

**FACTORS INFLUENCING CHOICE OF LOAN PACKAGES BY SACCO
MEMBERS IN KAKAMEGA CENTRAL SUB-COUNTY, KENYA.**

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**A Thesis Submitted in Partial fulfillment of the Requirements for the Award of
the Degree of Master of Business Administration (Finance option) of
Masinde Muliro University of Science and Technology**

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DECLARATION

This thesis is my original work and has not been submitted for a degree in any other University.

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DEDICATION

This work is dedicated with love to my husband Laban and our four sons Edgar, Ron, Joshua and Shammah for bearing with me while away finishing this thesis. May you draw inspiration from this work.

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ABSTRACT

Globally Co-operative Societies are important vehicles for economic growth and development and they enhance welfare of their members. Most members have challenges in accessing certain loans despite the fact that they have accumulated large deposits in the SACCOs. Moreover there is dearth of information concerning the factors influencing the choice of loan packages by SACCO members. The purpose of this study was to analyze the factors influencing the choice of loan packages by SACCO members in Kakamega Central SubCounty, Kenya. The specific objectives of the study were to: establish the influence of interest rates on the choice of loan packages by SACCO members; examine the extent to which repayment period influence the choice of loan packages; analyse the extent to which loan regulations influence the choice of loan packages and assess the effect of member factors on the relationship between Sacco factors and loan packages in SACCOs. The study was based on Agency, Financial and Stewardship theories. Descriptive research design was adopted for the study. The primary data used for analysis is based principally, on a stratified random sample of 374 respondents out of a population of 9758 SACCO members in Kakamega Central SubCounty. The data for the study was collected using questionnaires interviews and document analysis. Expert judgment was employed to determine the validity while cronchbach Alpha coefficient was used to determine reliability of research instruments. Validity was ensured by getting both descriptive and Inferential statistics were used to analyse data. The study results revealed that interest rates influence the choice of loan packages. ($R^2 = 0.305, P < 0.05$). The study also revealed that repayment period influence the choice of loan packages ($R^2 = 0.232, P < 0.05$). Further the regression results show that loan regulations and policies influence the choice of loan packages ($R^2 = 0.215, P < 0.05$). Moderation testing shows that the effect of member factors on the relationship between Sacco factors and loan packages by SACCOs in Kakamega Central Sub County was positive and statistically significant ($p < 0.05$). The study recommends that the SACCO management should be keen on interest rates, repayment period and loan regulation policies applied to loan facilities.

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ACRONYMS AND ABBREVIATIONS

SACCO	-	Savings and Credit Co-operatives Societies
MMUST	-	Masinde Muliro University of Science and Technology
CBK	-	Central Bank of Kenya
DTS	-	Deposit Taking SACCO
KUSCCO	-	Kenya Union of Savings and Credit Co-operatives
FOSA	-	Front Office Savings Activity
BOSA	-	Back Office Savings Activity
KERUSSU	-	Kenya Rural Union of Savings and Credit Cooperatives
SASRA	-	SACCO Societies Regulatory Authority
WEAP	-	Western empowerment advocacy program
CBK	-	Central Bank of Kenya
IG	-	Invest and Grow SACCO Ltd

OPERATIONAL DEFINITIONS

Collateral: For the purpose of this study collateral refers to security of the loan

Contextual factors: For the purpose of this study any situations, forces or circumstances that may exist within or outside a firm that influence its operations.

Credit Assessment: For the purpose of this study credit assessment is the process of determining the probability that a potential borrower can and will fulfill the obligations of a loan agreement or other debt claim. Credit includes loans in form of money, mortgages and household items.

Credit History: For the purpose of this study refers to Past payment behavior in honoring payment obligations.

Credit Policy: For the purpose of this study, this embraces all factors that are formulated, approved and used to appraise credit allocation and includes; lending policy, credit standard policy, credit term policy and collection policy.

Credit Risk Management: For the purpose of this study credit risk management and controls it has in place to ensure the efficient collection of customer payments and minimize the risk of non-payment.

Default: For the purpose of this study Failure by a borrower to honor payment obligations.

Financial institutions: For the purpose of this study financial institutions are a body corporate or other body of persons, carrying on, Whether on

their own behalf or as agent for another, financial business within the meaning of the Banking Act, whether in Kenya or elsewhere.

Loan packages: For the purpose of this study loan product a general term that describes any credit facility that is offered as a facility to the borrowers by the lending SACCO.

Performance of firms: For the purpose of this study subjective measure of how well a firm can use assets from its primary mode of business and generate revenue It can also refer to a general measure of a firms overall financial health over a given period of time.

Regulations - For the purpose of this study rules made by government through SACCO Societies Regulatory Authority in order to control the deposit-taking SACCOs conduct business.

Risk: For the purpose of this study Exposure to change or the probability that some future events will occur making the expected and actual outcome to differ.

Return on assets: For the purpose of this study return on assets is an indicator of how profitable a company is relative to its total assets.

Return on equity: For the purpose of this study return on equity is the amount of net income returned as a percentage of shareholders equity.

Share price: For the purpose of this study share price is the price of a single share of a number of saleable stocks, or derivatives of a company.

CHAPTER ONE: INTRODUCTION

1.1 Background to the Study

The cooperative history dates back to 1852 when Herman Frank consolidated two pilot projects in Germany into credit unions. In 1864 another Germany, Raiffeisen founded the first rural credit union in rural Germany to cater for the needs of the rural poor. The rural communities were considered unbankable because of very small, seasonal flows of cash and very limited human resources, (WOCCU, 2008). Since then, there has been a rapid growth in the cooperative movement worldwide based on the organizational methods of Raiffeisen.

1.1.1 Global Perspective

Globally, Savings and Credit Co-operative Society (SACCOs) system encompasses a mutual membership organization involving pooling voluntary savings together from cooperators in form of shares. SACCOs are user-owned institutions with savings accumulated to act as SACCOs' wealth. The shareholders share a common bond based on a common area of interest or purpose, namely; their geographical area, employment, community or any other affiliation. The principal services of SACCOs include savings and credit but other services such as money transfers, payment services, insurance and member development are also offered (Maina, 2007). Indeed, in the words of (Branch, 2005), SACCO societies are playing a very key role on savings mobilization for the benefit of the members. The prime concern of a SACCO Society is to build the financial strength that would ensure continued service to members. Apparently, the SACCOs' wealth needs to be well-managed for the achievement of the SACCOs' objectives. In fact, the concern of this study was that

the growth of SACCOs' wealth is grounded on financial stewardship (decision-making aspect), capital structure and funds allocation strategy.

Savings and credit societies are known as credit unions in Canada and other parts of the world and thrifts in United States and the United Kingdom. They differ from other financial institutions in that members who have accounts in the SACCOs are the owners of the SACCOs and they elect their board of directors in a democratic manner in that one person one vote system applies regardless of the amount of money invested in the SACCO. SACCOs perform three major functions for their members and for general economic development of the country. These functions include; collecting savings from its members, giving loans to its members and giving financial and non-financial advice to its members (Branch, 2005).

1.1.2 Regional Perspective

SACCOs in Africa are intended to offer an alternative to improving the desirable situation in low income countries. SACCOs are community membership based financial institutions that are formed and owned by their members in promotion of their members economic interests. It can also contribute favorably to Human Integrated Development, (Were, 2009).

Cooperative strategies are Customer Relationship Management, Education and Training, Information Technology, Regulatory Frame work, Monitoring, evaluation and Mentorship, Developing a savings culture, Promoting of a savings mobilization culture, Change of attitude and dependence syndrome, Funding of unviable cooperatives, Adequate institutional support structure and Capacity building in the cooperative movement; Customer Relationship Management is the philosophy, policy and coordinating strategy connecting different players within and to coordinate their efforts in creating an overall valuable series of experiences, products and services for

the customers. In today's business environment with tight margins and fierce competition, the customer experience is what determines whether a company will be successful. Due to this realization, SACCOs must embrace the customer relationship focused culture to gain a competitive edge.

In Uganda, SACCOs are not governed by dedicated legislation. They operate under a variety of legal regimes, including the Cooperatives, Companies, and NGO Acts adding that some of regulators like the MTTI are widely acknowledged to lack the capacity to supervise the over 1400 SACCOs registered. Were,(2009) says that the current financial sector regulatory framework provides for tier one to tier three institutions leaving out SACCOs which are vital in provision of financial services to low income people but whose activities, unless regulated, could also disrupt people's economic lives adding that absence of clear regulation for SACCOs has resulted into huge losses to the poor who use these institutions to cumulatively build their savings and access credit for future investments.

1.1.3 Local Perspective

The earliest co-operative was established by white settlers in 1908 at Kipkelion in Kenya. It was registered under the companies' ordinance and was geared towards dispensing dairy and agricultural support for white settlers. Since then regulatory reforms have been instituted to help streamline the SACCO operations for maximum returns for members. However, SACCO movement in Kenya has faced a number of challenges that need to be addressed in order to enable it to improve on: soundness and stability, effective effectiveness and efficiency, corporate governance, product diversity and competition as well as integration to formal financial system. In Kenya SACCOS contribute 45% of the country's GDP and to date the sub sector has

effectively mobilized over Kshs. 200 billion deposits and assets totaling to Ksh210 billion.. These enormous resources should give SACCOs a basis to compete in a liberalized environment (Republic of Kenya, 2008).

Wanyama (2009) says that the new economic environment that Africa experienced in the 1990s propelled Kenya to devise new policies and regulations in 1997 in order to liberalize co-operatives. SACCOs were generally controlled by the government before liberalization in 1997. In the legislation the co-operative societies Act of 2004 guides the formation and management of co-operatives in Kenya. Nevertheless, the SACCOs in Kenya are confronted by myriads challenges that include poor record keeping, loan backlogs, high illiteracy level among the SACCO members, audit arrears, managerial deficiency, inadequate capital and heavy taxation. A study by WOCCU (2008) revealed that SACCOs are facing severe liquidity problems and majorities are unable to meet the demands of their clients for loans and withdrawal of savings. Managerial skills and knowledge have adversely affected SACCO's in Kenya.

The Savings and Credit Co-operative Societies (SACCOs) system encompasses a mutual membership organization involving pooling voluntary savings together from cooperators in form of shares. SACCOs are user-owned institutions with savings accumulated to act as SACCOs' wealth. The shareholders share a common bond based on a common area of interest or purpose, namely; their geographical area, employment, community or any other affiliation. The principal services of SACCOs include savings and credit but other services such as money transfers, payment services, insurance and member development are also offered (Maina, 2007).

Branch (2005), note that SACCO societies are playing a very key role on savings mobilization for the benefit of the members. The prime concern of a SACCO Society is to build the financial strength that would ensure continued service to members.

Apparently, the SACCOs' wealth needs to be well-managed for the achievement of the SACCOs' objectives. In fact, the concern of this study was that the growth of SACCOs' wealth is grounded on financial stewardship (decision-making aspect), capital structure and funds allocation strategy.

The SACCO sub-sector is part of the larger cooperative movement in Kenya. There are two broad categories of co-operatives: Financial co-operatives (Savings & Credit Co-operative Societies (SACCOs) and Non-financial co-operatives (includes farm produce and other commodities marketing co-operatives, housing, transport and investment co-operatives). In the recent past Savings and Credit Co-operatives (SACCOs) have witnessed faster growth than other co-operatives. The establishment of SACCO Societies Act 2008 places the licensing, supervision and regulation of deposit taking under the aegis of the SACCO Societies Regulatory Authority (SASRA). Through this new legal framework, prudential regulations have been introduced to guide SACCO's growth and development. The Cooperative Societies Act has governed all SACCOs and their apex structure since 1966 with several amendments. Recognizing the difficulty of supervising the operations of the SACCOs under the Co-operative Societies Act, given the dynamism in their operations, the government enacted the SACCO Societies Act 2008, which established the SACCO Society Regulatory Authority (SASRA) to license, regulate, supervise and promote SACCO societies development in (Republic of Kenya, 2010).

A SACCO's membership is open to all that belong to a group regardless of race, religion colour, creed, and gender or job status. These members agree to save their money together in the SACCO and to make loans to one another at reasonable rates of interest is charged to cover the cost of saving and cost of administration. The members are owners and the members will decide how their money will be used for

the benefit of one another. SACCOs also pay dividends depending on the number of shares one has and the profits made during the trading year (Mudibo, 2005).

Before the 1990's, only employer – based SACCOs were operational in the country with employment as the common bond. This system locked out a large number of people who were self-employed. An amendment to the Act recognized the possibility of forming a SACCO on a base other than employment. This development ushered in a new category, referred to as rural SACCOs. Their activities derive from agricultural produce being marketed through an organized system such as marketing cooperative societies. The reforms also ushered in the formation of SACCOs among informal sector operators engaged in public transport, textiles and commerce. Informal sector SACCOs are referred to as “rural” and employer – based SACCOs are referred to as “urban” (MOCD, 2013).

Savings and credit cooperative societies (SACCOs) are registered and regulated under the Co-operative Societies Act. SACCOs are accorded the same treatment as producer or marketing cooperatives, and to qualify for registration they are not required to raise any capital. Also, a SACCO needs no license to commence trading, whether offering back-office or front office services (banking services). Once registered, the SACCO has to operate according to the following aspects of prudential management of societies as provided for in the Act (Republic of Kenya, 2010).

