FACTORS AFFECTING DIVIDEND PAYOUT POLICY OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES LICENSED BY SACCO SOCIETY REGULATORY AUTHORITY (SASRA)

BY

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DECLARATION

I declare that this dissertation is my original work and has not been presented for an award of a degree. I also declare that this contains no material written or published by other people except where due reference is made and author duly acknowledged.

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And have certified that all revisions that the dissertation panel and examiners recommended have been adequately addressed.

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ABSTRACT

Savings and Credits Cooperatives Societies (SACCOs) licensed by SASRA are required to adhere to rules and regulations stipulated in the SACCO Societies regulations 2010. These regulations are risk oriented rules providing minimum operational regulations and prudential standards required of deposit-taking SACCO Societies to ensure financial stability of the SACCO sub sector and to maximize shareholders' wealth. This research sought to fill existing knowledge gap to determine the factors affecting Dividend Payout Policies of SACCOs licensed by SASRA and answer the question of how much profits should be distributed to shareholders. A descriptive design was used to measure the relationship between explanatory and dependent variables. The target population was 124 SACCOs licensed by SASRA. A sample size of 34 SACCOs from Nairobi area were identified for the research from four different sectors. Secondary data was collected from sampled SACCO's financial statements for a period of five years (2009-2013). Regression model was used to find the relationship between explanatory variables (Current earnings, Profitability, Liquidity, Financial leverage and Size of the SACCO) and dependent variable (Dividend Payout ratio). This research was concluded based on the above regression model of five years. Significant and non significant factors affecting dividend payout policies of SACCOs licensed by SASRA were determined. From the regression model, the study found out that there were factors influencing dividend payout ratio of SACCOs licensed by Sacco Society Regulatory Authority (SASRA), which are profitability, liquidity, current earnings, size of the SACCO and financial leverage. The study concluded that size of the Sacco determines its dividend payout ratio since investors perceive big SACCOS making profits more likely to pay more dividends. The study further recommended that shareholders should also recognize that, when a SACCO has unfavorable dividend payout ratio; it is due to either low profits or investment in growth opportunity.

Key words: Dividend Payout Policy, SASRA, SACCO, and Current earnings.

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DEDICATION

I dedicate this dissertation to my beloved family Ochogo George. Rehema Ochogo and Ryan Ochogo who offered unconditional love and support during the entire course of Masters programme.

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ACRONYMS AND ABBREVIATIONS

FOSA	-	Front Office Savings Activity
MM	-	Miller and Modigliani
NSE	-	Nairobi Stock Exchange
SACCOs	-	Savings and Credit Cooperative Societies
SASRA	-	SACCO Society Regulatory Authority

TERMS AND DEFINITIONS

Core Capital –Fully paid up members' shares, capital issued, disclosed reserves, retained earnings, grants and donations all of which are not meant to be expended unless on liquidation of the SACCO."

Deposit Taking SACCOs-SACCOs licensed by SASRA to operate banking like services.

Dividends-Earnings shared by members after investment opportunities have been considered.

Institutional Capital-Disclosed reserves, retained earnings, grants and donations all of which are not meant to be expended unless on liquidation of the SACCO.

Non Deposit Taking SACCOs-SACCOs supervised by the Commissioner of Cooperatives and do not operate banking services.

Savings and Credit Co-operative Societies. Financial institution formal in nature, owned, controlled, used and democratically managed by members to meet their common economic, social and cultural needs. Its purpose is to promote thrift and encourage savings among members and use the pooled savings to advance credit facilities at affordable rates as well as offer other financial related services to the members.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Dividends are earnings that are distributed to shareholders after putting aside retained profits for re investing (Pandey, 2004). Dividend policy therefore is a guideline on how dividends are shared among shareholders. This policy is determined by various factors such as: Liquidity of the firm, profitability, firm's size, current earnings and investment opportunities. There are two types of divided policy: managed and residual. In residual dividend policy the amount of dividend is simply the cash left after the firm makes desirable investments using net present value method. The optimal dividend policy is the one that maximizes the company's stock price, which leads to maximization of shareholders' wealth.

Dividend payout policy is an important financial policy not only from the firm's perspective but also from that of shareholders, employees, lenders and other stakeholders. For shareholders' dividends whether declared today or accumulated and paid at later date it's not the only source of their income but an important determinant of their firm value. Employees are flexible on how much to invest in new projects since it depends on how much dividends to pay shareholders. Lenders also have interest on how much dividends are paid since more dividends means the firm will have less to meet their claims. Therefore, this brings the issue of agency situation on all stakeholders but it can be managed by a good dividend policy. This is so because payment of dividends reduces the discretionary funds available to managers for perquisite consumption and incase they need money for capital investment they will seek financing in capital markets. This monitoring by the external capital markets will encourage the managers to be more disciplined and act in owners' best interest.

1.2 Kenya SACCO Sub Sector

The Co-operative movement in Kenya is the fastest growing sub sector in the economy and a major booster of members' living standards (SASRA Report 2012). As envisioned in Kenya's development blueprint Vision 2030 SACCOs are already playing their critical role of savings mobilization for investments. Many rural and urban Kenyans now own homes and other business enterprises courtesy of funds through their SACCOs. This sub sector is made up of Deposit taking and non-deposit taking SACCOs. Deposits taking SACCOs are licensed and regulated by SASRA while non-deposit taking SACCOs are supervised by the commissioner of cooperatives. The Sacco Societies Regulations 2010, are risk oriented providing minimum operational regulations and prudential standards required of deposit-taking SACCO Societies to ensure financial stability of the SACCO sub sector. The prudential standards target all areas that entail significant risk for the SACCO business from a going-concern perspective. The objective of SACCO Societies is member empowerment through savings mobilization, disbursement of credit and ensuring SACCOs' long-term sustainability through prudent financial practice.

1.3 Dividend Policies in Kenyan SACCOs.

The Cooperative Societies Act Chapter 490 sections 46-48 requires that every SACCO Society puts aside 20% (Twenty percent) of its annual profits as a statutory reserve before distributing net surplus to its members and investment according to each SACCO's by laws.

According to the SACCO Societies Act 2008 section 14(4) (d) 68 (2) (a) SACCOs are prohibited from declaring dividends if they have not met the liquidity requirement as stipulated by SASRA. The regulation requires that a SACCO should retain a minimum of 15% of its Savings deposits and short term liabilities in liquidity form in order to meet other administrative expenses.

Lack of proper financial policies, regulation and supervision of SACCO business is a big challenge in the SACCO movement in Kenya hence the need for SACCO Regulatory Authority. Among the key policy documents required by SASRA and missing in many SACCOs is dividend payout policy to help enhance transparency in SACCO investments. To arrive at a good policy document SACCO Managers will have to look at their performance in order to arrive at the factors affecting their dividend policy. The analysis below shows performance trend for Deposit Taking SACCOs for the period of year 2009-2013 drawn from research sample size.

TABLE 1

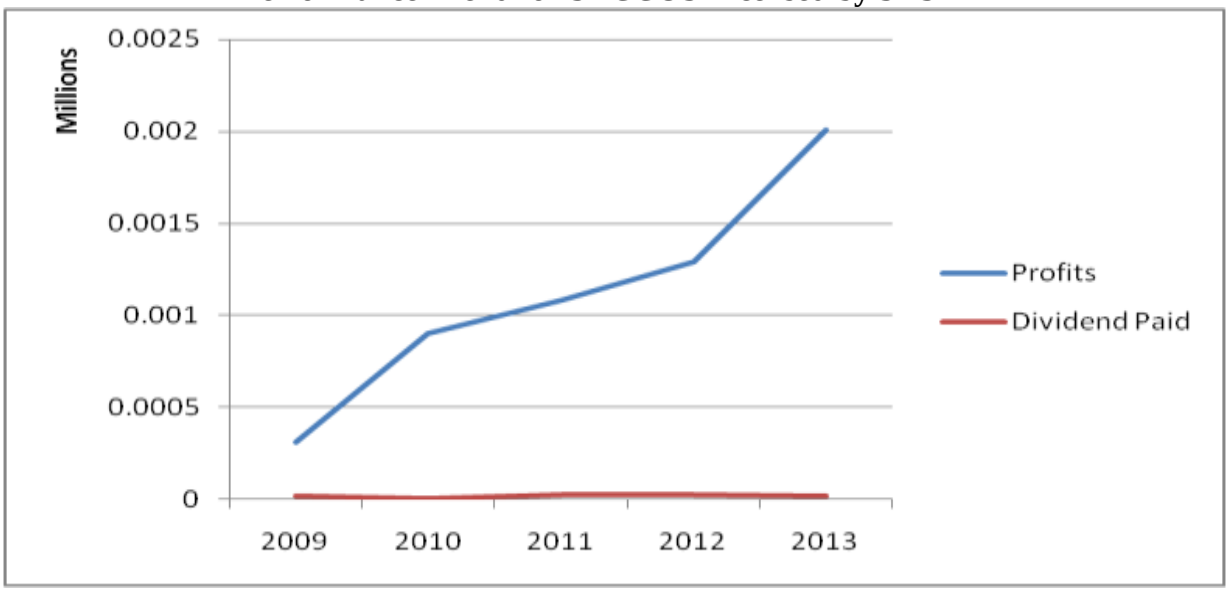
Performance Trend for SACCOS Licensed by SASRA

Performance	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013
Profits	309.77	900.62	1,082.90	1,292.38	2,006.55
Dividend paid	18.15	23.35	25.84	22.96	21.14

Figures in Kshs. Millions

FIGURE 1

Performance Trend for SACCOS Licensed by SASRA



The above graph clearly shows that dividend paid is just a portion of the SACCO profits. It also shows that apart from payment of dividends SACCOs have other plans for the profits like investments and statutory fund to be considered first before declaring dividends to its members. Therefore, we need to establish what the other factors are determining payment of dividends by SACCOs licensed by SACCO Society Regulatory Authority (SASRA).

