

DETERMINANTS OF MEMBER LOYALTY AMONG SACCOS: A SURVEY OF SELECTED SACCOS IN KERICHO COUNTY, KENYA

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Abstract

Savings and Credit Co-operative Societies (SACCOS) in Kenya have been critical agents of mobilization of savings and advancing credit to members thus promoting economic development in the country contributing up to 30% of the GDP. However, the growth of SACCOS has recently been threatened by competition by other financial institutions offering alternative services. The purpose of this study was to examine the determinants of retention and continued access to SACCO products by members in Kenya by taking a case study of Ndege Chai and Imarisha SACCOS in Kericho, Kenya. Descriptive research design was adopted with a target population of 441 members of the two SACCOS using a sample of 209 member's selected using systematic sampling technique. Self-administered questionnaires were used to collect data from respondents results were analyzed by use of descriptive statistics. The study established that interest rates, mode of disbursement and variety of financial products are most important financial factors which influence SACCO member's loyalty. The study recommends that SACCOS seeking to enhance retention of their members should fasten in providing competitive interest rates and find modalities of improving their efficiency in disbursements of funds.

Keywords: *Member loyalty, Retention, SACCOS, Kenya*

INTRODUCTION

According to Karanja, Wachira, and Lyria, (2015), Savings and Credit Co-operative Societies (SACCO's) are started with a common objective which is savings mobilization and credit advancement. SACCO's encounter challenges in promoting quality financial management practices in Kenya such as limited capital, sources of funds, credit risks management and negative cash liquidity, poor governance and very low credit accessibility. A national survey conducted by Central bank of Kenya on financial access revealed that SACCO's credit accessibility has reduced from 2009 to 2013 despite the increase in credit demand (Karanja *et al.* 2015)

According to Olando, Jagongo and Mbewa (2013), The Vision 2030 strategy among other things requires the financial services sector to play a critical role in mobilizing the savings and investments for development of the country by providing better intermediate between savings and investments than at present. This sector will assist the mobilization of investment funds required to implement the projects of Vision 2030. SACCOs are among the financial services strategies to be implemented in this exercise. Service provided by savings and credit cooperative organizations (SACCOs) and other major financial institutions will play a crucial role in improving the reach and access of financial services (currently only 19% of Kenyans have access to formal financial services). It is notable that the financial services contribute about 4 per cent to GDP and its assets contribute equivalent to about 40 per cent of GDP (Olando *et al.* 2013).

Despite, the fact that SACCOs significantly contribute to the economic growth of Kenya, the performance of SACCOs, has greatly shrunk over the years. Kiraku and Okibo (2014) posit that the poor performance of SACCOs is attributable to withdrawal of members. This was evidenced by 44% of the respondents surveyed who consented that member withdrawal was hampering the SACCO performance. There has been increased competition in the SACCO sector, among the SACCOs themselves and from other financial institutions offering similar services. The strength of a SACCO depends, among other things, the membership base. Therefore, retention and loyalty of members is an important element of SACCO performance. Studies revolving around performance of SACCOs have attracted the attention of many scholars (Zerfeshewa 2010; Kiragu and Okibo, 2014, Mulwa, 2014 among others).

Since their establishment in 1973 in Kenya, SACCOs have been providing financial products to their members without much competition from other financial service providers. However reform programs in the financial sector that started in the late 1990s such as liberalization have resulted in a lot of competition from other financial service providers. The success of SACCOs depends to a great extent on the strength of members' portfolio and their

participation in shares contribution and access to credit products. Many organizations are now focusing on customer loyalty as a strategy for growth. Many studies focus on the contribution of SACCOs on the growth of SMEs. This is, in spite the fact that success of SACCOs in meeting its objectives may as well be inhibited by the members seeking services from other financial institutions at the expense of their SACCOs. Competition in the financial sector has seen many SACCOs collapse or declining membership. Since, SACCO sector contributes significantly to the growth of economy in many developing countries, including Kenya, it is important to keep the sector vibrant. Thus this study sought to establish the determinants of loyalty of SACCO members to SACCO's products.

