Factors Affecting Sacco Membership in Kenya: A Case of Nairobi County

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Abstract

Despite SACCOs being on the forefront to offer financial services to their members, they are faced with a myriad of challenges which include: poor customer care services, poor governance, lack of member confidence, low use of technology, insufficient financial services, high registration costs and increasing interest rates among others. There exists a gap in literature which this study aims to fill by trying to examine the factors affecting SACCO membership in Kenya. Specifically, the study sought to investigate the influence of financial services offered by SACCOs, members' income and cost of SACCO services on SACCO membership in Nairobi County, Kenya. The accessible population of the study were members from 10 selected SACCOs within Nairobi County namely: Afya SACCO, Elimu SACCO, Hazina SACCO, Kenya Bankers SACCO, Kenya Police SACCO, Mwalimu National SACCO, Safaricom SACCO, Sheria SACCO, Ukulima SACCO and Kimisitu SACCO. A survey research design was used. The target population of the study consisted of 197,527 members who were drawn from the 10 selected SACCOs operating in Nairobi County. The sample size was 150 respondents from the 10 selected SACCOS in Nairobi County. Structured questionnaire were used to collect primary data. A regression model was estimated. The autonomous duration of SACCO membership by the sampled members all factors held constant was 7.35 years. On financial services offered by SACCOs, the results indicated that a unit drop in the rating of financial services reduced SACCO membership duration by 0.46 years. On absolute income of members, the results indicated that a unit increase in member's absolute income had a positive impact in SACCO membership by 0.480 years. On the cost of SACCO membership, the results indicated that unit increase in cost of SACCO membership was likely to act as a prohibitive factor reducing duration of SACCO membership by 0.15 years. The following recommendations were made in lieu of the study's objectives:- SACCOs should improve their financial services to attract members and retain them for many years. Some of the ways through which SACCOs can improve their financial services are through providing quarterly statements, providing loans which have short and long payment durations based on members capability and through the provision of insurance loans among others. On absolute income of members, SACCOs should continue to accommodate existing members as well as focus on targeting new members in the market who have high absolute incomes and thus high disposable incomes. On cost of SACCO services, SACCOs should ensure that that they have reasonable membership costs with no hidden charges. Members should be well informed about the costs they are likely to incur before they apply for membership. This study will be useful both to researchers and academicians and policy makers. Researchers will use it as a reference for different studies, and by enabling the development of more studies under the field of factors influencing SACCO membership not only in Nairobi but Kenya at large. Policy Makers will understand factors which affect SACCO membership so as to make judicious policies which will have robust impacts on the members and society at large.

Keywords: Savings and Credit Co-operative Societies, membership, financial services, members' income.

1. Introduction

The cooperative movement is vital to the growth of the Kenyan economy in terms of poverty alleviation, food security, employment and wealth creation, encouragement of savings and investment (Deloitte, 2013; Kohls, 2002; Mutebi, 2002; WOCCU, 2010). Co-operatives are a source of Education for the community since they provide Education to their members. With over seven million members and savings of approximately 170 billion accounting for almost 31% of the total savings in the economy, in 2009, the SACCOs and co-operatives at large could be the engine that drives economic growth in the country (MCDM, 2010)

Studies such as Obuon, (1998) analyses the determinants of savings in SACCOs in Kenya and the reasons for their variance in different societies. The study identified that there was a need to increase share capital, corporate savings and reduce the amount of loans outstanding in Kenyan SACCOs. Oyoo, (2002) evaluated the financial performance of SACCOs in Nairobi in and out of the environment of regulation. That particular observed little change in performance over the two environments of regulation and de-regulation. However, it was noted that after deregulation, revenue from interest on bank deposits and other investments improved relative to SACCO's implying a different dynamic affecting membership and confidence in SACCO's relative to commercial Banks.

Mburu, (2010) on the determinants of performance in SACCOs in Kenya deduced that the greatest effect on SACCO performance is by the demand for loans followed by capital adequacy and infrastructure management. This suggests that the greatest utility of SACCOs is in their financial smoothing application. This view is shared by Onunga, (2011) conducted a study on determinants of financial risk faced by SACCOs in Kenya. He concludes that credit risks and liquidity risks are the main determinants of financial risk. He established that fixed asset level, debt ratio and dividends influenced the liquidity risks while governance cost and debt ratio negatively influenced liquidity and risk.

