

**FACTORS INFLUENCING UPTAKE OF LOAN PRODUCTS FROM SAVINGS AND
CREDIT COOPERATIVE SOCIETIES IN KIANGAI TOWNSHIP, KIRINYAGA
COUNTY, KENYA**

JOSPHAT M. KANYIRI

**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF MASTER OF SCIENCE IN COMMERCE
(FINANCE AND INVESTMENTS) DEGREE IN THE SCHOOL OF BUSINESS AND
PUBLIC MANAGEMENT AT KCA UNIVERSITY**

OCTOBER 2014

DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

Student Name: _____

Reg.No. _____

Sign: _____

Date: _____

I do hereby confirm that I have examined the master's dissertation of

KANYIRI JOSPHAT

And have certified that all revisions that the dissertation panel and examiners recommended
have been adequately addressed.

Sign: _____

Date: _____

Dr. Martin Mbewa

Dissertation Supervisor

FACTORS INFLUENCING UPTAKE OF LOAN PRODUCTS FROM SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN KIANGAI TOWNSHIP, KIRINYAGA COUNTY, KENYA

ABSTRACT

Majority of the Kenyan rural population prefers to seek for loans from rural Savings and Credit Cooperative Societies (SACCOs) although other financial intermediaries offering the same product at competitive pricing exists, simply because SACCOs' objectives is to offer access to cheap credit. However, uptake of SACCO loan products in rural areas of Kenya has been low. SACCOs in rural areas are unable to meet the growing demand for loans and yet there are potential borrowers within the SACCOS. Although credit is an important instrument that can enable SACCO members overcome their liquidity constrains, loan uptake in the rural areas isrelatively low. If this situation is not addressed urgently, it may mark the insolvency and dissolution of many SACCOs in Rural areas which may devastate the economy of the country. Considering there is need therefore, to understand the factors which influence the uptake of these Sacco loan products by the people of Kiangai Township in Kirinyaga County. The uptake of SACCO loan products may be attributable to; diversity of loan products, characteristics of the loan products, turn-around time, and product awareness. Studies that have been conducted on uptake of SACCO loan products provide scanty information addressing; diversity of loan products, characteristics of the loan products, turn-around time, and product awareness as factors affectinguptake of SACCO loan products in Kiangai Township and hence the rural areas of Kenya.It against this prevailing situation that this study was conducted based on the objectives; to establish the Influences of diversity of loan products on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya; to find out the influence of characteristics of the loan products on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya; to find out the influence of turn-around time on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya.; and to establish the influence of product awareness on uptake of SACCO loan products in Kiangai Township of Kirinyaga County, Kenya. The study adopted descriptive design, wherethe target population was the 1848 active members of SACCO in Kiangai Township. The study obtained a sample population of 10% (i.e. 186 respondents), which was proportionately distributed among the SACCOS in the area. The study used Purposive sampling, where the members who visited their SACCO office were the ones selected as respondents. The study used a structured questionnaire, which was first tested for reliability and validity. The study collected the data, which was analysed using descriptive statistics with assistance of Statistical Package for Social Science (SPSS) version 17.0. The study found that loan product uptakein the SACCOs at Kiangai is moderate; diversity of loan products moderately influences the loan product uptake; the characteristics of the loan productsmoderately influence the loan uptake. The study father established that the influence of turn-around time on the loan product uptake is moderate; and product awareness highly influences the loan product uptake.The study recommends that; the SACCO should conduct intensive education on loan products to their members; characteristics of the loan products they are offering should have significant features and noticeable; they should review their loan policy to ensure that there are prescribed turn-around times for each loan product, which are followed; and should create awareness campaigns to its members on the loan product status.

Keywords: Loan Uptake, Characteristics of the Loan Product, Diversity of Loan Products, SACCO Product Awareness, Savings and Credit Cooperative Society, Turn-Around Time

TABLE OF CONTENTS

ABSTRACT.....	III
TABLE OF CONTENTS	IV
ACKNOWLEDGEMENT.....	VI
DEDICATION.....	VII
LIST OF FIGURES	VIII
LIST OF TABLES	IX
OPERATIONAL DEFINITION OF TERMS.....	XII
CHAPTER ONE	1
INTRODUCTION.....	1
1.1 BACKGROUND OF THE STUDY	1
1.2 STATEMENT OF THE PROBLEM	3
1.3 OBJECTIVES OF THE STUDY	6
1.4 RESEARCH QUESTIONS	7
1.5 JUSTIFICATION OF THE STUDY.....	7
1.6 SIGNIFICANCE OF THE STUDY	7
1.7 SCOPE OF THE STUDY	9
CHAPTER TWO	10
LITERATURE REVIEW	10
2.1 INTRODUCTION.....	10
2.2 THEORETICAL FRAMEWORK	10
2.3 CONCEPTUAL FRAMEWORK	11
2.4 EMPIRICAL REVIEW	12
2.5 SUMMARY OF RESEARCH GAPS AND CONCLUSIONS.....	19
RESEARCH METHODOLOGY	21
3.1 INTRODUCTION	21
3.2 RESEARCH DESIGN.....	21
3.3 LOCATION OF THE STUDY	22
3.4 TARGET POPULATION	22
3.5 SAMPLE SIZE AND SAMPLING PROCEDURES	23
3.6 RESEARCH INSTRUMENTS AND DATA COLLECTION PROCEDURE.....	24
3.8 DATA ANALYSIS.....	25
3.9 ETHICAL ISSUES IN RESEARCH	26
CHAPTER FOUR.....	27
RESEARCH FINDINGS AND DISCUSSIONS	27
4.1 INTRODUCTION.....	27
4.2 RESPONSE RATE	27
4.3 GENERAL INFORMATION.....	28
4.4 INTERPRETATION OF STUDY OBJECTIVES RESULTS.....	31
SUMMARY, CONCLUSIONS AND RECOMMENDATION.....	41
5.1 INTRODUCTION.....	41

5.2 SUMMARY OF FINDINGS	41
5.3 RESEARCH CONCLUSIONS.....	42
5.4 RECOMMENDATIONS	43
REFERENCES.....	47
APPENDICES	53
APPENDIX I: QUESTIONNAIRE.....	53

ACKNOWLEDGEMENT

I wish to acknowledge my employer the Ministry of Education for allowing me time to pursue my studies. I also acknowledge KCA University for the opportunity to pursue my Master's degree in the university. I acknowledge my supervisor, Dr. Martin Mbewa, for his unending support and guidance as I wrote this dissertation.

To my family for providing the encouragement throughout the process of research. Finally all the glory and honor be unto God for the ability to write and the presence of mind which has brought me this far in my endeavor for academic excellence.

DEDICATION

This dissertation is dedicated to all those whose interest in Finance and Investment is their stock in trade.

LIST OF FIGURES

FIGURE 1: Conceptual Model	12
FIGURE 2: Length of Membership with their SACCO	29
FIGURE 3: Highest Academic Qualifications.....	30

LIST OF TABLES

TABLE 1: Target Population.....	23
TABLE 2: Analysis by Response Rate.....	27
TABLE 3: Analysis by Respondents' Gender.....	28
TABLE 4: Analysis by Respondents' Age.....	29
TABLE 5: Analysis on Loan Product Uptake Levels.....	31
TABLE 6: Analysis on Influence Diversity of Loan Products.....	34
TABLE 7: Analysis on Influence of Characteristics of the Loan Products.....	36
TABLE 8: Influence of turn-around time on loan product uptake.....	38
TABLE 9: Analysis on Influence of Product Awareness.....	389

ACRONYMS AND ABBREVIATIONS

ACCOSCA:	African Confederation of Co-operative Savings and Credit Association
ACCU:	Asian Conference of Credit Unions
ASCAS:	Association of Small Collectors of Antique Silver
BOSA:	Bank Office Service Activities
CCGS	Committee on Corporate Governance in Singapore
CUMI:	Credit of Microfinance Innovation
DUs:	District Unions
FOSA:	Front Office Service Activities
GDP:	Gross Domestic Product
KNUT:	Kenya National Union of Teachers
KUSSCO:	Kenya Union of Savings and Credit co-operative societies
MFI s :	Micro Finance Institutions
NACOSTI	National Commission for Science, Technology and Innovation
NEFSCUN:	Nepal Federation of Savings and Credit Co-operative Unions
SACCOL:	Savings and Credit Co-operative League
SACCO	Savings and Credit Cooperative Societies
SASRA:	SACCO Societies Regulatory Authority
SMS:	Short Message Service
WOCCU:	World Council of Credit Unions

OPERATIONAL DEFINITION OF TERMS

Active Member means savings or current account maintained by a SACCO society which is operational, and the account holder makes transactions regularly within the maximum period prescribed.

Deposit taking SACCOs: SACCOs that operate Front Office Savings activities (The SACCO Societies Act, 2008).

Dormant Members means savings or current account maintained by a SACCO society which is not operational, or has had no transactions by the depositor within the maximum period prescribed.

Financial Intermediaries: Financial Institutions that accepts deposits from the public and advance loans to those in need of credit (Dictionary, 2013).

Micro savings – a branch of microfinance consisting of a small deposit account offered to lower income families of individuals as an incentive to store funds for future use (The Sacco Societies Act, 2008).

Micro-credit- is the extension of very small loans (micro-loans) to the impoverished borrowers who typically lack collateral (The Sacco Societies Act, 2008).

Normal loan- asset based short term (usually for one to five years) loan payable in a fixed number of equal installments over the term of the loan.

SASRA: This is the SACCO regulatory authority under the Ministry of Cooperative (The SACCO Societies Act, 2008).

Savings and Credit Cooperative Society: This is a Savings and credit cooperative registered under the Cooperative Societies Act of 1997 with the objective of pooling savings for members and in turn provide members with credit facilities (Cooperative Societies Act, 1997).

Uptake of Financial Products: This is rate at which a particular segment of the population accepts to consume a financial product (Dictionary, 2013).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Savings and Credit Cooperative societies (SACCOS) are started by the members with the objective of members' empowerment by mobilizing members' savings and ensuring access to cheap credit (Olando, Jagongo, & Mbewa, 2013) to their members. While seeking to achieve these objectives, the SACCOs end up enhancing members saving and also playing the role providers of other financial services to its members (Waweru, 2011)). According to Mumanyi (2014), SACCO's members regularly pool their savings, which subsequently enables them to easily obtain cheap loans. As the savings are accumulated to be accessed by members in future, loans are advanced to the members to empower themselves for different purposes (Cheruiyot, Kimel & Ogendo, 2012). Generally, SACCOS promote mobilization of savings and make cheap credits accessible to the members as they promote their members economic interests (Bwana & Mwakujonga, 2013).

Specifically, SACCOs are significant tools for the mobilization of resources for income generation (Kuria, 2010, Oluyombo, 2012), which helps to improve members as members are encouraged to form the habit of saving without being extravagant. The mobilized savings from the members are pooled together, making SACCOS of greatest importance to rural poor communities (Adekunle & Henson, 2007). In fact SACCOs ensure that the rural poor have opportunities to access to all available financial services, including access to cheap credits, which increases the relevance of the SACCOs in the rural areas (Yusuf & Ijaiya, 2009). SACCOs have therefore facilitated for the provision of funds to members at affordable and low interest rate. The low interest rate loans help the rural SACCOs to access funds that

are used as business start-up capital and/or business expansion finance, which significantly promotes entrepreneurial activities in the rural areas. Eventually, the rural population can now easily acquire the basic necessities of life (such as education, health, nutrition), improving their living standard considerably (Azeez, 2011; Wanyama, Develtere & Pollet, 2008). This fronts the rural SACCOs as the main financial strength of the rural population (Triodos, 2007).