The general objective of this study was to establish the financial factors affecting member loyalty to SACCO's products. This research sought to achieve the following specific objectives: To establish the influence of interest rates on loyalty to SACCO products by SACCO members in Ndege Chai and Imarisha SACCO; To determine the influence of the mode of disbursement of funds on loyalty SACCO products by SACCO members in Ndege Chai and Imarisha SACCO; To establish the influence of variety of financial products offered on the loyalty to SACCO products by SACCO members in Ndege Chai and Imarisha SACCO and To determine the influence of collateral required by SACCOs to SACCO products by SACCO members in Ndege Chai and Imarisha SACCO

LITERATURE REVIEW

Several empirical studies relating to the study objectives were reviewed. Several studies have been conducted relating to various factors influencing loyalty of members to SACCO products and factors affecting performance of SACCOs in general.

Khalayi, Alala and Musiega, (2014) conducted a study in Kakamega, Kenya on the effects of Interest Rates on Deposits Mobilization among SACCO Members using a comparative approach. The objectives of the study, among others were to analyze how interest rate for members' deposits in SACCOs is established and to evaluate the relationship between interest rates and deposits mobilized by SACCOs. The study found out that interest rates affect the growth of SACCOs deposit positively but insignificantly. This result suggests that trying to influence the SACCOs deposits by manipulating interest rates is not likely to be a practical policy option in the study area. However, the SACCOs should attempt to maintain competitive positive real interest rates relative to that of other financial institutions in order to increase the savings. However, this study does not capture other aspects of SACCO relating to credit advanced to members. There is need, therefore, to conduct further research focusing on both

facets of deposit mobilization as well as credit advancements. This can be achieved by concentrating on overall member loyalty.

Daniel and Josphine, (2013) examined the factors that influence SACCO members in Kenya to seek financial products from other financial service providers. The study investigated the factors that make SACCO members to seek the services of other financial service providers. To achieve this objective, the study employed the survey involving a sample of 100 SACCO members drawn from 18,833 members of the 44 SACCOs operating within Central Rift Valley Region of the cooperative society. Stratified Random sampling was used to select respondents and a questionnaire was used to collect data from SACCO members. Both descriptive and inferential statistics were used to analyze the data. Hypotheses were tested using correlation analysis and regression analysis. Correlation analysis tested the relationship between the independent variables and the dependent variable while regression analysis was used to determine the contribution of each independent variable to the dependent variable. The findings of the study revealed that a large number of SACCO members took loans offered at the SACCOs in spite of the cut throat competition by other financial institutions and that the SACCOs were not as competitive as other financial service providers in terms of processing and delivering of

Mulwa, (2014) conducted a study which sought to establish the effect of financing diversification on the performance of SACCOs by answering the question; does financing diversification affect the performance of a SACCO? The study used a descriptive correlational design with the study population being all Kenya Union of Savings and Credit Cooperatives (KUSCCO) member SACCOs registered in Kakamega County. Data was collected from a key informant in every SACCO using a questionnaire and analysed using both descriptive and inferential statistics. Descriptive analysis was done to identify any trends and dispersions in the data while Karl Pearson's zero order coefficient of correlation was used to determine the nature of relationship between financing diversification and SACCO performance. Regression analysis was done to model the relationship between financing diversification and SACCO performance. The study found out that financing diversification had a significant positive effect on SACCO performance. However, it is not clear whether the findings of this study can be replicated when loyalty of members is considered.

Another study focusing on the influence of product diversity is that of Mosongo, *et al.* (2013). The study sought to investigate whether there was a relationship between financial innovation and financial performance among the SACCO in Nairobi County. The study adopted descriptive research design for the purpose of accessing the study's general intent. The study's target population comprised of 41 SACCO registered under the commissioner for cooperatives

in Nairobi County. Stratified random sampling was used to select respondents from each of the sampled SACCO. A self administered questionnaire was delivered to the respondents and collected after completion. Mosongoet *al.* (2013) established that 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 concludes that there was a positive relationship between financial innovation and financial performance among SACCO in Nairobi County. The study recommend that for SACCO to be highly competitive and relevant in the market they must employ various types of product and financial innovation.