1.4 The Problem Statement

According to Brealey & Myers (2005 as cited in Rafique M. 2012) dividend payout policy has been described as the top ten most difficult unresolved issues in the financial economics. This is consistent with Black 1976 who stated that "the harder we look at the dividend picture, the more it seems like a puzzle, with pieces that don't fit together" (as cited by Musiega et al 2013). It is also noted that most researchers have focused their studies on developed countries with little on developing countries. Results on these studies therefore, cannot be relied by all markets because of different legal environment, tax regime and rules on dividend policies. Existing studies have also dwelt on firms listed on Stock Exchange with little on Co-operative Movement (Ajanthan, A.2013; Malombe, G.M.2011; Amidu, M.2007; Ameer, R.2008; Al-najijjar, B.2009; Kioko, P.M.2011; Olando, O.C et al, 2013; Mbiti,J.N. 2012 and Al-Najjar, B. 2009).In the Kenyan SACCO movement Managers are in a dilemma about whether to pay or not to pay dividends under the stringent SASRA rules on SACCO liquidity (SASRA Report 2012). Prior to SASRA rules and regulations 2010, some SACCOs could declare dividends even when they had incurred loses hence end up borrowing expensive loans from commercial banks in order to meet their liquidity needs. SACCO shareholders have different needs; Managers have found it hard to arrive at a common dividend policy to satisfy these various needs. To arrive at determinants of dividend payout policy Managers need to ask: should they pay dividends in cash or re- invest this money for their shareholders? How much profit should they distribute to shareholders? What will be the

effect of these decisions on SACCO performance? Will this SACCO maintain its shareholders by adopting a particular dividend policy? It is with this in mind that this study wants to find out what are the factors affecting dividend payout policy of SACCOs licensed by SASRA. This was achieved by examining SACCO's Current earnings, Profitability, Liquidity, Financial leverage and the Size of the SACCO

1.5 General Objective of the study

The main objective of this research is to determine the factors that affect Dividend Payout policy of SACCOs licensed by SASRA.

1.5.2 Specific objectives of the study.

The specific objectives of this study are to:

- Determine the impact of current earnings on SASRA licensed SACCOs' dividend payout policy
- Identify the relationship between profitability and liquidity on SASRA licensed SACCOs' dividends payout policy.
- Establish the impact of financial leverage and SACCO's size on dividend payout Policy of SASRA licensed SACCOs.

1.6 Purpose of the study

Since the introduction of the SACCO Societies Regulations 2010, most SACCOs' dividend payouts have been affected differently from one SACCO to another hence no uniform dividend policy. Under the new rules, deposits taking SACCOs are supposed to meet certain Liquidity ratios before they qualify to declare dividends, therefore in order to achieve this they have no choice but to reduce or stop paying dividends until they meet their institutional capital requirement. Before introduction of this rules deposit taking SACCOs

never used to follow any policy, they used to borrow funds from commercial banks to fund the exercise of paying dividends. Among the policy documents that need to be formulated by deposit taking SACCOs under this new SACCO rules is dividend policy document which was missing in most SACCOs. Therefore, in formulating this document factors that need to be considered by any SACCO Management are: Current earnings, Profitability, Liquidity, Financial Leverage and the Size of the SACCO.

1.7 Research Hypotheses

The research hypotheses of this study were:

H_1: There is no significant relationship between Current earnings and dividend payout policy for SACCOs licensed by SASRA

H_2: The dividend payout policy for SACCOs licensed by SASRA is not affected by Liquidity and Profitability

H_3: The size of the SACCO and Financial leverage do not have an impact on dividend payout policy of SACCOs licensed by SASRA

1.8 Limitations of the Study

The limitations of this study were:

- Time. Due to limited time the results of the study were indicative and not conclusive.
- Limited data. Trend analysis of five years was short compared to other studies therefore a future research can be carried out with large sample size.
- Shortcomings of regression models. These models involve tedious data analysis and use of computer software which is expensive therefore cannot be used by many people other models should be used.

1.9 Basic Assumptions

The basic assumptions of this study were:

- There is a relationship between Earnings and dividend payout policy.
- There is a relationship between liquidity and dividend payout policy.
- There is a relationship between SACCO leverage and dividend payout policy.
- There is a relationship between size of the SACCO and dividend payout policy.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents a review of the literature on the topic of dividend payout policy as done in the previous studies.

2.1Theoretical Framework

2.1.1 Dividend Irrelevancy Theory.

According to Miller and Modigliani (1961) in a world of perfect market dividend policy is irrelevant. This is so because dividend payout ratio is determined by a firm's need to invest. Therefore firms will pay dividends on residual amount left after investment needs have been met. In the Cooperative movement since the initiation of SASRA rules and regulations, SACCO Societies can only invest some percentage of total assets held. These rules also support Miller and Modigliani's second assumption that states that, the firms' investment policy is fixed and is independent of its dividend policy. SACCOs' main business is lending money to members out of their savings therefore it goes without saying that SACCOs' revenue generated after retained earnings should be distributed back to its shareholders in order to boost their morale to save more.

2.1.2 Signaling Theory.

Miller and Modigliani (1961) dividend irrelevancy preposition assumes that investors and managers have the same information about the firm's future earnings and dividends. However, this is not true since Managers have inside information about the firm unlike shareholders. Therefore under this theory any change in dividend payment is a signal to

shareholders and investors about future earnings of the firm (Amidu, 2007). In the Cooperative movement any negative signal about SACCOs really affects members so much until it leads to mass withdrawal of SACCO membership. Most SACCOs have witnessed the same since introduction of the new SACCO rules. These rules require deposit taking SACCOs to meet certain liquidity ratios which require that all deposit taking SACCOs retain more profits in order to meet their institutional capital requirements, this has made majority of SACCO Societies to reduce or stop paying dividends until they meet these ratios. To members this brought different information to them since this can lead to closure of some SACCOs.

2.1.3 Clientele Effect Theory.

This theory holds that certain type of investors will prefer buying stock in certain firms because of their dividend policies (dividend clientele). Therefore, some investors would prefer companies that do not pay dividends since this is assign that such companies will use generated income for future growth and others will prefer companies that pays dividends in order to earn constant income. This theory further explains that if these policies change such investors will shift their investments accordingly. According to Baker and Wurgler (2004) this clientele effect exists because of; market imperfections, belief that dividend payers are less risky and lastly investors may use dividends to predetermine managers' investment plans. In the cooperative movement members join SACCOs with different preferences, for example retirees would like to remain with SACCOs that pay high dividends since this is the only source of income that they have and for young employees and business people will prefer SACCOs that do not pay dividends because they are financially stable and will meet their financial needs immediately as they do not have liquidity problems since they have retained their free cash flow to re invest in their members. This is also true according to the

new SACCO Societies rules which prohibit SACCOs from declaring dividends until they have met certain liquidity ratios.

2.1.4 Bird in Hand Theory.

This theory was advanced by John Litner in 1962 and Myron Gordon in 1963, they both argued that shareholders are risk averse and they prefer to be paid dividends now rather than uncertain capital gain in future investment. Likewise in the Cooperative movement shareholders prefer dividend payment today to a questionable future investment. Future investments are associated with high risk this is the reason why SASRA rules are strict on SACCO investments because they are associated with corruption and financial impropriety by the SACCO leaders at the expense of members' savings. Therefore, "a bird in hand is better than two in the bush".

2.1.5 Life Cycle Theory.

According to De Angelo and Stulz (2006) payment of dividend is associated with mature firms which do not have a lot of investment projects, so they have free cash flow to distribute to shareholders in form of dividends on the other hand young firms will prefer retaining earning to put in investment and not pay dividends. This theory also helps to minimize agency problems since mature firms whose growth is slow and have few investment plans are better paying dividends to make use of free cash flow rather than retaining excess cash. In the Cooperative movement since introduction of SASRA rules payment of dividends have been affected adversely in that only SACCOs that have attained liquidity requirements are allowed to pay dividends, this also supports this theory because dividends are now being paid by mature SACCOs only, young SACCOs are unable to meet these requirements hence paying dividends has been put on hold.

From the above theories this research will be concluded based on Dividend Irrelevancy theory, Agency theory, Bird in hand theory and Life cycle theory.