The deposits are non-withdrawable in that they may be used as collaterals for loans only and can only be refunded upon the member's withdrawal. (SASRA, 2014). The Deposit Taking SACCO's (DTS) besides the basic savings and credit products, also provide basic, banking“ services (demand deposits, payments services and channels such as quasi banking services commonly known as ATMs), asserts that the success

of the cooperative movement in Ghana has been widely replicated throughout the African continent . FOSA and are licensed and supervised under the SACCO Societies Act of, 2008. The general trend is that SACCO's start as non-deposit taking SACCO business and grow to deposit taking SACCO businesses (Obure et al, 2015). The government through the ministry of Cooperative Development has set up By-laws to guide societies formulate policies to guide their operations. This is the reason why the government has been keen on ensuring SACCOs are run professionally by setting up the SACCO Regulatory Authority (SASRA), (Republic of Kenya, 2008). The SACCO Societies Act (2008) states that, a SACCO Society shall not carry out deposit-taking business without a valid license from SACCO Societies Regulatory Authority (SASRA). The new legal framework, comprising of the SACCO Societies Act of 2008, and the SACCO.

Societies (Deposit-taking SACCO Business) Regulations of 2010, currently applies to SACCO societies that conduct deposit-taking business as defined in the law (EUSS, 2012). The new law applies only to SACCOs that provide banking services, (FOSA) or those that wish to offer these services in the future. These are SACCOs which accept deposits from members on a day-to-day basis. The Act specifies the requirements documents that a SACCO intending to be licensed for deposit taking business should forward to SASRA. These requirements include application form, "fit and proper test", SACCO's registration certificate under the Cooperative Societies Act of 1997, notification of the SACCO's head office and a three-year business plan and feasibility study (SSA, 2008). Further the SACCO should submit extract of minutes of the general meeting resolution authorizing application for deposit-taking license, the name of the proposed chief executive officer, financial statements for the

preceding three years, evidence that the SACCO has adequate capital and application fee.

(Nyagah, 2012). On the issue of interest rates and collateral the banks also support the view that high interest rates credit can help to keep away the influential non target group from a targeted credit programme. This further demonstrates the need to develop appropriate institutions for small scale borrowers thus making the SACCOs very essential (Ngaira, 2008).

Notably SACCOs are able to advance loans at interest rates lower than those charged by other financial providers. In addition SACCOs have the ability and opportunity to reach clients in areas that are unattractive to banks and other financial institutions such rural and poor areas (Khalayi et al, 2014). Co-operative lending requires little collateral. It is based on character references and co-signing for loans between members although nowadays they also require substantial collateral security (Ahimbisiwe, 2007).

Chambo *et al* (2010) examined that to attract the savings; SACCOs offer attractive savings while promising affordable interest on borrowing. SACCOs offer a range of products for instance the loan products which cater for the diverse needs of the members while also generating sufficient revenue for their operations. The products are differentiated using loan policies to support differential interest rates.

SACCOs, like other many business entities in Kenya, are faced with challenges in their quest towards survival and growth. These challenges can be categorized into internal and external challenges deficiency in contemporary skills Leadership and governance problems, inadequacy of resources, insufficient technological development Quality service demand HIV/AIDS. External challenges include competition Economic liberalization and regulation of business Price decontrol

competition for scarce resources, Competition from commercial banks, Political Government Changes in Co-operative Legislation, Changes in investment policies New lobbying systems/approaches Technological, (Ademba, 2011).

1.2 Statement of the Research Problem

Globally Co-operative Societies are important vehicles for economic growth and development and they enhance welfare of their members. Kenya's vision 2030 recognizes Cooperatives as key players in the realization of national development strategy. SACCOs are therefore keys in mobilization of the savings, investment resources, wealth and employment creation (Nyaga, 2010). Most members have challenges accessing loans despite the fact that they have accumulated huge sums of deposits, because they are unable to service the loan and the repayment period stipulated by the SACCO is short., They require guarantors so as to secure the loans.,The loans take a long time to be disbursed due to elaborate procedures to be followed.

Khalayi, *et al* (2014) carried out a comparative study of the Effects of Interest Rates on deposit Mobilization among SACCO members in Kakamega County. The study found out that interest rates affect the growth of SACCOs deposit positively but negligibly. Olando *et al* (2013), researched on contribution of SACCO financial stewardship in Kenya where he found out that the growth of SACCOs wealth depended on loan management, institutional strengths and innovativeness of the SACCO products.. In a study, Njeru *et al* (2015), researched on the effect of loan repayment on financial performance on deposit taking SACCOs in the Mt Kenya region. The researcher concluded that there was need for the regulator to introduce accredit policy for the sector to help in controlling credit risks among SACCO section to reduce on credit exposure on guarantors. Several studies have been conducted on

effect of interest rates on deposit mobilization, contribution of financial stewardship, and loan repayment on financial performance but did not focus on factors that influence choice of loan packages hence the gap which the research sort to find out by investigating the factors that influence choice of loan packages by SACCO members in Kakamega Central Subcounty Kenya.

1.3 Purpose of the Study

The purpose of this study was to analyze the factors influencing the choice of loan packages by SACCOs members in Kakamega Central Sub County, Kenya.

1.4 Research Objectives

The Specific objectives of the study were to:

- i) Establish the influence of interest rate on the choice of loan packages by SACCOs in Kakamega Central Sub County.
- ii) Examine the extent to which repayment period influence the choice of loan packages in Kakamega Central Sub County.
- iii) Analyse the extent to which loan regulation policies affect the choice of loan packages in Kakamega County.
- iv) Assess the effect of member factors on the relationship between SACCO factors and loan packages by SACCOs in Kakamega Central Sub County.

1.5 Research Hypotheses

The study tested the following null hypotheses:-

H₀₁: There is no statistically significant relationship between interest rate and the choice of loan packages by SACCO members in Kakamega Central Sub County.

H₀₂: The relationship between repayment period and choice of loan packages in Kakamega Central Sub County is not statistically significant.

H₀₃: The relationship between repayment period and choice of loan packages in Kakamega Central Sub County is not statistically significant.

H₀₄: Members factors do not have statistically significant moderating effect on the relationship between SACCO factors and loan packages by SACCOs in Kakamega Central Sub County.

1.6 Significance of the Study

The findings of this study will be of particular importance and benefit to various stakeholders; regulators, SACCOs, investors (members), scholars and stakeholders across the world.

1.6.1 Regulators

The findings from the study will be used by various regulators in different jurisdictions to improve on their financial distress management approaches and create additional prudential guidelines and policies. These measures will help to avoid unnecessary declines, bursts in financial performance of commercial banks and unnecessary receivership of banks. Central banks as a regulatory body will understand the importance of adjusting their regulations actively and pre-emptively to offset incipient inflationary or deflationary pressures. The regulations will help to put financial distress effect to manageable levels and this can also help to avoid unnecessary bank runs by investors in the banking industry.

1.6.2 Savings and Credit Co-operative Societies:

The findings of this study will assist the banks to monitor the key financial distress factors and understand; the extent to which financial distress factors can affect financial performance of commercial banks. Commercial banks will easily determine

the necessity of seriously taking into account the various market trends as far as financial distress factors are concerned in order to remain competitive in the world. To also help banks in understanding better the financial distress factors' relationship with financial performance and the courses towards the same. Further, to identify measures that can be put in place to boost financial performance of SACCOs.

1.6.3 Investors/customers/ Members

Information acquired from this study will help the investors and customers understand key financial factors that influence choice of loan packages by the members of the SACCOs to improve on the performance of their institution.

1.6.4 Scholars:

This study sought to fill the gap that existed in the literature concerning factors influencing choice of loan packages by SACCO members in Kakamega Central Sub County, Kenya. The findings add to the already existing body of knowledge in the field of financial management of SACCOs. In addition, the study provides opportunities for further research in the area of financial performance of SACCOs in Kenya and beyond.

1.6.5 Policy makers:

The information acquired from this study will be useful to policy-makers in the SACCOs especially directors and top managers to strengthen policy considerations and regulatory framework. Such policy improvement and regulations may come in handy in ensuring better financial performances in SACCOs. As a result this will improve the management of SACCOs and financial performance and also improve the investor's attitude.

1.7 Scope of the Study

The study covered factors influencing choice of loan packages by SACCO members in Kakamega Central Sub-County, Kenya. The study focused on internal factors that were prerequisites to successful choice of loan packages namely SACCO interest rates, repayment period and loan policies and regulations. SACCO interest rate covered rate of return, return on capital and discount rate. Repayment period included repayment ability and repayment time. Loan policies and regulations included personal liability and Fosa policies. The dependent variable was limited to loan packages which included Bosa and Fosa loan packages. The study sort to establish the moderating effect of member factors on the relationship between SACCO factors and loan packages. The study reviewed SACCOs that were in existence in Kakamega County between 2011 and 2016 due to availability of financial books of accounts that were used in the study. The study was carried out from the month of October 2017 to January 2018. The target population of this study was the members in all SACCOs within Kakamega Central Sub County. The study utilized descriptive survey design to obtain information about the current status of phenomena and to answer questions.

1.8 Limitations of Study

The study experienced challenges in terms of accessing the respondents due to diversity of the SACCOs. However this limitation was overcome by the research assistants talking to the SACCO directors in assisting the get the members. Secondly, the respondents did not trust the researcher and thus hide information crucial for the study from the researcher. To overcome this limitation, researcher assured them that the information would only be confidential and would not be released to competitors. In addition, some managers and their assistants felt that the results were not going to

be beneficial to them and therefore, filling the questionnaire was a waste of time. The researcher created a rapport with them to make them appreciate the value of the study.

1.9 The Conceptual Framework

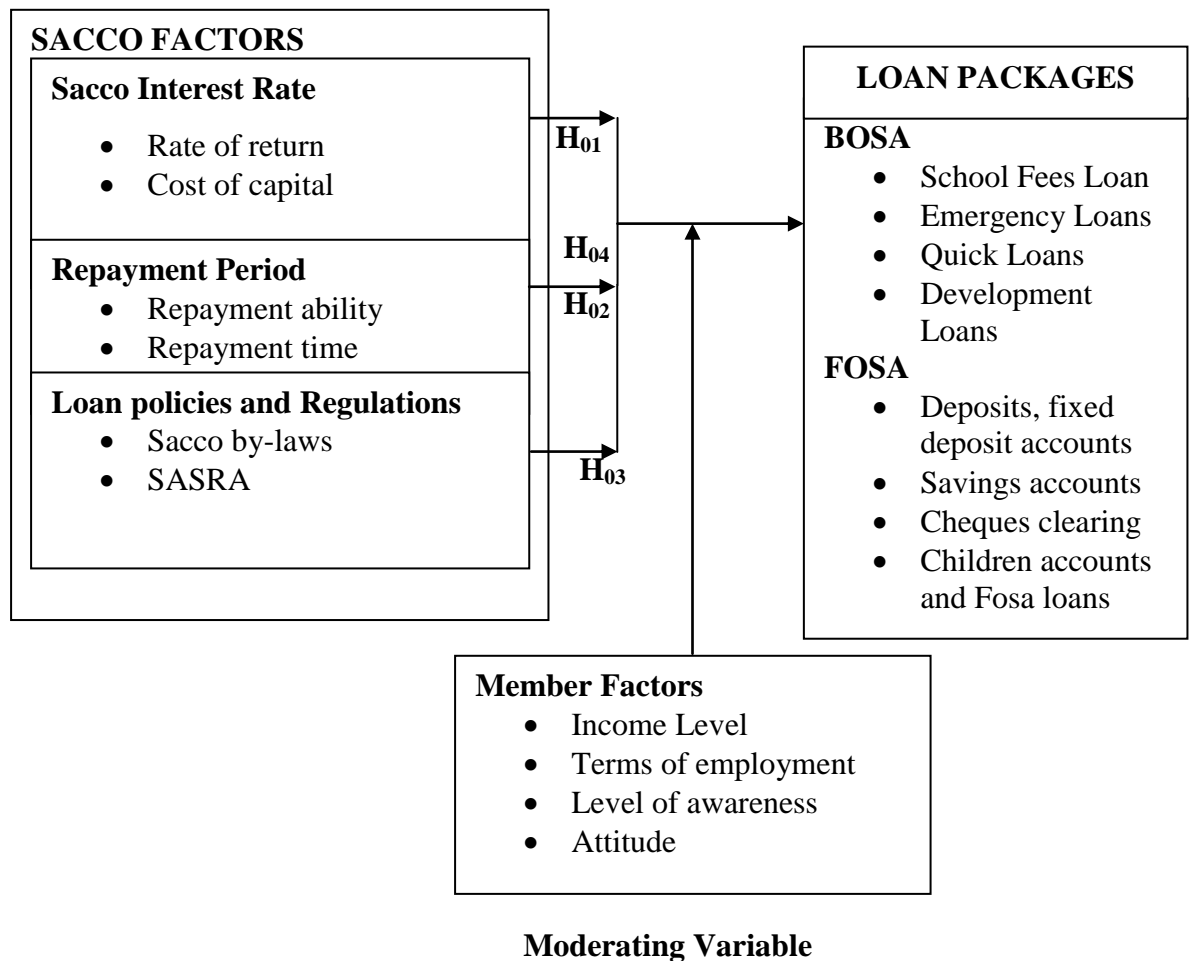
Figure 1.1 shows the presumed relationship that exists between the study variables. SACCO factors are the independent variable while the dependent variable is loan packages of SACCOs. The members' factors are the members' specific factors that are considered as moderating factors between the independent and dependent variable.

