

**IMPACT OF SAVINGS AND LOANS ON EMPLOYEES:  
A CASE STUDY OF METROPOLITAN TEACHERS' SACCO LTD IN CENTRAL  
KENYA.**

**BY**

**NG'ANG'A TERESIAH W**

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## DECLARATION

I **Ng'ang'a Teresiah W**, do hereby declare that, this research project is my original finding and that, it has never been submitted to any institution of learning as a requirement for any award.

Signature:  .....

Date: 2<sup>ND</sup> DEC, 2011

**NG'ANG'A TERESIAH W.**

**BEC | 20019 | 82 | DF**

### APPROVAL

This is to certify that the research project of **NG'ANG'A TERESIAH W.** has been under my Supervision and is now ready for submission to the School of Economics and Applied statistics for the award of a degree of Arts in Economics of Kampala International University.

Signature:  .....

Date:  .....

**MR. MUTUMBA GEOFFREY**

**(SUPERVISOR)**

## DEDICATION

This book is dedicated to my beloved parents ***ANDREW NG'ANG'A AND SUSAN NG'ANG'A.***

## ACKNOWLEDGEMENT

To God who granted me His loving kindness and the unlimited gift of life. That He has granted me such an awesome gift, May the person I became in this life be the best gift back to Him.

A number of people have contributed both directly and indirectly at different stages of this study. It is impossible to mention them all. However, special consideration goes to the following:

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I wish to extend my gratitude to my dear friends and siblings ***Davie, Tabitha, Angee, Tshiro, Joseh, Peter, sonnie, simoo, Johnnie, Ecyline*** for their encouragement and support.

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## TABLE OF CONTENTS

DECLARATION .....	i
APPROVAL.....	ii
DEDICATION .....	iii
ACKNOWLEDGEMENT .....	iv
TABLE OF CONTENTS .....	v
ABSTRACT.....	viii
LIST OF TABLES.....	ix
LIST OF ABBREVIATIONS .....	x

### **CHAPTER ONE: INTRODUCTION ..... 1**

1.1 Background of the study.....	1
1.2 The Statement of the Problem .....	2
1.3 Purpose of the study .....	3
1.4 Objectives of the Research.....	3
1.4.1 General objective of the study:.....	3
1.4.2 The Specific Objectives.....	3
1.5 Research questions .....	4
1.6 Scope of the study.....	4
1.7 Significance of the study.....	4

### **CHAPTER TWO: LITERATURE REVIEW ..... 6**

2.0 Introduction.....	6
2.1 Cooperatives Movement in Kenya: .....	6
2.2 Metropolitan Teachers Sacco:.....	8
2.2.1 Savings.....	9

2.2.2 Loans .....	9
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### **CHAPTER THREE: METHODOLOGY ..... 10**

3.0 Introduction .....	10
3.1 Research design .....	10
3.2 The study population .....	10
3.3 Sample size and sampling design .....	10
3.4 Research instruments .....	11
3.4.1 Questionnaire .....	11
3.4.2 Desk review .....	11
3.5 Data analysis .....	11

### **CHAPTER FOUR: RESULTS AND DISCUSSIONS ..... 13**

4.1 Introduction .....	13
4.2 Presentation, analysis and interpretation of results are done under the following themes.....	13
4.2.1 The impact of savings on loans. ....	13
4.2.2 The effectiveness of Sacco. ....	16
4.2.3 Objectives of saving for different age groups.....	18
4.2.4 Reasons for not getting the loans applied for. ....	19

### **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS 21**

5.0 Introduction .....	23
5.1 Summary of findings .....	23
5.2 Conclusion .....	24
5.3 Recommendation .....	24

<b>REFERENCES: .....</b>	<b>26</b>
<b>APPENDICES: APPENDIX I QUESTIONNAIRE.....</b>	<b>28</b>
<b>APPENDIX II: BUDGET ESTIMATE .....</b>	<b>32</b>
<b>APPENDIX III: TIME SCHEDULE .....</b>	<b>33</b>



## **LIST OF ABBREVIATIONS**

MTS:	Metropolitan Teachers Sacco
BBF:	Burial Benevolent Fund.
SACCO:	Saving and Credit Cooperative.
FOSA:	Front Office Service Activities.
P.A:	Per Annum.
MCDM:	Ministry of Cooperatives Development and Marketing.
KBD:	Kenyan Business Daily.
CMC:	Central Management Committee.
KUSCCO:	Kenya Union of Savings and Credit Organization.

