysis |
| KNBS | Kenya National Bureau of Statistics |
| KRB | Kenya Roads Board |
| Kshs | Kenya Shillings |
| MCDM | Ministry of Cooperative Development and Marketing |
| MTP | Medium Term Plan |
| NRSAP | National Road Safety Action Plan |
| PSV | Public Service Vehicle |
| SACCO | Savings and Credit Co-operative Society |
| SME | Small and Medium Enterprise |
| SPSS | Statistical Package for Social Sciences |
| TLB | Transport Licensing Board |
| UWCC | University of Wisconsin Centre for Cooperative |

OPERATIONAL DEFINITION OF TERMS

Cartel- According to this research, a cartel is a combination of independent business organizations formed to regulate or monopolize production, pricing or marketing of goods and services by members.

Public transport- It consist of a transport system in which passengers travel in public service vehicle at a fee

Matatus- They are minibuses used for public transport in Kenya. They include 14, 29, 33 and 36 seat minibuses. The name originates from when the fare on these vehicles was a flat rate of 30 cents.

Paratransit- An alternative mode of flexible passenger transportation that does not follow fixed routes or schedules. Typically mini-buses are used for paratransit service; however minivans, cars and shared taxis provide services as well.

Entrepreneurship-The capacity and willingness to undertake conception, organization, and management of a productive venture with all attendant risks, while seeking profit as a reward.

Stakeholder-A person, group, organization, member or system who affects or can be affected by an organization's actions

Informal Sector-Sector which encompasses all jobs which are not recognized as normal income sources and on which taxes are not paid

Third Party Insurance-Liability insurance purchased by an insured (the first party) from an insurer (the second party) for protection against the claims of another (the third) party.

Comprehensive Insurance- Coverage which pays to repair or replace the policy owner's vehicle and property inside of it if it was damaged or lost due to other agents, such as fire, theft, flood, or vandalism.

CHAPTER ONE

1.0 INTRODUCTION

This study investigated the factors influencing the performance of the Matatu Savings and Credit Cooperatives (SACCOs) operating in Thika town, Kiambu County, Kenya.

The International Cooperative Alliance (ICA) in its Statement on the Cooperative Identity, in 1995, defines a cooperative as an autonomous association of persons united voluntarily to meet aspirations through a jointly-owned and democratically-controlled enterprise. It is a business voluntarily owned and controlled by its member patrons and operated for them and by them on a nonprofit or cost basis. It is a business enterprise that aims at complete identity of the component factors of ownership, control and use of service, three distinct features that differentiate cooperatives from other businesses (UWCC, 2002)

Cooperatives are user-owned and user-benefited organizations. They could be agricultural, non-agricultural, unions or Savings and Credit Cooperatives (SACCOs). They operate in different sectors of the economy including agricultural, handicraft, Jua Kali, transport, housing development, building and construction, consumer services, banking and finance (Paul Gamba and Isaac Komo, 2010).

As governments around the world cut services and withdraw from regulating markets, cooperatives are being considered useful mechanisms to manage risk for members in agricultural or other similar cooperatives help salary/wage earners save for the future through a soft-felt monthly contribution that is deducted from source, own what might be difficult for individuals to own by their efforts, strengthen the communities in which they operate through job provision and payment of local taxes. Cooperatives generally provide an economic boost to the community as well.

In addition to the direct benefits they provide to members, cooperatives strengthen the communities in

which they operate. According to Somavia (2002) cooperatives are specifically seen as significant tools for the creation of decent jobs and for the mobilization of resources for income generation. Many cooperatives provide jobs and pay local taxes because they operate in specific geographical regions. According to Wikipedia (2006) it is estimated that cooperatives employ more than 100 million men and women worldwide.

The policy objective of the Kenyan cooperative movement is to spur sustainable economic growth by focusing on achievement of desired outcomes through strengthening of the movement, improving cooperative extension service delivery, corporate governance, access to markets and marketing efficiency (International Monetary Fund 2007). The cooperatives have an immense potential to deliver goods and services in areas where both the public and the private sector have not ventured (Verma, 2004). In most cases cooperatives are local institutions that address local needs, employ local talent and are led by local leaders either directly or through local branches.

1.1 Background to the Study

The Cooperative Movement in Kenya is independent and autonomous. However, the government, through the Ministry of Co-operative Development and Marketing has continued to play a key facilitative role in the activities of the Movement. The Ministry has been working on enabling the co-operative sector to be vibrant, effective and globally competitive by forging close linkages between the Co-operative Movement and Government line Ministries. As a result, Co-operatives are now playing an important role in the achievement of Kenya vision 2030 and the Millennium Development Goals (Republic of Kenya, Ministry of Cooperative Development and Marketing, 2011).

The Co-operative Movement in Kenya may be traced to the period immediately after the country's independence. The movement is supposed to play an important role in wealth creation, food security and employment generation and hence participate in poverty alleviation. The cooperatives have

employed over 300,000 people besides providing opportunities for self-employment. Indeed, a significant number of Kenyans, approximately 63% draw their livelihood either directly or indirectly from cooperative-based enterprises (International Monetary Fund 2007; The Kenya High Commission in the United Kingdom 2007).

Cooperatives constitute a major economic force in the Kenya economy. Statistics in 2001 show that 63% of the population who derive livelihood directly or indirectly from cooperatives. The enterprises mobilize 31% of the national savings and also contribute 45% of the GDP to the Kenyan economy (Economic Survey, 2005). The national impact indicators of this movement in Kenya are generation of employment, mobilization of resources and acquisition of property.

The Cooperative movement in Kenya is an important player in the social economic development of this country. Cooperatives cut across all sectors of the economy and provide an important framework for mobilization of both human and capital resources. With a membership of over 8 million in 13,000 registered cooperative societies, the SACCO sub sector, in particular, has mobilized over Kshs. 230 billion (Republic of Kenya, Ministry of Cooperative Development and Marketing, 2011)

If one was to juxtapose the population of Kenya, which by 2009 stood at 38,610,097 (Government of Kenya, KNBS Annual Census, 2009), then one can conclude that the cooperative sector is fundamental in the development of Kenya.

The International Co-operative Alliance (ICA), has ranked Kenya, number seven in the world and number one in Africa, in terms of the number, size and contribution of co-operatives to development (International Cooperative Alliance, 2008)

The contribution of co-operatives to the GDP is estimated to be 45 per cent, while to the national savings and deposits, the contribution is 31 per cent (Chambo et al, 2008).

The share of the Matatu sector in the GDP is 8.5% for the period 1998 to 2002 with the road transport sub sector accounting for 2.9% of the GDP(IPAR 2004).

The Matatu sector constitutes 80 per cent of the public transport system in the country and are estimated to have an annual turnover of Sh73 billion. The sector contributes Sh4 billion to insurance companies and Sh1 billion in taxes every year (Republic of Kenya, Economic Survey 2011)

According to the Ministry of Cooperative Development and Marketing, it is estimated that there are around 25,000 Matatus operating in the country. In some areas like central and Eastern provinces, the 14-seater has long kicked out the buses from the transport business.

After the government issued a legal notice requiring all the Matatu's to join SACCOs or limited liability companies by December 2010, over 655 Matatu SACCOs had been registered with the Ministry of Cooperative Development and Marketing by March 2011 (MCDM, 2011).

Besides enlisting Matatu-co-operatives in the improvement of road safety , law and order and bringing sanity on our roads, the Matatu SACCOs are also tapping into the economies of scale due to the co-operative business model to create wealth for its members.

1.2 Statement of the problem

A unique feature in Kenya's transport sector has been the rapid expansion of the Matatu, a smallscale means of transport. The Matatu plays a significant role in the movement of people, goods and services in Kenya.

According to Khayesi M. (1999), there is an array of persons, businesses and institutions associated with the Matatu means of transport. A situation that has led to multiple political, social and economic interests and conflicts in this transport sector.

The intention of the Legal Notices No. 161 of 2003, No. 83 of 2004 and No. 65 of 2005 was to regulate the public transport sector as part of the Integrated National Transport Policy (INTP), while the National Road Safety Action Plan (NRSAP) was meant to restore order, reduce accidents, increase passenger safety, reduce conflicts and safeguard private investment in the public transport sector. Other objectives were, to facilitate the transition of the paratransit business from the informal to the formal economy, increase employment opportunities and inculcate a culture of respect for the Matatu sector regulations.

There have been numerous master plans and transport studies conducted by various organizations as well as the Government of Kenya over the past fifty years but few if any of the recommendations from these master plans and studies have been considered or implemented. This lack of vision for the Matatu industry has allowed the Matatu industry to grow and operate in a way that it does not benefit all the stakeholders in the sector (Graeff 2009)

For the last one decade the Government of Kenya has been laying a lot of strategies to restore sanity in the Matatu sector and it was on this background that the study was carried out to investigate the factors influencing the performance of the formed Matatu SACCOs operating in Thika town in Kenya.

1.3 Objectives of the Study

1.3.1 General Objectives

The main purpose of the study was to investigate into the factors that influence the performance of the Matatu SACCOs operating in Thika Town, Kiambu County.

1.3.2 Specific Objectives

- i. To find out how the level of business management skills influence the performance of Matatu

SACCOs.

- ii. To find out how the level of entrepreneurial skills influence the performance of Matatu SACCOs.
- iii. To establish the effects of government policy framework towards the performance of the Matatu SACCOs.
- iv. To find out how working conditions for the Matatu operators influence the performance of the Matatu SACCOs
- v. To determine the effects of security issues in the Matatu SACCOs to their performance

1.4 Research Questions

- i. What are the effects of the level of business management skills to the performance of Matatu SACCOs?
- ii. What are the effects of the level of entrepreneurial skills to the performance of Matatu SACCOs?
- iii. What are the effects of government policy framework towards the performance of the Matatu SACCOs?
- iv. How do the working conditions for the Matatu operators influence the performance of the Matatu SACCOs?
- v. What are the effects of security issues in the Matatu SACCOs to the performance of these SACCOs?