The independent Variables were SACCO factors whose constructs were SACCO interest rate, repayment period and loan policies and procedures. The moderating variable of the study was member factors. On the other hand, the dependent variable was loan packages whose constructs were BOSA and FOSA loans. The arrow was pointing at the direction of the effect. Figure 1.1 shows the conceptual Framework.

Figure 1.1 Conceptual Framework

Independent Variable

Dependent Variable



Source: Self Conceptualization (2017)

1.10 SACCO Factors and Choice of Loan Packages

The independent variable was SACCO Factors which was composed of SACCO interest rate, repayment period and loan policies and procedures. SACCO interest rate was measured in terms of rate of return, cost of capital and discount rate. Repayment period was measured in terms of repayment ability and repayment time while loan policies and regulations was measured in terms of personal liability and Fosa policies. The moderating variable was member factors which constituted income level, terms of employment, level of awareness and attitude while the dependent variable was loan

packages which included BOSA and FOSA. Under BOSA loan package we had school fees loans, emergency loans, Quick loans and development loans. FOSA loan package we had deposit and savings accounts, cheque clearing, children accounts and Fosa loans.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter reviews pertinent literature related to this study. Specifically, the following are addressed: theoretical literature, empirical studies, the factors influencing the choice of loan packages, member factors, loan packages relationship between SACCO factors and loan packages and summary of research gaps.

2.2 Theoretical Literature

The following theories have been adopted in guiding the study variables.

2.2.1 Agency theory

Agency theory examines the relationship between various levels of management such as managers and board of directors. The nature of their relationship is that one party; the principle, assigns decision-making authority to another party; the agent. Agency theory is important because it plays a crucial role during the company decision-making process, as it determines the extent to which the principal and the agent will be involved. The board of directors is charged with appointing managers. Therefore, the directors are the principals and the managers the agents. Therefore, managers are supposed to act on behalf of the Board of directors, but due to a conflict of interest, this is not always the case (Dutta & Reichelstein, 1999).

The expansion and growth of the company gives the managers a larger sphere of influence, greater job security and more influence over the board of directors, who they may control in order to award themselves higher salaries, increase their job tenure and making decisions that put the shareholder's wealth at great risk (Kulkarni, 1988). The agency theory can be used in setting the mission and goals of the

organizations, the goals of the board of directors should be aligned to the goals of the top managers in order to prevent a situation where their goals are mismatched and thus, the shareholders suffer due to their lack of cohesive goal setting. The agency theory can also act as a guide for decision making, it enables the top management and board of director decide on issues such as the correct capital structure, investment portfolio and asset mix, that will maximize the shareholder's wealth(Harrell & Harrison,1998). Agency theory reduces the SACCO Society to two participants; steward, and the shareholders (Clarke, 2004). According to the theory, shareholders expect the stewards to act and make financial decisions in the interest of the shareholders. This theory provides a separation of ownership and control.

Bhimani, (2008) says Agents develop policies e.g. loans policy which may determine interest rates taxed and amount s advanced. However the principles may not be positive of some of the policies like high interest rates which determine uptake of loans. The loan portfolio is determined by different loans or packages advanced to members who consequently determine the dividends and interests accruing to the members at the end of each financial year if any. Performance of the SACCO based on loans taken and repayment will interest the principles who are the members of the SACCO. The theory is relevant to the current study because it deals with the board of directors and managers who develop policies such as the repayment period and the interest rates and other regulations which members have to adhere to. However this theory is criticized as it concentrates on profit maximization and does not consider the interest of the shareholders.it also does not specify how managers or directors will compare the competing interests of stakeholders.

2.2.2 The Financial Stewardship Theory

The Financial Stewardship Theory sets the SACCOs' objectives as value maximization which is complemented by the SACCOs' vision. Key among these theories is the stakeholder theory which says that corporate decisions should consider the interest of shareholders.

Sundaramstukel,(2006) however, the theory is not a legitimate contender of value maximization(Jensen, 2001).Views of members should be considered for incorporation in the policies. Terms of income retention, type of investment, financing sources, and the by-laws clauses such as restrictive bond clause, requires members input because they are the subsequent consumers of the packages of a SACCO. Or they bear the cost of such decisions for example financing decisions. The theory was useful to the study because in loaning the SACCO focuses on profit maximization by ensuring that they have a variety of loans which members can access and ensure they get maximum interest from the loaning. This theory is criticized because it does not consider the fact that profits are paid out in form of dividends and thus the SACCO is left with very little to invest.

2.2.3 Stewardship Theory

Stewards protect and make profits for the shareholders and they are satisfied and motivated when SACCOs' objective is attained (Abdullah &Valentine, 2009). It stresses that the executive management are stewards who ensure they operate the SACCO Society to maximize financial performance as well as shareholders' profits. This theory appreciates the importance of structure which empowers the agents and it allows for the stewards' autonomy built on trust. This theory assisted in identifying the role of the finance staff in growing the SACCOs' wealth (Abdullah &Valentine, 2009).

Stewards are the staff and board of directors .They are entrusted with the resources of SACCO members in order to maximize the surplus. Demand for SACCO packages positively correlates with surplus maximization though creative interest rate recovery and mode of disbursement. Stewards may strive to maximize surplus since they also get rewarded due to the outstanding performance in the form of Honoraria which can only come if more loans are disbursed and income obtained from the recorded loans. The theory is useful in the study because Board of directors and managers are the main stewards to maximize profits. However the terms of certain policies such as loaning policy may limit surplus maximization due to low interest rates and also high interest rates because members may not be able to consume such packages.

2.3 Empirical Studies

This review focused on the past studies on the independent variables which include interest rates, Repayment period and SACCO regulations and policies. Khalayi, *et al* (2014) carried out a comparative study of the Effects of Interest Rates on deposit Mobilization among SACCO members in Kakamega County. The study found out that interest rates affect the growth of SACCOs deposit positively but negligibly. This result suggests that trying to influence the SACCO deposits by manipulating interest rates is not likely to be practical policy option in Kakamega County. The study sought to investigate the relationship between the lending interest rate and profitability of Credit Savings and Cooperative Societies in Kenya. (Chamboet *al*, (2010) examined that to attract the savings; SACCOs offer attractive. From this study, the lending interest rate SACCOs is positively correlated with profitability. This implies that they move together. It is therefore imperative that lending interest rates of SACCOs cannot conform to economic theory, such that they are left to be determined by forces of demand and supply of loanable savings while promising affordable interest on

borrowing Funds. Bett(2007)SACCOs offer a range of products for instance the loan products which cater for the diverse needs of the members while also generating sufficient revenue for their operations. The products are differentiated using loan policies to support differential interest rates.

Kinyua et al (2015) researched on Effect of Loan Terms and Conditions on Loan Volume Granted By Selected Deposit Taking SACCOs in Nyeri County, Kenya The researcher found out that the repayment schedules were pegged to the type of the loan product from the SACCO. Thus every loan products had its own repayment schedules. The researcher established that the customers' ability to repay a loan is considered to a very large extent when granting or declining the loan application. The researcher found out that the customer credit limit strongly affects the number of loan applications. The researcher findings were similar to a study by Chege (2006) who found that loan granted was subjected to interest rates, loan products, repayment schedules, client ability to repay a loan and client credit.

Gathige (2013) did a study on the impact of regulations on performance of deposit-taking savings & credit co-operatives in Kenya and found crucial in ensuring that the members' deposits were well safe-guarded. This is because, for any SACCO to be licensed to carry out deposit taking activities it must have a, minimum capital of Kshs. 10 million. The core capital and the institutional capital should not be less than 10% and 8% of the SACCO's total assets respectively. Though this requirement and others that are required to be met before a SACCO is licensed to carry out deposit taking activities may, on the surface, decrease the net surplus of the SACCO, it raises the public's trust and confidence to save more with the SACCO eventually leading to higher surpluses. It is therefore, concluded that licensing regulations of deposit-taking

SACCOs raises the membership of these SACCOs and consequently their profitability.

2.4 Factors influencing the Choice of Loan Packages in SACCOs

These include factors that determine the member's choice of a certain loan product. These include interest rates, members' needs, Repayment period, SACCO policies and regulations, income levels, terms of employment, level of awareness, attitude and choice of loans.

2.4.1 SACCO Interest Rates

Interest rates are a price for loanable funds. They are like any other price determined by the demand and supply of these funds. According to Powers and Needles, (2008) Interest is the cost of borrowing money or the return on lending money. A firm should invest in capital projects only if they yield a return in excess of the opportunity cost of the investment. The opportunity cost of the investment is also known as the minimum required rate of return, cost of capital, discount rate or interest rate (Mworia, 2011).

In the monetary transmission mechanism is that any change in the interest rate leads to a change in the desired investment and consumption expenditure. In an open economy with capital mobility the change in interest rates leads to capital flows and changes in exchange rates (Ragan and Lipsey, 2007).

The risk that the buyer will not pay the debt when due, thus the amount the buyer will be required to pay depends upon both the market rate of interest and the degree of risk in the debt, as perceived by the seller (Frankwood and Sangster, 2005). On the other side, investors are willing to provide funds (supply) at prices based on their required rates of return for a particular borrower. On the other side borrowers need funds (demand) to support budget deficits (G) to invest in projects (corporations) and acquire durable goods (car, appliances) or homes (individuals). Although lenders and

borrowers have some fundamental factors that determine supply and demand curves the price of these funds (interest rates) are also affected for short periods by events that shift the curves. Determinants of Interest Rates are; Real Risk-free - Free rate interest rate and expected Rate interest rate (Frankwood and Sangster, 2005).

Interest rates increase when the demand for funds is affected by Capital and operating needs of the government, Federal Agencies, Institutions States, Local government, and even individuals (Mworia, 2011). Low interest rates are very strongly linked to economic growth because they increase the availability of affordable credit for investment and consumption and as a result an overall increase in economic activity in the country. (Khalayi et al, 2014)

High interest rates will always motivate customers to save more while low interest will discourage savings. The low interest regime has been a crucial driver of economic growth and has contributed consequently to the marked improvement to both formal and informal employment and enhanced quality of life. 2004 was the first year in very many years in which the rate of growth was at 5.1% (Mworia, 2011). That after liberalization positive real interest rates should be realized as nominal interest rates increase from the government set low levels when price stability is achieved. In Kenya, however, nominal interest rates increased minimally immediately after liberalization, and as inflation accelerated very high negative real rates were recorded.

SACCOs have lower interest rates compared to other lending institutions. This has left SACCOs as the most preferred lending institutions because of the low lending rates (Ndungu&Ngugi, 2000).

Lending Rates should be determined by full understanding and stronger participation of members. The board of directors comes up with proposed lending interest to the members' general assembly, for discussion and approval for interest for lending. However it has to be approved by members. Since SACCOs are founded, owned by members and operated by members' full participation and decision members (Biety, 1998).

In setting interest rates, the SACCO has to bear both its costs and the market conditions in mind. Factors for calculating lending interest includes, Cost of fund (CF), Operational cost (OC), Profit (growth) (P), Loan loss reserve (LLR) and Inflation cost(IC).When determining interest rates to be charged on loans, management and the officials will seek a balance between the loans available to the members and the long-term viability of the institution. For this purpose management should consider the following: the costs particularly those related to member saving dividends, the allowance for loan loss, and operating expenses. The need for strong capital position is essential for the SACCO's long term viability and future growth and lastly the competitions pricing structure (Biety, 1998).

Study by Kim (2015) also agrees that an increase in interest rates has an impact on a business growth since when interest rates rise, banks charge more for business loans and firms with loans that have fluctuating interest rates may find their loans more difficult to repay. Higher loan payments therefore lead to a reduction in profitability, which make securing future funding more difficult. This means that there is low profit that negatively impact on return on equity therefore concludes that without these loans, businesses may be forced to rededicate their resources away from innovation and reinvestment.

According to Jim (2015) the effect of a change in interest rates will depend on several factors, such as the amount that a business has borrowed and on what terms, the cash balances that a business holds and whether the business operates in markets where demand is sensitive to changes in interest rates.

James (2014) concludes that interest rate is the amount of interest paid per unit of time expressed as a percentage of the amount borrowed. High interest charged on loans increases the cost of loan to the borrower hence discouraging borrowing while low interest charged on loans increases the cooperative society's profits and therefore for the interests of both the lender and the borrower interest rates should be fixed appropriately to steer a balance in economic growth .He further argues that most of cooperatives in Kenya are currently charging between 1–1.5% pm interest to all their Products as compared to 1.5–2.5% charged by other finance institutions.

