

**ORGANISATIONAL FACTORS INFLUENCING
IMPLEMENTATION OF LENDING POLICY IN SAVING
AND CREDIT CO-OPORATIVE SOCIETIES IN KITUI
COUNTY**

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DECLARATION

I hereby declare that this research project is my original research work and has not been presented to any university for the award of any degree.

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DEDICATION

This work is dedicated to my family especially my parents and my wife Agnes Wanjiru for believing in me and her relentless support and encouragement in my studies and to my daughter Esther Wanjiru my sons Sam, Joseph and Victor for inspiring me to work hard every day. Your encouragement, moral support and constant prayers has brought me this far.

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God bless you all.

ABSTRACT

The financial sector in any country is an important sector in the development of a country. Most failures in the financial sector have been caused by non-performing loans or bad debts which are attributed by poor or ineffective lending policy. This study focused on the organizational factors that affect implementation of lending policy in Saving and Credit Co-operative societies. The study was undertaken in Kitui County, Kenya where the researcher based the research findings registered Savings and Credit Co-operative societies (SACCOs). The researcher used descriptive research design and data collection instruments included self-administered questionnaires which were used to extract valuable primary data from the SACCOs' management. The study used quantitative method to analyze the data and examine the simultaneous effects of the independent variables on the dependent variable. The study found that the major management practices explained have great influence on the implementation of the lending policies included regularly reviewing of the lending policy compliance, the influence of different levels of approval, creating and maintaining credit file for each loan and setting limits on amounts that can be lent. The separation of ownership and limited span of control by managers were the major organizational structure factors having an influence on the implementation while the financial factors included earning, liquidity, institutional capital, core capital in total deposits and the management quality referred to be highly influential in the implementation of lending policies in the SACCOs. Therefore to make effective lending decisions, SACCO managements needs to align their organization structures which includes that management practices accepted and financial indicators according to best practices in the financial sector so as to ensure sustainable lending practices. SACCOs management should therefore be ready to invest in building capacity in terms of management effectiveness, financial literacy and improving their organization structures where it is required. The researcher also recommends for more regulatory guidelines concerning lending policy formation in SACCO institutions as is the case for the banking sector in order to enhance professional activities in lending

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LIST OF ABBREVIATIONS

CBK	Central Bank of Kenya
CMA	Capital Markets Authority
IRA	Insurance Regulatory Authority
RBA	Retirement Benefits Authority
SACCO	Savings and Credit Corporative
SASRA	Sacco Societies Regulatory Authority

DEFINITION OF KEY TERMS

- SACCO:** Refers to saving and credit co-operative Societies (Kattambo, 1992)
- Co-operative societies:** Refers to society registered under the Co-operative Act that receives deposits from its members and advances them in form of loans (SASRA, 2011).
- Organizational factors:** Implies to internal factors identified to pose risks to the performance of a firm (Labie and Périlleux, 2008).
- Lending:** The activity of making consumer and commercial loan products (Honohan & Laeven, 2005).
- Organization Performance:** The growth/ development of an organisation in terms of revenue that can be turned into working capital, staff quality and products (Bessis, 2010)
- Credit:** A form of money provided by financial and non-financial institutions on guarantee of something and with arrangement of repayment at an agreed interest rate (Honohan & Laeven, 2005).
- Financial Intermediary:** An institution that stands between the lenders (savers) and the borrowers (spenders) and helps transfer funds from the lenders and then in turn, makes loans to borrowers (Mishkin, 2004).
- Financial risk management:** The management of a company's financial risks in order to maximize the cost effectiveness of risk management within the constraints of the organization's tolerance for risk (Kambhu, Schuermann and Stiroh, 2007).

Liquidity:

Liquidity refers to the ability of an asset to be sold quickly with minimal loss of value (Harris, 2005).

Growth:

Refers to the direct outcome of investment into business activities with indicators such as number of staff, financial position, stock levels and number of sale outlets (Scholtens and Wensveen, 2003)

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

This chapter examines the background to the study, the research problem and the purpose of the study. The research objectives, research questions, justification of the study, importance of the study and scope are also discussed.

Financial intermediation is a process of channelling funds from those who have savings to those who have more productive uses for them (Allen & Santomero, 1998). Banks along with insurance companies, mutual funds, finance companies, savings and loans and credit unions are examples of financial intermediaries. According to Mishkin (2004), a financial intermediary is what stands between the lenders (savers) and the borrowers (spenders) and helps transfer funds from the lenders and then in turn, makes loans to borrowers. Intermediaries therefore perform the indispensable task of acting as the bridge between these two groups offering convenient financial services to surplus-spending units in order to attract funds and then allocating those funds to the deficit spenders as loans and other financial products (Rose & Hudgins, 2008).

A loan is a type of debt entailing the redistribution of financial assets over time, between a lender and a borrower. The idea behind a loan is that money is paid back in regular installments or partial repayments. The loan is generally provided at a cost, referred to as interest on the debt which provides an incentive for the lender to engage in the loan. Loan pricing according to risk exposure serves to compensate lenders for the risk that borrowers do not repay (Honohan & Laeven, 2005).

Auka and Mwangi (2013) explain that Savings and Credit Cooperative Societies (SACCOs) have played a very significant role in money-lending to their members in the early days of their inception in 1973 in Kenya. A Savings and Credit Co-operative society is a Co-operative Society, whose objective is to encourage its members to save, thereby creating or accumulating capital,

which is then on lend to the members at a reasonable rate of interest. According to Kattambo (1992) Saccos started operating in Kenya in 1964 as thrift Co-operative Societies with the objective of mobilizing domestic savings from members and subsequently lending them for welfare and productive purposes. This was largely due to the stringent lending policies and borrowing requirements such as collateral by large banking institutions which many small scale savers did not have.

Since the economic liberalization experienced in the 1990's in Kenya's economy, new developments and intense competition in the lending industry have posed serious challenges to the Savings and Credit Cooperatives (SACCOs) which are restricted in terms of where to invest their funds of deposits. Kablan (2010) states that loan policies very much contribute to the sustainability and financial viability of SACCOs given that issuance of loans is their major activity. The SACCO Societies Act, 2008 furthermore requires SACCOs to have a written loan policy consistent with the relevant provisions of the Act, Regulations and any other applicable laws.

The lending policy contains loaning procedures and their documentation, requirements for grant of a loan, loan concentration limits, maximum loan size, loan types, interest rates, and guaranteeing requirements among others. Since a SACCO's sustainability and levels of development basically depend on high recovery levels of its loan portfolio, the policies and their implementation have great importance.

Pandley (2008) posits that finance institutions must develop effective lending policies to govern their operations since success of lending decisions depends on a thorough evaluation of the risk conditions of the lending transaction and the characteristics of the borrower. Spratt (2013) further states that policy and regulation impact on the growth and stability of a financial intermediary by influencing the day-to-day behavior for example, on how much a bank chooses to lend and the pattern that it uses to lend to its customers.

The implementation of lending policies is observed as a critical component in credit risk management. Theoretical approaches given by Stiglitz and Weis (1981), Chodechai (2004), Radevic and Ahmedin (2010) and Ewert et al

(2000) show that lending policies are set in order to avoid such risk factors. Chodechai (2004) indicates that the ability to articulate loanable avenues where deposit funds could be placed to generate reasonable income, maintain liquidity and ensure safety requires a high degree of pragmatic policy formulation and application.

In the banking sector, lending policies are guided by the Central Bank of Kenya which serves as the main regulator of commercial banks in Kenya (CBK Annual Report, 2009). Other regulators within Kenya's financial sector include Capital Markets Authority (CMA); Insurance Regulatory Authority (IRA); Retirement Benefits Authority (RBA); and Sacco Societies Regulatory Authority (SASRA). Under this are public financial institutions where government has shares, private financial institutions that include local and foreign institutions, private forex exchange bureaus, deposit taking microfinance institutions and credit reference bureaus (CBK, 2012).

SACCO societies are meant to comply with the laws and regulations that govern the Cooperative sector and the Sacco industry as well as those laws that are relevant to its business operations including the Cooperative Societies Act 2004, the Co-operative Societies Act 2008, the SACCO Societies (Deposit –Taking Business) Regulations 2010 and By-Laws set by the SACCOs. The policy objective of establishing prudential regulation of SACCO societies is to enhance transparency and accountability in the SACCO subsector. Challenges to the successful implementation of the regulatory framework differ significantly both because of the size and diversity of the SACCO societies, with inadequate technical skills, both at board and management levels being identified as the key challenge (SASRA Press Release, 2011).

SACCO societies operate under the objective of maximizing benefits to members by providing loans and paying a return on their investments. It is the loan performance that guarantees returns on the deposits. Puxty and Dodds (1991) state that the essence of loan policy is to maximize the value of a firm. SASRA (2011) as well identifies that governance, management capacity, management structures, credit management and automation need to be continually addressed in majority of the SACCOs registered in Kenya. While

it must be appreciated that the implementation of lending policy is a prerequisite to successful process of transferring funds from savers to spenders, the challenges facing Saccos in regulatory compliance need to be identified and addressed to ensure that licensed SACCOs exploit their full potential and further ease the access to financial services in Kenya.

1.2 Statement of the Problem

Most failures in the financial sector have been caused by non-performing loans or bad debts which are attributed to incentives on institutions to adopt imprudent lending strategies (Brownbridge, 1998). The risks associated with lending makes direct financing expensive, especially for small financial intermediaries, since investors are unwilling to lend or invest money in unknown and risky entities.

Lending policies very much contribute to the sustainability and financial viability of SACCOs given that issuance of loans is their major activity. Puxty and Dodds (1991) stated that the essence of loan policy is to maximize the value of a firm. Since SACCOs operate under the objective of maximizing benefits to members by providing loans and paying a return on their investments, proper policy implementation is necessary for enhancing financial performance. Amedeo, Espenlaub, Khurshed and Simkovic (2010) observed that some cooperatives in Kenya were finding it difficult to operate largely because of their poor financial state. In regards to the act of lending a study by Langat (2013) shows that credit standards, return on credit and risk on credit determine the amounts provided to bank clients. However these studies do not effectively relate to organization factors that have an effect on implementation of lending policies. Studies conducted on challenges of policy implementation such as Awino (2001) focused on Effectiveness and problems of policy implementation in the Higher Education Loans Board while Machuki (2005) focused on Challenges to policy Implementation at CMC Motors Group Limited.

However, most research does not seem to agree on what issues determine success in lending in general and how the credit risks within the policy

framework relate to organizational factors in the financial intermediary. In addition while the consequences of credit risks are well understood, the direction of the effects are predicted by theory and evidence on their magnitude are still scarce, and centered around insurance markets. This study will therefore focus on the organizational factors that affect implementation of lending policy in financial intermediaries specifically SACCOS in Kitui County.

1.3.0 General objective

The overall purpose of this study was to examine the organizational factors influencing implementation of lending policy in Savings and Credit Co-operative Societies (SACCOs) in Kitui County.

1.3.1 Specific Objectives

The study was guided by the following specific objectives:

- i. To determine the influence of management practices on implementation of lending policies in SACCOs in Kitui County.
- ii. To establish the influence of organizational structure on implementation of lending policies in SACCOs in Kitui County.
- iii. To establish the influence of financial status on implementation of lending policies in SACCOs in Kitui County.

1.4 Research Questions

The study aimed at answering the following questions:

- i. What influence do management practices have on the implementation of lending policies in SACCOs in Kitui County?
- ii. What influence does the organizational structure have on the implementation of lending policies in SACCOs in Kitui County?
- iii. What is the influence of the financial status on implementation of lending policies in SACCOs in Kitui County?

1.5 Significance of the Study

It is expected that the findings of the research enlightened all the stakeholders in the financial sector on the need to adopt customer oriented approach to credit facilitation.

The findings and recommendations of this study was useful to the various financial institutions in Kenya struggling with issues of improving their lending policy in regards to reducing effects from various credit risks.

The study was also expected to improve credit management and operations of saving and credit corporative societies and help re-invent use of customer information as an important tool in improving the efficiency and effectiveness of loan recovery strategies.

1.6 Limitations of the Study

The study faced the following limitations: The study was based in one region (Kitui County) and the attitudes of the respondents towards the study may significantly influence their responses. The study was also confined to the case of SACCOs hence the research findings may not be entirely generalized to the entire financial sector. The Managers and loan officers may also find it hard to give information as they are afraid that their business models may be leaked out and that members may also be afraid that any information they give out will bring them problems in the future.

1.7 Delimitation of the study

The study used a descriptive approach in conducting the study as well as using homogeneous target population so that it will be easy to generalize the conclusions and findings of the study to other regions and financial intermediaries within Kenya that may face the same problem of lending policy implementation. The research was undertaken using self administered questionnaires with general questions on the operations of the organizations and ensured that respondents were informed that the study was only for academic purposes so that it would build confidence among the respondents.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter comprises the review of literature by different authors on the topic of moral hazard and adverse selection, how it applies to the financial sector and gaps to be filled in literature, summary and the conceptual framework. Literature review in this case will take up a systematic process of identification, location and analysis of the documents containing information relevant to the problem under investigation.

2.2 Theoretical Review

The theoretical framework of a research project relates to the philosophical basis on which the research takes place, and forms the link between the theoretical aspects and practical components of the investigation undertaken.

2.2.1 Theory of asymmetric information

A relationship between interest rates and the effects of asymmetric information is identified through the incentive effect which occurs because as the interest rate and other terms of the contract change, the behaviour of borrowers is likely to change since it affects the returns on their projects making it easier to identify good borrowers. Stiglitz and Weiss (1981) further show that if banks increase their interest rates it induces firms to undertake projects with lower probability of success but higher payoffs when they succeed.

The theory of asymmetric information indicates that it may be difficult to distinguish good from bad borrowers (Auronen, 2003), which in turn results into adverse selection and moral hazards problems. The theory explains that in the market, the party that possesses more information on a specific item to be transacted (borrower) is in a position to negotiate optimal terms for the

transaction than the other party (lender) (Auronen, 2003). The party that knows less about the same specific item to be transacted is therefore in a position of making either right or wrong decision concerning the transaction. On the other hand, if lenders cannot assess the borrowers' wealth, the latter will be tempted to default on the borrowing. Forestalling this, lenders will increase rates, leading eventually to the breakdown of the market (Alary and Goller, 2001).

2.2.2 Financial Intermediation theory

The theory regarding financial intermediation was developed in the 60's, the starting point being the work of Gurley and Shaw (1960). The financial intermediation theory is based on the theory of informational asymmetry and the agency theory. In principle, the existence of financial intermediaries is explained by the existence of high cost of transaction, lack of complete information in useful time; and the method of regulation.

According to Allen and Santomero (1998) traditional theories of intermediation are based on transaction costs and asymmetric information. They are designed to account for institutions which take deposits or issue insurance policies and channel funds to firms. Scholtens and Wensveen (2003) argue that financial intermediation theory builds on the notion that intermediaries serve to reduce transaction costs and informational asymmetries.

2.2.3 Pecking order theory

The Pecking Order Theory takes into consideration the information asymmetry which indicates that managers know more about a business's value than potential investors or creditors (Myers & Majluf, 1984). The information asymmetry affects the choice between internal and external financing. According to Nakamura, Martin, Forte, Carvalho and Amaral (2007), that order is based on the consideration that resources generated internally do not have transaction costs and on the fact that seeking new sources of funds tend to provide a positive information about the company, while issuing new stocks tend, on the contrary, to sign a negative information. This order can also

translate to financial intermediaries placing emphasis on areas that they have more information about. Information asymmetry in credit markets arises because borrowers generally know more about their investment projects than lenders do.