Kinyua, (2013) on the relationship between financial performance and size of deposit taking SACCOs in Kenya found that there is a very strong relationship between financial performance and size of SACCOs in Kenya. Okundi, (2011) on the financial challenges facing SACCOs in Nairobi posited that there is an effort to optimize the wealth of shareholders to enable the SACCOs position themselves strategically and competitively with respect to banking products. He found that banking products actually affected the mobilization of savings and issuance of loans to members as members preferred to some extent to get the products from banks due to lengthy loan processing periods.

Atsiaya, (2013) studied operations strategy and firm-level competitiveness among deposit taking savings and credit co-operative societies. He found that there exists a positive relationship between the operations strategy used and firm-level competitiveness in the increasingly competitive financial market. Barasa, (2014) on the factors influencing the performance of savings and credit co-operative Societies in Bungoma County found that the factors are use of technology, member education as well as transparency in governance. As Mudibo (2005) posits, the objective of SACCO societies is member empowerment through savings mobilization, disbursement of credit and ensuring Sacco's long-term sustainability through prudent financial practice. Ademba, (2010) postulates that SACCOs in Kenya are faced by problems such as; poor governance and lack of member confidence among others.

Despite SACCOs being on the forefront to offer financial services to their members, they are faced with a myriad of challenges which include: poor customer care services, poor governance, lack of member confidence, low use of technology, insufficient financial services, high registration costs and increasing interest rates among others (Kinyua, 2013; Mudibo, 2005; Barasa, 2014; Kohls, 2002). Therefore, there exists a gap in literature which this study aims to fill by trying to examine the factors affecting SACCO membership in Kenya.

SACCOs are able to advance loans at interest rates lower than those charged by other financial providers. In addition, SACCOs have the ability and opportunity to reach clients in areas that are unattractive to banks such as rural or poor areas. The core objective of SACCOs is to ensure members empowerment through mobilization of savings and disbursement of credit (Ofei, 2001). SACCOs in Kenya in their struggle to achieve this objective have been able to mobilize over Kshs.200 billion in savings (Co-operative Bank of Kenya, 2010). Savings mobilization should be backed by adequate institutional capital which ensures permanency, provide a cushion to absorb losses and impairment of members' savings (Evans, 2001). The institutional capital which comprises the core capital and less share capital is mainly accumulated from appropriation of the surpluses. Therefore, SACCOs should strive to maximize on the earnings to build the institutional capital (Branch & Cifunentes, 2001; Ombado, 2010). This institutional capital ensures the permanence and growth of the SACCOs even in turbulent economic times (Evans, 2001). In fact, it helps the SACCOs to grow and, remain economically and financially viable (Gijselinckx & Devetere, 2007). Such growth is enhanced by effective financial practices. Imperatively, each SACCO needs to generate income which is adequate to cover all its operational costs, enhance the institutional capital, dividends and rebates. In this regard, financial practice is based on sound financial stewardship, solid capital structure, and prudent funds allocation strategy (Maina, 2007).

Savings and Credit Co-operative Societies (SACCOs) in Kenya have been investing over the years with the objective of maximizing their wealth. As is the case with all investments, wealth maximization is a key objective whenever SACCOs have chosen an investment avenue from a universe of possible investment vehicles. Over time, SACCOs have been trying to address members' demands by mobilizing funds and granting credit to members. However, they have not been able to grow their wealth sufficiently through accumulation of enough institutional capital to finance non-withdrawable capital funded assets, provide cushion to absorb losses and impairment of members' savings. Ademba (2010), postulates that SACCOs in Kenya are faced by such problems as; poor governance and, lack of members' confidence, among others, while Ndung'u (2010), adds that the

SACCOs are encompassed by mismanagement and poor investment decisions. Earlier, Thabo, et al., (2003) note that SACCO societies have problems generating wealth due to poor financial stewardship, under-capitalization of co-operative enterprises, high cost of funds, and delayed member payments. Munyiri (2006) says that such challenges would hinder the achievement of the said objectives and even lead to decline in growth of SACCOs' wealth. Over time, SACCOs have been trying to address members' demands by mobilizing funds and granting credit to members. However, they have not been able to grow their wealth sufficiently through accumulation of enough institutional capital to finance non-withdrawable capital funded assets, provide cushion to absorb losses and impairment of members' savings. However, previous studies (Agrawal et al., 2002; Adeyemo & Bamire, 2005; Deji, 2005; Asher, 2007; Ogsi, 2001) have shown that lack of growth of SACCOs' wealth has threatened their sustainability such that they have not been able to absorb their operational losses. This has led to the losses being absorbed by members' savings and share capital which leads to their impairment.