By enhancing the poor to accrue savings and access to cheap loans, SACCOs are turning out to be tools of vulnerability reduction (Yusuf & Ijaiya, 2009). The presence of SACCOs in the rural areas is unlocking finance to the rural population considerably (Bihunirwa, *et al.*, 2012). In these rural areas, SACCO loan products uptake had emerged as the most prominent function of savings mobilization and loan disbursement, the main objectives of SACCOs (Ondieki, *et al.*, 2012).

The consumer preference theory denotes that people derive satisfaction by consuming particular goods and services. The theory classifies the satisfaction according to different levels which are independent of people's incomes and social status. SACCO loan product succeed in disbursement when they satisfy the understandability by the borrowers (Morelli *et al.*, 2010). Marketing plays a key role, in which case SACCOs should expand their outreach and members education. Member education should attempt to reach out to members enlightening them of the various products and services offered. Marketing enables SACCOs to generate fund and contribute significantly to the areas where it operates (Agbo, 2009). Ellis, Lemma and Rud (2010) have shown that most Kenyan SACCOs members are also more likely to claim that loan charges are too high, which is perhaps surprising given that interest rates appear to be lower, which is attributable to financial literacy in Kenya.

1.1.1 The Role of Savings and Credit Cooperative Societies in the Economy of Kenya

Cheruiyot *et al.* (2012) content that the SACCO savings mobilization is a key component for economic and it is the surest way of increasing income and boosting productivity in the country's attempt to eradicate poverty. Barus (2013) explains that SACCOS are taking the lions shares, among other financial institutions, in enhancing financial savings mobilization. SACCOs have become a resource to ensure the improving of lives of the low income earners and the poor, by ensuring their economic needs, social needs, cultural needs and SACCO members' aspirations are met in one way or the other (Cheruiyot *et al.*, 2012). SACCOs are therefore very resourceful in the enhancing socio-economic development of all citizens through the regular saving and access to adequate and affordable loans (Olando *et al.*, 2013).

In Kenya the number of registered SACCO, which exceed 13,000, have capitalized share capital to the tune of Ksh. 260 billion (Barus, 2013). The total deposits in these SACCOs accumulate to about Ksh. 240 billion with a loan portfolio of over Ksh. 200 billion. As the SACCOs contribute 30% of the gross national savings (Olando *et al.*, 2013), they also contribute 45 % of the country's Gross domestic Products (GDP) (Ondieki *et al.*, 2012). Through savings, substantial capital has been accumulated, leading to investments hence economic growth and ultimate development. Apparently, SACCO financing remains the vibrant economic technique of capital formation, wealth creation, job creation and business financing (Oluyombo, 2012).

1.2 Statement of the Problem

Majority of the Kenyan rural population prefers to seek for financial services from the rural SACCOs, in which case majority of the SACCOs operate in the rural areas where they enjoy fanatical customer base (Muriithi, 2013). Most of the

customers still prefer loan products from SACCOs even though there are many other financial intermediaries offering the same product at competitive pricing. The Kenyan rural population prefers to seek for loans from rural Savings and Credit Cooperative Societies (SACCOs) although other financial intermediaries offering the same product at competitive pricing exists, simply because SACCOs' objectives is to offer access to cheap credit. However, uptake of SACCO loan products in rural areas of Kenya has been low. SACCOs in rural areas are unable to meet the demands of their clients for loans for various reasons, which have largely affected the loan products uptake.

Azeez (2011) notes that SACCOs in rural areas are unable to meet the demands of their clients for loans and savings mobilisation, which then enhances this population to take care of basic needs and they are able to improve livelihoods (Wanyama *et al.*, 2008). However, uptake of SACCO loan products in rural areas of Kenya has been low (ACOSSA, 2014). SACCOs in rural areas are unable to meet the demands of their clients for loans for various reasons, which have largely affected the loan products uptake. SACCOs are unable to meet the growing demand for loans and yet they are potential borrowers within the SACCOs (Cheruiyot *et al.*, 2012). Although Messah and Wangai (2011) express that credit is an important instrument that can enable SACCO members overcome their liquidity constraints, the County Government of West Pokot (2013) indicates that loan uptake in the West Pokot and surrounding areas is low and more effort is needed to reverse this trend. If this situation is not rectified, it may mark the insolvency and dissolution of many SACCOs in Rural areas which may devastate the economy of the country considering that SACCO contribute 45 % of the country's GDP (Ondieki *et al.*, 2012) and 30% of the gross national savings (Olando *et al.*, 2013). There is need therefore, to understand the factors which influence the uptake of these Sacco loan products by rural people in

Kenya. Phyllis and Rai (2010) identifies; affordability of the loan products, poor quality products; members reluctant to take the loan, and lack of awareness of the products as the factors influencing loan uptake in rural areas. The low uptake of SACCO loan products may be attributable to; diversity of loan products - variety of financial products (Bihunirwa *et al.*, (2012), characteristics of the loan products (ACCOSCA, 2014), turn-around time (Bihunirwa *et al.*, (2012), and product awareness (Bihunirwa *et al.*, (2012).

Various studies have been conducted on uptake of SACCO loan products (such as by Wanyama, 2009; Okwany, 2010; Mwakajumilo, 2011; Muriithi, 2013), SACCO loans products (such as by Onsase *et.al*, 2010; Langat, 2012); loans Diversity and turn-around (such as by; Mwangi, 2010; Mulumba, 2011; Mpiira *et al.*, 2013). Wanyama (2009) study also reveals that SACCOs offer loans which are perceived as cheaper and more accessible but the loan uptake is hindered by the low loan product diversity. Okwany (2010) study further emphasizes that although the SACCO has mobilized significant savings to assure adequate loans for borrowing are available, the loan uptake is not significant. This is as a result of inadequate loan product diversity to encourage the members to obtain the loans (Mwangi & Wanjau, 2013). The study by Mwakajumilo (2011) found that giving loans to members of SACCOs require provision of sufficient awareness. The members seeking for SACCO loan may avoid seeking for these loans due to the lack of awareness but provision of adequate information, the loan uptake may go up. Muriithi (2013) noted that loan uptake by SACCO members remains a far-fetched idea to majority of Kenyans due to the limited product available in these SACCOs, which was echoed by Mwangi (2010).

Onsase *et al.* (2010) study established the loan uptake is low, owing to the way the members regard the loan facilities. Although the SACCO members may fail to

access the loans due to low uptake behavior, there are other institutions that offer same products and services. Langat (2012) found that the low SACCO loan uptake falls short of meeting SACCO members' needs, which are not even successfully met by other financial institutions. The study points out that SACCOs are a guaranteed way of ensuring an effective financial penetration at the grassroots by the low uptake hinders the achievement of this objective. Mulumba (2011) study found that the distance of the customer to loan office influenced the loan product uptake as revealed by Mwakajumilo (2011) and Mpiira *et al.* (2013).

However, there is scanty information addressing; diversity of loan products, characteristics of the loan products, turn-around time, and product awareness as factors affecting uptake of SACCO loan products in rural areas of Kenya. It is against this state of affairs that the present study was conducted to seek to assess the key factors which influence the SACCO loan uptake.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study was to assess the factors that influence uptake of SACCO loan products in rural areas of Kenya.

1.3.2 Specific Objectives

The specific objectives of the study were;

- i. To establish the influence of diversity of loan products on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya.
- ii. To find out the influence of characteristics of the loan products on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya.
- iii. To find out the influence of turn-around time on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya.

- iv. To establish the influence of product awareness on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya.

1.4 Research Questions

This study sought to answer the following questions;

- i. What is the influence of diversity of loan products on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya?
- ii. How much influence does characteristics of the loan products have on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya?
- iii. How much influence does turn-around time have on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya?
- iv. What is the influence of product awareness on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya?

1.5 Justification of the Study

Choice of a loan facility source is crucial to the cost of finance for investment. A borrower must fish for the cheapest source of a loan without risking his invested capital. Recently, we have witnessed banks trading in loans designed to attract overburdened customers from expensive loans to cheaper ones. This study would also assist potential borrowers to develop golden hands in choosing cheaper loan sources and therefore maximize returns on investment by lowering the cost of capital. Lenders would also understand why customers are attracted to certain sources of finance while avoiding others. The study would also offer insight to the government on sources of funds attractive to borrowers and therefore channel more funds to them.

1.6 Significance of the Study

The study was also intended to assist the SACCO members to access to loans from their SACCOs. The findings and recommendations would benefit;

1.6.1 SACCO Policy Makers

The study was also intended to assist the local policy makers to understand the views and opinions of their people in terms of financial products so that they may consider the Savings and Credit Cooperative Societies sector during their development forums. The policy makers in Kenya would benefit from the information that relate to the SACCO sector to come up with proper and effective policy of SACCO loan disbursement. This would help them when setting the loan uptake policies for the sustainability of SACOs.

1.6.2 SACCO Societies Regulatory Authority (SASRA)

SASRA is the regulator of SACCOs in Kenya. The findings and recommendation from the study would significantly influences their decisions on the SACCOS polices and regulation to ensure, efficient and effective decisions that would ensure optimal loan uptake. The SACCOs would be advised on how they would ensure effective and working procedures and regulation to ensure increase in loan uptake.

1.6.3 Governments in Kenya

This study results and findings would the national and county Governments in the exercise of economic and financial policies design and development. The policies would affect the public and provide for the protection and welfare of the countries citizens. The study would guide the governments in addressing the effectiveness of the SACCO as regards their position in the in the financial.

1.6.4 Members of the SACCOs

The SACCO members are the key shareholders and the SACCO and co-operative sector. The study findings and recommendation would assist the SACCO members to enjoy the benefits of their investment in the SACCO. These findings

would assist members to change their attitude and seeking for cheap loans from their SACOs. It would also assist them in addressing issue that hinder them from accessing loans intended for them.

1.6.5 Academicians and Researchers

The study findings and recommendations contributes to the existing academic literature on SACCO loan uptake. The study would benefit academicians and scholars by gaining knowledge in the field of SACCO product management and more SACCO loan uptake. The researchers would benefit from the study for it is an eye opener for further research SACCO product management.

1.7 Scope of the Study

This study was carried out in Kiangai Township in Kirinyaga County, Kenya. The study covered the type of loans, customer requirements, the turn-around time and the challenges that limit the uptake of financial products offered by the SACCO.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this section the study explains the review of theories found beneficial to it and empirical studies on uptake of SACCO loan products. The study reviewed various literatures useful to the present study so as to acquaint the reader with useful theories and previous studies. The section discusses uptake of SACCO loan products, models used to uptake of SACCO loan products. Using these theories, the studies constructed as conceptual framework. This chapter also reviewed the past studies on uptake of SACCO loan products, highlighting; the findings, recommendations, and research gaps from the reviewed studies and shedding on important areas.

2.2 Theoretical Framework

This study was guided by Consumer Preference Theory as advanced by Levin and Milgrom (2004). Levin and Migron (2004), which holds that consumer has preferences based on the product/service characteristics and design, and consumer tastes. The consumer evaluates the products/services according to the perceived utility that the consumer can obtained from such acquisition of the product. Accordingly customers have a wide scope of financial intermediaries that offer almost similar services. How they make a decision to acquire the financial loans from one organisation against another is explained by the consumer theory as that which will maximize their perceived satisfaction. However, this theory assumes that the consumer is consistent and cannot reach satiation (Muriithi, 2013). These two assumptions apply in this study since the study assumes that the consumer would still prefer financial products from their SACCOS and that the diverse products are created to ensure the consumer does not reach satiation. SACCO product consumers are able

to rank their financial source choices and select the product that will derive maximum benefits. The Consumer Preference Theory was found very useful in the study to develop the conceptual framework for the study.

2.3 Conceptual Framework

The present study found the Consumer preference theory very useful in development of the study conceptual framework. The Consumer Preference Theory as advanced by Levin and Milgrom (2004) hold that consumer preferences is measured in terms of the perceived utility of the product/services. The model suggests that when product consumers are presented with loan product, the loan uptake is influenced by; diversity of loan products, characteristics of the loan products, turn-around time, and product awareness. The current study therefore proposed that uptake of SACCO loan product in rural of Kenya was influenced by diversity of loan products, characteristics of the loan products, turn-around time, and product awareness as captured in Figure 1.