Interest rate capping on the other hand is the process of putting a tag on the maximum chargeable rate to a borrower. Interest rates helps in determining the current market and provides information about future inflation (Ndun'gu, & Ngugi, (2000) Savings and Credit Co-operatives (SACCOs) are reducing loan rates to retain their competitive edge after banks were forced to cut price of lending in line with the new interest capping law. Their pricing, which has long kept interest rates at an average 12 per cent per annum (far below bank rates) has been their biggest selling point, earning them steady business. But with the capping of bank interest rates, now at 14 per cent, SACCOs that had priced their loans at as high as 24 per cent are reviewing their price downwards The news of the rate cut is seen as good news for borrowers. But this will equally result in a significant shrinking of margins, with members taking home lower dividends (returns on shares) and rebates (interest on savings) (Ngugi, 2016).

In the study by (Mbaabu, 2004), it was found that low interest rates, government influence; exchange rate fluctuations; decline in economic growth; poor management of business; delays in approval; project under financing; and lending not based on security affected growth of wealth. The study was guided by wealth maximization theory. The study looked at interest rate, governance influence, exchange rate fluctuations, growth, poor management of business, delays in approval, project under financing and lending based on security as study variables. This study presented a conceptual, theoretical and methodological gap that was filled by the present study. (Kyazze,2010)'s findings revealed that under normal circumstances, delinquency rates of SACCO loans could appear high, although much of this was due to delinquent loans associated with the agricultural cycle. The study also presented both contextual and conceptual gaps that were filled by the present study.

2.4.2 Repayment Period

This is the period it takes to repay the loan. Repayment performance is measured by the ability of individual beneficiaries to repay the principal loans outstanding together with interest within the agreed period set out in the terms of the loan. Different institutions apply different procedures tailored to different clients (Haigh, 2000). Repayment is rated good if a client services the loan within an agreed time hence qualifying for future credit. A member who fails to meet the repayment deadline is rated poor and risks missing on the next disbursement schedule. Financial institutions structure their loan repayment schedules per the repayment schedules per their clients. For example repayments made within a short installment period while others stretch repayments for as long as six years. This helps clients to make less monthly installments although

long credit periods entail heavy interest rates on loans which will depend on the monetary and fiscal policies of the day.

2.4.3 SACCO Regulations and Policies

In Kenya co-operative societies are governed by the co-operative societies Act chapter 480 laws of Kenya. Every co-operative society is thus enforced by the law to prepare by-laws to govern the operations. The Cooperative Act provides rights of members. The by-laws will usually guide the societies in formulating Policies. The lending policies used by the main credit institutions in Kenya do not ensure efficient and profitable use of credit funds, especially by farmers, and also result in the disparity between credit demand and supply. SACCO policies are guidelines that are developed and approved by the board of directors. Establishing policy is the primary responsibility of the board of directors .Policies are broad statements designed not to which are filed by the Ministry of Cooperatives .restrict the SACCO, but to define the manner in which it conducts its business. They provide the general direction for SACCO's operations without specifying how to accomplish each task (Republic of Kenya, 2010)

Policies offer a number of advantages to SACCOs as well as officers and staff. Among the reasons for having policies include Policies promote consistency and common goals. Policies provide answers in and assist in decision making they give the employees a framework on which to base their judgments. As a result the decisions are more likely to conform to SACCOs Philosophy. Policies reduce the personal liability for board members. By having written policy the room for individual interpretation by employees is reduced, therefore reducing of officials being liable for any illegal or fraudulent activity performed by officials. Examples of

policies usually in place in SACCOS are: The loaning policies, Fosa policies working capital policies (Beity, 1998).

Operational guidelines for the development of early stages of SACCO operations: credit policies and operations. A strong supervisory framework for financial institutions is built upon legislation that is predictable proportional and prudential. Predictable legislation provides a SACCO the clarity and certainty it needs to plan and invest for the future.

SACCOs must adhere to protect the institution and safeguard SACCO deposits while proportional legislation recognizes the risks A SACCO presents to depositors and the financial system as a whole and establishes appropriate rules to mitigate those risks. The SACCO difference must be taken into the account when enacting legislation or regulations because SACCOs are different from the banks and MFIs and cannot operate under same legal framework, (Njuguna, 2011).The purpose of these Regulations is to provide minimum Purpose. Operational regulations and prudential standards required of a deposit taking SACCO Society (Republic of Kenya, 2010).

Loan volume granted by SACCOs refers to sum of money loaned to a customer that must be repaid with interest at some point in the future. The types of loans offered by SACCOs are mainly short-term and long-term loans. Good loan volume granted by SACCOs depends on capital accumulated (membership and volumes of members deposit) leading to high capital formation as well as high profits for the SACCOs as they will be able to meet high demand for loans. SACCO credit policy is a statement of its philosophy, standards, and guidelines that its credit appraisal staff must observe in granting or declining a loan request. These polices determine which loans will be approved and which will be declined and must be based on the country's relevant laws and regulations (Kinya et al, 2015).

2.5 Member Factors

Member factors are the individual characteristics that influence the choice of a loan product among individuals. They are discussed as follows;

2.5.1 Income Level

The income of a member determines how much money he or she is able to repay for the loan. Members who earn more are able to pay more can access bigger loans and even several products unlike those who earn less. One of the assumptions that serve as the foundation for income elasticity of demand is that the shift in income level will cause typical household in its purchasing habits. The general expectations when that income is lowered for some reason is that the household will continue to purchase necessities, even though those items now consume a larger percentage of the available income. At the same, the household that experiences a significant increase in income are likely to increase more products that are considered luxuries while maintaining the same level of demand for necessities. This level of income therefore affects the members desire to have more money either to buy luxuries and demand for loans depending on their income level (Reily, 2006).

2.5.2 Terms of Employment

The terms of employment contract set out by the employers of members affect the repayment period given to members. According the Employment Act (2015) laws of Kenya, the employment contract in Kenya needs to contain the following the name, age, permanent, address, sex of the employee. It also has to include job description of the employment, date of commencement of the employment, form and duration of the contract. The remuneration scale and rate when members are employed on contract

they are given loans within the period of the contract and therefore this limits the members ability to repay the loan for longer periods (Republic of Kenya, 2004).

2.5.3 Level of awareness

Awareness is the state of ability to perceive, feel or to be conscious of events .This is the ability of the member to know the products or different types of loans offered. This is done through member education. Cooperative have three basic ways of communicating that is Personal Contact, printed material and Audio Visual aids, (Haigh, 2000). Personal contact – perhaps the most effective include; Annual and Special Meetings, field days and open talks, Membership on counters and Member meeting printed in the magazines, Newsletters, direct mail, Annual Reports, Cooperative Publications Newspapers and Audio Visual Aids also realize that there is more to successful education and communication programmes than meeting cooperative principles. Cooperatives have to want to perform this function. The importance of member communication and education is often overlooked by the cooperative. Education and communication are important to a cooperative having informed and active participants. When members recognize Cooperative as their own business they become more informed. They start taking an active role of serving in the board and attending Annual Meetings (Williamson, 1998)

2.5.4 Attitude

An attitude is a favorable or unfavorable evaluation of something. Attitudes are general positive or negative views of a person, place, a thing or event. Generally, members may have different attitudes about the society and it may make them choose whether or not to take money from the society or not. An attitude may also affect loan products offered by the SACCOs which may be associated with poor personal

finance's management. It is a psychological tendency that is expressed by evaluating a particular entity with the degree of favor or disfavor (Eagly and Chaiken, 1993). This is the manner in which the member will perceive the organization.

In 1998, Mrema carried out a study on Tanzanian Women and Progress in Tuke Consumers' marketing Co-operative. The study found that the SACCO Society had increased profits. It had also continued to pay dividends to members. The study was done in Tanzania and concentrated on women, thus presenting a contextual gap that was filled by the present study.

2.6 Loan Packages

The decision of members to choose whether to take back office loans or front office loans depends on the policies and Regulations in both departments.

In most cases the loans accessed from formal financial institutions is mainly guided by their lending policies. This is displayed in the form of prescribed minimum loan amounts, complicated application procedures and restrictions on credit for specific purposes (Ngaira, 2008).

The type of financial institutions and their policies will often determine the amount of credit accessed. Where credit duration, terms of payment required, security and the provision of supplementary services do not meet the needs of the target group, potential borrowers will not apply for credit even where it exists according

2.6.1 Bosa Loans

Back office Service activities deals with savings and credit to members It forms the major department in the existence and operation of the SACCO. Members of the SACCO contribute shares monthly and the society uses these shares to advance the loans to members. In the Back office a member needs to be a member of the SACCO

for at least six members and also have shares. The Majority of these Savings and Credit Societies usually loan their members three times the shares they hold with the society. These types of loans are categorized as School Fees Loan, Emergency Loans, Quick Loans and Development Loans. BOSA offers the following loans to members. Development and Normal loans are advanced to members with consideration of their share contributions multiplied by two, three or four times depending on the policy of the SACCO. Its repayment period is either thirty six or forty eight months depending on the policy of the society. The members repay with an interest of one percent reducing balance. Emergency loans are loans that cover emerging uncertainties like medical, funeral etc. Repayment period ranges from ten months or one year with an interest of one percent. School fees loans are loans for education purposes, repaid with the calendar year. The members repay at an interest of one percent.(Republic of Kenya,2004).

Back office Service activities deals with savings and credit to members It forms the major department in the existence and operation of the SACCO. Members of the SACCO contribute shares monthly and the society uses these shares to advance the loans to members (Republic of Kenya, 2004).

2.6.2 Fosa Loans

SACCO's performance over the years has been affected by low capital base thereby limiting efficient loaning of funds to members. This is therefore the reason why many SACCO's have introduced Front Office SACCO Activity (FOSA), to cope with this problem facing them and to strengthen their capital base and liquidity level. FOSAs offer simple banking services to members/customers, thus improving their working capital. Front Office Sections in turn attract non-members who open savings accounts,

thus improving customer deposits and for them to benefit through the varied products or services available (Okoth, 2016).

Front office SACCO Activity loans are given to members who earn their salaries through the Fosa and loan deductions made from their accounts. The member does not have to have deposits like the back office. Their recovery period is one year and they also offer other services. The FOSA offers banking services which include deposits short term advances, fixed deposit accounts, savings accounts, receive and cheque clearing, children accounts to members and also gives loans to the Fosa loans. They are given to members who earn their salaries through the Fosa and a deduction made from their accounts. The member does not have to have deposits like the back office. Their recovery period is one year and they also offer other services (KUSCCO Ltd, SACCO Star, 2011).

2.7 Relationship between SACCO Factors and loan Packages

SACCOs are facing stiff competition especially from commercial banks due to this, hence the need for changes of its credit policy in order to be more competitive. The credit terms will be measured using the ease of meeting them by considering the total number of loan applications received and those not eligible due to not observing certain terms of the policy. The loan amount granted by SACCOs and loan default was subjected to changes in interest rates, loan products, repayment schedules, client ability to repay a loan and client credit limit. There should be; lower interest rates; participatory involvement in regulating monetary policy; introduction of new loan products; and issue of loans of low value for growth to be experienced. Interest rates are a major determinant of any source of finance whether it is for an organization or individual (Kangogo & Olweny, 2015).

2.8 Summary of Knowledge Gaps

The studies reviewed in sections 2.3 to 2.7 report mixed findings pertaining to the factors influencing choice of loan packages .The present study therefore addressed the knowledge gaps and presented Table 2.1 below.

Table 2.1: Summary of Knowledge Gaps

Author	Focus	Design	Findings	Gap filled and how the present study addressed them
Kinya Et al (2015),	Effect of Loan Terms and Conditions on Loan Volume Granted By Selected Deposit Taking SACCOs in Nyeri County, Kenya	Survey	The study revealed that, loan terms and conditions have significant influence on the loan volume granted by deposit taking SACCOs	The study concentrated on terms and conditions while the present study covered other factors hence bridging the conceptual gap
Khalayi, <i>et al</i> (2014)	Effects of Interest Rates on deposit Mobilization among SACCO members in Kakamega County	Survey	The study found out that interest rates affect the growth of SACCOs deposit positively but negligibly.	The study concentrated on interest rate only while the present study covered other member factors hence bridging conceptual gap.

Olando et al (2013)	contribution of SACCO financial stewardship in Kenya	Survey	The growth of SACCOs wealth depended on loan management, institutional strengths and innovativeness of the SACCO products	The study concentrated on growth of loan while the present study was on choice of loan packages hence bridged conceptual gap
Githinge (2013)	An Investigation Into The Impact Of Regulations On Performance Of Deposit-Taking Savings & Credit Co-Operatives In Kenya	Survey	In general, these regulations have significantly improved the performance of the deposit-taking SACCOs in terms of membership growth and net Surplus.	The study focused on the impact of regulations on performance thus presenting a theoretical gap
Mbaabu (2004),	Explored the Impact of interest rates, government influence; exchange rate fluctuations; decline in economic; growth; management of business; project under financing; and lending and growth of wealth in SACCO	Survey and guided by wealth maximization theory	low interest rates, government influence; exchange rate fluctuations; decline in economic; growth; poor management of business; delays in approval; project under financing; and lending not based on security affected growth of wealth	The study was guided by wealth maximization theory thus presenting theoretical gap.

