

The Effects of Risk Management and Funds Allocation Strategy towards Financial Performance of Deposit Taking Saccos in South Rift Region (Kenya)

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Abstract: *Deposit Taking Savings and Credit Cooperatives Societies (SACCOS) are the societies which have been licensed to take deposits from their members. This business activity was introduced by Sacco Societies Act (2008). The Act also establishes the Sacco Societies Regulatory Authority (SASRA). All deposit taking saccos are licensed, monitored and supervised by SASRA. In running savings and credit business, it involves risk taking. Managing risk should be prioritized so that saccos can achieve optimum financial gains. Risk management involves good strategies like: loan policy, contingency plan and debt analysis to minimizing risks. Prudent funds allocation strategy also reduces exposure of risk. Risk management and funds allocation strategy influence financial performance significantly. Financial performance is measured by six parameters. They comprise: protection, effective financial structure, assets quality, rate of return, liquidity and signs of growth. The purpose of this paper is established the effect of risk management and funds allocation strategy towards financial performance. Data was collected from 14 deposit taking saccos in south rift region. The questionnaires were filled by sectional heads and board of directors. The respondents were 91 in total. The findings from the study indicates that risk management and funds allocation strategy explains 95.8% variation of financial performance of deposit taking saccos in south rift region (Kenya). The study recommends that debt analysis policy should be strengthened so that risk is minimized.*

Keywords: Deposit Taking Sacco, Risk Management, Funds Allocation Strategy, Financial Performance, SASRA, Loan Policy and Contingency Plan

1. Introduction

The concept of risk management was first introduced into business strategy in 1916 by Henry Fayol. Risk management can be regarded as an active, strategic and integrated process that encompasses both the measurement and the mitigation of risk, with the ultimate goal of maximizing the value of a sacco, while minimizing the risk of bankruptcy (Schroeck, 2002).

The relationship between risk management and funds allocation strategy towards financial performance of deposit taking saccos in South Rift Region. Deposit taking business was introduced by SASRA in 2012. A lot of issues relating to financial management were not taken into account then. Risk management technique was not put in place to handle judicious funds allocation. Literature review includes various issues relating to prudent risk management. Risk theories underpinning the study were discussed.

According to Hull (2007), a sacco manages its affairs conservatively to avoid large fluctuations in its earnings. There are two strategies of risk management open to deposit taking saccos. First, it is to identify risks one by one and handle each one individually. The society should have a contingency policy in place so that it can facilitate minimizing risk. The approach of handling risk individually is referred to risk decomposition. The other strategy to reduce risk is to diversify investment within the business

activities. This is also referred risk aggregation. Saccos use other strategies to reduce risk such as loan policy, contingency plan and debt analysis.

In this study, hypotheses testing were carried out. Deposit taking saccos in south rift region were targeted. Twenty three saccos were licensed. However, twenty of them were still operational when the study was being carried out. The respondents were fourteen saccos. Ninety one officials filled the questionnaires.

1.1 Statement of the Problem

There has been a general investment failure among deposit taking saccos in Kenya. A deposit taking sacco in Bomet County invested members' funds in a tea factory. It also borrowed money from a commercial bank to invest in the same project. After two years of heavy expenditure, the project did not take off. The cost of the project was exaggerated. The funds invested were enough to build two factories. Due to mismanagement of members' fund the sacco was delicensed by Sacco Societies Regulatory Authority (SASRA). Many members decamped to other financial institutions.

In Kericho County, a deposit taking saccos also invested in health facility. The facility did not take off because it was constructed near a public hospital. The location was inappropriate. Later, it was sold to an institution of high

learning at a price below market price. It resulted in a financial loss. From preliminary investigation, it shows that most of the deposit taking saccos do not have risk management in place. This study was conducted to establish the reason behind this omission.

1.2 Objectives of the Study

The overall objective of this study was to examine the contribution of risk management towards financial performance moderated by funds allocation strategy.

Specific objectives of the study included the following:

- i) To examine the extent to which loan policy may be related to financial performance.
- ii) To ascertain the influence of contingency plan on financial performance.
- iii) To examine whether a positive relationship exists between debt analysis and financial performance.
- iv) To establish whether funds allocation strategy moderates risk management towards financial performance.

1.3 Hypotheses of the Study

The following hypotheses were formulated for the study.

- H₁ : There is no significant relationship between loan policy and financial performance.
- H₂: There is no significant relationship between contingency plan and financial performance.
- H₃: There is no significant relationship between debt analysis and financial performance.
- H₄: There is no moderating effect between funds allocation strategy and risk management towards financial performance.

