

# Ethical Practices and Organizational Performance: Understanding Linkages from Deposit-Taking SACCOs in Kenya

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**Abstract:** As employees understand what amounts to acceptable behavior within an organization, their ethical choices can be moulded and this gives leaders an opportunity to actually shape the ethical climate. Strategic leaders have a role to emphasize on ethical practices. The main objective of the study was to establish the influence of ethical practices on performance of Deposit-Taking SACCO's in Kenya. The study adopted positivism paradigm and descriptive correlational design. The study focused on all 42 Deposit -Taking SACCOs in Nairobi County. Structured Questionnaires were administered on 126 senior managers. For data analysis both descriptive and inferential statistics was utilized. Descriptive analysis entailed mean and standard deviation. As for inferential statistics, correlation and regression analysis were conducted. The article unveiled that ethical practices had a positive and significant influence on performance. The research provides insights into the perception of ethical practices in the Kenyan SACCO context, specifically in the Deposit-Taking SACCOs, a service- oriented sector where ethical practices become a must for a better performance. The results of this study seem to allude to an ethical practices performance paradigm. Further research should be conducted on other factors that can influence performance of Deposit-Taking SACCOs other than ethical practices.

**Keywords:** Deposit-Taking SACCO's, Ethical Practices, Performance.

## I. INTRODUCTION

Over the years ethics in performance of organizations has been associated with management scholars and business leaders around the world. According to Bello (2012) ethical issues are a worldwide phenomenon that require the attention of leaders in organizations as well as in businesses. According to Athar, Shahzad, Ahmad and Ijaz (2016) the word ethics which means moral character, customs and also habit originated from a Greek. Ethical practices are actions meant to enhance moral standards or right behaviors. A key role of a leader is to nurture a culture of excellence and ethical behavior (Dess, Lumpkin & Eisner, 2010). Strategic leaders should emphasize on ethical practices. An ethical culture can be embedded in an

Organization if the leaders are in the forefront as followers are influenced by leaders who lead by example. The leaders of organizations that incorporate ethical practices encourage employees to act ethically in their actions in implementing the

organization's selected strategy (Hitt, Ireland & Hoskisson, 2013).

Alshammari, Almutairi and Thuwaini (2015) noted that firm successes were attributable to sound ethical practices which equally contributed significantly to organizational performance. Piccolo, Greenbaum, Hartog and Folger (2010) suggested that strong ethical practices motivated employees in organizations to be passionate about them which led to firm performance. Moreover, Joyce (2014) reiterated that in all government forms, ethics had the potential of affecting public trust.

Vision 2030 for financial services is to create a financial sector that is vibrant as well as globally competitive in Kenya that may result to job creation and also promote savings in order to finance overall investment needs in Kenya (GOK, 2013). SACCO's provide financial services to its members.

According to Sacco Societies Regulatory Authority (2016) the role of SACCOs has been critical in savings mobilization in Kenya. The SACCO sector is comprised of both Deposit-Taking and also Non-Deposit Taking SACCOs. DTS are licensed to receive both with drawable and non-withdrawable deposits from members and also to extend credit facilities. Deposit-Taking SACCOs have a large capital base and are susceptible to more risks since they accept deposits from customers. The SACCO sector is bedeviled with challenges such as poor governance, lack of members' confidence and mismanagement (Ademba 2011; Makori, Munene & Muturi, 2013; Ndung'u, 2010).

### *Problem Statement*

The SACCO movement especially in Kenya has for an along time performed underneath the individuals desires accordingly perpetrating discontent among the largest part of their individuals (WOCCU, 2014). Otieno, Okengo, Ojera and Mamati (2013) observed that nearly 2% of SACCOS collapse every year and about 6% of members withdraw annually. Magali (2013) noted that SACCO's suffered from poor management, incompetence and absence of accountability of both staffs and leaders. Further, Ondieki, Okioga, Okwena and Onsase (2011) revealed that the major SACCO movement challenge inherent in Kenya was limited transparency in their management. Brown and Treviño (2006) noted that ethics

remained greatly unexplored by studies therefore creating a dearth regarding how it contributed to a firm's performance. Previous studies on ethical practices have confirmed that they influence performance (Piccolo, Greenbaum, Hartog & Folger 2010; Jonyo, 2017). However, Kitonga, Bichanga and Muema (2016) confirmed that ethical practices had no significant influence on organizational performance hence providing inconsistent findings. This study thus investigated the influence of ethical practices on performance of Deposit-Taking SACCOS in Kenya.

