

EFFECTS OF LEGAL AND REGULATORY FACTORS ON PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES: A SURVEY OF SACCOS IN RUIRU DISTRICT, KIAMBU COUNTY, KENYA

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Abstract

All over the world, Savings and credit cooperative societies operate in environments that keep changing continuously. This study was therefore designed to establish the legal and regulatory factors experienced in this sector and how they affect the performance of the SACCOS. The Savings and Credit Cooperative Societies in Ruiru District, like other organizations, do not exist in isolation. The population of interest in this study was the respondents drawn from all the 33 active SACCOS in Ruiru District at the end of the year 2010. The study adopted descriptive design. This is a census which involved a study of the 33 SACCOS. Responses was sought from executives who have been in the organisations for at least five years since these are the ones who are involved in the crafting and implementation of strategies in their respective organizations. The data collected was analyzed by use of percentages, means and standard deviation and presented in the form of tables and charts. The research findings revealed that environmental changes had a strongly negative effect on the business performance of SACCOS in Ruiru District. Laws and regulation factors were identified as having a strong negative impact on business performance.

Keywords: SACCOS, Strategy, Strategic Management, Environmental Factors, Kenya

INTRODUCTION

Strategy is about winning (Grant, 1998). While there is no dispute regarding the importance of strategy in business management, there does not appear to be any agreement as to what exactly is strategy or how exactly the 'winning' is achieved. Burnes (2004) argues that rather than managers being prisoners of mathematical models and rational approaches to strategy development, they have considerable freedom of action and a wide range of options to choose from. He goes further to argue that managers can exert some influence over strategic constraints and, potentially at least, they can select the approach to strategy that best suits their preferences. Organizations are in a constant two-way interaction with the environment. They receive inputs from the environment, transform or add value to them, and return the outputs in form of goods and services back to the environment. These organisations therefore affect and are affected by what happens in the external environment, which is beyond the organization's control. The organization is also affected by changes occurring in the internal environment. Environmental change creates pressure for change in the organization and this means that they have to respond to relevant external change to ensure that they survive (Ansoff & McDonnell, 2000).

A host of external factors influence a firm's choice of direction and action, its organizational structure, internal processes and ultimately its performance. These factors can be divided into three interrelated subcategories; Factors in the remote environment, factors in the industry environment, and factors in the operating environment (Pearce & Robinson, 2003). The remote environment comprises factors that originate beyond and usually irrespective of any single firm's operating situation and include economic, political, social and technological. The remote environment presents firms with opportunities, threats and constraints but rarely does a single firm exert any meaningful reciprocal influence (Pearce & Robinson, 2003).

The Kenyan business environment has been undergoing drastic changes for some time now. Some of the changes include the accelerated implementation of economic reforms, the globalization and liberalization of the economy, discontinuation of price controls, privatization and commercialization of the public sector, increased consumer/customer awareness and increased competition. In this changing environment, organizations have to constantly adapt their activities and internal configurations to reflect the new external realities. Failure to do this may put the future success of the organization's in jeopardy (Aosa, 1998).

Aosa (1992) noted that industries are responding to customer's demand by becoming more innovative in their new ways of approaching the changed environment. They adopt strategies such as improved customer services, credit facilities and provision of convenience

goods and services. Terminologies such as retrenchment, mergers, rightsizing and cost reduction have become a routine for survival means.

SACCOS in Kenya

The International Cooperatives Alliance (ICA) defines cooperatives as autonomous associations of persons coming together as jointly owned enterprise for economic, social and cultural purposes. Cooperatives are organized groups of people that are democratically controlled to serve their members and produce benefits for them.

Cooperatives in Kenya transcend all sectors of the economy. The concentration can be broadly clustered in three categories of agriculture, finance and others. According to the Ministry of Cooperative Development and Marketing strategic plan 2009 – 2013, Agricultural cooperatives account for about 37% of the total registered cooperatives. In recent years, agricultural marketing cooperatives have realised modest growth in numbers, from 4349 in 2000 to 4,471 in 2008. The focus has mainly been in coffee, dairy, pyrethrum, cotton and handicraft marketing.

