

**ROLE OF SACCOS IN THE ERADICATION OF POVERTY AMONG FARMERS IN
MURANGA COUNTY A CASE OF SELECTED SACCO'S IN MURANGA TOWN**

BY

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DECLARATION

I declare that this dissertation is my original work and has not been previously published or submitted elsewhere for 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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ABSTRACT

According to the Kenya National Bureau of Statistics, (2012) more than 40% of the Kenyan population in these areas is still living in poverty where a family survives with less than one United States dollar a day which makes it difficult for them to participate in the national building. The main objective of this study was to find out the role of SACCOs in the eradication of poverty of the members' among farmers in Muranga County. To successfully achieve the study objective the research will be guided by the following specific objectives:- To determine the extent to which deposits/share capital help in eradication of poverty among farmers in Muranga County; To find out how the loans issued by the SACCOs help in eradication of poverty among farmers in Muranga County. The results of this study was of great value to the government may be guided in disbanding funds by establish clear and enabling policy guidelines so as to help the poverty eradication measures to be taken. The study employed a descriptive survey research design to find out the role of SACCOs in the eradication of poverty of the members' among farmers in Muranga County. The target population of this study consisted of all the forty three SACCOs in Murang'a County licensed by the regulator and under the regulation of the ministry of co-operatives. The study adopted a census study. The collected data was examined and checked for completeness and comprehensibility. The data was tabulated with the help of the Statistical Package for Social Sciences (SPSS 22.0) that has data handling and statistical analysis capability that can analyze data statistics and generate descriptive statistics such as frequency, percentages, means and standard deviations. Data presentation was done by the use of pie charts, bar charts and graphs, percentages and frequency tables. The study findings revealed that there was a significant relationship between share capital/deposit and poverty eradication ($p=0.000$), between loan issued and poverty eradication ($p=0.003$), but there was no significant relationship between training and poverty eradication ($p=0.711$). The study concluded that growth in SACCO loans facilitates members in wealth creation. This implies that the size of the loan that a member qualifies will determine the economic status of such a member. The study recommended that the SACCO should continuously encourage members to increase their share capital and also to increase their borrowings so as to increase their economic strength.

Keywords: Saccos, Eradication, Poverty, share capital and loans

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DEDICATION

I dedicate these work to my parents Mr.& Mrs. Fredrick Mwai, my uncle Mr. Samuel Magua and my sisters and brothers for their support, contribution and encouragement towards my education. You are all actually the best, I couldn't ask for more.

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LIST OF ABBREVIATION & ACRONYMES

| | |
|---------------|--|
| CAK | Cooperative Alliance of Kenya |
| IFAD | International Fund for Agriculture and Development |
| KFA | Kenya Farmers Association |
| PEF | Poverty Eradication Fund |
| SACCOs | Savings and Credit Cooperatives society |
| SMEs | Small and Medium Enterprises |
| SPSS | Statistical package for Social Sciences |

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

According to the World Bank report, (2012) around 15 percent (987 million people) of the world's population are living on US \$1 a day. In addition a further 2 billion people still live on US \$2 dollars a day. That combined together equate to 45 percent of the world's population. World Bank economist Ravallion (2010) indicated that poverty has not declined in real terms and it is in fact increasing. In this respect, a dollar today is only worth 55% of what it was in 2000 or the equivalent present day worth of US \$1.82. Ravallion (2010) further asserted that global poverty is far greater today than it was a decade ago and the trends are not encouraging for the future. Poverty is a prevailing feature amongst many developing countries around the world with ever increasing severe effects of social and economic backdrop felt in countries within sub-Saharan Africa despite much effort put in place to contain the situation (World Bank report, 2012). It is arguably a multidimensional challenge found in different forms both in urban and rural areas only possibly differing in its intensity in most of these affected areas (David Hill, 2008).

