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ROLE OF FRONT OFFICE SERVICE ACTIVITY PRODUCTS ON FINANCIAL PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN KENYA

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Abstract
Savings and Credit Cooperative Societies (SACCOs) have capability to play a major role in economic growth and development of Kenya. Despite this important contribution, they have not been performing according to their potential. It is against this concern that it was good to investigate the role of Front Office Service Activity (FOSA) products on financial performance of SACCOs in Kenya. The FOSA products include: salary advance, product loans, savings accounts, fixed deposit accounts, school fees accounts, festive accounts, children accounts, sale of bankers cheques, safe custody, micro-finance, standing orders, salary procession, overdrafts, ATM and Mpesa services. The study focused on elements of role of FOSA products that included; savings mobilization, loans accessibility and efficiency. It was further guided by theories; transaction cost theory, social capital theory and stewardship theory. The study adopted qualitative descriptive design. Data from findings of previous journal articles related to the study were analyzed through content analysis statistical method. Findings from the majority of reviewed journals showed that the role of FOSA products in terms of savings mobilization, provision of loans and efficiency influenced financial performance of Sacco. They indicated that FOSA products provide various accounts that fit savings needs of different members. This increases the capacity of SACCOs to undertake more business to increase returns of the organization. The charges and fees on FOSA products can optimize the revenues of SACCOs. After analysis, the researcher recommended that SACCOs in Kenya should work on saving mobilization techniques in regard to FOSA products to provide more information of the same to existing and potential members.

Keywords: FOSA products, financial performance, savings' mobilization, loans accessibility, efficiency, SACCOs

INTRODUCTION

Savings and Credit Cooperative Society (SACCOS) are defined as private and cooperative financial intermediary where membership is open and voluntary (Maleko, Liheta, Aikaruwa, Lukas & Sumari, 2013). They aim at meeting the financial needs of all its members. SACCOS have to make available financial services under the best conditions, while enabling the cooperative to cover its operating expenses and providing for the economic welfare for its members. Financial performance of SACCOs is determined through results of their operations and policies. These results are reflected in their return on investment, return on assets and value addition.

Saccos contribute to economic growth and development through effective financial performance. These institutions have not been performing well especially in developing countries due to lack or inappropriate adoption of product diversification (Logue & Yates, 2005). SACCOs are expected to created value through diversified products. If these services are not modified to fit members' needs, they cannot be taken thus saccos earn below their potential. SACCOs are integrating FOSA products to their existing portfolio have to perform effectively. FOSA stands for Front Office Services Activity. In the 1980s, many major banks closed a great number of their branches countrywide especially in the rural areas prompting SACCOs to seek ways of assisting their members on provision of banking and related services and thus the birth of FOSAs (Maina, Kinyariro, Muturi, & Muriithi, 2016). Today, FOSAs have evolved and are as competitive as banks with some commanding more savings than some commercial banks.

FOSA products offered by SACCOs include; Salary advances, product loans, Savings Account, Fixed Deposits Accounts, School Fees Accounts, Festive Accounts, FOSA Juniors Accounts, Bankers' cheques, Micro-finance services, Standing Orders, Salary Processing, Overdraft and ATM services. Onchangwa and Memba (2012), asserted that success in savings mobilization is success in terms financial performance. Through the FOSA products, SACCOs mobilize savings. The various savings accounts availed by Saccos provides members with opportunities to save. It promotes savings culture that makes investments in viable business a reality.

Mathuva (2016) asserted that SACCOs needed to optimize revenue in order to perform financially well. Financial performance is directly influenced by the trend in revenue earnings of an organization. FOSA products enhance revenue optimization in saccos through increased charges from FOSA products. Lack of optimal revenue may be the reason why most saccos are performing poorly. However, with FOSA products, they should be able to get as much revenue as possible to increase their financial performance. Members of saccos expects to be provided with services efficiently (Kamarudin, Nordin, Muhammad & Hamid, 2014). However, the delivery depends the existing services. The manner in which they are delivered also matters. Products diversification through adoption of FOSA products can enable SACCOs to improve their service delivery to members. This is due to the fact that different needs of the members can be met by different kinds of products through FOSA.

Giving out loans to members is major role of SACCOs. However, some members find it difficult to access loans from their own SACCOs. In other times, loans are given to individuals who have no capacity to repay them (Lakew, Meniga & Gebru, 2014). FOSA loans fit various requirements of members and their capacity to repay. As such, they promote loans accessibility that improves financial performance. The SACCO sub-sector is part of the larger cooperative movement in Kenya. There are two broad categories of co-operatives: Financial co-operatives (Savings & Credit Co-operative Societies- SACCOs) and Non-financial cooperatives (includes farm produce and other commodities marketing cooperatives, housing, transport and investment co-operatives). In the recent past Savings and Credit Co-operatives (SACCOs) have witnessed faster growth than other co-operatives. The establishment of SACCO Societies Act 2008 places the licensing, supervision and regulation of deposit taking under the armpit of the SACCO Societies Regulatory Authority (SASRA). Through this new legal framework, prudential regulations have been introduced to guide SACCO's growth and development (Wanyoike, 2013).