1.5 Scope of the Study

The scope of this research was limited to the Matatu SACCOs which are registered in Thika town and operating to and from Thika town. Thika is the largest town in Kiambu County. The study focused on six active Matatu SACCOs with a target population of 550 people.

1.6 Significance of the Study

The results of this study will fill in knowledge gaps by giving information regarding the factors

influencing the performance of the Matatu SACCOs. The findings of the study will be applicable to all the stakeholders who have invested in the Matatu sector. The results of the study are expected to assist the government policy makers in improving both the management and profitability of the Matatu SACCOs.

Scholars who have interest in this research area will use the findings and recommendations from this study as a background for their future academic research work.

1.7 Assumptions of the study

The study has assumed that the sample selected to be a representative and hence the findings of the study have been generalized to represent the entire target population. The study also assumed that the information given by the respondents was reliable and accurate.

1.8 Limitations of the study

There are three limitations for this study. First, there was constraint of time due to the fact the researcher was involved in full-time employment. Secondly, a lot of money was required to carry out the research. Money was needed to move around to collect the data, type, print and bind the final documents. Finally, there were difficulties in reaching out the owners of the Matatu SACCOs. Most of the owners of these SACCOs work away from the areas of operations of their vehicles. Only a few of the owners work as employees of their SACCOs either as management employees, drivers or conductors.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The literature material sources are the internet, text books, abstracts, periodicals, theses, dissertations, reference books, scholarly journals, government reports and conference papers. This chapter considered literature relevant to the subject under the study.

2.2 Empirical Literature

The review was organized under the following sub-headings; Cooperative movements in the world, Cooperative entrepreneurship, Matatus as mode of transport in Kenya and Matatu SACCOs as small and medium enterprises (SMEs). The review also considered previous studies done in the areas of business management & entrepreneurial skills in the Matatu SACCOs, the policy framework governing the Matatu SACCOs, working conditions for the Matatu operators in Kenya and Matatu SACCOs' security issues.

2.2.1 Cooperative Movements in the World

Co-operatives which began in the 19th century in England to protect the interest of the working class have spread throughout the world. However, the origin of the co-operative movement in world is not on one single line. It differs from continent to continent, from country to country and even from place to place. Co-operatives subsist within several different sectors of the economy. Co-operatives are engaged in agriculture, industry and in service sector with the ultimate goal to lift up the living standard of the members of the societies through increase in level of production and productivity, employment, technology and several other useful services.

The first Co-operative Society in the world was formed in 1844 in a village in England known as Rochdale, by a group of people referred to as the Rochdale Pioneers, when Britain was undergoing the industrial revolution. The Rochdale Pioneers decided to draw up some principles which would guide their operations as a Co-operative Society. The seven Co-operative Principles currently used all over the world have evolved over time from the first principles drawn by the Rochdale Pioneers (SCC, 2009).

In the United States, cooperatives are generally organized according to state law. They are often organized as non-capital stock corporations under state-specific cooperative laws, which often restrict the use of the words cooperative and co-op to such organizations. However, they may also be organized as business corporations or unincorporated associations, such as Limited Liability Companies (LLCs) or partnerships; such forms are useful when the members want to allow some members a greater share of the control, which may not be allowed under the laws for cooperatives. Cooperatives do not generally pay dividends, but return savings or profits, sometimes known as patronage, to their members. Cooperatives can have special income tax benefits in the United States; however, because they are an unusual form of organization requiring specialized knowledge, legal and accounting costs are often very high and many choose to be taxed under less favorable corporate or partnership tax laws (Bedi R.D, 1971).

In the United Kingdom, the traditional corporate form taken by cooperatives is the "bona fide co-operative" under the Industrial and Provident Societies Acts. Since the 1980s, however, many have incorporated under the Companies Act, limited either by shares or by guarantee. In a bid for sustainability, many cooperatives adopt the principle of common ownership and have a zero or nominal share capital, along with a clause stipulating altruistic dissolution. This means that the cooperative cannot be wound up and its assets distributed for personal profit. The facility to legally "lock" cooperative assets in this way was brought into force in 2004 (Birchall J, 2004).

In the European Union, the European Cooperative Statute provides a corporate form for cooperatives with individual or corporate members in at least two of the EU member states. Also, in the European Union and in large regions of America, cooperatives, with associations, foundations and mutual funds, are considered parts of the Social economy or Third Sector (Monzon J.L. et al, 2008)

In some countries e.g. Finland and Sweden, there are specific forms of incorporation for cooperatives. Cooperatives may take the form of companies limited by shares or by guarantee, partnerships or unincorporated associations.

For over 160 years now, cooperatives have been an effective way for people to exert control over their economic livelihoods. They provide a unique tool for achieving one or more economic goals in an increasingly competitive global economy (Ahmad, 2005).

2.2.2 Cooperative Entrepreneurship

Cooperative entrepreneurship deals with undertaking and assuming the responsibility to discover, innovate and initiate cooperative effects of higher growth of cooperative organizations and better socio economic patterns of entrepreneur members and community by simultaneously applying cooperative values, principles and practices (Lopoyetum and Karthikeyan, 2003).

Leadership in the cooperative is to ensure that the organization is developed and ventures to become successful and also carry out the business in accordance with the cooperative principles. The application of management principles and practices in cooperative entrepreneurship is highly desirable in this regard.

Dr. E N Gicheru (2011) observed that in order to strengthen the Matatu SACCOs' management, more capacity building in cooperative management, with emphasis on shared leadership, and making membership meaningful by accredited organizations should be offered to the members,

board and staff. In the area of capacity building, development partners and stakeholders should come on board to assist, through providing resources.

Cooperative enterprises are formed to meet the needs of members. The success of any cooperative primarily depends on the members' participation in its business and management, therefore the entrepreneurial culture among the members is essential. The principle of the self-help and voluntarism of cooperative is necessary and consistent with the entrepreneurial framework of the cooperative organizations. The national policy on the cooperatives should recognize the need for inculcating the spirit of entrepreneurship culture in the cooperative sector. The guiding principle in formulating the national policy on cooperatives must emanate from the elements and parameters of entrepreneurship.

2.2.3 Matatus as Mode of Transport in Kenya

Matatu fall under the public service vehicles (PSV) here in Kenya. They operate in major towns as well as in rural areas. As noted earlier Matatus are small scale transport that exists nearly all over the world.

Situma (1977) looked at the origin of the Matatus and their destinations, types of vehicles used, their capacities, roadworthiness, average number of trips, ridership and the fare structure. The analysis based on the City Council of Nairobi surveys of 1980 indicates that the Matatu mode of transport played an important role in the public sector in Nairobi.

Barwell's (1979) study examined financing and operating costs of materials and incomes of Matatu owners. This study, like Situma's is silent on the working conditions of the Matatu employees. Neither did the studies look at the serious problems of the disorganization within the Matatu sector.

The City Council of Nairobi (1980) reviewed Matatus as a project component of the proposed

Kenya Urban Transport Project. The main intention of the scheme was to try to facilitate access to funds by the Matatu owners to purchase new and second hand vehicles.

Coopers and Lybrand Association Ltd, Nairobi (1980) advanced a recommendation for a standard Matatu for the entire country.

Kapila et al (1982), in a study of the mode of transport in Nairobi, analyzed in detail the economic and performance characteristics with a view of contributing to the public transport policy and planning for Nairobi's population. It was established that in 1982 each Matatu in Nairobi created direct employment for at least two persons at a cost of Kshs. 6,950 per year. It was further noted that each Matatu also created two indirect jobs.

2.2.4 Matatu SACCOs as Small and Medium Enterprises (SMEs)

An enterprise is defined here as any income generating activity that is not in the primary agriculture or mineral production (Gray, Cooley & Lutabingwa, 1997).

In Kenya, the classification of enterprises is primarily done by the number of employees engaged by firms. Those firms that engage less than 10 employees are referred to as micro-enterprises, those that employ 10 to 49 workers are small-scale enterprises and 50-99 workers are referred to as the medium enterprises (KIPPRA, 2009).

The Matatu SACCOs in this case fall under the Small and Medium Enterprises (SMEs). A Matatu directly employs a driver and a conductor (Kyalo, 2006)

Matatu SACCOs experiences the common causes of small business collapse such as lack of capital, experience, poor market research, administrative incompetence, overestimation of market demand and uneven cash flows (Bennet, 2006).

2.2.5 Business Management and Entrepreneurial Skills in the Matatu

SACCOs

A major drawback in the growth and performance of the Matatu SACCOS is the lack of the basic skills in the business management and entrepreneurship.

Surveys of small business failure maintain that entrepreneurs often have good ideas and are competent but ‘they do not have clue on how to run a business underlying appreciation of business fundamentals (Barron, 2000).

Cant et al (1999) points out that the identification of business problems and development of the appropriate training programs to address these problems which will assist in equipping small and medium enterprise owners with the necessary managerial skills to survive in today’s competitive world.

Ligthelm et al (2002) observed that the deficiencies in the internal environment are the major cause of failures in small and medium enterprises and they revolve around among others management skills. This problem comes from some specific management issues such as lack of business management training and skills, inability to act as an entrepreneur and limited family business culture. They finally point out that management behavior and actions that are lacking; inability to set strategic goals, plan forward, reluctance to seek advice, lack of management commitment and unwillingness to adapt change.