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## **CHAPTER ONE: INTRODUCTION**

This chapter presents the background of the study, statement of the problem and the purpose of the study behind it. The objective of the research, research questions and the scope of the study is also given. The last part of the chapter comprises the significance of the study.

### **1.1 Background of the study**

Kenya is a country where the co-operative movement has grown strong through the last decades. In order to help members with loans and saving facilities, Union Banking Sections were formed in the early 1970s. So far there are about 4900 active SACCOs' offering savings and loans services to over 2.1 million Kenyans (Mwaniki, R. 1998). The bulk of these clients are salaried (almost three quarters) of which only a quarter reside in rural. There are now approximately 155 SACCOs in rural areas (KBD 2010). Unfortunately, while much salary based lending programmes have performed well, other SACCOs and particularly rural and informal sector societies have considerable non performing loans problems.

Many people have had limited access to loans and saving facilities because the formal loans institutions tend to consider them "high risk" customers. Formal loans institutions demand collateral, which many people, cannot provide since they normally do not legally own their land or have too small land holdings. The high minimum balances also limit the possibilities for many to access formal financial services. Another reason is high transaction costs, which limit the access to financial services for the poor. There are market imperfections, like asymmetric information between lenders and borrowers in the rural financial market that result in high transaction costs. As smallholders need very small loans, the transaction costs can be burdensome in relation to the value of the loan itself. One purpose of this study is to examine how SACCOs have managed to overcome these problems.

Metropolitan Teachers Sacco Limited (MTS) was registered 24th October 1990 (under the Co-operative Societies Act Cap.490 of the Laws of Kenya). The objective of the SACCO is to encourage thrift among the members by affording them an opportunity to accumulate savings and to create a source of fund at fair and reasonable interest rates for the improvement of member's economic and social condition. The management of MTS consists of a Central Management Committee (CMC) and a Supervisory Committee consisting of nine and three members respectively. The role of the management committee is to vet loan applicants, authorize disbursement and make a follow up to ensure that the money is used for the intended purposes. The supervisory committee on the other hand guards against embezzlement of the society's fund, evaluate programs and interpret loan policies. The SACCO has branches in Nairobi, Limuru, Thika, Machakos and Kiambu.

The SACCO offers the following products to members; Savings which includes ordinary saving ,education savings ,Christmas saving scheme, burial and benevolent fund and back home scheme, as well as loans which include, premium loans, normal loans, school fees loans , emergency loans, instant loans, walk in walk out loans, house and development loans. The government through the Ministry of Cooperatives is providing supervision and legal guidance and training to the society to ensure compliance with the existing registration and check the operation of the management. Currently it is a requirement of the CMC to file annual reports on their assets and the liabilities. The society takes note on the need to insure both the member's savings and loans. MTS is currently affiliated to the Kenya Union of Savings and Loans Cooperative Societies (KUSCCO), being the mother Union of all cooperatives.

## **1.2 The Statement of the Problem**

Saving is a key component in any development endeavor as it is believed to be the surest way of increasing income and boosting productivity. Without saving

people are likely to face severe problems of survival when they are no longer able to work (RogerLeRoyMiller, 1978:89). Due to unlimited wants and the fact that resources are scarce, people supplement their income through borrowing from SACCOs and other financial institutions. A common expectation is that members of the SACCOs would seek loans from the SACCOs they are registered with, yet most of these members seek the same from other financial institutions. The study therefore seeks to explore the impact of savings on the amount of loan disbursed.

### **1.3 Purpose of the study**

The purpose of the study is to investigate the impact of savings and loans disbursed to employees in Metropolitan Teachers Sacco limited in Kenya in order to meet their livelihood.

### **1.4 Objectives of the Research**

#### **1.4.1 General objective of the study:**

To establish the impact of savings on loans disbursed.

#### **1.4.2 The Specific Objectives**

The study intended:

- i. To determine whether the SACCO meets the member's financial demand.
- ii. To evaluate the effectiveness of SACCO in meeting the needs of the members.
- iii. To determine why members of different age group saves with the SACCO.

## **1.5 Research questions**

- i. Has the SACCO met the members' financial demand?
- ii. Has the SACCO been effective in meeting the needs of the members?
- iii. What are the reasons that members of different age groups save with the SACCO?

## **1.6 Scope of the study.**

This study focused on the Metropolitan Teachers Sacco which have been in operation for twenty one years and assessed the impact of savings on loans disbursed, and the extent to which the SACCO has met the financial needs of the members. The former was achieved by use of secondary data available with the SACCO from 1999 to 2010 which was subjected to statistical analysis and inferences drawn. The latter on the other hand was achieved by use of primary data collected by use of questionnaires.