According to Central Bank of Nigeria (2011) presentation of a paper on "Integrating financial services into poverty reduction strategies" during the west Africa sub regional workshop in 2005, 60% of Africa's rural population, consisting chiefly of smallholder farmers, nomads, artisans, fishermen, and indigenous people, are said to fall below the poverty line. Therefore, solutions to poverty require a comprehensive set of well-coordinated measures and cannot be based exclusively on economic policies only (World Bank report, 2011). This is thus

the foundation for the rationale underlying comprehensive poverty reduction strategies being employed by different countries around the world including setting out a poverty eradication funds kitty as an integral strategy (Republic of Kenya, 2009). Despite an increase in the average Gross Domestic Product (GDP) per capita in Sub-Saharan Africa in the 1980s, poverty levels actually remained relatively unchanged (World Bank report, 2012). The study seeks to establish the role of SACCOs in the eradication of poverty of the members' among farmers in Muranga County.

1.1.1 Eradication of Poverty

In Kenya Poverty Eradication Commission (PEC) was established through a Gazette Notice No. 2295 of 30th April, 1999 with a wide range of mandates including: to promote policies and pilot strategies for eradicating poverty in Kenya; to coordinate poverty eradication activities undertaken by various actors, both governmental and non-governmental agencies throughout Kenya; to Identify and demonstrate poverty eradication initiatives on a pilot basis; to mobilize and manage resources for direct poverty reduction activities with a strong focus on the poorest section of the population and to monitor and evaluate poverty eradication programmes nationally (Poverty Eradication Commission Report, 2009). According to Kenya Welfare Monitoring Surveys (1999), poverty in Kenya is largely a rural and informal-urban problem except in areas where rapid provision of infrastructural development and/or expansion of existing ones in arable-lands and also where commercial/cash crop farming takes place.

Many developing countries Kenya alike, have devised strategies of reducing poverty among their population (Republic of Kenya, 2003). In Muranga there has been an upsurge of SACCOs that are now playing an important role in enhancing economic growth and

development as well as poverty eradication. Since the formalities involved in the formation of the SACCOs are simple, and due to their popularity, the government has continued to register more of these forms of organizations. Although Cooperatives have been there for a long time, poverty is still prevalent amongst the farmers in Muranga County. The population here still struggle to pay school fees for their children and some cannot afford the basic facilities like school fees and foodstuff (Wanyama, 2007).

1.1.2 Role of SACCOs

A SACCO is a form of organization registered under the Cooperative Societies Act. This Act was first enacted in parliament in 1966 but reviewed in 1997 and in 2004. The Act allows at least ten people with a common objective to come together and register a Cooperative Society. A SACCO being one of the several types of Cooperatives is registered by at least ten people with a common objective of saving and then obtaining loans out of their savings (Maina and Kibaanga, 2004). Rural SACCOs on the other hand, are formed by individuals who reside in one locality or are in the same type of business. These SACCOs are formed by poor people who have difficulties in accessing loans from banks and other financial institutions. They include ‘matatu’ operators, church members, farmers and shopkeepers amongst others. As of December 2009, more than eleven thousand cooperatives had been registered with at least half of them being SACCOs. Some of these SACCOs have since developed and are offering some banking services known as Front Office Service Activity (F.O.S.As) (Wanyama, 2007).

SACCO plays a significant role in empowering their members socio-economic status all over the world. In Western Europe for instance there are around 11,000 local and regional savings and credit cooperatives with 33 million strong membership and a market share of 17

percent (Ombado, 2010). SACCOs are seen as vehicles for resource mobilization and gateways to economic prosperity for families especially those in the lower and middle income categories. These enterprises handle large sums of members funds in the form of deposits, shares and interest. SACCOs have played a key role in mobilization of financial resources and are regarded as major players in the realization of Kenya's development blue print, vision 2030. The SACCO sub-sector occupies a strategic position in the socio-economic development of Kenya. The Kenyan cooperative sector is rated the best with the highest resource mobilization in Africa and the seventh in the world according to a survey carried out by the ICA.

1.1.3 SACCOs in Kenya

A cooperative is an autonomous association of persons united voluntarily to meet their common economic cultural needs and aspirations through a jointly owned and democratically controlled enterprise. The key idea behind a Cooperative society is to pool the scarce resources, eliminate the middlemen and to achieve a common goal or interest (Ministry of Cooperative Development and Marketing, 2007). Cooperatives are good vehicles for assisting the people improve their socio-economic situation. They are institutions that derive their strength and validity from member solidarity cooperation and concern for each other. Kenya is ranked first on Cooperatives in Africa and Sixth in the world (SASRA, 2012).