2.3 Empirical Literature

Musiega, et al (2013) carried out a research on determinants of dividend payout policy among non financial firms of NSE in Kenya. In his study his main objective was to determine main factors affecting dividend policy decisions. He based his study on MM irrelevancy theory, Agency theory, signaling theory and Bird in hand theory but he did not factor in Life cycle theory. To achieve these objectives his variables were current earnings, Liquidity, profits, growth opportunities, size of the firm, institutional ownership and business risk but he left out firm leverage being an important factor. He sought to analyze linear regression model using Correlation and Multiple regression analysis. His conclusion was that high dividend payout is associated with high investment opportunities with high risk and high profits in order to improve shareholders' confidence and firm value.

Olando, O.C et al, (2013) from Kenya did a research on the contributions of Sacco financial stewardship on growth of SACCOs. Their main objective was to examine the contribution of financial stewardship to shareholders' wealth with view of improving SACCO operations for the benefit of their members. This study was based on growth of wealth theory. Key variables were Loan management, Institutional strength and product innovation. They used multiple regression models to find the nature of relationship between financial steward and capital structure and fund allocation by use of computer software. They concluded their study by recommending use of institutional capital to finance SACCO activities if SACCOs need to survive in the current competition.

Rafique, M. (2012) researched on factors affecting dividend payout policies among non financial firms of Karachi Stock Exchange in Pakistan. He based his study on MM

Irrelevance theory, Bird in hand theory, Tax preference theory, Agency theory, Transactional and residual theory and Life cycle theory but left out Signaling theory. He achieved this by examining current earnings, growth opportunities, firm size, financial leverage, profitability and tax but he left out liquidity and business risk. He concluded that corporate tax and firm size have significant relationship with dividend payout and the rest of the variables are not significant thus do not affect dividend payout policies of Pakistan markets.

Anjanthan, A. (2013) from Sri Lanka did a study on the relationship between dividend payout and firm profitability of listed hotels and restaurants. His main objective was to find out the extent of the association between dividend payout and firm profitability. This study was based on Bird in hand theory, signaling theory, Agency theory but left out MM Irrelevance theory and life cycle theory. His variables of the study were dividend payout, profits and total assets but left out firm size and institutional ownership. Multiple regression models ware performed by use of computer software. He concluded that all variables of the study were significant in firm performance of Sri Lanka markets thus there exists positive relation with firm profits.

Malombe, G.M, (2011) from Kenya did a research on the effects of dividend policy on profitability of SACCOs with FOSAs. Her main objective of the study was to find out the effects of dividend policy on Sacco profitability. Among the theories she examined were; Dividend relevance theories, signaling theory, Tax differential theory, Bird in hand theory, Clientele theory and MM Irrelevance theory but left out Life cycle theory. This study considered dividend payout and dividend yield. She wanted to examine regression model by use of computer software to analyze her results. The study concluded that there is positive significant relationship between Sacco profits and dividend policies.

Kioko, P.M, (2011) from Kenya did a study on relationship between prior period dividends and financial performance of firms listed at the NSE. His general objective of the

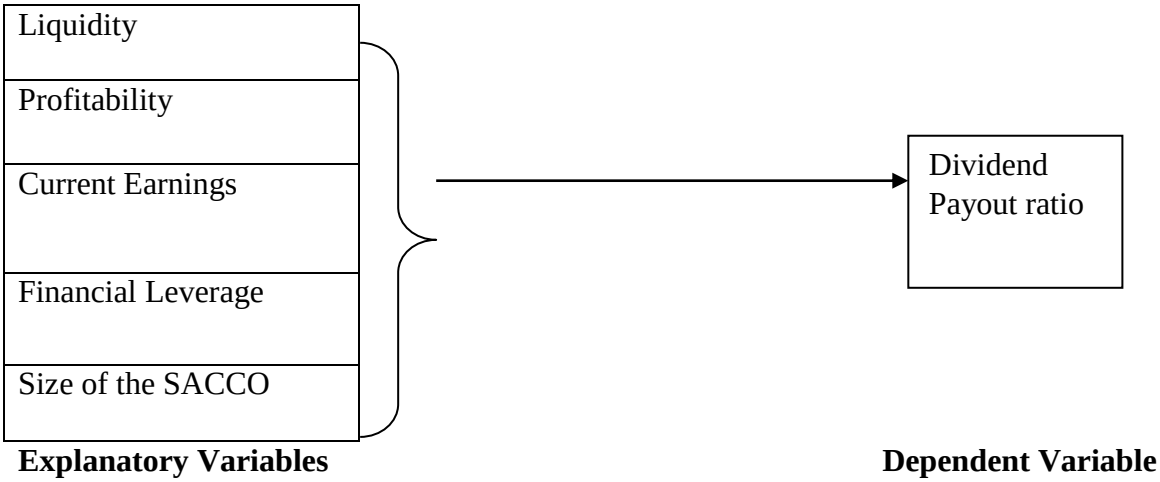
study was to determine the relationship between prior period dividends and firm performance. He based his study on Dividend irrelevance theory, Dividend relevance theories, Bird in hand theory, Clientele effect theory, Tax preference theory, Residual theory, Agency theory. His variables were Dividends per share and Earnings per share. He used both Spearman's rank correlation and Product moment correlation as research models analyzing them by parametric and non parametric statistical techniques. In conclusion he noted that most firms perform better after paying dividends therefore there is a relationship between previous period dividend payment and firm performance.

Al-Najjar, B, (2009) from Jordan did a research on dividend behavior of Jordanian non financial firms. He based his study on, MM irrelevance theory, Bird in hand theory, Tax preference theory, clientele effect theory, signaling theory and Agency theory. His variables were Profitability, Firm leverage, Institutional ownership, Business risk, Asset structure, Growth opportunities and Liquidity. He wanted to examine pooled and panel models by use of regression analysis. The study concluded that Jordan firms follow the same determinants of dividend policy as suggested by the developed markets.

2.4 Conceptual Framework

FIGURE 2

Conceptual Framework



2.5 Factors Affecting Dividend Payout Policy

2.5.1 Liquidity.

This is an accounting ratio which measures the ability to pay short term liabilities as and when they fall due. In the cooperative movement under the new rules of deposit taking SACCOs this is one of the major ratios that SACCOs need to adhere to seriously and no wonder such SACCOs are forced to maintain at least not less than 15% of total assets in liquid form in order to achieve this deposit taking SACCOs are required not to declare dividends or to reduce amount of dividends to be paid if they have to achieve these ratios. According to Ahmed and Javad (2009) in their study they concluded that firms which are more liquid are likely to pay dividends than firms with liquidity problems hence liquidity is an important determinant of dividend payout policy, on the other hand Anupam (2012) in his study he states that firm liquidity is not significant in dividend decisions.

2.5.2 Profitability.

Profit is the difference between total sales and total expenses including operating expenses. In the Cooperative Movement profits are made of interest on loans granted after deducting operating expenses. According to pecking order theory firms will always prefer retained earnings as their source of funds than external borrowing hence pay less dividends. This theory has been emphasized on by Amidu and Abor (2006) who has maintained that "profitability is highly negative and significantly associated with dividend payout''. Under the new SACCO rules deposit taking SACCOs are required to maintain institutional capital of not less than 8% of total assets. This therefore requires such SACCOs to pay less dividends and retain more profits if they have to achieve these ratios.

2.5.3 Current earnings.

These are dividends that have been declared by the firm to their shareholders. In dividend payout policy current earning is an important variable since it forms the basis of future earnings. This has been supported by Baker and Gandi(2007) who stated that current earning is an important determinant of dividend payout policy.

2.5.4 Financial leverage.

Leverage refers to the extent to which deposit taking SACCOs makes use of debt financing to generate profits. In the Co-operative movement SACCOs decide how much debt financing it requires by weighing on the cost benefit of such decision given that the sole use of this money they are borrowing is supposed to be granted to members inform of loans. Therefore, since Sacco loans are a little bit cheaper than commercial loans SACCOs are left with no alternative than cutting their desire for external borrowing. It is with this in mind that SASRA has come in with a lot of strict requirement that deposit taking SACCOs need to build their own institutional capital to help them in times of financial crisis without then going to seek for credit facilities from commercial banks. To achieve this therefore deposit taking SACCOs need to evaluate carefully on how much free cash flow to be distributed to shareholders after retaining enough profits for future use. Leverage affects dividend payout negatively since SACCOs that are highly geared will not or will pay less dividends compared to non leveraged SACCOs.

2.5.5 Size of the SACCO.

It is generally assumed that larger firms which are likely to be more mature will pay more dividends compared to small firms. SACCOs which are more mature and have done a lot of investments will pay dividends without much struggle compared to SACCOs that have just started or at early lifecycle stage. Therefore, SACCO size is an important determinant of dividend payout policy.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Research Design.

The study adopted a descriptive design to measure two variables, independent and dependent variable. Descriptive design was used since it gives insights into the research problem and describes each variable as it is. According to Saunders et al (2003 as cited in Malombe, 2011) a descriptive research explores the existing status of two or more variables at a given time and whether a relationship exist between them hence most suited in establishing the determinants of dividend payout policy in SACCOs.

3.1 Target Population.

The target population was all SACCOs licensed by SACCO Society Regulatory Authority(SASRA) using SACCO supervisory report 2012.The population under this study was made up of 124 SACCOs who are operating Front Office Activities(Banking like services) to their members. The population comprise of different sectors from Government employees, Teachers, Private employees and farmers.