### 1.3 Research Objective

To establish the influence of ethical practices on performance of Deposit-Taking SACCOS in Kenya.

### 1.4 Hypotheses of the study

H<sub>0</sub>: Ethical practices has no significant influence on performance of Deposit-Taking SACCOS in Kenya.

## II. LITERATURE REVIEW

### 2.1 Theoretical Review

This study was anchored on transformational leadership theory. Burns (1978) developed the theory while analyzing political leaders during the latter years of the 20<sup>th</sup> century. Subsequently Bass (1985) enhanced the theory. Bass (1985) stated that transformational leadership theory had four components namely the inspirational motivation, intellectual stimulation, individualized consideration and idealized influence. According to Frooman *et al.* (2012) idealized influence is the ability of leaders to articulate collective vision and also promote values that are morally uplifting amongst followers. Idealized leaders normally have extremely high moral and ethical standards, are reliable and they also instill on followers the vision and mission (Northhouse, 2010). The theory informs the study on the importance of strategic leadership in emphasizing ethical practices in order to enhance firm performance. Ethical practices serve as moral filter through which potential courses of action are evaluated.

### 2.2 Conceptual Review

#### 2.2.1 Ethical Practices

Ireland, Hoskisson and Hitt (2013) submitted that an organization's ethical practices are anchored on good governance practices. Ethical practices include ethical values, ethics training, code of ethics, ethics officer, ethics hotline, ethical leadership, ethical rewards (Kitonga 2017, Jonyo 2017, Olaka, 2017; Schwartz, 2013). Al-sharafi and Rajiani (2013) averred that not only should employees be allowed to learn from their leaders but also to observe what their leaders actually do. According to Khuong and Nhu (2015) ethical leaders usually set definite ethical standards and use appropriate rewards and punishments to ensure implementation of those standards. Ethical leaders set the tone at the top which may be reflected by board members, senior executives as well as managers (Schwartz, 2013). Good

leaders are transparent and they set a good example regarding all governance levels (Nnablife, 2010). Koech and Namusonge (2012) posited that managers should strive to adopt a leadership style that enables them to become role models to their subordinates. Ethics training and incentivizing of ethical behaviors are human resource practices which can be adopted so as to bolster internal ethics as well as enforce ethical operation (Thomas, Schermerhorn & Dienhart, 2004).

In order to develop and support an ethical organizational culture, Hitt *et al.* (2013) recommends that strategic leaders must develop and disseminate a code of conduct which must be continuously revised and updated based on input from within and without the organization and the code should be disseminated to all stakeholders. A code of ethics should act as a preventative measure that regulates both individuals and organizations behavior and also their thinking so as to guide and prevent actions having irreversible effects (Bishop, 2013). According to Gould (2013), codes of conduct can be useful in reassuring investors and other stakeholders, especially those in search of socially responsible investments and commitment to ethics. Moreover, employees are generally attracted to organizations where values and ethics are upheld. Customers too have a preference to patronize establishments with strong records of observance to standards of conduct as well as socially sensitive behavior. Aspects of ethical practices in the study included role modelling by leaders, ethics training and development and enforcing of a code of ethics.

#### 2.2.2 Organizational Performance

According to Armstrong (2017) performance refers to outcomes produced on a specific job function or even activity during a specific period. Richard (2013) explained that organizational performance was an organization's actual outcome as measured against its intended goals and objectives. The parameters of performance were level of customer satisfaction, membership base, asset base and deposit base.

#### 2.3 Ethical Practices and Performance

Studies have been done in a quest to establish the influence of ethical practices on performance. Leaders have a key role in nurturing a culture of ethical behavior on the employees. Simha and Stachowicz-Stanusch (2013) carried out a study in Poland on ethical climate type and found "efficiency" as the most reported and "professionalism" as the least reported. Successful managers were perceived as being ethical, specifically those that believed their organization had "professionalism" and "independence" climate perceived a strong and positive association between success and ethical behavior.