## **1.7 Significance of the study**

Savings and Credit Cooperative Societies movement has grown in Kenya for many years and have been quite successful in their operation but ironically, most cooperative societies have considerable non performing loans problems, people have limited access to loans and savings facilities because the formal loans institutions demand a highly valuable collateral and the terms of the cooperatives are too constrained in terms of laid down regulations. Again, in tertiary SACCOs meant for employees of a certain institution, there are instances where some employees prefer to seek financial services from banking institutions due to stringent policies.

The study was aimed at improving the services of the SACCO to members and sought ways in which the SACCOs were going to determine the productivity of their loans. By looking at the impact of savings on loans disbursed, the SACCOs

are able to know if they tend to give more loans or the amount of loans does not depend on the amount of savings at a given period of time. The results of the analysis will enable the institution in formulating policies regarding their savings and loans. They will be able to know if they should give more loans when the savings are low or when the savings from members are high or perhaps, it does not matter the amount of savings provided the individual is a member of the SACCO. The findings will also be instrumental in encouraging more research in this area as well as policy formulation relating to loans and savings in Kenya.

## **CHAPTER TWO: LITERATURE REVIEW**

### **2.0 Introduction**

SACCOs are encompassed in the cooperative movement and comprise members bound together by a common objective such as selling of farm produce together, or a common employer. Internationally SACCOs aid in marshalling saving from members who have accumulated and disbursed to members as loans. This chapter focuses on review literature obtained from published books, journals, newsletters and internet sources which relate to the field of research as outlined in this section. Analysis of the literature materials used is provided within the subsequent subtopics discussed below. This chapter also presents a review of the literature on Cooperatives Movement in Kenya and the Metropolitan Teachers Sacco which was the case study. In this chapter the overview of SACCOs, their roles and objectives will be given at time of their genesis and how this has evolved over time. The factors behind this evolution will also be examined extensively.

### **2.1 Cooperatives Movement in Kenya:**

The Savings and Credit Cooperative movement in Kenya started in early 1970s, when the Government drafted money by-law to enable any group with a common bond of occupation; association and residence adopt the bylaw and register (Mwaniki, R. 1998). It was a protection move against the urban areas rampant with shameful activities of Pawn Brokers and Money lenders who were charging exorbitant and illegal rates of interest and, or instituting a mechanism for attitude change of unwise spending of Rural Peasants who were earning sizeable sums of money during harvest time, but go back to poverty(KBD 1999). Main functions include Promotion of Savings and loans opportunities to the members, Promotion of financial stability among members, Enhancement of the habit of saving regularly, borrowing wisely and paying promptly. Another function



is to link SACCO's members with other SACCO's movement. Nevertheless, it looks for the best loans facilities opportunities available and extends to the members at reasonable and agreeable interest (MCDM, 2009).

In Kenya, the government is very positive on the cooperatives especially towards the youth empowerment and is instilling a savings and borrowing culture in the informal sector. The government is willing to grant loans to the SACCOs rather than the individual entrepreneurs. The interest rates in these cooperatives are 8% p.a, which is much lower than in banks. Currently, SACCOs has 8 million members with about 63% of Kenya's population directly and indirectly depending on cooperatives' related activities for their livelihood. Statistics from ministry of cooperatives development and marketing shows that last year (2010) cooperatives increased by 200 to a total of 5200 with about 200 operating savings activities compared to the 43 banks in the country (KBD, 2010).

The Front Office Service Activities (FOSA's), transport, rural and urban savings and loans cooperatives are prime movers of the economy, through mobilization of savings for lending to members at very low interest rates. This has enabled members to acquire assets, vehicles, paying of school fees, hospital bills, and legal services and to venture into farming and other businesses. The SACCOs have served the rural and urban communities and greatly contributed to the reduction of poverty, wealth creation in line with government recovery strategy (MCDM, 2008). It is also worth noting that a number of societies have embraced and invested information and communication technology in order to cope with rapid changes in the liberalized market economy (MCDM, 2007).