Saving and Credit Cooperative Societies in Kenya have received a significant government support. However, this has not guaranteed effective performance. They are having difficulties in operations. This failure is a major hindrance to achievement of vision 2030 in Kenya. It is detrimental to financial inclusion that is meant for desirable economic growth and development. Some of the people directly employed by SACCOs are at risk of losing their jobs due to poor performance.

Research Problem

SACCOs have the ability to contribute to the economic growth and development. However, they have not been performing well. The effect of adopting and utilizing FOSA products has not been felt. This means their initiatives towards products diversification has yielded little in terms of financial performance. Their contribution of SACCOs towards financial inclusion in Kenya is inadequate. FOSA Products and services are important because they were meant to play a role in terms savings mobilization, loans accessibility and efficiency in serve delivery for better performance. Previous studies did not provide solution to inadequate financial performance by saccos. For instance; Kamau, (2005), undertook a study on 'The savings mobilized by SACCOs in Kenya and the cases of fraud and corruption in Cooperative Societies. Karagu and Okibo

(2014), researched on financial factors influencing performance of Savings and Credit Co-operative Organization in Kenya. This study seeks to solve the problem by investigating the role ofFOSA products on financial performance of SACCOs in Kenya by reviewing previous research journals and books that are related to the existing issue.

Objectives of the Study

The general objective of the study was to investigate the role of Front Office Service Activity (FOSA) Products on the financial performance of SACCOs in Kenya.

The specific objectives of the study are:

i. To establish whether savings mobilization contributes to financial performance of Savings and Credit Cooperative Societies in in Kenya.
ii. To determine the effect of loans accessibility on financial performance of Savings and Credit Cooperative Societies in Kenya.
iii. To examine how efficiency in service delivery influence the financial performance of Savings and Credit Cooperative Societies in Kenya.

Research Questions

i. How savings mobilizations influence financial performance of Savings and Credit Cooperative Societies in in Kenya?
ii. What are the effects of loans accessibility on financial performance of Savings and Credit Cooperative Societies in Kenya?
iii. How efficiency contribute to financial performance of Savings and Credit Cooperative Societies in Kenya?

THEORETICAL FRAMEWORK

Theoretical framework outlines theories that help to explain the study variables. They include; transaction cost theory, social capital theory and stewardship theory.

Transaction Cost Theory

The theory investigates if a transaction can be undertaken at a lower cost via the market or within the hierarchy of the firm (Williamson, 1993). It consist of the negotiating, monitoring, and enforcements cost which arise when a transaction between two or more parties takes place. The presence of transaction costs causes external motivations for companies to diversify. Theoretically, in environments where there are no transaction costs, diversification would be a non-value maximization way since the resources could be purchased via the market. However, the presence of inefficient markets causes transaction costs, which forces integration. Therefore, the presence of transaction costs is highly dependent on the general economic environment of a country (Geyskens, Steenkamp, & Kumar, 2006). An unrelated diversification benefits when it improves the internal capital market of the acquired business. Discrepancies in bureaucratic costs to coordinate and control the separate divisions efficiently are the main cause of the transaction cost differences. More time, effort, and resources have to be allocated in performance monitoring and evaluation activities within the related diversification. Thus, when interdependency increases, bureaucratic costs increase as well. Bureaucratic costs will be the lowest for unrelated diversification. The organizational structure of unrelated diversified firms is often simple and the different divisions function as self-contained units. As a result, this structure of pooled interdependence allows that performance control can take place based on financial criteria (Ghoshal, & Moran, 1996). Consequently, bureaucratic costs of monitoring and controlling the divisions are low.

This theory explains diversification in regard to costs. Failure to control costs in SACCOs affects performance negatively. FOSA products in SACCOs are as a result of extensive diversification thus transaction cost theory fits well into the current study.

The Social Capital Theory

The social capital theory describes the relationships and interactions among people that lead to economic and social development (Chloupkova, Svendsen, & Svendsen, 2003). It covers various aspects of social capital which include the type of social networking, relationship and interaction which comprises the rules, regulations and norms that govern social actions and the trust among members including the benefits that accrue to them. Social capital is the abilities of people to work together towards resolving community/social issue and promote equitable access to benefits of development. Social capital can therefore be considered as a tool of economic development among people which also affects their environment and community either positively or negatively based on their collective action for mutual benefit of a group of people or a community (Lin, 2017).