Cooperatives have been practiced by people from time immemorial; people organized themselves to graze cattle communally, built houses, go hunting and even dig shambas together. Modern co-operative as a practice started in the year 1844 in Britain by Rochdale Pioneers and its principles are followed worldwide. These principles are voluntary and open membership, democratic member control, economic participation, autonomy and independence, education,

training and information, cooperation among cooperative members and concern for community in general. The first co-operative in Kenya was initiated by the European settlers in the Rift Valley in 1908. The cooperative was called Lubwa Farmers' Cooperative Society. It was not until 1931 when the cooperative society's ordinance became law that these societies could formally be registered as cooperatives. The first Co-operative society to be registered under the new Act was the Kenya Farmers Association (KFA) which started as a company in 1923. A new ordinance was then passed in 1945 and a commissioner of co-operative was appointed the following year (Maina, and Kibanga, 2004).

Primary cooperatives comprise groups of individuals who are either actual producers of products such as sugar, milk, tea, coffee or consumers who join up to save and obtain credit most conveniently. Most primary Cooperatives operate at the village level, district level and a few at national levels. Secondary cooperatives societies also referred to as unions are generally composed of primary cooperatives as their members. All Cooperative societies are affiliated to a national apex body called the Cooperative Alliance of Kenya (CAK) while individual saving and Credit Cooperatives (SACCOs) affiliate to the Kenya Union of Saving and Credit Cooperative society (KUSCCO) (Ministry of Cooperative Development and Marketing, 2007). There are 5,122 registered SACCOs out of the total 12,000 registered Co-operatives, which is about 44% of the total number of co-operatives in Kenya. Out of the 5,122 SACCOs 150 are rural SACCOs (Commodity based) while the rest are Urban SACCOs (employee based). All SACCOs operate Back Office Service Activities and have been able to mobilize over Kshs 230 billion, which is about 31 percent of the national saving and granted loans to the tune of Kshs 210 billion (Ministry of Cooperative Development and Marketing, 2010).

SACCOs have registered tremendous growth since mid-1970s and have currently achieved an average growth rate of 25 percent per year in deposits and assets. SACCOs have also created employment for Kenyans thus contributing to the government's efforts of achieving the goals of Vision 2030. SACCOS have grown tremendously and currently have about 3.7 million members. The 230 SACCOs with FOSAs have diversified into specialized bank-like activities which include deposit taking, saving facilities, debit card (ATM) and money transfers both local and international (Ministry of Cooperative Development and Marketing, 2007). SACCOs play an important role of serving the financing requirements need of households, small and medium enterprises (SMEs). They encourage individuals to save thereby creating or accumulating capital which contribute to economic development of the country.

The policy of Cooperative movement in Kenya is to spur sustainable economic growth, by focusing on achievement of desired outcome through strengthening of the movement, improving co-operative extension service delivery and corporate governance (Kuria, 2011). Cooperatives have immense potential to deliver goods and services where other organizations have not ventured into. This is due to the fact that these Cooperatives have been established deep into the rural areas where handily other organizations venture into.

1.1.4 SACCOs in Murang'a County

Murang'a County has many SACCOs in operation. Some are in the financial services provision sector, agricultural sector and transport industry. We have only three SACCOs which have been licensed by the regulator (SASRA) as deposit taking entities. They are Mentor Sacco, Unaitas Sacco and Murata Sacco. The other bulk of SACCOs are regulated by the Ministry of Cooperatives.

The study seeks to find out the role of SACCOs in the eradication of poverty of the members' among farmers in Muranga County. Murang'a County has forty three SACCOS. The SACCOs which have satisfied the requirements for licensing as stipulated by the SACCO societies regulatory agency (SASRA) are only three. This shows the stark reality as regards fulfilment of the corporate governance standards in the region. It gave credence to the study which sought to find out the relationship between corporate governance and financial performance in Sacco's in Murang'a County.

1.2 Statement of the Problem

According to the Kenya National Bureau of Statistics, (2012) more than 40% of the Kenyan population are still living in poverty where a family survives with less than one United States dollar a day which makes it difficult for them to participate in the national building. This has been a key concern to the government and this is evidently outlined in the Kenyan Vision 2030 strategy paper. A survey by the International Fund for Agriculture and Development (IFAD, 2000) indicated that in most developing countries, majority of the poorest live in the rural areas and demand for financial services is very diverse, Increasing the access of the poor to sustainable financial services is an important goal for the governments of such countries (Sunildro, 2013). Anyanzwa (2013) in his paper on Farmers cooperatives: Key to eradication of poverty observed that cooperatives enable members in Kenya to access credit. Access to credit could empower small holders and help them meet the growing global demand for food.