Savings is a major pre requisite for reviving the Kenyan economy so as to generate employment, alleviate poverty and increase domestic savings. Savings is an essential ingredient to the rural financial sector due to its contribution to the sustainability of rural finance programmes and savers stability (Sabapagthy, 1994:4). If domestic savings level remains low for micro-enterprise growth,

industrialization will not gain momentum. This reflects the country's vision for everyone to earn for immediate consumption and save for future initiation and expansion of SACCO's (Sabapagthy, 1997:24, 45)

By 1996, financial systems in Kenya consisted of 2670 SACCOs, 51 commercial banks, 23 nonbank financial institutions, 5 building societies, 39 insurance companies, 3 re-insurance companies, 10 development financial institutions, a capital market authority, 20 securities and equities brokerage firms; unfortunately it was only savings and loans associations that were noted to be involved in providing services to small scale entrepreneurs' (Republic of Kenya, 1997:36). However challenges still remain that affects the growth of SACCOs for instance SACCOs offering FOSA service continue to face stiff competition from banks and micro-finance institutions; still a number of cooperative societies are highly indebted to banks and other financial institutions thus affecting the liquidity position in these organizations (MCDM, 2009).

## **2.2 Metropolitan Teachers Sacco:**

MTS society Ltd objective is to encourage thrift among the members by affording them an opportunity to accumulate savings and to create a source of funds at fair and reasonable interest rates for the improvement of member's economic and social conditions. It endeavors to provide quality financial services in conformity with the dynamic global trends. The SACCO witnessed tremendous growth in all respect since its inception, although it faces the following challenges: inadequate capital base, difficulty in implementation of policies and rules appeared a major setback as members are always resistant, their services are not competitively priced and competition from other financial institutions like micro-finance institutions and banks with better financial establishments (MTS, 2007). The MTS offers the following product.

### **2.2.1 Savings**

The types of savings offered by the MTS include: Ordinary savings-shares; the society strives to promote savings amongst its members and the minimum contribution is Kshs.1000 per month, Education savings; this product was initiated in February 1998; a total of Kshs. 5.9 million was paid, earning members interest of 4%. This was up from Kshs. 4.8 millions paid over the same period in 2007, Christmas savings scheme; the product was initiated in 1st November 1996. By December 2007, a total of Kshs. 13.1 million was paid out to members, earning an interest of 4 %. This was up from Kshs. 12.1 million in year 2006, Burial and Benevolent fund ; the product was initiated in October 1995 as cover for burial expenses for members, their spouses and maximum of 5 children. Monthly contribution is Kshs. 200 and Kshs. 100 for extra spouse. Benefits under the scheme are as follows; self contribution -Kshs. 20000; parent-Kshs. 15000; spouse Kshs.2000; child -Kshs. 1000. The BBF fund scheme is run by a special committee set for that purpose which consists of 3 members. Back home scheme; this is set for members as a saving for retirement.

### **2.2.2 Loans**

Five types of loan facilities are available to members. Normal loans; granted three times a member's savings. Maximum recovery period is 48 months at an interest of 1 % on reducing balance, School fees loans; Maximum is Kshs. 60000 recoverable within a calendar year (12 months) for secondary and primary school and Kshs. 120000 recoverable in 2 years (24 months) for college and Universities; interest is 12% flat rate, Emergency loan; Maximum is Kshs. 30000 for 10 months at an interest of 12% straight line, Instant loan; maximum limit is Kshs. 60000 recoverable in 6 months at an interest rate of 5% p.a. However, the limit also depends on the member's ability to repay such loans, Land purchase, housing and development; for individual or group of members. Terms are similar to those of a normal loan.

## **CHAPTER THREE: METHODOLOGY**

### **3.0 Introduction**

This chapter extensively describes the methodology that was followed in the execution of the study. Basically, it outlines the research design, the study population, sampling design and size, research instruments, and data analysis. The study focused on Metropolitan Teachers Sacco limited which its headquarters are located in Kiambu County.

### **3.1 Research design**

The research design used descriptive sample survey and the case studies which are both qualitative and quantitative .The qualitative design was also used to collect information from respondent on attitudes and opinions in relations to effects of savings and loans while quantitative design was used to collect numerical data.

### **3.2 The study population**

The population comprised over 1500 members of Metropolitan Teachers Sacco that was sub divided into 3 categories based on the job group namely: high income earners, medium income earners and low income earners. To ensure fair representation of these groups into the sample, accessible populations of 200 members were sought for the study.

### **3.3 Sample size and sampling design**

The study used simple random sampling for selecting the respondents for the method was convenient to the researcher basing on the time available. Purposive sampling was also used for selecting employees who are knowledgeable about the Metropolitan Teachers Sacco operations. A total of 400 respondents were sought for the study. This was to enable in gathering data on impact of savings and loans on employees.

### **3.4 Research instruments**

The research instruments that were used are questionnaires and desk review .The questionnaire was used due to its systematic presentation and its ability to collect variety of data from the respondents. Desk review was chosen because its help in gathering secondary data necessary in obtaining the information required.