Individuals do not generate social capital and are not the primary unit of analysis in the use of social capital theory to measure a phenomenon. Although, it can be argued that the developmental progress of a community or a group, cannot be accomplished without the individuals that made up the group and the community (Newton, 2001). Social capital is the effect of people's relations in social groups that often unknowingly results in fulfillment of their goals. It also relates to the promotion of cooperation and unity among members of the same association leading to trust. The theory focuses also on collective responsibility that enhances better loan repayment. It postulates that when people act or function in a group as in a cooperative society, it leads to the economic and social development of the group, individuals in the group and the community (Dubos, 2017. Social development is the improvement in relationship between people while the economic development is divisible into two parts as improvement in financial condition and physical progress such as material acquisition. This is significant because economic development does not take place without increase in physical material acquisition and financial resources. The theory recognizes healthy social and political environment which should help the social group to act and meet their personal and group interest without which economic development potentials will not be achieved. The focus of the social capital theory is to use social network, association and relationship for the social and economic development of individuals, the group and the community.

Financial benefit or capital can arise in a cooperative because improved interpersonal relations and trust can increase efficiency and reduce the costs of working together, thus creating financial capital. Social capital theory integrates well with introduction and operations with FOSA by SACCOs. In order to improve financial performance, SACCOs have to diversify their products and services. They have gone further to add salary advances, deposit products, salary processing and loan products to their initial services. Inclusion of these products is as a result good working relationship which is derived from social capital at their disposal.

Stewardship Theory

According to Odera (2012) steward protects and maximizes shareholders wealth through firm performance, by so doing; the steward's utility functions are maximized. In this perspective, stewards are managers working to protect and make profits for the shareholders. Stewardship theory emphasizes on the role of management being stewards, integrating their goals as part of the organization. The theory recognizes the importance of governance structures that empower the steward and offers maximum autonomy built on trust (Davis, Schoorman, & Donaldson, 1997). It stresses on the position of employee to act more autonomously so that the shareholders returns are optimized.

This theory has a great link to the FOSA products in that managers must be efficient in providing services to the members since they are employed as stewards of the SACCOs. Also they need to ensure the level of delinquent loans to members is minimized as stewards of the organization.

LITERATURE FROM PAST STUDIES

The researcher reviewed the past studies from journals and other relevant that are related to savings mobilization, loans accessibility, SACCOs efficiency and financial performance.

Savings' Mobilization

The essence of any savings and credit co-operative society is the mobilization of savings, the provision of credit and improvement in the standards of living of the members. They promote thrift among its members by affording an opportunity for accumulating their savings and to create thereby a source of funds from which loans can be made to them exclusively for provident and productive purposes at fair and reasonable interest thereby enabling them to use and control their money for their mutual benefit. Dorcus, Alala, and Consolata (2015), did a study on moderating effect of sacco factors on relationship between products and financial growth of members in Bungoma County. Findings showed that inadequate savings mobilization has deterred the financial performance of SACCOs. The potential of these organizations is tied to the amount of funds that they can mobilize from the members. As such, the number of members and the amount of money they save is very crucial in performance. These savings are the ones that used by SACCOs to engage in business that generate returns to the organization. There is a positive relationship between savings and financial performance of SACCOs in Kenya. Savings mobilization in FOSA products influences financial performance of SACCOs. The funds saved by the members are invested in loans that provide interests and stocks provide returns to the SACCOs.

Karagu and Okibo, (2014) did a research on financial factors influencing performance of Savings and Credit Co-operative Organization in Kenya. Study found that funds misappropriation influences performance of Sacco's. The study concluded that Sacco's need to improve on their internal audit department and other internal control measures. It also established that investment decisions made by Sacco's influence their performance. It also emerged from the study that Sacco's need to invest in prudent projects in order to achieve better returns. The study established that member withdrawal affects Sacco's performance due to reduced savings. This study dwelled on the funds that are already there but getting misused. They talked about investments to achieve good returns. The returns from FOSA products are determined the level of savings mobilized by SACCOs.

Sebhatu, (2012) undertook a study on management of savings and credit cooperatives from the perspective of outreach and sustainability. They noted that SACCOs ought to diversify their products in order to be sustainable. Diversification of products is an initiative that leads to emergence of FOSA products. Members open savings account for processing payments like loans, dividends, refunds. These accounts have interests for the purpose of encouraging members to open them. Interests on savings accounts ought to have the lowest possible discrepancy with the loan interest rates. Members have to be convinced that their funds will generate reasonable returns. FOSA provides platforms for savings in terms of fixed deposits. The interest on these accounts is based at the market rates and shall be determined by management from time to time. Unfavorable decisions by managers have led to lack of confidence by potential members. For instance, the low interests on fixed deposits sometimes are not attractive (Oluoch, 2016). As such, people are unwilling to save in SACCOs as they think that their money is not yielding sufficient gains.