1.4 Purpose of the Study

According to Adenikinjui and Ayorinde (2001), the knowledge gap is addressed by providing additional insights into the relationship between risk management and funds

allocation strategy towards financial performance of deposit taking saccos in South Rift Region. The focus is on the three dimensions of risk management that is loan policy, contingency policy and debt analysis. In case of funds allocation strategy, it consists of tactical and strategic assets. Financial performance comprises protection, effective financial structure, assets quality, rate of return, liquidity and signs of growth. It is hoped that the evidence would serve as important quantitative information. It will also facilitate the improvement of operational policy as well as adding new knowledge to the existing body of empirical literature. New knowledge will enhance development of deposit taking saccos in Kenya.

The need for a study of this kind is even more important in a scenario like Kenya, where deposit taking business was introduced recently to solve financial exclusion in the rural areas. This call is understandable in view of the crucial of effective risk management and funds allocation strategy at both micro-economic and macro-economic levels. It facilitates promotion of financial performance and the protection of member interest. This as a result encourages prudent investment and wealth creation.

1.5 Justification of the Study

Risk management is the process whereby business entities attempt to reduce or avoid adverse outcome in their day to day operations .A consideration of risk management in deposit taking saccos should be based on loan policy, contingency policy and prudent debt analysis. Qualified and competent managers are mandatory to achieve effective and sustainable risk management. It is crucial to assure members, stakeholders and other interested parties who have a stake in the society.

1.6 Conceptual Framework of the Study

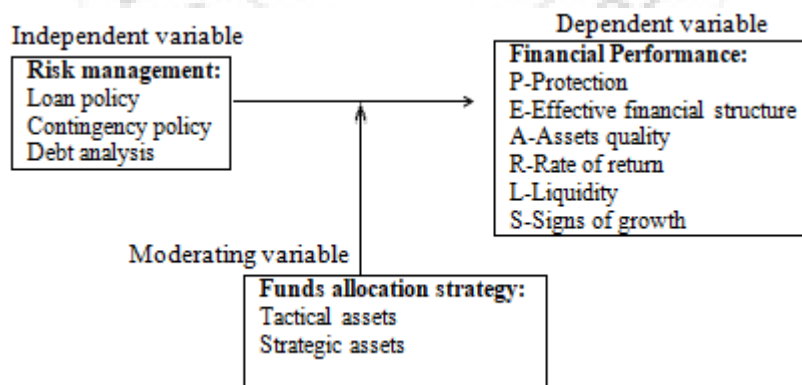


Figure 1: Conceptual Framework

This study used a conceptual framework that is based on financial performance of deposit taking saccos. Funds allocation strategy moderated risk management towards financial performance. In examining risk management, the following issues were taken into account: loan policy, contingency policy and debt analysis. Funds allocation strategy consists of tactical and strategic assets. The assets selected were dictated by risk-return of the investment.

Financial performance of deposit taking saccos is measured by six criteria. World Council of Credit Union (WOCCU) introduced it to measure performance of credit union. The six criteria include: Protection, Effective financial structure, Assets quality, Rate of return, Liquidity and Signs of growth. Its acronym is PEARLS.

1.7 Scope of the Study

The study confined itself to prudent financial management of deposit taking saccos in south rift region. It covered six counties in the region. The counties include: Bomet, Kericho, Narok, Nakuru, Baringo and Kajiado in Kenya. Deposit taking business was introduced to encourage saving among members. The intention was a good idea. However, crucial issues were not taken into account. The Authority was concerned with minimum capital requirement. Other pertinent requirements such as protection of members' funds and managerial capability were not considered. Establishment of a general protection fund is mentioned in the Act but it has not been put in place.

Risk management of deposit taking saccos should be prioritized especially when allocating fund among various portfolios. The allocation of funds influences financial performance significantly.

2. Literature Review

2.1 Risk Management

The goal of risk management should be to identify any uneconomic risk taking. It should ensure that any risk management activity is consistent with value maximization. The main intention should not be to minimize or to avoid all risks, but it should be to find the optimal gain between risks taken and expected returns. The focus should concentrate on the competitive advantage of the sacco (Dima and Orzea, 2012).

Risk management is process which involves identification, assessment and prioritization of risks.