#### **3.4.1 Questionnaire**

The study used one instrument for primary data collection: questionnaire, which was based on the objective of the study as per appendix I. This instrument was opted for owing to the fact that it is efficient in terms of cost and time in addition to posing standardized questions to all the respondents. The analysis employed purposive sampling technique that allowed the use of cases that had the required information with respect to the objective. The three categories of the job groups formed the basis of quota sampling and the objective was to include various groups or quotas of the population.

#### **3.4.2 Desk review**

Desk review was used to collect secondary data. Relevant documents of Metropolitan Teachers Sacco, brochures, reports, members' registers were examined. The aggregate figures of shares, ESS, Christmas saving scheme and loans from these sources were used to run regression analysis from which the impact of savings on loans was determined.

### **3.5 Data analysis**

All data collected was analyzed using Statistical Package for Social Sciences (SPSS) version 11.5. Secondary data collected was first coded and tabulated on the basis of objectives of the study. Statistical techniques used to analyze primary data from the questionnaires were, pie charts, frequencies, percentages and cross tabulation. Regression analysis was used to test the statistical

significance and linearity of the regression model. The degree of association between estimators was tested using correlation analysis.

## **CHAPTER FOUR: RESULTS AND DISCUSSIONS**

### **4.1 Introduction**

This section of the report synthesizes the quantitative and the qualitative data from questionnaires administered to the members of the MTS and secondary data obtained from the audited financial reports. The data is presented and analyzed through the key themes of the research, beginning with a descriptive overview of the population.

Importantly, the qualitative component of the study provides an insight on member's perception of the SACCO's services and administration. The main findings obtained with each one of the methods used will be presented as each illuminates specific dimensions of the issues studied.

The analysis of the results will assist in giving recommendations on how the SACCO can improve its efficiency while the quantitative data gives the impact of saving on loan disbursement. The target population stands at one thousand and five hundred members of MTS and is sub divided into 3 categories based on the job group namely: high, medium and low.

### **4.2 Presentation, analysis and interpretation of results are done under the following themes.**

#### **4.2.1 The impact of savings on loans.**

From the analysis of our model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \mu_t$$

Where:

Y= Amount of loan disbursed.

$\beta_0$ = loan disbursed irrespective of savings accumulated or other factors.

$X_1$ = Shares.

$X_2$ =Education saving scheme (ESS).

$X_3$ =Christmas saving scheme.

$\mu_t$  = error term.

Since the study focuses on the impact of savings on loans disbursement, other factors affecting loans disbursement such as interest rate, income and macroeconomic conditions are assumed to have minimal impact and are therefore aggregated in the error term. The hypotheses will be;

$H_0$ : There is linearity in the model.

$H_A$ : There is no linearity in the model.

$H_0: \beta_i = 0; \{i=0, 1, 2, 3\}$

$H_A: \beta_i \neq 0$

The result of the analysis of variance shows that there is no line -calculated is greater than the significant value

As in table 4.1 below where the F value falls in the acceptance region.

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2036241569 938087.000	3	678747189979362.0 00	2.692	.127(a)
	Residual	1765001325 745413.000	7	252143046535059.0 00		
	Total	3801242895 683500.000	10			

Table 4.1 Predictors: (Constant), Xmas, shares, ESS)

*Source: field findings*



The correlation analysis as shown in the table 4.1 indicates that:

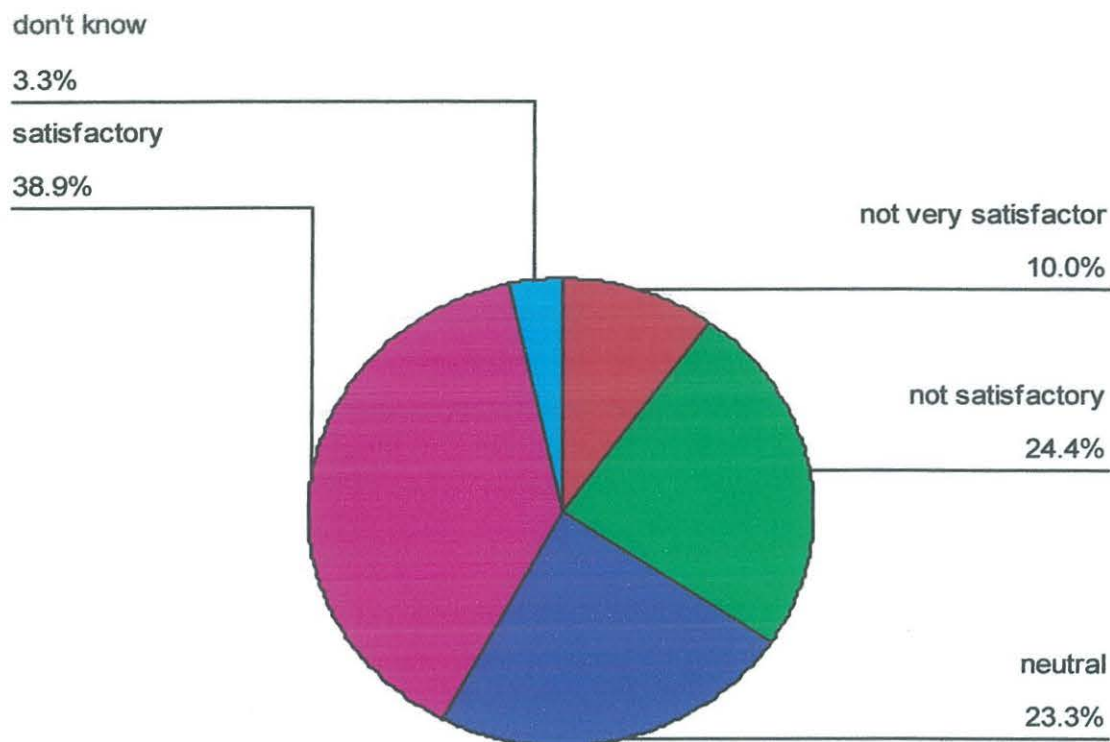
- There exists a weak negative correlation between loans and shares (i.e. - 0.069).
- There exists a weak correlation between loans and ESS (i.e. 0.246).
- There exists a weak correlation between loans and Christmas schemes (i.e. 0.421)

**Table 4.2: Correlation is significant at the 0.01 level (2-tailed).**

**Correlations**

		<b>LOAN</b>	<b>SHARES</b>	<b>ESS</b>	<b>XMASS</b>
LOAN	Pearson Correlation	1	-.069	.246	.421
	Sig. (2-tailed)	.	.841	.465	.197
	N	11	11	11	11
SHARES	Pearson Correlation	-.069	1	.856(**)	.760(**)
	Sig. (2-tailed)	.841	.	.001	.007
	N	11	11	11	11
ESS	Pearson Correlation	.246	.856(**)	1	.918(**)
	Sig. (2-tailed)	.465	.001	.	.000
	N	11	11	11	11
XMAS	Pearson Correlation	.421	.760(**)	.918(**)	1
	Sig. (2-tailed)	.197	.007	.000	.
	N	11	11	11	11

#### 4.2.2 The effectiveness of Sacco.



*Source: field findings*

Members sampled had varying perception on the services of the management as can be seen in the above pie chart .38.9% of the members are satisfied with the management while just a few percentage (10.0%) are not satisfied with the way management runs the Sacco. 2.3% of the members were undecided and could not give a concrete opinion about the same rate of services. The cross tabulation below shows the way people giving different opinion suggest the different ways of improving the services of the Sacco.

**Table 4.3 shows the rate of services and ways of improving Cross tabulation.**

	<b>Way of improving</b>				<b>Total</b>
<b>Rate of services</b>	<b>If change in management</b>	<b>If efficiency of employees</b>	<b>Others</b>	<b>Undecided</b>	
Not very satisfactory	6	0	1	2	9
	66.7%	.0%	11.1%	22.2%	100.0%
Not satisfactory	8	5	6	3	22
	36.4%	22.7%	27.3%	13.6%	100.0%
Neutral	7	9	5	0	21
	33.3%	42.9%	23.8%	.0%	100.0%
Satisfactory	14	12	6	3	35
	40.0%	34.3%	17.1%	8.6%	100.0%
Don't know	1	2	0	0	3
	33.3%	66.7%	.0%	.0%	100.0%

*Source: field findings*

### 4.2.3 Objectives of saving for different age groups

**Table 4.4 Age objective of saving Cross tabulation**

			Objective of saving			Total
			To get loan	For investment	Others	
Age	below 25 years	Count	5	2	0	7
		% within age	71.4%	28.6%	.0%	100.0%
	25-34 years	Count	7	27	0	34
		% within age	20.6%	79.4%	.0%	100.0%
	35-44 years	Count	17	13	5	35
		% within age	48.6%	37.1%	14.3%	100.0%
	45-54 years	Count	11	2	1	14
		% within age	78.6%	14.3%	7.1%	100.0%
Total		Count	40	44	6	90
		% within age	44.4%	48.9%	6.7%	100.0%

*Source: field findings*

The table shows that 71.4% of the members below the age group of 25 years save to get loans whereas 28.6% save for investment. On the other hand, 20.6 % of members in the 25-34 years age group save in order to get loans while 79.4% save for investment.