3.2 Sample size.

The sample size comprised of all 124 registered SACCOs in Kenya (as at 31st December 2012), due to time and costs involved this study focused on 34 SACCOs from Nairobi County since this is the County with majority of SACCOs with diverse common bond. The 34 SACCOs were classified as follows:

TABLE 2

Classification of Nairobi County SACCOs

Category	Number of SACCOs
Government Employees	15
Teachers	3
Private Sector Employees	14
Farmers	2
Total	**34**

The above breakdown shows that the data collected was well presented from different category of SACCOs in Kenya.

3.3 Data Collection

Data was collected from secondary source. Secondary data was collected from the financial statements of the SACCOs sampled for the last five years. Hence data was completely transparent and accurate in context of validity.

3.4 Data Analysis

Statistical analysis technique was used to provide descriptive statistics, correlation and multiple regression of collected data for the period of five years (2009-2013). Collected data was checked for errors of commission and omission. Data was recorded according to each variable and put in excel spreadsheet. Collected data was manipulated through excel in order to arrive at the values for each variable.

3.5 Tests to Check Conditions of Regression.

Regression tests such as Multi-colinearity test, Breusch-Pagan test for heteroscedasticity, Normality test, CUSUM test for parameter stability and Chow test for structural break were carried out.

3.6 Research Model

Regression model was used to establish the relationship between dependent variable dividend payout(Y) and explanatory variables (x_1, x2, x3, x4, and x5) as follows;

$DPR = \alpha + \beta_1 P + \beta_2 L + \beta_3 CE + \beta_4 SS + \beta_5 FL + \ell t$……... ……...(i)

Where:

Dependent variable

DPR =Dividend payout ratio

Explanatory variables

CE=Current Earnings

P=Profitability

L=Liquidity

FL=Financial Leverage

SS=Size of the Sacco

ℓt=Error term

α= Regression Constant

$\beta_{1...} \beta_5$.= Regression Coefficients

3.7 How to Measure the Variables

TABLE 3

Measure the Variables

Variables	**Measurement**
Dividend Payout Ratio	Dividend per share Earnings per share
Profitability	Net profit Number of outstanding shares
Liquidity/ Current ratio	Total Current Assets Total Current Liabilities
Current Earnings	EBIT Total Assets
Size of the SACCO	Total Assets SACCO membership
Financial Leverage/ Debt to Equity ratio	Growth in Debt Growth in Equity

CHAPTER FOUR

FINDINGS

4.1 Introduction

This chapter presents the information processed from the data collected during the study on the factors affecting dividend payout policy of Savings and Credit Cooperative Societies licensed by SACCO Society Regulatory Authority (SASRA). The sample composed of 34 SACCOs from Nairobi County registered as at 31st December, 2012. The data was gathered mainly from secondary sources.

The data collected from the secondary sources was coded into the SPSS and then entered in preparation for analysis. This was then followed by a computation of a descriptive statistics to profile the data characteristics. A regression analysis was then conducted to establish the relationship between the study variables followed by regression diagnostics such as Multicollinearity test, Breusch-Pagan test for heteroscedasticity, Normality test, CUSUM test for parameter stability and Chow test for structural break.

4.2 Results of Descriptive Analysis

TABLE 4

Summary of the Variables for the Savings and Credit Cooperative Societies

	Minimum	Maximum	Mean	Std. Deviation
Dividend payout ratio	.01	59.50	10.8969	7.2351
Profitability	.07	8.88	2.3668	2.87400
Liquidity	.61	8.14	1.7904	1.45469
Current Earnings	.00	.08	.0192	.01761
Size of the Sacco	2.71	5.07	3.8015	.52963
Financial Leverage	-902.80	7.40	-26.7340	.36291

Source: Data Analysis

Table 4 shows the factors affecting dividend payout policy of Savings and Credit Cooperative Societies for the five years as measured by the Variables. From the findings,

dividend payout ratio had an average of 10.8969 with a standard deviation of 7.2351, profitability had an average of 2.3668 with a standard deviation of 2.87400, liquidity had an average of 1.7904 with a standard deviation of 1.45469, current earnings had an average of 0.0192 with a standard deviation of 0.01761, Size the SACCO had average had an average of 3.8015 with a standard deviation of 0. 52963 while financial leverage had an average of -26.7340 with a standard deviation of 154.85633.

4.3 Results of Inferential Statistical Analysis

4.3.1 Regression Results.

The study conducted a cross-sectional multiple regression on factors affecting dividend payout policy of Savings and Credit Cooperative Societies licensed by SACCO Society Regulatory Authority (SASRA) over a period of five years (2009-2013). Coefficient of determination explains the extent to which changes in the dependent variable can be explained by the change in the independent variables or the percentage of variation in the dependent variable (Dividend payout ratio of Savings and Credit Cooperative Societies licensed by SACCO Society Regulatory Authority (SASRA)) that is explained by all the five independent variables (Profitability, Liquidity, Current Earnings, Size of the SACCO, Financial Leverage)

TABLE 5

Results of Multiple Regression Between Dividend Payout Ratio of SACCOs Licensed by SACCO Society Regulatory Authority (SASRA) and Predictor Variables

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.868	0.754	0.710	2.096

a. Predictors: (Constant), Profitability, Liquidity, Current Earnings, Size of the SACCO, Financial Leverage

Source: Author (2014)

The five independent variables that were studied, explain only 71% of the dividend payout ratio of Savings and Credit Cooperative Societies licensed by SACCO Society Regulatory Authority (SASRA) as represented by the adjusted R^2. This therefore means the five variables contribute to 71% of the dividend payout ratio of Savings and Credit Cooperative Societies licensed by Sacco Society Regulatory Authority (SASRA), while other factors not studied in this research contributes 29% of the dividend payout ratio of Savings and Credit Cooperative Societies licensed by SACCO Society Regulatory Authority (SASRA). Therefore, further research should be conducted to investigate the other (29%) factors influencing the dividend payout ratio of Savings and Credit Cooperative Societies licensed by SACCO Society Regulatory Authority (SASRA).

TABLE 6

Summary of ANOVA Results

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	430.361	5	86.072	17.149	0.0098
	Residual	140.533	28	5.019		
	Total	570.894	33			

a. Predictors: (Constant), Profitability, Liquidity, Current Earnings, Size of the SACCO, Financial Leverage

b. Dependent Variable: Dividend payout ratio

Source: Author (2014)

From the ANOVA statistics in table 6, the processed data, which are the population parameters, had a significance level of 0.0098 which shows that the data is ideal for making a conclusion on the population's parameter. The F calculated at 5% Level of significance was 17.149. Since F calculated is greater than the F critical (value = 2.56), this shows that the overall model was significant i.e. there is a significant relationship between dividend payout ratio and its factors.

TABLE 7

Regression Coefficients of the Relationship between Dividend Payout Ratio of SACCOs Licensed by SACCO Society Regulatory Authority (SASRA) and Predictor Variables

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	7.781	1.423		5.468	.0000
	Profitability	0.863	0.112	0.642	7.705	.0000
	Liquidity	0.683	0.161	0.483	4.242	.00017
	Current Earnings	0.771	0.171	0.574	4.509	.0000
	Size of the Sacco	0.396	0.131	0.319	3.023	.0042
	Financial Leverage	-0.017	0.011	-0.136	-1.545	.0003

Dependent variable: Dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA)

Source: Author (2014)

The coefficient of regression in table 7 above was used in coming up with the model below:

DPR = 7.781+ 0.863P+0.683L + 0.771CE + 0.396SS-0.017FL…… (ii)

Where DPR is Dividend payout ratio, P is Profitability, L is Liquidity, CE is Current Earnings, SS is Size of the SACCO and FL is Financial Leverage. According to the model, all the variables were significant as their significance value was less than 0.05. However, financial leverage was negatively correlated with Dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA) while profitability, liquidity, current earnings and size of the SACCO were positively correlated with dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA). From the model, taking all factors (profitability, liquidity, current earnings, size of the SACCO, financial leverage) constant at zero, dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA) was 7.781.

The data findings analyzed also shows that taking all other explanatory variables at zero, unit increase in profitability will lead to a 0.863 increase in dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA); a unit increase in liquidity will lead to a 0.683 increase in dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA), a unit increase in current earnings will lead to a 0.771 increase in dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA)

A unit increase in size of the SACCO will lead to a 0.396 increase in dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA), while a unit increase in financial leverage will lead to a 0.017 decrease in dividend payout ratio of SACCOs licensed by Sacco Society Regulatory Authority (SASRA). This infers that profitability contributed most to the dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA) followed by current earnings then liquidity, then size of the SACCO while financial leverage had a negative significant effect on the dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA).

4.3.2 Multicollinearity test

A situation in which there is a high degree of association between independent variables is said to be a problem of multicollinearity. Multicollinearity can also be solved by deleting one of the highly correlated variables. Heteroscedasticity means that previous error terms are influencing other error terms and this violates the statistical assumption that the error terms have a constant variance.