Gweyii and Karanja (2014), looked into the effect of financial leverage on financial performance of deposit taking Sacco's in Kenya. Using a sample of 40 Sacco's registered by SASRA extending from 2010 to 2012. The study analyzed secondary data obtained from the financial statements of the various deposit taking Sacco's. The findings showed a perfect positive correlation between debt equity ratio with return on equity and profit after tax at 99% confidence interval and a weak positive correlation between debt equity ratio with return on assets and income growth. Member's savings are given out as the loans. FOSA loans products describes how various credit facilities have to be managed to enhance financial performance in SACCOs.

If FOSAs are operated appropriately, they can improve the members' welfare. FOSA operating Saccos have strong Capital base and therefore can serve their members better. The main activity of Saccos is offering credit to their members after accumulating savings. Front Office Sections attract non-members who open savings accounts, thus improving customer deposits. The membership of the Sacco grows in FOSA. This improves the volume of transactions, thus improving the revenue income of the society.

Loans accessibility

Loans' accessibility is the ability of individuals or enterprises to obtain credit facilities. Access to loans is a practical necessity in today's economic needs of SACCO members. It's a sad reality that many people do not realize the importance of credit until their access becomes limited. Level of income of the Savings and Credit Cooperative Societies in Kenya depends heavily on the interests on loans given to members (Mathuva, 2016). FOSA products contribute to financial performance of Saccos by providing diversified loan products. They improve loan portfolio with a possibility of increasing returns.

Members require financial credit in order to fill the gap of individual needs and wants and cover the mismatch between income and expenditure. SACCO's members borrowing are sometimes unplanned and are usually driven by emergency situations in the businesses or family matters. FOSA products ought to expand the mind set of SACCO members from emergency needs of credit to more economic needs. The diversified FOSA products in terms of loans can offer SACCO opportunities for increased charges on loans thus increased revenue and performance.

Majority of SACCO's uses lending as one of their principal business activity. The loan portfolio is typically the largest asset and predominate source of revenue for SACCO's. Kasali, Adejobi and Okparaocha (2013) noted that SACCOs raise much of their revenue through interest on loans. The level of credit accessed from these SACCO's is attributed to the composition of its loan products portfolio. Some clients may need long-term housing loans; others may be interested in consumption loans to meet more immediate needs. FOSA products are accessible and cooperative members ought to take them up. Successful uptake of FOSA loans can promote financial performance.

Miriti (2013) noted that financial performance is influenced interests on loans, repayment period and default management. Low interest charges by cooperative society can be easily repaid by the members. Product diversification in regard to addition of FOSA products in operations of SACCOs ought to come with interest rates adjustments to improve affordability and reduce default. The interests of the members and the SACCOs as an organization sometimes clash. SACCOs are interested in minimizing loan default risks as much as possible while members are interested solely in meeting economic and social needs. In case of default, the organization may turn on capital to continue their operations. This weakens the capital base and hampers their financial performance.

Efficiency

Efficiency describes what can be performed with what can be achieved with the same consumption of resources. It is an important factor in determination of productivity. SACCOs needs to be efficient in order to perform well and provide services to members. Sossion (2015) did a study on the influence of external environment on strategies undertaken by deposit taking SACCOs in Kenya. He found that SACCOs have adopted various strategies to deal with changes that pertains technological, legal and political factors. He stated that diversification and differentiation strategies dealt well with aforementioned factors and went further to enhance financial performance. Use of FOSA products is a form of product diversification adopted to cope with competition brought induced by technological changes.

Capital adequacy influences the efficiency of SACCOs which in turn affect financial performance (Rono, Lari & Nyangweso, 2013). The level of capital is regulated by SASRA thus SACCO's have to maintain certain minimum level of capital to be allowed to continue operating. Some SACCO's goes further to operate way above the limit meaning that they want more returns and are risk averse as well. Low technical efficiency of SACCOSs is caused by higher costs of operations. Therefore, there is need for cost minimization in utilization of FOSA products.

Kilonzi (2012), noted that SACCOs needs to be efficient in their operations in order to perform better. Management efficiency had a strong relationship with financial performance. Efficiency contributes to financial performance of SACCOs by increasing the return on assets. Njeri (2017) noted that risk in terms of capital to risk weighted loan determined capital adequacy; core capital to total assets. Appropriate capital adequacy leads to efficiency and effective financial performance.