The process should be coordinated to economize application of resources in various ventures. The probability of occurrence of adverse events is minimized. It also facilitates monitoring and controlling of imminent financial loss. The risk management should be transparent and inclusive. All employees and managers who are expected to implement the risk management strategies must be involved in the entire process to avoid conflicts and ensure a comprehensive approach to the management of risks. Organisational processes should include risk management as integral part of it. It should be integrated in all decision making process. Risk is evaluated as part of the decision making process.

Risk in Investment

Every investment involves risk and return (Nagarajan and Jayabal, 2012). Risk is a scenario where there is exposure to uncertainty. The outcome influences financial position of a business entity. An investor invests his funds with the expectation of a regular stream of income in the future. Always the expected return on investment differs with the actual return realized. If the actual return realized is equal to the expected return, then the investment is considered to be risk-free. In case there is a wide variation in return, the investment is considered to be risky.

According to the Sacco Societies (Deposit taking sacco business) regulation, 2010, society should review its credit

portfolio at least once every quarter. Deposit taking sacco should ensure that loan granting and lending conform to the laid down credit policy. The problem accounts need to be identified and classified so that immediate corrective action is done. The provisioning for potential loss are made and maintained at all time. Provisioning should be appropriate and adequate to match prevailing situation. All loans are classified into five types. They include: performing loans, watch loans, substandard loan, doubtful loans and loss loans. The Act introduced deposit guarantee fund. The fund shall compensate members of a failed sacco society. However, it has not been put in place.

Attitudes towards Risk

A sacco's attitudes towards risk depends upon its choices and the returns it expects to obtain from them. It is presumed that higher returns are expected from higher risk ventures. Any decision made by sacco reflects its attitude or preference from risk. These preferences vary from sacco to sacco. Some societies are willing to take risk, others are averse to taking risk and still others are risk neutral. Deposit taking saccos which undertake risk expect a reward in the form of higher returns, profit or money income or utility (Jhingan and Stephen, 2011).

Measures to reduce Risk

Majority of saccos are risk averse. They face risky situations in their daily operations. Different measures are adopted by saccos that reduce or transfer risks across deposit taking saccos. They transfer risks by buying insurance against financial loss under a variety of risks such as death, injury, theft, fire and others. In the events of a financial loss, insurance companies pay their policyholders. The compensation is based on the form of premium paid to the company. Risk averse saccos purchases insurance by paying premium to reduce risks. Risk can also be reduced by diversification. When a society expands into new types of business instead of concentrating on only one type, it reduces the risk. For example, a deposit taking sacco can venture into either real estate or fuel marketing business. They face risk and uncertainty in making decision because of incomplete information. Before they invest, they should acquire complete information. This will go a long way in making informed decision. The value of complete information is the difference between the expected value of a choice. When there is complete information and the expected value is high, then its value is more than when the information is incomplete.

2.2 Investment Decision under Risk

Investors have adequate knowledge about product demand, output prices, factor costs and other relevant variables. Risks and uncertainties are normal features of every investment project to a greater or lesser degree because future events cannot be predicted with certainty. All investments are available in the future. Some ventures with high degree of uncertainty may have to be rejected even though their rates of return are well above the minimum rates. It is also common to find projects with high cash outlay being accepted even though they have low rate of returns. While making investment decision, it is crucial to consider the estimated cash inflow (Jones, 2010).

Risk refers to variability of outcome. It is measured in financial analysis generally by standard deviation or by beta coefficient. The main forces contributing to risk are price and interest. It is also influenced by external and internal considerations. External risks are uncontrollable and broadly affect the investment. It is known as systematic risk. Systematic risk includes: market risk, interest rate risk and purchasing power risk. Risk is caused by internal environment of a firm is referred to as unsystematic risk. Unsystematic risk is unique to a firm or industry. It is caused by factors like labour strike, irregular disorganized management policies and consumer preferences. It includes: business risk and financial risk (Shim and Siegel, 2007).

2.3 Theoretical Framework

This section presents theories underpinning the study. They include decision theory, capital asset theory and signaling theory.

Decision Theory

Every deposit taking sacco has to make some decision regarding its daily activities. The decisions of routine nature do not have high risk. When they make decision, the consumers of their products or services are affected enormously. The effects may be positive or negative. According to Ahuja (2014), the decisions which affect other people in society need a very careful and objective analysis of their consequences. According to Rudani (2011), choice of decision making techniques depend on a number of factors like nature of problem, time and cost factors, quality of decision, decision-making climate, legal restrictions, facilities available and personality factors related to the decision maker.