2.2.4 Agency theory

The decision of how to invest internal funds is central in a business's shareholders and managers conflicting interests (Jensen, 2001). According to the Agency Theory (Jensen & Meckling 1976), a business can be seen as a link towards a set of contracting relationships (implicit as well as explicit) among individuals, by means of which shareholders delegate everyday decisions of business management to managers/agents who should use their specific knowledge and company's resources to maximize principal agents' return.

Therefore, decisions made by the agents in relation to investments would be translated in the kind of relations they enjoy with financial intermediaries and other sources of funds for investment.

2.2.5 Signaling Argument

Riley (2001) explains that borrowers who always have private information will be forced to reveal/signal their better quality through pledging of collateral to show their better status as opposed to lower quality borrowers. This is because in the absence of full information the bank is not able to assess the true quality of a borrower and may resort to credit rationing in an attempt to mitigate the problem of adverse selection.

Lower quality buyers who have private information regarding the true risk profile of their investment will shy away from pledging valued collateral, since they privately know that there is a higher chance of losing it because they will be unable to service the loans (Amotz & Zahazi, 1997). The theory postulates that borrowers unknowingly send a signal regarding their ability to meet the contractual obligations and can be rated according to these signals.

2.2.6 Firm Characteristics

Ewert, Schenk and Szczensy (2000) argue that there are firm-specific agency problems that can be mitigated using collateral or such covenant and each firm chooses a financial contract that maximizes firm value by trading off additional bonding and monitoring costs against reductions in interest rate premiums. A firm-specific financial contract is thus made for each firm depending on the perceived problems of the firm in question, and the use of collateral by a specific firm can be observed to reduce the credit costs (high interest premiums). However, such conclusion will most likely not hold for many firms because, as mentioned before, there are high-risk firms that will offer valuable collateral and probably accept high premiums.

2.3 Empirical Review

This entails review of earlier research findings and theoretical literature relevant to the problem being investigated showing clearly the linkage of literature review to the research questions.

2.3.1 Need for policy formation in co-operatives societies

An assessment of financial intermediary operational environment in regard to risk management by Bessis (2010) indicates that credit risk is the most significant risk in the financial sector and is a major concern to managers since a considerable part of the balance sheet for bank and non-bank financial intermediaries is loans to customers. Bessis (2010) in his assessment notes that default or the inability of customers to service their debt can result in a partial or total loss of the sum lent to the counterparty and thus ultimately to the profitability of the institution. This sets up the base to show the general danger that high risks pose to both creditors and savers requiring a more elaborate system of regulatory interventions in the banking sector. However Bessis (2010) only looks at the concept of risk management without divulging into the need for policy and regulations as a tool.

According to De Koker (2006) in a study on the impact of policies focused on customer due diligence on financial performance shows possible scenarios that financial institutions should consider in making policies to address the risks of

financial transactions including: significant economic or industry sector downturns; adverse market-risk events; and unfavourable liquidity conditions (De Koker, 2006). This analysis offers insight into the relation the financial system has with other parts of the economy, noting that risks exposed to financial institutions threaten a crisis not only in the institutions but to the financial market as a whole and therefore credit risk is one of the threats to soundness of the financial system. The study by DeKoker (2006) may however be found relevant for developed economies since no data was collected for the effect of policy reform in developed economies which may have varying characteristics.

Other researchers have also emphasized that in order to minimize credit risk, banks are encouraged to use the “know your customer” principle as expounded by the Basel Committee on Banking Supervision. Van Horne (1995) in the firm’s credit policies are the chief influences on the level of debtors, measuring the manager’s position to invest optimally in its debtors and be able to trade profitably with increased revenue. In this view, financial intermediaries are therefore able to control the extent to which their relations can pose risks to their operations, however Van Horne (1995) is not specific on the attributes that are to be influenced in this relationship. Pandley (1995) in another early study points out that credit policy defines a firms’ performance, meaning that once a firm adopts an optimal credit policy, it will be able to maximize its investment revenue in debtors and this improves and promotes its financial standing and performance therefore a good credit policy decision is positively related to high financial performance. However, the same may apply that a particular direction taken in the policy alignment may not be relevant or productive for the financial institution and therefore policy formation requires both an internal and external view of risks in the market.

An assessment on the causes of financial distress among local banks in Africa by Brownbridge (1998) finds that policy formation in financial intermediaries should encompass two elements: first, strengthening supervision and the enforcement of prudential rules, especially in the area of credit risk; and second, ensuring that the regulatory framework enhances, rather than

diminishes, incentives on bank owners and managers for prudent management. Brownbridge (1998) also finds that there are severe debt problems associated with moral hazard and adverse selection implying that the establishment of a very strong system of regulation and supervision to ensure prudential lending has to be at the core of financial reform in Africa. In addition Karlan and Zinman (2006c) in a study on how to reduce the effects of credit risks through policy reform, find that investments in screening and monitoring technologies on the margin can reduce credit losses using screening devices and counteroffer contracts designed to induce the borrower to reveal information about their investments that would assist in providing the right credit. This therefore means that bank managers need to set up policy that both reduce the advent of risks present in the various transactions made by such institutions and improve on the suitability of the bank as a partner or part of financial relationship between the lender and borrower.

Munyiri (2010) investigated lending policies and their effects on performance in commercial banks in Kenya. The objective of the study was to establish how lending policies affect commercial banks' performance in Kenya. The study concluded that lending policies formulated by the commercial banks effected bank performance through attracting and retaining customers increasing the bank customer base, increase shareholder's value, create customer satisfaction, create competitive advantage, reduce loan loss defaults and increase bank profitability. The study also found that there was a relationship between bank lending policy and its profitability. The study however did not emphasize on adverse selection and moral hazard either simultaneously or individually as part of policy target areas for improvement of bank performance.

Karumba and Wafula (2012) in an assessment of collateral lending in Kenya show that collateral lending has been a traditional policy instrument of providing security against loan advances. This additionally highlights the importance of specific policies. According to Bessis (2010) an important element of sound credit risk management is analyzing what could potentially go wrong with individual credits and the overall credit portfolio if

conditions/environment in which borrowers operate change radically. The result of this analysis should then be factored into the assessment of the adequacy of provisioning and capital of the organization. Earlier studies have also shown that such stress analysis can disclose earlier undetected areas of potential credit risk exposure that could arise in times of crisis. These studies show the importance of policy in minimizing credit risks and other transaction risks exposed to financial intermediaries, they are however short of explaining how adverse selection and moral hazard can be monitored by the use of specific policies.

2.3.2 Management practices effect on implementation of policies

The management phenomenon has been widely discussed and researched over the decades with the idea of having an internationally accepted standard. According to a study by Northouse (2010) management in organizations either public or private highly seeks and values leadership as a commodity. Many people believe that leadership is a way to improve their personal, social and professional lives (Northouse, 2010). This shows the subject of leadership as management practice that is usually of intense debate with many asking themselves what makes a good leader; it has also found itself on various business school courses. Northouse (2010) does not however divulge into the effects of management practice on policy formation and implementation.

According to Sadler (2003) the component common to nearly all classification is that management practices such as leadership influence process that assists groups of individuals towards goal. However, leadership is an elusive concept that is difficult to define; different authors have given differing definitions and components of leadership. This is because leadership if seen/analyzed from different fields means different things. Leadership therefore takes a wide variety of forms depending on the situation according to Sadler (2003) but the emphasis on the influence on the implementation of policies is not clearly indicated.

Messick and Kramer (2004) in their findings indicate that the degree to which an individual exhibits leadership traits depends not only on his or her characteristics and personal abilities but also the characteristics of the situation

and environment in which s/he finds themselves. In most literature, leadership has been identified as an important subject in the field of organizational behavior and performance. Leadership is one with the most dynamic effects during individual and organizational interaction. In other words, ability of management to execute “collaborated effort” depends on leadership capability.

Rowe (2001) in his study on creating wealth in organizations through strategic management explains that the excellent leader not only inspires subordinate’s potential to enhance efficiency but also meets their requirements in the process of achieving organizational goals. Several reasons indicate that there should be a relationship between leadership style and organizational performance. Studies have suggested that effective leadership behaviors can facilitate the improvement of performance when organizations face these new challenges. The first is today’s intensive and dynamic markets that feature innovation-based competition, price/performance rivalry, decreasing returns, and the creative destruction of existing competencies. However this study does not pin point on how management practices can help in curtailing the effects from adverse selection and moral hazard.

Literature on management effectiveness indicates that there is an emerging consensus that there is no single prescription for effective performance (Goffee & Jones, 2000; Higgs & Rowland, 2003). The relationship between the approach of leaders (or their management style) and the context in which they operate is seen to be important. This is by no means a new thought and is rooted in contingency theory (Fiedler, 1964; Hersey & Blanchard, 1969). This shows that management practices can improve on the effectiveness of the lending process in the financial sector but the authors have not specifically identified activities or practices that can be influential in dealing with adverse selection and moral hazard.

However, more recently the contextualisation implied by the Transformational school (Bass & Avolio, 1996) has moved from a largely internal leader: follower focus to a broader, and often external one (Higgs & Rowland, 2003). In particular, there is an increasing focus on the efficacy of different leadership

behaviours in differing contexts of change (Wheatley, 2000; Jaworski, 2001; Higgs & Rowland, 2003).

An important contribution to the study of management came from Burns (1978) when he studied the leadership behaviors of politicians and was the first to define their attempts to motivate followers as transactional or transformational. Bass (1985) later modified Burns' model and applied it to generic organizational settings. Bass's model defined and described three types of leadership, transactional, transformational, and laissez-faire. Transactional leaders motivate their followers with rewards in an exchange based relationship. In this model, the leader member exchange is contingent upon rewards. These rewards are distributed by the leader based on performance as described in a formal contract. The relationship expires as defined in the terms of the contract or quickly diminishes if promised rewards are delayed or not delivered. Rewards may be positive or negative and need not be monetary. The influence of transactional leaders is dependent on their ability to provide rewards. In contrast to transactional leaders, transformational leaders create a vision that inspires and motivates the target audience. Followers place the vision and needs of the organization before their personal desires. Transformational leaders attempt to elevate the conduct and aspirations of the team members, transforming both the followers and the leader to a higher level of performance and consciousness. Transformational lead teams move to an elevated level on Maslow's Hierarchy of Needs as concerns are shifted from safety and security to higher order needs such as achievement and self-actualization (Bass, 1985).

Tannenbaum and Schmidt, (1973) in their study on effective management suggested that there is a "continuum" of leadership behavior. The continuum represents a range of action related to the: Degree of authority used by the manager and the area of freedom available to non-managers.

Bass and Avolio (1996) found that an organization's culture derives from its managers/ leaders and culture affects the development of its leadership. Furthermore, effective managers need to be attentive to beliefs, values and assumptions in an organization, in short, the culture. By having higher levels

of emotional intelligence, these managers can understand the emotions of followers and the influence of organizational culture on the situation. Managers may therefore use this understanding of the culture and its effect on the organizational members to aid them in selecting optimal organizational policies that enhance performance.

Higgs and Rowland (2003) found that managers are more effective when they are culturally complex. They have more tools to deal with different situations. Hersey and Blanchard (1969) determined there are different leadership styles correlated with specific cultural or behavioral traits. Furthermore, culture has also been measured as a strong influence to both organizational success and achievements of the leader (Berrio, 2003).

A study by Heeks and Arun (2006) indicates that financial intermediaries and especially SACCOs are also encouraged to adopt minimal Information Technology requirements to improve management activities. It is expected that such changes will lead to benefits that trickle down to the members, as such membership will grow which will lead to more savings and better investments. This findings show that improved IT will also enable management of the SACCOs to generate timely regulatory reports, improve on their technical practices and build confidence on members. However the author negates away from small firms/ SACCOs that may not be able to afford IT. Feridun (2006) looks at the need for automation in the banking sectors and implies that banks need to ensure the timeliness and integrity of their data, and aggregate different risk types. Automating and standardizing the aggregation of data residing in various systems and repositories across the bank is therefore expected to bring efficiency to the process of managing the bank activities while maintaining data integrity. However, the author illustrates this need involve automated data bases in hedge funds and not in the entire financial system.

2.3.3 Organizational Structures in SACCOs influence on implementation of policies

Kambhu, Schuermann and Stiroh (2007) in a study on financial intermediation and systemic risk indicates that financial intermediaries in their structures have

many ways to reduce their exposure and mitigate the impact of financial market shocks. They establish limits; implement risk reporting infrastructures; and define haircut, margining, and collateral policies that are all designed to assess credit risk and limit their counterparty exposure. The authors however dwell their findings on hedge funds that may not cover all elements that are found within SACCOs such as the pool of membership that define the scope of control and coordination. According to Scholl (2003) control and coordination are two essential functions performed by an organization structure. Control insures that decision makers at all levels use the managerial or hierarchical constraint as one of the criteria in making their decisions. Coordination on the other hand ensures that decision makers at all levels use lateral or peer constraints as criteria in their decision making.

In a past study on challenges in organizational structures Branch and Baker (1998) comprehensively investigate governance problems in credit unions and found that as organization structures of such organisations become larger and more complex, they require specific knowledge and skills to make a range of specialized decisions. Individual owners are not likely to possess the required managerial skills and technical knowledge to address some of the problems inherent in the financial sector. The specialization of decision management increases the organization's ability to operate in an entrepreneurial manner by hiring professional expertise. Yet this separation of ownership and decision making in the organisation's structure leads to principal-agent problems in the SACCO organizational structure. The authors do not however specifically indicate to the inefficiency that this may have in selecting of good or bad members.

Labie and Périlleux (2008) in their study on management and operational structures in SACCOs tend to be more complex due to their democratic principle for decision-making. Firstly, there is the conflict between owners and managers which are the most important conflict SACCOs face (Fisher & Desrochers, 2002). Second, the members' shares are not tradable and therefore, there is no market mechanism to value the quality of the management and bring pressure for better management, and third there is no

risk of being bought out (Lapie & Armendariz, 2011). The authors incline to the possibility of the structure of such organizations to be effective in monitoring but having no incentive to do so. The authors have assessed the organization structure focusing on the overall decision making process that may explain lending behavior in the SACCOs but do not show how the organization structure is set out to minimize risks attributed by lending policies.

Dhakal (2011) on risk management found out that risk management is not imbedded into the SACCOs institutional cultures and its value is not shared by all employees. He also noted that given the capacity, introduction of sophisticated systems and technical tools risk management does not work in SACCOs and therefore they lack the capacity required for risk management. The study however focuses on the banking sector with Dhakal (2011) providing views on the SACCO movement in Nepal and might therefore not be specific for understanding the relationship of the lender and borrower situation in SACCOs. On the other hand, Gaitho (2010) surveyed on credit risk management practices by SACCOs in Nairobi, findings revealed that majority of SACCOs used credit risk management practices to mitigate risks as a basis for objective credit risk appraisal. The author found out that majority of SACCOs relied heavily on the discretion and ability of portfolio managers for effective credit risk management practices as opposed to a system that standardizes credit and credit risk decisions.

Mugenyi (2010) conducted a study on Strategy in Sacco's in Uganda finding that board committees are either dysfunctional or keep no records while the organization structures provided room for increasing political interference in the affairs of the Sacco's characterized by increasing patronage from the political elite hence distorting the ownership and governance principles. The ability of the board in terms of the skills mix and commitment to move the institutions forward attracts a lot of attention. The study based on a sample of SACCOs in the Uganda movement showed that most of the boards are manned by individuals that lack the appropriate skills to govern a financial

institution ranging from peasant farmers to primary school teachers (Mugenyi, 2010).