Regarding a study conducted in Pakistan in the education sector, ethical values were found to significantly influence employee performance. The study intended to ascertain the ethical behavior-employee performance link and also to determine how ethical behavior factors contributed to

employee performance (Saeed, Shakeel & Lodhi, 2013). Ethical values are thus critical and therefore leaders have a role to play in instilling ethical values on the employees.

An empirical study was carried out by Alshammari, Almutairi and Thuwaini (2015) on the impact of ethical leadership behaviour on performance, efficiency as well as productivity of staff in the public sector. Findings indicated that sound ethical practices enhanced firm successes which equally contributed significantly to firm performance. Furthermore, the findings established that when strategies and techniques are used by ethical managers, their capacity to empower employees and also extensively promote staff self-efficiency is enhanced. Thus leaders should act as role models in order to gain respect from employees hence improving performance. Deshpande, Joseph and Shu (2011) carried out a study on perceptions of ethical climate and practices and the impact of different ethical climate types (professionalism, caring, rules, instrumental, efficiency and independence) on successful managers perceived ethical practices. The most reported was rules and the least reported was independence. A majority of the respondents perceived that the successful managers were seen as being ethical.

Schwartz (2013) argued that in order to minimize illegal or unethical activities organizations should develop and sustain an ethical culture which contains core ethical values, a formal ethics program, which includes a code of ethics, ethics hotline, ethics officer and ethics training, and also an ethical leadership.

Onyangi (2013) assessed leadership factors that influenced employee workplace behavior. This was a case of the Municipal Council in Kisumu. The study results revealed that leaders influenced employees' ethical behavior and thus organizational leadership ethical behavior was critical. These findings were also corroborated by Yusuf, Hawkins, Musa, El-Berishy, Schulze and Abubakar (2014) who found that ethical practices positively impacted on supply chain performance.

Ebitu and Beredugo, (2015) carried out a study at Calabar, Cross River State in Nigeria to investigate the relevance of the ethics code in enhancing service industry performance and its level of compliance. The study was done in some selected Banks and also GSM firms. Results show that the code of ethics influenced effective performance of the service industry and that the level of compliance to the ethics code was high.

Studies have been carried out on ethical leadership and employee performance in China and also in Uganda and the findings have revealed that ethical leadership has a significant influence on employee performance (Obicci, 2015; Walumbwa, Mayer, Wang, Wang, Workman & Christensen, 2011). Similarly Kitonga, Bichanga and Muema (2016) confirmed that ethical practices had no significant influence on organizational performance. The study employed mixed method research design. The study was conducted in Nairobi County in not-for-profit organizations. Applicability of this

study's findings to SACCOS may be untenable due to operational disparities.

Olaka (2017) and Jonyo (2017) confirmed the influence of ethical practices on strategy implementation and organizational performance respectively. However the extent of influence differed from one organization to another for instance in the banks it affected implementation to a great extent unlike in private universities where it affected performance moderately. The studies were done in different contexts in banks and private universities in Kenya thus providing a sectoral gap necessitating a study to be done in SACCOS in order to increase the findings generalizability.

### III. METHODOLOGY

The study adopted positivism paradigm and descriptive correlational design. The study focused on all 42 Deposit-Taking SACCOs in Nairobi County (SASRA, 2018). Structured questionnaires were administered on 126 senior managers. The questionnaire was structured using a five point Likert scale in the order of 1= Strongly Disagree, 2 = Disagree, 3 = Fairly Agree, 4 = Agree and 5 = Strongly Agree. A pilot study was conducted in 4 Deposit-Taking SACCO'S in Kakamega County and a Cronbach alpha test was conducted to test for reliability. For data analysis both descriptive and inferential statistics was utilized. Descriptive analysis entailed mean and standard deviation. As for inferential statistics, correlation and regression analysis were conducted. The simple linear regression equation for ethical practices was as follows:

$$Y = \beta_0 + \beta_1 X_1 + \epsilon$$

$$\beta_0 = \text{Constant,}$$

$$B_1 = \text{Coefficients of determination,}$$

$$X_1 = \text{Ethical practices,}$$

The study hypotheses was tested using simple linear regression. All the collated information were presented in tables.

### IV. RESULTS AND DISCUSSION

#### 4.1 Response Rate

A total of one twenty six (126) questionnaires were distributed out of which 102 were returned giving a response rate of 81% which was deemed ideal as recommended by Saldivar (2012).