Capital Asset Theory

According to Hampton (2013), capital asset pricing model is a theory of risk and return relationships in perfect markets. It assumes a rational behaviour on the part of all investors. It is relevant in highly competitive environment for investing. In general, investors are aware of risks and expected returns from their ventures. In a case of imperfect market a modified capital asset theory is used. In an imperfect market situation, all investors are not rational.

Signaling Theory

According to Brigham and Houston (2011), investors may have the same information about a firm's prospects as their managers. However, managers have a lot of information relating to their firms' future prospects. An action taken by a sacco's management that provides clues to investors about how management views the future prospects of the society. The announcement of a problem in a given sacco is generally taken as a signal that the society's prospects as seen by its management are not forthcoming. However, good announcements are signals of good things to come in future.

2.4 Risk Management Strategies

Contingency Planning

According to Chandan (2006), contingency planning is an approach which will encounter the rapidly changing environment. It facilitates taking another alternative course

of action if the original plans are disrupted or become inappropriate due to prevailing situation. It is a proactive in nature and the manager attempts to anticipate changes in the business environment and prepares to cope with the future events. Risk management requires contingency planning at each level of management and for strategic, tactical and operational planning. Risk management approach implies that management practices are purely situational. Main factors which influence risk management are: environmental, organisational and individual factors. Deposit taking sacco should have contingency plan to handle various risks which affect their daily activities.

Loan Policy

A policy is a statement and a pre-determined guideline which provides direction for decision making and action taking (Koontz, Rudani and Weihrich, 2011). Risk policies should give finance managers sufficient freedom to make sound judgments relating to financing decisions. It defines and confines the limit of financial behaviour. Financial decisions are bound to work within the framework of financial policy. Financial policy is a ready-reference to any financial problem. Each deposit taking sacco should have its financial policy on loan disbursement, portfolio selection, loan recovery, customer relationship and guarantors.

Policies have to be properly formulated and meticulously implemented. Financial performance depends on sound financial policies. They facilitate prompt decision and modifications. Policies also are used to maintain uniformity of actions and coordination of efforts among departmental heads. Sound financial policies promote creativity by permitting efficient employees to apply their innovative ideas. An appropriate financial policy enables financial managers to anticipate and take action for a given set of situational variables.

Debt Analysis

According to Todaro and Smith (2011), debt service is the payment of amortization of principal loan and accumulated interest. It is a contractually fixed charge on sacco real incomes and savings. As the size of the debt grows or as interest rate rise, debt service charges increase. Debt service payments should be met only through sacco's earnings. In some cases, the loan may be rescheduled to give them time to reorganize its mode of repayment of loans. However, should interest rates rise significantly causing an abrupt increase in debt service payments, debt servicing difficulties are likely to arise.

The main objective of debt analysis is to bring about a balance between the desire to minimize capital investment on one hand and to avoid extension of loan recovery period on the other. Loan age analysis facilitates effective and efficient receivable management. Receivable management involves the following intents: improvement of lending, elimination of bad loans, reduction of financial performance of deposit taking sacco (Gopal, 2012). Investment in receivables attracts costs of transactions. Funds are tied up in them. More of these are additional risk in respect of irrecoverable loans. However, receivables bring returns to the society. The level of investment in receivables should be analyzed to ascertain the optimum level and bad loans. The

analysis facilitates sound investment in loan lending. It makes sure that outstanding loans are paid in time. Risk perception of the saccos play a crucial role in the decision making process of ascertaining the level of investment in loan lending portfolio.

2.5 Funds Allocation Strategy

Funds allocation is concerned with planning and control of financial resources. According to Jhingan and Stephen (2012), funds allocation becomes a commitment of financial resources which is an outcome of conscious and deliberate planning. When preparing a fund allocation process the financial resources of a sacco has to be committed, keeping in view the returns from the investment. Funds allocation involves tactical and strategic funds management. Tactical fund management deals with managing working capital and fixed capital for operational efficiency. In case of strategic fund management, it is concerned with managing the capital structure of the society for growth and survival. Risk analysis is importance in making capital investment decisions. It is so due to a large amount of capital involved and the long-term nature of the investment being considered. The higher the risk associated with a proposed project, the greater the rate of reform that must be earned on the project to compensate for that risk.

2.6 Financial Performance

Financial management control is a systematic effort to set performance standards with planning objectives. It designs information feedback systems which compare actual performance with their pre-determined standards. The performance standards determine whether there are any deviations possibly adverse deviations. The significance of deviation is established so that necessary action can be taken to assure that all sacco financial resources are being used in the most effective and efficient way possible in achieving sacco objectives.