Olandoet *al.* (2013) while investigating the Contribution of SACCO Financial Stewardship to Growth of SACCOS in Kenya, found out that Growth of SACCOS wealth depended on loan management, institutional strengths, and Innovativeness of SACCO Products. The study further found that SACCOS inadequately complied with their by-laws; incomes from investments did not adequately cover their costs. The study which employed descriptive design in soliciting information on the determinants of growth of SACCOS' wealth and collected from the census of 44 SACCOS in Meru county using a questionnaire and document review tool, and analyzed using both descriptive and inferential statistics underscored the role of innovativeness of SACCO products.

Zerfeshewa (2010) conducted a study to identify the determinant factors for development of SACCOS in Gondar town. The study area was selected purposively, due the presence of long established SACCOS. Using simple random sampling method, from seven case SACCOS selected for this study, 120 members were selected at probability proportionate to size. As key informants 30 SACCO officials were also considered. Structured questionnaire was used to generate primary data from sample respondents. Secondary data were collected from financial and performance report of the case SACCOS. Result of the study indicates that narrow alternate options in collateral requirement inhibits members to get loan as they require and it becomes the causes for excess accumulation of liquid asset in banks. The study recommended the importance of transformation mechanism of SACCOS into modern service delivery practice, financial product diversification and improving collateral system, adopting appropriate financial standards and the need for formulation of SACCOS act. Although this study suggests that collateral requirement is an important determinant of performance in SACCOS, there is no study conducted in Kericho County to explore this variable.

Karanjaet *al.* (2015) carried on a study to assess the influence of collateral requirements on credit accessibility of SACCO's in Imenti North Sub-County, Kenya. The target population of

the study was 34 registered SACCO's which offers credit and the management employees were the study respondents. Results of their study revealed that collateral requirements have a moderate influence on credit accessibility in SACCO's. Pearson correlations also indicated that collateral requirements have a major positive significance contribution on credit accessibility. It was recommended that SACCO's should therefore possess a wide range of collaterals and also develop a policy which allows use other forms of collateral other than guarantors and shares only. This will certainly increase access to credit in SACCO's. However it is not clear from the findings of this study whether collateral requirements prompts members to shop for alternative sources of credit and ultimately influence their loyalty to their SACCO.

From the literature review, it is clear that there is rich literature surrounding SACCO movement and SACCO performance. The variables identified by many scholars are financial factors affecting SACCO performance. Very few studies are anchored on membership in general and member's loyalty in specific. This is despite the fact that the strength of a SACCO depends, among other things, the membership base. Therefore, retention and loyalty of members is an important element of SACCO performance.

RESEARCH METHODOLOGY

Research design is the blueprint of the research. It shows how the various components of the research will be integrated so as to achieve the objectives of the research. Accordingly, this study employed a descriptive research design. This design was deemed appropriate for the study because the goal of the researcher describe the state of the phenomena as it existed at the time of investigation.

A target population is the total population in the study in which the researcher wishes to investigate phenomena (Mugenda, 1999). The population of the study constituted of all the members of Ndege Chai and Imarisha SACCO who were not employees of the sponsor organization. This criteria was aimed at eliminating the members who are obliged to be members by virtue of their employment. Accordingly, the population comprised of 441 active SACCO Members consisting of 202 in Ndege Chai SACCO and 239 in Imarisha SACCO. The sample size was obtained using the simple size determination formula suggested by Yamane, (1967) as shown in Equation 3.1. The sample size of the study had 209 respondents from the population of 441 as shown in the workings.

$$n = \frac{N}{1 + Ne^2} \quad \dots \quad \dots \quad \dots \quad \text{Eq 3.1.}$$

n= Sample size; N= Population; e= Level of precision, preferably .05 for social sciences

$$n = 441 / (1 + 441 * .05 * .05) = 209$$

After the determination of the overall sample size, the sample size in each of the two SACCOs was determined by use of proportionate sampling where weight was given to the number of members in each SACCOs. This resulted to a sample of 94 in Ndege Chai which had a population of 202 compared to a sample of 115 in Imarisha SACCO which had a population of 239. The required sample was then selected randomly.