1.1 Objectives of the Study

The study sought to investigate the factors that affect SACCO membership in Nairobi County, Kenya. Specifically, the study sought to examine the influence of financial services offered by SACCOs, members' income and the cost of SACCO services on SACCO membership in Nairobi County, Kenya.

1.2 Research Questions

1. What is the influence of financial services offered by SACCOs on SACCO membership in Nairobi County, Kenya?
2. What is the influence of members' income on SACCO membership in Nairobi County, Kenya?
3. What is the influence of the cost of SACCO services on SACCO membership in Nairobi County, Kenya?

2. Theoretical Literature

Kinyua (2013) defines SACCOs as member owned financial institutions offering savings and credit to members. He adds that SACCOs accept monthly payments for shares from members as well as providing loan facilities to them. These loan facilities can be up to two or three times the amount of their savings and is dependent on an individual getting a guarantor for the loan amount. SACCOSs have membership across different economic activities in both rural and urban areas. SACCOs are engaged in both Front Office Services Activities (FOSA) and Back Office Services Activities (BOSA). The SACCOS operating FOSA facilities offer retail banking business operations. Moreover, FOSA offer services similar to the traditional banking services and are often referred to as deposit taking SACCOs. Kenya Financial Stability Report, (2010). SACCOs have witnessed significant growth over the past few years compared to other co-operatives in the country. This growth is partly attributable to the establishment of the SACCO Societies Act of 2008 that placed licensing, supervision, and deposit taking under the umbrella of the SACCO Societies Regulatory Authority (SASRA).SACCOs comprise over 50% of all cooperatives in Kenya (SASRA, 2011).

As financial institutions, SACCOs partake in the financial intermediation process in Kenya's financial sector. They focus on personal development as well as on the small and micro enterprise sector of the economy. SACCOs are spread all across the 47 counties in Kenya thus offering financial access to several Kenyans (SACCO supervision annual report 2010). According to the Financial Access Study (2012), there is a widespread problem of inhibited access to financial services among people in the lower income categories as well as rural households and smaller scale enterprise. Nevertheless, according to SASRA, (2011) financial exclusion has fallen from 38.4% to 32.7% of the population. Financial exclusion is defined as lack of access by people to financial services (Atsiaya, 2013). The financial services sector is one of the most dominant sectors of the economy and constitutes a significant proportion of the GDP of both developing and developed countries. With increasing liberalization of the Kenyan economy, SACCOs have grown to occupy a significant portion of the financial industry (Harker&Zenios et.al, 1998). Financial SACCOs constitute 45% of the total number of co-operatives in Kenya and have risen to become a major player in the financial market. Based on December 2010 statistics, there were a total of 6,007 registered SACCOs in Kenya. Of these, 2959 were active, 218 were deposit taking (SACCOs operating FOSAs) while the remaining 2,011 were non-deposit taking (non-FOSA operating SACCOs) Atsiaya, (2013).

Nairobi County cannot be achieved without putting in place well focused programs to address inadequacies that will increase their membership to access high quality resources and financial services. The membership of many Sacco's members would be significantly enhanced through the provision of what they as consumers demand, what financial services are offered, what the level of their income is and favorable cost of SACCO services. According to Harrod and Domar (2011), favorable financial services and low cost of operations lead to high number of members. In Nairobi, the formal financial system provides services to about 38% of the economically active population which implies that the rest 62% are excluded from access to such financial services, CBN (2005). The disadvantaged 62% often rely on the informal financial sector comprising NGOS, MFIs, money lenders, friends and relatives. The non-regulation of the activities of such institutions has led to an increase in membership of SACCOs. Co-operative societies have been closely identified with the provision of financial services in most urban settings. Since the inception of SACCOs in Nairobi, they have been viewed as tools for national development particularly in the area of socio-economic development (CBN, 2005).

2.1 Theory of Income

Income is the consumption and savings opportunity gained by an entity within a specified time frame which is generally expressed in monetary terms. For the case of households and individuals, income is the sum of all the wages, salaries, profits, interest payments, rents and other forms of earnings received within a given period of time. Theory of income is normally explained by the concepts of Permanent Income Hypothesis and Relative Income Hypothesis.