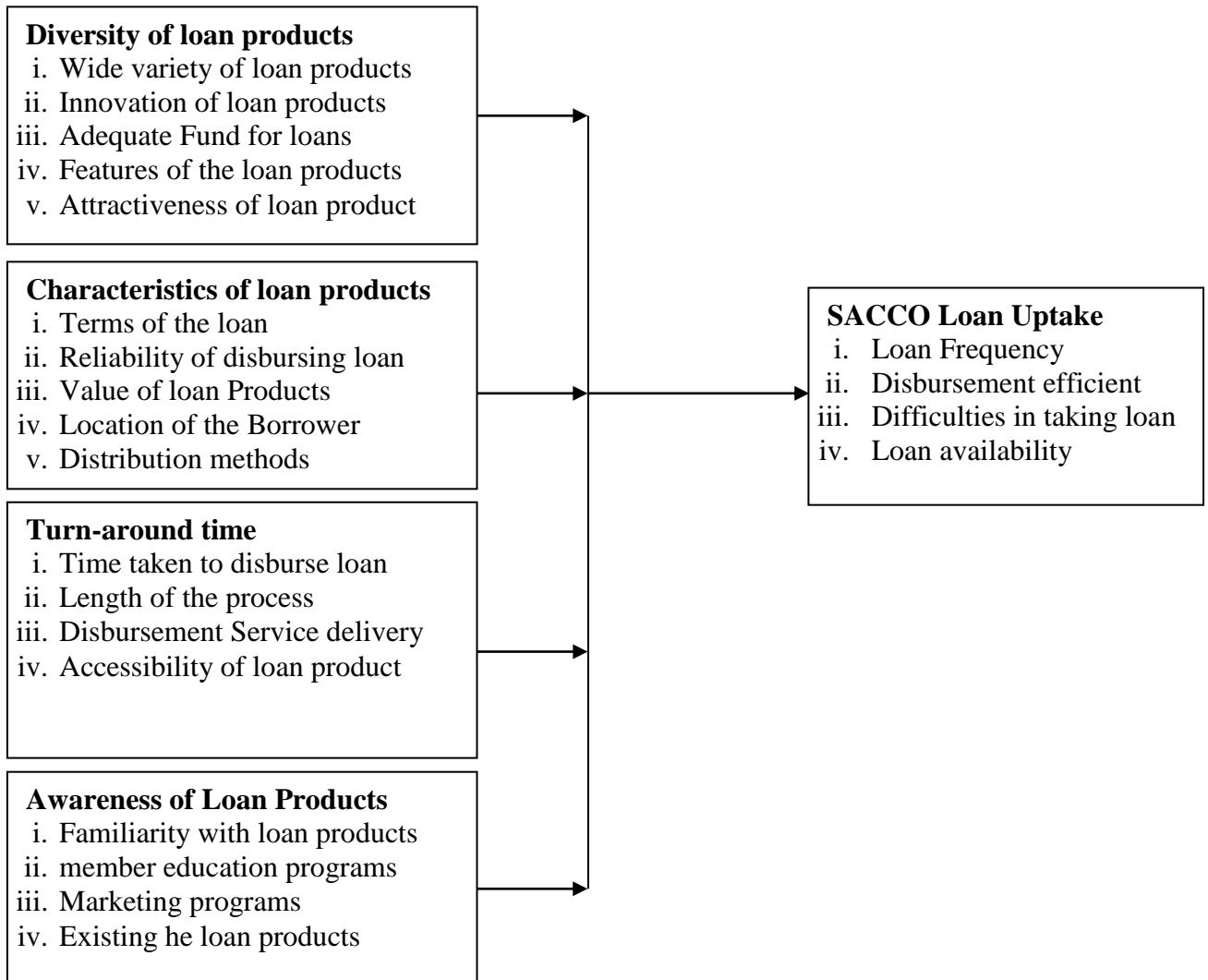
From the conceptual framework above, uptake of SACCO loan products in rural areas of Kenya is affected by the loan application turnaround time. The turnaround time is the period it takes from the moment a full complete application is forwarded to the Sacco and the time the customer is informed that he will be awarded the loan,. Uptake of SACCO loan products in rural areas of Kenya is also affected by the requirements that he/she must fulfill before he qualifies for financing and the type of facility that the customers requires. In this study, the researcher wants to establish if these factors makes customers prefer to borrow from SACCOs against commercial bank financing.

FIGURE 1

Conceptual Model

Independent Variables

Dependent variable



2.4 Empirical Review

The study reviewed various past studies, which were found related the present study and contributed to this study. These reviews were based on the study objectives.

2.4.1 SACCO Loan Uptake

The study by Mwakajumilo (2011) found that giving loans to members of SACCOs require provision of both financial and non-financial advice. The members seeking for SACCO loan may avoid seeking for these loans due the lack of awareness

but provision of adequate information, the loan uptake may go up (Mwakajumilo, 2011). The factors affecting customer preference to borrow have to be viewed in light of the fact that for a customer to borrow from a SACCO they have to be members of the SACCO. This, therefore, means that a Savings and Credit Cooperative Societies' members are also its customers (Mpiira *et al.*, 2013). From these studies by Mwakajumilo (2011) and Mpiira *et al.* (2013) it was established that the SACCOs loan uptake encounters various challenges which the present study will address. For instance, Mpiira *et al.* (2013) notes that SACCO it is the bylaws which dictate the credit facilities.

The study by SASRA (2012) noted that there are adequate by-laws regulation to ensure that the SACCO would equitably ensure access to credit for the SACCO members, which means there are adequate loaning procedures, documentation, and lending requirements. However, the loan uptake is low owing to loan products characteristics and members awareness of the available loan products. This motivated the present in regarding loan product uptake as the dependent variable in the present study.

Kuria (2010) study argues that for any SACCO to start issuing loans to members, it must comply with SACCO by law requirements. But even with these specifications, the uptake of loan is questionable. These findings supported those of Wanyama (2008) study which admits that loans are granted according to by-laws of the SACCOs. Onsase *et al.* (2010) study established the loan uptake is low, owing to the way the members regard the loan facilities. Although the SACCO members may fail to access the loans due to low uptake behavior, there are other institutions that offer same products and services.

Opondo, (2011) found that SACCOs offer various loan products to their members and borrowers according to the SACCOs by-laws. Although there are clear guidelines on the requirement and loan access procedures, the loan uptake is low in most SACCOs (SASRA, 2013). Langat (2012) found that the loan uptake needs of the SACCO members needs are not successfully met by the SACCOs and other financial institutions. The study points out that SACCOs are a guaranteed way of ensuring an effective financial penetration at the grassroots. They provide structures that have a reach in enabling rural communities to access credit conduct business and pool resources. The SACCO Review (2011) introduced new rules to ensure Savings and Credit Cooperative Societies stay within their core business; investment in non interest earning assets is to be restricted to 10 percent of total assets while investments in land and buildings are capped at 5 percent the same ceiling placed for loans to directors and staff. This therefore improves financial stability of Savings and Credit Cooperative Societies to meet their client needs.

2.4.2 Effects of Diversity of Loan Products

Adeyemo and Bamire (2005) in their study found that unavailability and inadequacy of credit was a major problem; loan repayment and amount of money borrowed were significant variables that influenced saving patterns; and fund borrowed significantly influenced investment patterns. This led to their making recommendation that saving and investment level could be enhanced if loans were adequately made available and proper supervision and monitoring of funds were put in place.

Gakunu (2010) study the loan product uptake is highly influenced by diversity of loan products which satisfy the specific needs of the members. Okwany (2010) study further emphasizes that although the SACCO have mobilize significant savings to assure adequate loans for borrowing are available, the loan uptake is not significant.

This is as result of inadequate loan product diversity to encourage the members to obtain the loans (Mwangi & Wanjau, 2013). Wanyama (2009) study also reveals that SACCOs offer loans which are perceived as cheaper and more accessible but the loan uptake is low dues to the low loan product diversity (Mwakajumilo, 2011).

The study by Ondieki, *et al.*, (2012) expressed that despite the increase in credit, SACCOs are unable to meet the demands of their clients for loans and withdrawal of savings. The study findings showed that loan uptake rate was influenced by loan portfolio quality and diversity of loans. The study by Ondieki, *et al.*, (2012) lacked a model to explain the loan uptake in terms of diversity of loan products, a gap the current study will fill. The study also failed to explain diversity of loan products factors jointly influencing loan uptake rate, which is what the current study will do.

Muriithi (2013) noted that loan uptake by SACCO members remains a far-fetched idea to majority of Kenyans due the limited product available in these SACCOS. The study found out that a very small percentage of the rural adult population can access these loans. Only about 36.6% of the rural population can access the loan in rural areas (Mwangi, 2010), rendering loan uptake a challenge, a issues arsing out the loan diversioty. Ndiege *et al.* (2013) study findings indicate that both access to funds are positive and significantly related to outreach. The results indicate that access to funds are becoming central part of the SACCOs loan portfolio as compared to other forms, which is a threat to saving practices in SACCOs. However, the study failed to exposea model and level of linkage to maintain the principles, structure and objectives of SACCO.

2.4.3 *Effects of Loan Characteristics*

Characteristics of the loan products differ across Savings and Credit Cooperative Societies (Cheruiyot *et al.*, 2012). With minimal requirements more people

are likely to seek financial products from SACCOs. Various types of products that differentiate Savings and Credit Cooperative Societies from other financial intermediaries (Langat, 2012). The inclusion of so many loan services makes SACCOs customer friendly and also the fact that one can be advanced more than two loan products at once.

Mwangi (2010) study found that loan product characteristics largely influence the loan uptake even where alternatives institutions to offer bank credit exist. Although microfinance institutions (MFIs), SACCO among them have an advantage over traditional financial institutions such as banks, the loan uptake is low. This is due to limited diversity of loan products in these SACCOs. Johnson and Morduch (2007), Diagne (1999), Bhuyia *et al*, (2001), argued that the increase in people's income increases their access to credit. This was shown by the fact that people with more wealth, in terms of household assets, size of the land and livestock, have greater access to credit. These studies involved a comparison between various factors that affect people's access to credit. They identified other factors identified are age, gender and education. With regards to education, the more educated were less constrained in their source of finances as compared to the less educated. Mayada *et al*. (1994) study showed that gender discrimination plays a significant role in access of loan products as Zeller (1994) argued that gender had no significant impact. According to Chigunta (2002) study the main factors influencing the loan uptake is the characteristics. The demands for access of the loan by the members are high but the loan product uptake is low due to the string of requirements associated with these loans (Ongore, 2001; Odera, 2012; Mwangi & Wanjau, 2013; Auka & Mwangi, 2013). Auka and Mwangi (2013) noted that the SACCO processing time for loans varied depending on the type of loan that the clients were seeking.

2.4.4 Effects of Turn-around Time

Mwangi (2010) study findings reveal that only 39.62% (up from 36.58% in 2006) of the total sampled population have access to credit in Kenya, for whom 5.82% and 33.80% accounts for formal and informal credit sources. The total adult population considered to be credit constrained (excluded) therefore stands at 60.38%. Men continue to enjoy access to loans from banks as women seek alternatives like MFIs and other informal loans from ASCAs and local shops. The age of a person appear to have a quadratic relationship, with the middle aged persons having a higher access than the elderly persons. Similarly, highly educated persons have a higher access to credit from the formal strand and particularly Banks and SACCOs, while their participation in local shop loans is greatly reduced.