In the financial sector, the savings and credit cooperatives (SACCOS) account for over 45% of the total registered Cooperatives, having grown from 3,627 in 2000 to 5,350 in 2008. SACCOS specializes in mobilizing savings and on lending the same to the members. Over the same period, SACCOS have been the fastest growing cooperatives. The other 18% of the registered cooperatives cover housing, transport and other services. Table 1 illustrates the relative growth in the number of cooperatives in Kenya over the years from 2003 to 2008.

Table 1: Number of Cooperatives by type, 2003 - 2008

Types of Cooperative	2003	2004	2005	2006	2007	2008
Agriculture	4,166	4,215	4,304	4,353	4,414	4,477
Savings & credit	4,200	4,474	4,678	4,876	5,122	5,350
Non- agricultural	1,838	1,857	1,885	1,941	2,000	2,041
Cooperative Unions	93	96	99	99	99	100
TOTAL	10,297	10,642	10,966	11,269	11,635	11,968

Source: Ministry of Cooperative Development and Marketing, 2008: 19;
Kenya National Bureau of Statistics, 2009: 165

Sacco societies were first registered in Kenya as thrift licensees in 1964 with the objective of mobilizing savings from their members. However it was not until 1969 that the Government encouraged the registration of SACCOS to mobilize savings and give credit to employed people who had a similar common bond. Earlier some SACCOS had dismally failed due to loan

delinquencies and insecurity of their savings. The government enacted the Co-operative societies Act 1966 and the Rules in 1966 to better manage co-operatives. Registration of Urban SACCOS started in 1973 with many Government Ministries and departments registering SACCOS in accordance with their common bond. There were over 1,000 registered SACCOS in the country offering back office and credit facilities by 1975. All SACCOS operate Back Office Service Activities and have been able to mobilize over Kshs 180 billion and granted loans to the tune of Kshs 120 billion. The savings mobilized represent 31% of the national savings. 200 SACCOS have ventured into front office service activities (FOSA). The FOSA offer bank-like services, like withdrawals, savings, deposits, debit cards, advances, money transfers etc. The FOSA activity came about after banks withdrew from many rural areas and the people were left un-banked. SACCOS offering FOSA services are spread all over the country and include both Rural and Urban SACCOS. SACCOS have grown tremendously and currently have 3.7 million members. The SACCOS with FOSAs have diversified into specialized bank like activities which include deposit taking, saving facilities, debit card business (ATM) and money transfers both local and international.

The cooperatives are governed under the Cooperative Societies Act Chapter 490 revised 2005. SACCOS are governed under the SACCOS Societies Act, 2008. The SACCO Societies Regulatory Authority regulates their operations to improve corporate governance. The Government through the Ministry of Cooperative Development and Marketing has established a Governance and Ethics department whose role is to ensure good corporate governance principles to improve accountability and transparency in cooperatives business. The management committees are also supposed to implement the Procurement and Disposal Act requirements in their transactions to enhance transparency.

SACCOS operate on the following principles and objectives. Voluntary coming together of people with a common goal and vision to achieve an economic objective; Economic empowerment of members through pooling of members savings and availing affordable credit facilities and other related financial services to members and Member ownership and participation in the running of their SACCO. The co-operative values and principles have withstood the test of time and are resilient against any form of economic ideology.

The commendable growth in the sector has however not been without challenges. The challenges include but not limited to inadequate capitalization, poor governance, non-remittances, loan delinquency, lack of standardized information technology, limited financial products, excess loan demands, negative impact of HIV/AIDS on membership, non-competitive models as well as inadequate regulations and supervision. The Minister notes that KUSCCO as an umbrella organization has kept abreast of the changing financial environment and has

strategically positioned itself through innovativeness with a view to remaining relevant and competitive in the dynamic financial sector.