2.3.4 Financial status influence on implementation of policies

According to Diana (1997) the analysis of the individual credits and overall loan portfolio are factored into the assessment of the adequacy of provisioning and capital of the organization as an important element of sound credit risk management. Nduati (2013) explains that inadequate policy frameworks, regulatory uncertainty and poor operational performance often lie behind the deterioration in financial positions. Unless underlying imbalances are resolved a deteriorating financial position does not relate with sustainable financial operations. Where an unsustainable financial position is not addressed, public institutions often turn to government to provide a lifeline using public funds but private institutions often fail.

Ndung'u, (2003) conducted a study to identify factors influencing profitability of commercial banks findings that sound asset and liability management had a significant influence on profitability. The study recommended that commercial banks should be prudent in providing credit for the financing of investments even in highly volatile sectors but have to ensure there are proper monitoring systems. This study was evidence that the present and future financial position was a key driving issue in lending to any sector, however the author dwelt on the banking sector and not the entire financial intermediation system that includes SACCOs.

The firm status or business success is considered to be very obvious since profit provides the funds for growth and positive growth is considered as success for the business (Mukhopadhyay and Amirkhalkhali, 2004). Davidsson et al. (2009) explain that firms showing above-average profitability rates have demonstrated that they are capable of creating value for the firm as well as their customers and establish resource-based competitive advantages over their competitors. The findings of this studies indicate that profitability or financial status of a business influences its operations to a great extent but do not relate to financial intermediaries which have different operating mechanism from other firms in the economy.

According to Harris (2005) working capital management is a simple and straightforward concept of ensuring the ability of the firm to fund the difference between the short term assets and short term liabilities. The goal of working capital management is therefore to ensure that the firm such as a financial intermediary is able to continue its operation and that it has sufficient cash flows to satisfy both maturing short-term debt and upcoming operational expenses.

According to Smith (1980) management of the firm's financial position plays an important role in firm profitability and risk as well as its value. Weinraub and Visscher (1998) mention that finance textbooks typically discuss working capital in terms of risk and return tradeoffs in alternate working capital management strategies. They classify three different categories of working capital management: aggressive, moderate (or matching) and conservative. Aggressive management is when working capital investment and financing is characterized by high risk and high returns. Moderate, or matching, policy entails lower risk and returns, and finally conservative strategies have the lowest risk/return ratios.

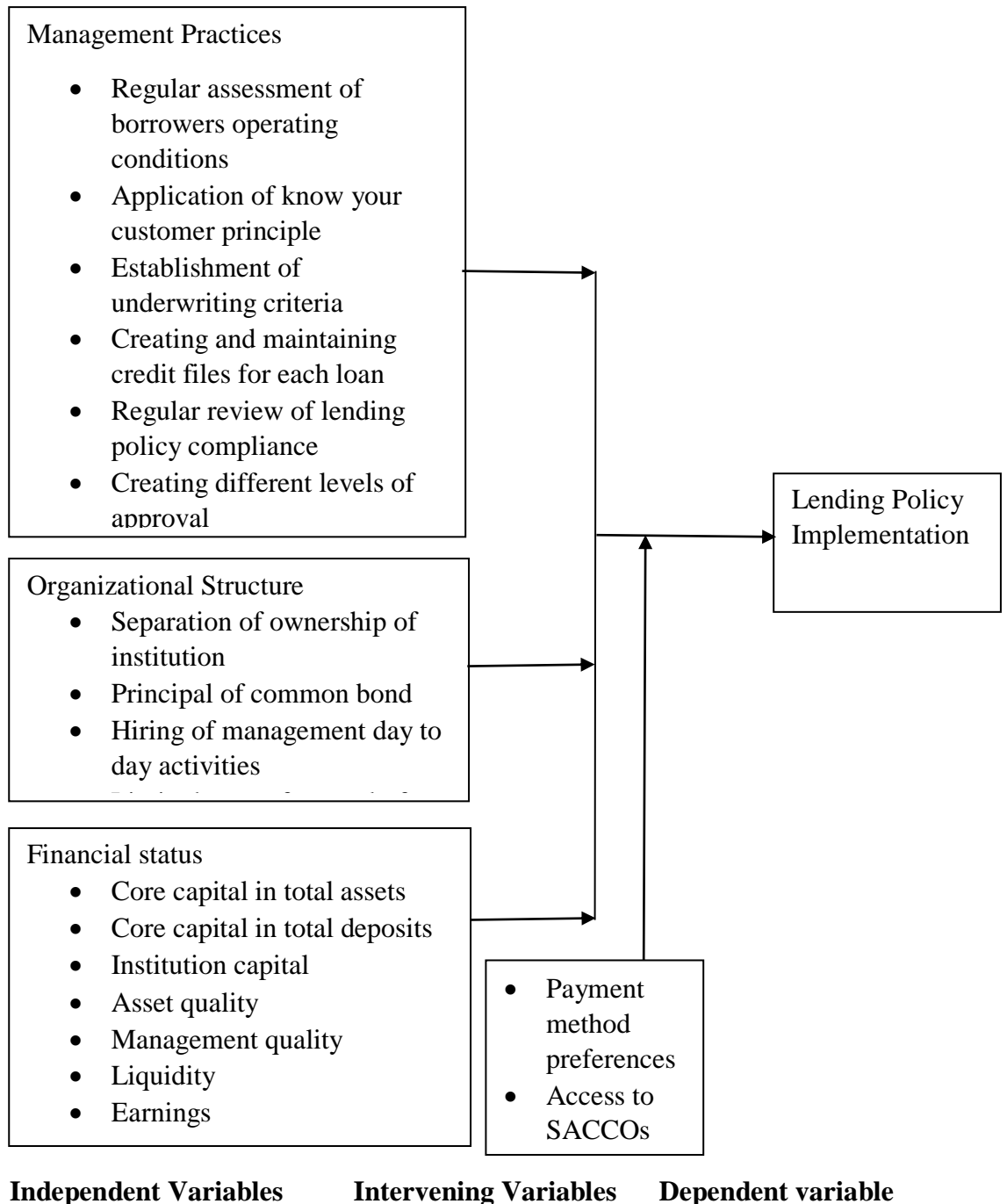
Chernykh and Theodossiou (2011) investigated the determinants of long-term lending by banks to firms in an emerging market using bank-level information from 881 banks in Russia. The variables of concern include bank size, capitalization, liability structure, risk taking, ownership type, managerial expertise and location of individual banks. The findings reveal that the size of the bank (measured by assets) and the bank capitalization are determinants of not only loans expended to businesses but also long-term loans. This is attributed to the fact that bigger and well capitalized banks can withstand the risks emanating from long-term lending. The study thus demonstrates that there are supply-side constraints to credit expansion, although it did not consider the role of collateral on bank lending levels.

Ewert, et al. (2000) in a study on the determinants of bank lending performance in Germany using credit file information of 260 medium-sized firm borrowers for the period 1992- 1998 found that interest rate premium increased with rise in the collateral pledged.

2.4 Conceptual Framework

A conceptual framework is used to identify the concepts, assumptions, expectations, beliefs or theories that support a research. The conceptual framework for this study is based on the relationship between the independent and dependent variables identified in the study.

Figure 2.1: Conceptual Framework



Source: Author (2016)

The conceptual framework examine the simultaneous effects of the independent variables on the dependent variable. It describes out the existence of relationship between the two variables. The independent variables (management practice, organization structure and financial status) remains constant as the dependent variables (lending policy) reacts as to the input of independent variable. The relationship in one has an effect on the dependent variable either positively or negatively. While the intervening variables try to connect the two major variables. They are also called enablers. They enable the existence of relation between the independent and dependent variables.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Research methodology refers to the elaborate course of action that is used in acquiring a valid solution to the problem and research gap highlighted in a study. Polit and Beck (2004) argue that a proper research methodology shows that the researcher not only understands the true problem but also knows the right course of action towards a valid solution. This chapter outlines the general methodology used to conduct the study. The chapter comprises of the research design, target population, sampling, data collection, data analyzing instruments and the description of applied model.

3.2 Research Design

According to Orodho (2004) a research design is the scheme, outline or plan that is used to generate answers to research problems. According to Mugenda and Mugenda (1999) research design is the outline plan or scheme that is used to generate answers to the research problems. It is basically the structure and plan of investigation. The research design used in this study was a descriptive research design. Descriptive research seeks to establish factors associated with certain occurrences, outcomes, conditions or types of behaviour. The design was found appropriate because the study involves an in depth study of the relationship between both organization factors such as the management, individual patterns and economic condition and implementation of lending policy.

3.3 Target Population

According to Castillo (2009) a population is generally a large collection of individuals or objects that is the main focus of a scientific query. A population can be defined as including all people or items with the characteristic one wishes to understand. In this case the population of the study is made up of registered SACCOs in Kitui County. According to the Ministry of

Cooperatives Kitui County (2014) there are 28 registered SACCOs in Kitui (Appendix iii) in 6 different sectors.

Table 3.1 Population categories

Categories	SACCO Population
Government based SACCOs	3
Teachers based SACCOs	2
Farmers based SACCOs	1
Community based SACCOs	6
Private institutions	8
Transport based SACCOs	8
Total	28

Source: Author (2016)

Among them 8 SACCOs are transport based SACCOs which are registered for regulatory purpose or for purpose of adherence to the law and not necessarily engaged in lending. For this study they are excluded due to purpose difference. The target population therefore comprised of the remaining 20 registered SACCOs those complies with the definition.

3.4 Sampling

The purpose of sampling was to gather information about the population under consideration at minimum cost, time and human power. According to Ary et al. (2006) sampling is the process of selecting a group of subjects for a study in such a way that the individuals represent the larger group from which they were selected. This is best achieved when the sample posses all the

characteristics of the population. In this study all the registered SACCOs are considered to be homogenous so as to allow for generalization in the findings.

The study employed a stratified random sampling technique. Stratified random sampling is part of probability sampling method of grouping heterogeneous population into homogenous subsets then making a selection within the individual subset to ensure representativeness. The goal of stratified random sampling is to achieve the desired representation from various sub-groups in the population (Mugenda and Mugenda, 2003). In addition the researcher adopted the census approach in selecting the SACCOs to sample within the strata since the target population was small and manageable for data collection. According to Lodico et al. (2010) a census is part of non-random sampling that can be applied in research where the realistic population is not too large and is used when obtaining data from one location or area to which data cannot be generalised from other areas or locations. The total sample of the project was therefore 20 respondents comprising either the manager or loan officer of the registered SACCOs in Kitui County as indicated in the table 3.1 below.

Table 3.2 Sample size

Categories	Target population	Sample
Management/Loans officer	20	20
Total	20	20

Source: Author (2016)

3.5 Data Collection Methods

The data collection exercise was carried out to come up with concrete data that was valuably used to draw conclusions (Polit & Beck, 2004).

3.5.1 Questionnaires

The data collection instruments in this case included self-administered questionnaires which were used to extract valuable primary data from the SACCOs staff. The set of questions within the questionnaire will comprise of closed questions.

The questionnaires were administered to the various respondents using face to face interviews so as to ensure that the researcher does not cause any inconveniences in leaving the questionnaires with the members.

3.6 Validity and Reliability

3.6.1 Validity of the study instrument

To ensure validity of the study instruments, training research assistants on what the study entailed, contents in the questionnaire and how to administer the questionnaire were done. Experts in this field of study including supervisors and statisticians were consulted to enhance the accuracy and reliability of the data obtained.

3.6.2 Reliability of the study instrument

To achieve reliability of the research instruments a pre-test before the actual data collection process was done to test the tools for clarity, relevance, wording and interpretation of questions among other anomalies in the questionnaire.

Czajar and Blair (1996) explain that pretesting is the process of administering a questionnaire to respondents selected using probability or convenience sampling in order to get feedback on the success of the data collection tool in collecting the required information. The questionnaires were field pre-tested and refined according to feedback from those who participated in the pre-testing. The researcher pretested the questionnaires on 5% of the desired sample population size as supported by Fowler (1993) who explains that the number of completed interviews is usually between 20 and 70.

3.7 Data Analysis

The study used quantitative method to analyze the data and examine the simultaneous effects of the independent variables on the dependent variable. The dependent variable being the lending policies while the variables in the study included: management practice – The study assessed to what extent management styles and motivation influence the implementation of lending policies set; organizational structure – The study assessed to what extent the organizational structure in relation to control of debt performance influences implementation of the lending policies and; financial status – The study assessed to what extent the key financial indicators of an organizations financial status influences the implementation of the lending policies.

3.8 Ethical Considerations

According to the American Psychologist (1992) the key principles of ethical guidelines regarding the use of human participants can be traced back to the Nuremberg trials that tried the Nazi war criminals following World War II. Ethical considerations ensure that the research work is done within key ethical standards and boundaries. The ethical considerations made in this study included:

- i. Data collected was true and accurate picture of what transpires.
- ii. There was maintenance of high level of confidentiality due to the nature of the issue at hand
- iii. There was no manipulation of data or informants during the exercise.

CHAPTER FOUR DATA ANALYSIS AND PRESENTATION

4.1 Introduction

In this chapter data obtained from the questionnaires was examined analyzed and a presentation of the finding done. The data analyzed and presented is based on the responses to the items in questionnaires. The data presented includes, background information of the respondents, influence of management practices, organization structure and the financial status on the implementation of lending policies.

4.2 Sample characteristics

4.2.1 Analysis of the Response Rate

Table 4.1 Analysis of the response rate

	Frequency	Percentage
Returned	17	85%
Not returned	3	15%
TOTAL	20	100

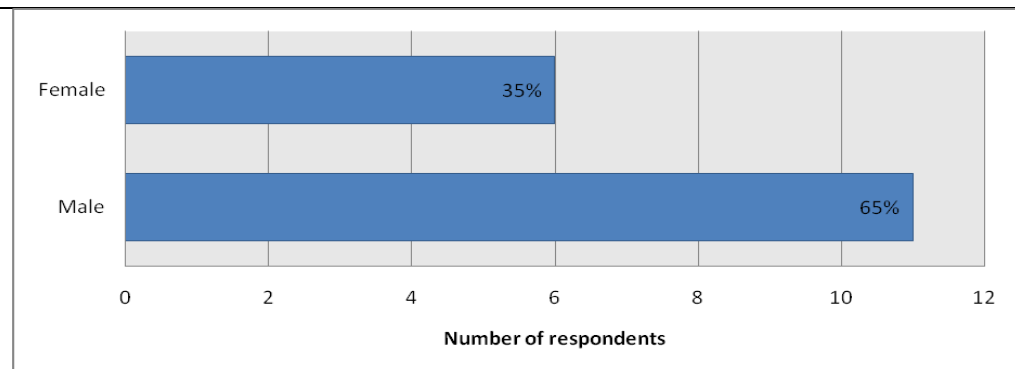
Source: Author (2016)

The questionnaires administered to the sampled managers/ loan officers totaled 20 of which 17 were returned and 3 were not. This resulted in a response rate of 85%. According to Barbie (2002) a response rate of 50% is adequate for analysis and therefore 85% is beyond that threshold.