The Muranga Development Plan (2008 – 2012) pointed out that, 66% of the County population is living in absolute poverty with alarmingly 80% of the entire population being food poor. The Kenya National Bureau of Statistics (2012) adds that, the proportion of the Muranga

County's population below absolute poverty line was 41.1% with that of the entire Country being 56%. Poverty has thus remained a persistent problem in Muranga County today and by extension to the larger National outlook (Kenya Welfare Monitoring Surveys, 2012). In 1999, the government of Kenya initiated the Poverty Eradication Fund (PEF) as a sure strategic move towards giving an answer to the reality of poverty in Kenya (PEC report, 2009). Despite these efforts by the Government of Kenya in poverty eradication, poverty level remains a major concern that needs to be addressed in Muranga County.

Locally, few studies have been done revolving around SACCOs. However none of these studies provide direct information on the role of SACCOs in the eradication of poverty of the members' that have been conducted: Mjomba (2011) studied SACCOs in Kenya by specifically considering micro finance on financial empowerment of women in Kenya. This study though identified the impact of micro financing as empowering women positively, it majored on Kenya Women Finance Trust and was also bias to women only. Therefore it lacked evidence on other impacts of microfinance's in Kenya. A similar study by Joy (2012) majored on the impact of SACCOs on rural development with a setting of Makueni County. Although this study was a great milestone to the studies on the field of impact of SACCOs services, it narrowed down to households, and not farmers and poverty eradication. This study therefore lacks enough evidence to ascertain the awareness and impacts of SACCOs in Kenya. Therefore, we remain unable to judge the validity of this tentative explanation. That is, there remains insufficient empirical evidence to assess this claim, hence this study will seek to find out the role of SACCOs in the eradication of poverty of the members' among farmers with specific focus to Muranga County.

1.3 Objectives of the study

The main objective of this study was to find out the role of SACCOs in the eradication of poverty of the members' among farmers in Muranga County.

1.3.1 Specific objectives

The study was guided by the following specific objectives:-

- i. To determine the extent to which deposits/share capital help in eradication of poverty among farmers in Muranga County.
- ii. To find out the loans issued by the SACCOs help in eradication of poverty among farmers in Muranga County.
- iii. To establish the extent to which training of farmers help in eradication of poverty among farmers in Muranga County.

1.4 Research Questions

The study will seek to answer the following research questions:

- i. To what extent to do deposits/ share capital in SACCOs help in eradication of poverty among farmers in Muranga County?
- ii. How do the loans issued by the SACCOs help in eradication of poverty among farmers in Muranga County?
- iii. To what extent to does training of farmers help in eradication of poverty among farmers in Muranga County?

1.5 Significance of the Study

The findings of this study would be important to several stakeholders including:

1.5.1 The Government

The government may be guided in disbanding funds by establish clear and enabling policy guidelines so as to help the poverty eradication measures to be taken. Likewise this may help the Ministry of Planning, National Development and Vision 2030, to review the poverty eradication fund strategy paper outlining strategies of improving and easing access to such funds to boost small and micro enterprises funded through such among the local community.

1.5.2 Development Partners

The Development Partners, who support government efforts of alleviating extreme poverty affecting local the population. The development partners adjust their policies regarding poverty eradication fund to conform to the emerging issues that could be of great importance.

1.5.3 The Local Community Population

The local community population on the other hand, may learn how to boost their individual/group businesses by purposing to seek for funds from the available government devolved funds kitties, besides looking for credit facilities from mainstream financial institutions (for instance Commercial Banks and SACCOs) while firmly maintaining a good repayment rate of returns against income for such devolved funds.

1.5.4 Researchers and Scholars

The results of this study may also be of great value to researchers and scholars, as it forms a basis for further research. It also forms basis for discussions on sustainable poverty eradication funding as a strategy of alleviating hunger and extreme poverty affecting many people in developing countries.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of literature on the role of SACCOs in the eradication of poverty of the members' among farmers in Muranga County. The review is based on previous research papers, magazine journals, books, internet articles and published studies in journals.