According to Milton Friedman in (Coastas M. , 2004) consumers always wish to smooth consumption and not let it fluctuate with short run fluctuations in income. Individuals/consumers base their consumption on a long term view of an income measure on a notion of lifetime wealth or a notion of wealth over a reasonable long horizon. According to Milton Friedman's hypothesis, individuals consume a fraction of permanent income in each peach period and thus the average propensity to consume equals the marginal propensity to consume. The ingredients of Friedman's model of permanent income hypothesis are permanent income, permanent consumption, transitory consumption and transitory income. According to Friedman, measured income is the sum of permanent and transitory income and measured consumption is the sum of permanent and transitory consumption. The consumption plan of an individual does not depend on the transitory components and transitory components are uncorrelated to each other and uncorrelated to permanent components. Friedman shows that the slope coefficient of a regression of observed income leads to an underestimate of the marginal propensity and to a positive estimated intercept. Therefore, the rate of attenuation of the marginal propensity to consume is equal to the ratio of the variance of the permanent income to total income. Permanent income hypothesis shows that permanent income goes up and thus for a given level of observed income, permanent income is higher in later years than in earlier ones. In his explanation, Friedman stated that the joining of the average points of consumption-income across time recovers a function that implies the marginal propensity is equal to the average one the key point here being that average income reflects average permanent income since the transitory components averages out by law of large numbers. For example on an interpretation on why blacks save more than whites in America, Friedman observed that the former have lower permanent income than whites. Similar arguments can also be made when we compare the self employed to the salaried workers or farm to non-farm households, the first in each pair having larger transitory components to their income.

The concept of Relative Income Hypothesis on the other hand states that the satisfaction or utility an individual derives from a given consumption level depends on its relative magnitude in the society for example, relative to the average consumption rather than its absolute levels.(Duesenberry J, 1949). According to (Palley, 2008) Relative income hypothesis could account for both cross sectional and time series evidence. He claimed that an individual's utility index depended on the ratio of his or her consumption to a weighted average of the consumption from others. (Palley, 2008)in his works concluded that aggregate savings rate is independent of aggregate income which is consistent with the time series evidence and the propensity to save of an individual is an increasing function of his or her percentile position in the income distribution which is consistent with the cross-sectional evidence. According to (Palley, 2008) the present consumption is not influenced merely by present levels of absolute and relative income, but also by levels of consumption attained in the previous period and It is difficult for a family or an individual to reduce the level of consumption once attained. This is because, the aggregate ratio of consumption to income is assumed to depend on the level of present income relative to past income.

Therefore, according to (Palley, 2008), relative income hypothesis maintains that consumption decisions are motivated by relative consumption concerns also known as keeping up with the Joneses. This is because, the strength of any individuals desire to increase his or her consumption expenditure is a function of the ratio of his expenditure to some weighted average of the expenditures of others with whom he comes into contact. the theory also shows that consumption patterns are subject to habit and are slow to fall in the face of income reductions and therefore it is difficult for an individual to reduce his/her expenditures from a higher level than for him/her to refrain from making high expenditures in the first place (Palley, 2008)

2.2 Group Formation Theory

Kamives (1998) and Abudi, 2010 identified six stages in group formation that are relevant to process through which organizations such as SACCOS operate. These are the forming, storming, norming, performing, norming and renorming stages discussed in detail below;-

Forming- In the first stage of team building, the forming of the team takes place. The individual's behavior is driven by a desire to be accepted by the others, and avoid controversy or conflict. Serious issues and feelings are avoided, and people focus on being busy with routines, such as team organization, who does what, when to meet each other, etc. Individuals are also gathering information and impressions – about each other, and about the scope of the task and how to approach it. This is a comfortable stage to be in, but the avoidance of conflict means that not much actually gets done. The team meets and learns about the opportunities and challenges, and then agrees on goals and begins to tackle the tasks. Team members tend to behave quite independently. They may be motivated but are usually relatively uninformed of the issues and objectives of the team. Team members are usually on their best behavior but very focused on themselves. Mature team members begin to model appropriate behavior even at this early phase. The forming stage of any team is important because the members of the team get to know one another, exchange some personal information, and make new friends. This is also a good opportunity to see how each member of the team works as an individual and how they respond to pressure (Moger,1999).