TABLE 8

Summary of Collinearity Statistics

Model		Collinearity Statistics	
		Tolerance	**VIF**
1	Profitability	.937	1.068
	Liquidity	.873	1.145
	Current Earnings	.796	1.218
	Size of the Sacco	.864	1.157
	Financial Leverage	.910	1.099

The Variance inflation factor (VIF) was checked in all the analysis and it ranged from above 1 to 4 which is not a cause of concern according to Myers (1990) who indicated that a VIF greater than 10 is a cause of concern. The basic assumption is that the error terms for different observations are uncorrelated (lack of autocorrelation).

4.3.3 Breusch-Pagan test for heteroskedasticity.

Breusch-Pagan test for heteroskedasticity produced a LM test of 9.065397, with p-value of 0.106484. Since the p-value is above .05, the study fails to reject the null hypothesis of no heteroskadiscity.

4.3.4 Normality test

Normality of the variables was examined using the skewness and kurtosis. According to Kline (2011) the univariate normality of variables can be assumed if the skewness statistic is within the interval (-3.0, 3.0) and the kurtosis statistic lying in the interval (-10.0, 10.0).

TABLE 9

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Profitability	2.203	33	.017	1.914	33	.005
Liquidity	3.045	33	.032	1.632	33	.032
Current Earnings	2.943	33	.041	1.231	33	.021
Size of the Sacco	2.153	33	0.03	1.532	33	.019
Financial Leverage	2.270	33	.004	1.839	33	.012

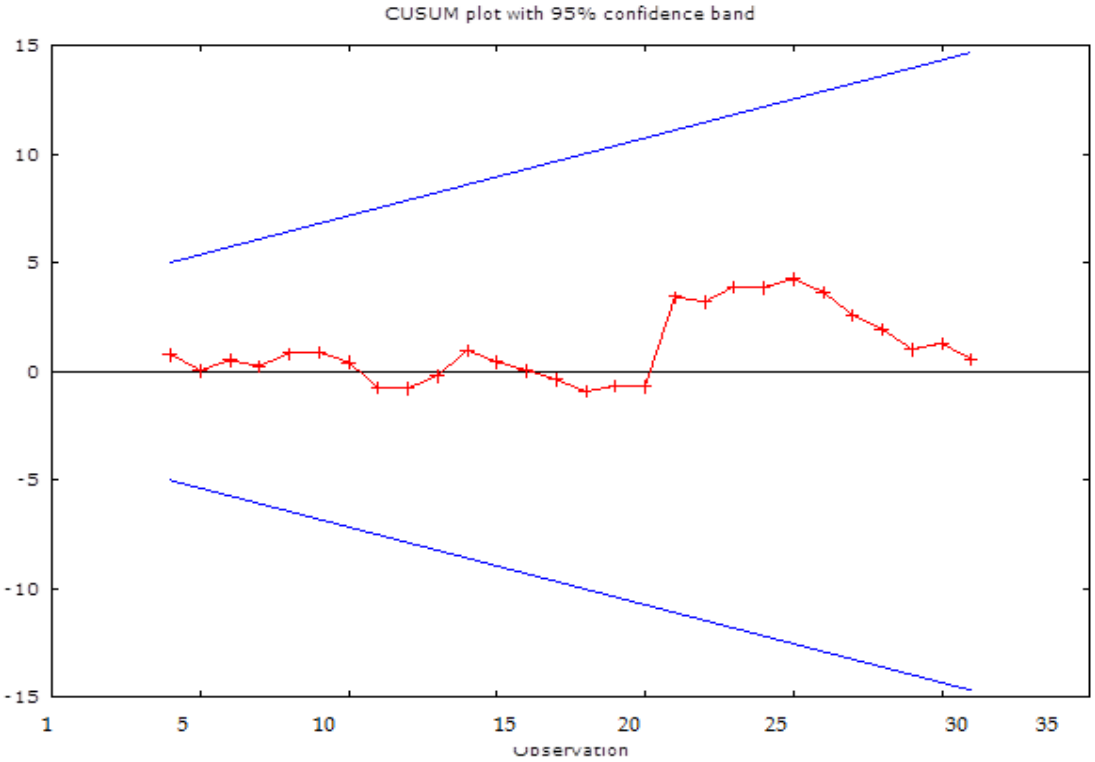
From the finding on the Kolmogorov-Smirnovand Shapiro-Wilk test on normality, the study found that significance in both test were less than 0.05 which is leads to the rejection of the null hypothesis that that data on profitability, liquidity, current earnings, size of the SACCO and financial leverage were not normally distributed this is an indication that data on the variables were normally distributed.

4.3.5 CUSUM test for parameter stability

CUSUM test for parameter stability presented in the Figure below shows that the model is stable over time as it does not deviates from lines but is balanced on the line from one observation to another (that is there is no change in models parameters given Harvey-Collier t(27) of 0.105681 with p-value 0.91660).

FIGURE 3

CUSUM Test for Parameter Stability



4.3.6 Chow test for structural break

Chow test for structural break was done considering the 17th observation as the breakpoint. The test produced the following results: F(6, 22) = 0.415716 with p-value 0.8606. Chow tests the null hypothesis of no structural break. The p-value of f-statistics is 0.8606 is above 5%. The study, thus, fails to reject the null hypothesis, thus, there is no structural break in the data depicting that the model parameters are structurally stable.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents discussion of findings of the research based on the findings obtained and interpreted from the data collected and suggestions for further research. The objective of the study was to determine the factors that affect dividends payout policy of SACCOs licensed by SASRA.

5.2 Discussion of Findings

The study found that the regression equations for the five year period (2009 to 2013) related dividend payout ratio of the SACCOS to its profitability, liquidity, current earnings, size of the SACCO, financial leverage. The equation was:

DPR = 7.781+ 0.863P +0.683L + 0.771CE + 0.396SS-0.017FL …… (iii)

From the regression model, the study found out that there were factors influencing dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA), which are profitability, liquidity, current earnings, size of the Sacco and financial leverage. They either influenced it positively or negatively. The study found out that the intercept was 7.781 for all years.

The five independent variables that were studied (profitability, liquidity, current earnings, size of the Sacco and financial leverage) explain a substantial 71% of the dividend payout ratio of Savings and Credit Cooperative Societies licensed by Sacco Society Regulatory Authority (SASRA) as represented by adjusted R^2 (0.710). This therefore means that the five independent variables contributes 71% of the dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA) while other factors and random

variations not studied in this research contributes a measly 29 % of the dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA).

5.2.1 Specific objective one. To find out the impact of current earnings on SASRA licensed SACCOs' dividend payout policy.

The study found out that the coefficient of the current earnings to be positive (0.771). This implies that, according to the findings, current earnings positively influence the dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA). These are dividends that have been declared by the firm to their shareholders. In dividend payout policy current earning is an important variable since it forms the basis of future earnings. This has been supported by Baker and Gandi (2007) who stated that current earning is an important determinant of dividend payout policy.

5.2.2 Specific objective two. To identify the relationship between profitability and liquidity on SASRA licensed SACCOs' dividend payout policy.

Profitability. The study found out that the coefficient for profitability was 0.863, meaning that profitability is positively and significantly influenced the dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA). A certain percentage of SACCOS' earning is paid out to shareholders in the form of dividends. Since the dividend policy of a SACCO is quantified by its dividend payout ratio, and profitability by SACCOs' dividend payout ratio, then the same was found by Karanja M. (1987) who concluded that profitability and company's level of distributable resources influences its dividend policy; Abdul(1993),Njuguna (2006) and Tiriongo(2004) also found out the same. However, Amidu and Abor (2006) maintain a different opinion that "profitability is highly negative and significantly associated with dividend payout''. The study found that profitability determines dividend payment among Savings and Credit Cooperative Societies through; Profits are regarded as the primary indicator of a co-operatives' capacity to pay dividends,

high/increasing dividend concentration may be the result of high/increasing earnings concentration and co-operatives exhibited behavior consistent with a residual dividend policy and their matched counterparts to learn how they set their dividend policies.

***Liquidity*.** The study also found out that liquidity is positively influenced by the dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA) with a coefficient of 0.683. Since the more liquid a firm is, the less it uses its earnings/revenue to pay for debts then most of its revenues will translate to profits hence more fund will be available for dividend payment, since SACCOS pay dividends from their profits. Abdul (1993), in his empirical study to identify parameters which are important in the determination of dividends by publicly quoted companies also found out that liquidity positively influences a company's dividend payment. According to Ahmed and Javad (2009) in their study they concluded that firms which are more liquid are likely to pay dividends than firms with liquidity problems hence liquidity is an important determinant of dividend payout policy, on the other hand Anupam (2012) in his study states that firm liquidity is not significant in dividend decisions.

5.2.3. Specific Objective three. To establish the impact of financial leverage and SACCO's size on dividend payout policy of SASRA licensed SACCOs

Size of the SACCO. The study further found out that the coefficient of the size of the Sacco to be positive (0.396). This implies that, according to findings, size of the Sacco positively influences the dividend payout ratio of SACCOs licensed by Sacco Society Regulatory Authority (SASRA), though not very strongly. Holder et al. (1998) revealed that larger firms have better access to capital markets and find it easier to raise funds at lower costs, allowing them to pay higher dividends to shareholders. This therefore means there is a positive relationship between dividend payouts and firm size.