Sarcedoti 2005 study found long physical distance to the nearest financial services provider high cost of credit, socio-economic and demographic characteristics that make them less credit-worthy. The practice of credit rationing by financial institutions using interest rates has locked out most poor individuals as only large scale borrowers who expect higher returns, can bear the actual cost of borrowing (Stiglitz & Weiss, 1981).

2.4.5 Effects of Awareness of SACCO Loan Products

The level of Members awareness with uptake of SACCO loan products activities will have an impact on choice to take a loan, which in turn influences the uptake of SACCO loan products. When users gain more knowledge about loan products they tend to reduce uncertainties. The study proposes that Consumer's awareness with loan products (Consumer's level of experience) influences his/her uptake of SACCO loan products.

Zeller (1994) study demonstrated that a household's decision to participate in SACCO activities depends on the anticipated costs and benefits of participation. The primary benefit is in the fact that there is a higher chance of obtaining a loan at lower interest rates from the formal sector than the informal sector. However, members will decline to access formal credit if they view the participation cost to be too high compared to the benefits. Wanyama (2008) also argued that in formal credit programs, households incur time costs in compulsory training programs. Time costs associated loan processing activities or looking for third party guarantors in case of individual lending (Kuria, 2010) is enormous and discourages the borrowers.

Mpiira *et al.* (2013) set out to determine the socio-demographic factors that influence characteristics of participants and non-participants in SACCO programmes. His study showed no significant difference in participation between the rural and urban respondents. However, Nyamwasa (2008) study showed that the non-participating urban were significantly younger than their rural counterparts. The research cited some of the main reasons for participating as being the opportunity to save and opportunity to socialize. Major reasons for no-participation were mainly due to lack of information about SACCO programs and low incomes. He argues that low incomes limits a person's ability to raise money to open up accounts buy shares, pay up the membership fee and raise enough savings in the bank so that they can access credit. Other reasons cited are the fear of imprisonment in case of default in repayment and the high cost of interests that would escalate the borrowing costs and reduce its benefits. In other cases respondents were not given the option of not buying shares and yet there was no resale mechanism for those who were not willing to renew their membership.

Kabuga (2005) indicated that members' choice for SACCO loans was influenced mainly by the SAACO policies (Mulumba, 2011; Hall, 2009; Bottelberge &

Agevi, 2010). Mulumba (2011) study found that the distance of the customer to loan office influenced the loan product uptake (Mwakajumilo, 2011). Harris (2001) study found that the outreach greatly enhance the loan uptake rate. Customers who are more satisfied with the services they obtain are more likely to renew their seek for more loan product and even from different types of loans.

Peace (2011) study revealed that the establishment of SACCOs plays a positive role on the development of the financial sector. The study found some SACCO members are not educated and there is no programme in place to help them improve their situation. It was also found that some people may be failing to access loans because of lack of collateral security. The study recommended that in order to attain full development and financial accessibility, the government should facilitate the uneducated people with adult literacy services, the SACCO should develop more loans for people who are lacking security and hedge against credit risk through proper credit rating and allowing members to form core groups which would act as security. The SACCO should value more inclusion of more members, especially the needy like the widows, teenagers and the divorced. The study by Auka and Mwangi, (2013) identified processing time, disbursement mode, and physical evidence of loan office as the key factors affecting loan product uptake. The study found that the type of product greatly affected the borrowing patterns of individuals. The study revealed that majority of borrowers was attracted by institutions offering access to instant loans (Wanyama, 2008).

2.5 Summary of Research Gaps and Conclusions

The reviewed Studies have been conducted on uptake of SACCO loan products (such as by Wanyama, 2009; Okwany, 2010; Mwakajumilo, 2011; Muriithi, 2013), SACCO loans products (such as by Onsase et.al, 2010; Langat, 2012); loans Diversity

and turn-around (such as by; Mwangi, 2010; Mulumba, 2011; Mpiira et al., 2013). However, there is scanty information addressing; diversity of loan products, characteristics of the loan products, turn-around time, and product awareness as factors affecting uptake of SACCO loan products in rural areas of Kenya.

From the analysis of literature, there is evidence that there exist cheaper finances from other financial intermediaries and micro finance institutions. SACCOs have the greatest source of financing in rural areas. With the new regulatory framework and lack of compliance, members risk losing their savings in case the Sacco regulatory authority shuts down these non-compliant Sacco. However despite these challenges, majority of the rural population prefer financial services from the SACCO. The literature has also not shown the pull factors that enable SACCOs to be held so dear and an easy choice by majority of the rural population. Therefore this does not explain the current scenario where majority of the rural population prefer to access loans from SACCOs. The concept of pricing has also been advanced by writers. The researcher notes that the loan pricing across the financial sector has been competitive and therefore this in itself does not constitute admissible grounds to explain the choice of Sacco loan products among the rural population. This study therefore investigated the factors that influence uptake of loan products from savings and credit cooperatives in Kenya.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter gives a description of the research methodology, including design of the study, population sampling procedure, instrumentation and its administration and data analysis methods used in the study.

3.2 Research Design

The study employed a descriptive research. Descriptive research was used in preliminary and exploratory studies to allow researchers to gather information, summarize, present and interpret for the purpose of clarification (Orodho, 2002). Mugenda and Mugenda (2003) on the other hand give the purpose of descriptive research was explaining a phenomena.

This study used descriptive survey when soliciting information in the area of research of SACCOs' loan uptake and factors affecting it. Descriptive survey design was used since it would provide insights into the research problem by describing the variables of interest. It was used to define, estimate, predict and examine associative relationships between SACCOs' loan uptake and factors affecting it. This helped in providing useful and accurate information to answer the questions based on who, what, when, and how (Kombo & Tromp, 2006).

3.3 Location of the Study

The study was conducted in Kiangai Township, Kirinyaga County. This location was selected due to the small nature of the town compared to the number of SACCOs doing business in the township. The location was also selected since it was close to the working station of the researcher and therefore easily accessible and knowledge of the terrain. The SACCOs in Kiangai Township include; the Bingwa SACCO, Fortune SACCO, and Muhigia SACCO.

Bingwa SACCO was formed back in 1984 and was then known as Kirinyaga Tea Growers Sacco. The Sacco at first only concentrated on recruiting of Tea farmers in the Kirinyaga region up to 1993 when it opened its front office (FOSA) and the Board saw the need to diversify. Muhigia SACCO on its part was started in 1976 as a teachers Sacco within Kerugoya town. It used to operate from its main office in Kerugoya town. However in the year 2000, Muhigia SACCO diversified its operations to include business people and employees from other sectors such as public service and even those in private enterprises. Fortune SACCO was initially registered as Kirinyaga District Farmers Sacco Society on the 1st day of May 1998. After transformation of Kirinyaga district co-operative union banking section to a SACCO, in 2010, it changed its name to fortune SACCO in order to align itself for growth and expansion outside Kirinyaga region.

3.4 Target Population

The target population comprised of all 1848 active members (those SACCO members who have been making remittances to the SACCOs and obtained service from the SACCOs without fail within 12 months period) of Savings and Credit Cooperative Societies in Kiangai Township. Although the SACCO in Kiangai township have membership of 2354 (County Trade Office, 2014), only 1848 have been participating in

their SACCOs in the last 12 months (active members). The study opted to use the active members as the target population since these were the only who accessed SACCO products as services. The dormant members (SACCO members who not had any transaction with the SACCOs within 12 months period) did not seek for the services/products since their account were not active during the time of the study. The target population was therefore 1848 members from the three SACCOs. The target population is captured in Table 1

TABLE 1
Target Population

SACCO Name	Total Membership	Active Member	Dormant Member
Bingwa Sacco	1224	1034	190
Muhigia Sacco	108	85	23
Fortune Sacco	1022	729	293
Total	2354	1848	506

3.5 Sample Size and Sampling Procedures

Sampling should be made up of subjects believed to be reliable for study (Kombo & Tromp 2011) and as such any statement made about the sample should also be true of the population (Orodho, 2002). The study applied the Gay (1992) principle that suggests that 10% of large populations and 20% of small populations as minimums as adequate samples for study. Thus using the 10% principle, the study sample comprised 104 members of Bingwa SACCO, 9 members of Muhigia SACCO and 73 members of Fortune SACCO. This ended up with a total of 186 respondents.

Purposive sampling was used to select the study participants. The researcher selected willing customers who sought SACCO services from their offices at designated days. A schedule was drawn when the researcher and his assistants visited the SACCOs in the township and issued questionnaires in the SACCO office waiting

bay, when a customer accepted to participate.

3.6 Research Instruments and Data Collection Procedure

The study collected data from primary sources. The study used a structured questionnaire for collecting primary data from the selected respondents. The structured questionnaires could easily be filled without the researcher guidance. The questionnaires was designed and distributed to the respondents at their SACCO offices and they were assisted on how to collect the data.

Before data collection commences, the researcher sought permission from the various authorities. The researcher first obtained a letter from KCA University to proceed with data collection. The researcher also sought authority to collect data from National Commission for Science, Technology and Innovation (NACOSTI) to be given a permit to carry on the research. A research permit was obtained from the National Commission for Science, Technology and Innovation. The study made arrangements with the researcher on how the data was to be collected. A cover letter from the researcher was attached to each questionnaire, to state the purpose of the research, encourage participation, assure the respondents of confidentiality and thank them for their cooperation. The researcher personally administered the questionnaires to the respondents and assisted them answer the questions.

3.7 Reliability and Validity

The study conducted a pilot test of the study on data collection instrument before administering it. The pilot test was to; identify possible problems; clarify on the instrument and appropriateness of the language during the main study, assess the relevance of the research objectives and then ‘debug’ the instrument accordingly. The pilot survey also assessed how long it will take to complete the instrument so as to fit that element into the data collection phase timetable. Other to be addressed in the pre-

testing testing included; wording and format of questions. The pilot study was conducted on five (5) members of SACCO, who did not participate in the study. These members were not be allowed participate in the study.

Validity of instrument, which is the accuracy and meaningfulness of inferences, was measured using content validity test. Content validity measures the degree to which data collected using a particular instrument represents a specific domain of indicators or content of particular concept. The assessment of content validity of a measure was carried by two professional experts; SACCO management experts and a financial management consultant. The financial management expert determined whether the sets of items can accurately measure the uptake of SACCO loan products in rural areas of Kenya. The financial management consultant assessed the tools to establish what financial concept the instrument is trying to measure.

Reliability was conducted to a measure of the degree to which instrument would yield consistent results and 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 will be consistent over time. The researcher improved the instrument by reviewing or deleting inconsistent items from the instrument. The study tested for reliability using the internal consistency techniques based on the Cronbach Alpha method. In the Cronbach Alpha method, an item in the tool is considered reliable or consistent when its Cronbach Alpha is greater than or equals to 0.7.

3.8 Data Analysis

Screening of the received questionnaires was done to check for completeness and exclude incomplete ones before further analysis. The data collected was the arranged thematically, coded and data entered into the computer. The data was

checked for completeness and only the ones completely and properly filled were considered for analysis. On the other hand, data collected from the open ended questions was categorised, themes established and information coded and entered into the computer for analysis. The results were generated using descriptive statistics in terms of frequencies, means, standard deviations and percentages based on the findings. The data was presented in form tables and charts such as pie charts, bar graphs for ease of understanding and analysis. Data was analysed with the help of Statistical Package for Social Science (SPSS) version 17.0

3.9 Ethical Issues in Research

The study endeavoured to remain ethical in conducting the research. An introduction letter was sought from the University to present to the National Commission for Science, Technology and Innovation (NACOSTI) to be given a permit to carry on the research. The researcher then visited the county commissioner for permission to carry out the research in the region. The researcher also explained the nature and purpose of the study to each respondent prior to filling in the questionnaire. This served to assure the respondent of confidentiality of their responses.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter contains research findings and discussion, which are an analysis and interpretation of the results of the study data. These results were presented by use of tables, charts and bar graphs for ease of understanding. The presentation of the results was guided by the study objectives and each presentation explained using a narrative, from results obtained from descriptive statistics. The discussions of the research findings were based on study objectives and then referenced to the literature reviewed. The foundation of the discussions is the theoretical literature and empirical studies cited in chapter two and summarized.