Lakew, Meniga and Gebru 2014), did a study on financial performance of multipurpose co-operative unions in Tigray Region, Ethiopia. They described performance measurement as the process of quantifying efficiency and effectiveness. Effectiveness is compliance with customer requirements, and efficiency is how the organization's resources are used to achieve customer satisfaction levels. Financial performance deals with measuring the results of the firm's policies and operations in monetary terms. These results are reflected in the firm's return on investment, return on assets and value added, to mention a few. FOSA products describe the viable investments for SACCOs that can lead to efficiency and effective financial performance.

Financial Performance

Muteke, (2015) did a study the relationship between financial innovation and financial performance among savings and credit co-operative societies in Mombasa county Kenya. The study established that financial innovation affect the financial performance of Sacco's to a great extent. Products innovation contributed also to great extent to financial performance of Sacco. The study revealed that new deposit accounts, credit card, debit card, personal unsecured loan, money transfer services and product tailored to favor certain group also help in realizing high market share in the sector. The study further established that process innovation adopted by the sales affected the financial performance of the Sacco to a great extent. The study established that most Sacco's created value through office automation, use of computer, electronic money transfer, internet banks transaction, ATM transactions and clients data management software created strong products employed to enhance customer's satisfaction.

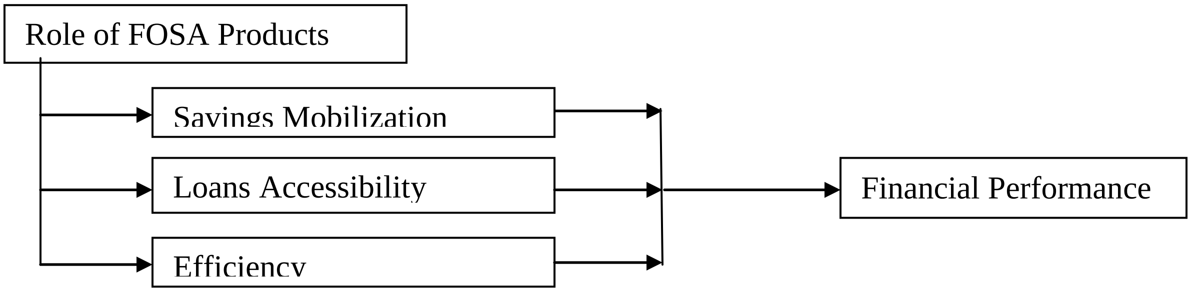
Kamau (2005), did a study on the savings mobilized by SACCOs in Kenya and the cases of fraud and corruption including Cooperative Societies. He noted that risks occurring in SACCOS hamper their performance. Lack of appropriate risk management might leads to financial problems to SACCOS before their occurrence. As such, managing risks effectively reduces the likelihood that a loss will occur or minimizes the scale of the loss that would have occurred. Credit risks management can be practiced by SACCOS to reduce the amount of defaulted loans. Defaulted loans lead to reduction of returns. Loans are assets to SACCOs hence if they are not paid; the return on assets becomes inadequate. This study did not include the FOSA loans that are also subject to default risks hence hampering financial performance.

Wanjiru, (2016), carried out a research on the effect of financial risks on the return on investments for deposit taking saccos in Kenya. The results of the data analysis indicate that financial risks have significant effect on the return on investment for DTSs. The study shows that in addition to the financial risks, other determinants of return on investments have significant effect on return on investment. SACCOs invest through proceeds from FOSA products and expect return on investments to influence financial performance.

Mwania, (2017) assessed the relationship between financial performance and growth of saccos in Kenya. The researcher noted that there was huge credit risks encountered among different SACCOs, hence the need for managements to ensure there are improved policies on credit terms and this will reduce liquidity risk and improve financial performance of the SACCOs. With the SACCO regulator on board, there is need to introduce compliance of International Financial Reporting Standards (IFRS) to ensure that all SACCOs have a standard way of reporting and it will be easier to monitor loan obligation among different SACCOs since huge loans have an effect on the performance of the economy in relation to inflation rate and gross domestic product of the country.

CONCEPTUAL FRAMEWORK

Figure 1: Conceptual Framework



RESEARCH METHODOLOGY

Research design

A research design is a systematic approach that a researcher uses to conduct a study (Kumar & Phrommathed, 2005). It is the overall synchronization of identified components and data resulting in a plausible outcome. This study applied qualitative descriptive research design. It aided comprehensive summarization journal articles leading to derivation of role of FOSA products on financial Performance of Savings and Credit Cooperative Societies in Kenya.