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with methodological base for this study. The following are addressed; research design, study area, study population, data collection procedures and the measurement scales operationalizing the study variables as well as their validity and reliability. Data analysis and presentation procedures are also discussed.

3.2 Research Design

A research design is the arrangement of conditions for collection, measurement and analysis of data in that aims to combine relevance to the research purpose (Kothari, 2010). This study adopted a descriptive survey research design. According to Kothari, (2004), descriptive allowed the structuring of variables in a manner that enables the relationship to be determined. Saunders, Lewis and Thornhill (2009) described descriptive research as a process of collecting data to test hypothesis or to answer questions concerning the current status or variables in the study for example choice of loan packages by SACCO members in Kakamega central sub-county Kenya. Descriptive study will be undertaken to ascertain and be able to describe the characteristics of the variables of interest in a situation. (Kothari, 2010). This design was appropriate since the study sort to establish choice of loan packages by SACCO members in Kakamega central sub-county Kenya. By describing the situation as it was. The survey research is a self-report study which requires collection of quantifiable information from the sample. (O'Leary, 2006) A survey research method involves surveying people and recording their responses for analysis. The survey design has the advantage of being quick, cost effective and efficient in accessing information about a population

(O' Leary, 2006). It was used to generate both qualitative and quantitative data so as to come up with a detailed description of the state of choice of loan packages by SACCO members in Kakamega central sub-county, Kenya. The researcher reported what happened and was able to measure the variables presented in the study by the use of data observed and obtained during the field study. This method was suitable for this study because information was collected by interviewing a sample of individuals, investigating population by selecting samples to analyze and discover occurrences and it's suitability for extensive research. A survey research method involves surveying people and recording their responses for analysis (Cooper and Schindler, 2003).

3.3 Study Area

The study was carried out in Kakamega Central Sub-county which is located in Kakamega County. The county lies between longitudes $34^{\circ} 32''$ and $35^{\circ} 57'30''$ E and latitudes $0^{\circ} 07'30''$ North and $0 15''$ (Appendix v). The county borders Vihiga County to the south, Busia and Siaya counties to the west, Bungoma and Trans-Nzoia counties to the North, Uasin Gishu to the North East and Nandi County to the East. The sub-county covers a total area of four hundred and seventeen point four kilometers squared (417.4km^2). It is cosmopolitan having a Municipal Council as one of its three Divisions and is densely populated. The main economic activity carried out in this area is subsistence farming. However, some residents have adopted tea growing and sugarcane; hence form of cash crops that earn substantial income. The socio-economic status of most residents is low which is depicted by semi-permanent houses and high unemployment due to high school dropout rates. Most people are Christians of the Catholic faith though there are traces of other religions like Hindus and Muslims (Odero and Shtwesa, 2016)

The study was carried out in Kakamega Central Sub- County because of several factors. Firstly, the number of SACCOs in the sub-county is high. This was justified by the fact that Kakamega County is the second most populated county after Nairobi. The sub-county was selected due to its proximity to researcher to cut down on cost of conducting research. The study sample should be easily accessible to the researcher and should be that which permits instant rapport with the informant (Singleton, 1993).

3.4 Target Population

Population is the entire group of individuals, events or objects having common observable characteristic while the target population refers to the population to which the researcher wants to generalize the results to absolute population of a study (Mugenda and Mugenda 2003). According to (Republic of Kenya,2016), there are fourteen (14) SACCOs operating in Kakamega central sub-County with a total membership of 9758 members as shown in Table 3.1. Members of the SACCO were the target population of the study and the sampling unit was one member.

Table 3.1: Target Population

S/N	Name of SACCO	Total members (Population)
1	Invest and Grow	3600
2	Wevarsity	1010
3	Kakamega Vuma Daima	393
4	CCSWR	253
5	KRRW	496
6	Golf Hotel	139
7	Western Shuttles	92
8	Bukhungu	398
9	Disciples of Action	1442
10	Kakamega Entrepreneurs	510
11	Kakamega County Bunge	1221
12	Kakamega Light	90
13	Megastone	15
14	Kakamega County Women	99
TOTAL		9758

Source: Ministry of Cooperative Development and Marketing (2016)

3.5 Sample Size and Sampling Techniques

Sampling is the process of obtaining information about an entire population by examining only a part of it (Kothari, 2014). A sample is the subset of a population selected to participate in the study (O'suullivan and Abela, 2007). The sample size for this study was determined using the Fisher's formula for large population:

$$n = Z^2 pqD / d^2$$

Where n= the desired sample size if the target

Z = The standard normal deviate which is 1.96 at 95% confidence level

p= The proportion in the population estimated to be at risk (0.58) which is the 58% of SACCO members

q= 1- p (The proportion in the population not at risk)

d = The level of significance set at 0.05

D = The desired effect which is 1.

Therefore $N = 1.962 \times 0.58 \times 0.42 / 0.052 = 374$.

A sampling frame is a list, directory or index of cases, that enables realization of a representative sample (Mugenda and Mugenda,2003). To arrive at 374 respondents who participated in the study, simple random sampling was adopted in choice of study respondents who were subjected to Stratified sampling to ensure homogeneity of the selected sample in ensuring that samples are drawn from SACCOs encompassed in the target population. Through stratified random sampling, every unit in the population had the same probability of being included in the sample. Table 3.2 show sample size used in the study.

Table 3.2: Sample Size of the Study

S/N	Name of SACCO	Members	Sample Size
1.	Invest and Grow	3600	138
2.	Wevarcity	1010	39
3.	Kakamega Vuma Daima	393	14
4.	CCSWR	253	10
5.	KRRW	496	19
6.	Golf Hotel	139	5
7.	Western Shuttles	92	4
8.	Bukhungu	398	15
9.	Disciples of Action	1442	55
10.	Kakamega Entrepreneurs	510	20
11.	Kakamega County Bunge	1221	47
12.	Kakamega Light	90	3
13.	Megastone	15	1
14.	Kakamega County Women	99	4
TOTAL		9758	374

Source: Kakamega County, 2017

3.6 Data Collection Procedure

The study used primary data collection instrument. Primary data is data that is collected directly from respondents for the first time (Kombo and Tromp 2009). Primary data are collected afresh and for the first time and thus original in character (Kothari, 2010). Questionnaires were used as primary data collection instrument since the study is concerned with variables that cannot be directly observed such as views, opinions, perceptions and feelings of respondents. The sample size was also quite large, given time constraint; questionnaire was the ideal tool for collecting data. The target population being largely literate was unlikely to have difficulties responding to questionnaire items. The questionnaire was used to mainly collect quantitative data.

The questionnaire contained mainly closed - ended (structured) questions. Section A of the questionnaire contained questions on the general information of the respondents in regard to their gender, age, their level of education. Section B contained questions on SACCO factors with regard to SACCO interest rate, repayment period and loan policies and regulations. Section C carried questions on Member factors which covered income level, terms of employment, level of awareness and attitude. Structured questions were measured on a five point Likert scale from which respondents selected the suitable answer that describes their situation by simply ticking (Mugenda and Mugenda, 2003).

3.7 Measurement of Study Variables

Measurement is the process of mapping aspects of a domain onto other aspect of a range according to some rules of correspondent (Kothari, 2010). It involves devising some form of scale in range and then mapping the properties of the object to be measured on this scale. In this study, the impact of factors that determine the choice of loan products in SACCOs, a Case of Kakamega county was measured. The study variables were measured using both the ordinal scale and summated scale (Likert-type scale) because these scales not only have more informational value but they come handy with respondent centered studies. Measurement scale operationalizing the study variables and indicators of these variables were used to construct the research instrument as shown in Table 3.3.

Table 3.3: Summary of Measures Operationalizing the Study Variables

SACCO Factors	Variable	Operationalization	Indicator	Assessment scale / Question number
	Interest rates	How rates are set	Review of existing literature	Ordinal Scale /Question 1
	Repayment period	How long do loans take to be repaid	Loan repayment period	Ordinal scale / Question 2
	Member Shares	How do member shares affect loans given to members.	Member shares	Ordinal scale / Question 3
	Policies & Regulations	What are the policies set in the SACCOs	Review of existing Literature.	Ordinal scale / Question 4
SACCO Packages	Bosa Loans	Why do members prefer Bosa Loans	Review existing reports	Likert type scale
	Fosa Loans	Why do members prefer Fosa Loans	Review existing data	Likert type scale
Member Factors	Awareness	Management reports	The degree of achievement	2 point Likert type Scale
	Income level	Low cost inputs	High profit margins	3point likert type scale
	Attitude	Annual profits/losses	Financial reports	3point likert type scale

Source: Researcher(2017)

3.8 Pilot study

Pilot testing is a small-scale trial, which intended to assess the adequacy of the research design and of instruments used for data collection which is a small-scale version or trial run of the major study. The purpose was to ensure that everyone in the sample not only understands the questions but also understands them in the same way (Mugenda, 2008). Piloting tests the level of the language used and highlights probable typographic errors. For the study to be effective, the pilot sample must be representative of the variety of individuals that the main study was intended to cover.

Pilot testing verified the effectiveness of the questionnaire and gave feedback that helped the researcher and also measure the exact time required to complete all questions or identify any other problematic issues with the questionnaire format. To achieve these, piloting of the questionnaires was done on members of Kibabii University SACCO in Bungoma County, whose results were used in the study.

Hill, 1998) proposes 10 to 30 respondents to pilot study in survey research. The study selected 13 members from Kibabii University SACCO who participated in the pilot study. The results of the pilot study were :

A test retest was done on the instruments to point out the deficiency and identify the questions that were vague. This assisted in enhancing the reliability of the instruments. After pilot testing of the instrument on the proposed number of people, the researcher looked at the pattern in the feedback and used the data to revise the instrument. A test retests method on sample of at least ten respondents is adequate (Mulusa, 1988).The test retest method helps to point out deficiencies in the instruments and identifies questions that are vague. This enhances the reliability of the instruments. Another retest of the study was done using 10 respondents from Kibabii University SACCO were requested to respond to questionnaires a second time after two weeks and the correlation between the two set of scores were computed by comparing the two scores with Cronbach Alpha Reliability coefficient was 0.871 which was above our standard deviation of 0.5 meaning the instruments were reliable.

3.9 Validity of Research Instruments

Validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. The researcher also determined the content of validity of the questionnaire. Care was taken in designing research instrument to ensure that they measured and collected the data it was meant to collect.

Expert judgment of content was used .Assistance was sought from the researchers supervisors and other research experts in the school of Business and Economics at MMUST to assess the relevance of the content in the research tools against the objectives of the study. Their suggestions were included to improve the clarity of items on the questionnaire used. Both the questionnaire and the measurement process was guided by the conceptual framework in order to measure the key elements of SACCO factors, loan packages and the member factors and ensure construct validity because they reflect the key components of the study variables. Reviews of the measures used to measure the study variables above were also used to construct the questionnaire to ensure face and construct validity. The questionnaire was pre-tested on pilot respondents who were not part of the study respondents but knowledgeable in the study aspects in order to ensure their validity and relevance. The researcher also determined the content validity of the questionnaire.

3.10 Reliability of Research Instruments

Reliability is the extent to which an instrument is predictable, stable, accurate and dependable to yield the same results every time it is administered. Cronbach's alpha coefficient established from responses was used to measure the reliability of the scale, which was used to assess the interval consistency among the research instrument items. This is because it is strong in determining the inter consistency or average correlation of items in a survey instrument to gauge its reliability. The Cronbach Alpha of coefficient attained was 0.871, as computed by SPSS, on all the quantitative items on the questionnaire. This value was way above the recommended 0.7 in social sciences.

The results were as shown in Table 3.4.

Table 3.4 Reliability test

Reliability Statistics	
Cronbach's Alpha	No of Items
0.871	32

Source: Survey Data, 2017

3.11 Data Analysis and Presentation Techniques

After the data had been collected, the researcher checked them to ensure their completeness and consistency, Coding and classification then followed to ensure sufficient analysis. The data was analyzed using Statistical Package for Social Scientists (SPSS version 20) computer software. Both descriptive and inferential statistics were used. Descriptive statistics included use of mean, variance and standard deviation while inferential statistics will include simple regression analysis This method is chosen because there is only one independent variable (SACCO factors) and dependent variable (Loan packages). Data was analyzed at (0.05) level of significance. At this level of significance the researcher was 95% confident that any difference noticed is due to SACCO factors .The relationship between SACCO factors and choice of loan packages was expected to follow a regression model of the nature $L=\alpha+\beta_1IR + \beta_2RP+ \beta_3PR + \varepsilon$ while the relationship between member factors as moderating variable and choice of loan packages was expected to follow a regression model of the nature $L=\alpha+\beta_4MF+\varepsilon$. To be able to determine the effect of the moderating relationship of the member factors and choice of loan packages, the study used Karl Pearson's first order partial coefficient ($r_{xy.z}$) to model the relationship.