#### 4.2 Results of Means, standard deviations, reliability and correlation

Table 1: Results of Means, standard deviations, reliability and correlation of the study

Variable (n = 102)	M	SD	Reliability	Correlation	
Ethical practices	4.11	.641	.865	1	
Performance	3.99	.834	.883	.493**	1

Note: Correlation is significant at \*\*  $p < .01$ , (2-tailed), M= Mean, SD = Standard deviation

Source: Research Data (2019)

Table 1 presents the means, standard deviations, reliability, and correlation of the study variables. The findings reveal that ethical practices and performance had means of 4.11(SD =.641) and 3.99 (SD =.834) respectively. Furthermore, the findings indicate the variables had scale reliability above 0.7 as recommended Sekeran and Bougie (2013) as ethical practices had 0.865 and performance had 0.883. Finally, Pearson’s product moment correlation analysis was employed to assess the relation between ethical practices and performance of Deposit-Taking Sacco’s. The results shows that ethical practices positively correlated to performance which is significant at 99 % confidence level ( $r=0.493$ ;  $p<0.01$ ). Similarly the correlation coefficient ( $r$ ) for Kitonga (2017) was 0.398. Also Serfontein (2010) found a positively weak correlation regarding ethical practices. However, the correlation for Jonjo (2017) was strong and positive ( $r=0.774$ ;  $p<0.01$ ).

4.3 Regression Analysis Results

Regression analyses were carried to determine the magnitude of the relationship between ethical practices and measures of organizational performance which included customer satisfaction, membership base, asset base and deposit base. The final regression was done on ethical practices and overall organizational performance.

4.3.1 Regression analysis results for ethical practices and customer satisfaction measure of performance

Table 2a: Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.720 <sup>a</sup>	.518	.514	.43936

Table 2b: ANOVA<sup>a</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	20.772	1	20.772	107.607	.000 <sup>b</sup>
	Residual	19.303	100	.193		
	Total	40.075	101			

Table 2c: Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.288	.409		-.704	.483
	ETHICS	1.024	.099	.720	10.373	.000
a. Dependent Variable: customer satisfaction						
b. Predictors: (Constant), Ethical practices						

Source: Research Data (2019)

The value of  $R^2$  is 0.518 as in table 2a above. This indicates that ethical practices explains 51.8% of the variance in customer satisfaction as a measure of performance of Deposit-Taking SACCO’s in Kenya while the remaining 48.2% can be attributed to other factors which are not covered in the study.

The ANOVA table 2b shows that the regression model can be used to explain the effect of ethical practices on customer satisfaction as  $P=0.000$  is significant at 99% confidence level.

Having regards to the regression findings in table 2c above, a unit increase in ethical practices results to 1.024 increase in customer satisfaction with a constant in the model of -.288. Thus ethical practices positively and significantly influences customer satisfaction. This implies that customers are satisfied with the services offered by a Deposit-Taking SACCO that engages in ethical practices.

4.3.2 Regression analysis results for ethical practices and membership base measure of performance

Table 3a: Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.223 <sup>a</sup>	.050	.040	.93585

Table 3b: ANOVA<sup>a</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	4.585	1	4.585	5.235	.024 <sup>b</sup>
	Residual	87.582	100	.876		
	Total	92.167	101			

Table 3c: Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.851	.871		2.124	.036
	ETHICS	.481	.210	.223	2.288	.024
a. Dependent Variable: membership base						
b. Predictors: (Constant), ETHICS						

Source: Research Data (2019)

The value of  $R^2$  is 0.05 as in table 3a above. This indicates that ethical practices explains 5% of the variance in membership base as a measure of performance of Deposit - Taking SACCO’s in Kenya while the remaining 95.0% can be attributed to other factors which are not covered in the study.

The ANOVA table 3b shows that the regression model can be used to explain the effect of ethical practices on membership base as  $P=0.024$  is significant at 95% confidence level.



Having regards to the regression findings in table 3c above a unit increase in ethical practices results to 0.481 increase in membership base with a constant in the model of 1.851. Thus ethical practices positively and significantly influences the membership base as such this implies that if DTS's want to increase their membership base by gaining trust of the members of the public they need to engage in ethical practices.