Storming- In the storming stage, enough initial trust has been developed between team members that they start to feel comfortable expressing discontent and challenging others' opinions. This stage is necessary to the growth of the team. It can be contentious, unpleasant and even painful to members of the team who are averse to conflict. Tolerance of each team member and their differences should be emphasized; without tolerance and patience the team will fail. This phase can become destructive to the team and will lower motivation if allowed to get out of control. Some teams will never develop past this stage; however, disagreements within the team can make members stronger, more versatile, and able to work more effectively as a team. The Storming phase can become destructive to the team and will lower motivation if allowed to get out of control. Some teams will never develop past this stage. Supervisors of the team during this phase may be more accessible, but tend to remain directive in their guidance of decision-making and professional behavior. The team members will therefore resolve their differences and members will be able to participate with one another more comfortably. The ideal is that they will not feel that they are being judged, and will therefore share their opinions and views. Normally tension, struggle and sometimes arguments occur. This stage can also be upsetting (Moger, 1999).

Norming -The team manages to have one goal and come to a mutual plan for the project at this stage. Some may have to give up their own ideas and agree with others to make the team function. In this stage, all team members take the responsibility and have the ambition to work for the success of the team's goals. The danger here is that members may be so focused on preventing conflict that they are reluctant to share controversial ideas (Moger,1999).

Performing- It is possible for some teams to reach the performing stage. These high-performing teams can function as a unit as they find ways to get the job done smoothly and effectively without inappropriate conflict or the need for external supervision. By this time, they are motivated and knowledgeable. The team members are now competent, autonomous and able to handle the decision-making process without supervision. Dissent is expected and allowed as long as it is channeled through means acceptable to the team.

Supervisors of the team during this phase are almost always participating. The team will make most of the necessary decisions. Even the most high-performing teams will revert to earlier stages in certain circumstances. Many long-standing teams go through these cycles many times as they react to changing circumstances. For example, a change in leadership may cause the team to revert to storming as the new people challenge the existing norms and dynamics of the team (Moger,1999).

Adjourning, Transforming and Mourning- (Jensen and Tuckman, 1977) added a fifth stage to the 4 stages proposed by the initial theory i.e. adjourning which involves completing the task and breaking up the team (in some texts referred to as Mourning) (Abudi, 2011) .

Norming and re-norming- suggested that an additional stage be added of Norming after Forming and renaming the traditional Norming stage Re-Norming. This addition is designed to reflect that there is a period after Forming where the performance of a team gradually improves and the interference of a leader content with that level of performance will prevent a team progressing through the Storming stage to true performance. This puts the emphasis back on the team and leader as the Storming stage must be actively engaged in order to succeed – too many 'diplomats' or 'peacemakers' especially in a leadership role may prevent the team from reaching their full potential. Rickards and Moger proposed a similar extension to the Tuckman model when a group breaks out of its norms through a process of creative problem-solving (Moger, 2000; White, 2009).

SACCOs are examples of groups and the process they go through are assessed using the group formation theory. This theory draws on the movement knows as group dynamics, which is concerned with why groups behave in particular ways. This offers various suggestions for how groups are formed and how they develop over time. These stages maybe longer or shorter for each group, or for individual members of the group, but all groups will need to experience them. According to Bartle (2008) groups are needed to: (a) Organize and guide the action (b) for promoting and encouraging savings and investments (c) for training members in necessary skills and (d) for channeling the finance needed for the individual group. SACCOs are organized by members themselves with hope of strengthening benefits associated with groups. The benefits to members include; easy access to services, pooling of resources in order to fight poverty. It's worth noting that groups existence are motivated to access loans and benefits that do not reach the low income earners .

3. Research Methodology

The study used the survey research design. According to Mugenda & Mugenda (2003) survey research design is defined as a method used to investigate populations by selecting samples from different occurrences. The reason for choice of selecting this study is mainly because it allows for cross-referencing of responses. This study target population constituted 10 SACCO Societies operating in Nairobi County. According to Babbie (2005) population is defined as a synopsis of a big group of many cases from which a study selects a sample and onto which results are analyzed. Table 3.1 illustrates the target population.