2.2 Theoretical Review

A Theory is a set of statements or principles devised to explain a group of facts or phenomena especially one that has been repeatedly tested or is widely accepted and can be used to make predictions about natural phenomena (Popper, 1993). This study was based on Minority Group Theory, The Sub-culture of Poverty and Individual Theory of Poverty which is discussed below.

2.2.1 Minority Group Theory

Minority group theory originated in the earliest empirical studies of poverty. It is a term which can be coined to represent attempts in those studies to identify the characteristics of certain groups of poor people. For example, in his early work Rowntree said he was not aiming 'to discuss the ultimate causes of poverty. To attempt this would be to raise the whole social question.' Instead, he listed the immediate causes of primary poverty (or earnings 'insufficient to obtain the minimum necessities for the maintenance of merely physical efficiency as: death of chief wage-earner; incapacity of chief wage-earner though accident, illness or old age. 3. Chief wage-earner out of work; chronic irregularity of work; largeness of family; lowness of wage.

Rowntree usefully identified a cycle of poverty - children, young married couples with children and old people running the highest risk of descending into poverty. But otherwise no attempt was made to relate these groups to the range and qualifying conditions for membership of the employment system; the differential wage-system and the sources of support for it in institutions and values; and the systems compensating people unable to work or excluded from earning a living. None the less, the classification represented a significant advance, and influenced political thought away from conditional welfare for the few and towards a minimum. Rowntree also listed the immediate causes of secondary poverty as 'drink, betting and gambling.

Ignorant or careless housekeeping, and other improvident expenditure, the latter often induced by irregularity of income for certain identifiable minorities, such as the old, the unemployed and the sick. There were advantages to be derived from indicating the processes by which families became or remained poor and the categories into which they might be divided. Later it is argued that the concept of the minority group has an important place in the evolution of theory, and, indeed, the delineation of minority groups is a major objective of the research described in this book.

The division of the population into different social categories and the allocation to some of relatively low resources and status demands exposition and explanation. The process by which some groups are assigned low resources or status can, of course, be negative, as the outcome of action on behalf of other groups, and not only positive. If they are disqualified from receiving new services established by the state, or new kinds or amounts of resources made possible by a growing economy, they can experience a gradual fall into deprivation without there being any explicit discrimination against them.

2.2.2 The Sub-culture of Poverty

The 'sub-culture of poverty' is a concept which is derived from a variety of anthropological, sociological and eugenic studies, and was expressed in its modern form by Oscar Lewis. He suggested that the poorest section of society forms a sub- society or a sub-culture which is distinctive and largely self-perpetuating. In anthropological usage the term culture implies, essentially, a design for living which is passed down from generation to generation. In applying this concept of culture to the understanding of poverty, I want to draw attention to the fact that poverty in modern nations is not only a state of economic deprivation, of disorganization, or of the absence of something. It is also something positive in the sense that it has a structure, a rationale, and defence mechanisms without which the poor could hardly carry on. In short, it is a way of life, remarkably stable and persistent, passed down from generation to generation along family lines.

There were 'remarkable similarities in family structure, interpersonal relations, time orientations, value systems, spending patterns, and the sense of community in lower-class settlements. Among the Henry Mayhew came very close to the idea in his suggestion that costermongers were a residue in society from ancient wandering tribes. The key statement about the generations is repeated elsewhere. Once it comes into existence it tends to perpetuate itself from generation to generation because of its effect on the children. By the time slum children are aged six or seven they have usually absorbed the basic values and attitudes of their sub-culture and are not psychologically geared to take full advantage of changing conditions or increased opportunities which may occur in their lifetime. Economic traits were unemployment and under-employment, low wages, 'a miscellany of unskilled occupations, child labour, the absence of savings, a chronic shortage of cash, the absence of food reserves in the home, the pattern of

frequent buying of small quantities of food many times a day as the need arises, the pawning of personal goods, borrowing from local money lenders at usurious rates of interest, spontaneous informal credit devices organized by neighbours, and the use of secondhand clothing and furniture’.