4.3.3 Regression analysis results for ethical practices and asset base measure of performance

Table 4a: Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.189 <sup>a</sup>	.036	.026	.95624

Table 4b: ANOVA<sup>a</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	3.385	1	3.385	3.702	.057 <sup>b</sup>
	Residual	91.439	100	.914		
	Total	94.824	101			

Table 4c: Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.473	.890		2.778	.007
	ETHICS	.413	.215	.189	1.924	.057
a. Dependent Variable: Asset base						
b. Predictors: (Constant), Ethical practices						

Source: Research Data (2019)

The value of R<sup>2</sup> is 0.036 as in table 4a above. This indicates that ethical practices explains 3.6% of the variance in asset base as a measure of performance of Deposit-Taking SACCO's in Kenya while the remaining 96.4% can be attributed to other factors which are not covered in the study.

The ANOVA table 4b shows that P=0.057 which is greater than 0.05 hence the model is not a good fit as it is not statistically significant (p<0.05).

Having regards to the regression findings in table 4c above, a unit increase in ethical practices results to 0.413 increase in asset base with a constant in the model of 2.473. Thus ethical practices positively influences asset base level though the link is insignificant.

4.3.4 Regression analysis results for ethical practices and deposit base measure of performance

Table 5a: Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.228 <sup>a</sup>	.052	.043	.86082

Table 5b: ANOVA<sup>a</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	4.066	1	4.066	5.487	.021 <sup>b</sup>
	Residual	74.101	100	.741		
	Total	78.167	101			

Table 5c: Coefficient

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.300	.801		2.870	.005
	ETHICS	.453	.193	.228	2.342	.021
a. Dependent Variable: Deposit base						
b. Predictors: (Constant), Ethical practices						

Source: Research Data (2019)

The value of R<sup>2</sup> is 0.052 as in table 5a above. This indicates that ethical practices explains 5.2% of the variance in deposit base as a measure of performance of Deposit Taking-SACCO's in Kenya while the remaining 94.8% can be attributed to other factors which are not covered in the study.

The ANOVA table 5b shows that the regression model can be used to explain the effect of ethical practices on performance as P=0.021 is significant at 95% confidence level.

Having regards to the regression findings in table 5c above, a unit increase in ethical practices results to 0.453 increase in deposit base with a constant in the model of 2.300. Thus ethical practices positively and significantly influences the level of deposit base. If DTS's want to increase their deposit base they should engage in ethical practices so as to win the confidence of members.

4.3.5 Regression analysis results for ethical practices and overall organizational performance

Table 6a: Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.493 <sup>a</sup>	.244	.236	.57783

Table 6b: ANOVA<sup>a</sup>

Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	10.748	1	10.748	32.190	.000 <sup>b</sup>
	Residual	33.389	100	.334		
	Total	44.136	101			

Table 6c: Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.960	.538		1.785	.077
	ETHICS	.737	.130	.493	5.674	.000
a. Dependent Variable: ORGPERF						
b. Predictors: (Constant), ETHICS						

Source: Research Data (2019)

Results in Table 6a show that ethical practices correlate with organizational performance up to 0.493 ( $R=0.493$ ). Further, ethical practices explained 24.4% variations of organizational performance. This means the remaining 75.6% percent variations of organizational performance is explained by other variables not considered in this model.

In regards to the ANOVA table 6b, the regression model is statistically significant,  $p$ -value = 0.000, which is  $<0.01$  ( $F$  ratio = 32.190). This suggests that the model is robust enough to explain the relationship, and variations, between the predictor and dependent variables.

The effect of ethical practices as indicated in the coefficients table 6c on the overall organizational performance can be summarized in a regression equation as;

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

$$Y = 0.960 + 0.737 X_1$$

From the regression equation, a unit change in ethical practices yields a positive coefficient of 0.737 changes in organizational performance, with a constant in the model of 0.960. The statistical test results failed to reject the hypothesis ( $H_0$ ) that ethical practices has no significant influence on performance of Deposit-Taking SACCOS in Nairobi County, Kenya since it was adequately supported, thus a conclusion that ethical practices has a statistically significant effect on performance of Deposit-Taking SACCOS in Kenya.