SACCOS in Ruiru District, Kenya

The SACCOS in the Ruiru District, like any other organizations, do not exist in isolation. Their operating environment keeps changing continuously. These SACCOS have to respond to the changes in the environment accordingly in order to guarantee their continuous existence. Morgan (1988) equates business management to surfing in a turbulent sea and asserts that managers of the future will have to ride this turbulence with increasing skill, and many more competences will be required. Ruiru District is in Kiambu, one of the 47 Counties in Kenya created after the promulgation of the New Constitution in August 2010. According to the Ruiru District Co-operative Officer Ministry of Cooperative Development and Marketing, there were 42 Cooperative Societies in Ruiru District at the end of the year 2010. Among these, 5 cooperatives were dormant. Out of the active 37 Cooperative Societies 33 are SACCOS divided into 6 Transport SACCOS, 1 voluntary and 31 common board SACCOS.

Statement of the Research Problem

The SACCOS in Ruiru draw the majority of their membership from the employees mainly in the business of production of cash crops such as coffee, but there are also those that draw membership from Education institutions, and transport industry amongst others. Farming also influences the economic status of the district in a big way as it influences the kind of business activities carried out. Production of crops and milk has been faced by many challenges such as the unstable prices and unfavourable weather conditions. The District has also seen branches of banks, microfinance institutions and other financial institutions being opened. The government has also participated in support of the SACCO members by waiving off the long outstanding loans owed by coffee farmers in some of the cooperatives in the District.

According to the Ruiru District Cooperative Officer, a number of SACCOS in the District have been unable to compete effectively with other financial institutions leading to their becoming dormant. Stringent controls on the sector by the SACCO Societies Regulatory Authority (SASR) could be an indicator of the high risk nature of the sector. As observed by Kiura (2010) most of the SACCOS have not managed to develop a branch network unlike other financial institutions such as banks and microfinance institutions which have wide spread branch networks. There have been a lot of changes in the financial institutions which are likely to have an impact on the performance of the SACCOS such as the introduction of agency banking, the

development of mobile money transfer services as well as insurance companies aggressively going into investment policies.

Studies have been carried out on business environmental changes in a number of industries. Mpungu (2003) recommends that companies scan their immediate environment for survival purposes in a study on the strategic responses to changing environmental conditions a case of AAR Health Services Ltd. Ndubi (2006) identified the major environmental changes faced as staff turnover and heavy government regulation. Mwangi (2008) in her research on SACCOS in Eldoret town identifies the major challenges as higher marketing abilities of competitors, limited access to funds and heavy government regulations. Rumba (2008) in his study on strategic responses by mobile phone companies in Kenya to environmental changes, identified the major challenges that have greatly affected the growth of the sector as; liberalization of mobile phone services, social reforms, political anxieties, technological advancement ,changing income levels of the consumers, inflation levels, stringent licensing regulations, price wars and unfair competition. Mwangi (2008) further observes that most of the studies carried out focus on organizations based in Nairobi but this is a special environment and these studies cannot effectively be replicated in other regions. Kiura (2010) studied the changes in the business environment for SACCOS in Nyeri County and how the SACCOS respond to the changes in order to guarantee their continued existence. There is no specific study done on the effects of legal and regulatory factors on performance of SACCOS in Ruiru District. Thus this study sought to look at the legal and regulatory factors facing SACCOS in the District and how those challenges affect the performance of the SACCOS

Research Objective

The general objective of the study was determining the effects of law and regulations on SACCOS business performance.

LITERATURE REVIEW

General Review

Performance is about winning (Grant, 1998). There is no dispute regarding the importance of performance in business management. The more important issue is to establish how the 'winning' is achieved. This is the essence of competitive strategy. Quinn (1992) defines strategy as the pattern or plan that integrates an organization's major goals, policies and action sequences into a cohesive whole. He goes further to state that a well formulated strategy helps to marshal and allocate an organization's resources into a unique and viable posture based on its relative internal competencies and shortcomings, anticipated changes in the environment

and contingent moves by intelligent opponents. Indeed, there are many approaches to strategy but none are universally accepted.

Environmental Changes

According to Pearce and Robinson (2003), the factors that influence a firm's operations can be divided into three interrelated subcategories; Factors in the remote environment, factors in the industry environment, and factors in the operating environment. Factors in the remote environment are political, economic, Social or Technological. Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. These include tax policy, employment laws, environmental regulations, trade restrictions and tariffs and political stability. Economic factors affect the purchasing power of potential customers and the firm's cost of capital. These include economic growth, interest rates and inflation rate. Social factors include demographic and cultural aspects of external macro-environment. Some social factors are health consciousness, population growth rate, age distribution, career attitudes, emphasis on safety. Technological factors can lower barriers to entry, reduce minimum efficient production levels and influence outsourcing decisions. Some of these are research and development activities, automation, technology incentives, rate of technological change.

