

Saccos core business is mobilising savings from members, and then providing them with credit at affordable interest rates. However, owing to the high level of liquidity in the country, Saccos have received stiff competition from commercial banks, which are a wash with loanable funds and are giving out loans without asking for any savings. As a result of this, many Sacco members have moved to borrow from the commercial banks rather than their Sacco societies. If this trend continues unchecked, the Sacco societies might die. Hence, there is a need to find out the factors leading to the increased borrowing from commercial banks by members of Mwalimu Savings and Credit co-operative society.

The researcher's general objective was to determine the factors leading to the shift in borrowing from Sacco societies to the banks. The specific objectives were to; determine why Mwalimu Sacco members opt to borrow from commercial banks, assess the impact of the shift of the borrowing on the future of the society and suggest policy matters to save the societies from possible collapse. The research adopted a descriptive research design. The population of the study was all the members of Mwalimu Savings and Credit Co-operative Society of Meru North District, which was estimated at 650. The research adopted a purposive sampling design where a sample of 100 was used in collecting primary data while literature reviewed, published financial statements and reports formed the basis of secondary data. The data collected were analyzed by way of tabulation, frequency tables and percentages. From the study, it was found out that most Sacco members had opted to borrow from commercial banks as compared to the Sacco societies. It was clear that Sacco societies were facing stiff competition from commercial banks and this threatened the life of Sacco societies. Following these findings the researcher thus recommended that Saccos need to revise their lending policies for them to survive in the market.