4.2 Response Rate

The study analyzed the response rate against the sample population and the result recorded in Table 2.

TABLE 2
Analysis by Response Rate

SACCO Name	Sample Population	Response	% Response
Bingwa Sacco	104	71.00	68.27
Muhigia Sacco	9	9.00	100.00
Fortune Sacco	73	52.00	71.23
Total	186.00	132.00	70.97

From Table 2 it can be seen that 68.27% of the expected respondents from Bingwa SACCO responded to the study by providing requested response to the questionnaire, as all the expected respondents from Muhigia SACCO responded and 71.23% of the expected respondents from Fortune SACCO respondents. The total response rate was 70.97% of the sample population. The failure of the 29.03% to

respond may be attributable to the unwillingness of the respondents to participate in the study. It should be noted that the researcher and research assistant requested the SACCO members who visited the office to provide the requested information. The response rate of 70.97% was very high according to Mugenda and Mugenda (2003), who indicated that a 50% response rate is adequate whereas a rate of 60% is good while a response rate above 69% is rated as being very high. This response was therefore very high and impressive.

4.3 General Information

The study sought information respondent's gender, age, education level, and length of membership with their SACCO. The results obtained on respondents' Gender were then captured in Table 3.

TABLE 3
Analysis by Respondents' Gender

Sex	Frequency	Percent
Male	78.00	59.1
Female	54.00	40.9
Total	132.00	100.00

The study allowed the respondents specify whether their gender were female and male. The results shows that the male were 59.10% whileand the female were 40.90%. The ratio of male to female employees was well less than 2/3 .The males were therefore less than 2/3rd of the the total population as the female were more than 1/3rd of the total reponse. The composition of male and female, ensured diversity in terms of gender and was therefore consistent with the 2/3rd rule enshrined in the constitution of Kenya (RoK, 2010),on ensuring gender equality.

Other results on age were recorded in Table 4.

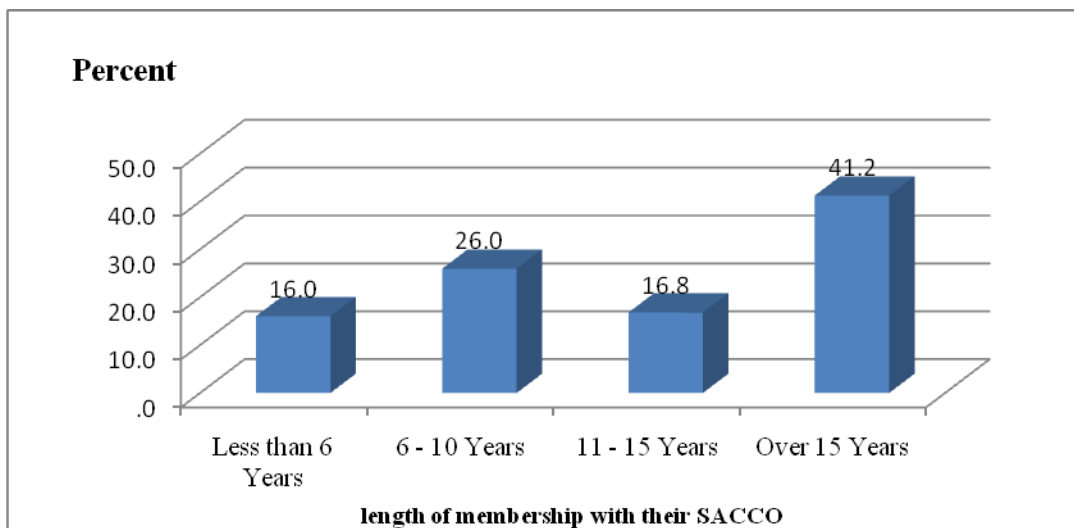
TABLE 4
Analysis by Respondents' Age

Age Group (Years)	Frequency	Percent
20 - 25 Years	8	6.3
26 - 30 Years	8	6.3
31 - 35 Years	27	21.3
Above 35 Years	84	66.1
Total	127	100.0

The results obtained in Table 4 show that 66.10%, who were the majority, were above 35 years. They were followed by those who were between 31 and 35 years, who formed 21.30%. Those who were in the age group 26 to 30 years formed 6.30% and the other 6.30% were of the age group 20 to 25 years. From the results, it can be observed that most of the respondents' elderly people, in the working group and income earning group. The indication here is that they would provide sufficient information on SACCOs.

The results on length of membership with their SACCO were recorded in Figure 2.

FIGURE 2
Length of Membership with their SACCO

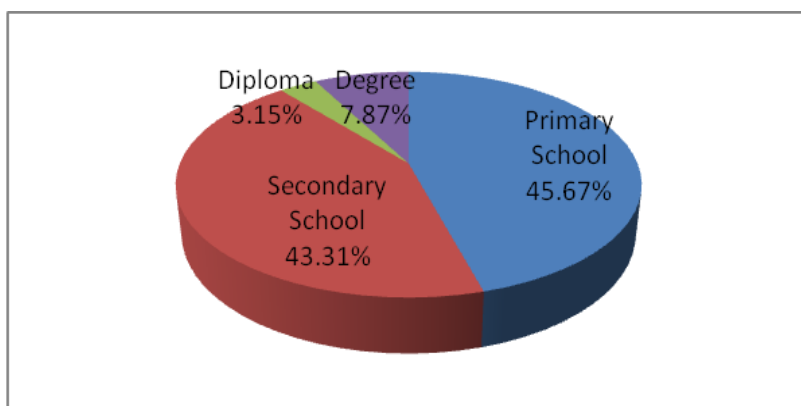


From the results obtained in Figure 2, most of the respondents, who formed 41.20%, showed that they were members of their SACCOs for over 15 years. They were followed by those who showed that they had been members of their SACCOs for between 6 and 10 years. Those showed that they had been members of SACCOs for between 11 and 15 years formed 16.8% of the total response as those who showed that they had been SACCO members for less than 6 years formed 16% of the total response.

Other results on academic qualifications were obtained and captured in figure 3.

FIGURE 3

Highest Academic Qualifications



When requested to indicate the respondents showed highest academic qualifications, most of the respondents, who formed 45.67% showed that they were primary school dropouts as 43.31 %, who were next, showed that they were secondary school leavers. From the results, 7.87% showed that they were university graduates as 3.51% showed that they had had diplomas

From these results it can be observed that most of the respondents had worked minimum academic qualifications, an indication that they had sufficient knowledge of the process of

SACCO loan products and some financial matters. This is to say that they were expected to provide adequate response to the study.

4.4 Interpretation of Study Objectives Results

The study analyzed the data collected using descriptive analysis to describe the properties of study variables. The analysis was carried out with respect to the study objectives and derived from response to the questions in the questionnaire, which were collected using a 5 point Likert Scale (1 - for Strongly Disagree/Not at All to 5 - Strongly Agree/Very High). The study then obtained a mean for each study indicators (within the variables) and thereafter an overall mean for all the means of the variable was obtained. The means were interpreted using the statistics as shown below: 1 – 1.8 meant Strongly Disagree or Not at All; Above 1.8 – 2.6 meant Disagree or Low; Above 1.6 – 3.4 meant Neutral or Moderate; Above 3.4 – 4.2 meant Agree or High; and Above 4.2 –5.0 meant Strongly Agree or Very High.

4.4.1 Loan Product Uptake

First, the study sought to assess the dependent variable (DV), loan product uptake, and its indicators, establishing the status of these indicators using means and overall status of loan product uptake and the results were recorded in Table 5.

TABLE 5
Analysis on Loan Product Uptake Levels

Loan Product Uptake Indicator	Mean	Std. Dev.
I always obtain loan from our SACCO whenever I need one	3.74	0.99
Loans disbursement from our SACCO is very efficient	3.85	0.95
I don't have any difficulties in taking a loan from our SACCO	3.86	0.95
Loan products from our SACCO are always available for disbursement	3.77	0.95
I also seek loans from other institutions instead of loan from our SACCO	1.55	0.92
Overall Loan Product Uptake	3.35	0.95

From the results in Table 5, all the factors measuring loan product uptake, except the suggestion for seeking loans from other institutions instead of loan from the SACCOs, were also shown to measure strongly (highly). The respondents strongly showed that they always obtain loans from their SACCOs whenever they need one (mean = 3.74, std. dev. 0.99) and very strongly showed that loans disbursement from their SACCOs was very efficient (mean = 3.85, std. dev. =0.95). The respondents strongly indicated that that “I don’t have any difficulties in taking a loan from our SACCO” (mean = 3.86, std. dev. 0.95) and loan products from their SACCO were always available for disbursement (mean = 3.77, std. dev. 0.95). The respondents further showed strongly disagreed with the statement that “I also seek loans from other institutions instead of loan from our SACCO” (Mean = 1.55, Std. Dev. 0.92). Overall; loan product uptake was shown to be moderate (Mean = 3.35, Std. Dev. 0.95). The indicators measured highly and the general loan uptake was moderate

The results showed that there adequate loan to satisfy the members and SACCO loans disbursement was efficient as shown the strong indication that loans disbursement from their SACCOs was very efficient. This agrees with the SASRA (2012) that certain factors encourage members to seek for loan from their SACCOs. These include; Lending requirements and eligibility for a loan; Permissible loan purposes and acceptable types of collateral; Loan concentration limits; Terms (loan types, interest rates, frequency of payments) and conditions; Maximum loan size per product; Appraisal of the borrower's ability to repay the loan; Terms and conditions for insider lending and Guaranteeing requirements (Opondo, 2011), which might be the reason that the members did not seek loans from other institutions instead of loan from their SACCOs. The loan processing system were efficient and the respondents did not face (have) any difficulties in taking loans from their SACCO. As SASRA

(2012) said proper loaning procedures and their documentation encouraged members to obtain Loans from their SACCOS, which was reflected in the findings of the present study. There were adequate loan and financing to ensure that loan products from their SACCO were always available for disbursement. Owing to the adequacy and sufficiency of loan products in the SACCO, the respondent did not seek for loan from other financial institutions. They were satisfied with loan products available at their SACCO and the loan processing procedures.

This may be reason that they indicated that they did not seek loans from other institutions substitute loan from their SACCO. This supports the sentiments of Mwakajumilo (2011) study, which noted that most activities operated by local entrepreneurs in Tanzania are viewed as not bankable projects and are viewed as too risky. Most small scale entrepreneurs are viewed to have low credibility by banks in Tanzania (Mwakajumilo, 2011).

These findings are in contention to those of Mwakajumilo (2011) study which showed giving loans to members and giving both financial and non-financial advice was essential to ensure members took loans from their SACCOs. These factors; loan frequency; disbursement efficient; difficulties in taking loan; loan availability, affecting customer preference to borrow have to be viewed in light of the fact that for a customer to borrow from a SACCO they have to be members of the SACCO (Mpiira et al., 2013; Onsase *et al.*, 2010). These authors; Mpiira *et al.* (2013); Onsase *et al.*, (2010) have argued that majority of the members join the Savings and Credit Cooperative Societies due to the loan facilities which are flexible.

4.4.2 Influence of diversity of loan products on loan product uptake

The study collected data to establish the influence diversity of loan products on the loan product uptake, in an effort to assess objective 1 of the study and establish the influences of diversity of loan products on the loan product uptake. The study then obtained a mean for each study indicators (within the variables) and thereafter an overall mean for all the means of the variable was obtained. The means were interpreted using the statistics as shown below: 1 – 1.8 meant Not at All; Above 1.8 – 2.6 meant Low; Above 2.6 – 3.4 meant Moderate; Above 3.4 – 4.2 meant High; and Above 4.2 – 5.0 meant Very High. The spacing between any two measurements is 0.8 (i.e. 4/5 – four (4) turning points; such as between Not at All and Low or High and Very High/the no. of measurements). The results obtained were captured in Table 6.