Some of the challenges being faced by the Sacco Sector are Changing legal environment, Stiff Competition from MFIs and Banks, Members ever changing needs/demands, Frauds and Forgeries due to weak internal controls, Decline in membership as a result of Deaths: Effects of HIV/AIDS, Withdrawals and Retirement, Employers apathy – Delayed check off remittances or none at all, Financial Management, Traditional products, Capitalization inadequacy, Information Technology, HIV and AIDS Scourge, Capacity to lend limited by deposits/shares, Lack of enough flexibility to meet member's diverse credit needs due to lack of funds, Lack of speed in product/service delivery due to lengthy decision making procedures, Rigidity in pricing of loans. Not able to differentiate pricing between products/ customer segments. Some of the Competitor Activities that pose challenges to the Sacco Sector are Innovative products: Automated Teller Machines (ATMS), Centralized banking with a countrywide branch network, Single tariff Current accounts, Credit and Debit Cards, Low priced Bank cheques, International/local Money transfers, International Trade, Group lending by MFIs, Unsecured personal loans, Mobile Banking – Utility payments, Air time top up, Balance enquiry, Funds transfer, statement requests, Commercial banks and MFIs put their customers first by practicing high level customer care, Adequate customer knowledge and needs assessment,

Recruitment of qualified staff, Efficient operating procedures and use of ICT and office automation

Effects of the Environmental Changes on Performance of SACCOS

The onset of liberalization saw some analysts paint a grim picture of the cooperative movement, not just in Kenya, but across the entire African continent. Their fear was that as the state had always shielded cooperatives from competing in the free market, which had essentially placed them in a monopolistic position, the withdrawal of such state protection would entail the withering of cooperatives. The analysis undertaken has shown that these fears were not completely unfounded, for cooperatives have been adversely affected by liberalization in various ways, namely KNFC lost its hold on members' loyalty; inefficient unions lost revenue as members marketed their produce through alternative buyers; the Cooperative College saw a reduction in government sponsorship of its training activities; increased competition partly led to collapse of giant cooperatives, such as KCC.

To the detriment of many primary cooperatives, the newly acquired freedom was dangerously abused by elected leaders. This saw many cooperatives report cases of corruption and mismanagement, such as: gross mismanagement by officials; theft of cooperative resources; split of viable cooperatives into smaller ineffectual units; failure of employers to surrender members' deposits to cooperatives (particularly SACCOS), failure to hold elections; nepotism in hiring and dismissal of staff; refusal of management committee members to vacate after members voted for their dismissal; conflict of interest among cooperative officials; endless litigations; unauthorized cooperative investments; illegal payments to the management committees (Manyara, 2003).

The challenges include but not limited to inadequate capitalization, poor governance, non-remittances, loan delinquency, lack of standardized information technology, limited financial products, excess loan demands, negative impact of HIV/AIDS on membership, non-competitive models as well as inadequate regulations and supervision. This also leads to other effects such as dormancy, registered SACCOS which do not manage to start operations, SACCOS unable to develop branch network or loss of employment opportunities.

Laws and Regulation

SACCOS are a much bigger contributor to the Kenyan economy than the industry thought. The sector is also a major player in the financial market (Brian Branch, World Council chief operating officer 2007). Given the movement's tremendous outreach and the importance of maintaining SACCO sustainability, the Kenyan government, with World Council's assistance, trying to

strengthen credit unions and make them safer for members by passing a proposed SACCO Act. The Act provide a formal structure for implementing regulation and supervision. World Council worked with Ministry of cooperative development and marketing CDM to draft a SACCO bill in late 2003. Before drafting the bill, World Council managed and implemented an impact study to determine the benefits, costs and risks of the proposed regulatory framework for the SACCO sector and its various stakeholders.