#### Discussion

The study findings confirm that ethical practices influence performance. Particularly it has more influence on customer satisfaction followed by deposit base and finally on membership base. Thus any organization that is seeking to improve the performance should consider ethical practices as a strategy. These results are corroborated with earlier studies which highlighted the importance of ethical practices in enhancing performance (Yusuf *et al.*, 2014; Obicci, 2015; Walumbwa *et al.*, 2011; Piccolo *et al.*, 2010, Jonjo, 2017). Similarly, Alshammari *et al.* (2015) indicated that sound ethical practices enhanced firm successes which equally contributed significantly to firm performance. However, Kitonga, Bichanga and Muema (2016) confirmed that ethical practices had no significant influence on organizational performance. Therefore, results of this current study suggest

that engaging in ethical practices plays a critical role in SACCO's performance.

Strategic leaders have a role to create organizational values as they are vital for organizational success. Good leader's lead firms in a transparent manner by setting the tone in all positions they govern (Nnablife, 2010). Piccolo *et al.* (2010) also affirmed that the practice of ethical behavior motivated employees in being enthusiastic about them thus guiding them in attaining organizational goals. Hitt *et al.* (2013) recommended for strategic leaders to develop and disseminate a code of conduct to all stakeholders. On the same vein Jonjo (2017) posited that leaders could attempt to facilitate their internal ethical functioning through establishing a code of ethics and guidelines that conform to the legal and professional standards. According to Ebitu and Beredugo (2015) codes of ethics enhances performance as well as productivity level of service firms and compliance with established code of ethics will definitely increase the performance level and productivity level of firms. Moreover ethics enhances customer satisfaction resulting to financial performance (Ahmed, Arslam & Rohail, 2013).

For Deposit-Taking SACCO's to achieve greater performance leaders should enhance ethical practices as it may result to better organizational performance. The increase in performance as ethical practices increases concurs with the transformational leadership theory that idealized influence through enhancing ethical practices by role modeling, ethics training and enforcing the code of ethics improves performance.

#### V. CONCLUSION, IMPLICATIONS, RECOMMENDATIONS AND SUGGESTIONS FOR FURTHER RESEARCH

##### Conclusion

The findings depicted that ethical practices had a positive and significant effect on customer satisfaction, membership base and deposit base as aspects of performance however it had no significant influence on asset base. On combining the aspects of performance, research findings indicated that there was a positive and significant relationship between ethical practices and performance of Deposit-Taking SACCOS in Nairobi County, Kenya. The findings suggested that emphasis on ethical practices was a key aspect that facilitated firm performance.

##### Implications of the study

The research offers useful insights for SACCO leaders to lay emphasis on ethical practices such as role modeling behavior, ethics training as well as having an ethics code as this may positively impact on performance. The study clearly points out that ethical practices have an influence on particular aspects of SACCO performance such as customer satisfaction, membership base and deposit base. The study provides vital information which may be used by SASRA to revamp the

SACCO policies so as to improve the sector. It also gives researchers a basis for conducting further research.

### Recommendations

The study recommends that any DTS that is seeking to improve the performance should consider ethical practices as a strategy. Leaders should instill ethical practices on their employees by acting as role models, incorporating ethics training and also by developing and enforcing a code of ethics. Top managers on their own part should see themselves as role models, be oriented and also realize that ethical behavior can be managed and the only way is to avoid ethical dilemmas. There is need to communicate and model behavioral standards from the highest levels of an organization down to the entry level positions. This ensures that there is no gap between ethical standards and the actual behavior of employees. By regularly evaluating these standards and the behavior of the organization's leadership, compliance to ethical behavioral norms of an organization can effectively be promoted. Further, SACCO's should constantly educate the employees on ethical values as this equips them with the knowledge of what kind of behavior is expected of the employees. This can be done through seminars, conferences or periodic training. Lastly, every SACCO staff should have free access to or own a copy of the manual containing the codes of ethics guiding the performance of firms at the point of employment.

### Suggestions for further Research

Scholarly attention may be directed towards Deposit-Taking SACCOs all over Kenya as the study was limited to Deposit-Taking SACCOs in Nairobi County. The study focused on the SACCO sector whose operations may differ from other sectors hence future studies can be done in other sectors such as banks and insurance sector. The study focused on three aspects of ethical practices hence future studies should also consider core values and ethical rewarding as other aspects. Further, future studies may incorporate intervening variables as the study was limited to the direct influence of ethical practices on performance. Lastly, further research should be conducted on other factors that can influence performance of Deposit-Taking SACCOs other than ethical practices.

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