Financial Leverage. The study also found out that the coefficient of the financial leverage to be negative (-0.017). This shows that, according to findings, financial leverage negatively influences the dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA). Leverage refers to the extent to which deposit taking SACCOs makes use of debt financing to generate profits. In the Co-operative movement SACCOs decide how much debt financing it requires by weighing on the cost benefit of such decision given that the sole use of this money they are borrowing is supposed to be granted to members inform of loans. Therefore since Sacco loans are a little bit cheaper than commercial loans SACCOs are left with no alternative than cutting their desire for external borrowing. Therefore, leverage affects dividend payout negatively since SACCOs that are highly geared will not or will pay less dividends compared to non leveraged SACCOs. This is in line with Kuwari D. (2009) who also found out a negative relationship between financial leverage and dividend payout ratio.

5.3 Conclusions

Based on the study findings and discussion, the study concluded that profitability, liquidity, current earnings, size of the SACCO and financial leverage influences the dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA). The study also concludes that profitability positively and significantly influenced the dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA).A certain percentage of SACCOS' earning is paid out to shareholders in the form of dividends. Since the dividend policy of a SACCO is quantified by its dividend payout ratio, and profitability by SACCOS' dividend payout ratio.

The study further concludes that liquidity positively influenced the dividend payout ratio of SACCOs licensed by Sacco Society Regulatory Authority (SASRA).This study

further deduced that current earnings positively influence the dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA).

The study also concludes that size of the Sacco also determines its dividend payout ratio since investors perceive big SACCOS making profits more likely to pay more dividends. The study further revealed that financial leverage negatively influences the dividend payout ratio of SACCOs licensed by SACCO Society Regulatory Authority (SASRA).

The study finally concluded that profitability contributed most to the dividend payout ratio of SACCOs licensed by Sacco Society Regulatory Authority (SASRA) followed by current earnings then liquidity, then size of the Sacco while financial leverage had a negative significant effect on the dividend payout ratio of SACCOs licensed by Sacco Society Regulatory Authority (SASRA).

5.4 Recommendations

a) The study recommends that SACCOs should evaluate carefully on how much free cash flow can be distributed to shareholders after retaining enough profits for future use.

b) The study recommends that SACCOs consider all pertinent issues before issuing dividends. Since the members always expect a return on investment in the form of dividend, however the payment of dividend should not undermine a firm's investment policy.

c) The study further recommends that shareholders should also recognize that, when a SACCO has unfavorable dividend payout ratio; it is due to either poor profits or investment in growth opportunity. In some cases, their dividends are deferred so as to

increase retained earnings for the SACCO in order to have a good dividend policy in future.

d) Dividend policy has an effect on the performance of the firms. Thus, the SACCOs should pay dividends to ensure that they have a positive outlook in the future. This is pertinent with the dividend theories of bird-in-hand theory, information signaling effect theory, tax differential theory and agency theory. These theories propose that dividend policy is relevant to the performance of the firm; other factors kept constant. It is also recommended that firms should maintain a clear and consistent dividend policy for the dividend policy to affect the performance of the firm.

e) The study recommends that SACCOs in Kenya for them to pay dividend must have excellent liquidity, weigh their investment opportunity and have right composition of shareholders and be profitable as these were found to strongly determine the dividend payment among SACCOs.

5.5 Suggestions for Further Research

This study focused on Savings and Credit Cooperative Societies licensed by SACCO Society Regulatory Authority (SASRA), the same study should be done in other SACCOs (Non Deposit taking SACCOs) to find out whether it will yield the same results. The study also suggests that further studies should be done to cover all types of Cooperative Societies including farmer's Cooperative Societies in Kenya. Where the researcher will do a comparison between the regression results obtained for SACCOs and farmers cooperatives to examine the difference in terms of signaling for the different types of Cooperative Societies.

With the establishment of SACCO Societies Regulatory Authority (SASRA) the operating environment for SACCOs is changing since it has introduced restrictions on

investments that SACCOs can invest in and has put stringent conditions which limit the payment of dividends. Therefore the study suggests further research on the impact of new regulations on dividend payment and the economic performance of SACCOS in Kenya. Other studies should be carried out in other financial institutions to find out the factors affecting dividend policy.

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APPENDIX 1

Savings and Credit Cooperative Societies Licensed By Sacco Society Regulatory Authority (SASRA)

1. Magereza Sacco
2. Stima Sacco
3. Wanandege Sacco
4. Jamii Sacco
5. Asili Sacco
6. Comocco Sacco
7. Chuna Sacco
8. Elimu Sacco
9. Nation Staff Sacco
10. Ufanisi Sacco
11. UN Sacco
12. Safaricom Sacco
13. Kenpipe Sacco
14. Waumini Sacco
15. Kenversity Sacco
16. Chai Sacco
17. Sheria Sacco
18. Mwalimu Sacco
19. Harrambee Sacco
20. Afya Sacco
21. Ukulima Sacco
22. Police Sacco
23. Kenya Bankers Sacco
24. Hazina Sacco
25. Nacico Sacco
26. Teleposta Sacco
27. Maisha bora Sacco
28. Nassefu Sacco
29. Mwito Sacco
30. Naku Sacco
31. Othodox Sacco
32. Tembo Sacco
33. Wanaanga Sacco
34. Fundilima Sacco

APPENDIX 2

Raw Data

Table A1
Profitability

Name of Sacco	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013
Magereza Sacco	0.2719	0.0168	0.0588	0.0074	0.0135
Stima Sacco	0.5562	1.1089	1.5272	2.2702	2.1042
Wanandege Sacco	0.8409	0.2398	3.6426	1.1964	0.2854
Jamii Sacco	0.1271	0.1350	0.5767	0.5493	0.8970
Asili Sacco	0.3236	0.3172	0.2040	0.8626	3.7622
Comocco Sacco	1.5592	1.0012	1.9475	1.0933	0.7294
Chuna Sacco	0.9096	0.2970	0.2600	0.3014	0.4222
Elimu Sacco	-	1.1515	0.3594	0.6261	0.3690
Nation Staff Sacco	0.2316	0.6242	0.5633	0.7126	0.6896
Ufanisi Sacco	0.6524	0.2563	0.5811	0.5408	0.5022
UN Sacco	1.1945	0.6742	0.4092	0.3770	1.3093
Safaricom Sacco	7.6001	7.9999	7.9165	8.3727	10.0000
Kenpipe Sacco	0.0128	1.5970	4.1708	2.8878	2.6662
Waumini Sacco	8.7720	8.4894	7.7631	7.6844	8.2183
Kenversity Sacco	10.1696	8.2138	8.7597	8.5939	8.6591
Chai Sacco	0.4413	0.1857	0.1927	3.8543	4.6311
Sheria Sacco	0.2525	1.4968	0.2922	0.2008	0.1764
Mwalimu Sacco	2.6130	0.5888	1.2893	2.2483	5.7209
Harrambee Sacco	-	8.6678	8.0298	8.0725	8.1970
Afya Sacco	0.2028	0.2479	0.0960	0.1031	-
Ukulima Sacco	8.2563	8.5237	7.8527	6.3259	7.5633
Police Sacco	6.2359	7.8562	7.5264	8.9626	9.6326

Kenya Bankers Sacco	1.6491	0.4286	0.4032	0.4237	0.4935
Hazina Sacco	0.3529	0.4237	0.5263	0.6529	0.3257
Nacico Sacco	1.0196	2.5761	1.9636	4.6529	7.5634
Teleposta Sacco	0.3259	0.5632	0.8562	0.5633	0.7563
Maisha bora Sacco	6.3259	5.3698	4.2359	5.2631	6.5240
Nassefu Sacco	1.5698	1.2590	0.1853	0.2137	0.0257
Mwito Sacco	0.8524	0.1463	1.7237	3.6529	2.6856
Naku Sacco	0.1237	0.2365	0.3652	0.5632	0.1785
Othodox Sacco	0.0026	0.0357	0.1326	0.0237	0.2590
Tembo Sacco	0.0079	0.0037	0.0125	0.8521	0.5621
Wanaanga Sacco	0.3217	0.4524	0.1526	0.2146	0.2366
Fundilima Sacco	3.7630	3.6852	2.3652	2.5698	1.3652