4.2.2 Gender of the Respondents

Table 4.2 Gender of respondents

Gender	Frequency	Percentage
Male	11	65
Female	6	35
TOTAL	17	100



Source: Author (2016)

Figure 4.1 Gender of respondents

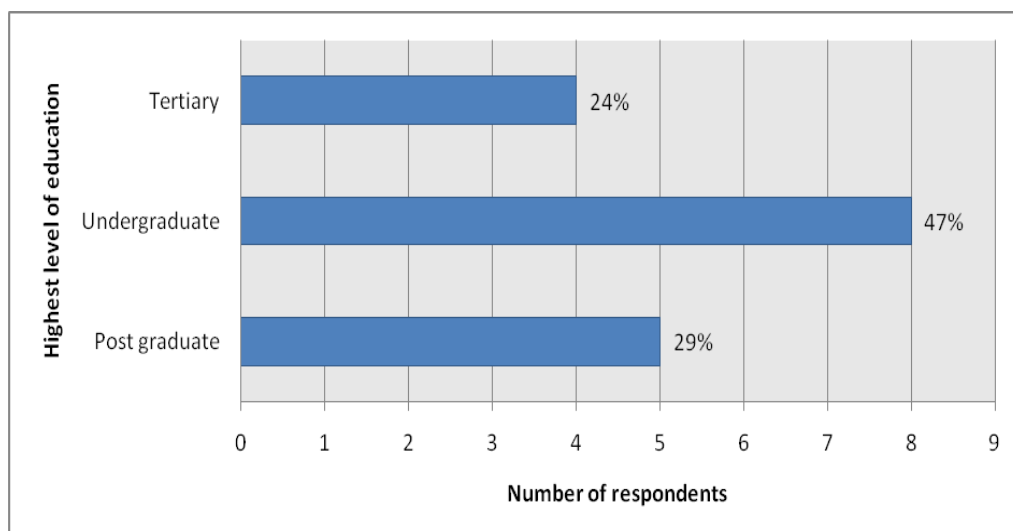
The gender of the respondents was distributed as indicated in the above figure whereby 65% were male respondents while 35% were female. The study objectives were however not affected by the bias of gender since the responses required did not differentiate the gender.

4.2.3 Education Level of the Respondents

Table 4.3 Education levels

Level of Education	Frequency	Percentage
Postgraduate	5	29
Undergraduate	8	47
Tertiary	4	24
TOTAL	17	100

Source: Author (2016)



Source: Author (2016)

Figure 4.2 Education levels

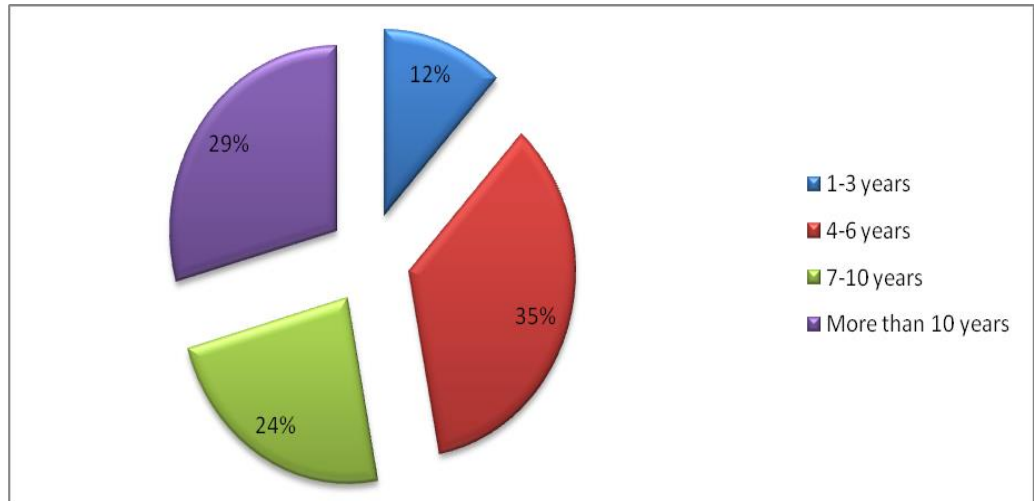
The data collected showed that the levels of education in the organization were divided into all three levels whereby 47% being the majority had attained undergraduate level, 29% postgraduate while 24% had undergone tertiary level education. This shows that the sector is a skilled labour sector.

4.2.4 Period of SACCO operation

Table 4.4 Period of SACCO operation

Period	Frequency	Percent
1-3 years	2	12
4-6 years	6	35
7-10 years	4	24
More than 10 years	5	29
Total	17	100.0

Source: Author (2016)



Source: Author (2016)

Figure 4.3 Period of SACCO operation

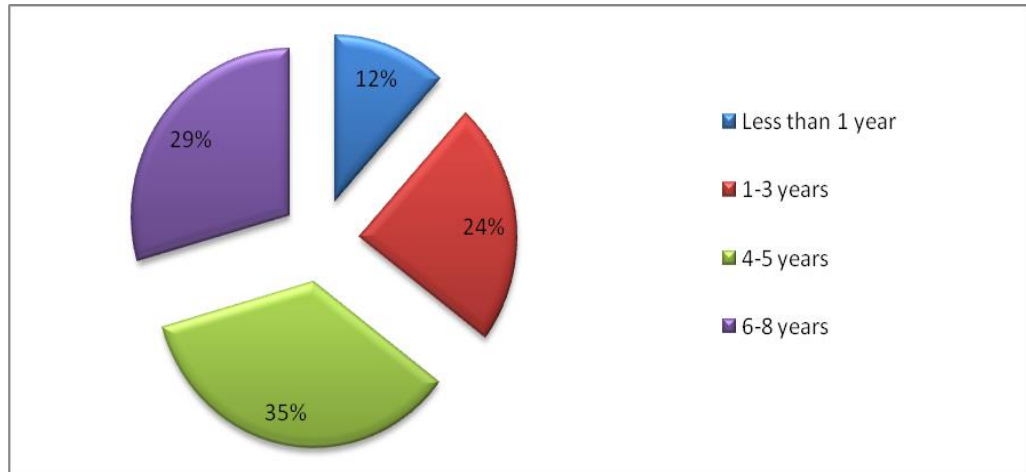
In relation to the period that the SACCOs sampled had been in operation the data collected showed that majority of the respondents (35%) said between 4 and 6 years, 29% indicated a period of more than 10 years, 24% said between 7 and 10 years while 12% indicated that their Sacco had been in operation for a period of 1 to 3 years.

4.2.5 Period of working in the SACCO

Table 4.5 Period of working in the SACCO

Period worked	Frequency	Percent
Less than 1 year	2	12
1-3 years	4	23
4-5 years	6	35
6-8 years	5	29
Total	17	100.0

Source: Author (2016)



Source: Author (2016)

Figure 4.4 Period of working in the SACCO

The data collected indicated that the majority of the respondents represented by 35% in the figure above have been working in their respective SACCOs for a period of 4 to 5 years while 29% indicate working for 6 to 8 years, 24% a period of 1 to 3 years and 12% less than one year in their respective SACCOs. This indicates that the majority of the sampled respondents were well versed with the SACCO operations as well as changes within the sector.

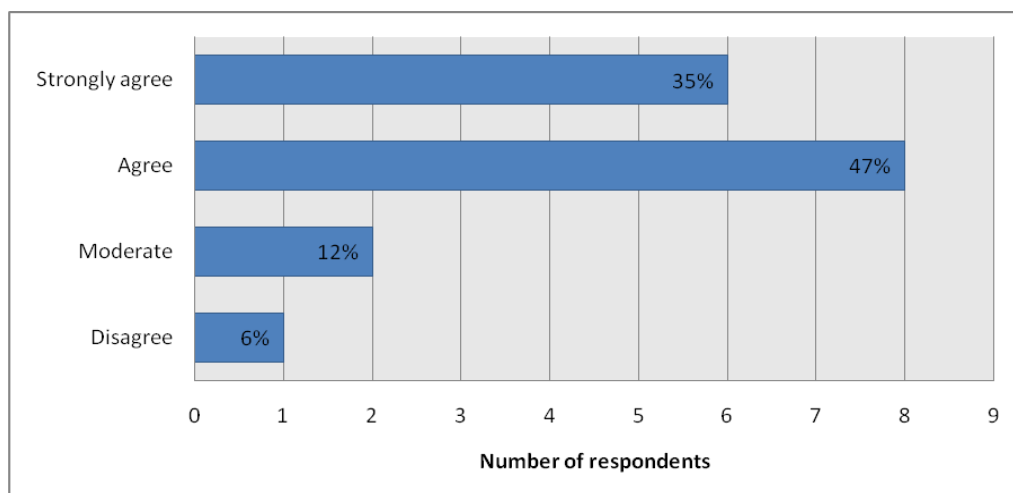
4.3 Empirical Findings

4.3.1 Influence of management practices on implementation of policies

Table 4.6 Regular assessment of borrowers operating conditions

Response	Frequency	Percentage
Strongly disagree	0	0
Disagree	1	5.9
Moderate	2	11.8
Agree	8	47.1
Strongly agree	6	35.3
TOTAL	11	100

Source: Author (2016)



Source: Author (2016)

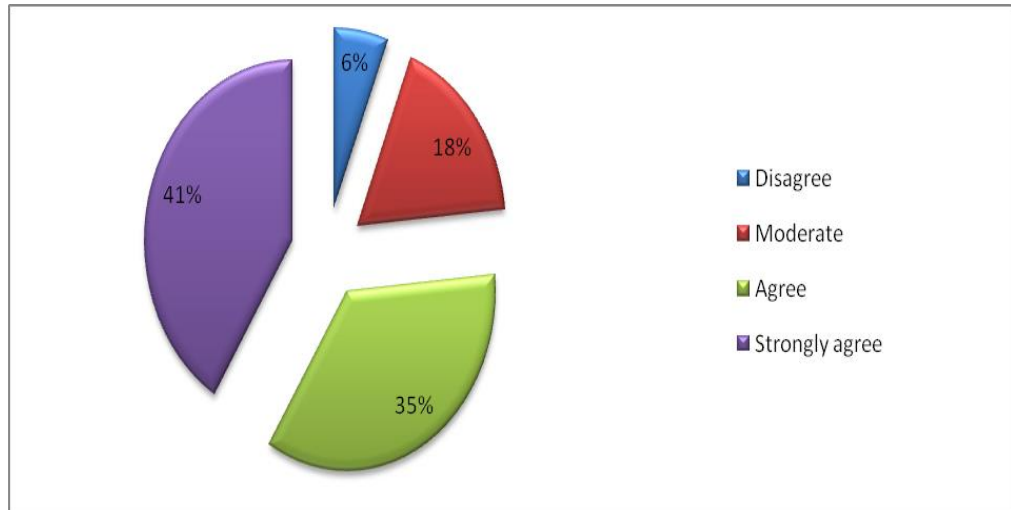
Figure 4.5 Regular assessments of borrowers operating conditions

The data presented in figure 4.5 shows that the management practice of regular assessment of borrowers operating condition is highly regarded as influencing the implementation of lending policies as indicated by 82% of the respondents who either said they strongly agree (35%) or agree (47%). This shows that the SACCOs consider the borrowers operating conditions in risk management which coincides with findings by Bessis (2010) who finds that assessment of operational environment in regard to risk management by is a major concern to managers since a considerable part of the balance sheet for financial intermediaries is loans to customers.

Table 4.7 Application of know your customer principle

Response	Frequency	Percentage
Strongly disagree	0	0
Disagree	1	6
Moderate	3	18
Agree	6	35
Strongly agree	7	41
Total	17	100

Source: Author (2016)



Source: Author (2016)

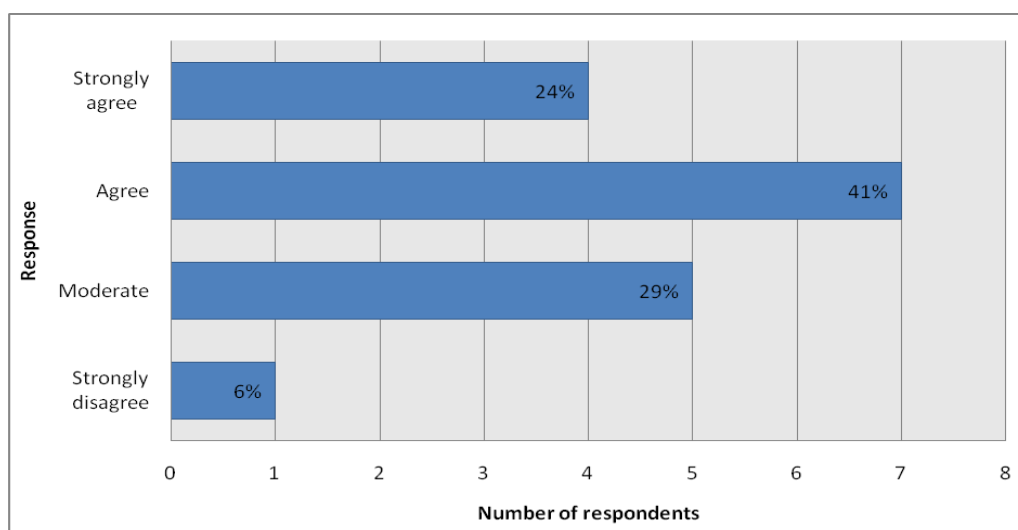
Figure 4.6 Application of know your customer principle

The data presented shows that 41% of the respondents strongly agree while 35% of the respondents agree that the application of the know your customer principle in their respective SACCOs influences the implementation of lending policies. This also indicates that it is a common management practice among the majority of the SACCOs, 6% however disagree that it influences the application of lending policies in their organizations.

Table 4.8 Establishment of underwriting criteria

Response	Frequency	Percentage
Strongly disagree	1	6
Disagree	0	0
Moderate	5	29
Agree	7	41
Strongly agree	4	24
Total	17	100

Source: Author (2016)



Source: Author (2016)

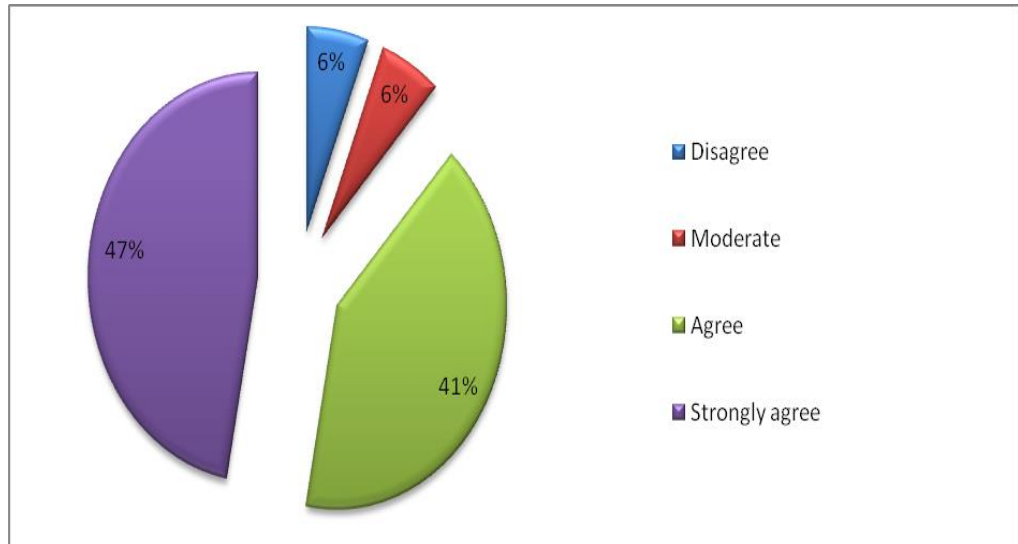
Figure 4.7 Establishment of underwriting criteria

The data also indicates that 41% of the respondents agree that the management practice of establishing underwriting criteria influences the implementation of lending policies in addition to 24% of the respondents who strongly agree. While the data shows that majority of SACCOs' management practice involves establishing underwriting criteria, 6% of the respondents strongly disagreed while 29% respondent moderate showing slight variation in the application of management practices across different SACCOs that can influence the implementation of lending policy.