The social and psychological characteristics included ‘crowded quarters, a lack of privacy, gregariousness, a high incidence of alcoholism, frequent resort to violence in the settlement of quarrels, frequent use of physical violence in the training of children, wife beating, early initiation into sex, free unions or consensual marriages, a relatively high incidence of the abandonment of mothers and children, ... little ability to defer gratification and plan for the future’, resignation, a belief in male superiority and ‘a corresponding martyr complex among women’. The sub-culture of poverty was both an adaptation and a reaction of the poor to their marginal position in a class-stratified, highly individuated, capitalistic society. It would result from colonial conquest or detribalization. The sub-culture of poverty was not the same as poverty.

2.2.3 Individual Theory of Poverty

This first theory of poverty is a large and multifaceted set of explanations that focus on the individual as responsible for their poverty situation. Typically, politically conservative theoreticians blame individuals in poverty for creating their own problems, and argue that with harder work and better choices the poor could have avoided (and now can remedy) their problems. Other variations of the individual theory of poverty ascribe poverty to lack of genetic qualities such as intelligence that are not so easily reversed. The belief that poverty stems from individual deficiencies is old. Religious doctrine that equated wealth with the favour of God was central to the Protestant reformation (Weber 2001) and blind, crippled, or deformed people were

believed to be punished by God for either their or their parents' sins. With the emergence of the concept of inherited intelligence in the 19th century, the eugenics movement went so far as to rationalize poverty and even sterilization for those who appeared to have limited abilities.

Books like Hurrnstein and Murray's *The Bell Curve* (1994) are modern uses of this explanation. Rainwater (1970) critically discusses individualistic theories of poverty as a "moralizing perspective" and notes that the poor are "afflicted with the mark of Cain. They are meant to suffer, indeed must suffer, because of their moral failings. They live in a deserved hell on earth." Rainwater goes on to say that it is difficult to overestimate the extent to which this perspective (incorrectly) under-girds our visions of poverty, including the perspective of the disinherited themselves.

Ironically, neo-classical economics reinforces individualistic sources of poverty. The core premise of this dominant paradigm for the study of the conditions leading to poverty is that individuals seek to maximize their own well being by making choices and investments, and that (assuming that they have perfect information) they seek to maximize their well being. When some people choose short term and low-payoff returns, economic theory holds the individual largely responsible for their individual choices--for example to forego college education or other training that will lead to better paying jobs in the future.

The economic theory that the poor lack incentives for improving their own conditions is a recurrent theme in articles that blame the welfare system's generosity on the perpetuation of poverty. In a *Cato Journal* article, economists Gwartney and McCaleb argue that the years of the war on poverty actually increased poverty (adjusted for noncash transfers) among working age adults in spite of unprecedented increases in welfare expenditures. They conclude that "the

application of simple economic theory” suggests that the problem lies in the war on poverty programs; They have introduced a perverse incentive structure, one that penalizes self-improvement and protects individuals against the consequences of their own bad choices (1985) This and similar arguments that cast the poor as a “moral hazard” also hold that “the problem of poverty continues to fester not because we are failing to do enough, but because we are doing too much that is counterproductive” (Gwartney and McCaleb 1985). Their economic model would solve poverty by assuring that the penalty of poverty was great enough that none would choose it (and welfare would be restricted to the truly disabled or otherwise unable to work).A less widely critiqued version of the individualistic theory of poverty comes from American values of individualism the Horatio Alger myth that any individual can succeed by skills and hard work, and that motivation and persistence are all that are required to achieve success (Asen, 2002).

Self-help literature reinforces the belief that individuals fail because they do not try hard enough. Frank Bettger (1977), in the Dale Carnegie tradition, tells how he got a list of self-improvement goals on which to focus and became one of the most successful and highly paid salesmen in America. He goes on to say that anyone can succeed by an easy formula--focused goals and hard work. This is the message of hundreds of self-help books, articles, and sermons. By extension, this literature implies that those who do not succeed must face the fact that they themselves are responsible for their failure. While scientifically it is routine to dismiss the individual deficiency theory as an apology for social inequality (Fischer, et al, 1996) , it is easy to see how it is embraced in anti-poverty policy which suggests that penalties and incentives can change behaviour.

2.3 Empirical Review

Below are studies have been previously done revolving around the role of SACCOs in the eradication of poverty of the members’.