#### **4.2.4 Reasons for not getting the loans applied for.**

Among the members who did not get the loan applied for, 20% cited inadequate savings as the reason, whereas 53.3% gave varying reasons such as lack of guarantors, defaulting and discrimination on the basis of tribal affiliations. The remaining 26.7% were either undecided or could not give valid reasons.

**Table 4.5 Reasons for not getting the loan Cross tabulation**

			Reasons for not getting the loan			Total
			Inadequate saving	Others	Not applicable	
Got loan applied	No	Count	3	8	4	15
		% within got loan applied	20.0%	53.3%	26.7%	100.0%
	Yes	Count	9	19	41	69
		% within got loan applied	13.0%	27.5%	59.4%	100.0%
	missing	Count	0	6	0	6
		% within got loan applied	.0%	100.0%	.0%	100.0%
<b>Total</b>		Count	12	33	45	90
		% within got loan applied	13.3%	36.7%	50.0%	100.0%

*Source: field findings*

in general, tables 4.1 and 4.2 tries to explain how the borrowed loan is disbursed to various schemes such as education savings, Christmas savings, and other factors affecting loans disbursement such as interest rate, income and macroeconomic conditions and their measure of the degree of the strength of association between the variables. For example, there exists a weak negative correlation between loans and shares ( $-0.069$ ) these means that the two variables moves in opposite direction. Also there exist a weak correlation between loans and Christmas schemes ( $0.421$ ) these means that the two variables changes in the same direction.

In table 4. 3 it shows the rate of services and ways of improving them. Most of the members are satisfied with the services provided (3 8.9%) while just a few w percentage (10%) are not satisfied with the ser vices provided. there are different opinions provided by the members suggesting the different ways of improving the services of the SACCO. Most members who are not very satisfied with the services(66.7%) suggest that change in management can help in improving the service while those who don't know(66.7%) and those who are neutral (42.9%) suggest that efficiency of employees can help in improving the rates of services provided.

In table 4.4 it shows the various objectives of savings for different age groups. Most members below the age group of 25 years save to get loans as most of them are interested in paying school fees and money for their own upkeep. Whereas those between 25–34 years save for investment as most of them are interested in starting up businesses and increasing their stocks.

In table 4.5 it shows the various reasons for not getting the loans applied for, among the members who did not get loan 20% cited inadequate savings as the

reasons, whereas 53% gave varying reasons such as lack of guarantors, defaulting and discrimination on the basis of tribal affiliations. The remaining 26.7% were either undecided or could not give valid reasons.



## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.0 Introduction**

This chapter sets out to discuss the summary of findings, draw conclusions and make recommendations to all those involved in the SACCOs.

### **5.1 Summary of findings**

The main objective of the study was to establish the impact of saving accumulated on the amount of loans disbursed to members of the SACCO. From the results of regression analysis, the resultant model has statistically significant estimators. However, the Analysis Of Variance (ANOVA) shows that the estimated regression model has poor predictive power owing to the lack of linearity in the model. This is because the value of  $f$ -calculated is greater than the significant value and therefore falls in the rejection region.

Majority of the members feel the services of the SACCO are effective whereas only a few think that it is not effective. 38.7% rates the services to be satisfactory, 10% not very satisfactory, 24.4% not satisfactory and 23.3% neutral. 3.3% were undecided while none of the members rated the services as very satisfactory. From table 4.3, of those not satisfied with the services, 36.4% propose improvement on the side of the management and 22.7% are of the opinion that the efficiency of the employees should be enhanced. Majority of the members save in to get loans from the SACCO. The only exception is members of age group 24-34 years. 79.4% of these members save with an objective of investing whereas 24.6 in order to benefit from borrowing of loans.

## **5.2 Conclusion**

The amount of loans disbursed is independent of accumulated savings and therefore cannot be determined from the saving accumulation at any particular period. However, for one to qualify for a loan he or she has to have some savings in the SACCO. Though the majority of the members are satisfied with the services of the SACCO, they still believe that the services can be improved through more transparency and accountability of management as well as employing more competent staff.

## **5.3 Recommendation**

Since the majority of the members are between the age group of 35 and 44 years, the SACCO should endeavor to attract the young population (i.e. below 35 years), by customizing their services to meet the needs of this age group.