The International Centre for Economic Growth (2001) states that most entrepreneurs start a business because of reasons such as the availability of funds and opportunities then embark to learn about it while operating it. This results in a steep learning curve and higher chances of failure. Skills upgrading enable the informal sector to adopt new technology which results to higher productivity.

Naituli et al (2006), on the growth rate of an enterprise, noted that it is significantly influenced by the education level of the proprietor.

Kanunga (2003) adds that although the need for business skills are recognized; financial institutions, government and other institutions do not actively promote the skills among the entrepreneurs

Mochache (2005) observed the importance of training and how it enhances growth and competitiveness of the SME's. Training empowers owners and employers to make better decisions and provide better quality goods and services. He further noted that the training duration is influenced by the competency required for the particular trade. Managerial skills are important in making decisions which are non-routine and strategic in nature.

Ligthelm et al (2002) states that financial management is a crucial field within the environment of the small and medium enterprises thus present numerous potential obstacles. Management competence is often determined by the availability of management and financial information

McRae (1991) asserts that the potential of the education system to contribute further to the growth of an entrepreneurship culture has not been harnessed. The superior performance of high growth enterprises is partly explained by the owner's level of education and training. Entrepreneurial skills whether formal or informal enable the owner of a business to seek growth and utilize opportunities to make profit.

Namusonge (1998) noted that without requisite skills the goal of Kenya attaining industrialization through SMEs will not be possible. The acquisition of the relevant business skills is critical for their growth. He recommended for the formulation of a comprehensive entrepreneurship development policy to nurture the entrepreneurs.

2.2.6 The Policy Framework Governing the Matatu SACCOs

Regulatory restrictions are one area in which business people and entrepreneurs need to be facilitated in order that they become formal and grow. If regulations are friendly such as registration process and tax rates are clear and affordable the small scale businesses will openly operate and contribute to the economy more than at present (G.O.K Sessional paper 1, 1996).

Chitere P.O., et al(2004), established that institutional fragmentation in the Matatu sector was a key obstacle to roadtransport planning. The Kenya Roads Board (KRB) is the main institution responsible for thenational road infrastructure network in Kenya. Other institutions include, the TransportLicensing Board (TLB), Motor Vehicle Inspection Unit, Registrar of Motor Vehicles, DrivingTest Center, Traffic Police and Local Authorities. These institutions are fragmented acrossministries and departments. The Registrar of Motor, Vehicles, who determines andfixes passenger and luggage capacity for all vehicles, is currently under the Ministry of Finance,while the Driving Test Unit is under the Office of the President.

The absence of a proper regulatory framework and the relaxing of the Michuki Rules have also led the Matatu crews to practice collusion with the police (Kimani et al 2004).

Prior to the new government regulations, the PSV industry had been operating without proper regulations and comprehensive policy to guide it. Various attempts by the government to regulate the industry failed to make any serious impact. (IPAR, 2004)

The emerging policy concerns pertain to availability, profitability and affordability of PSV transport (KIPPRA 2004). These policies are; Tax policy and how it impacts on supply of more PSVs to meet the transport demand, business operations and financial viability. Issues concerning the tax burden on PSV operators are at centre stage; Policies relating to the cost of insurance and the extent to

which PSV operators can afford; Government policy on PSV vehicles importation i.e. minimum age and conditions and costs of operation and how it affects the determination of fare; Long-term environmental impact of importation of second hand vehicles when they become junk and PSV disposal policy including issues of recycling; Sources of investment capital and its effect on the number of PSVs on the road and profitability to the investor and Regulation of the industry and the training of the drivers.

The new reforms and regulations in the public transport policy are expected to streamline the operations in the industry for safety and comfort of passengers and increase profitability in the business (Githinji, 2005).

Despite the rapid growth and outstanding contributions of the Matatu industry, the industry has faced many problems. Excessive regulatory constraints inhibit business competitiveness worldwide. Africa is striving to industrialize but often, government policies or their absence provoke immense costs and adverse reactions by the entrepreneurs. Sometimes the policies or regulations are at fault during the times of their implementation (Ikiara, 1991).

Ndungu, Kibua & Masinde (2004) observed that under the Kenyan law, it is mandatory for any public service vehicle to have an insurance cover before it is allowed to operate. There are two main types of insurance cover, namely; Third party policy and comprehensive policy. The third party for 14 and 25 seater ranges between Kshs. 50,000 and Kshs. 100,000 plus 15% of the vehicle value (as at that time). The vehicles which cannot afford the whole amount opt to pay monthly. Most of the Matatus prefer third party policy because it is cheaper.

According to Kamau (2007), the government should involve the insurers in the process of fixing the premiums to be charged. This is because pricing is a major factor in determining a company's as well as the Matatus profitability. Proper pricing must take into consideration all

the cost elements in the business operations failure to which it will be very difficult for the insurers and the Matatu enterprise to break even.

2.2.7 Working Conditions for the Matatu Operators in Kenya

Graeff (2009) noted that job security is a major concern especially for Matatu crews and support staff. This concern stems from their casual employment status and verbal employment contracts. Poor job security begets reckless driving and overcrowded Matatus as drivers and conductors must meet the daily revenue marks or risk being fired. Significantly, basic employment policy in Kenya does not cover Matatu workers.

Kalsi(1997) analyzed the terms and conditions of work in the Matatu industry in Kenya. He discovered that Matatu employees work under different conditions. The workers are generally on temporary basis and earn wages on daily basis.

Chitere P.O.,et al (2004)observed that 90% of the employeesworked on contract/casual terms and had been with their present employersfor a few months, worked for long hours and did not belong to any Matatu association.

2.2.8TheMatatu SACCOS'Security Issues

According to Kyalo (2006) there has been the existence of cartels, conflicts and rivalry in the control of Matatu sector in the country. There are strong business and political groups with vested interests in the Matatu industry. In fact, there are deeply entrenched route-based cartels.

The activities of the Mungiki group and Kamjesh gangs, who have the control of certain Matatu routes and stages in the city of Nairobi, attest to the great rivalry and competition prevalent in the industry (Muiruri, 2001).

Another growing threat in the Matatu industry, especially in the city of Nairobi and parts of

Kiambu County, is that gangsters disguise themselves as passengers and board the vehicles. Along the way, the gangsters rob passengers and/or carjack Matatus for use in the robbery and other criminal activities. This is the general insecurity in the city of Nairobi and this trickle down to Matatus(Omondi, 2001).

The matatu industry is considered an open sector and as such, there are many unemployed youth who loiter, creating havens for anti-social activities such as drug use, petty theft, prostitution and violence (Khayesi M. 1999).

The political, social and economic struggles prevailing to the Matatu industry are not limited to Kenya. De Soto (1989) provided an incisive examination of the rise, challenges and struggle for survival and control of the informal transport sector in Lima, Peru.

KhosaM.M. (1993, 1995) has found that struggles exist in the small-scale transport and general transport system in South Africa. Therefore, it can be concluded that, as is the case in other developing countries, the future of the Matatu industry in Kenya will be affected as long as the business continues to straddle the economic, social and political spheres.

Although the law allows only the TLB to regulate the Matatu sector, cartels have been collecting on average of Kshs 400 from a 14 seater Matatu's and Kshs 600 from the mini-buses every day. New Matatu owners are forced to pay between Kshs 15,000 and Kshs 60,000 for their Matatu's to operate on the road. The cartels mainly operate in Nairobi and other major towns in Kenya, (Daily Nation 2005).

The crooks behind cartels disguise their operations under bogus welfare societies. The cartel poses major security threats to the multi-billion industry (Daily Nation 20th July, 2005).

Many people are still scared of investing in the business as they feel they may not have full control of their investment (Chitere P.O. et al, 2004)

Graeff (2009) observed that most stakeholders believe this is the reason the Matatu industry is

disorganized, as the lack of a political champion is a major obstacle in developing a progressive plan for Matatus. Thousands of people are operating Matatus independently and competing against each other. The relevant ministries and organizations are considered corrupt or weak. Without a governmental umbrella organization to guide transport the whole system has become fractured, allowing cartels to thrive as they offer a type of organization, albeit exploitive. Although the community has been vocal by writing articles in daily newspapers and posting responses on blogs regarding the need for a champion, the government continues to ignore public demand. An added possible obstacle to change is also that allegedly many politicians are currently absentee owners and profit from Matatus.

2.3 Summary and Gaps to be filled by the Study

Not much has been done on the factors influencing the performance of Matatu SACCOs operating in Thika town even though the research has been carried in other places. Relevant literature on the subject is also not readily available and if available it is old thus making it inappropriate for strategy formulation and decision making. The study therefore intends to fill these gaps.