2.3.1 Deposits and Poverty Eradication

Porkodi and Aravazhi (2013) indicated that SACCO members usually invest in shares and also deposits in the SACCO. The level of investment for each member determines the size of loan which such a member will qualify for. In many SACCOs, the maximum amount of loan will be the total shares plus the deposits multiplied by a factor. This then means that a member who has invested more in the SACCO will get a bigger loan which in return will eradicate more poverty to him/her. If the average level of investment in the SACCOs is high in a certain region, then the poverty level will be low as compared with an area where the average investment level is high (Porkodi and Aravazhi, 2013).

Financial cooperatives provide safe facilities for savings, enabling savers to smooth consumption, prepare for emergencies, gradually accumulate financial resources, self-finance the purchase of durable goods, and make investments (Turto, 2008). Savings and credit cooperatives are the far most common financial cooperatives in rural areas both in developed and developing countries. In SACCOs, the economic strength of members is determined by the share capital of each one of them and also the amount of loans they borrow. The larger the share capital of each member in a SACCO, the stronger the member economically. Therefore the SACCO should continuously encourage members to increase their share capital and also to increase their borrowings so as to increase their economic strength. This is done through regular education meetings where members are educated on the products and services offered by the SACCO.

They are also educated about the benefits of the SACCO loans as compared with those from banks and other financial institutions since SACCO loans are always cheaper. Most SACCOs charge an interest rate of one percent (1%) per month which is far below what banks charge on their loans(Turto, 2008).

2.3.2 Loans and Poverty Eradication

SACCOs provide different services to their members which range include different types of loan products like Development, school fees, emergency and top up. Other services include savings accounts in different categories, safe custody of documents, cash transfer and cheque payment among others. The loan repayment success for any SACCO will directly influence the eradication of poverty in the region. The average size of loans taken by members of a SACCO tells more about the level of poverty for those members. The management of a SACCO should ensure that these products are continually reviewed and refined so as to provide the best benefits to the members and compete effectively with products from other financial institutions like banks and micro finance institutions.

Chakraberty and Ghosh, (2009) indicated that the original purpose of the SACCOs was to provide small loans to poor farmers or small entrepreneurs, but especially in the developed world they have grown to become everybody's banks. Although originally serving only their members, they now are open also to nonmembers borrowers must, however, usually become members and buy at least one share (Turto, 2008). The size of loan that a member qualifies will determine the economic status of such a member. Small loans for example of less than ten thousand shillings are mostly used for consumption purposes like buying food or paying school fees but in most cases large loans will be invested in businesses or farming which in return may eradicate poverty

for such a member. Loans that are invested in businesses or farming enables the member to repay them promptly and apply for more loans which will eradicate more power to the member and to the community at large since such wealth will trickle down to the other residents through a multipliers effect. This is because other residents may find employment in the businesses and farms.

Durban *et al* (2003) found out that for a member to be able to borrow a bigger loan, he or she must increase his/ her investment in the SACCO. The investment includes shares and deposits which are usually multiplied by a factor which may either be two or three or even one and a half so as to arrive at the maximum loan qualified. This ensures eradication of poverty for the member since shares and deposits are refundable in a situation where a member is leaving the Cooperative. In most cases, the increase in loan borrowing ability grows proportionately during the life of a member in the Cooperative. The first loan by a member is usually smaller than the subsequent loans. This is because of the SACCOs initiatives of encouraging members to increase their savings/ investments so as to borrow more.

According to Mudibo (2005) Sacco's main source of income is the interest charged on the loans issued to their members. The rate of interest to be charged is a policy decision of the individual SACCO but most of them charge a rate of twelve percent per annum on their development loans. Such interest is retained by the SACCO as income and used to cater for the operation expenses. In a situation where a surplus remains after the end of the financial year, the SACCO distributes such surplus back to members in form of dividends and bonuses. Therefore a SACCO will encourage members to borrow loans so as to charge more interest and hence retain higher surpluses to distribute back to members. This in the long run eradicates poverty for the

members through earning dividends and bonuses and also encouraging them to increase shares and deposits which are refundable (Mudibo, 2005).