Table 3. 1: Target Population

No	Sacco Name	Location	No of Members
1	Afya SACCO Society Ltd	Nairobi	38,000
2	Elimu SACCO Society Ltd	Nairobi	12,343
3	Hazina SACCO Society Ltd	Nairobi	12,000
4	Kenya Bankers SACCO society Ltd.	Nairobi	18,083
5	Kenya Police SACCO Society Ltd	Nairobi	40,101
6	Mwalimu National SACCO society Ltd.	Nairobi	54,000
7	Safaricom SACCO Society Ltd	Nairobi	6,800
8	Sheria SACCO Society Ltd	Nairobi	5,200
9	Ukulima SACCO Society Ltd	Nairobi	5,000
10	Kimisitu SACCO Society Ltd	Nairobi	6000
	Total		**197,527**

The study employed stratified random sampling technique to achieve a desired number of respondents from the 10 SACCO Companies selected for the study which were located in Nairobi County. As described in Mugenda & Mugenda (2003) this technique guarantees that every member of the universe under the study has an equal chance of being surveyed. Stratified random sampling technique ensures that subjects are selected in such a way that the existing subgroups in the population are more or less reproduced in the sample (Mugenda & Mugenda, 2003). The study then calculated the proportion of the population lying in each SACCO Company and finally combined the results to obtain the required stratified sample as per Table 3.2 below:

Table 3. 2: Sample Frame

No	Sacco Name	Location	No of Members	Percentage %	Sample Size
1	Afya SACCO Society Ltd	Nairobi	38,000	19%	29
2	Elimu SACCO Society Ltd	Nairobi	12,343	6%	10
3	Hazina SACCO Society Ltd	Nairobi	12,000	6%	9
4	Kenya Bankers SACCO society Ltd.	Nairobi	18,083	9%	14
5	Kenya Police SACCO Society Ltd	Nairobi	40,101	20%	31
6	Mwalimu National SACCO society Ltd.	Nairobi	54,000	27%	42
7	Safaricom SACCO Society Ltd	Nairobi	6,800	3%	5
8	Sheria SACCO Society Ltd	Nairobi	5,200	3%	4
9	Ukulima SACCO Society Ltd	Nairobi	5,000	3%	4
10	Kimisitu SACCO Society Ltd	Nairobi	6000	3%	5
	Total		**197,527**	**100%**	**153**

Questionnaires were distributed to the respondents through their respective SACCOs and then picked later after they had been filled up. The questionnaires were accompanied by a brief introduction of the study and purpose of the study. 150 questionnaires were administered to the target population out of which 115 questionnaires were filed and returned. The response rate derived from this was 76%, which was significantly high enough for analysis as stated in Mugenda & Mugenda (2003).

3.1 Descriptive Statistics

The study generated summary statistics for the dependent and independent variables. For the ratings of financial services offered by the SACCOs, the study used a Likert rating system with 1 as the minimum rating which implied that the services were very poor and 5 being the maximum which implied that the services were very good. For the case of absolute income, the minimum income stated by the respondents was 62,400 whereas the maximum income stated was 300,000 KSh with a mean of 94,876 and a standard deviation of 31,186. For the case of absolute Sacco Membership Cost, the minimum membership cost stated by the respondents was 0 (nil) whereas the maximum cost stated was 1,000 KSh with a mean of 631.58 and a standard deviation of 484.506. For the case of Sacco membership, the minimum number of years was 1 year and the maximum number of years was 18 years. The mean was 6.15 and the standard deviation was 2.949. See Table 3.3

Table 3. 3: Model Summary Regression Statistic

Item	N	Minimum	Maximum	Mean	Std. Deviation
Financial Service’s	115	1	5	2.89	1.435
Income of Level	115	62,400	300,000	94,876	31,186
Cost of SACCO Membership	115	0	1,000	631.58	484.506
SACCO Membership	115	1	18	6.15	2.949

(3)

3.2 Correlation Coefficient

As illustrated in Table 4.21, the correlation coefficient R = 0.76 indicated that the dependent variable and independent variables had a high degree of correlation. The (R Squared) value of about 0.5776 indicated that 57.76% of the variation in Sacco Membership was explained by the ratings of financial services offered by the respective Sacco, the absolute income of respondent and the cost of Sacco membership. The adjusted coefficient of determination (Adj R Squared) was less than the unadjusted Coefficient of determination as it should always be (Adj R Squared=0.578 < R Squared = 0.5776). This still implied that still 57.8% of the variation in employment performance was explained by the variation in Sacco Membership was explained by the ratings of financial services offered by the respective Sacco, the absolute income of respondent and the cost of Sacco membership.