Table 4.9 Creating and maintaining credit files

Response	Frequency	Percentage
Strongly disagree	0	0
Disagree	1	6
Moderate	1	6
Agree	7	41
Strongly agree	8	47
Total	17	100

Source: Author (2016)



Source: Author (2016)

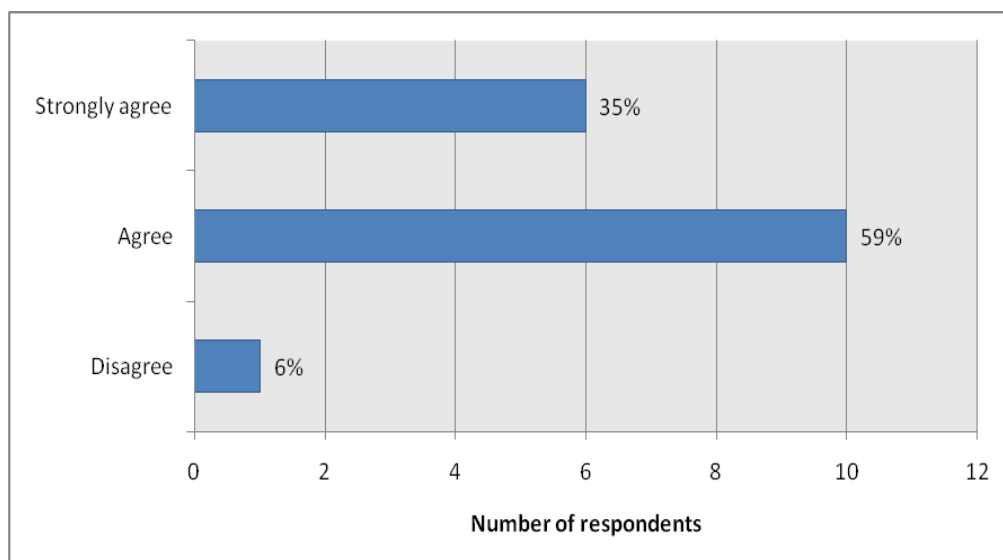
Figure 4.8 Creating and maintaining credit files

When asked whether creating and maintaining credit file for each loan influences the implementation of lending policies the majority of respondents represented by 47% strongly agreed while 41% also agreed indicating this to be a management practice that highly influences the policy implementation, however 6% of the respondents disagreed. This indicates that SACCOs also seek to increase information on their borrowers in order to reduce the information asymmetry as indicated by Mishkin (2004).

Table 4.10 Regular review of lending policy compliance

Response	Frequency	Percentage
Strongly disagree	0	0
Disagree	1	6
Moderate	0	0
Agree	10	59
Strongly agree	6	35
Total	17	100.0

Source: Author (2016)



Source: Author (2016)

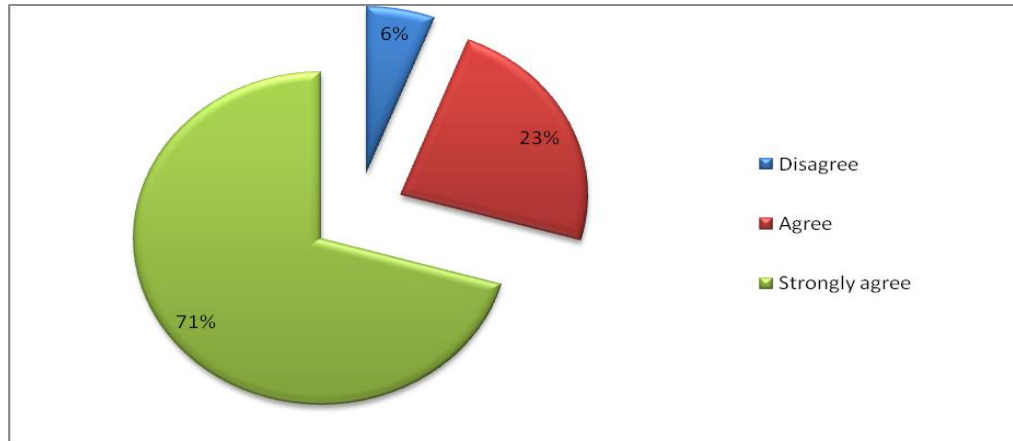
Figure 4.9 Regular review of lending policy compliance

When further asked whether regularly review of the lending policy compliance in their respective SACCOs influences the implementation of lending policy, 59% of the respondents agreed, 35% strongly agreed while only 6% disagreed. This as well shows that the review of policy compliance is a common management practice in the majority of the SACCOs sampled.

Table 4.11 Creating different levels of approval

Extent of considering risk	Frequency	Percentage
Strongly disagree	0	0
Disagree	1	6
Moderate	0	0
Agree	4	23
Strongly agree	12	71
Total	17	100

Source: Author (2016)



Source: Author (2016)

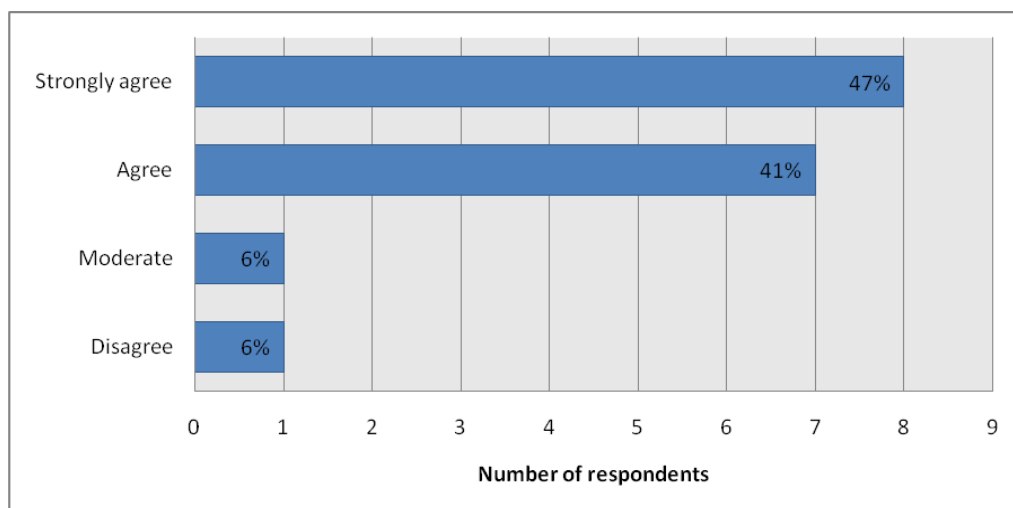
Figure 4.10 Creating different levels of approval

The data indicates that 94% of the respondents are aware of the influence of different levels of approval on the implementation of lending policies in their respective SACCOSs while only 6% indicate not being aware. The findings indicates that prudential supervision is an important component of policy implementation as also discussed by Brownbridge (1998) that policy formation in financial intermediaries should encompass strengthening supervision as one of the elements.

Table 4.12 Setting limits on amounts

Response	Frequency	Percentage
Strongly disagree	0	0
Disagree	1	6
Moderate	1	6
Agree	7	41
Strongly agree	8	47
Total	17	100

Source: Author (2016)



Source: Author (2016)

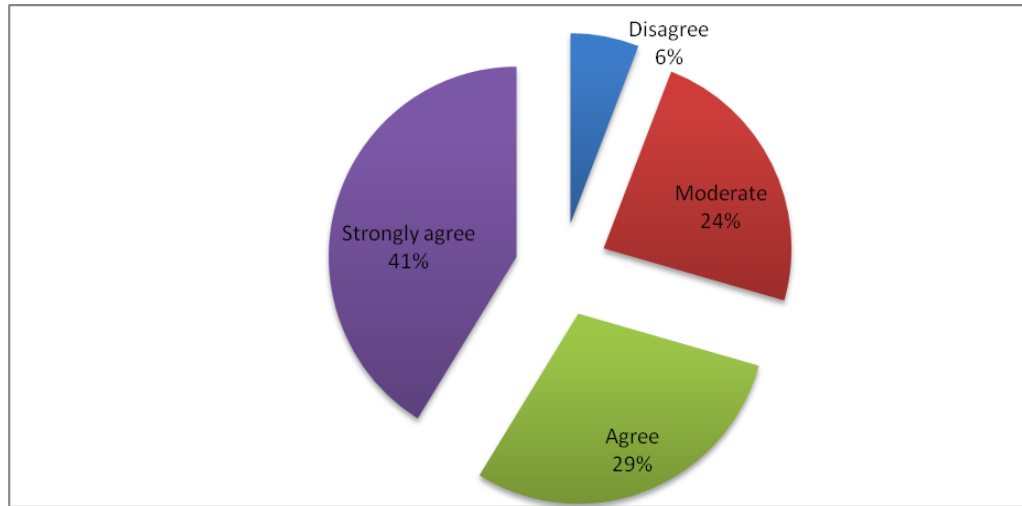
Figure 4.11 Setting limits on amounts

The data presented in figure 4.11 shows that majority of the respondents represented by 47% who responded strongly agree and 41% responding agree are aware that setting limits on amounts that can be lend by as part of their management practices influencing the implementation of lending policies in their respective SACCOs. Setting limits on amounts to lend is therefore seen to have a relationship with the implementation of policies and regulations in the financial intermediaries as also indicated by Spratt (2013) who states that how much a bank chooses to lend and the pattern that it uses to lend to its customers impacts on the growth and stability of a financial intermediary by influencing the day-to-day behavior for example.

Table 4.13 Evaluating risk rating system

Extent of considering risk	Frequency	Percentage
Strongly disagree	0	0
Disagree	1	6
Moderate	4	24
Agree	5	29
Strongly agree	7	41
Total	17	100

Source: Author (2016)



Source: Author (2016)

Figure 4.12 Evaluating risk rating system

The data presented indicates that 41% of the respondents strongly agree that their management practices of evaluating the risk rating systems in their SACCOs influences the implementation of lending policies while 29% also agree. The data also shows that 24% responded moderate indicating that the practice may not be as highly influential.

Table 4.14 Influence of management practices

Management practices	Std.	
	Mean	Deviation
Regular assessment of borrowers conditions	4.12	.857
Application of know your customer principle	4.12	.928
Establishment of underwriting criteria	3.76	1.033
Creating and maintaining credit files	4.29	.849
Regular review of lending policy compliance	4.24	.752
Creating different levels of approval	4.59	.795
Setting limits on amounts	4.29	.849
Evaluating risk rating system	4.06	.966

Source: Author (2016)

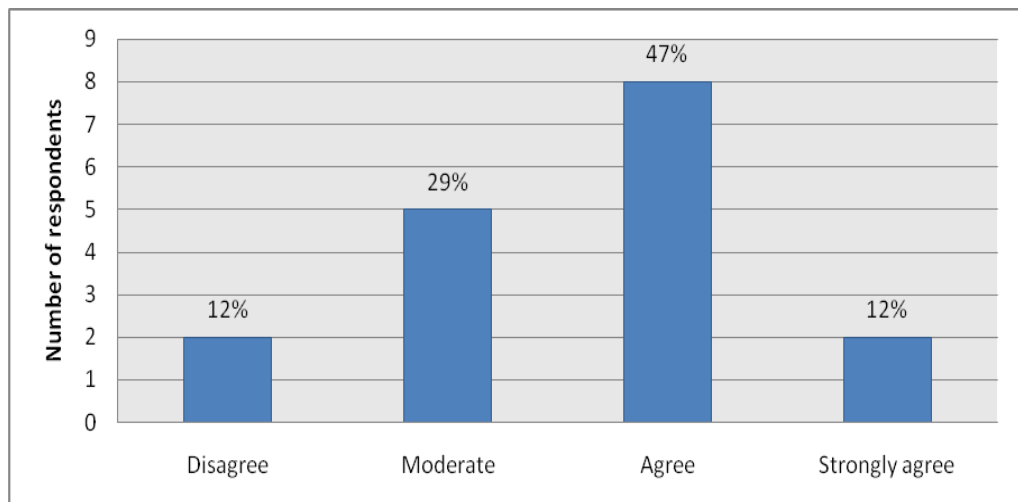
The data presented shows a summary of the management practices with greatest influence on the implementation of lending policies according to the calculated mean among the factors and standard deviation of the means. These included creating different levels of approval with a mean of 4.59 and standard deviation of 0.8, setting limits on amounts with a mean of 4.29 at 0.8 deviation and creating and maintaining files with a mean of 4.29 and standard deviation of 0.8.

4.3.2 Influence of organization structure on implementation of policy

Table 4.15 Separation of ownership of institution

Response	Frequency	Percentage
Strongly disagree	0	0
Disagree	2	12
Moderate	5	29
Agree	8	47
Strongly agree	2	12
Total	17	100

Source: Author (2016)



Source: Author (2016)

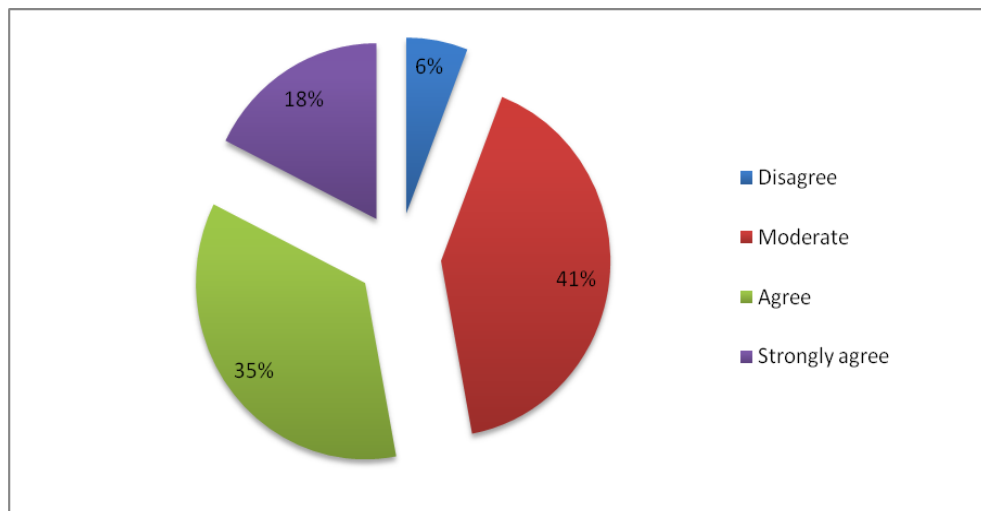
Figure 4.13 Separation of ownership of institution

In regards to whether the ownership structure of the institution affected the implementation of lending policies the data collected above shows 47% of the respondents agreed while 12% strongly agreed indicating that separation of ownership in the SACCOs does affect policy implementation as indicated by Labie and Périlleux (2008) stating the separation of ownership and decision making in the organisational structure leads to principal-agent problems in the SACCO organizational structure and this may influence policy implementation, on the other hand 29% responded they were moderate and could neither agree nor disagree while another 12% of the respondents disagreed.