Where;

L= Loan choice by members

α = Intercept term

β_1 to β_5 = Beta coefficients

SF= SACCO Factors where:

IR = interest rates

RP= repayment period

PR = policies and regulations

MF= member factors

and ε = Error term

3.12 Ethical Consideration

The researcher sought permission from the following authorities before undertaking the study: letters of consent from the ministry of Education Science and Technology and Masinde Muliro University of Science and Technology. Respondents' consent was sought before involving them in the study. The purpose of the study and its implications were explained before getting formal consent to collect the data. The research ensured protection of the subject's identity and privacy by using codes and not names on the questionnaires. The questionnaires were sensitive to the subjects' feelings and values so as not to embarrass or intimidate them. With their consent the researcher carried out the study while ensuring to keep the promises and commitments made in handling the data obtained. The researcher did not falsify, or invent findings to meet a researcher's or an audience's needs. In the interpretation of data, researcher provided an accurate account of the information. In addition, items that were judged to be offensive and immoral were avoided and interviews were

conducted in confidence. Care was taken to ensure strict observance of ethical principles, standards and codes.

Summary of test model was as presented in Table 3.5.

Table 3.5: Hypothesis Testing Framework

Hypothesis	Hypothesis test	Decision rule and anticipated model
H₀₁: There is no statistically significant relationship between interest rate and the choice of loan packages by SACCOs in Kakamega County.	Karl Pearson's zero order coefficient of correlation (Beta test) H ₀ :β=0 H _A :β≠0 Reject H ₀₁ if p-value≤0.05.	Reject H ₀₁ if β ₁ ≠0 (otherwise fail to reject) L=α+β ₁ ir+ε
H₀₂: The relationship between repayment period and choice of loan packages in Kakamega County is not statistically significant.	Karl Pearson's zero order coefficient of correlation (Beta test) H ₀ :β=0 H _A :β≠0 Reject H ₀₂ if p-value≤0.05	Reject H ₀₂ if β ₂ ≠0 (otherwise fail to reject) L=α+β ₂ rp+ε
H₀₃: The relationship between repayment period and choice of loan packages in Kakamega County is not statistically significant.	Karl Pearson's zero order coefficient of correlation (Beta test) H ₀ :β=0 H _A :β≠0 Reject H ₀₃ if p-value≤0.05	Reject H ₀₃ if β ₃ ≠0 (otherwise fail to reject) L=α+β ₃ ms+ε
H₀₄: Members factors do not have statistically significant moderating effect on the relationship between SACCO factors and loan packages by SACCOs in Kakamega County.	Hierarchical regression analysis	M = β ₀ + β ₁ X + β ₂ Z +β ₃ XZ + e where β _i is = regression coefficients X1 to X3 = SACCO Factors, Z1 to Z3= Loan packages

Source: Research data 2017

**CHAPTER FOUR:
RESULTS AND DISCUSSION**

4.1 Introduction

This chapter presents results of descriptive and inferential analysis of the data and their interpretation. The results are reported in these sections. Section 4.2 describes social demographic characteristics of respondents, Section 4.3 presents descriptive characteristics of SACCO factors and loan Packages while section 4.4 presents results of the regression analysis of SACCO factors and choice of loan packages

4.2 Demographic Characteristics of Respondents

The following information constituted social economic factors of the respondents; membership and level of education. The results were as discussed in the following sub-thematic areas.

4.2.1 Membership of the Respondents

In order to assess how long the respondent had been a member of a SACCO, respondents were required to state for how long had been members and their responses recorded in Table 4.1.

Table 4.1: Respondents Length of time of membership

	Frequency	Percent	Cumulative Percent
Less than 5 years	77	33.3	33.3
6-10	52	22.2	55.6
11-15 years	103	44.5	100.0
Total	232	100.0	

Source: Research Data, 2017

The study revealed that 33.3 percent of the respondents have been members in their SACCOs for less than 5 years, 22.2 percent have been members in their SACCOs between 6 and 10 years while 44.5 were have been members in their SACCOs between 11 and 15 years. The results on the membership of the respondents was useful in this study since it brought out the element of time taken by a member before acquiring a credit facility from the SACCO.

4.2.2 Level of Education of Respondents

To determine the qualifications of the respondents, the respondents were required to state the category that best describes their academic qualifications and their responses were captured in Table 4.2.

Table 4.2: Level of Education

Qualification	Frequency	Percent	Cumulative percent
Degree level	132	56.9	56.9
Diploma level	52	22.4	79.3
KCSE	40	17.2	96.5
Primary	08	3.5	100
Total	232	100.0	

Source: Research Data, 2017

From Table 4.2, 56.9 percent of the respondents had acquired degree level of education, 22.4 percent had diploma level, 17.2 had secondary education and 3.5 percent had primary education. This means that majority of the respondents had diploma and degree qualifications. This was important since it informed the study that there was something else affecting the relationship between SACCO factors and loan packages other than the level of education.

4.3 Descriptive statistics of SACCO Factors

SACCO factors was the independent variables of the study, the following section presents descriptive study results on these variables. The variables that formed SACCO factors were interest rate, repayment period and loan policies and regulations.

4.3.1 Descriptive statistics of Interest Rate

To study establish the descriptive statistics of interest rate on the choice of loan packages by SACCOs in Kakamega Central Sub County, respondents were asked to fill in questionnaires indicating their view on interest rates on the choice of loan packages. The findings were as shown on table Table.4.3.

Table 4.3: Descriptive statistics of interest rates

	Mean	Standard deviation
Members give their views in setting loan interest rates	3.423	0.001
Management closely advices members on the changes in interest rates	3.024	0.002
Management provides us with policies regarding interest rates	3.084	0.065
Interest rates increase without our knowledge	3.391	0.033
Management benefits a lot than us from increased rates	3.754	0.049
Interest rates affects the pattern of borrowing	3.982	0.004
Interest rate affects loan borrowed	3.029	0.000
Overall mean score=3.384		

Source: Research Data, 2017

Members participate in setting loan interest rates had mean 3.423 and standard deviation 0.001, management closely advices members on the changes in interest rate had mean 3.024, standard deviation 0.002. Management provides us with policies regarding interest rates had 3.084, standard deviation 0.065, Interest rates increase without our knowledge had mean 3.391, standard deviation 0.033, interest rates

affects the pattern of borrowing had mean 3.982 and standard deviation 0.004 while interest rate affects loan borrowed had mean 3.029 with standard deviation 0.000. The overall mean was 3.384. Overall, the intensity of interest rate on the choice of loan packages by SACCOs in Kakamega Central Sub County is considerably above average with the overall mean registered of 3.384. This is because the overall score is more than 2.5 which is the half of the maximum score of 5 (strongly agree).

4.3.2 Descriptive statistics of Repayment Period

To examine the descriptive statistics of extent to which repayment period influence the choice of loan packages in Kakamega Central Sub County, respondents were asked to fill in questionnaires indicating their view on repayment period on the choice of loan packages. The findings were as shown on Table.4.4.

Table 4.4: Descriptive statistics of Repayment Period

	Mean	Standard deviation
Management sets a suitable loan repayment period	3.1325	0.001
Loan repayment period influences choice of loan product	3.0640	0.037
Loan repayment period is chosen by borrowers	3.0847	0.076
Repayment period is scheduled in the loan agreement	3.3012	0.061
Overall mean score = 3.1456		

Source: Research Data, 2017

From the study results in Table 4.5, management sets a suitable loan repayment period had mean of 3.1325 with standard deviation of 0.001, loan repayment period influences choice of loan product had mean of 3.0640 with standard deviation of 0.037, loan repayment period is chosen by borrowers had mean of 3.0847, with standard deviation of 0.076, while repayment period is scheduled in the loan agreement had mean of 3.3012. The overall mean score was 3.1456, thus implying in

general that loan repayment period influences choice of loan package by the members in Kakamega central sub county.

4.3.3 Descriptive statistics of Loan Regulation Policies

To analyze the extent to which loan regulation policies affect the choice of loan packages in Kakamega County, respondents were asked to fill in questionnaires indicating their view on loan regulation policies and the choice of loan packages. The findings were as recorded on table 4.5.

Table 4.5: Descriptive statistics of Loan Regulation Policies

	Mean	Standard Deviation
Our SACCO has a clear loan policy	3.393	0.082
Loan policy affects the choice of loan products	3.481	0.031
Management advices us on loan policies regularly	3.686	0.053
The loan policy negatively affects choice of loan products	3.313	0.001
Overall mean score = 3.4683		

Source: Research Data, 2017

From the results in Table 4.5, our SACCO has a clear loan policy had mean 3.393, standard deviation 0.082, loan policy affects the choice of loan products had mean 3.481 with standard deviation of 0.031, management advices us on loan policies regularly had mean 3.686 with standard deviation 0.053 while the loan policy negatively affects choice of loan products had mean 3.313 with standard deviation 0.001. Overall mean of 3.4683 was above the average which implies, loan regulation policy had an influence on choice of loan packages in Kakamega Central Sub County.

4.3.4 Descriptive statistics of Member Factors

The study established descriptive statistics of SACCO members by asking members their opinion on member factors and the results were recorded and presented in Table 4.6.

Table 4.6: Descriptive statistics of Member Factors

	Mean	Standard Deviation
Do the terms of employment terms by parent institution determine the type of loan you take.	4.452	0.062
Does your income level determine the amount of loan you take.	2.950	0.033
Market campaigns are done to sensitize existing members on the loans	3.050	0.021
Overall mean score=3.484		

Source: Research Data, 2017

From the results in Table 4.6, the response on terms of employment by parent institution determine the type of loan taken had mean 4.452 with standard deviation 0.062, SACCO loan products are not customer tailor made had mean 2.95 with standard deviation 0.033 while member needs affects choice of loan products had mean 3.05 with standard deviation 0.021. The overall mean 3.484 imply member factors moderates the relationship between SACCO factors and choice of loan products in Kakamega central Sub County.

4.3.5 Descriptive statistics of Loan Packages

To assess the descriptive statistics of loan packages by SACCOs in Kakamega Central Sub County, respondents were asked to fill in questionnaires indicating their view on choice of loan packages in Kakamega Central Sub County. The findings were as shown on table Table.4.7.

Table 4.7: Loan Packages

	Mean	Standard Deviation
SACCO interest rates makes members to choose Bosa loans	3.423	0.011
SACCO repayment period makes members choose Bosa loans	3.024	0.039
SACCO policies and regulations makes members choose Bosa loans	3.084	0.072
SACCO interest rates makes members choose Fosa loans	3.391	0.043
SACCO repayment period makes members choose Fosa loans	3.929	0.069
SACCO policy makes members choose Fosa loans	3.770	0.039
Overall mean score=3.437		

Source: Research Data, 2017

From the results in Table 4.7, SACCO interest rates makes members to choose Bosa loans had mean of 3.423, standard deviation of 0.011, SACCO repayment periods makes members choose Bosa loans had mean 3.024 with standard deviation 3.024, SACCO policies and regulations makes members choose Bosa loans had mean 3.084 with standard deviation 0.072, SACCO interest rates makes members choose Fosa loans had mean 3.391 with standard deviation 3.391, SACCO repayment period makes members choose Fosa loans had mean 3.929 with standard deviation 0.069 while SACCO policy makes members choose Fosa loans had mean 3.77 with standard deviation 0.039. The overall mean 3.437 imply interest rates; repayment period and loan policies and regulations affect choice of loan packages by the members of SACCOs in Kakamega central sub county.

4.4 Regression Analysis of SACCO Factors and Choice of Loan Packages

The central theme of this thesis was to establish the influence of interest rates on choice of loan packages, determine the influence repayment period on choice of loan

packages, influence of loan regulations and policies on loan package and moderating influence of member factors on the relationship between SACCO factors and choice of loan packages in Kakamega. Regression analysis was used to establish the relationship whose results were presented in the following sub-thematic areas.

4.4.1 Influence of Interest Rates on Choice of Loan Packages by SACCOs

The study's first object was to establish the influence of interest rates on the choice of loan packages by SACCOs in Kakamega Central Sub County. In order to establish the influence of interest rate on the choice of loan packages by SACCOs, the study had set the following hypothesis;

H₀₁: There is no statistically significant relationship between interest rates and the choice of loan packages by SACCO members in Kakamega Central Sub County.

In order to test the hypothesis, the researcher used regression coefficient (beta β). All the questions in the questionnaire answered by the respondents had scores and scored marks depending on the response of the respondents. The marks were then added up and finally divided by number of respondents answering the questionnaire to enable the researcher attain the mean score of every question measuring the independent and dependent variables. The aggregate mean score of interest rate measures were regressed against the mean score of measures of choice of loan packages by SACCO members and results presented in Table 4.8.

Table 4.8 (a): Regression Results for Interest Rate and Choice of Loan Packages

Goodness of fit analysis			
R	R Square	Adjusted R Square	Std. Error of the Estimate
0.552	0.305	0.768	0.382

Source: Research Data, 2017

The regression results shows that 30.5 percent of choice of loan packages by SACCO members in Kakamega Central Sub County can be explained by interest rate (R squared = 0.305) table 4.8 (a). The study therefore found out that there was an influence of interest rate on choice of loan packages by SACCO members in Kakamega Central Sub County.