With growth and addition of services, the importance of legislation and supporting regulations for credit unions has never been more critical than in developing countries, like Kenya. SACCO leaders knew changes had to be made to their lending practices and other services to survive in the marketplace (Kiura, 2010). Today, because of reinventing the way they do business, Kenya SACCOS especially those offering “front office services” (teller services) are experiencing large and swift membership growth

Traditionally credit unions in Kenya provided basic services of share savings and share draft accounts, “back office services.” With change it brings new challenges: day-to-day liquidity management, accounting and overall financial management (Begley and Tan 2001)The overall micro economic health of the country is important to the sector’s development, and it is useful to view the ensuing discussion of the context that the government is more or less committed to addressing the range of factors constraining the sector’s capacity to create wealth and to reduce poverty. In any case these factors are directly relevant to the potential impact of business development services on its micro and small enterprise clientele (Daniels, 1995) Economic growth in Kenya has been stagnant for several years with an average GDP growth rate dipping to below 1% before the year 2003. Private investments were negative, indicative of the entrenched political and economic uncertainty, and poor policies which undermine business confidence. As a result there was a dearth of investment in modern industries as a generator of new wealth.

Further, in periods of economic stagnation, death of small business entrants is even higher than in periods of economic growth, even as enterprise is the only resort to those unable to find employment in the traditional formal sectors (Muli, 1995) Many important aspects of regulatory environment as it affects cooperatives have improved on paper including abolition of the Trade licensing Act, streamlining of municipal licensing act, abolition of chief authority act, abolition of the power act, allowing the legal entrance of private power suppliers to supplement an increasingly inefficient and unreliable power company (Donald, 1995) The Cooperative Societies (Amendment) Act of 2004 (Republic of Kenya, 2004)is the current basic legislation that guides the formation and management of cooperatives in Kenya. It has its origins in the Cooperative Societies Act, Cap. 490, 1966. Which was revised in 1997 into the Cooperative

Societies Act Chapter 12 of 1997 (Republic of Kenya, 1997b) the reforms contained in the revised Act sought to reduce the strict state supervision of cooperatives, in order to support the liberalization of cooperative enterprise.

The 1997 Act empowered the members to be responsible for the running of their own cooperatives, through elected management committees. For the first time ever, the cooperatives were left without a regulatory mechanism to play the role that the government had previously played. Consequently, the immediate impact of liberalization on cooperatives was principally negative. To the detriment of many primary cooperatives, the newly acquired freedom was dangerously abused by elected leaders. This saw many cooperatives report cases of corruption and mismanagement, such as: gross mismanagement by officials, theft of cooperative resources, split of viable cooperatives into smaller ineffectual units, failure of employers to surrender members' deposits to cooperatives (particularly SACCOS), failure to hold elections, nepotism in hiring and dismissal of staff, refusal of management committee members to vacate after members voted for their dismissal, conflict of interest among cooperative officials, endless litigations, unauthorized cooperative investments and illegal payments to the management committees (Manyara, 2003).

In response to these circumstances, the 1997 Act was amended in 2004. The main content of the Cooperative Societies (Amendment) Act of 2004 re-enforces state regulation of the cooperative movement through the office of the Commissioner for Cooperative Development. The legislation stipulates that the roles to be undertaken by government include: Creating the policy and legal framework for development of cooperatives; Improving the growth and development of cooperatives by providing the requisite services for their organization, registration, operation, advancement and dissolution; Developing partnerships with cooperatives through consultative processes that are focused on policy, legislation and regulation.

It is noted that the Act widens the Commissioners' powers and scope of regulation over the cooperative movement to include promotion, inspection, enquires, auditing, surcharge, debt collection, liquidation and provision of technical extension services. Nevertheless, registration of cooperatives continues to be the main role of the commissioner for Cooperative Development. The requirements and procedure for registering cooperatives have been spelt out in the revised Cooperative Societies Rules of 2004 (Republic of Kenya, 2004b), which also outlines the operational procedures of all primary cooperatives in Kenya. In addition to this legislation, there is the SACCO Societies Act of 2008 (Republic of Kenya, 2008b) that provides for the licensing, regulation, supervision and promotion of savings and credit cooperatives by the SACCO Societies Regulatory Authority. Thus, this Act provides for the establishment of the SACCO Societies Regulatory Authority whose functions will include licensing SACCOS to carry out

deposit-taking business as well as regulating and supervising SACCOS. With regard to licensing, SACCOS will first of all have to be registered as cooperative under the Cooperative Societies Act, 1997. Thereafter, they will have to obtain a license from the Authority to carry out deposit-taking business (popularly known as Front Office Services Activity (FOSA) after meeting a raft of requirements, which include meeting the minimum capital requirement as prescribed by the Authority.