Figure A1
Profitability

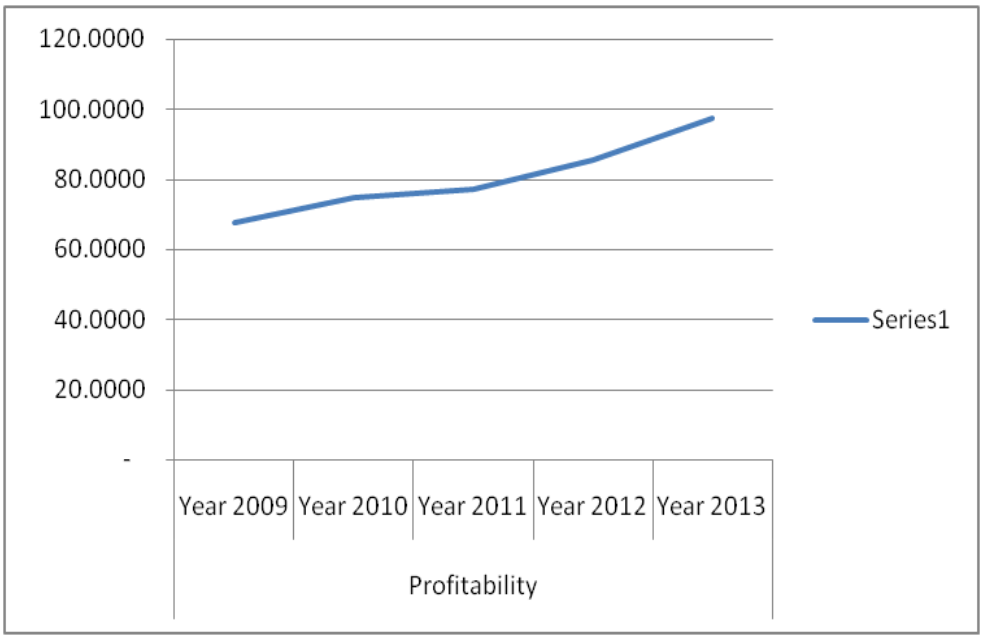

Table B1
Liquidity

Name of Sacco	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013
Magereza Sacco	0.7172	1.0606	1.2353	0.3757	0.5431
Stima Sacco	0.6664	0.5747	0.6946	0.8020	0.9857
Wanandege Sacco	1.9744	0.7094	0.7764	0.8457	4.2235
Jamii Sacco	0.5078	0.5499	0.5999	0.5690	0.8100
Asili Sacco	0.4891	0.1565	0.1575	3.6258	9.5731
Comocco Sacco	2.0725	1.0413	1.0480	2.9468	2.9086
Chuna Sacco	1.5277	0.7513	0.6864	0.7401	0.7845
Elimu Sacco	1.0604	4.5819	2.4328	0.9948	1.1665
Nation Staff Sacco	1.0214	1.0307	1.0440	1.0655	1.1159
Ufanisi Sacco	4.4543	1.0834	1.1078	1.1137	1.1151
UN Sacco	1.8309	1.6932	0.2447	0.1864	0.1790
Safaricom Sacco	4.1563	4.8253	1.0281	1.0552	1.0573
Kenpipe Sacco	0.6458	6.9612	0.6396	1.0976	1.1009
Waumini Sacco	1.0354	1.0639	1.0693	1.0854	1.0781
Kenversity Sacco	1.2132	1.1036	1.0949	1.1303	1.1015
Chai Sacco	1.0726	1.4651	1.4812	1.1190	1.1290
Sheria Sacco	1.0147	1.0203	1.0526	1.2096	1.1990
Mwalimu Sacco	1.0913	1.1338	1.0000	1.0000	1.2385
Harrambee Sacco	5.5929	5.8681	3.6191	2.5300	2.2271
Afya Sacco	0.4653	2.0111	0.1767	0.3644	0.4420
Ukulima Sacco	1.5442	1.4353	1.2984	1.0597	1.0502
Police Sacco	5.7981	1.0934	1.0001	1.0748	1.1677
Kenya Bankers Sacco	2.3467	0.2300	0.3229	0.2148	0.2766
Hazina Sacco	1.0201	1.0198	1.0497	1.0695	1.0738
Nacico Sacco	6.1417	5.3022	1.8774	2.5520	2.0703

Teleposta Sacco	21.9736	7.4757	8.5534	1.5689	1.1370
Maisha bora Sacco	0.8758	0.9542	1.0277	1.0410	1.0558
Nassefu Sacco	9.1874	6.9632	2.8953	1.1246	1.1270
Mwito Sacco	1.2945	1.0511	1.0656	1.0621	1.0574
Naku Sacco	3.0908	1.1106	1.1052	1.0469	1.1687
Othodox Sacco	1.0645	0.9768	1.0454	1.1478	1.2606
Tembo Sacco	0.7086	0.6692	0.7033	1.6283	1.1502
Wanaanga Sacco	5.7033	1.0234	1.0383	1.0499	1.0487
Fundilima Sacco	6.5381	1.0246	1.0333	1.0483	1.0813

Figure B1
Liquidity

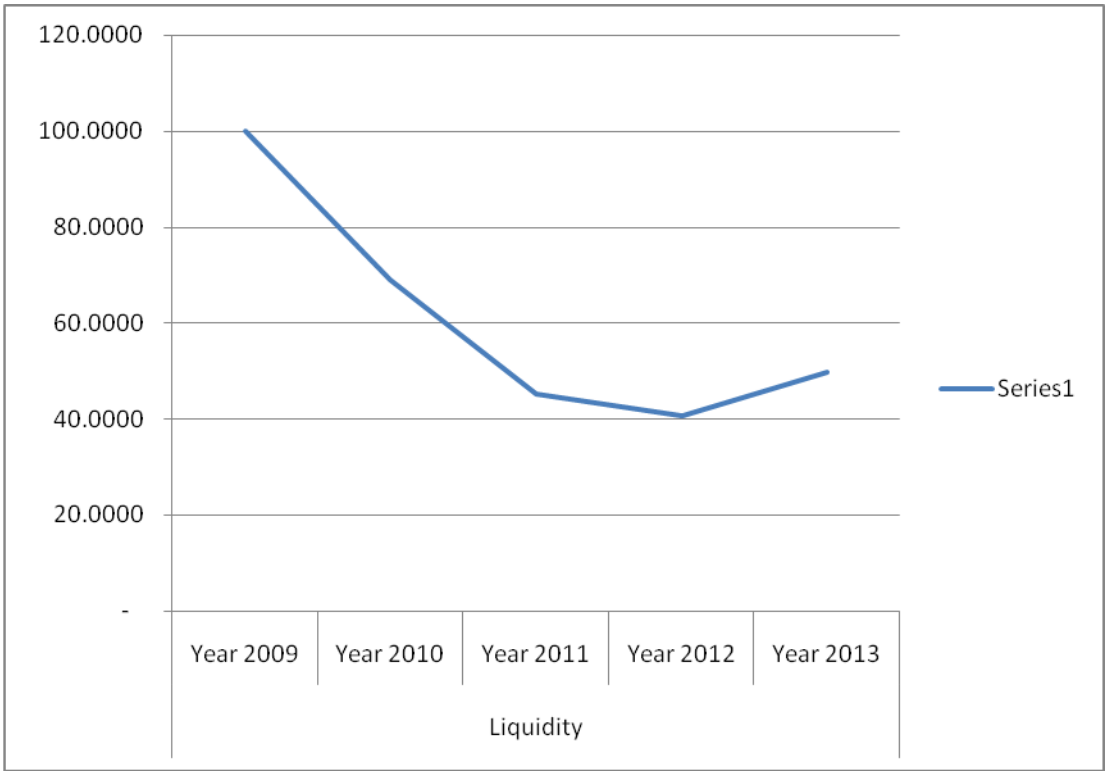

Table C1
Current Earnings

Name of Sacco	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013
Magereza Sacco	0.00981	0.0038	0.0028	0.0078	0.0225
Stima Sacco	0.0212	0.0197	0.0238	0.0251	0.0214
Wanandege Sacco	0.0083	0.0017	0.0024	0.0055	0.0114
Jamii Sacco	0.0036	0.0057	0.0181	0.0383	0.0423
Asili Sacco	0.0118	0.0203	0.0036	0.0055	0.0028
Comocco Sacco	0.0037	0.0041	0.0070	0.0054	0.0049
Chuna Sacco	0.0043	0.0034	0.0027	0.0129	0.0119
Elimu Sacco	0.0286	0.0267	0.0131	0.0055	0.0372
Nation Staff Sacco	0.0072	0.00987	0.0104	0.0152	0.0484
Ufanisi Sacco	0.0042	0.0041	0.0052	0.0093	0.0139
UN Sacco	0.1093	0.1104	0.0107	0.0148	0.0116
Safaricom Sacco	0.0019	0.0052	0.0037	0.0081	0.0161
Kenpipe Sacco	0.1063	0.0215	0.0129	0.0227	0.0212
Waumini Sacco	0.0028	0.0042	0.0171	0.0258	0.0129
Kenversity Sacco	0.0140	0.0152	0.0242	0.0221	0.0343
Chai Sacco	0.0004	0.0044	0.0054	0.0091	0.0194
Sheria Sacco	0.0022	0.0019	0.0139	0.0021	0.0221
Mwalimu Sacco	0.0169	0.0416	0.0240	0.0329	0.0220
Harrambee Sacco	0.0104	0.0114	0.0105	0.0098	0.0079
Afya Sacco	0.0202	0.0003	0.0026	0.0162	0.0024
Ukulima Sacco	0.0042	0.0044	0.0055	0.00982	0.0031
Police Sacco	0.0109	0.0185	0.0290	0.0000	0.0000
Kenya Bankers Sacco	0.0070	0.0081	0.0072	0.0032	0.0160
Hazina Sacco	0.0086	0.0053	0.0122	0.0107	0.0116
Nacico Sacco	0.0332	0.0354	0.0213	0.0122	0.0291