2.4 Conceptual Framework

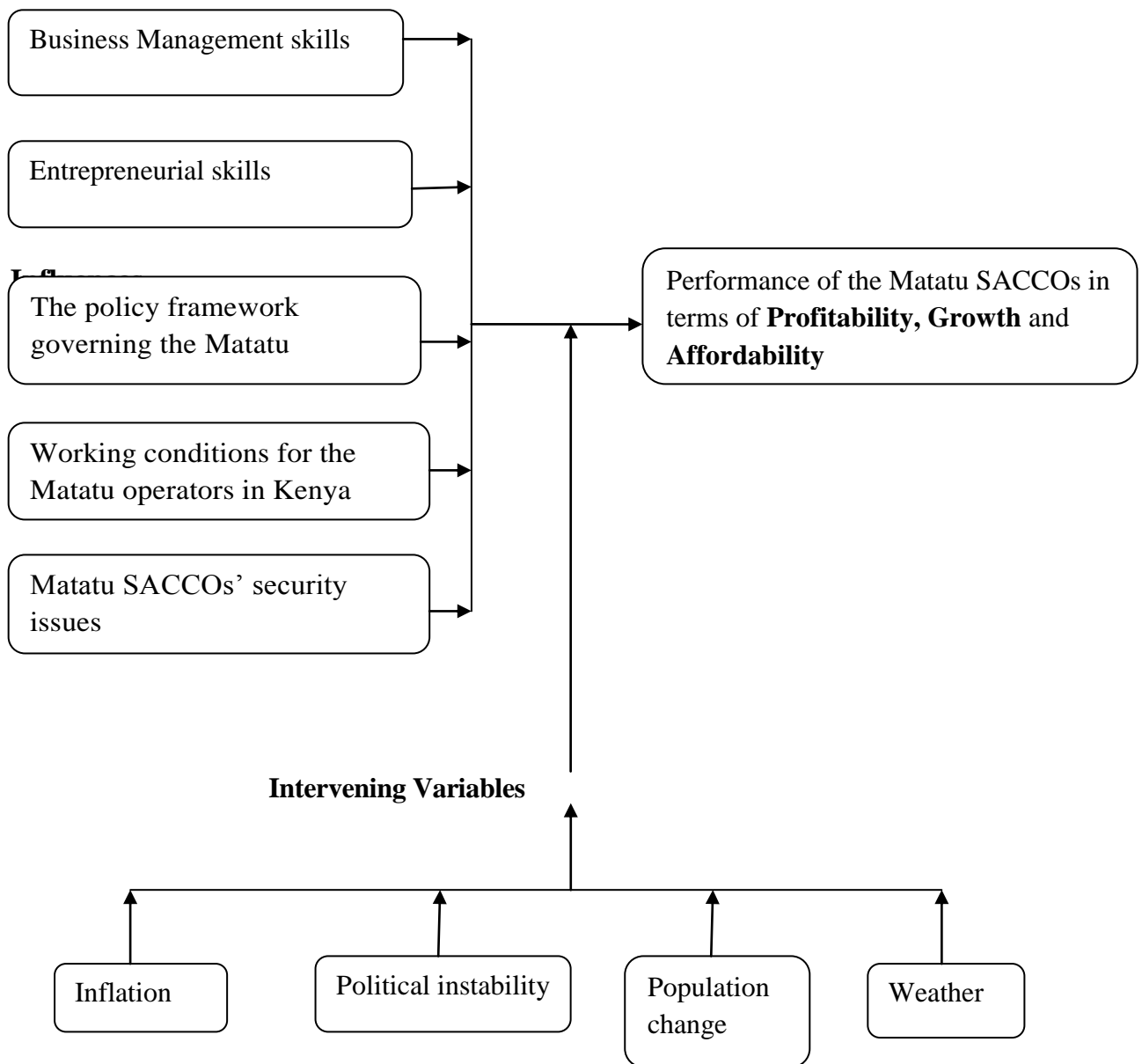
A conceptual framework is a graphical or diagrammatic representation of the relationship between variables in a study (Borg, Gall & Gall, 2005). It helps the researcher to see the proposed relationship between the variables easily and quickly. A conceptual framework's proposition summarizes behaviors and provides explanations and predictions for the majority number of empirical observations (Cooper & Schindler, 2008).

The study explored the relationship between business management & entrepreneurial skills in the Matatu SACCOs, the policy framework governing the Matatu SACCOs, working

conditions for the Matatu operators in Kenya and Matatu SACCOs' security issues and the performance of the Matatu SACCOs.

Figure 1The Conceptual Framework

Independent Variables



Source: Author (2013)

CHAPTER THREE

3.0 METHODOLOGY

3.1 Introduction

This chapter is divided into five sections; Section 3.2 presents the research design, Section 3.3 presents the target population, Section 3.4 presents the sampling and sample size. Further, Section 3.5 highlights the data collection tools and techniques and finally, Section 3.6 highlights the data analysis.

3.2 Research Design

The research design used for the study was descriptive survey. This is because it focuses on the large population and it gives explanation on the state of affairs as they exist at present (Kothari, 1999).

Mugenda and Mugenda (1999) define a descriptive survey as a method which enables the researcher to summarize and organize data in an effective and meaningful way.

The descriptive method was adopted since it helped to collect data from the population and to get the description of existing phenomena by asking individuals about their perceptions, attitudes, behaviors or values.

The design also allowed the researcher to generate both numerical and descriptive data that were used in measuring correlation coefficient between the variables.

3.3 The Target Population

Nachmias and Nachmias (1996) define population as the total collection of elements about which we wish to make some inferences.

The target population of this study was made up of Matatu SACCOs registered by the Ministry of Cooperative Development and Marketing in Thika Town. The total number of registered Matatu

SACCOs in Thika town is 12. Out of these SACCOs, six Matatu SACCOs are active while the other six are inactive. The study focused on the six active Matatu SACCOs with a total membership of 540 and 10 permanent employees at the management level. The Matatu SACCOs also have casual employees i.e. drivers and conductors. The study included 6 drivers and 4 conductors, which made the total population size to be 560.

Table 1 Active Matatu SACCOs registered in Thika West District

| S/No | Name of the SACCO | No. of Management level Employees by 2012 | No. of Members/Owners by 2012 |
|--------------|-------------------------------|--------------------------------------------------|--------------------------------------|
| 1 | Chania Travellers SACCO | 3 | 119 |
| 2 | Thika Travellers Choice SACCO | 2 | 37 |
| 3 | Mataara Travellers SACCO | 2 | 206 |
| 4 | Thika Town Services SACCO | 1 | 108 |
| 5 | Kilimambogo Travellers SACCO | 1 | 35 |
| 6 | Thika Falls Travellers SACCO | 1 | 35 |
| TOTAL | | 10 | 540 |

Source: MCDM, Thika West District (2012)

3.4 Sampling and Sample Size

A sample comprising of members/owners, management level employees and the casual employees (drivers and conductors) of the six Matatu SACCOs was considered for this study. Stratified random sampling with non-proportionate allocation of sample sizes was used to draw samples from the target

population.

The population was divided into 4 subgroups/ strata of members/owners of the SACCOs, management level employees, drivers and conductors. Each stratum had members disproportionate to the respective numbers in the target population.

Saunders, Lewis & Thornhill (2009) argue that a sample 10% to 20% of accessible population is acceptable in a descriptive research. For this study, the researcher used 10% of the accessible population in the selected Matatu SACCOs.

The sample size, $n = 10\%$ of the population size (560)

$$n = \frac{10}{100} \times 560 = 56$$

Table 2 Non-proportionate Sampling

| Strata/Group | Total Population | Sample Size |
|----------------------------|-------------------------|--------------------|
| Members/Owners | 540 | 36 |
| Management level employees | 10 | 10 |
| Drivers | 6 | 6 |
| Conductors | 4 | 4 |
| Total | 560 | 56 |

Source: Author (2013)

3.5 Data Collection Tools and Techniques

Data pertaining to the factors influencing the performance of the Matatu SACCOs operating in Thika town was collected by use of questionnaires to obtain primary data. The questionnaires were preferred because they enable large coverage of the population with little time, personnel and cost, anonymity of

the respondents helped them to be honest in their responses, avoid bias and it allowed respondents to have enough time to answer questions thus avoiding hasty responses.

Questionnaires included both open-ended and closed-ended questions. The questionnaires were self-administered to the sample respondents. Open-ended questions were used to solicit qualitative data while closed-ended questions obtained quantitative data for statistical analysis.

Before commencing the actual data collection exercise, the questionnaire was tested by sending it to three selected respondents with a view of amending questions where difficulties arose. The questionnaires were collected back after two weeks and analyzed both qualitatively and quantitatively.

3.6 Data Analysis

The data collected was classified, sorted, edited and compiled. Measures of central tendency were used to analyze the quantitative data. The data was presented in form of tables, frequency distributions, percentages, pie charts and bar charts. The analysis of the data was done with the help of SPSS in order to present it in descriptive form. Qualitative data was analyzed by use of the content analysis.

CHAPTER FOUR

4.0 DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter presents the analysis of the research. The study sought to investigate the factors that influence the performance of the Matatu SACCOs operating in Thika Town, Kiambu County. The data collected through questionnaires has been analyzed and presented in the form of tables, pie charts, bar graphs, percentages, among others. The data has been interpreted in line with the objectives of the study.

4.2 Background Information of the Sample

The study was limited to the active Matatu SACCOs which are registered in Thika and operate in Thika town. The respondents were Matatu SACCO owners/members, management level employees of the Matatu SACCOs, drivers and conductors.

A sample of 56 respondents was drawn comprising of 36 owners/members, 10 management level employees, 6 drivers and 4 conductors. This represented 10% of the target population.

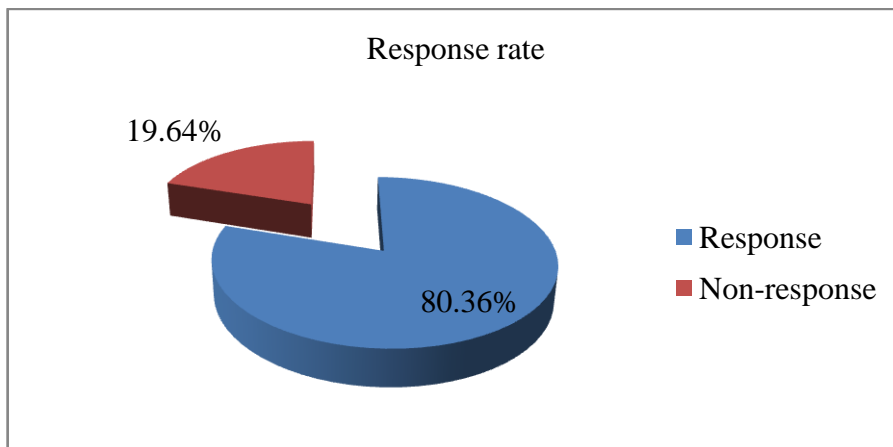
Of the 36 owners/members earmarked for the study, 25 responded to the questionnaire representing 69.44% response rate. There was a 100% response rate from the management level employees, drivers and conductors. Thus a total of 45 respondents out of the drawn sample of 56 responded to the questionnaires representing 80.36 % participation level as shown in the table 3 and figure 2 below. This response rate was considered sufficient for the purposes of the study.