Since the majority of the members of the Sacco feel its effectiveness can be achieved by addressing management issues, this can be achieved by recruiting competent staff in a transparent manner and providing a mechanism by which members can vet their performance periodically.

The SACCO should treat all their members equally regardless of their tribes and economic class and also provide avenues for airing out their suggestions and grievances.

There is an un-tapped potential for savings mobilization in the rural areas. The SACCO can use this opportunity to diversify its funding source of the loan portfolio by mobilizing substantial rural savings.

Effective (but not restrictive) regulatory and supervisory systems and depositor protection arrangements should be in place to provide security for introduction of large scale savings mobilization schemes.

The government, those involved in SACCOs and the overall cooperative movement promoters should educate people to learn to borrow only when it is extremely necessary, this is because borrowing for the sake of it, may lead to misuse of funds leading to draining of the-would-have-been saved resource.

Some of the factors that affect savings mobilization are outside the control of the SACCOs. For instance, lower government spending on education and escalating inflation has tended to 'squeeze' household savings because these constitute a large proportion of their expenditure. The government should therefore endeavor to address this as it affects saving habit of people.

Trainings on saving in totality are a vital strategy to improve saving culture in SACCOs. Equally important is acknowledgment of regular, best savers and loan non-defaulters in form of certificates and other rewards.

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**APPENDICES: APPENDIX I QUESTIONNAIRE**

**TOPIC: The impact of savings on loan: a case study of Metropolitan Teachers SACCO Limited.**

**PART A**

(Tick or write your answers in full where applicable)

1 Gender:

Male ☐

Female ☐

2. Age: Below 25years ☐ 25 to 34years ☐ 35 to 44years ☐ 45 to 54years ☐  
above 54 years ☐

3. When did you join the SACCO .....

4. Were you saving before you joined the SACCO?-

Yes ☐

No ☐

5. If yes, how were you saving?

a) with friends, relatives ☐

b) Save with bank. ☐

c) Save with informal groups ☐

d) Micro finance institutions ☐

e) Sacco ☐

f) Others (specify).....

6. In which forms did you save?

a) Real estate's; ☐

b) Domestic animals ☐

c) Land, ☐

d) Cash at bank, or at home. ☐

7. Why were you saving?

- a) Means of insurance (emergency-burial, medical) ☐
- b) Smoothens cash flow ☐
- c) Accumulation of wealth ☐
- d) Save for future investment and consumption ☐
- e) Meet social and religious obligations ☐
- f) Education ☐
- g) Expand business ☐
- h) Next of kin ☐
- i) Others (specify).....

8. How often do you save with Metropolitan Teachers SACCO?

Fortnight ☐ Monthly ☐ Others (specify).....

9. Why do you save with the Metropolitan Teachers SACCO?

- a) To get loans ☐
- b) For investment ☐
- c) Others.....

10. What kind of saving vehicle?

Education savings ☐ Christmas saving scheme ☐ Burial and benevolent fund ☐ Back homes ☐

11. Have you got a loan? Yes ☐ No ☐

12. If Yes in (11) above what type of loan did you go for?

- a) Normal loans ☐
- b) School fees loan ☐
- c) Emergency loan ☐
- d) Instant loan ☐

e) Land purchase housing and development ☐

f) Others

specify.....

11. Did you get the full amount applied for?

Yes ☐

No ☐

12. If No,

i) What were the reasons for not getting the full amount?

a) Inadequate saving ☐

b) Lack of guarantor ☐

c) Defaultment of previous loan ☐

d) Others (specify).....

ii) Did you seek the loan from other financial institution?

Yes ☐

No ☐

## PART B

1. How do you rate the services of the management?

a) Very satisfactory ☐

b) Satisfactory ☐

c) Least satisfactory ☐

d) Undecided ☐

2. What are the reasons for your answer above

.....

.....



3. What do you think can be done to improve the efficiency of the SACCO?

.....

.....

4. Do you think the SACCO is run democratically? Comment.

.....

.....

**Thank You For Your Cooperation**

**APPENDIX II: BUDGET ESTIMATE**

<b>ITEMS</b>	<b>COST USH</b>
STATIONERY	20,000
RESEARCH,INTERNET AND OTHER MATERIALS	60,000
TRANSPORT CHARGES	100,000
MISCELLANEOUS EXPENSES	80,000
<b>TOTAL</b>	<b>260,000</b>

### **APPENDIX III: TIME SCHEDULE**

<b>Activities</b>	<b>Months/years</b>
Research proposal writing and sub-mission	April- June 2011
Data collection and analysis	July-August 2011
Dissertation writing	September -October 2011
Sub-mission of dissertation	November 2011