Various measures are used in measuring the financial success of saccos. In addition to financial ratios, they are widely used by financial managers (Dubrin, 2009). The World Council of Credit Unions (WOCCU) introduced a measurement tool for measuring financial performance of saccos. It is a monitoring and evaluating system. It has a set of basic indicators in six key areas of sacco activities. They are as follows: Protection, Effective financial structure, Assets quality, Rate of return and costs, Liquidity and Signs of growth. Its acronym is PEARLS.

3. Research Methodology

3.1 Data collection

This research is a quantitative research in which primary data is used. Primary data is data that have been collected from respondents directly. The data for this research is collected by using the questionnaire which provides help in getting the authentic results. A list of licensed deposit taking saccos was derived from SASRA annual report. This data is published by SASRA annually.

3.2 Research design

Analytical approach was adopted. It was used to highlight the effect of risk management and funds allocation strategy towards financial performance of deposit taking saccos in Kenya. The study consists of 23 licensed deposit taking saccos in South rift region (Kenya). It is a census survey because the licensed saccos were not many.

3.3 Statistical technique

Descriptive statistics are used to analyze the behavior of all the variables in this study. The results were interpreted. This facilitates making recommendations and conclusion of the study. Risk management moderated by funds allocation strategy influences financial performance of deposit taking saccos.

Correlation and regression were used to find out the relationship between risk management and funds allocation strategy towards financials performance.

Target population was 23 deposit taking saccos in South rift region. However, fourteen saccos responded to the questionnaires. Board of directors and sectional heads filled the questionnaires. The number of officials who filled the questionnaires was 91 in total.

4. Data Analysis and Discussion

Response Rate

A total of 14 saccos responded to the questionnaires out of 20 operating deposit taking saccos in the region. This presents 70% response rate.

4.1 Risk management and financial performance

Coefficient of determination was used to determine the relationship between risk management and financial performance. The table below shows their relationships.

Table 1: Model Summary

Model	R	R ²	Adj.R ²	Std. Error of the estimate	Durbin-Watson
1	0.796	0.634	0.622	0.394	0.432

From the finding, it is evident that there is a significant correlation between risk management and financial performance. R has a value of 0.796 which represents a simple correlation. The value of R² is 0.634, which indicates that risk management can account for 63.4% of the variation in financial performance. There might be many factors which can explain this variation. However, this model has only one factor which can explain only 63.4% of it. This means that 36.6% of the variation in financial performance cannot be explained by risk management. Hence, there must be other factors which influence dependent variable. The finding shows that risk management is a strong determinant of financial performance of saccos.

Durbin-Watson test is used to test for serial correlations between errors. It tests whether adjacent residuals are correlated (Andy Field, 2012). The test statistic varies from

0 to 4, with a value 2 meaning that the residuals are uncorrelated. A value greater than 2 shows a negative correlation between adjacent residuals. However, a value less than 2 indicates a positive correlation. In this case the value is 0.432 which is less than 2, it shows that there is a positive correlation between the variables.

Table 2: Results of regression of risk management against financial performance of saccos

Predictor variable	Coefficient	P-Values
Constant	0.792	0.009
Loan policy	0.568	0.005
Contingency plan	0.355	0.005
Debt analysis	-0.097	0.643

The estimated equation is express algebraically as follows:
 $FP = 0.792 + 0.568L + 0.355C - 0.097D$

The table shows that loan policy and contingency plan have positive coefficients. This indicates that the variables are positively correlated with financial performance. It means that an increase in one variable lead to an increase in financial performance. Debt analysis has a negative coefficient which indicates that it is inversely proportional to financial performance. An increase in debt analysis leads to a decrease in financial performance of deposit taking saccos.

4.2 Risk Management, Funds Allocation Strategy and Financial Performance

When funds allocation strategy was introduced, the value of R^2 increases to 0.958. It indicates that there is strong correlation among the variables. The independent variable and moderating variable explain 95.8% of the variation of financial performance of deposit taking saccos in Kenya. Other factors explain 4.2% of the variation of financial performance. The findings indicate that funds allocation strategy moderates risk management towards financial performance.

Table 3: Model Summary

Model	R	R ²	Adj.R ²	Std. Error of the estimate	Durbin-Watson
1	0.979	0.958	0.955	0.262	0.637

Durbin-Watson test can vary between 0 and 4. A statistic test with of value of 2 means that the residuals are uncorrelated. However, a value greater than 2 indicates a negative correlation between adjacent residuals whereas a value less than 2 indicates a positive correlation. From the outcome, it shows that Durbin- Watson test is 0.637 meaning there is a positive correlation among the variables.