The instrument used for the study was questionnaires. The researchers also supplemented the questionnaire with an interview schedule. The strength of interview was in the ability of the researcher to interrogate the respondents' views. Therefore this helped to reinforce the findings from the questionnaire. The data were tested for reliability to establish issues such as data sources, methods of data collection, time of collection, presence of any biasness and the level of accuracy. The test for reliability established the extent to which results were consistent over time. The assessment of content validity of measures is carried by professional experts. The questionnaire was subjected to a panel of experts in the SACCO and financial industry to check the content relevance.

Reliability test was carried out to test the consistency of the research tools with a view to correcting them. The researcher improved the instrument by reviewing or deleting items from the instrument. To test for reliability, the study used the internal consistency technique by employing the Cronbach Coefficient Alpha test for testing the research tools. Only items which yielded Cronbach Alpha of at least 0.7 were used. Internal consistency of data is determined by correlating the scores obtained from one time with scores obtained from other times in the research instrument.

RESULTS AND DISCUSSIONS

In assessing Determinants of Savings and Credit Co-operative Societies' members loyalty, it was considered important to find out the background information of the SACCOs which was the basis under which the interpretations are made. Questionnaires were sent to a sample of 209 respondents. Out of these respondents, 192 responses were received accounting for 91.8% response rate.

Distribution of Respondents by Gender

The study sought to profile the respondents by gender. The findings revealed that majority of the respondents were male represented by 58% of the sample as compared to 42% female. This preliminary finding indicates that the SACCO membership in the participating SACCOs is male dominated.

Distribution of Respondents by Age

The researcher requested the respondents to indicate their age brackets. This would help identify the dominant age of members in the SACCOs so as to inform the policy makers where emphasis should be. Findings reveal that all the respondents were above 20 years of age. A majority of them are aged between 31 and 35 years represented by 52% with those between 21 and 25 being the minority with a representation of 4%. The findings are summarized in Table 1

Table 1: Respondents by age

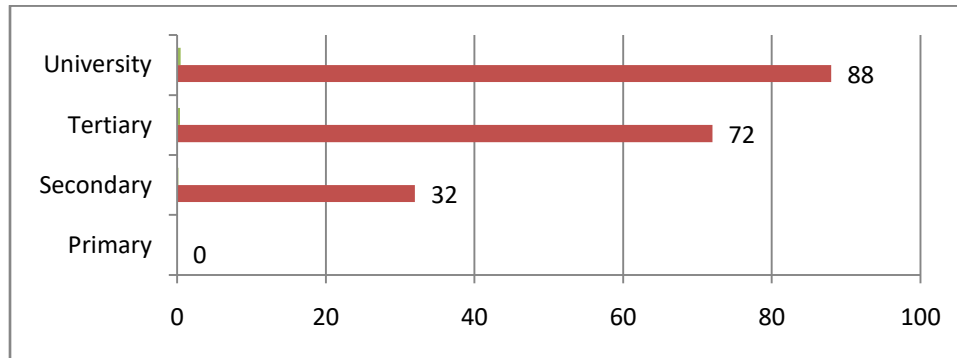
Age Bracket	Frequency	Percent	Cum %
<18	0	0%	0%
18-20	0	0%	0%
21-25	8	4%	4%
26-30	32	16%	20%
31-35	96	52%	72%
36-40	24	12%	84%
>41	32	16%	100%
Total	192	100%	

This findings indicate that the majority of the respondents are middle aged with 80% of the respondents falling between 26-40 years of age. It further indicates that members join SACCOs at 26 years of age. This is the age at which most youth join workforce. The finding seems to suggest a relationship between employment of members and joining of a SACCO. This finding was expected especially since most of the members of the SACCOs were actually employees of organization in which the SACCOs were affiliated. It is also striking to note that only 16% of the members of the SACCO are over 41 years. This may be indicative of members abandoning SACCO membership with time. There is need for SACCO management to target the youth and to maintain SACCO membership.