Table 3. 4: Correlation and Coefficient of Determination Results

Model	R	R Squared	Adjusted R Squared	Std Error of Estimate
1	0.76	0.5776	0.578	2.39

3.3 ANOVA Test Results

The analysis of variance results are presented in Table 3.5. The result predicted the dependent variable by showing how well the regression equation fits the model. The significance value P = 0.497 of the regression model was less than the level of significance of 0.05 at 95% confidence level. This indicated that the overall regression model was statistically significantly in predicting Sacco Membership.

Table 3. 5: ANOVA Regression Test Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	16.596	4	5.532	.630	.0497[b]
Residual	965.869	110	8.781		
Total	**982.465**	**114**			

3.4 Regression Test Results

The multiple regression model with Sacco Membership as the dependent variable and by the ratings of financial services offered by the respective Sacco, the absolute income of respondent and the cost of Sacco membership as the independent variables was estimated using SPSS V 20 using the method of ordinary least squares (OLS). The un-standardized Beta coefficients were considered because the raw units of the dependent and independent variables are generally familiar in terms of commonly used standardized units of measurement (for example, years, income and currency units among others). The regression results based on the beta coefficients indicated that a unit decrease in Financial Services Rating by the respondents reduced SACCO membership by o.146 years on average holding other factors constant. This means that a poor rating of financial services by a respondent was likely to lead to withdrawal of membership and the reverse is true. An increase in respondent's absolute income by one unit was likely to increase the duration of SACCO membership by 0.48 years on average holding other factors constant. An increase in absolute income would definitely lead to an increase in disposable income which will likely increase members savings as well. In terms of membership cost charged by the SACCO, an increase in membership cost by a shilling will reduce Sacco membership by 0.15 years on average holding other factors constant. See Table 3.6.

Table 3. 6: Regression Test Results

	Unstandardized Coefficients		**t**	**Sig.**	**95.0% Confidence Interval for B**	
Regression Model	**Beta**	**Std. Error**			**Lower Bound**	**Upper Bound**
(Constant Term)	7.375	1.096	6.730	.000	5.203	9.547
Financial Service's	-0.146	.199	-.736	.463	-.540	.247
Income of Level	0.480	.037	.530	.597	.000	.000
Cost of SACCO Membership	-0.15	.012	-.912	.361	-.234	.001

Dependent Variable: Sacco Membership: Confidence Level: 95%

4. Research Findings

On the first specific objective, the study investigated the influence of financial services offered by SACCO's on SACCO membership in Nairobi County and found that financial services influence SACCO membership in terms of years negatively. **T**he study also examined the influence of absolute income of respondents on SACCO membership in Nairobi County. The results indicated that majority of respondents were middle-income earners indicating that absolute income of respondents influence SACCO membership positively. On the influence of cost of SACCO membership, the study established that the maximum cost charged by the different SACCOs was Ksh 2,500. The multiple regression analysis showed that the cost of SACCO membership influences SACCO membership negatively.

5. Conclusion and Recommendations

In view of the findings, this study established the following factors affecting SACCO membership in terms of duration in Kenya. On financial services offered by Sacco Companies, the results indicated that a poor rating of financial services was a main cause of Sacco membership in terms of years. On absolute income of members, the results indicated that an increase in member's absolute income had a positive impact in Sacco membership in terms of years in the long-run. On cost of Sacco services, the results indicated that an increase in cost of Sacco membership was likely to act as a prohibitive factor in Sacco's membership in terms of years.

Sacco's should improve their financial services to attract members and retain them for many years. Some of the ways through which Sacco's can improve their financial services are through providing quarterly statements, providing loans which have short and long payment durations based on members capability and through the provision of insurance loans among others. On income of members, Sacco's should continue to accommodate existing members as well as focus on targeting new members in the market who have high absolute incomes and thus high disposable incomes. On cost of Sacco services, Sacco's should ensure that that they have reasonable membership costs with no hidden charges. Members should be well informed about the costs they are likely to incur before they apply for membership.

The study was limited to SACCOs operating in Nairobi County, Kenya. Sourcing for information in research on SACCOs is quite a challenge mainly due to biases that are associated with savings position and preferences of individuals. SACCOs tend to operate their members accounts confidentially and thus obtaining member's information can also be a challenge. Therefore, this study surveyed a selection of SACCOs members with their permission. Nevertheless, SACCOs operate under the same legal and structural framework and as such, the results of the study can be taken to be indicative of the general trend in SACCO membership in Kenya. The study proposes that future research should be carried out to investigate effects of cost of SACCO Services on SACCO Membership in Kenya and to investigate the relationship between absolute income of members and SACCO membership in Kenya.

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