Table 4.8 (b): Regression Results for Interest Rate and Choice of Loan Packages

Overall significance: ANOVA (F-test)

	Sum of Squares	DF	Mean Square	F	Sign.(p-value)
Regression	2.018	1	2.218	39.018	0.006
Residual	1.640	231	0.124		
Total	3.358	232			

Source: Research Data, 2017

The influence of interest rate on choice of loan packages by SACCO members in Kakamega Central Sub County was positive and significant in that its R was 0.552 (table 4.8). From the above regression analysis, the study found out that there is an influence of interest rate on choice of loan packages by SACCO members in Kakamega Central Sub County. The study therefore rejects the null hypothesis since the p-value is less than .05 (.006).

Table 4.8 (c): Regression Results for Interest Rate and Choice of Loan Packages

Individual significance (T-test)

	Unstandardized Coefficients		Standardized Coefficients	T	Sign. (p-value)
	B	Std. Error	Beta (β)		
(Constant)	1.634	2.482		1.432	0.083
Interest rate	0.342	0.402	0.328	1.162	0.024

Source: Research Data, 2017

The regression results also shows that at individual significance, there was a statistically significant and positive influence of interest rate on choice of loan packages by SACCO members in Kakamega Central Sub County ($\beta = .342$, p-value .024) in that the p-value is less than α ($0.024 < 0.05$). The relationship between interest rate and choice of loan packages in Kakamega Central Sub County followed a simple regression model of the nature: $CLP = 1.634 + 0.342IR + \varepsilon$

Where:

CLP is choice of loan packages in Kakamega Central Sub County

1.634 is the y- intercept constant

0.342 is the beta ($\beta = 0.484$) or the slope coefficient.

IR is interest rate

ε is the error term.

The findings showed that there is an influence of interest rates on the choice of loan packages in Kakamega Central Sub-county as the R-squared is 0.305.this is the interest rates influence the choice of loan packages by 30.5%. The p value is 0.024 which is less than 0.05 and it is statistically significant.

The findings concur with Khalayi et al (2014) conclusion; the interest rate affects the growth of SACCOs deposits positively but negligibly. This result suggests that trying to influence the SACCOs deposits by manipulating interest rates is not likely to be a

practical policy option in Kakamega County. However, the SACCOs should attempt to maintain competitive positive real interest rates relative to those offered by other financial institutions in order to increase their savings and the findings are in line with those of Bett (2007) set out to investigate the relationship between lending interest rates and profitability of SACCOs in Kenya. He established that there was a significant positive relationship between lending interest rates and choice of loans in Savings, Credit and Cooperative Societies in Kenya.

4.4.2 Influence of Repayment Period on the Choice of Loan Packages

The second objective of the study was to examine the extent to which repayment period influence the choice of loan packages in Kakamega Central Sub County. In order to able to examine the extent to which repayment period influence the choice of loan packages in Kakamega Central Sub County, the study formulated the following research null hypothesis;

H₀₂: The relationship between repayment period and choice of loan packages

In Kakamega Central Sub County is not statistically significant.

In order to get aggregate mean score, every question answered by the respondent had scores attached to it and it scored some marks depending on the answer given by the respondents. In order to examine the extent to which repayment period influence the choice of loan packages in Kakamega Central Sub County, the aggregate mean score of choice of loan packages were regressed against the aggregate mean score of repayment period and the results recorded in Table 4.9.

Table 4.9 (a): Regression Results for Repayment Period and Choice of Loan

Packages - Goodness of fit Analysis

R (Beta)	R Square	Adjusted R Square	Std. Error of the Estimate
0.482	0.232	0.586	0.236

Source: Research Data, 2017

The study results revealed that the extent to which repayment period influence the choice of loan packages was statistically significant. Choice of loan packages depended on their payment period with 23.2 percent of choice of loan packages being explained by repayment period(R squared = 0.232).

Table 4.9 (b): Regression Results for Repayment Period and Choice of Loan

Packages - Overall significance ANOVA (F-test)

	Sum of Squares	DF	Mean Square	F	Sign. (p-value)
Regression	1.861	2	1.218	52.625	0.008
Residual	2.430	230	0.102		
Total	3.131	232			

Source: Research Data, 2017

On overall significance, the regression results revealed that the extent to which repayment period influence the choice of loan packages was statistically significant (overall p-value = 0.008) because the p-value is less than 0.05.

Table 4.9 (c): Regression Results for Repayment Period and Choice of Loan Packages

Individual significance (T-test)

	Unstandardized Coefficients		Standardize	T	Significance (p-value)
	B	Std. Error	d Coefficients Beta (R)		
(Constant)	1.384	1.299		16.153	0.128
Mean score of repayment period	0.662	0.779	0.482	2.289	0.004

Source: Research Data, 2017

The regression results also shows that at individual significance, the extent to which repayment period influence the choice of loan packages in Kakamega Central Sub County was statistically significant ($\beta = 0.482$, p-value 0.004) in that the p-value is less than .05 ($0.004 < 0.05$) and the relationship between repayment period and choice of loan packages in Kakamega Central Sub County followed a simple regression model of the nature: $CLP = 1.384 + .482RP + \varepsilon$

Where: CLP is choice of loan packages in Kakamega Central Sub County

1.384 is the y- intercept constant

484 is the beta ($\beta = .484$) or the slope coefficient.

RP is repayment period

and ε is the error term

The findings showed that the repayment period has influence on the choice of loan packages as it is statistically significant as its p value is 0.004 which is less than 0.05.

The repayment period also influence the choice of loan packages by 23.2% as the r square was 0.232.

The researcher findings were similar to a study by Chege (2006) who did an investigation on determinants of loan default within the Banking industry in Kenya who found that loan granted was subjected to interest rates, loan products, repayment schedules, client ability to repay a loan and client credit ability.

4.4.3 Influence of Loan Regulation Policies on Choice of Loan Packages

The study was based on the assumption that loan regulation policies affect the choice of loan packages in Kakamega County. In order to analyze the extent to which loan regulation policies affect the choice of loan packages in Kakamega County, the study had set the following research hypothesis;

H₀₃: The relationship between loan regulation policies and choice of loan packages in Kakamega Central Sub County is not statistically significant.

In order to analyze the extent to which loan regulation policies affect the choice of loan packages in Kakamega County, the aggregate mean score of choice of loan packages measures were regressed against the mean score of measures of loan regulation policies and results are shown in the Table 4.10.

Table 4.10 (a): Regression Results of Regulation Policies and Choice of Loan Packages - Goodness Fit Analysis

R	R ² squared	Adjusted R ²	Estimate std error
.464	.215	.104	.736

Source: Research Data, 2017

The regression results shows that 21.5 percent of the choice of loan packages in Kakamega County can be explained by loan regulation policies (R-square = .264).

The effect of loan regulation policies on choice of loan packages in Kakamega County was positive and significant in that its R was .464 (Table 4.10a).

Table 4.10 (b): Regression Results of Regulation Policies and Choice of Loan Packages - Overall Significance, ANOVA (F-test)

	Sum of Squares	Degree of Freedom	Mean Square	F	Sign. p-value
Regression	.248	3	.408	1.0716	.004
Residual	1.086	229	.342		
Total	1.334	232			

Predictors: (Constant), Loan regulation policies

Dependent: Choice of loan packages

Source: Research Data, 2017

The regression results also shows that at individual significance, there was a statistically significant positive linear relationship between loan regulation policies and choice of loan packages in Kakamega County (p-value .004) in that the p-value is less than .05 (.004 < .05).

Table 4.10 (c): Regression Results of Regulation Policies and Choice of Loan Packages Overall Significance, ANOVA (F-test) Coefficients

	Unstandardized Coefficients		Standardized Coefficients	T	Sign. p-value
	B	Std. Error	Beta (β)		
(Constant)	2.681	1.01		1.098	1.688
Mean score Loan regulation policies	.542	.451	.464	.08	.042

Source: Research Data, 2017

From the study results in Table 4.10c, the regression results revealed that loan regulation policies had overall significant positive relationship with the choice of loan packages in Kakamega County ($\beta = .464$, p-value = .042). This is because loan regulation policies had p-value less than .05 (.042) and a beta value that is positive (0.464). Hence the study therefore rejects the null hypothesis that the relationship between loan regulation policies and choice of loan packages in Kakamega Central Sub-County e choice of loan packages in Kakamega County given its existing loan regulation policies is stated as follows; $CLP = 2.681 + .464LRP + \varepsilon$

Where:

CLP is choice of loan packages in Kakamega Central Sub County

2.681 is the y- intercept constant

.464 is the beta ($\beta = 0.464$) or the slope coefficient.

LRP is loan regulation policies

ε is the error term

The results showed that the relationship between loan regulation policies and choice of loan packages in Kakamega Central Sub County choice of loan packages in Kakamega County was positively significant because the p value was less than 0.04 which is less than 0.05 and that Policies and regulations affect choice of loan packages by 21.5% as its R square was 0.215.

The study concurs with Kinya et al (2015) that the Effect of Loan Terms and Conditions on Loan Volume Granted By Selected Deposit Taking SACCOs in Nyeri County, Kenya The researcher sought to establish the effect of SACCOs by-laws on the SACCO credit policy. It was found that SACCOs by-laws had a high effect on the SACCO credit policy. This directly affects the loan volume granted to the members. The researcher sought to establish whether Credit policy has an effect on loan volume

granted by selected deposit taking SACCOs in Nyeri County. the study concurs with the study of Njuguna 2015 on Government regulations and Performance of small SACCOs in Nairobi County, Kenya and found out that implementation of government policies and regulations improved the performance of SACCOs and that regulations positively affected the SACCO liquidity.

4.4.4 Moderating effect of Member Factors on Relationship between SACCO Factors and Loan Packages

The study's final objective was to assess the effect of member factors on the relationship between SACCO factors and loan packages by SACCOs in Kakamega Central Sub County. The study formulated the following research hypothesis.

H₀₄: Members factors do not have statistically significant moderating effect on the relationship between SACCO factors and loan packages

In order to assess the effect of member factors on the relationship between SACCO factors and loan packages by SACCOs in Kakamega Central Sub County, the study used Fairchild and MaKinnon (2009) moderation tests whether responses by a dependent variable to changes in a predictor variable vary across levels of a third variable that affects the strength and/or direction of the relationship. Predictor variables and their interaction term are used in a single regression equation. Moderation is present if the coefficient for the interaction term is statistically significant. This procedure of testing the moderating effect was followed in this study. The predictor variable which is members' factors was centered by subtracting the mean scores, standardized and their interaction term calculated as a product of the independent and moderator variable. The change in R^2 (.496 - .482) and the

coefficient and significance level due to the interaction term were used to check for moderation effect. The relevant results are presented in Table 4.11.

Table 4.11: Regression Results for Member Factors on Relationship between SACCO Factors and Loan Packages

Table 4.11(a): Goodness of fit analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.485	.482	.687	.218
2	.492	.496	.656	.034

Table 4.11(b): Overall significance: ANOVA (F-test)

Mode		Sum of Squares	DF	Mean Square	F	Sign.
1	Regression	12.018	2	3.218	9.018	.006
	Residual	11.640	230	.124		
	Total	23.658	232			
2	Regression	13.018	3	3.218	7.018	.002
	Residual	10.640	229	.124		
	Total	23.658	232			

Table 4.11(c): Individual significance (T-test)

Model		Unstandardized		Standardized		
		Coefficients		Coefficients		
		B	Std. Error	Beta (β)	T	Sign.
1	(Constant)	1.446	.482		1.402	1.038
	SACCO factors	.451	.402	.385	1.068	.004
2	(Constant)	1.342	.382		1.231	.038
	SACCO factors	.451	.302	.342	1.868	.004
	loan packages	.432	.421	.434	1.462	.023
	Member's factors	.084	.112	.132	.765	0.00

Source: Research Data, 2017

The study results in Table 4.11 of moderation testing shows that the effect of member factors on the relationship between SACCO factors and loan packages by SACCOs in

Kakamega Central Sub County was positive and statistically significant ($p < 0.05$). The change in R^2 due to the interaction term was not equal to zero and was statistically significant ($p < 0.05$) and therefore the study rejected hypothesis H_{04} . The results suggest that the moderation effect of members' factors on the relationship between SACCO factors and loan packages by SACCOs in Kakamega Central Sub County was significant hence there is need to consider the members' factors of the SACCOs in Kakamega Central Sub County in when loan packages.

From the research results, a simple regression equation that may be used to estimate loan packages by SACCOs in Kakamega Central Sub County given their existing members' factors and SACCO factors can be stated as follows;.

$$P = 1.342 + .342SF + .434LP + .132MF + \varepsilon$$

Where:

P is performance

1.342 is the y- intercept constant

0.342 is the beta or the slope coefficient

SF is the SACCO factors

LP is the loan packages

MF is the members' factors

ε is the error term . .

The results showed that the moderation effect of members' factors on the relationship between SACCO factors and loan packages by SACCOs in Kakamega Central Sub County was significant because the p value was 0.04 for SACCO factors and 0.023 which was less than 0.05. hence there is need to consider the members' factors of the SACCOs in Kakamega Central Sub County in when loan packages.

The findings are in agreement with Kantrowitz (2010), who on Calculating the Contribution of Demographic Differences to Default Rates Student Aid Policy Analysis, who established that member characteristics namely, educational level, having dependents, the marital status of the borrower, the borrower's income and gender have significant relationship with loan choice in commercial banks.