Upon being licensed, the SACCO will be required to engage only in the business prescribed by the Authority. While carrying out that business, the SACCO shall be governed in accordance with the provisions of this Act and will be supervised, inspected, advised and generally regulated by the Authority. The Authority will also have power to intervene in the management of a SACCO that is deemed to be mismanaged. The Act also provides for the establishment of the Deposit Guarantee Fund, which secures each SACCO members' deposits (not including shares) up to an amount of KES 100,000 (USD \$1,333). Once this Act becomes operational, this law was expected to provide a framework for the sound management of SACCOS as financial institutions and make them effective competitors in the financial sector. Nevertheless, some provisions in the Act, such as the minimum capital requirement, are so stringent that some SACCOS may not be able to operate the FOSA activity (Ademba, 2010)

RESEARCH METHODOLOGY

Research Design

The study adopted descriptive design. Descriptive design aim at obtaining information concerning the current status of the phenomena to describe what exists with respect to variables or conditions in a situation. The methods involved range from the survey which describes the status quo, the correlation study which investigates the relationship between variables, to developmental studies which seek to determine changes over time. McNabb (2010) writes that descriptive design describes categories of qualitative information such as patterns of interaction which is what this study aims to reveal.

Target Population

The population of interest in this study was drawn from all the active SACCOS in Ruiru District. According to the Ruiru District Co-operative Officer Ministry of Cooperative Development and Marketing, there were 42 Cooperative Societies in Ruiru District at the end of the year 2010. Among these, 5 cooperatives were dormant. Out of the active 37 Cooperative Societies 33 are SACCOS.

Census Design

This was a census meant to establish effects of legal and regulatory factors on performance of SACCOS in Ruiru district. Ndubi (2006) agrees that this is an appropriate form, especially when the objective is to gain insight into ideas, which is applicable in this case. A census is also the most appropriate form of research whenever the population is small and heterogeneous. This was the case as we focused on all the SACCOS in Ruiru District which differ in membership and activities.

Data Collection Method

The study used primary data, which was collected using a questionnaire containing both structured and unstructured questions. Responses were sought from senior Managers who have been in the firms for at least three years. They were drawn from the executives since they are the ones who are involved in the crafting and implementation of strategies in their respective organizations. The data collection methods employed was “drop and pick later” technique. This is an approach that was successively used by Rumba (2008) and Mwangi (2008). The approach helped in reducing biasing error since the respondent was not influenced by the interviewer’s characteristics and it also gave respondents time for considered answers.

Data Analysis

Data analysis method was quantitative. The structured questionnaire was coded in respect to questions for ease of electronic data processing prior to the commencement of the fieldwork. After tabulation, the data was coded to facilitate statistical analysis. The SPSS (Statistical Package for Social Sciences) package was used to analyze the data. Descriptive statistics such as means, percentages, standard deviation and frequency distribution was used to meaningfully describe the distribution of measurements.

ANALYSIS AND DISCUSSION OF FINDINGS

Description of Study Population

The study targeted 33 respondents. Out of the 33 questionnaires distributed, 22 were completed and returned representing a response rate of 66.7%. Fincham (2008) agrees that response rates approximately 60% for most research should be the goal of researchers. Rumba (2008) and Mwangi (2008) also concur with him. The highest response rate was from the rural SACCOS followed by traders and the group with the least response rate was the staff SACCOS.

Environmental Changes

In order to find out the environmental changes being faced by the SACCOS in the District, under the major classes of Political, Economic, Social and Demographic and Technology, the respondents were asked to indicate the extent to which they agreed with given statements based on the environmental changes affecting businesses under each of the major classes. On a scale of 1 – 5 where 1 = Agree strongly and 5 = do not agree at all.