Table 3 Sample Response Rate

| CATEGORY | RESPONSE | | NON-RESPONSE | | TOTAL | |
|-------------------------------|-----------|--------------|--------------|--------------|-----------|--------------|
| | Number | % | Number | % | Number | % |
| Owners/Members | 25 | 69.4 | 11 | 30.6 | 36 | 100.0 |
| Management Level Employees | 10 | 100.0 | 0 | 0.0 | 10 | 100.0 |
| Drivers | 6 | 100.0 | 0 | 0.0 | 6 | 100.0 |
| Conductors | 4 | 100.0 | 0 | 0.0 | 4 | 100.0 |
| TOTAL | 45 | 80.36 | 11 | 19.64 | 56 | 100.0 |

Source: Author (2013)

Figure 2 Sample Response Rate



Source: Author (2013)

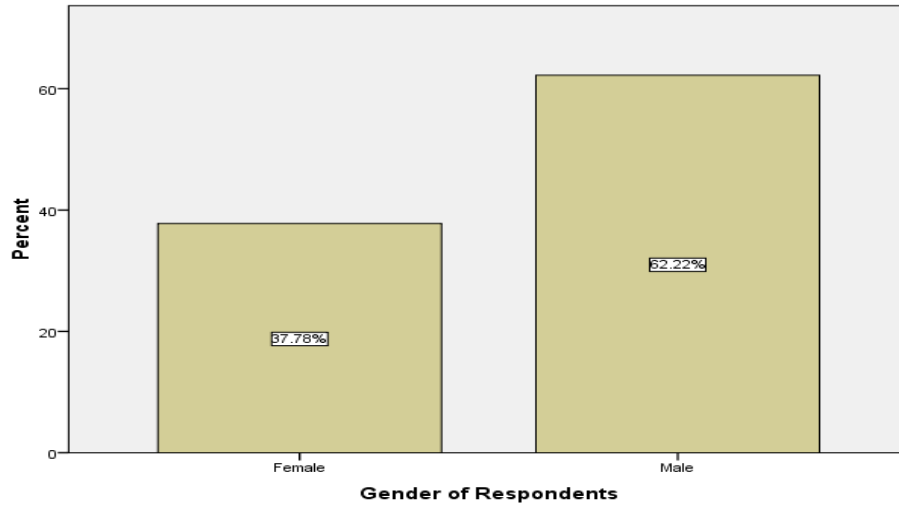
The above figures form the basis of the research findings, analysis, interpretations, conclusions and recommendations contained in the study.

4.3 Socio-Economic Characteristics of the Respondents

The study examined the socio-economic characteristics of the owners/members, management level employees, drivers and conductors in the Matatu SACCOs through the following aspects: gender,

age, level of education as well as the number of years in the Matatu SACCO as indicated on the below:

Figure 3 Gender of the Respondents



Source: Author (2013)

Figure 3 above is an indication of the gender in the Matatu SACCOs. The total number of male respondents was 62.22% while the number of female respondents was 37.78%.

Table 4 Age of the Respondents

| Position held in the SACCO | Age of the Respondents (Years) | | | | | | | | | |
|-------------------------------|--------------------------------|-------------|-----------|-------------|-----------|-------------|----------|------------|-----------|--------------|
| | 18-25 | | 26-30 | | 31-40 | | Over 40 | | Total | |
| | f | % | f | % | f | % | f | % | f | % |
| Conductors | 0 | 0.0 | 1 | 25.0 | 3 | 75.0 | 0 | 0.0 | 4 | 100.0 |
| Drivers | 2 | 33.3 | 0 | 0.0 | 4 | 66.7 | 0 | 0.0 | 6 | 100.0 |
| Management Level Employess | 0 | 0.0 | 7 | 70.0 | 3 | 30.0 | 0 | 0.0 | 10 | 100.0 |
| Owners/members | 4 | 16.0 | 5 | 20.0 | 16 | 64.0 | 0 | 0.0 | 25 | 100.0 |
| Total | 6 | 13.3 | 13 | 28.9 | 26 | 57.8 | 0 | 0.0 | 45 | 100.0 |

Source: Author (2013)

According to table 4 above, 13.3% of the respondents were of the age bracket 18-25, 28.9% were between the ages of 26-30 and 57.8% were between the ages of 31-40 years. None of the respondents was above 40 years of age.

Table 5 Level of Education

| Position held in the SACCO | Level of Education | | | | | | | |
|-------------------------------|--------------------|-------------|----------|-------------|-----------|-------------|-----------|--------------|
| | College/University | | Primary | | Secondary | | Total | |
| | f | % | f | % | f | % | f | % |
| Conductors | 1 | 25.0 | 0 | 0.0 | 3 | 75.0 | 4 | 100.0 |
| Drivers | 3 | 50.0 | 2 | 33.3 | 1 | 16.7 | 6 | 100.0 |
| Management Level Employess | 6 | 60.0 | 1 | 10.0 | 3 | 30.0 | 10 | 100.0 |
| Owners/members | 13 | 52.0 | 2 | 8.0 | 10 | 40.0 | 25 | 100.0 |
| Total | 23 | 51.1 | 5 | 11.1 | 17 | 37.8 | 45 | 100.0 |

Source: Author (2013)

Table 5 above shows the level of education of various respondents. According to the table, 51.1% of the respondents were college/university graduates, 11.1% had completed primary school education and 37.8% had completed secondary school education.

Table 6 Number of years in the SACCO

| Position held in the SACCO | Period in the SACCO (Years) | | | | | | | |
|-------------------------------|-----------------------------|-------------|-----------|-------------|----------|------------|-----------|--------------|
| | 1-3 | | 4-6 | | 7-9 | | Total | |
| | f | % | f | % | f | % | f | % |
| Conductors | 2 | 50.0 | 2 | 50.0 | 0 | 0.0 | 4 | 100.0 |
| Drivers | 4 | 66.7 | 2 | 33.3 | 0 | 0.0 | 6 | 100.0 |
| Management Level Employees | 6 | 60.0 | 2 | 20.0 | 2 | 20.0 | 10 | 100.0 |
| Owners/members | 16 | 64.0 | 9 | 36.0 | 0 | 0.0 | 25 | 100.0 |
| Total | 28 | 62.2 | 15 | 33.3 | 2 | 4.5 | 45 | 100.0 |

Source: Author (2013)

Table 6 above shows that majority of the respondents (62.2%) have been in their respective SACCOs for a period of 1-3 years. Majority of the owners (64%), management level employees (60%) and drivers (66.7) have been in their respective Matatu SACCOs for a period of between 1-3 years. Half of the conductors (50%) have been in their SACCOs for the same period of 1-3 years.

4.4 Effects of the Level of Business Management and Entrepreneurial Skills to the Performance of Matatu SACCOS

Table 7 Level of business management and entrepreneurial skills

| Activity | Always 1 % | Sometimes 2 % | Hardly 3 % | Never 4 % | Total number of respondents % |
|-----------------------------------------|------------------|---------------------|------------------|-----------------|-------------------------------------|
| Do you keep books of account? | 72.4 | 27.6 | 0.0 | 0.0 | 100.0 |
| Do you properly determine your profits? | 72.4 | 27.6 | 0.0 | 0.0 | 100.0 |
| Do you save your profits? | 72.4 | 24.2 | 3.4 | 0.0 | 100.0 |
| Do you train your employees? | 24.1 | 41.4 | 27.6 | 6.9 | 100.0 |
| Do you operate a bank account? | 86.2 | 6.9 | 6.9 | 0.0 | 100.0 |
| Do you attend seminars and workshops? | 17.2 | 41.4 | 13.8 | 27.6 | 100.0 |
| Do you inspect employees as they work? | 48.3 | 31.0 | 20.7 | 0.0 | 100.0 |
| Do you conduct market research? | 20.7 | 44.8 | 27.6 | 6.9 | 100.0 |

Source: Author (2013)

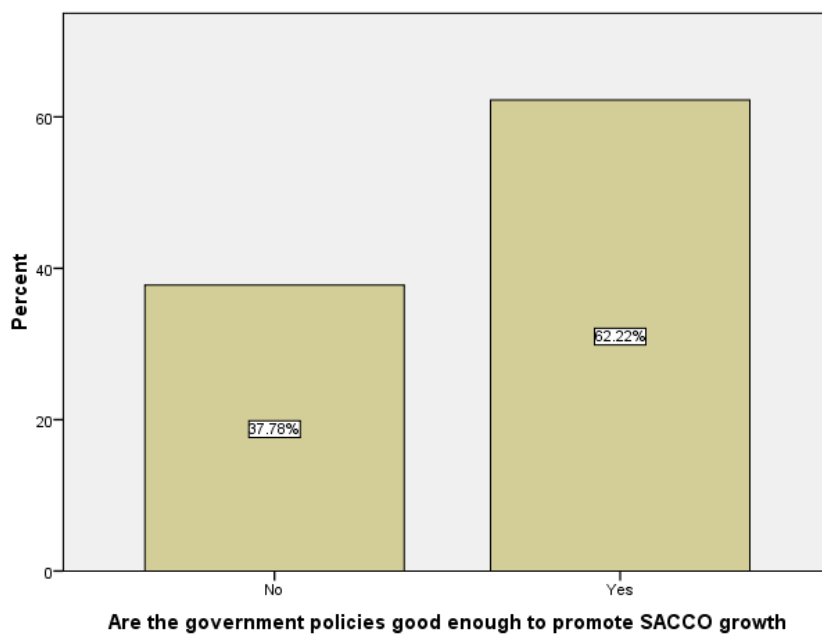
Table 7 above shows that 72.4% of the Matatu SACCO owners/members kept books of accounts, 72.4% determined their profits properly and 86.2% operated bank accounts.