CHAPTER FIVE:

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents summary of the findings contained in the preceding chapters. Based on the findings a number of conclusions are drawn and recommendations made. Areas for further research are also suggested.

5.2 Summary of the Research Findings

The study investigated the factors influencing the choice of loan packages by SACCO members in Kakamega Central Sub County. The conceptual basis of the study was SACCO interest rate, repayment period and loan policies as the independent variable while loan packages was the dependent variable. The study employed descriptive and inferential statistics in data analysis and presentation. In summary the study revealed the following findings.

5.2.1 To establish the Influence of Interest Rate on Choice of Loan Packages by SACCOs in Kakamega Central sub-county.

The results show that there was a statistically significant and positive influence on choice of loan packages by SACCO members in Kakamega Central Sub-County. The intensity of interest rate on the choice of loan packages by SACCOs in Kakamega Central Sub-County is considerably above average with the overall mean registered of 3.384. This is because the overall score is more than 2.5 which is the half of the maximum score of 5 (strongly agree). The regression results showed that thirty point five percent of choice of loan packages by SACCO members in Kakamega Central Sub County can be explained by interest rate ($R^2 = 0.305$). The study therefore

found out that there was an influence of interest rate on choice of loan packages by SACCO members in Kakamega Central Sub County.

5.2.2 To examine the extent to which Repayment Period Influences the Choice of Loan Packages in Kakamega Central Sub-County, Kenya.

The study found out that there was a statistically significant relationship between repayment period and choice of loan packages of SACCOs in Kakamega Central Sub-County. The study results revealed that the extent to which repayment period influence the choice of loan packages was statistically significant. Choice of loan packages depended on the payment period with twenty three point two percent of choice of loan packages being explained by repayment period (R squared = 0.232).

5.2.3 To analyze the extent to which Loan Regulation Policies affect Choice of Loan Packages in SACCOs in Kakamega Central Sub-County, Kenya.

The study established that there was a statistically positive significant relationship between Loan regulation policies in Kakamega central Sub-County .relationship Overall mean of 3.4683 was above the average which imply loan regulation policy had an influence on choice of loan packages in Kakamega Central Sub County. The regression results show that twenty one point five percent of the choice of loan packages in Kakamega County can be explained by loan regulation policies (R-square = .21.5). The effect of loan regulation policies on choice of loan packages in Kakamega County was positive and significant in that its R was .464.

5.2.4 To assess the effect of Member Factors on Relationship between SACCO Factors and Loan Packages in Kakamega Central Sub-County.

The overall mean 3.484 imply member factors moderates the relationship between SACCO factors and choice of loan products in Kakamega central Sub County.

Moderation testing shows that the effect of member factors on the relationship between SACCO factors and loan packages by SACCOs in Kakamega Central Sub County was positive and statistically significant ($p < 0.05$). The change in R^2 due to the interaction term was not equal to zero and was statistically significant ($p < 0.05$).

5.3 Conclusions

Based on the study findings, the study draws the following conclusions:

5.3.1 Influence of Interest Rate on Choice of Loan Packages by SACCOs

The study results showed that thirty point five percent of choice of loan packages by SACCO members in Kakamega Central Sub County can be explained by interest rate ($R\text{-squared} = .305$). Based on the study findings therefore, the study concluded that interest rate helps in improving the choice of loan packages by SACCO in Kakamega Central Sub County. SACCO in Kakamega Central Sub County should therefore stiff to improve on their loan interest rates because it has been found by this study to have a positive effect on choice of loan packages by SACCO members in Kakamega Central Sub County.

5.3.2 Extent to which Repayment Period Influence the Choice of Loan Packages

The study results revealed that the extent to which loan repayment period influence the choice of loan packages was statistically significant. Choice of loan packages depended on their payment period with twenty tree point two percent of choice of loan packages being explained by repayment period. Based on the study findings therefore, the study can conclude that SACCO members in Kakamega Central Sub County. SACCOs in Kakamega Central Sub County should make efforts towards improving on loan repayment period since the study has found it to influence the choice of loan packages.

5.3.3 Extent to which Loan Regulation Policies affect Choice of Loan Packages

The regression results shows that twenty one point five percent of the choice of loan packages in Kakamega County can be explained by loan regulation policies. The effect of loan regulation policies on choice of loan packages in Kakamega County was positive and significant hence the study concluded that SACCOs in Kakamega Central Sub County need to improve on loan regulation policies because it has been found to have a positive and significant effect on choice of loan packages.

5.3.4 Moderating effect of member factors on Relationship between SACCO Factors and Loan Packages

The study established that there was appositive and statistically significant relationship between member factors and loan packages in Kakamega central Sub-County. Finally, Moderation testing shows that the effect of member factors on the relationship between SACCO factors and loan packages by SACCOs in Kakamega Central Sub County was positive and statistically significant ($p < 0.05$). The study therefore concludes that SACCOs in Kakamega Central Sub County should consider members factors since it has been found to have a positive and significant effect on choice of loan packages.

5.4 Recommendations

Based on the findings and conclusions of the study, the following recommendations were made;

Given that interest rates influence choice of loan packages in Saccos, the management are advised to be very keen on the regulation of the interest rates applied on credit facilities. This is supported by the findings from this study which show that interest rate helps in improving the choice of loan packages by Sacco in Kakamega Central

Sub County. Management of Saccos are further advised to be observant on determining the repayment periods of credit facilities since it directly affect choice of loan packages. Saccos in Kakamega Central Sub County should make efforts towards improving on loan repayment period since the study has found it to influence the choice of loan packages. Loan regulation policies should be set and consideration made to ensure they are friendly to the members since it directly affects choice of loan packages. There are various factors which emerge to shake up the sacco structures these include member factors such income level, terms of employment, level of awareness and attitude. Therefore the sacco should consider these sacco factors as they positively affect the choice of loan packages.

5.5 Areas for Further Research

The study sort to investigate factors influencing the choice of loan packages by SACCO members in Kakamega Central Sub-County, Kenya. The study was carried out within SACCOs in Kakamega Sub County in the Republic of Kenya which are financial institutions.

A similar study may be carried out to establish factors influencing choice of loan packages by microfinance members in the Kakamega Sub-County, Kenya.

A similar study on other factors not done in the study influencing choice of loan packages in SACCOs be done in another county.

Another study may be carried to determine how politics influence choice of loan packages by SACCO members.

Another study may be carried out to determine the effect of environmental factors on the choice of loan packages by SACCO members in Kakamega Sub-County.

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APPENDICES

APPENDIX I: LETTER TO THE RESPONDENTS

Everlyn Aluoch Wanzetse
P.O. Box 190 Kakamega
Masinde Muliro University
School of Graduate Studies

Dear Sir/Madam,

RE: RESEARCH QUESTIONNAIRE

I am a Masters of Business Administration student specializing in Finance. I am conducting a research as part of the examinations.

The purpose of this letter is to forward to you the enclosed questionnaire and to request that you respond to it. All answers will be treated ethically and with confidentiality and will only be used for academic purposes.

Please return the completed questionnaire at your earliest convenience.

Thanking you in advance.

Yours faithfully

Everlyn Aluoch Wanzetse

APPENDIX II: QUESTIONNAIRES

You have been selected to participate in the study on the Factors Influencing Choice of Loan Packages by SACCO members in Kakamega Central Sub-County, Kenya. Your participation is of high value to this study and will be highly appreciated. The information you give will be treated with utmost confidentiality. Kindly respond to the questionnaire, giving information in the space provided indicating by a tick where appropriate.

SECTION A: BACKGROUND INFORMATION OF RESPONDENTS

1. Name of the SACCO.....
2. For how long have you been a member?

Less than 5 years 6 to 10 years 11 to 15 years 16 and above
3. State the category that best describes your Academic qualifications.....

Certificate Degree level
A Master level PhD and above
4. Are you aware of the Loan policy of your SACCO?
Yes No
5. If Yes, who gave you the information?
Through loan agreements On the SACCO pamphlets Friends
 Radio Newsletters
6. Have you ever borrowed from your SACCO
Yes No
7. If yes, what kind of security did you offers?
.....
.....
8. What was the loan for?
.....
.....
9. How long did it take to approve your loan?

One day [] within one week []

Two weeks [] One month []

10. Do you like the approval period taken by SACCOs?

Yes [] No []

11. What would you like changed in your loan Policy?

.....
.....

12. How do you rate your SACCO back officer?

Excellent [] Very good []

Good [] Poor []

SECTION B

Please rank the following statement on Likert scale ranging from strongly disagree to strongly agree

Where;

1= Strongly Disagree, 2= Disagree, 3= Not Sure, 4= Agree, 5= Strongly Agree

Statements	Score				
	1	2	3	4	5
SACCO FACTORS					
Interest rates	1	2	3	4	5
1. Members give their views in setting loan interest rates					
2. Management closely advises members on the changes in interest rates					
3. Management provides us with policies regarding interest rates					
4. Interest rates increase without our knowledge					
5. Management benefits a lot than us from increased rates					
6. Interest rates affects the pattern of borrowing					
7. Interest rates affects the loan product borrowed					
Repayment period	1	2	3	4	5
1. Management sets a suitable loan repayment period					

2. Loan repayment period influences choice of loan product					
3. Loan repayment period is chosen by borrowers					
4. Repayment period is scheduled in the loan agreement					
Loan policies and Regulations	1	2	3	4	5
1. Our SACCO has a clear loan policy					
2. Loan policy affects the choice of loan products					
3. Management advises us on loan policies regularly					
4. The loan policy negatively affects choice of loan products					
MEMBER FACTORS	1	2	3	4	5
1. Do the terms of employment terms by parent institution determine the type of loan you take					
2. Does your income level determine the amount of loan you take.					
3. Market campaigns are done to sensitise existing members on the loan packages					
SECTION C: LOAN PACKAGES					
Bosa Loans	1	2	3	4	5
1. SACCO interest rates makes members can choose Bosa loans					
2. SACCO repayment period makes members choose Bosa loans					
3. SACCO policies and regulations makes members choose Bosa loans					
Fosa Loans	1	2	3	4	5
4. SACCO interest rates makes members choose Fosa loans					
5. SACCO repayment period makes members choose Fosa loans					
6. SACCO policy makes members choose Fosa loans					

**APPENDIX III: LIST OF SACCOS IN KAKAMEGA CENTRAL SUB
COUNTY**

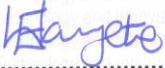
S/N	CS.NO	NAME OF SACCO	POPULATION
1.	2738	Invest and Grow	3,600
2.	10243	Wevarcity	1010
3.	2537	KakamegaVumaDaima	393
4.	8370	CCSWR	253
5.	4161	KRRW	496
6.	3776	Golf Hotel	139
7.	12961	Western Shuttles	92
8.	2143	Bukhungu	398
9.	13246	Disciples of Action	1442
10.	9909	Kakamega Entrepreneurs	510
11.	14712	Kakamega County Bunge	1221
12.	13849	Kakamega Light	90
13.	17880	Megastone	15
14.	16226	Kakamega County Women	99
		TOTAL	9758

APPENDIX IV: RESEARCH PERMIT


THIS IS TO CERTIFY THAT:
MS. EVERLYN ALUOCH WANZETSE
of MASINDE MULIRO UNIVERSITY,
0-50100 KAKAMEGA,has been permitted
to conduct research in Kakamega
County

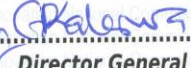
on the topic: FACTORS INFLUENCING
CHOICE OF LOAN PACKAGES BY SACCO
MEMBERS IN KAKAMEGA CENTRAL SUB
COUNTY,KENYA

for the period ending:
30th October,2018


.....
Applicant's
Signature

Permit No : NACOSTI/P/17/52426/19613
Date Of Issue : 30th October,2017
Fee Recieved :Ksh 1000




.....
Director General
National Commission for Science,
Technology & Innovation

APPENDIX V: DETERMINING SAMPLE SIZE FROM A GIVEN

POPULATION

N	S	N	S	N	S
10	10	220	140	1200	291
15	14	230	144	1300	297
20	19	240	148	1400	302
25	24	250	152	1500	306
30	28	260	155	1600	310
35	32	270	159	1700	313
40	36	280	165	1800	317
45	40	290	165	1900	320
50	44	300	169	2000	322
55	48	320	175	2200	327
60	52	340	181	2400	331
65	56	360	186	2600	335
70	59	380	191	2800	338
75	63	400	196	3000	341
80	66	420	201	3500	346
85	70	440	205	4000	351
90	73	460	210	4500	354
95	76	480	214	5000	357
100	80	500	217	6000	361
110	86	550	226	7000	364
120	92	600	234	8000	367
130	97	650	242	9000	368
140	103	700	248	10000	370
150	108	750	254	15000	375
160	113	800	260	20000	377
170	118	850	265	30000	379
180	123	900	269	40000	380
190	127	950	274	50000	381
200	132	1000	278	75000	382
210	136	1100	285	100000	384

Note – N = Population size, S = Sample Size

Source:Krejcie and Morgan (1970, pp.608).

APPENDIX VI: MAP OF THE STUDY AREA

KAKAMEGA COUNTY IN KENYA