4.3 Analysis of Variance (ANOVA)

The F-test from ANOVA table shows that F value is 385.922 which is significant at $p < 0.05$ because the value (0.000) in the table is less than 0.05. This result shows that there is less than a 5% chance that an F-ratio this large(385.922) would happen if the null hypothesis were true. Hence, it is concluded that the regression model results in significantly better prediction of financial performance than mean value of financial performance. The regression model predicts financial performance significantly well.

Table 4: ANOVA table

Model	Sum of Squares	df	Mean Square	F	Sig.
1					
Regression	132.683	5	26.537	385.922	0.000
Residual	5.845	85	0.069		
Total	138.527	90			

Table 5: Results of regression of financial performance against risk management and funds allocation strategy

Predictor variable	Coefficient	P- Value
Constant	0.774	0.049
Loan policy	0.555	0.011
Contingency plan	0.348	0.021
Debt analysis	-0.072	0.742
Funds allocation strategy	0.040	0.720

The coefficient values indicate the individual contribution of each predictor to the model. These values show the relationship between financial performance and each predictor. If the value is positive it shows that there is a positive relationship between the predictor and the outcome, whereas a negative coefficient represents a negative relationship (Andy Field,2012). From the table, one predictor is negative whereas the other three have positive coefficients. The predictors with positive coefficient are loan policy, contingency plan and funds strategy. Loan policy (0.555) indicates that as loan policy increases by one unit, financial performance increases by 0.555 units. This interpretation is true only if the effects of the other predictors are held constant. Contingency plan (0.348) shows that as contingency plan increases by one unit, financial performance increases by 0.348 units. Debt analysis (-0.072) indicates that as it increases by one unit, financial performance decreases by 0.072unit. Funds allocation strategy (0.040) indicates that as it increases by one unit, financial performance increases by 0.040 units. The coefficient values tell us to what degree each predictor affects the outcome if the effects of all other predictors are held constant.

4.4 Hypotheses Testing

Table 6: Summary of results of tests of Hypotheses of deposit taking saccos in Kenya

Objective	Hypothesis	Result	Remarks
Objective 1 To establish the relationship between loan policy and financial performance	H_0 : There is no relationship between Loan policy and financial performance	$P=0.011$ which is less than 0.05	Rejected
Objective 2 To establish the relationship between contingency plan and financial performance	H_0 : There is no relationship between contingency plan and financial performance	$P=0.021$ which is less than 0.05	Rejected
Objective 3	H_0 : There is no relationship	$P=0.742$ which	Fail to reject

To establish the relationship between debt analysis and financial performance	between debt analysis and financial performance	is more than 0.05	
Objective 4 To establish whether funds allocation strategy moderate risk management towards financial performance	H ₀ : There is no relationship between risk management and funds allocation strategy towards financial performance	P=0.720 which is more than 0.05	Fail to reject

The significant value of p at 5% level of significance is 0.050. Since, the computed values of loan policy and contingency plan are less than 0.050 then they are not significant. Hence, H₀ are rejected at 5% level of significance. It could be concluded that there is no significance difference in loan policy and contingency plan towards financial performance. The difference is just due to the fluctuation of sampling and the sample data does not provide sufficient evidence against the null hypotheses, which may therefore, be rejected at 5% level of significance. Debt analysis and funds allocation strategy computed values are more than 0.050, they are significant. Hence, H₀ fails to reject at 5% level of significance.

4.5 Conclusion and Policy Implication

In conclusion, the study found out that risk management and funds allocation strategy explain 95.8% variation of financial performance of deposit taking saccos in Kenya. Other factors explain 4.2% variation of financial performance. Loan policy, Contingency plan and funds allocation strategy are positively correlated with financial performance. However, debt analysis has a negative correlation with financial performance. It means that as debt analysis decreases, financial performance increases.

The implication of predominantly negative relationship found in the study is that debt analysis is inversely correlated with financial performance. As debt analysis increases, it affects financial performance of saccos adversely. In order to have optimum financial performance, it is recommended that debt should be maintained at its minimum level. Loan policy has a crucial effect on financial performance (0.555). Saccos should put in place a well-documented loan policy which it can be enforced in a court of law. This will contribute positively to their financial performance. Saccos can start building processes and systems attuned to risk management practice. Further study on provision of health care service should be undertaken to establish if it is sustainable to offer it to its members.

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