Sampling design

The researcher adopted purposive sampling design since it best suited the objective of assessing the role of FOSA products on financial performance of SACCOs.Journal articles, books other relevant documents were selected based weight ofdata/information they possessed concerning and related to role of FOSA products and financial performance of Savings and Credit Cooperative Societies.

Data Analysis

Data analysis is a process of inspecting, cleansing and transforming data with the goal of discovering useful information, informing conclusions, and making recommendations (Stemler, 2001).In this study, data was analyzed through content analysis. It is suitable data analysis method for manifest content information sources such as journals, books and other relevant documents. It helped in analyzing the already existing secondary data related to role of FOSA products on financial performance of SACCOs.

FINDINGS

The researcher reviewed the previous literature in a bid to examine the role of FOSA products on financial performance of savings and credit cooperative societies in Kenya. The findings were analyzed and discussed based on research variables of savings mobilization, loans accessibility and efficiency promotion. They provided answers to the research questions.

RESEARCH QUESTION ONE: How savings mobilization influence financial performance of savings and credit cooperative societies in Kenya?

Dorcus, Alala and Consolata (2015) did a study on moderating effect of SACCO factors on relationship between products and financial growth of members in Bungoma County, Kenya. They found that Sacco products affected financial growth at a great extent. The correlation coefficient factor was 0.708 indicating high and positive relationship. The coefficient of determination was 0.501 meaning that 50.1% of the members' growth was explained by Sacco products. The Sacco factors strengthened the relationship between products and growth. The correlation coefficient value for the association between FOSA products and growth was 0.660.

FOSA products are inclusive of savings products. From the findings, they affect the financial growth of members which is stimulated by financial performance of SACCOs. Financial growth of members shows that the SACCOs are run well thus they are encouraged to contribute more funds in terms of savings. This leads to increase of funds that the sacco give as loans and engage in other income generating activities such as real estate investments.

A research by Karagu and Okibo(2014) on financial factors influencing performance of saccos in Kenya revealed. Findings led to assertion that the poor financial performance was as a result of misappropriation of member's funds. Likert scale of 1-5 was used to obtain the opinions of the respondents from 34 saccos. 48% of the respondents agreed that indeed their saccos' financial performance was derailed by misappropriation of their savings. However, 52% of them noted that they had audit committee that protected their savings. 62% indicated that investment decisions affect sacco performance. These saccos invested in loans, housing schemes, shares and stocks. FOSA offers saving products for the SACCO members. The savings mobilization can be determined by the way the Saccos are using the existing members' funds. FOSA products promote thrift among SACCO members by affording an opportunity for accumulating their savings thereby creating a source of funds from which loans can be made to them exclusively for provident and productive purposes at fair and reasonable interest thereby enabling them to use and control their money for their mutual benefit. If management makes unsound investment decisions, members may be discouraged from saving more. The investment decisions affect financial performance as found by Karagu and Okibo (2014).

Savings mobilization is a role of FOSA products. Savings mobilization influence financial performance of SACCOs. The funds saved by the members are invested in loans that provide interests and stocks provide returns to the SACCOs.

Sebhatu (2012) investigated the management of savings and credit cooperative societies from the perspective of outreach of sustainability. Research findings showed that outreach raised from by 25.08% from the year 2007-2010. This outreach was measured in terms of number of active clients, loan size, and volume of saving and percentage of loans to clients. The gross saving as a percentage of the loan outstanding was 125.2% indicating that mobilization of savings by SACCOs was fairly encouraging. Outreach and sustainability are sometimes informed by the financial performance.

Based on the study findings, savings mobilization can influence financial performance. It evident that outreach and sustainability are determined by the gross savings as a percentage of outstanding loans. FOSA products increase the scope of savings which are used by SACCOs to engage in business that generate returns to the organization. Increase returns may mean improved financial performance.

Oluoch (2016) did a study on determinants of savings mobilization of SACCOs in Kenya. It was found interest rates on savings and loans determined savings mobilization. The level of income influenced the savings whereby members with irregular incomes had low saving rate. This was indicated at a mean of 3.90 in likert scale rating of 1-5. A mean score 4.05 showed that members occupation affects savings.

Savings mobilization through FOSA products influence financial performance based on the findings of the study by Oluoch (2016). Members of SACCOs are attracted towards saving more by the interest on loans and savings. FOSA products ought to be fairly attractive to promote savings mobilization. Low interests rates on loans and high interest on savings leads to increased savings. Increased savings influence the financial performance of SACCOs.

RESEARCH QUESTION TWO: What are the effects of loans accessibility on financial performance of Savings and Credit Cooperative Societies?