TABLE 6
Analysis on Influence Diversity of Loan Products

Diversity of Loan Products Indicator	Mean	Std. Deviation
Wide variety of loan products	3.05	1.38
Innovation of loan products	2.61	1.19
Adequate Fund for loans	3.44	1.81
Features of the loan products	2.39	1.01
Loan Charges	2.36	1.16
Overall Diversity of Loan Products	2.77	1.31

According to the respondents, the wide variety of loan products was shown to moderately influence loan uptake (mean=3.05, Std. Dev. = 1.38) and innovation of loan products was also shown to moderately influence loan uptake (mean = 2.61, Std. Dev. = 1.19). The result in Table 4.5 also showed that the respondents indicated that adequate fund for loans highly influence loan uptake (mean = 3.44, Std. Dev. 1.81). It was further shown that features of the loan products lowly influenced loan

uptake (mean = 2.39, Std. Dev. = 1.01) and loan charges lowly influenced loan uptake (mean = 2.36, Std. Dev. = 1.16). Overall, the influences of diversity of loan products on the loan product uptake was moderate (mean = 2.77, Std. Dev. = 1.31)

The study found that diversity of loan products moderately influenced the loan product uptake. Adequacy of fund for loans highly influence loan uptake, it was the only indicators which seemed to influence loan product uptake significantly, which was in agreement to Okwany (2010) study. The study by Okwany (2010) noted that where there were adequate funds, the members were satisfied (Mwangi & Wanjau, 2013). Wanyama (2009) further noted that SACCOs are a preferred source of business financing when they are able to offer credit which is perceived as cheaper and more accessible, which is what the respondents showed in this study. The present study found that the wide variety of loan products was moderately influenced loan uptake. The same applied to innovation of loan products which moderately influence loan uptake. The members seemed not concerned over the variety of loans and the innovation but only sought to obtain the money they wanted at the time they needed it. However, the features of the loan products lowly influenced loan uptake as well as loan charges which lowly influenced loan uptake. The findings conform to those of the study by Gakunu (2010) noted that entrepreneurial development is highly influenced by SACCOs, through delivery of responsive, affordable and market oriented financial services geared to the specific needs of the members.

4.4.3 Influence of Characteristics of Loan Products on Loan Product Uptake

Objective 2 of the study was to establish the influence of characteristics of the loan products on loan product uptake, which the study sought to analyse using responses from the questionnaire. The study then obtained a mean for each study

indicators (within the variables) and thereafter an overall mean for all the means of the variable was obtained. The means were interpreted using the statistics as shown below: 1 – 1.8 meant Not at All; Above 1.8 – 2.6 meant Low; Above 2.6 – 3.4 meant Moderate; Above 3.4 – 4.2 meant High; and Above 4.2 – 5.0 meant Very High. The spacing between any two measurements is 0.8 (i.e. 4/5 – four (4) turning points; such as between Not at All and Low or High and Very High/the no. of measurements). The results obtained during the analysis were captured in Table 7.

TABLE 7
Analysis on Influence of Characteristics of the Loan Products

Characteristics of the Loan Products Indicator	Mean	Std. Deviation
Terms of the loan	2.63	1.63
Reliability of disbursing loan	3.44	1.15
Perceived Value of loan Products	2.99	1.09
Location of the Borrower	2.93	1.07
Distribution methods used for	3.21	1.29
Conduciveness of loan product	3.69	1.08
Attractiveness of loan product	3.00	1.23
Overall Characteristics of the Loan Products	3.30	1.20

The respondents showed that terms of the loan moderately influenced loan product uptake (Mean = 2.63, Std. Dev. 1.63) and reliability of disbursing loan highly influenced (Mean = 3.44, Std. Dev. 1.15). The result in Table 7 also showed that the respondents indicated that Perceived Value of loan Products moderately influenced loan uptake (mean = 2.99, Std. Dev. 1.09). The results further revealed that location of the borrower moderately influenced loan uptake (mean = 2.93, Std. Dev. = 1.07) and distribution methods used for moderately influenced loan uptake (mean = 3.21, Std. Dev. = 1.29). The respondents showed that conduciveness of loan product highly influenced loan product uptake (Mean = 3.69, Std. Dev. 1.08) and Attractiveness of loan product moderately influenced loan uptake (mean = 3.00, Std. Dev. = 1.23).

Overall, characteristics of the loan products moderately influenced the (mean = 3.30, Std. Dev. 1.20).

The results obtained indicate that characteristics of the loan products somehow influenced the members to make decisions on loan uptake since it moderately influenced the loan product uptake. The following were found to be indicators of characteristics of the loan products; terms of the loan; reliability of disbursing loan; value of loan products; location of the borrower; distribution methods; conduciveness of loan product; and attractiveness of loan product. This was in agreement to the findings in the study by Cheruiyot *et al.* (2012), which showed that with minimal requirements more people are likely to seek financial products from SACCOs (Langat, 2012). The inclusion of so many loan services makes SACCOs customer friendly and also the fact that one can be advanced more than two loan products at once (Mwangi, 2010) Auka and Mwangi (2013) noted that the sacco processing time for loans ranged depending on the type of loan that the clients were seeking.

4.4.4 Influence of Turn-Around Time on Loan Product Uptake

The study collected and analysed data to evaluate the objective 3, which was to establish the influence of turn-around time on loan product uptake. The study then obtained a mean for each study indicators (within the variables) and thereafter an overall mean for all the means of the variable was obtained. The means were interpreted using the statistics as shown below: 1 – 1.8 meant Not at All; Above 1.8 – 2.6 meant Low; Above 2.6 – 3.4 meant Moderate; Above 3.4 – 4.2 meant High; and Above 4.2 – 5.0 meant Very High. The spacing between any two measurements is 0.8 (i.e. 4/5 – four (4) turning points; such as between Not at All and Low or High and Very High/the no. of measurements). The results were captured in Table 8.

TABLE 8
Influence of turn-around time on loan product uptake

Turn-Around Time Indicator	Mean	Std. Deviation
Time taken to disburse loan	2.10	1.06
Length of the disbursement process	2.22	1.11
Service delivery in loan disbursement	2.87	1.17
Accessibility of loan product	3.61	1.06
Overall Turn-Around Time	2.70	1.10

From the results in Table 8, the respondents showed that time taken to disburse loan lowly influence loan uptake (mean= 2.10, std. dev. = 1.06) and length of the disbursement process was also shown to lowly influence loan uptake (mean = 2.21, Std. Dev. = 1.11). The result in Table 4.7 also showed that the respondents indicated that service delivery in loan disbursement moderately influence loan uptake (mean = 2.87, Std. Dev. 1.17). The study found that accessibility of loan product highly influenced loan uptake (mean = 3.61, Std. Dev. = 1.06). Overall, turn-around time influenced the loan product uptake moderately (mean = 2.70, Std. Dev. = 1.10)

From these results, the study found that turn-around time moderately influences the loan product uptake, which showed that it did not significantly influence the members' decisions on loan uptake. Although turn-around time there was some evidence that these findings are aligned to the findings in the study by Sarcedoti (2005). The study by Sarcedoti (2005) showed that lack of access to credit can be attributed to the inability of borrowers to provide accurate information on their financial status and loan uptake time (Mwangi, 2010). Other reasons cited included long physical distance to the nearest financial services provider high cost of credit, socio-economic and demographic characteristics that make them less credit-worthy. The practice of credit rationing by financial institutions using interest rates has locked

out most poor individuals as only large scale borrowers who expect higher returns, can bear the actual cost of borrowing. From the findings the indicators of turn-around time influencing loan product uptake were confirmed to be; time taken to disburse loan; length of the disbursement process; service delivery in loan disbursement; and accessibility of loan product.

4.4.5 Influence of Product Awareness on loan product uptake

Table 9 contains results of the analysis on data collected to evaluate objective 4. The objective was to establish the influence of product awareness on loan product uptake. The study then obtained a mean for each study indicators (within the variables) and thereafter an overall mean for all the means of the variable was obtained. The means were interpreted using the statistics as shown below: 1 – 1.8 meant Not at All; Above 1.8 – 2.6 meant Low; Above 2.6 – 3.4 meant Moderate; Above 3.4 – 4.2 meant High; and Above 4.2 – 5.0 meant Very High. The spacing between any two measurements is 0.8 (i.e. 4/5 – four (4) turning points; such as between Not at All and Low or High and Very High/the no. of measurements).

TABLE 9
Analysis on Influence of Product Awareness

Product Awareness Indicator	Mean	Std. Deviation
Familiarity with the loan products	3.41	1.16
participation in member education programs	3.41	1.29
Marketing programs	3.66	1.24
Awareness of existence of the loan products	3.47	1.26
Overall Product awareness	3.49	1.24

From Table 9, the respondents showed that familiarity with the loan products highly influenced loan product uptake (Mean = 3.41, Std. Dev. 1.16) and participation in member education programs highly influenced (Mean = 3.41, Std. Dev. 1.29). The result in Table 9 also showed that the respondents indicated that marketing programs

highly influenced loan uptake (mean = 3.66, Std. Dev. 1.24). It was further shown that Awareness of existence of the loan products highly influenced loan uptake (mean = 3.49, Std. Dev. = 1.26). Overall, product awareness highly influenced the loan product uptake (mean = 3.49, Std. Dev. 1.24).

The results showed that product awareness highly influenced loan product uptake as all the indicators of product awareness; familiarity with the loan products; participation in member education programs; marketing programs; and awareness of existence of the loan products, showed they each highly influenced the same. The study by Chigunta (2002) argues out that factors such as; methodologies and regulations, complex documentation procedures, long waiting periods (time needed to decide on application for funding), lack of knowledge, understanding and awareness of start-up financing possibilities (Mwangi & Wanjau, 2013), which is what the present established (Odera, 2012).

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.1 Introduction

This chapter provides the conclusions from the study findings as well as the recommendations based on the findings. It further highlights the research gaps the researcher felt should be filled by further research as well the limitations of the study. The conclusions were based on the study objectives; to establish; the Influences of diversity of loan products on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya; to find out influence of characteristics of the loan products on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya; to find out the influence of turn-around time on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya; and to establish the influence of product awareness on uptake of SACCO loan products in Kiangai Township in Kirinyaga County, Kenya.

5.2 Summary of Findings

The study found that all the factors measuring loan product uptake, except the suggestion for seeking loans from other institutions instead of loan from the SACCOs measure strongly (highly) and the SACCO members always obtained loans from their SACCOs whenever they need one. Loans disbursement from their SACCOs was very efficient and they did not have any difficulties in taking a loan from their SACCOs as loan products from their SACCO were always available for disbursement. The members rarely sought loans from other institutions instead of loan from their SACCOs. Overall; loan product uptake was shown to be moderate.

The study found that the wide variety of loan products moderately influenced loan uptake and innovation of loan products was also shown to moderately influence loan uptake. The result showed that the adequate fund for loans highly influence loan uptake. It was

further shown that features of the loan products lowly influenced loan uptake and loan charges lowly influenced loan uptake. Overall, the influences of diversity of loan products on the loan product uptake was moderate.

The study found that characteristics of the loan products moderately influenced the loan uptake. The terms of the loan moderately influenced loan product uptake and reliability of disbursing loan highly influenced. The perceived value of loan products moderately influenced loan uptake. It was further shown that location of the borrower moderately influenced loan uptake and distribution methods used for moderately influenced loan uptake. The respondents showed that conduciveness of loan product highly influenced loan product uptake and attractiveness of loan product moderately influenced loan uptake. Overall, characteristics of the loan products moderately influenced the loan uptake.