Table 4.16 Principle of common bond

Response	Frequency	Percentage
Strongly disagree	0	0
Disagree	1	6
Moderate	7	41
Agree	6	35
Strongly agree	3	18
Total	17	100

Source: Author (2016)



Source: Author (2016)

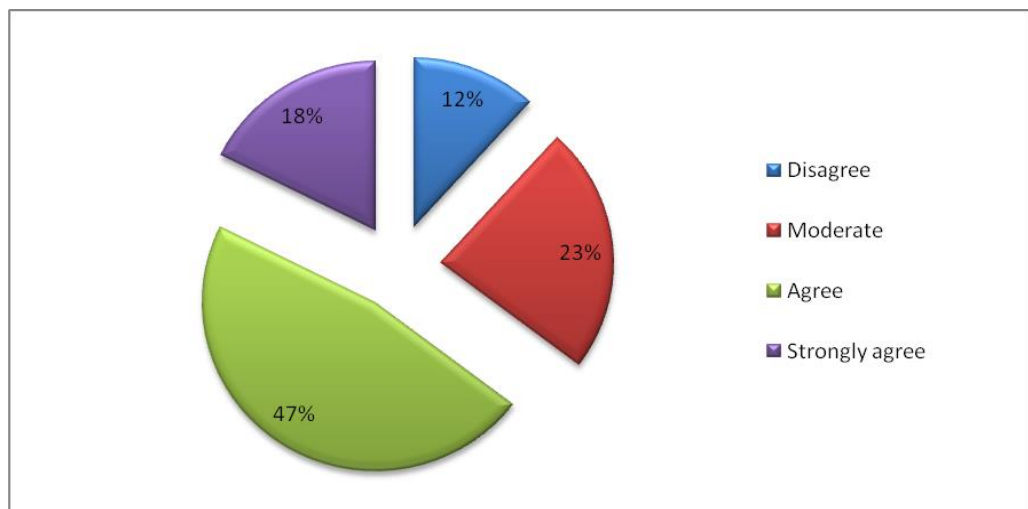
Figure 4.14 Principle of common bond

The data presented above indicates that 53% of the respondents consider the principle of common bond as a factor affecting the implementation of lending policies whereby 35% agreed and 18% strongly agreed, 41% indicated that they were moderate while 6% disagreed that the principle of common bond affected policy implementation. This highlights that the structure of SACCOs in regards to the principle of common bond can influence the decisions of managers and members as also explained by Labie and Périlleux (2008) who finds that management and operational structures in SACCOs tend to be more complex due to their democratic principle of common bond for decision-making.

Table 4.17 Hiring of management for day to day activities

Extent of considering risk	Frequency	Percentage
Strongly disagree	0	0
Disagree	2	2
Moderate	4	23
Agree	8	47
Strongly agree	3	8
Total	17	100

Source: Author (2016)



Source: Author (2016)

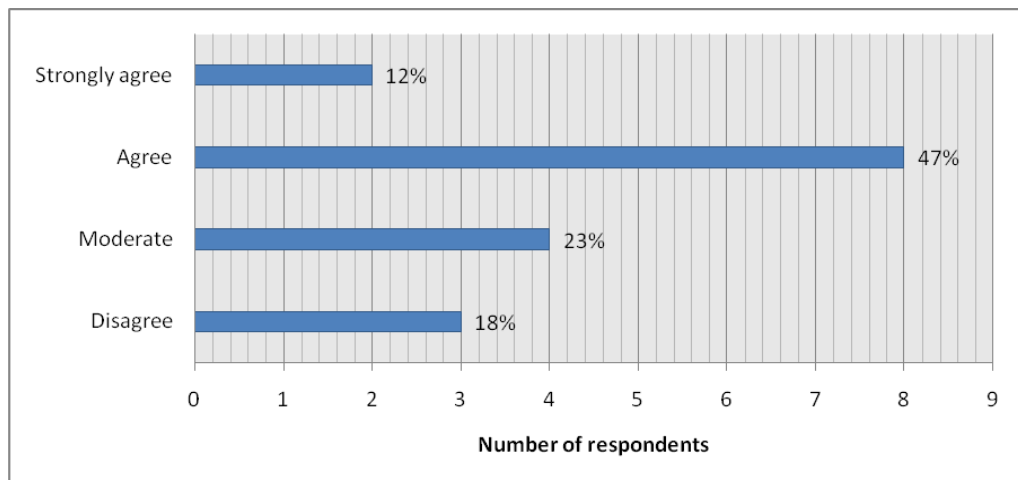
Figure 4.15 Hiring of management for day to day activities

When asked whether the hiring of management for day to day activities affects the implementation of lending policies in SACCOs the majority of respondents in this case represented by 47% agreed while 18% strongly agreed indicating that this was the majority view. However, 23% of the respondents said they were moderate in this case while 12% disagreed that hiring of management for day to day activities affected implementation of lending policies in SACCOs. The findings indicate that managerial skills and technical knowledge are needed to address some of the problems inherent in the financial sector as indicated by Branch and Baker (1998) who find that the specialization of decision management increases the organization’s ability to operate in an entrepreneurial manner by hiring professional expertise.

Table 4.18 Limited span of control of managers

Extent of considering risk	Frequency	Percentage
Strongly disagree	0	0
Disagree	3	18
Moderate	4	23
Agree	8	47
Strongly agree	2	12
Total	17	100

Source: Author (2016)



Source: Author (2016)

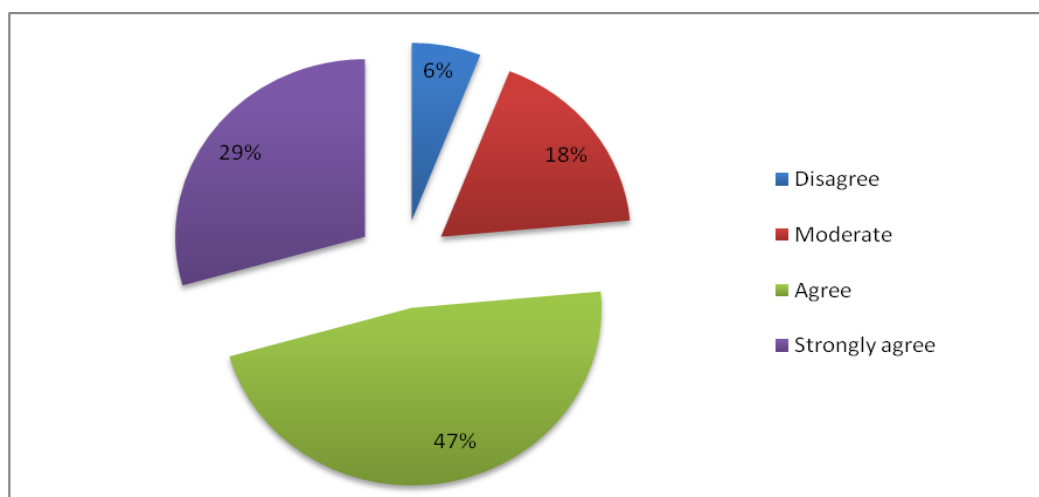
Figure 4.16 Limited span of control of managers

The data presented in figure 4.16 shows that 47% of the respondents consider the limited span of control of managers in SACCOs to be a factor affecting the implementation of lending policies while 12% strongly agree, 18% on the other hand disagree while 23% chose to be moderate. This shows that control is also a significantly important aspect of policy implementation coinciding with findings by Scholl (2003) who shows that control is an essential function performed by an organization structure since it insures that decision makers at all levels use the managerial or hierarchical constraint as one of the criteria in making their decisions and therefore policies will be more likely to be implemented when managers have unlimited span of control.

Table 4.19 Decision making process

Extent of considering risk	Frequency	Percentage
Strongly disagree	0	0
Disagree	1	6
Moderate	3	18
Agree	8	47
Strongly agree	5	29
Total	17	100.0

Source: Author (2016)



Source: Author (2016)

Figure 4.17 Decision making process

In regards to the decision making process affecting the implementation of lending policies, 76% being the majority in this case were in agreement whereby 47% said they agreed while 29% said they strongly agreed. Only 6% of the respondents did not agree that decision making process affects the implementation of lending policies indicating this to be an essential element of policy implementation.

Table 4.20 Organisational structure factor influence

Organisational structure factors	Mean	Std. Deviation
Separation of ownership of institution	3.59	.870
Principle of common bond	3.65	.862
Hiring of management	3.71	.920
Limited span of control	3.53	.943
Decision making process	4.00	.866

Source: Author (2016)

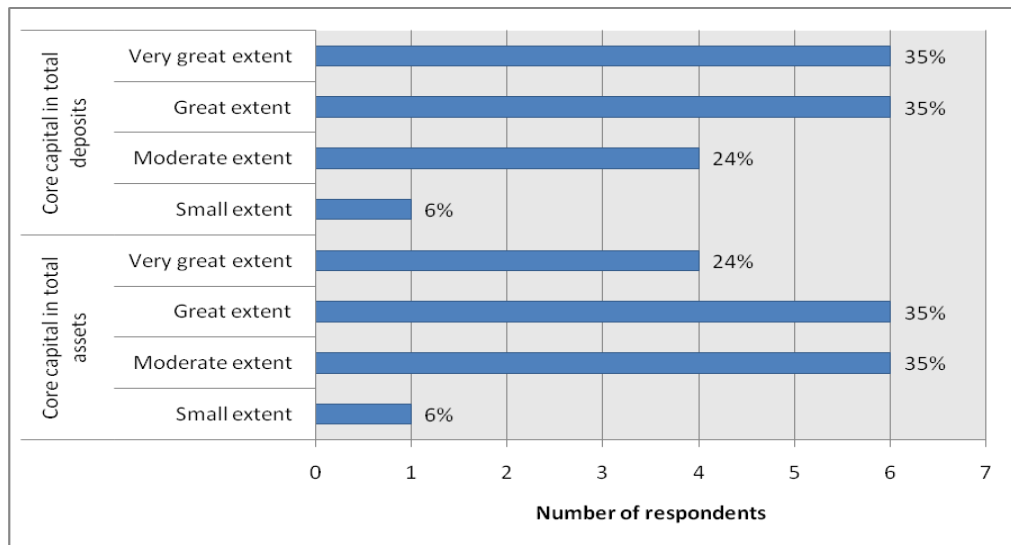
The data presented in table 4.20 relates to the structural factors in SACCOs and their influence on the implementation of lending policies weighed using the mean of the factors and the standard deviation. The data shows that the decision making process having a mean of 4.0 and deviating at 0.87 I highly ranked as an influencing factor within the organizations structure on the implementation of lending policies.

4.3.3 Influence of organization financial status

Table 4.21 Core capital in total assets and deposits

	Extent of influence	Frequency	Percent
Core capital in total assets	Small extent	1	6
	Moderate extent	6	35
	Great extent	6	35
	Very great extent	4	24
	Total	17	100
Core capital in total deposits	Small extent	1	6
	Moderate extent	4	24
	Great extent	6	35
	Very great extent	6	35
	Total	17	100

Source: Author (2016)



Source: Author (2016)

Figure 4.18 Core capital in total assets and deposits

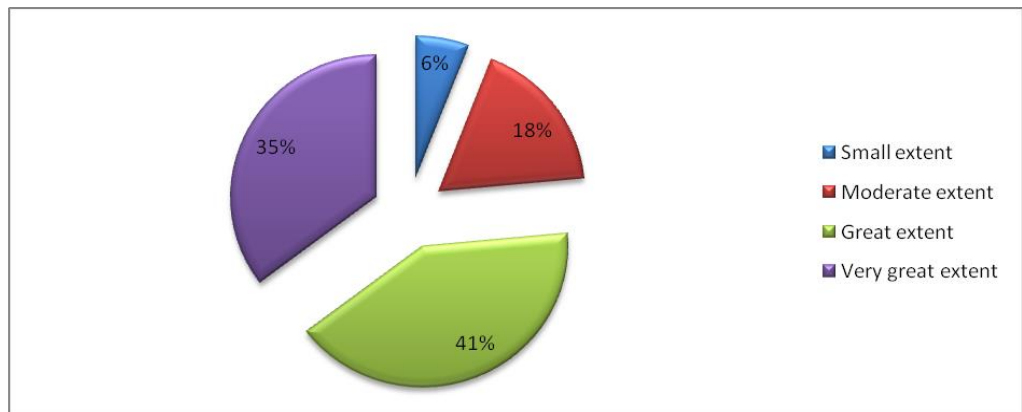
The data further showed the 35% of the respondents indicating that the core capital in total deposits has a very great extent of influence on the implementation of lending policies within SACCOs while another 35% indicated to a great extent, 24% indicating a moderate extent and only 6% said

that it was a small extent of influence. In regards to the core capital in total assets, 35% said it was to a great extent while another 35% to a moderate extent, 24% of the respondents said to a very great extent and the remaining 6% considering the extent small. This indicates that capital management in all aspects is an significantly important aspect in lending and policy implementation as also seen by Harris (2005) that it ensures that the firm is able to continue its operation and that it has sufficient cash flows to satisfy both maturing short-term debt and upcoming operational expenses.

Table 4.22 Institutional capital influence

Extent	Frequency	Percent
Not at all	0	0
Small extent	1	6
Moderate extent	3	18
Great extent	7	41
Very great extent	6	35
Total	17	100

Source: Author (2016)



Source: Author (2016)

Figure 4.19 Institutional capital influence

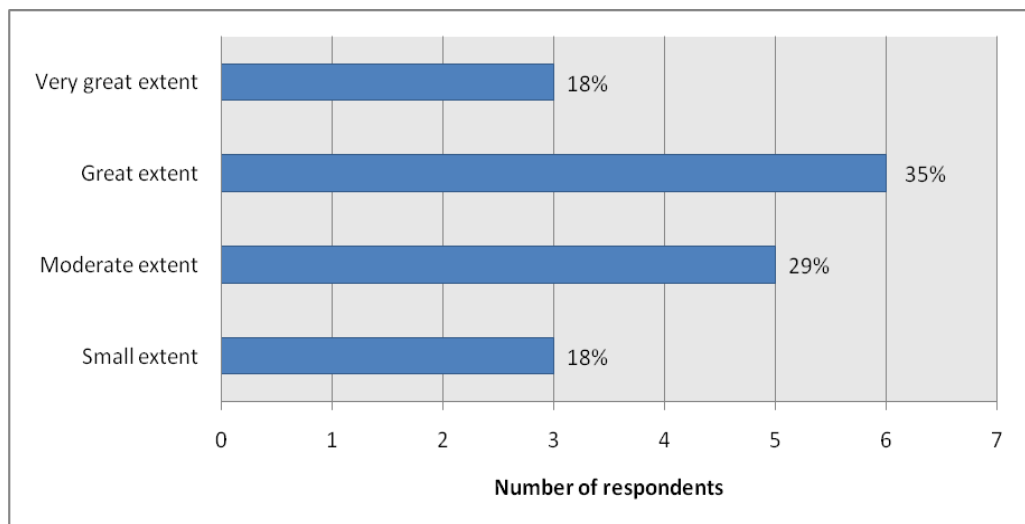
The data presented shows that the majority of the respondents represented by 41% in figure 4.19 say that there is a great extent of influence from institutional capital on the implementation of the lending policies while 35%

say it is to a very great extent further indicating the importance of institutional capital in the implementation of lending policies.

Table 4.23 Asset quality influence

Extent	Frequency	Percentage
Not at all	0	0
Small extent	3	18
Moderate extent	5	29
Great extent	6	35
Very great extent	3	18
Total	17	100

Source: Author (2016)



Source: Author (2016)

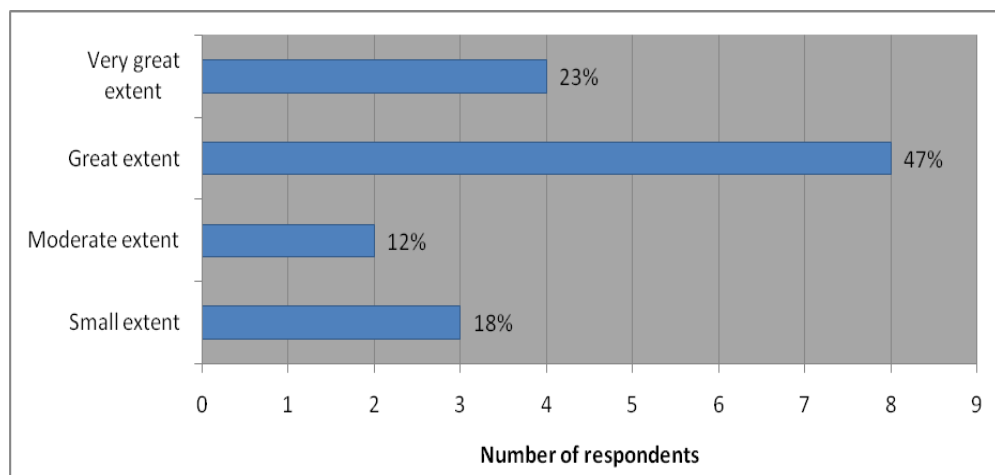
Figure 4.20 Asset quality influence

In regards to the extent the asset quality was a factor influencing the implementation of lending policies, 35% indicated it did so to a great extent, 29% at a moderate extent, 18% to a very great extent and another 8% said a small extent. The findings show that asset quality is also an influencing factor in policy implementation although to a great extent as also indicated by Chernykh and Theodossiou (2011) who notes that the size of the bank (measured by assets) is a determinant of not only loans expended to businesses but also long-term lending process.