Distribution of Respondents by Level of Education

The study also sought to investigate the level of education of the members. This was important enquiry since the education level of a respondent may influence the loyalty decisions. These were grouped into four broader categories: primary, Secondary, Tertiary and University. The findings are depicted in Fig. 1.

Figure 1. Distribution of respondents by education level



It can also be seen from Figure 4.2 that almost all the categories of the academic qualifications were represented apart from the Primary level. However, majority of the respondents 88 (46%) had university education as the highest academic qualification while 32 (17%) had secondary school as their highest education level. The remaining 72 (38%) had tertiary level the highest academic qualification. This is worth noting as it depicts the type of members in the SACCO. These findings indicate that the membership is dominated by educated people.

Distribution of Respondents by Duration in the SACCO

The study sought to establish how long the respondents had been members of both SACCOs. The data obtained is shown in Table 2.

Table 2: Distribution of respondents by duration in the SACCO

Duration	Freq (N)	Percent (%)	Cumulative percent
1-3 YRS	40	21%	21%
4-6 YRS	64	33%	54%
7-9 YRS	16	8%	63%
>10 YRS	72	38%	100%

From the Table 2, a majority 72 (38%) had been in the SACCO for over 10 years, 64 (33%) had been in the SACCO for 4 to 6 years, 40 (21%) had been members for 1 to 3 years and only 16 (8%) had been members for 7 to 9 years. This indicates a reasonable level of customer loyalty to the SACCO membership and its products. This preliminary finding is useful because it assured the researcher that the profile of the respondents not only cut across the various age brackets, but that the respondents had been members of SACCOs for considerable amount of time for them to be knowledgeable on the phenomenon under investigation.

Distribution of Respondents by Membership in Other SACCOs

The study also sought to establish whether, the members of a SACCO were also members of other SACCOs. Respondents were also requested to state whether they are members of any other SACCO and the findings are as shown in Table 3.

Table 1: Distribution of respondents by membership in other SACCOs

Membership in other SACCOs	Yes	No
Frequency (N)	32	160
Percent (N)	17%	83%

On membership in other SACCOs, 160 (83%) of the respondents are members of Ndege Chai and Imarisha SACCO while only 32 (17%) said they also were members in other SACCOs. This indicated that a majority of the members are convinced that the SACCO fulfills their needs.

Access to financial services from other financial institutions

The respondents were requested to state whether they accessed services from other financial institutions. The findings were as shown in Table 4.

Table 2: Access to financial services from other financial institutions

Frequency of access to financial institutions	Frequency (N)	Percent (%)	Cumulative percent
Very often	8	4%	4%
Often	72	38%	42%
Rarely	64	33%	75%
Never	48	25%	100%

Table 4 shows that the frequency of access to financial services from other institutions was rated as very often by 8 (4%) of the respondents, often by 72 (38%) of the respondents, rarely by 64 (33%) of the respondents and never by 48 (25%) of the respondents. This shows that only a quarter (25%) of the members had never accessed financial services from other financial institutions while the other three-quarter had at some point accessed financial services from other financial institutions. This therefore indicates that the members' financial needs may not be fully met by the SACCO thus making them try to fill the gaps from elsewhere.

Influence of interest rates on customer loyalty in SACCOs

In theory, and indeed as supported by studies, SACCOs are able to advance loans at interest rates lower than those charged by other financial providers. In addition, SACCOs have the ability and opportunity to reach clients in areas that are unattractive to banks such as rural or poor areas (Olando, et al. 2013). It was therefore expected that interest rates would charge by SACCOs would help them keep their members. It was in the interest of the study to investigate on how the interest rates affect the customer loyalty. To do this, various questions were posed to the respondents who are members of the SACCO. The respondents were given three statements about interest rates to respond to on a rating of strongly agree, agree, neutral, not sure, disagree and strongly disagree. The results were as shown in Table 5.