72.4% of the Matatu SACCO owners save their profits regularly. Only 24.1% of the owners/members train their employees regularly, 17.1% of the owners usually attend seminars and

workshops and 48.3% of the owners always inspect their employees as they work. The study also revealed that only 20.7% of the owners conduct market research for their business.

4.5 Effects of the Government Policy Framework towards the Performance of the Matatu SACCOS

Figure 4 Are the government policies good enough to promote performance of the Matatu SACCOS?



Source: Author (2013)

From figure 4 above, majority of the respondents (62.22%) stated that the government policies are good enough to promote growth and performance of their Matatu SACCOS whereas 37.78% were of the opinion that government policies are not good enough to promote the growth and performance of their Matatu SACCOS.

Table 8 Benefits of the government policies towards the performance of the Matatu SACCOs

| Response | Frequency | Percent (%) |
|--------------------------------------------------|------------------|--------------------|
| Promotes discipline among drivers and conductors | 11 | 39.3 |
| Reduces road accidents | 8 | 28.6 |
| Leads to smooth process of SACCO registration | 5 | 17.9 |
| Improves the security of the Matatus | 2 | 7.1 |
| Proper maintenance of the vehicles | 2 | 7.1 |
| Total | 28 | 100.0 |

Source: Author (2013)

The table 8 above indicates that 39.3% of the respondents of the opinion that government policies are good stated that government policies have promoted discipline among the drivers and conductors. A significant number of the respondents 28.6% pointed out that government policy help in reducing road accidents.

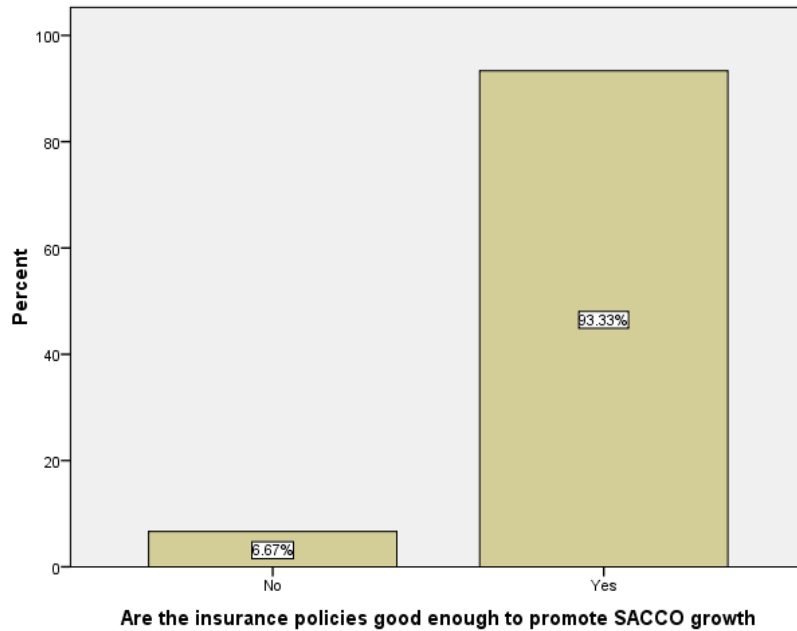
Table 9 Constraints brought about by the government policies towards the performance of the Matatu SACCOs

| Response | Frequency | Percent % |
|-----------------------------------------------------------|------------------|------------------|
| Increases the rate of corruption among the traffic police | 9 | 53.0 |
| Lengthy process of Matatu SACCO registration | 5 | 29.4 |
| PSV are very expensive | 3 | 17.6 |
| Total | 17 | 100.0 |

Source: Author (2013)

Out of the respondents who felt that government policies are not good enough to promote the performance of the Matatu SACCOs, 53% stated that the government policies increases the rate of corruption among the traffic police as indicated in table 9 above.

Figure 5 Are the insurance policies good enough to promote performance of the Matatu SACCOS?



Source: Author (2013)

From the figure 5 above, 93.33% of the respondents stated that insurance policies are good enough to promote SACCO growth and performance while only 6.67% of the respondents were of the contrary opinion.

Table 10 Benefits of the insurance policies to the Matatu SACCOs

| Response | Frequency | Percent % |
|-----------------------------------------------------|------------------|------------------|
| Compensation in case of accident | 32 | 76.2 |
| Insurance companies offer training facilities | 4 | 9.5 |
| Promote discipline among the drivers and conductors | 2 | 4.8 |
| Promotes business confidence | 4 | 9.5 |
| Total | 42 | 100.0 |

Source: Author (2013)

From the table 10 above, majority of the respondents (76.2%) stated that insurances companies compensate the Matatu SACCOs in case of accident.

4.6 Effects of Working Conditions for the Matatu Operators to the Performance of the Matatu SACCOs

Table 11 Terms of employment

| Position held in the SACCO | Terms of Employment | | | | | | | |
|----------------------------|---------------------|-------------|-----------|-------------|-----------|-------------|-----------|--------------|
| | Contract | | Permanent | | Temporary | | Total | |
| | f | % | f | % | f | % | f | % |
| Conductors | 0 | 0.0 | 0 | 0.0 | 2 | 100.0 | 2 | 100.0 |
| Drivers | 0 | 0.0 | 1 | 33.3 | 2 | 66.7 | 3 | 100.0 |
| Management Level Employess | 2 | 22.2 | 2 | 22.2 | 5 | 55.6 | 9 | 100.0 |
| Total | 2 | 14.3 | 3 | 21.4 | 9 | 64.3 | 14 | 100.0 |

Source: Author (2013)

The above table 11 indicates that majority of the employees (64.3%) are employed temporarily. All conductors, 66.7% of the drivers and 55.6% of the management level employees are employed temporarily. Only 3% of the employees are employed on permanent basis.

Table 12 Mode of wage payment

| Wage payment (Kshs) | Frequency | Percent % |
|---------------------|-----------|--------------|
| Daily | 5 | 35.7 |
| Fortnightly | 4 | 28.6 |
| Weekly | 5 | 35.7 |
| Total | 14 | 100.0 |

Source: Author (2013)

Table 12 above clearly shows that majority of the employees (35.7%) are paid their wages on daily basis with the same percentage also being paid on weekly basis. 28.7% of the employees are paid fortnightly.

Table 13 Average daily earnings

| Daily earnings | Frequency | Percent % |
|----------------|-----------|--------------|
| 301-400 | 2 | 14.3 |
| 401-500 | 7 | 50.0 |
| 501-600 | 5 | 35.7 |
| Total | 14 | 100.0 |

Source: Author (2013)

From table 13 above, it is clearly seen that 85.7% of the employees get an average daily earning of above Kshs.400. Only 14.3% of the employees get an average daily earning of between Kshs.301-400.

Table 14 Number of working hours in a day

| Working Hours | Frequency | Percent % |
|---------------|-----------|--------------|
| 6-8 | 6 | 42.8 |
| 9-11 | 4 | 28.6 |
| 12-14 | 4 | 28.6 |
| Total | 14 | 100.0 |

Source: Author (2013)

Table 14 above shows that 57.2% of the employees in the Matatu SACCOs work beyond the standard 8 hours in a day.

Table 15 Are you offered any of the following allowances?

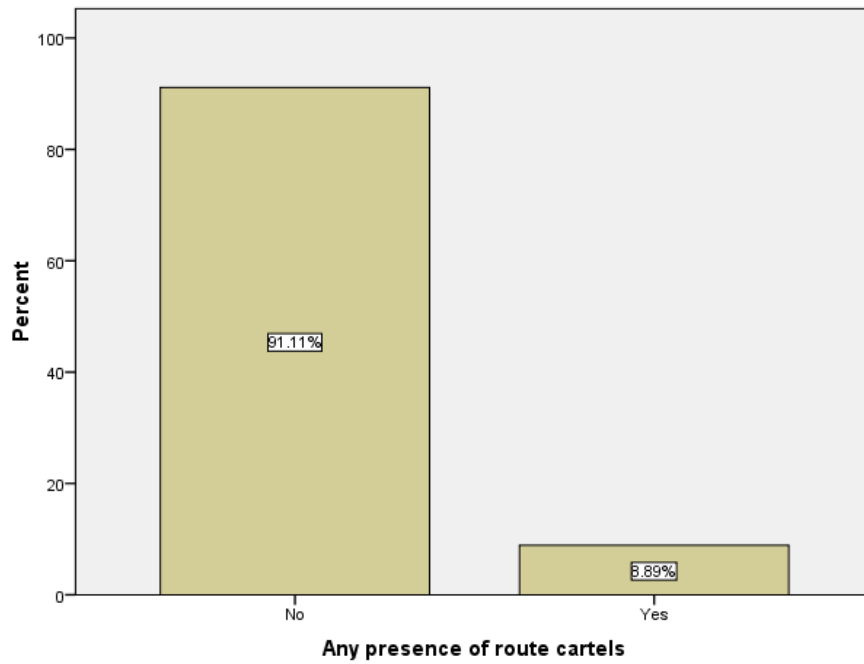
| Type of Allowance | Frequency | Percent % |
|--------------------------|------------------|------------------|
| Breakfast allowance | 2 | 14.3 |
| Leave allowance | 2 | 14.3 |
| House allowance | 1 | 7.1 |
| Health allowance | 1 | 7.1 |
| Lunch allowance | 8 | 57.2 |
| Total | 14 | 100.0 |

Source: Author (2013)

It is evidenced by the table 15 above that majority (57.2%) of the Matatu SACCO employees are given lunch allowance by their employers. None of the employees was given more than one allowance. Only 7.1% of the employees are given health allowance and the same percentage is given house allowance.