Table 4.24 Management quality influence

Extent	Frequency	Percentage
Not at all	0	0
Small extent	3	18
Moderate extent	2	12
Great extent	8	47
Very great extent	4	23
Total	17	100

Source: Author (2016)



Source: Author (2016)

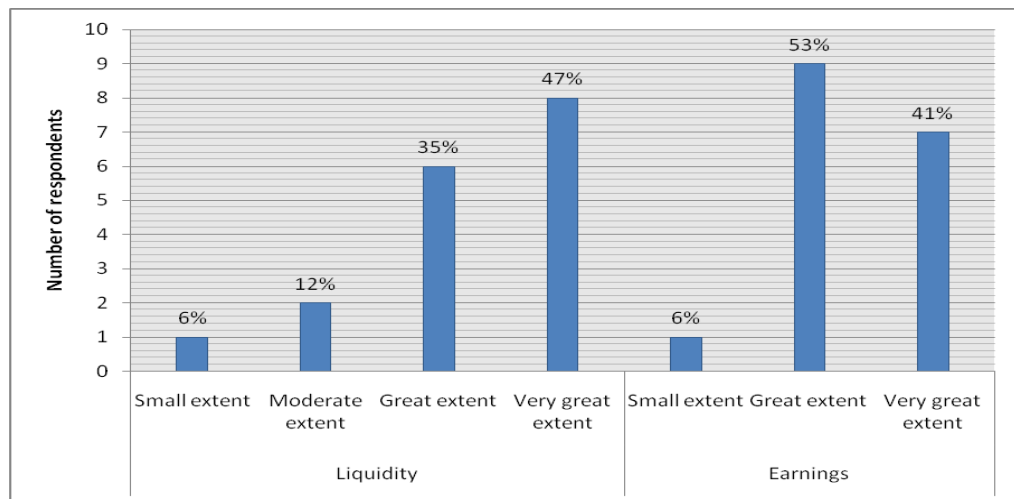
Figure 4.21 Management quality influence

The data presented above shows that 47% consider the management quality to have a great extent on the implementation of lending policies while 23% indicate it is to a very great extent, 18% to a small extent and 12% to a moderate extent. This further indicates the importance of management in SACCOs in the lending process as also shown by Branch and Baker (1998) who find that professional management increases the organization's ability to operate in an entrepreneurial manner by hiring professional expertise.

Table 4.25 Extent of Liquidity and earnings influence

Factor	Extent	Frequency	Percent
Liquidity	Small extent	1	6
	Moderate extent	2	12
	Great extent	6	35
	Very great extent	8	47
	Total	17	100
Earnings	Small extent	1	6
	Great extent	9	53
	Very great extent	7	41
	Total	17	100

Source: Author (2016)



Source: Author (2016)

Figure 4.22 Extent of Liquidity and earnings influence

The presented data above indicates the consideration of both liquidity and earnings as financial status factors that influence the implementation of the lending policies. The data shows that 47% consider to have a very great extent of influence supported by 35% who consider liquidity having a great extent of influence, 12% to a moderate extent and 6% to a small extent. In regards to earnings as a factor influencing the implementation of lending policies,

majority of the respondents (53%) indicated that it was to a great extent supported by 41% who said it was a very great extent of influence, only 6% indicated to a small extent of influence. This indicates that earnings as well as liquidity are factors that have influence on the implementation of lending policies.

Table 4.26 Organisational financial status influence

Financial factors	Mean	Std. Deviation
Core capital in total assets	3.76	.903
Core capital in total deposits	4.00	.935
Institutional Capital	4.06	.899
Asset quality	3.53	1.007
Management quality	3.76	1.033
Liquidity	4.24	.903
Earnings	4.29	.772

Source: Author (2016)

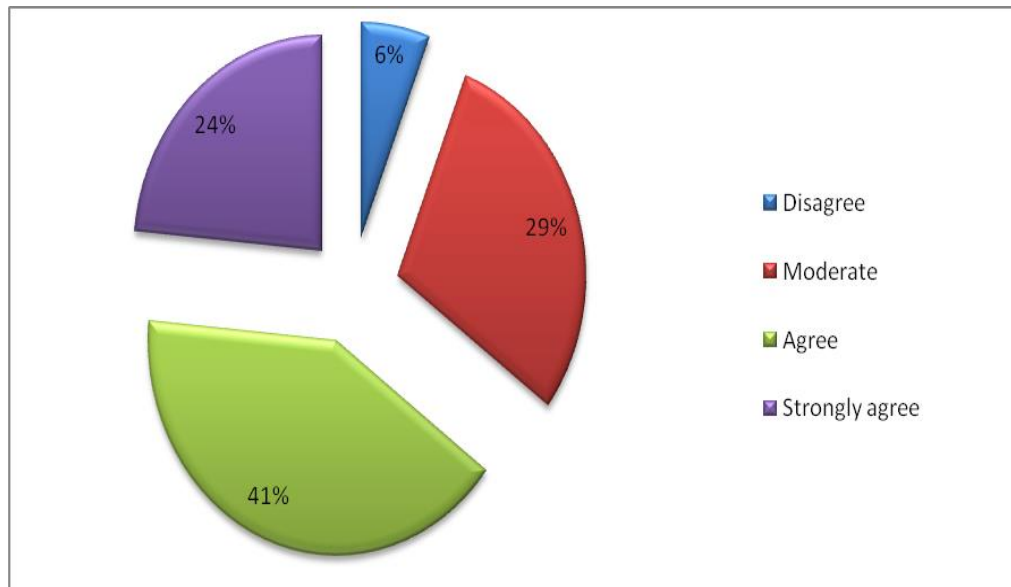
The data indicates that among the financial status factors within the organization, the earnings, liquidity, institutional capital and core capital in total deposits all with a mean of or above 4.0 and standard deviation which is less than 1.0 which indicates that the factors were indicated as the highly influential factors and not by chance.

4.3.4 Measurement of policy implementation

Table 4.27 Extent of influence from management practices

Response	Frequency	Percentage
Strongly disagree	0	0
Disagree	1	6
Moderate	5	29
Agree	7	41
Strongly agree	4	24
Total	17	100

Source: Author (2016)



Source: Author (2016)

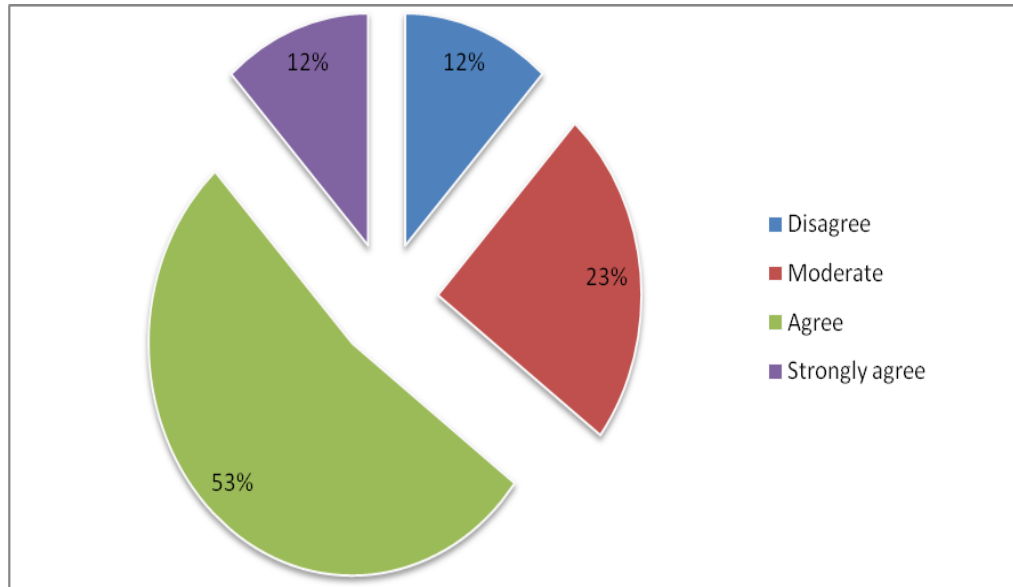
Figure 4.23 Awareness of influence from management practices

When asked whether management practices in general have an influence on the implementation of lending policies in SACCOs, 65% of the respondents were in agreement whereby 24% said they strongly agree and 41% agree. This further highlights that management plays an important role in policy implementation in SACCOs.

Table 4.28 Awareness of influence from organisational structure

Response	Frequency	Percentage
Strongly disagree	0	0
Disagree	2	12
Moderate	4	23
Agree	9	53
Strongly agree	2	12
Total	17	100

Source: Author (2016)



Source: Author (2016)

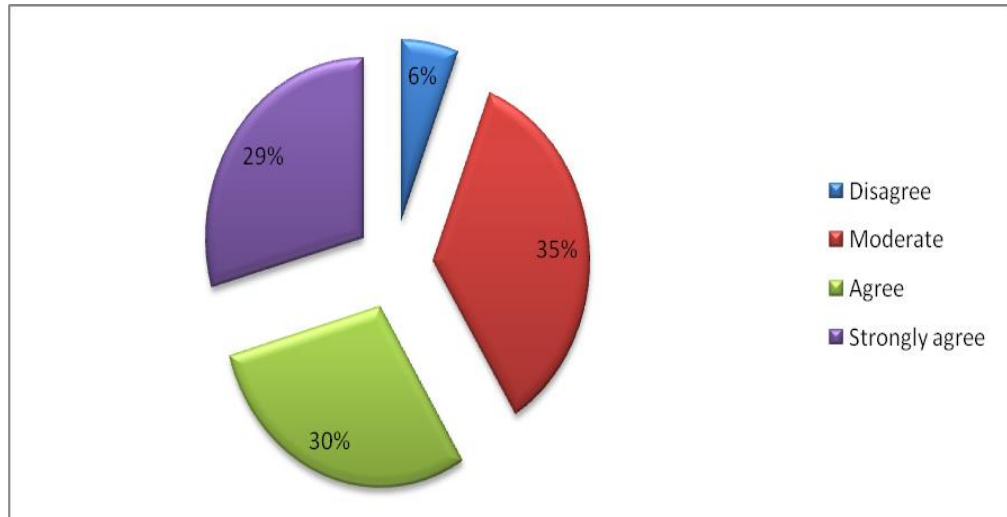
Figure 4.24 Awareness of influence from organisational structure

In regards to whether there is an influence from organisational structure on the implementation of lending policies, majority of the respondents represented by 53% said they agree and are supported by 12% of the respondents who indicate they strongly agree. This shows that there is a strong relationship between organisational structure and the implementation of lending policies since only 12% objected.

Table 4.29 Awareness of influence from financial status

Extent of outlining	Frequency	Percentage
Strongly disagree	0	0
Disagree	1	6
Moderate	6	35
Agree	5	29
Strongly agree	5	29
Total	17	100

Source: Author (2016)



Source: Author (2016)

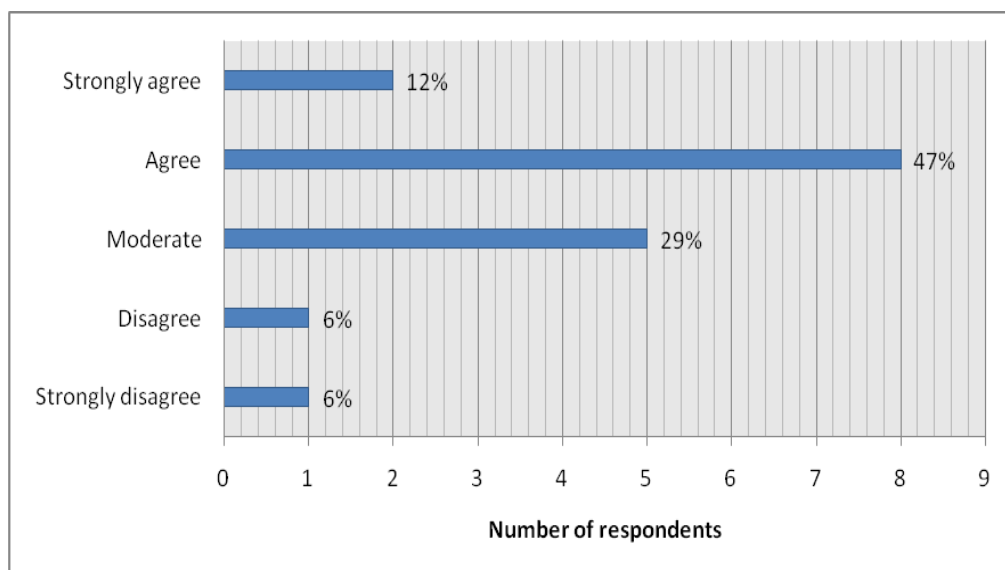
Figure 4.25 Awareness of influence from financial status

In regards to whether the financial status of the Sacco influences the implementation of lending policies, 35% of the respondents neither agreed or disagreed while 30% agreed, 29% strongly agreed and the remaining 6% disagreed. This indicates that a significant percentage of the respondents do not feel that financial status highly influences the implementation of lending policies.

Table 4.30 Awareness of influence from payment method preferences

Response	Frequency	Percentage
Strongly disagree	1	6
Disagree	1	6
Moderate	5	29
Agree	8	47
Strongly agree	2	12
Total	17	100

Source: Author (2016)



Source: Author (2016)

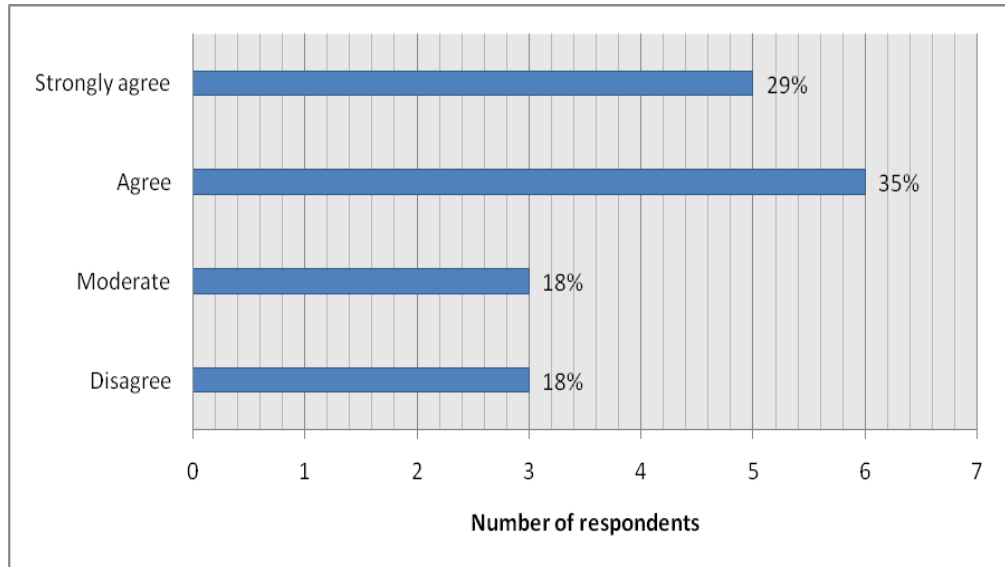
Figure 4.26 Awareness of influence from payment method preferences

The data above indicates that 59% of the respondents agree that payment method preferences influence the implementation of lending policies against 12% who disagree while 29% of the respondents neither agreed nor disagreed.