Table 3: Influence of interest rates on customer loyalty in SACCOs

Statement		Strongly				Strongly
		agree	Agree	Neutral	Disagree	disagree
Interest rates have been increasing steadily	N	19	77	0	77	19
	%	10%	40%	0%	40%	10%
Interest rates have been fluctuating steadily	N	0	77	77	38	0
	%	0%	40%	40%	20%	0%
Consider interest rate when taking loan	N	77	115	0	0	0
	%	40%	60%	0%	0%	0%

On whether the interest rates had been increasing steadily, half (50%) of the respondents said they agreed with the statement while the other half disagreed. On fluctuation of the interest rates 40% of the respondents agreed that the rates fluctuated steadily while only 20% disagreed.

The other 40% were indifferent about the fluctuation of interest rates. The other statement sought to know if the respondents considered the interest rates when taking loans. All the respondents said they considered the charged interest rate with 40% strongly agreeing and 60% agreeing. This was a clear indication that the interest rates charged on loans influenced the members while seeking a loan. Summation of the three items for each and every respondent was computed to generate a total score. The results were as shown in Table 6.

Table 4: Influence of interest rates on customer loyalty in SACCOs

Interest rates	Frequency (N)	Percent (%)	Cumulative percent
Strongly Agree	80	42%	42%
Agree	96	50%	92%
Disagree	8	4%	96%
Strongly disagree	8	4%	100%
<i>Total</i>	192	100%	

From Table 6, 80 (42%) of the respondents strongly agreed, 96 (50%) of the respondents agreed, 8 (4%) of the respondents disagreed and another 8 (4%) of the respondents strongly disagreed. This shows that a majority (92%) of the respondents were influenced by the interest rates charged on the loans while only 16% said they were not influenced by the charged interest rates. This indicated that the customer loyalty was greatly affected by the interest rates charged on the loans.

Competitiveness of Interest Rates

The respondents were asked to rate how competitive the interest rates offered by Ndege Chai and Imarisha SACCO as compared to other SACCOs and Financial institutions. The ratings provided were very high, high, comparable, low and very low. The findings were as displayed in Table 7.

Table 7: Competitiveness of interest rates

SACCO Interest rates competitiveness	Frequency (N)	Percent (%)	Cumulative percent
Very high	0	0%	0%
High	60	31%	31%
Comparable	72	38%	69%
Low	36	19%	88%
Very low	24	13%	100%
<i>Total</i>	192	100%	

From Table 7 competitiveness of the interest rates offered by the SACCO was rated as very low by 24 (13%), low by 36 (19%), comparable by 72 (38%) and High by 60 (31%) in comparison to interest rates offered by other SACCOs and financial institutions. No respondent rated the competitiveness of the interest rates offered by the SACCO as very high. These findings

revealed that majority of the members (38%) considered the interest rates offered by the SACCO comparable to the rates by other SACCOs and financial institutions. The findings are consistent with the findings of Khalayi, Alala and Musiega, (2014) who found that although interest rates affect the growth of deposit positively but insignificantly.

Effect of mode of disbursement of funds on loyalty of SACCO's members

The study also sought to investigate the effect mode of disbursement of funds on loyalty of SACCO members. The respondents were requested to rate the level of their agreement on the mode of disbursement of funds by their SACCOs. The findings are summarized in Table 8

Table 8: Influence of mode of disbursement on loyalty of SACCO members

Mode of disbursement	Frequency (N)	Percent (%)	Cumulative percent
Strongly Agree	161	84%	84%
Agree	29	15%	99%
Disagree	2	1%	100%
Strongly disagree	0	0%	100%
<i>Total</i>	<i>192</i>	<i>100%</i>	

The findings in Table 8 indicate the mode of disbursement of funds has a very strong bearing on the loyalty of the SACCO members to their preferred SACCO. This is shown by the overwhelming 161(84%) of the respondents who indicated strongly agreed and another 15% who agreed. This brings the percentage of the respondents who either agreed or strongly agreed to 99% meaning only 1% of the respondents disagreed.

This finding leads to the conclusion that mode of disbursement of funds is a crucial variable affecting loyalty of SACCO members. This ranges from the approval procedures, efficiency in disbursement and communication of disbursement. This finding are consistent with the findings of Daniel and Josphine, (2013) which established that the SACCOs were not competitive as other financial service providers in terms of processing and delivering of financial products, the type of products offered and customers relations.