4.7 Effects of Matatu SACCOS' Security Issues to their Performance

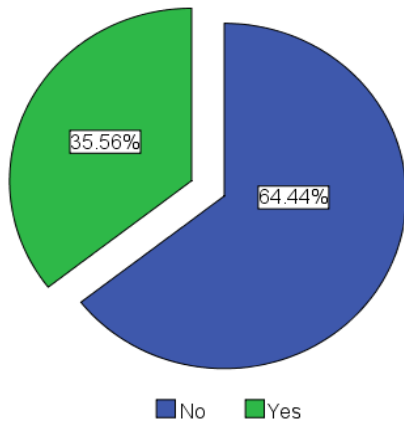
Figure 6 Presence of Route Cartels



Source: Author (2013)

Figure 6 above indicates that 91.11% of the respondents did not acknowledge the presence of route cartels controlling the route on day to day basis.

Figure 7 Are there security arrangements for your Matatu SACCO?



Source: Author (2013)

Figure 7 above shows that 35.56% of the Matatu SACCOs engage in extra security measures to ensure safety of their vehicles as well as that of their customers whereas 64.44% do not engage in extra security measures for their Matatu SACCOs.

Table 16 Security arrangements for the SACCO

| Response | Frequency | Percent % |
|---------------------------------------------------|-----------|--------------|
| Arranging for road blocks with the traffic police | 10 | 62.5 |
| Employing security guards and checks | 6 | 37.5 |
| Total | 16 | 100.0 |

Source: Author (2013)

As shown in the table 16 above, most of the Matatu SACCOs (62.5%) arrange for road blocks with the traffic police to enhance security and other Matatu SACCOs employ their own security guards to improve security.

Table 17 Other security challenges encountered by the Matatu SACCOS

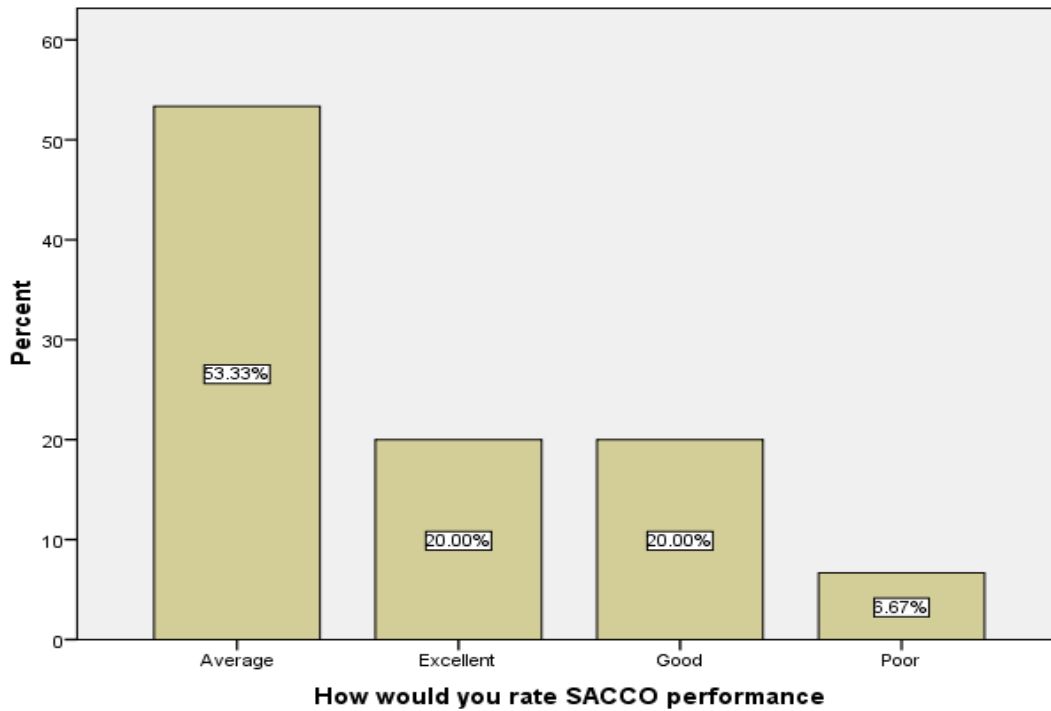
| Response | Frequency | Percent % |
|-----------------------------------------------|------------------|------------------|
| Vandalism of the vehicles by thieves at night | 12 | 26.7 |
| Carjacking and robbery | 11 | 24.5 |
| None | 22 | 48.8 |
| Total | 45 | 100.0 |

Source: Author (2013)

From the table 17 above, 26.7% of the respondents' encountered vandalism of the vehicles by thieves at night, 24.5% encountered carjacking and robbery and 48.8% did not encounter any security challenge.

4.8 Priority Problems and Constraints Affecting the Matatu SACCOS

Figure 8 Performance of the Matatu SACCOS in terms of income generation



Source: Author (2013)

Figure 8 above is a graphical illustration on the performance of Matatu SACCOS in terms of income generation. 53.33% of the respondents stated that the performance of their SACCOS in terms of income generation as average, 20% as excellent and 20% as good. Only 5.67% of the respondents stated that the performance of their SACCOS is poor.

Table 18 Causes of low performance by the Matatu SACCOs

| Problems/ Constraints | Priority 1 % | Priority 2 % | Priority 3 % | Priority 4 % | Total number of respondents % |
|-----------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|------------------------------------------|
| Lack of managerial and entrepreneurial skills | 73.3 | 15.6 | 11.1 | 0 | 100.0 |
| Inadequate government policies | 26.7 | 46.7 | 15.6 | 11.1 | 100.0 |
| Poor working conditions for the employees | 55.6 | 35.5 | 6.7 | 2.2 | 100.0 |
| Poor insurance policies | 35.6 | 31.1 | 22.2 | 11.1 | 100.0 |
| Insecurity, Crime and Cartels | 53.3 | 26.7 | 13.3 | 6.7 | 100.0 |

Source: Author (2013)

As indicate in the table 18 above, 73.3% of the respondents were of the view that lack of managerial and entrepreneurial skills led to low performance of their Matatu SACCOs. 55.6% of the respondents complained of poor working conditions of the employees as the cause of low performance in the Matatu SACCOs and 53.3% felt that insecurity and crime were the cause of low performance in the Matatu SACCOs.

4.9 Strategies and Recommendations that may improve the Performance of the Matatu SACCOs

Table 19 Ways of improving Matatu SACCOs' performance

| Solutions | Priority 1 % | Priority 2 % | Priority 3 % | Priority 4 % | Total number of respondents% |
|--------------------------------------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------------|
| Train the employees on managerial and entrepreneurial skills | 71.1 | 26.7 | 0 | 2.2 | 100.0 |
| Review government policies on the Matatu sector | 28.9 | 24.4 | 15.6 | 11.1 | 100.0 |
| Improve the working conditions for the employees | 57.8 | 33.3 | 4.4 | 4.4 | 100.0 |
| Improve security/ Ban Matatu Cartels | 53.3 | 22.2 | 11.1 | 13.3 | 100.0 |

Source: Author (2013)

As shown in the table 19 above, 71.1% of the respondents felt that both employees and owners of the Matatu SACCOs should be trained on the business management skills and entrepreneurial skills.

57.8% of the respondents felt that the working condition of the SACCO employees should be improved and 53.3% of the respondents were of the view that security must be improved in order for the Matatu SACCOs for growth and profitability to be realized.

Only 28.9% of the respondents were of the opinion that government policies in the Matatu sector need to be reviewed.

CHAPTER FIVE

5.0 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The research investigated the factors influencing the performance of Matatu SACCOs operating in Thika town, Kiambu County. This chapter summarizes the findings of the study as analyzed in the previous chapter in light of the research questions and objectives of the study. Conclusions, recommendations and suggestions for further research have also been made from the study.

5.2 Summary of Major Findings

The study examined the socio-economic characteristics of the owners/members, management level employees, drivers and conductors in the Matatu SACCOs which included gender, age and level of education as well as the number of years in their Matatu SACCOs.

According to the data presented, majority of the respondents (62.22%) in the Matatu SACCOs are males compared to 37.78% representing the females. From the previous studies, less than 20% of females were involved in the Matatu business. Thus, it can be concluded that the new policies in the public transport requiring the Matatus to be registered in SACCOs or limited liability companies have brought sanity and vision in the Matatu sector. This has in turn attracted women entrepreneurs to venture into the Matatu business thus increasing their number to 37.78%.

According to the study it can be inferred that all the respondents (100%) are of the age 18-40 years. The study construe that the Matatu business is a very demanding industry requiring energetic and youthful players.

Clearly, according to the data presented 52% of the owners, 60% of the management level employees and 50% of the drivers have post secondary education qualifications. Only 25% of the conductors have post secondary education qualification. The study revealed that due to the

registration of all the Matatus into the SACCOs has attracted educated people into the Matatu business. Traditionally, the Matatu business was dominated by less educated people.

Majority of the owners (64%), management level employees (60%) and drivers (66.7%) have been in their respective Matatu SACCOs for a period of between 1-3 years. Half of the conductors (50%) have been in their SACCOs for the same period of 1-3 years. The study therefore deduces that since the registration of the SACCOs commenced in the start of the year 2011, most of the respondents have not moved from one SACCO to the other. This can be attributed to the clear vision and sanity in the business brought about by the radical changes in the Matatu sector.