Table 4.31 Awareness of influence from access to other financial intermediaries

Extent of outlining	Frequency	Percentage
Strongly disagree	0	0
Disagree	3	18
Moderate	3	18
Agree	6	35
Strongly agree	5	29
Total	17	100

Source: Author (2016)



Source: Author (2016)

Figure 4.27 Awareness of influence from access to other financial intermediaries

The data above indicates that majority of respondents represented by 64% share that the access to other financial intermediaries has an influence on the implementation of lending policies whereas 18% disagree and another 18% chose to remain neutral.

Table 4.32 Correlation of the variables

		Management practice influencing implementation	Organisation structure influence implementation	Organisation financial status influence implementation
Management practice influencing implementation	Pearson Correlation	1	.570	.631
	Sig. (2-tailed)		.017	.007
	N	17	17	17
Organisation structure influence implementation	Pearson Correlation	.570	1	.606
	Sig. (2-tailed)	.017		.010
	N	17	17	17
Organisation financial status influence implementation	Pearson Correlation	.631	.606	1
	Sig. (2-tailed)	.007	.010	
	N	17	17	17

Source: Author (2016)

The data in table 3.2 indicates that the dependent variables in the study did not have a significant linear relation to each other as indicated by the 2-tailed significance test being above the 0.05 and 0.01 level for each variable. The Pearson correlation coefficient was used to assess the strength of the dependence of the variables and the researcher found large differences in regards to their influence on the implementation of lending policies and therefore a strong correlation which can be defined by a non-linear equation as it is not statistically significant. A non linear relationship means that a change in one of the dependent variables does not cause any change in the other dependent variable and that the impact on implementation of lending policy by one of the variables does not cause a significant change in the other.

4.4 Discussion

4.4.1 Demographic information

In regards to gender of the respondents the study was distributed as 65% male and 35% female. In terms of the levels of education in the organizations the study's respondents were divided into 47% being the majority had attained undergraduate level, 29% had undergone post graduate education while 24% had attained tertiary level education. The study found that the majority of the SACCOs sampled had been in operation more than 7 years as indicated by 53% of the respondents while 35% had been in operation for 4 to 5 years and 12% between 1 and 3 years. The study also found that more than half (64%) had been working in their respective institutions for more than 4 years.

4.4.2 Management Practice

The management practices explained in the study to have great influence on the implementation of the lending policies included regularly reviewing of the lending policy compliance in their respective SACCO's indicated by 94%, 94% of the respondents were also aware of the influence of different levels of approval on the implementation of lending policies, creating and maintaining credit file for each loan indicated by 88% of the respondents, setting limits on amounts that can be lend by 88%, regular assessment of borrowers operating condition by 82% of the respondents and the application of the know your customer principle shown by 76% of the respondents. The findings coincide with those of Bass and Avolio (1996) who found that an organization's culture which is derived from its managers' practices affects the development of its operational framework including the policy implementation process.

4.4.3 Organisational structure

The organization structure factor was found to affect the implementation of lending policy in Sacco's because of the decision making process as indicated by 76% of the respondents, the separation of ownership and limited span of control by managers indicated by 59% each. The findings coincide with those of Branch and Baker (1998) who note that organization structures of such organisations require specific knowledge and skills to make a range of

specialized decisions. This is done by hiring professional expertise leading to the separation of ownership and decision making in the organisation's structure may give rise to problems in the SACCO organizational structure.

4.4.4 Organisation financial status

In regards to the influence of the organization financial status the study has found that financial factors including earning, liquidity, institutional capital, core capital in total deposits and the management quality can be highly influential in the implementation of lending policies in the Sacco's. These findings as well confirm to a certain extent findings by Chernykh and Theodossiou (2011) who find the determinants of long-term lending decision to include capitalization, liability structure, risk taking, ownership type, managerial expertise and location of individual banks.

Major factors affecting the implementation of lending policies according to the findings of the study were the organizational structure and management practice which were identified by majority of the respondents (65% in each case). The findings coincide with findings by Labie and Périlleux (2008) and Fisher and Desrochers (2002) who indicate that both management practices and operational structures in SACCOs tend to be more complex due to their democratic principle for decision-making leading to the possibility of influencing the effective of lending polices and practices such as monitoring since there is no incentive to do so. The financial status of the institution was also indicated to have an influence on the implementation of the lending policies as also shown by Davidsson et al. (2009) who explain that profitability or financial status of a business influences its operations to a great extent whereby firms showing above-average profitability rates have demonstrated that they are capable of creating value for the firm as well as their customers and establish competitive advantages over their competitors which may include its ability to implement crucial policies.

The finding also finds other factors such as the payment method preferences and access to other financial intermediaries have a significant impact on the implementation of lending policies

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter consists of the summary of findings, answers to research questions, the conclusion and researcher's recommendations. The objective of this study was to establish the effect of organizational factors on the implementation of lending policies in SACCOs, and specifically looking at the case of SACCOs within Kitui County. To achieve this, the study used a descriptive approach to predict the relationship between the dependent (organization factors) and independent variable (implementation of lending policies). Correlation was performed on the values obtained to establish if there is a relationship between the variables computed under the model, the nature of the relationship and the strength of the relationship.

5.2 Summary

The background of the study was outlined, followed by statement of the problem, objectives of the study, research questions, justification and scope of the study. The general objective of the study was to find out the influence of organizational factors on implementation of lending policies in SACCOs in Kitui County, Kenya. The study based the research on the 20 registered non-transport SACCOs in Kitui County.

The respondents for the study were distributed as 65% male and 35% female, majority of the respondents having university and post graduate degrees while 64% had been working in their respective institutions for more than 4 years.

The study in relation to the specific objective of determine the influence of management practices on implementation of lending policies in SACCOs the major management practices explained in the study to have great influence on the implementation of the lending policies included regularly reviewing of the lending policy compliance, the influence of different levels of approval,

creating and maintaining credit file for each loan indicated by 88% of the respondents and setting limits on amounts that can be lend. The study also found that regular assessment of borrowers operating condition and the application of the know your customer principle also influence the implementation of the lending policies.

The study in relation to establishing the influence of organizational structure on implementation of lending policies in SACCOs found that the decision making process, the separation of ownership and limited span of control by managers were the major factors having an influence on the implementation.

The study in relation to establishing the influence of financial status on implementation of lending policies in SACCOs found that financial factors including earning, liquidity, institutional capital, core capital in total deposits and the management quality can be highly influential in the implementation of lending policies in the SACCOs.

5.4 Conclusion

The aim of the study was to find out the influence of organizational factors have on the implementation of lending policies and the findings show that management practices, organization structure and the organization's financial status all have a significant effect on the implementation of the adopted lending policies. Therefore to make effective lending decisions, SACCOs need to align their organization structures which includes that management practices accepted and financial indicators according to best practices in the financial sector so as to ensure sustainable lending practices.

5.5 Recommendations

5.5.1 Management practices

The findings of the study shows that organsational factors have an effect on the implementation of lending policies and can therefore affect the performance of the financial intermediary whose main purpose is to offer lending and saving services to its members. The management should therefore

be ready to invest in building capacity in terms of management effectiveness and financial literacy

5.5.2 Organizational structures

The study recommends that SACCOs engage in improving their organization structures where it is required. This would foster clearly formulated policies being made and reduce the negative effects from organization factors on the implementation of the policies.

5.5.3 Organizational financial status

The researcher also recommends for more regulatory guidelines concerning lending policy formation in relation to the capital needed and earnings dictate the levels of lending in SACCOs institutions as is the case for the banking sector in order to enhance professional activities in lending.

5.5.4 Further studies

The research recommends for further study on the topic of external factors or environmental factors that affect the implementation of lending policies in financial intermediaries as well as improvement on the literature of the SACCOs society's strategies in improving lending standards as compared to other financial intermediaries such as banks.

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APPENDICES

Appendix 1: Introduction letter

Dear respondent,

RE; LETTER OF INTRODUCTION TO THE RESPONDENT

I am post graduate student pursuing a Master degree in Business Administration (MBA) at South Eastern Kenya University. I am conducting an academic research on the "**Organisational factors influencing the implementation of lending policy in saving and credit co-operative societies (SACCOs) in kitui county.**

This questionnaire is aimed at obtaining more information about your opinions, perceptions and experiences. Your participation and contribution will be of valuable to the completion of the study and your response will be treated with the utmost confidentiality it deserves.

All attempts will be made to give you feedback on the findings, should you wish to receive the same. For more information and/or request for feedback, kindly contact:

Elias. K .Macharia C/o South Eastern Kenya University

Email: kimanielias@yahoo.com

Thanking you for your kind attention

Appendix II

Questionnaire

Questionnaire Instructions:

Kindly answer the following questions by writing a brief answer or ticking in the space or boxes provided respectively.

SECTION A: DEMOGRAPHIC INFORMATION

Name of the SACCO

.....

Please tick (√) as appropriate

1. Gender: Male [] Female []

2. What is your highest level of education qualification?

Post graduate []

Under graduate []

Tertiary []

3. How long has your Sacco been in operation?

1-3 years []

4-6 years []

7-10 years []

More than 10 years []

4. How many years have you worked in the Organization?

Less than 1 year []

1 - 3 years []

4 - 5 years []

5 - 8 years []

Over 8 years []

SECTION B: INFLUENCE OF MANAGEMENT PRACTICES

1. Indicate the extent to which the following management practices influence the implementation of lending policies in your organization on a scale of 1-5 where 1- Strongly Disagree, 2- Disagree, 3 – moderate, 4 – Agree and 5 – Strongly Agree)

	1	2	3	4	5
Regular assessment of borrowers operating conditions					
Application of know your customer principle					
Establishment of underwriting criteria					
Creating and maintaining credit files for each loan					
Regular review of lending policy compliance					
Creating different levels of approval					
Setting limits on amounts to lend					
Evaluating risk rating system					

SECTION C: INFLUENCE OF ORGANISATION STRUCTURE

2. To what extent do the following elements within the organization structure affect the implementation of lending policies in your organisation using a scale of 1-5 where 1- Strongly Disagree 2- Disagree, 3 – moderate, 4 – Agree and 5 – Strongly Agree.

	1	2	3	4	5
Separation of ownership of institution					
Principle of common bond					
Hiring of management for day to day activities					
Limited span of control of managers					
Decision making process					

SECTION D: INFLUENCE OF ORGANISATION FINANCIAL STATUS

3. To what extent would you agree that the following financial indicators influence the implementation of lending policies using a scale of 1-5 where 1 - Not at all, 2 - small extent, 3 - moderate extent, 4 - Great extent and 5- very great extent

	1	2	3	4	5
Core capital in total assets					
Core capital in total deposits					
Institutional capital					
Asset quality					
Management quality					
Liquidity					
Earnings					

SECTION E: MEASURE OF POLICY IMPLEMENTATION

4. Please indicate the extent to which you agree that the following factors influence the implementation of lending policies in your organization using a scale of 1-5 where 1- Strongly Disagree, 2 - Disagree, 3 – moderate, 4 – Agree and 5 – Strongly Agree.

	1	2	3	4	5
Management practices influence implementation of lending policy in Coop Societies in Kitui County					
Organizational structure influence implementation of lending policy in Coop Societies in Kitui County					
Organization’s financial status influence implementation of lending policy in Coop Societies in Kitui County					
Payment method preferences					
Access to other financial intermediaries					

*******THANK YOU FOR PARTICIPATION*******

APPENDIX III



SOUTH EASTERN KENYA UNIVERSITY
OFFICE OF THE DIRECTOR
BOARD OF POST GRADUATE STUDIES

P.O. BOX 170-90200
KITUI, KENYA
Email: info@seku.ac.ke

TEL: 020-2413859 (KITUI)
020-2531395 (NAIROBI)
E-mail: directorbps@seku.ac.ke

Our Ref: D61/KIT/20054/2011

Date: Thursday, February 04, 2016

Macharia Elias Kimani
Reg: D61/KIT/20054/2011
Master of Business Administration
C/O Dean, School of Business and Economics

Dear Macharia,

RE: PERMISSION TO PROCEED FOR DATA COLLECTION

This is to acknowledge receipt of your Master in Business Administration Proposal document entitled, "*Organizational factors influencing the implementation of lending policy in co-operative societies in Kenya: A case of SACCOs in Kitui County*".

Following a successful presentation of your Master Proposal, the School of Business and Economics in conjunction with the Directorate, Board of Post graduate Studies (BPS) have approved that you proceed on and carry out your research data collection in accordance with your approved proposal.

During your research work, you will be closely supervised by Dr. Joash Migosi and Mr. Zablon Evusa. You should ensure that you liaise with your supervisors at all times. In addition, you are required to fill in a Progress Report (**SEKU/ARSA/BPS/F-02**) which can be downloaded from the University Website.

The Board of Postgraduate Studies wishes you well and a successful research data collection as a critical stage in your Master of Business administration.

For Kitui

Prof. Cornelius Wanjala
Director, Board of Postgraduate Studies

Copy to: Deputy Vice Chancellor, Academic, Research and Students Affairs
Dean, School of Business and Economics
Chairman, Department of Business & Entrepreneurship
Dr. Joash Migosi
Mr. Zablon Evusa
Director, Kitui Campus
BPS Office- To file

ARID TO GREEN

TRANSFORMING LIVES

APPENDIX IV

THE COUNTY GOVERNMENT OF KITUI

Email:
mtiic@kitui.go.ke
When replying please quote



CHIEF OFFICER'S OFFICE
KITUI COUNTY
P. O. Box 58 - 90200
KITUI

COUNTY MINISTRY OF TRADE, INDUSTRY, ICT AND COOPERATIVES

REF: MTIIC/3/7/VOL.I/311

14th December, 2015

To Whom It May Concern

RE: LIST OF ACTIVE SACCO SOCIETIES IN KITUI COUNTY

Kindly note that the active SACCO societies are:

1	Kitui Teachers SACCO	15	Ebeneza SACCO
2	Mwingi Mwalimu SACCO	16	Wendo T. SACCO
3	SEU SACCO	17	B2 Yatta Staff SACCO
4	BESTROCK SACCO	18	Mbikisa SACCO
5	Kamuwongo Bidii Traders SACCO	19	Buddies SACCO
6	Mwingi Traders SACCO	20	Kitui County Women SACCO
7	Kitui Traders SACCO	21	Malyamu Women SACCO
8	Mutomo Traders SACCO	22	Tseikuru Ward Women SACCO
9	Mutomo Farmers SACCO	23	Zomka Women SACCO
10	KISCHWO SACCO	24	Kavisuni Travellers SACCO
11	MUSCWO SACCO	25	Kinakoni Women SACCO
12	LYSCWO SACCO	26	Kamuwongo Nissan SACCO
13	Kinatwa SACCO	27	Kiima Women SACCO
14	Kinathi SACCO	28	Matinyani Travellers SACCO

Sincerely,

NELSON MUSYOKA
ASSISTANT DIRECTOR COOPERATIVES
FOR CHIEF OFFICER - TRADE, INDUSTRY, ICT AND COOPERATIVES
KITUI COUNTY