The study found that the time taken to disburse loan lowly influence loan uptake and length of the disbursement process was also shown to lowly influence loan uptake. The service delivery in loan disbursement moderately influence loan uptake. It was further shown that accessibility of loan product highly influenced loan uptake. Overall, the influence of turn-around time on the loan product uptake was moderate.

On awareness of loan products, the study found that the familiarity with the loan products highly influenced loan product uptake and participation in member education programs highly influenced. The marketing programs highly influenced loan uptake awareness of existence of the loan products highly influenced loan uptake. Overall, product awareness highly influenced the loan product uptake.

5.3 Research Conclusions

The study has established that loan product uptake in the SACCO at SACCOs in Kiangai Township is moderate. Loan uptake is indicated by; loan frequency, disbursement efficiency, ease (no difficulties) in taking loan, and loan availability. The study revealed that

diversity of loan products moderately influences the loan product uptake, which might be attributable to the perception of the members. The indicators of loan diversity; wide variety of loan products; innovation of loan products; adequate fund for loans; features of the loan products; attractiveness of loan product moderately influences the loan product uptake. However adequate fund for loans which highly influences loan uptake and features of the loan products lowly influences loan uptake; loan charges lowly influences loan uptake. The characteristics of the loan products had an average influence the loan uptake. The terms of the loan moderately influences loan product reliability of disbursing loan highly influenced. Perceived value of loan products moderately influences loan uptake. The borrower moderately influences loan uptake and distribution methods used for moderately influences loan uptake. The conduciveness of loan product highly influences loan product uptake and attractiveness of loan product moderately influences loan uptake. This means that characteristics of the loan products somehow influence the members to make decisions on loan uptake. The influence of turn-around time on the loan product uptake is moderate. time taken to disburse loan lowly influences loan uptake and length of the disbursement process lowly influences loan uptake as service delivery in loan disbursement moderately influences loan uptake .Accessibility of loan product highly influences loan uptake. Product awareness highly influences the loan product uptake. The indicators of product awareness are; familiarity with the loan products; participation in member education programs; marketing programs; and awareness of existence of the loan products. Each indicator highly influences loan product uptake.

5.4 Recommendations

The study established that loan product uptake in the SACCO at SACCOS in Kiangai Township is moderate. The study revealed that diversity of loan products moderately influences the loan product uptake, which might be attributable to the perception of the

members. The characteristics of the loan products had an average influence the loan uptake and the influence of turn-around time on the loan product uptake is moderate as product awareness highly influences the loan product uptake. These findings guided the study recommendations.

5.4.1 Recommendations for Policy

The study made policy recommendation based on the findings and study objectives. First, the study recommends that the SACCO management in Kiangai Township should make the Diversity of loan products in to be more attractive and appealing to their members. The SACCOs should ensure that the members are informed on the difference in different SACCO products. The SACCOs should erase the notion in the mind of the members that “a loan is just a loan”. The study recommends that the SACCO should conduct intensive education on loan products to their members and ensure that the members understand the difference in the loan products, the benefits, and shortcomings of each product.

Secondly, the SACCO management in Kiangai Township should create uniqueness of the SACCO loan products they are offering. The management of SACCO should ensure that characteristics of the loan products they are offering are significant and noticeable. The members should have an opportunity to establish the offerings from each product, requirement for the product, repayment period, and charges for loan products. The SACCOs should encourage their members to inquire about the loan product and ensure sensitization of the members. The SACCOs can implement innovation mechanisms to inform members of the features and characteristics of the loan products available through the use of Information Communication Technology (ICT), such as sending regular Short Message Service (SMS) to the members on loan products.

Thirdly, the SACCO in should make turn-around time an essential consideration in disbursing loan product and eliminate the perception that loan disbursement is determined by

the management of the SACCOs and does not matter how long it take. The SACCO should review their loan policy to ensure that there are prescribed turn-around times for each loan product, which are followed. There should clearly spelt timelines on when what should be done and the message relayed to the members.

Lastly, the SACCO management should create awareness campaigns to its members on the loan products available; characteristics of the loan products; diversity of loan products, and turn-around time. The members should be brought on board and be partakers on their investment as regards loan product uptake through being regularly informed on loan product uptake and availability of loan product. Any new innovative product brought on board should immediately be communicated to the members.

5.4.2 Recommendations for further study

The present study recommends further studies to establish;

1. How attachment to SACCO influence the members loan uptake and their failure to seek for loans in other financial institutions. The present study found that the members would not seek loan from other financial institutions even when their SACCO lacked diverse loan products. This may be due to the attachments the SACCOs members have on their SACCOs, where they fully dependent on their SACCOs for loan and would never seek for loans outside (since this would be failing to trust their SACCOs). There is therefore the need to establish how the attachment to the SACCO would lead to the members decisions on seek for loans in other financial institutions. As the study to establish the influence of attachment to SACCO on decision to the seek for loans in other financial institutions needs to be conducted, there is need for a study establish factors that influence the decision by members to seek for loans in other financial institutions.
2. Effects of academic qualifications on loan uptake/seeking for loans in other financial institutions. The study found that most of the SACCOs members were of primary school

level or secondary school leavers and at the same time, they would rarely seek for loans in other financial institutions. This raises a few questions on the relationship between academic qualifications on loan uptake as well academic qualifications and seeking for loans in other financial institutions. There is therefore the need to have a study to establish the relationship between academic qualifications on loan uptake, and academic qualifications and decisions to seek for loans in other financial institutions

3. Influence of variety of loans and the innovation of loan products on loan uptake. The present study did not clearly reveal how the diversity of loans and innovativeness on loan product influenced the members' decisions to take loans. It only showed that the variety of loans affected loan uptake but it was not clear the level influence this one had, which demands for a study to bring clarity on this issue.

REFERENCES

- Adekunle, B. & Henson, S.J. (2007). The Effect of Cooperative Thrift and Credit Societies on Personal Agency Belief: A Study of Entrepreneurs in Osun State, Nigeria. *African Journal of Agricultural Research*, 2 (12), 678-686.
- Adeyemo, R. & Bamire, A. S. (2005). Saving and investment Patterns of Co-operative farmers in Southwestern Nigeria. *Journal of Social Science*, 11(3), 183-192.
- African Confederation of Co-operative Savings and Credit Association [ACCOSCA] (2014). *Supporting Financial Inclusion Using the Co-operative Model of Financial Access*. 5th Sacco Leaders Forum Report Organized by African Confederation of Co-operative Savings and Credit Association (ACCOSCA) from 12th – 14th March 2014 (2104).
- Agbo, F. & Sand, C. (2010). *Social Economic Determinants of Cooperative Societies: Access to the Services of the Nigerian Agricultural Cooperative and Rural development Bank' Field Act*. Osun State, Nigeria
- Allen, E. & Maghimbi, S (2009). *African cooperatives and the financial crisis International Labour Office*. ILO, Dar es Salaam.
- Auka, D. & Mwangi, J. (2013). Factors Influencing Sacco Members to Seek Services of Other Financial Service Providers in Kenya. *International Review of Management and Business Research*, 2(2), 610-627.
- Azeez, O. (2011). *Building Wealth through Cooperative Societies*. Available Online at: <http://www.thisdaylive.com/articles/building-wealth-through-cooperative-societies/103583/>. Retrieved on 17th August 2014.
- Bamiduro, T.A. (2011). *Poverty Analysis: A Statistician's Dilemma' A Seminar Paper of the Department of Mathematical Science*. Redeemer's University, Ogun State, Nigeria.
- Barus, J. J. (2013). *Relationship between Alternative Financing and Growth of Savings and Credit Cooperative societies in Baringo County*. Unpublished Master in Science Dissertation, KCA University, Nairobi.
- Bihunirwa, M, Kinyua, H, Mugoya, M, Mohammed, S & Rwakakamba, M (2012), *Innovating to compete: Smallholder farmers' agency and markets in East Africa*. London: IIED/HIVOS.
- Birchall, J. (1997) *The International Co-operative Movement*,. Manchester :Manchester University Press.
- Bottelberge, P. & Agevi, E. (2010). *Leading Change in Cooperatives and Member Based Organizations in East Africa; Findings of a study on leadership and leadership development*. Nairobi: Swedish Cooperative Centre.
- Cheruiyot, T. K., Kimeu, C. M. & Ogendo, S. M. (2012). Effect of Savings and Credit Co-operative Societies Strategies on Member's Savings Mobilization in Nairobi, Kenya. *International Journal of Business and Commerce*, 1(11), 40-63.

- Churchill, G. (2010). *Groups credit and empowerment: The case of debit credit and savings institutions In Ethiopia*. Published Research paper, Addis Ababa.
- Cohen, L. & Manion, L. (1997). *Research Methods in Education*, London: Routledge.
- County Government of West Pokot. (2013). *First County Integrated Development Plan 2013 – 2017*. County Government of West Pokot, West Pokot.
- Creswell, J. (2007). *Educational research*. 3rd edition. Thousand Oaks, CA: Sage.
- Daniel, W. (1999). *Biostatistics: A Foundation for Analysis in the Health Sciences*. 7th edition. New York: John Wiley & Sons.
- Ellis, K. Lemma, A. & Rud, J. (2010). *Investigating the impact of access to financial services on household investment*. London: Overseas Development Institute.
- Gall, M. & Borg, W. (2007). *Educational research: An introduction*. Boston: Pearson Education.
- Gardeklint, A. (2009). *Facts about the Co-operative movement*. Nairobi: Kenya National Federation of Co-operatives.
- Gay, L.R (1992). *Educational Research: Competencies for Analysis and Application*, 4th ed., Columbus.
- Harris, M. (2001). *Managememnt decisions*. London: Evans publishers.
- International Co-operative Alliance (2009). *Statistical Information on the Co-operative Movement*. Nairobi: International Co-operative Alliance Investment.
- Kabuga, C. (2005). *Cooperative traditions in Anglophone countries. Report in Essential Research for a Cooperative Facility for Africa*. Geneva: ILO.
- Kombo, K. & Tromp, A. (2006). *Proposal and Thesis Writing*, Nairobi: Pauline's Publications Africa.
- Kothari, C. R. (2008). *Research Methodology: Methods and Techniques*. New Delhi: New Age International (P) Limited Publishers
- Langat, J. K. (2012). *Factors influencing Performance of Savings and Credit Cooperative Societies in Bomet County*. Bomet County.
- Levin, P & Milgrom, P (2004). *Consumer Theory*. Stanford: Stanford University Press
- Manyara, M. K. (2003). *The Development of Co-operative Law and Policy in Kenya*. Nairobi: Oscan Print
- Matumo, N. G., E. Maina, K., & Njoroge, N. N. (2013). The impact of front office Sacco activity on Sacco performance in Kenya; A case study of Meru South and Maara district in Tharaka Nithi County in Kenya. *Global Advanced Research Journal of Management and Business Studies*, 2(5), 285-290.