FOSA products influence financial performance of Saccos by providing diversified loan products. They contribute to improved loan portfolio with a possibility of increasing returns through expansion of volume of interest rates and transaction charges.

Mathuva (2016) did a study on revenue diversification and financial performance of SACCOs in Kenya. The study revealed that the level of income of the SACCO depended heavily on the interests on loans given to members. From the year 2008-2018, interests on loans provided over 70% of the total revenue of the SACCOs. Therefore, loan products are crucial to the financial performance.

FOSA products incorporate loan products. These loans are diverse in different types, interests and other charges that best suits different members. They are meant for acquisition by more members even the lowest income earners. The effect of loan diversification is increased revenue for the SACCO. Expansion of loans accessibility and provision to more members increases the interests earned by the SACCO keeping other factors constant. Increased revenue is a sign of improve financial performance.

Kasali, Adejobi and Okparaocha (2013) assessed the impact of SACCO regulatory authority guidelines on Sacco operations in Kenya. It was found that SACCOs raise funds through interest on loans. 28% of the respondents stated that financial viability of Sacco could be attained through effective access to loans by members. This is because they raise more funds from loan interests than any other source. Furthermore, 32% of the respondents admitted that loans had its share of the transaction fees charged by SACCOs. Provision of loans is governed by SASRA regulations. These regulations affect Sacco operations through accountability by a mean score of 4.35 and governance by a mean score of 3.61.

FOSA comes with diversified loans for the SACCO members. They bring on board the members that did not have loans previously because the FOSA loans meets their ability and interest. FOSA products provides opportunity for acquisition of more loans by the members, the interests and transaction fees increase thus boosting returns and improving financial performance. The effects of loans diversification on financial performance of SACCOs are the increase in returns in form of interests and transaction fees. Loans diversification attracts more members who are interested hence increasing the organization size in terms of membership.

Miriti (2013) undertook a study on factors influencing financial performance of SACCOs in Meru County. The used a sample of 298 directors, staff and Sacco members. Findings showed that financial performance was affected by the interest rate charged on loans, repayment period and management of loan defaulters. 87.6% of the respondents indicated that the loans offered by the SACCOs were competitive in comparison to other financial institutions. This encouraged members to take them instead of going to commercial banks. 75.2% admitted that loans were disbursed on the specified period to avoid inconvenience to members. Most (96. 3%) of the loans had a repayment period of 3 years. 84.2% admitted that their SACCOs had effective ways of managing loan defaulters that included attaching of guarantors shares, borrower's assets and taking of appropriate legal actions.

The effect of loans diversification on performance is the increase of loan portfolio by the SACCO. It has been showed that financial performance is affected by the elements of loan that are interest and repayment. Offering FOSA loans at competitive rates attracts members towards seeking them and increasing SACCO returns. Having effective loan management mechanisms mean levels of default are minimized and performance if enhanced.

RESEARCH QUESTION THREE: How efficiency contribute to financial performance of Savings and Credit Cooperative Societies?

A study by Sossion (2015) sought to find out the influence of external environment on strategies undertaken by deposit taking SACCOs in Kenya. He used a scale of 1-5 (1-No influence, 2-little influence, 3-moderate influence, 4-great influence and 5-very great influence). Findings revealed that SACCOs adopt diversification, differentiation and downsizing strategies to deal with technological, political and legal factors in their operations. 51.4% of the respondents admitted that their SACCO adopted diversification strategy. 34.3% and 14.3% stated that they utilized differentiation and downsizing strategies effectively. Automation of financial services had a mean score of 4.78. This means that it influenced strategies at very great extent. Emerging technologies in the finance sector that SACCOs operates in had a score of 4.55 while level of customers' usage of technology had 4.5673. This implies that they influenced diversification and differentiation at large extent. The combined influence of technological, political and legal factors affected the strategies by 63.5% while they explained 40.3% variation on them.

Use of FOSA products is as a result of diversification strategies by SACCOs. They want to have a variety of savings and loan products that fits the financial ability and preference for the members. Provision of a wide range of products through FOSA promotes risk reduction hence improving efficiency. Therefore, efficiency enhancement is a role of FOSA products. Efficiency contributes to financial performance of SACCOs through minimization of risks and operational costs. This enables them to offer products at most affordable charges.

Rono, Lari and Nyangweso (2013) investigated the determinants of technical inefficiency of SACCOs. Findings revealed that the mean capital adequacy of SACCOs was at 21% way above the 10% set by the SASRA. This implied that SACCOs with FOSA products in Kenya are risk averse. There is a lot of competition among the SACCOs in Kenya because they have no ability to control entry into the sector due to the fact that they 22% of the ratio of net profit to total assets which is way below the recommended 70%.