Effect of Collateral Required by SACCOs to Loyalty of SACCO Members

Respondents were asked to respond to two statements regarding collateral requirement requiring them to indicate to what extent they agree with them. The first statement required the respondents to state the extent to which they agreed on the friendliness of security

requirements of their SACCO. The second statement required respondents to compare the Collateral requirement were of their SACCO with those of other financial institutions. The scores on these statements were then summed up to generate a total score. The results were as shown in Table 9, and Table 10.

Table 9: Friendliness of Collateral requirements

SACCO security requirements is very friendly	Frequency (N)	Percent (%)
Strongly Agree	76	40%
Agree	96	50%
Disagree	12	6%
Strongly disagree	8	4%
<i>Total</i>	<i>192</i>	<i>100%</i>

Table 9 shows that 76 (40%) of the respondents strongly agreed, 96 (50%) of the respondents agreed, 12 (6%) of the respondents disagreed and another 8 (4%) of the respondents strongly disagreed. This is an indication that a majority (90%) of the respondents considered the collateral requirements by the SACCO to be friendly and better compared to that of other SACCOs while only 10% said the collateral requirements by the SACCO were neither friendly nor better compared to that of other SACCOs.

When asked whether the collateral requirements of their SACCO was better than that offered by other financial institutions, the respondents had divergent perceptions as shown in Table 10.

Table 10. Comparison of collateral requirements with other institutions

SACCO security requirements are better than those of other financial institutions	Frequency (N)	Percent(%)
Strongly Agree	115	60%
Agree	59	31%
Disagree	18	9%
Strongly disagree	0	0%
<i>Total</i>	<i>192</i>	<i>100%</i>

The findings in Table 10 shows that majority of the respondents believed that the collateral requirements of their SACCOs were actually better than those offered by other financial institutions. This was represented by a huge majority of respondents 115(60%) who strongly agreed and another 59(31%) who agreed as compared to only 18% who disagreed. It was

interesting to note that none of the respondent strongly disagreed to this statement. This findings show that many respondents do not consider collateral requirements in their SACCOs worse off compared to competitors.

This finding are consistent with the findings of Zerfereshewa B. (2010), who on his studies indicated that narrow alternate options in collateral requirement inhibit members to get loan as they require and it becomes the causes for excess accumulation of liquid asset in the banks. The findings of this study are also consistent with the findings of Karanja et al. (2015), Karanjaet al. (2015) who carried on a study to assess the influence of collateral requirements on credit accessibility of SACCO's in Imenti North Sub-County, Kenya among 34 registered SACCO's which offers credit and the management employees were the study respondents. Results of their study revealed that collateral requirements have a moderate influence on credit accessibility in SACCO's. Pearson correlations also indicated that collateral requirements have a major positive significance contribution on credit accessibility.

Effects of variety of products on loyalty

Respondents were asked whether the SACCO offers asset financing, personal loans, education loans, emergency loans, ATM, savings and withdrawals, education to members, insurance services and farm inputs. The findings were summarized in table 11.

Table 11: Variety of products offered by the SACCO

Product	Yes	No	Not Aware
Asset financing	63%	17%	20%
Personal loans	94%	6%	0%
Education loans	81%	9%	10%
Emergency loans	100%	0%	0%
ATM	100%	0%	0%
Savings and withdrawals	100%	0%	0%
Education to members	83%	8%	9%
Insurance services	39%	11%	50%
Farm inputs	15%	40%	45%

Table 11 shows that a majority of the respondents indicated awareness that the SACCO offers asset financing, personal loans, education loans, emergency loans, ATM, savings and withdrawals and education to members. Some respondents however indicated low levels of awareness about products such as insurance services and farm inputs. This clearly shows that the members lack information about some products offered by the SACCO. This finding are

consistent with the findings of Mulwa, (2014) which found out that financing diversification had a significant positive effect on SACCO performance.