- McCord, M.J. (2011). *Microinsurance Product Development for Microfinance Providers*. Available Online at: mjmccord@microinsurancecentre.org. Retrieved on 17th August 2014.
- Messah. O. B. & Wangai, P. N. (2011). Factors that Influence the Demand for Credit for Credit among SmallScale Investors: a case study of Meru Central District, Kenya. *Research Journal of Finance and Accounting*, 2(2). Available Online at: www.iiste.org. Retrieved 17th August 2014.
- Morelli, E. *et al.* (2010). *Microinsurance: An Innovative Tool for Risk and Disaster Management*. Switzerland: Buchdruckerei Davos AG.
- Mpiira, S., Kiiza, B., Katungi, E., Staver, C., Tabuti, J. S., Kyotalimye, M., et al. (2013). Factors influencing households participation in the Savings and Credit Cooperative (SACCO) programmes in Uganda. *African Journal of Agricultural Research*, 8(43), 5280-5289.
- Mugenda, O. M. & Mugenda, A. G. (2003). *Research Methods: Quantitative and Qualitative Approaches*. Nairobi: Acts press
- Mulumba, J. (2011). *Credit Policy Managerial Competence Outreach and Customer Retention in Microfinance Institutions: A Study of Microfinance Institutions in Uganda*. Makerere University.
- Mumanyi, E. A. L. (2014). Challenges and opportunities facing SACCOs in the current devolved system of government of Kenya: A case study of Mombasa County. *International Journal of Social Sciences and Entrepreneurship*, 1(9), 288-314.
- Muriithi, P.K (2013). *Response of SACCOs to Competition From Commercial Banks and New SaACCO Regulations*. Unpublished Thesis. Nairobi: K.C.A University
- Mwakajumilo, S. L. (2011). *The Role of Informal Microfinance Institutions in Savings Mobilizations, Investment and Poverty Reduction: A Case of Savings and Credit Cooperative Societies in Tanzania from 1961-2008*. Published Research Thesis, St Clement University, Turks and Caicos Islands.
- Mwangi, I. W. (2010). Determinants of Access to Credit by Individuals in Kenya: A Comparative Analysis of the Kenya National FInAccess. *European Journal of Business and Management*, 3(3), 206-228.
- Mwangi, I., & Wanjau, K. L. (2013). The Role of SACCO in Growth of Youth Entrepreneurship in Kenya: A Case of Nairobi County. *Greener Journal of Business and Management Studies*, 3(3), 113-118.
- Mwelukilwa, J.S. (2001). *The role co-operatives play in poverty reduction in Tanzania; Paper Presented at the United Nations in observance of the International Day for the Eradication of Poverty on 17 October 2001*
- Nefscun.org. (2011). *About NEFSCUN*. Retrieved December 27, 2013, from Nepal Federation of Savings and Credit Co-operative Unions Ltd: Available online at www.nefscun.org.np/. Retrieved 17th August 2014.

- Ndiege, B. O., Haule, T. B. & Kazungu, I. (2013). Relationship between Sources of Funds and Outreach in Savings and Credits Cooperatives Societies: Tanzanian case. *European Journal of Business and Management*, 5(9), 188-196.
- Ng'ombe, B. W. & Mikwamba, E. (2004). *Know More About SACCO*. Lilongwe, Malawi: Malawi Union of Savings and Credit Cooperative (MUSCCO) with the assistance of the Swedish Co-operative Centre (SCC).
- Nyamwasa, J. D., (2008). *Jump-starting the Rwandan Cooperative Movement*, Madison.
- Odera, O. (2012). Corporate Governance Problems of Savings, Credit and Cooperative Societies. *International Journal of Academic Research in Business and Social Sciences*, 2(11), 89-104.
- Okurut (2004). *Credit demand and credit rationing in the informal financial Sector in Uganda. Paper to the DPRU/TIPS/ Cornell conference on African development and poverty reduction*. Development Policy Research unit, Kampala.
- Olando, C. O. Jagongo, A. & Mbewa, M. O. (2013). The Contribution of Sacco Financial Stewardship to Growth of Saccos in Kenya. *International Journal of Humanities and Social Science*, 3(17), 112 -137.
- Oluyombo, O. O. (2012). *Cooperative Finance in Developing Economies*. Soma Prints Limited, Lagos, Nigeria.
- Ondieki, A. N., Okioga, C., Okwena, D. K. & A. Onsase, A. (2012). Assessment Of The Effect Of External Financing On Financial Performance Of Savings And Credit Cooperatives In Kisii Central District, Kenya. 382-399
- Ongore, V. O. (2001). *Managerial Response to Deregulation of the Co-operative sector. The Case Study of Nairobi*. Unpublished Thesis, University of Nairobi, Nairobi.
- Onsase, A. Okioga, C. Okwena, D.K & Ondieki, A.N (2010). Assessment of the Effects of Performance Management Practices on Provision of Financial Services by Savings and Credit Cooperative Societies: A Case of GusiiMwalimu Sacco, Kisii Central District, Kenya Kisii University Unpublished Phd thesis.
- Opondo, J (2011). *Down of Regulation*. Nairobi: KUSCO.
- Orodho, J.A. (2005). *Elements of Education and social sciences research methods*. Nairobi; Masola publisher.
- Peace, K. (2011). *Small Savings and Credit Schemes and Financial Accessibility in Rural Areas: A Case Study of Mitaana Sacco in Rukungiri District. Unpublished Master Thesis*, Makerere University, Kampala.
- Phyllis K., P. & Rai, K. (2010). *Market Survey on Possible Co-operation with Finance Institutions for Energy Financing in Kenya, Uganda and Tanzania*. Nairobi, Kenya : GVEP-International.
- Republic of Kenya. (1997). *Cooperative Societies Act, 1997*. Nairobi, Government Printer

- Republic of Kenya. (2008). *The SACCO Societies Act, 2008*. Nairobi, Government Printer
- Republic of Kenya. (2010). *Constitution of Kenya*. Nairobi: Government Printer.
- SACCOL.org. (2009. October 15). *Brief History*. SACCO Co-operative League of South Africa. Available Online at: www.Saccol.org.za/brief_hist.php. Retrived on 17th August 2014.
- SASRA (2013a). *Deposit - Taking Saccos licensed by the Sacco Societies Regulatory Authority*. Available Online at: http://www.sasra.go.ke/downloads/Licensed_Saccos_2013.pdf. Retrived on 17th August 2014.
- SASRA (2013b). *A peek into Kenyas Sacco subsector*. Available Online at: http://www.sasra.go.ke/index.php?option=com_content&view=article&id=90:subsector&catid=44:press&Itemid=108. Retrived on 17th August 2014.
- Savings Plus (2010). *A Brief History of Savings and Credit Co-operatives*. Future Link Technologies, South Africa.
- State House (2007). President Speech on Official Launch of Prosperity for All “BonnaBaggagawale” Program. Kampala, mimeo.
- Stiglitz, J. & Weiss, A. (1981). Credit Rationing in Markets with Imperfect Information. *American Economic Review*, 71, 393-410.
- Tchami, G. (2007). *Handbook on Cooperatives for use by Workers’ Organizations*. International Labour Office, Geneva
- Triodos, F. (2007). *Tanzania Country Scan Micro finances*. Dar esSallam, HIVOs/Micro NED.
- Walubengo, N. (2012, September 5). *SACCO Loans and Bank Loans*. Available Online at: www.abacus.co.ke/Sacco-loans-and-bank-loans/. Retrived on 17th August 2014.
- Wanyama , F. O., Develtere, P. & Pollet, I. (2008). Encountering the Evidence: Cooperatives and Poverty Reduction in Africa. *Journal of Cooperative Studies*, 41(3), 16-27.
- Wanyama, F.O. (2008). *The Impact of Liberalization on Co-operative Movement in Kenya: A paper presented at the First International Ciriec Social Economy Conference on strengthening and Building Communities*. Maseno University, Kenya.
- World Council of Credit Unions (2008). *Statistical report*. World Council of Credit Unions, Washington D.C.
- World Council of Credit Unions (2009). *Statistical report*. World Council of Credit Unions, Washington D.C.
- Yusuf, N., Ijaiya, G. T. & Ijaiya, M. A. (2009) Informal Financial Institutions and Poverty Reduction in the Informal Sector of Offa Town, Kwara State: A Case Study of Rotating Savings and Credit Associations (ROSCAs)’. *Journal of Social Sciences*, 20(1),71-81.

Zeller, M. (1994). Determinants of Credit Rationing: A Study of Informal Lenders and Formal Credit Groups in Madagascar. *World Develop*, 22(12), 1895-1907.

APPENDICES

APPENDIX I

Questionnaire

Savings and Credit Cooperative Society Members' Questionnaire

Serial No.....

Instructions

My name is Kanyiri Josphat. I am an MSc student at KCA University. I am collecting information from members of various Saccos seeking members' ideas, opinions, and feedback on the factors influencing customer preference of SACCO loans. The questionnaire is divided into several sections. I assure respondents that information will be kept confidential as required by ethical standards of research methods.

SECTION A: GENERAL INFORMATION

- 1. Gender (a) Male [] (b) Female []
- 2. Age
 - 20-25 []
 - 26-30 []
 - 31-35 Years []
 - Above 35 Years []
- 3. Highest level of education
 - (a) Primary Level []
 - (b) Secondary level []
 - (c) Diploma level []
 - (d) Degree and above []
 - (e) Others []

explain.....
- 4. Occupation.....
- 5. Any other personal information you consider relevant.....
- 6. Length of membership with the Sacco?
 - Less that 6 Yrs. () 6-10 Yrs. () 11-15 Yrs. () Over 15 Yrs. ()
- 7. What are the most common loan products offered by your Sacco?
 - i.
 - ii.
 - iii.
 - iv.
 - v.

SECTION B: UPTAKE OF SACCO LOAN PRODUCTS

8. Given below here is a list of indicators of uptake of SACCO loan products. Kindly indicate your level of agreement or disagreement with the following statements in relation to SACCO loans by ticking (√) on the space provided.

Scale: Strongly Disagree (1), Disagree (2), Neither (3), Agree (4) and Strongly Agree (5)

No.	Item	1	2	3	4	5
a.	I always obtain loan from our SACCO whenever I need one					
b.	Loans disbursement from our SACCO is very efficient					
c.	I have not have any difficulties in taking a loan from our SACCO					
d.	Loan products from our SACCO are always available for disbursement					
e.	I also seek loans from other institutions instead of loan from our SACCO					

SECTION C: DIVERSITY OF LOAN PRODUCTS

9. Given below here is a list of indicators of **diversity of loan products**. In your opinion, please indicate extent to which each of these factors leads uptake of SACCO loan products. Please indicate by ticking (√) the space corresponding to the correct answer.

Scale Not At All (1), Low (2) Moderate (3), High (4), Very High (5)

No.	Indicator of diversity of loan products	1	2	3	4	5
a.	Wide variety of loan products					
b.	Innovation of loan products					
c.	Adequate Fund for loans					
d.	Features of the loan products					
e.	Loan Charges					

SECTION D: CHARACTERISTICS OF THE LOAN PRODUCTS

10. This section is about characteristics of the loan products. In your opinion please indicate by ticking on the space corresponding to the correct, the extent to which characteristics of the loan products in your SACCO influences the uptake of SACCO loan products by ticking (√) on space provided.

Scale Not At All (1), Low (2) Moderate (3), High (4), Very High (5)

No.	characteristics of the loan products	1	2	3	4	5
a.	Terms of the loan					
b.	Reliability of disbursing loan					
c.	Perceived Value of loan Products					
d.	Location of the Borrower					
e.	Distribution methods used for					
f.	Conduciveness of loan product					
g.	Attractiveness of loan product					

SECTION E: TURN-AROUND TIME

11. Given below here is a list of indicators of **turn-around time**. In your opinion, please indicate extent to which each of these factors leads uptake of SACCO loan products. Please indicate by ticking (√) the space corresponding to the correct answer.

Scale Not At All (1), Low (2) Moderate (3), High (4), Very High (5)

No.	Indicator of diversity of loan products	1	2	3	4	5
a.	Time taken to disburse loan					
b.	Length of the disbursement process					
c.	Service delivery in loan disbursement					
d.	Accessibility of loan product					

SECTION F: AWARENESS OF LOAN PRODUCTS

12. Given below here is a list of indicators of **Awareness of Loan Products**. In your opinion, please indicate extent to which each of these factors leads touptake of SACCO loan products. Please indicate by ticking (√) the space corresponding to the correct answer.

Scale Not At All (1), Low (2) Moderate (3), High (4), Very High (5)

No.	Indicator of diversity of loan products	1	2	3	4	5
a.	Familiarity with the loan products					
b.	participation in member education programs					
c.	Marketing programs					
d.	Awareness of existence of the loan products					

Thank you for participating in answering the questions. Your contribution is highly appreciated.