Efficiency contributes to financial performance by giving SACCOs an edge against competitors. In doing so, they can create barriers to entry. However, this is not the case in Kenya SACCOs who have low ratio of profit to total assets. This implies that most have no effective economies of scale which could have promoted sustainable financial performance. Earnings through appropriate use of FOSA products can enable SACCOs to accumulate more profit to improve their profit to asset ratios for improved financial performance.

In the review of the study by Kilonzi (2012), on the impact of SASRA regulations on financial performance of SACCOs in Kenya, it was found that management efficiency affected the return on assets which is a measure of financial performance. In the regression analysis, the beta value for the management efficiency variable was 5.143. This meant that increase in one unit of management efficiency led to increase of return on assets by a value of 5.143.

Efficiency contributes to financial performance of SACCOs by increasing the return on assets. The FOSA loans given to the members of the SACCO are treated as the assets. The interests on those loans are the returns on the assets. As such, managers have to try their best to minimize costs and avoid wastages in regarding operations that pertains FOSA products so as to achieve efficiency and promote financial performance.

Njeri (2017) did a study on determinants of capital adequacy in Kenya's SACCOs. She found that risk in terms of capital to risk weighted loan determined capital adequacy; core capital to total assets. The correlation coefficient value was 0.172 which was significant with p-value of 0.027 at 95% confidence level. Regression analysis led to coefficient determination of 3% that explained the variation in capital adequacy. Risk furthermore influenced capital adequacy in terms of core capital to total deposits since there was a relationship between the two with correlation coefficient value of 0.197 and p-value of 0.011 at 95% significance level. 3.9% of variation in capital adequacy was explained by the risk.

Appropriate management of risk enhances efficiency in organizations. In the study by Njeri (2017) risk affects the capital adequacy of SACCOs. Capital adequacy indicates the financial health of a Sacco. Financial health shows whether the SACCO is performing well or not. The main aim of FOSA is to increase the earnings and diversify risks of a SACCO by dealing with sales of the products of different varieties. This can promote efficiency capital adequacy and efficiency. Therefore, efficiency in case contributes to financial performance through promoting capital adequacy of a SACCO.

CONCLUSION AND RECOMMENDATIONS

It can be concluded that indeed FOSA products plays a major role in the financial performance of SACCOs. These institutions are expected to contribute to economic growth and development of Kenya but this has not been achieved satisfactorily. Product diversification is a crucial way for an organization to improve its performance. In SACCOs, there is emergence of FOSA products. Their undesired financial performance can be attributed to inadequate adoption and utilization of FOSA products. FOSA products promote financial performance through savings mobilizations. They do this through various accounts that can be opened according to the suitability of the SACCO members. This is a technique of increasing Sacco membership and savings. If saccos utilize this savings in prudential manner, they can increase their earnings thus improving financial performance. However, this has not been the case as most members' savings has been mismanaged hindering the effect of FOSA products. It is the wish of SACCO to maximize their revenue as much as they can. Use of FOSA products provides the means to optimize revenue. Acquisition of these products comes with meaningful charges and transaction costs that increase the revenue. However, lack of understanding of these charges on side of some members' side may be the reason that they are not taking them up. It can be argued that lack of efficiency in the operations of FOSA products has deterred effective financial performance of SACCOs. To operate with FOSA products, costs are incurred in terms of establishing compatible systems and other things. However, these costs must be well managed to ensure that they do not exceed the returns. Most SACCOs who are inefficient have not been able to perform well. Most sacco members find it difficult access loans. This is due to lack of loan products that fits their financial ability. It is through loans that saccos earn interest to engage in business for the benefit of the organization thus if some members are not able to access them, it is a sign of revenue loss. Fortunately, FOSA products incorporate diversified loan products to fit members at various levels of income. Though, SACCOSs which are not able to perform well financial may be due to lack effective loans' accessibility to members.

After reviewing selected journal articles related to role of FOSA products on financial performance of SACCOs, the researcher makes the following recommendations;

- SACCOs in Kenya should work on saving mobilization techniques in regard to FOSA products to provide more information of the same to existing and potential members. They establish and implement revenue optimization systems.
- It is recommended that SACCOs should emphasize more on their operational processes to improve their efficiency
- Saccos should increase their financial advisory services on utilization of diversified FOSA loans by members to increase accessibility

LIMITATIONS OF THE STUDY

The study focused on financial performance of SACCOs but limited itself to the role of FOSA products. It means that they are other factors that could have added to the description and explanation of financial performance. The study depended on existing secondary data for analysis and interpretation. Past information could be overrun by changes in the variables discussed whose implication may have not have accounted for in the findings. Tracing the right journals that were related to the study was tiresome.

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