Teleposta Sacco	0.00984	0.0019	0.0005	0.0048	0.0470
Maisha bora Sacco	0.0233	0.0177	0.0176	0.0129	0.0153
Nassefu Sacco	0.0772	0.1673	0.0870	0.0316	0.0388
Mwito Sacco	0.0172	0.0140	0.0056	0.0078	0.0075
Naku Sacco	0.0047	0.0028	0.0028	0.0029	0.0224
Othodox Sacco	0.0039	0.1023	0.1159	0.0383	0.0147
Tembo Sacco	0.0530	0.0555	0.0776	0.0305	0.0395
Wanaanga Sacco	0.0028	0.0006	0.0008	0.0155	0.0120
Fundilima Sacco	0.0007	0.0675	0.0627	0.0087	0.0313

Figure C1
Current Earnings

Table D1
Size of the SACCO

Name of Sacco	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013
Magereza Sacco	36,980.62	57,536.60	61,108.78	62,412.73	74,252.16
Stima Sacco	376,000.39	330,342.81	361,040.80	415,983.14	392,977.43
Wanandege Sacco	48,146.16	225,520.97	211,330.82	177,550.17	91,554.93
Jamii Sacco	47,885.13	49,905.09	50,356.77	53,100.36	80,417.53
Asili Sacco	32,816.01	12,485.75	15,613.38	51,267.74	110,317.41
Comocco Sacco	262,876.50	244,843.15	243,321.71	182,889.06	211,227.93
Chuna Sacco	399,842.09	266,415.92	225,782.16	220,246.62	273,317.79
Elimu Sacco	9,769.00	55,536.40	57,345.44	60,403.97	70,331.89
Nation Staff Sacco	308,188.34	361,824.29	389,163.32	398,950.83	417,934.52
Ufanisi Sacco	192,579.58	217,371.00	189,016.37	195,710.70	203,435.18
UN Sacco	374,980.45	332,993.73	330,201.75	279,416.86	287,912.36
Safaricom Sacco	426,729.99	342,818.43	391,739.61	342,546.26	292,641.50
Kenpipe Sacco	44,465.31	54,229.96	44,281.59	772,887.99	866,421.43
Waumini Sacco	84,360.17	93,619.05	103,356.61	112,190.99	132,132.11
Kenversity Sacco	336,063.92	325,705.97	368,432.07	396,052.96	374,606.49
Chai Sacco	19,221.34	14,657.96	14,567.84	144,605.23	157,694.25
Sheria Sacco	204,300.99	220,557.29	220,859.84	285,304.67	313,906.57
Mwalimu Sacco	54,961.97	62,384.33	33,990.04	35,951.02	45,683.79
Harrambee Sacco	42,439.01	53,496.44	65,864.05	111,662.20	122,308.58
Afya Sacco	2,626.33	33,157.53	29,818.60	94,447.11	126,124.12
Ukulima Sacco	132,660.58	138,232.52	148,003.96	160,900.34	182,051.46
Police Sacco	148,374.11	156,842.52	208,860.64	251.23	310.13
Kenya Bankers Sacco	59,992.98	53,345.13	73,912.49	54,238.50	65,786.83

Hazina Sacco	158,937.70	171,773.46	195,085.87	220,246.87	246,963.06
Nacico Sacco	106,517.58	112,839.04	169,773.48	341,555.16	279,272.22
Teleposta Sacco	319,463.75	107,798.56	104,506.18	671,254.29	449,680.41
Maisha bora Sacco	291,562.90	393,951.51	400,638.92	379,849.98	387,693.72
Nassefu Sacco	189,473.44	182,429.10	87,191.83	294,832.10	273,993.30
Mwito Sacco	88,680.80	116,039.93	126,747.91	137,157.52	156,755.83
Naku Sacco	12,554.08	89,440.78	87,748.73	94,559.85	107,507.26
Othodox Sacco	73,427.21	59,949.86	50,103.30	23,018.45	19,534.40
Tembo Sacco	75,857.66	8,494.95	4,990.17	675,176.79	546,164.30
Wanaanga Sacco	88,274.35	231,822.62	249,265.46	367,930.12	353,678.64
Fundilima Sacco	189,426.36	252,789.68	284,108.96	300,478.31	297,210.38

Figure D1
Size of the SACCO

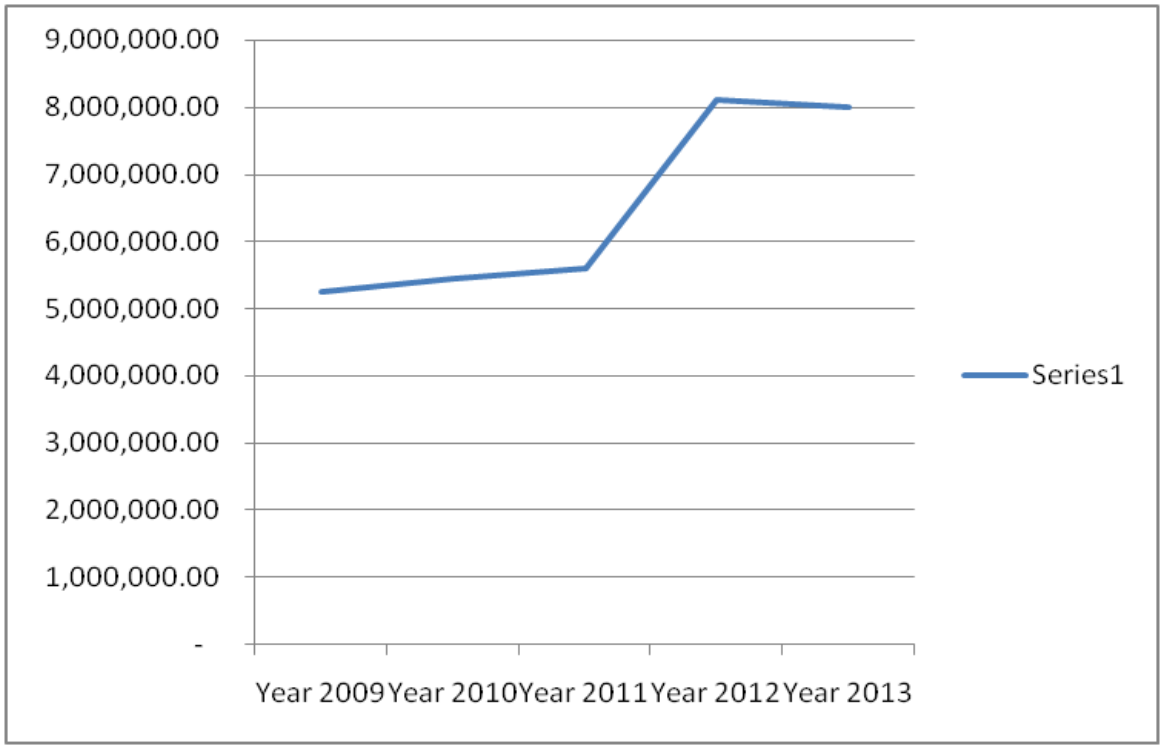

Table E1

Financial Leverage

Name of Sacco	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013
Magereza Sacco	-	0.0729	0.2199	(0.2290)	(0.2350)
Stima Sacco	-	0.4778	1.0268	(0.5764)	(0.4381)
Wanandege Sacco	-	(150.8954)	(4,363.1207)	-	-
Jamii Sacco	-	-	-	-	-
Asili Sacco	-	-	-	-	-
Comocco Sacco	-	-	-	-	-
Chuna Sacco	-	(0.0028)	9.2151	(3.4559)	(3.8741)
Elimu Sacco	-	-	0.3348	0.2235	-
Nation Staff Sacco	-	-	-	7.1076	(2.3692)
Ufanisi Sacco	-	-	-	-	-
UN Sacco	-	(0.1459)	(0.0435)	0.5549	(0.1813)
Safaricom Sacco	-	-	-	-	-
Kenpipe Sacco	-	0.1864	(2.3804)	-	-
Waumini Sacco	-	-	-	-	-
Kenversity Sacco	-	(0.00987)	(5.3762)	6.6667	(2.6834)
Chai Sacco	-	-	-	39.0702	(2.0927)
Sheria Sacco	-	28.0690	(1.0997)	(0.1871)	(0.8839)
Mwalimu Sacco	-	(0.0109)	0.00985	(0.0599)	(0.0290)
Harrambee Sacco	-	2.8360	(0.2271)	(0.4378)	(0.0727)
Afya Sacco	-	-	1.7034	(0.1510)	(0.0462)
Ukulima Sacco	-	-	0.3695	0.6977	9.4845
Police Sacco	-	0.0177	3.2545	0.2400	(115.7978)
Kenya Bankers Sacco	-	-	-	-	-
Hazina Sacco	-	-	-	-	-
Nacico Sacco	-	3.1996	0.2354	(2.5481)	(1.7291)

Teleposta Sacco	-	0.0008	1.9052	(0.1917)	0.2021
Maisha bora Sacco	-	-	(0.0135)	(2.3776)	(4.0993)
Nassefu Sacco	-	-	-	-	-
Mwito Sacco	-	-	4.7265	(14.7253)	22.8233
Naku Sacco	-	-	-	-	-
Othodox Sacco	-	-	-	-	-
Tembo Sacco	-	-	-	-	-
Wanaanga Sacco	-	(0.2197)	(3.7009)	(2.9867)	-
Fundilima Sacco	-	-	-	-	

Figure E1
Financial Leverage