The findings of this study are further supported by the findings of Orlando et al. (2013) who, while investigating the Contribution of SACCO Financial Stewardship to Growth of SACCOs in Kenya, found out that Growth of SACCOs wealth depended on loan management, institutional strengths, and Innovativeness of SACCO Products. Orlando *et al.* (ibid) found out that most of loan products were applied for by borrowers, were designed to fit members' needs and there was regular diversification of products in SACCOs. This ensures satisfaction of members in meeting their needs. SACCOs should, therefore, design proper mechanisms so as to enhance innovativeness which leads to variety and quality loan products hence growth of Sacco's wealth.

CONCLUSIONS

The overall objective of the study was to establish the factors that determine customer loyalty to the products of financial institutions in SACCOs. Specifically, the study sought to establish the effect of interest rates on loyalty to SACCO products by SACCO members in Ndege Chai and Imarisha SACCO, to determine the influence of the mode of disbursement of funds on loyalty SACCO products by SACCO members in Ndege Chai and Imarisha SACCO, to establish the relationship between variety of financial products offered and the loyalty to SACCO products by SACCO members in Ndege Chai and Imarisha SACCO and to determine the influence of collateral required by SACCOs to SACCO products by SACCO members in Ndege Chai and Imarisha SACCO. The findings in respect to each of the objective are summarized as follows.

The study established that most members of the SACCO considered the collateral requirements of their SACCO as being comparable to other SACCOs. The risk of default among SACCO members is reduced by the fact that the loans are guaranteed by fellow members' savings. Therefore this finding supports the fact that SACCO security requirements are better than those of other financial institutions.

The study established that variety of products offered by the SACCO had positive relationship with the loyalty of SACCO members. Proportionate increase in variety of products offered by SACCOs results to proportionate increase in loyalty of members.

Spanning from the findings of the study that interest rates, mode of disbursement and variety of financial products have significant influence on the loyalty of SACCO members, the study concluded that these were the most important financial factors significantly that affect the loyalty of SACCO members and that these were crucial variables that could be manipulated to improve loyalty.

The study concluded that increase in interest rates reduces the loyalty of SACCO members. The study findings showed that SACCOs have comparative advantage when compared to other financial institutions regarding it comes interest rates. Many respondents suggested that the interest rates offered by their SACCOs were actually competitive. From the finding that variety of products offered by SACCOs had significant positive relationship with loyalty of members; the study concludes that variety of financial products offered is an important marketing tool, which significantly changed the loyalty of members.

Finally, from the finding that collateral requirement has no significant correlation with loyalty of members, the study concludes that many SACCOs and financial institutions had almost identical collateral requirements and therefore, it may not be considered as an important factor which may shift the loyalty of a SACCO member.

RECOMMENDATIONS

From the conclusions of the study, several recommendations were made, to the management of SACCOs, policy makers and the academia. First, it was recommended that SACCOs, seeking to enhance retention of their Members should focus on providing competitive interest rates. It has been shown that the cost of capital in Kenya over the recent past has really gone up, leading to a popular law enactment of curbing interest rates. Therefore, stakeholders in financial institutions should focus much on this variable.

Secondly, the mode of disbursement of funds had been shown to had a significant influence on loyalty of SACCO members. This findings lead to the recommendation that, SACCOs should find modalities of improving their efficiency in disbursement of funds. Of essence here was the period taken for approval and subsequent disbursement of funds.

It was also recommended that SACCO's should therefore develop a wide range of collaterals and also develop a policy which allows the use other forms of collateral other than guarantors and shares only. This might increase access to credit in SACCO's, maintain their members and even attract more members to the SACCO.

For academia, this study has made significant contribution. Hitherto, many studies had focused on non-financial factors. This study provided a framework in which related studies could be replicated in other financial institutions.

FURTHER STUDIES

The scope of this study was SACCOs operating in Kericho County. It is recommended that a similar study could be conducted among SACCOs in other areas of jurisdiction. Further insights regarding the phenomenon could be adduced from a similar study conducted using a

longitudinal research design where data is collected on similar respondents over a longer period of time in order to show the loyalty preferences over time and the possible explanations.

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