The findings were as presented below tables which capture the number of respondents who chose each of the ratings between 1 and 5. A weighted mean is calculated to determine the overall rating of each of the statement and a standard deviation is calculated to measure the dispersion of the ratings between the two extremes. The data is then ranked on basis of the weighted mean rating and the standard deviation.

Legal and Regulatory Factors

The researcher sought to establish the political changes that have influenced business performance in the Sacco sector in Ruiru District and the extent to which the respondents agreed to that. The study findings indicated that all the respondents strongly believe that political stability affects the performance of the business while they also agreed that Tax policy, Employment laws, Environmental regulations and Trade restrictions and tariffs affects their businesses as well. This is captured on table 2 below.

Table 2: Ranking of the Degree of Effects of Political Changes on Business Performance of SACCOS in Ruiru District

Statement	Rating										Weighted mean	S.D	Ranking
	1		2		3		4		5				
	F	%	f	%	F	%	f	%	f	%			
A Tax policy affect business performance	9	50	0	0	3	17	3	17	3	17	2	3.3	3
B Employment laws affect business performance	3	17	3	17	3	17	6	33	3	17	2	1.3	2
C Environmental regulations affects business performance	6	33	9	50	0	0	3	17	0	0	2	3.9	4
D Trade restrictions and tariffs affects business performance	9	50	9	50	0	0	0	0	0	0	2	4.9	5
E Political stability affect business performance	1	100	0	0	0	0	0	0	0	0	1	8	1

Table 2 shows the number and % of respondents who indicated a particular rating to represent the extent to which they agreed or disagreed with the statements given in order to understand

how political changes affect business performance of SACCOS in Ruiru District. A weighted mean for each of them was calculated to determine the mean rating by all the respondents. The ranking was done on basis of these weighted mean ratings and where there was a tie, the Standard deviation was used with the one with a lower standard deviation taking higher rating.

Effects of the Environmental Changes on Performance of SACCOS

The researcher sought to establish the effects of environment on the performance of SACCOS in Ruiru District. The respondents were asked to indicate whether the following listed factors under each of the classification of the environmental changes have had a positive or negative effect on the performance of SACCOS in Ruiru District. The tables below show the percentage of the respondents who felt that the particular effect in question affected the business performance positively, negatively or that the effect was unknown to them. It also shows an average which indicates the overall effect of the particular group of effects on business performance in the sector as viewed by the respondents. These percentages are further captured on a chart for a visual presentation in order to make it easy to compare at a glance.

Laws and Regulation

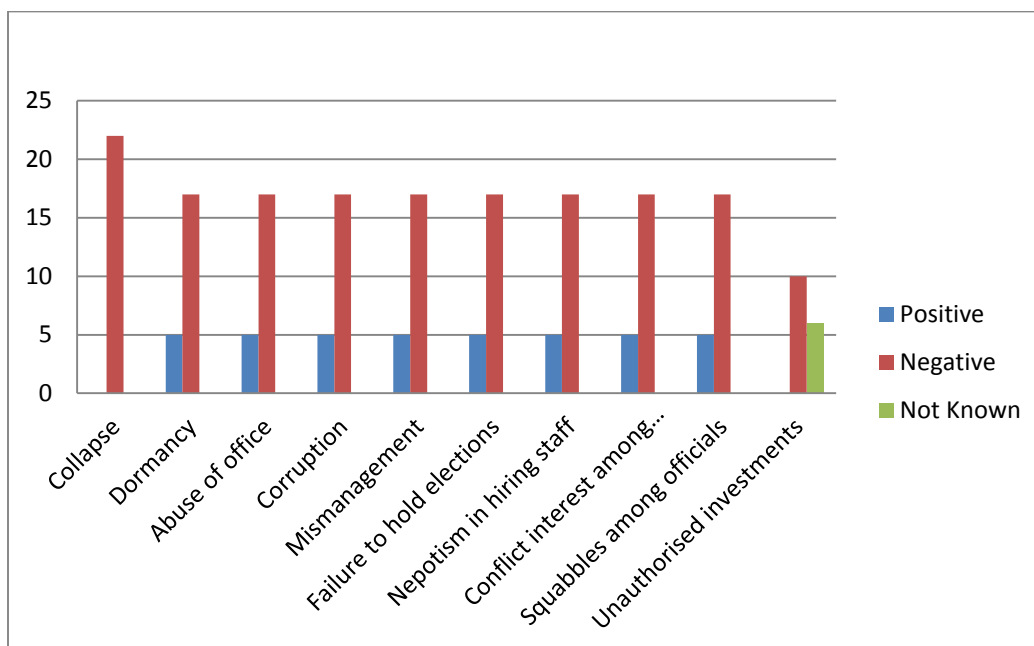
The researcher sought to find out the impact of the effects of laws and regulations on business performance of SACCOS in Ruiru District. From the data collected, it is clear that the factors had a strong negative impact, 76%, on business performance of SACCOS in the District as shown in the table and chart below.