According to the data presented, majority of the respondents (73.3%) reported lack of managerial and entrepreneurial skills as the main cause of low performance by their Matatu SACCOs. It was evidenced that most of the Matatu SACCOs do not train their employees on managerial and entrepreneurial skills on regular basis, owners of the Matatu SACCOs rarely attend seminars and workshops and they also rarely conduct market research.

The study found out that majority of the respondents (62.22%) was of the opinion that government policies are good enough to promote the performance of the Matatu SACCOs. 93.33% of the respondents stated that insurance policies are good enough to promote SACCO performance while only 6.67% of the respondents were of the contrary opinion. However, out of the respondents who felt that government policies are not good enough to promote the performance of the Matatu SACCOs, 53% stated that the government policies on road safety increases the rate of corruption among the traffic police.

The data presented indicated that 55.6% of the respondents complained that poor working conditions of the Matatu SACCO employees as the cause of low performance in the Matatu SACCOs. It is also noted that only 3% of the employees are employed on permanent basis, 57% of

the employees in the Matatu SACCOs work beyond the standard 8 hours in a day and only 7.1% of the Matatu SACCO employees are given health allowance.

The study found out that 53.3% of the respondents felt that insecurity and crime were the cause of low performance in the Matatu SACCOs. The study also found out that 54.44% of the Matatu SACCOs engage in extra security measures to ensure safety of their vehicles as well as that of their customers. These extra security measures include arranging for road blocks with the traffic police and employing security guards and checks.

According to the data presented, 91.11% of the respondents did not acknowledge the presence of route cartels controlling the routes on day to day basis. This can be attributed to the fact that all the Matatus are now controlled by their respective SACCOs. However, the Matatu SACCOs encounter other security challenges such as carjacking and robbery and vandalism of the vehicles by thieves at night.

5.3 Conclusions

From the research objectives, it can be concluded that business management and entrepreneurial skills have impact on the performance of the Matatu SACCOs. Proper maintenance of books of accounts, training of the employees on management and entrepreneurial skills, attending workshops and seminars and inspection of employees as they work should be encouraged always so that Matatu SACCOs can be able to achieve high levels of profitability.

Secondly, it can be concluded that insurance policies are good as far as profitability of the Matatu SACCOs is concerned. Other government policies towards the Matatu business are good; however road safety rules and regulations need to be enforced in order to reduce corruption among the traffic police and increase efficiency in this sector.

Thirdly, poor working conditions impact on the profitability of the Matatu SACCOs. Most of the employees work for more than 8 hours in a day, only 3% of the employees are employed on permanent basis and only 7.1% of the Matatu SACCO employees are given health allowance and house allowance. Most of the employees are not motivated due to these poor working conditions and hence it leads to low productivity.

5.4 Recommendations

Given the above findings and conclusions, the researcher recommends the following measures for implementation with regard to the performance of the Matatu SACCOs:

Matatu SACCOs should organize for training, seminars and workshops for both the owners of the SACCOs and their employees so that they can improve on their management and entrepreneurial skills. The owners of the Matatu SACCOs are also recommended to do routine inspections of their employees as they carry out their work.

Government policies are good as far as the performance of the Matatu SACCOs is concerned; however the policies on road safety have resulted in massive corruption among the traffic police officers. Corruption reduces the levels of profitability in the Matatu SACCOs. The government is therefore required to come up with ways of dealing with the corrupt police officers.

Poor working conditions lead to low productivity of the employees which in turn make the Matatu SACCOs to record low profits. It is recommended that Matatu SACCOs should improve the working conditions of their employees so as to register huge profits.

Engagement in extra security measures by the Matatu SACCOs increases their operation costs. The study recommends that the government increases road patrols so as to reduce incidences of carjacking and robbery.

5.5 Suggestions for Further Research

This research was limited to the factors influencing the performance of Matatu SACCOs operating in Kiambu County; it is suggested that the same research to be conducted in other counties so that a coherent report can be drawn for policy making in order to improve the growth and profitability of the Matatu SACCOs.

Also a study needs to be done on the determinants of effective performance in the Matatu SACCOs in Kenya

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6. How are you related to this SACCO? Owner/Member ()

Employee ()

7. If an employee, which position do you hold in the SACCO?

Management level employee ()

Driver ()

Conductor ()

8. How many years have you been in this SACCO?

SECTION B: Business Management and Entrepreneurial Skills

(This section is to be filled by the SACCO members/owners only)

9. The following are statements about business management and entrepreneurial skills. Indicate the extent to which you apply them

| Activity | Always | Sometimes | Hardly | Never |
|-----------------------------------------|---------------|------------------|---------------|--------------|
| Do you keep books of account? | | | | |
| Do you properly determine your profits? | | | | |
| Do you save your profits? | | | | |
| Do you train your employees? | | | | |
| Do you operate a bank account? | | | | |
| Do you attend seminars and workshops? | | | | |
| Do you inspect employees as they work? | | | | |
| Do you conduct market research? | | | | |

Others (Specify)

SECTION C: The Policy Framework

10. Are the government policies good enough to promote the growth and performance of the Matatu SACCOs?

Yes ()

No ()

11. If yes, what are the benefits of these policies towards the growth and performance of your Matatu SACCO?

.....

.....

.....

.....

.....

12. If no, what are the constraints brought about by these policies towards the growth and performance of your Matatu SACCO?

.....

.....

.....

.....

.....

13. Are the insurance policies good enough to promote the performance of the Matatu SACCOs?

Yes ()

No ()

14. If yes, how do your Matatu SACCO benefit from these insurance policies?

.....
.....
.....
.....
.....

15. If no, what are some of the challenges brought about by these insurance policies?

.....
.....
.....
.....
.....

SECTION D: Working Conditions

(This section is to be filled by the SACCO employees only)

16. For how long have you been working in this SACCO?

17. Terms of employment

Permanently ()

Temporarily ()

On Contract ()

Others (Specify).....

18. If on contract, is written or verbal?

19. How are you paid?

Daily ()

Weekly ()

Fortnightly ()

Piece rate ()

Other (Specify).....

20. Indicate your average daily earnings

0-100 ()

101-200 ()

201-300 ()

301-400 ()

401-500 ()

501-600 ()

Other (Specify)

21. How many hours do work in a day?

22. Are you offered any of the following allowances?

Leave allowance ()

House allowance ()

Health allowance ()

Lunch allowance ()

Breakfast allowance ()

Other (Specify)

SECTION E: Matatu SACCOs' Security Issues

23. Is there any presence of route cartels in the area of your operation?

Yes ()

No ()

24. If yes, how do you deal with them?

.....
.....
.....
.....

25. Are there security arrangements for your Matatu SACCO?

Yes ()

No ()

26. If yes, what are they?

.....
.....
.....
.....

27. What other security challenges do you encounter during your daily operations?

.....
.....
.....
.....

28. How do you deal with the challenges mentioned above?

.....

.....

.....

.....

SECTION F: Priority Problems and Constraints Affecting the Matatu SACCOs

29. How would you rate the performance of this Matatu SACCO in terms of income generation?

- Excellent ()
- Average ()
- Good ()
- Poor ()

30. If not excellent, what do you think contributed to this level of performance?

Please rank these problems/constraints in the order of the priority

| Problems/constraints | Priority 1 | Priority 2 | Priority 3 | Priority 4 |
|-----------------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Lack of managerial and entrepreneurial skills | | | | |
| Inadequate government policies | | | | |
| Poor working conditions for the employees | | | | |
| Poor insurance policies | | | | |
| Insecurity, Crime and Cartels | | | | |

Others (Specify)

SECTION G: Strategies and Recommendations that may improve the Performance of Matatu SACCOs

31. What would you suggest to be done to improve the performance of your Matatu SACCO?

Kindly rank these solutions in the order of priority.

| Solutions | Priority 1 | Priority 2 | Priority 3 | Priority 4 |
|--------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Train the employees on managerial and entrepreneurial skills | | | | |
| Review government policies on the Matatu sector | | | | |
| Improve the working conditions for the employees | | | | |
| Improve security/ Ban Matatu Cartels | | | | |

Others (Specify)

The End

Thank you for your cooperation

APPENDIX II: LETTER OF INTRODUCTION

APPENDIX III: TIME SCHEDULE

| Activity | DEC 2012 | JAN 2013 | FEB 2013 | MARCH 2013 | APRIL 2013 | MAY 2013 |
|-----------------------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------|---------------------|
| Development of the research topic | | | | | | |
| Proposal writing and presentation | | | | | | |
| Pilot study | | | | | | |
| Data collection | | | | | | |
| Data analysis | | | | | | |
| Report writing and submission | | | | | | |

Source: Author (2013)

APPENDIX IV: BUDGET

| Item/Activity | Rate(Kshs) | Cost(Kshs) |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| Literature Search <ul style="list-style-type: none"> • Travelling to libraries • Accommodation and subsistence in the research areas | 15 days@ Kshs. 150 per day 10 days@ Kshs 2,000 | 2,250 20,000 |
| Field research travelling | 20 days @ Kshs. 200 | 4,000 |
| Other expenses <ul style="list-style-type: none"> • Foolscaps • Photocopy services • Internet use • Secretarial services • Concreting pages • Printing proposal and project • Binding project | 3 reams @ Kshs 500 3,000 3,000 3,000 400 pages @ Kshs. 40 400 pages @ Kshs. 20 Photocopying 12 copies x 200@ Kshs. 3 6 copies @ Kshs 250 | 1,500 3,000 3,000 3,000 16,000 8,000 7,200 1,500 |
| TOTAL | | 66,450 |

Source: Author (2013)