Table 3: Impact of effects of Laws and Regulation on Business Performance of SACCOS in Ruiru District

	Effect	Positive		Negative		Not Known	
		Frequency	%	Frequency	%	Frequency	%
1	Collapse	0	0	22	100	0	0
2	Dormancy	5	23	17	77	0	0
3	Abuse of office	5	23	17	77	0	0
4	Corruption	5	23	17	77	0	0
5	Mismanagement	5	23	17	77	0	0
6	Failure to hold elections	5	23	17	77	0	0
7	Nepotism in hiring staff	5	23	17	77	0	0
8	Conflict interest among officials	5	23	17	77	0	0
9	Squabbles among officials	5	23	17	77	0	0
10	Unauthorised investments	0	0	10	45	6	27
	Average	4	18	16	76	1	3

Above table shows the number and percentages of respondents who indicated a particular effect to represent their belief on whether these factors affected business performance of SACCOS in Ruiru District positively, negatively or they did not know. An overall average was calculated to determine effects of laws and Regulations factors in general.

Figure 1: Barchart Showing How Factors of Law and Regulations Have Affected Business Performance



Overall Effects

The table 4 below summarises the findings of effects of law and regulations on business performance of SACCOS in Ruiru District. From the findings, it is clear that Environmental changes had a strongly negative effect on the business performance of SACCOS in Ruiru District. Laws and regulations factors were identified as one with the strongest impact on business performance.

Table 4: Overall Impact of Effects of Law And Regulations on Business Performance of SACCOS in Ruiru District

Environment	Percentages		
	Positive	Negative	Not Known
1 Laws and regulation	18	76	3

Above table shows how the environment affects business performance of SACCOS in Ruiru District.

SUMMARY

The study revealed that the SACCOS in Ruiru District face many challenges due to constantly changing environmental factors. These environmental challenges impacted on the business performance negatively. The factors that had a major negative impact are Collapse, Corruption, Nepotism in hiring staff, Lack of standardized Information technology, Loss of revenue, Loss of employment, Loss of members' loyalty and Limited financial products. However, the following factors were noted to have influenced business performance positively in varying degrees.

CONCLUSION

The Sacco sector is a very important part of our economy and very stable as many of them have remained in operation for over thirty years. However, it faces challenges just like any other sector. Legal and regulatory factors have had a major impact on the performance of the SACCOS in Ruiru District. The SACCOS should adopt strategies to respond to the laws and regulations as they have had a very high negative effect on the performance of SACCOS in the district. Conformity with the laws and regulations governing the sector will enable to organizations to avoid such negative effects as collapse, dormancy and conflict of interest among others.

The researchers propose that a study should be carried out to establish the challenges facing the SACCOS in dealing with the Legal and regulatory factors in the SACCOS business environmental. This will enable the SACCOS' management to address these challenges and therefore improve on their competitiveness if they have to survive through these challenges. They also propose a study to find out how these factors vary from one type of SACCOS to the other in the District.

The study was limited by the fact that only a questionnaire was used as a tool to collect the data, some respondents over-rated or under-rated their organizations. To overcome this, the respondents had been requested to be as honest as possible. Secondly, the study could have been biased from the point of view that, not all the targeted respondents got to air their views, but the researcher made the study as random as possible in distributing the questionnaire and assumes that the views of the ones who did not respond are reflected in the responses received from those who did.

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