2.3.3 Training and Poverty Eradication

Daly (2001) view education and training in terms of creativity and innovation. It aims to equip farmers with skills, knowledge and dispositions that can help them develop or implement innovative social or business plans. Kasina (2007) notes that training and education is one of the key drivers of sustained social development and economic recovery. The main objective of training in is to develop and strengthen the capacities of farmers to propagate enterprise development (Pretorius, Nieman and Van Vuuren, 2005). Training is as well aimed at providing the farmers in addition to normal technical skills also the attitude the capacity for engaging in responsible entrepreneurial activities for self employment and contribute in the long-term arresting the present trend of growing unemployment (Government of Kenya, 2003).

According to Dwerryhouse (2001), training can help to reduce the high rate of unemployment by equipping adults with the knowledge and skills for setting up and running small businesses effectively. Training, however, is not only about pursuing economic ends; it also helps farmers to develop entrepreneurial or problem-solving skills they could use in addressing business challenges. Training that proactively prepares farmers for an unpredictable world can not only help to overcome dependence and hopelessness but also stimulate the emergence of an enterprising culture that values creativity, flexibility, self-efficacy, self-employment and self-sufficiency (Billett, 2001).

Although entrepreneurial training is not mandatory for new venture creation, it does provide one with the skills, contacts and opportunities vital for most successful businesses. Henry, Hill and Leitch (2003) are of the opinion that training can complement the early stage awareness-raising function of education, as it provides the more practical skills that farmers require when they are ready to set up their business. Ladzani and Van Vuuren (2009) agree to a certain extent, stating that organisations wishing to develop skill by education presuppose that the lack of training of farmers is the main reason for venture failure. Furthermore, Pretorius, Nieman and Van Vuuren (2005) add that the transfer of the requisite knowledge and skills is the easiest part of training and is incorporated in most training programmes. Few farmers have the requisite skills, knowledge, abilities and competencies skills needed to operate there enterprises.

As a result, Noe (2008) argues frequent training of these farmers can gradually increase their skills, knowledge and abilities which as a result could lead to better management and performance of the enterprises. Frequent training leads to acquisition of the necessary skills to be able to make substantive contribution towards the organization's growth. When properly used, training increases both effectiveness and efficiency of farmers (Noe, Hollenbeck, Gerhart and Wright (2008).

Frequency in training allows better use to be made of opportunities and further gives farmers a mastery over their work, leading to improved performance (Graham and Bennett, 2001). Wood (2011) observed that training farmers frequently helps them to advance their entrepreneurial skills as acquire better understanding of enterprise operations. Graham and Bernett, argues that training and education farmers takes years of development. Graham and Bernett further notes that due to changes in the operating environment, frequent training is necessary to equip farmers with the skills to encounter the changes.

Frequent entrepreneurial training builds confidence and competence among the enterprise. Hills (2009) points out that training must be relevant on many levels example, promote the mission and culture increase customer relationship management, teach communication skill instruct in use of technology, and encourage creative thinking, develop potential managers. With frequent training, farmers

According to an economics classic Progress and Poverty by Barr (2004) poverty is the state of human beings who are poor. That is, they have little or no material means of surviving – little or no food, shelter, clothes, healthcare, education, and other physical means of living and improving one's life (Barr, 2004). Poverty reduction measures, like those promoted by Barr (2004) in his economics classic Progress and Poverty are those that rise, or are intended to rise, enabling the poor to eradicate poverty for themselves as a means for ending poverty forever. Poverty occurs in both developing countries and developed countries. While poverty is much more widespread in developing countries, both types of countries undertake poverty reduction measures.

According to Smeeding (2005) poverty alleviation also involves improving the living conditions of people who are already poor. In particular, Aid in medical and scientific areas, is essential in providing better lives, such as the Green Revolution and the eradication of smallpox. Moreover, problems with today's development aid include the high proportion of tied aid, which mandates receiving Nations to buy products, often more expensive, originating only from donor countries.

According to Chen, et al, (2005), information about the poverty eradication funds access and SACCO initiatives remains not only partial but also highly contested. However, some

studies tend to caution against such optimism and argue that SACCO is associated with some negative impacts and does not assist the poorest. Notwithstanding, the application of these diverse methods and increased research activity in this area, it is still not very clear that SACCO is a panacea for poverty (Esping, 1990). To shed light on these issues, the SACCO literature has recently focused on measuring the impact of credit on household welfare (Smeeding, 2005). It is argued that credit contributes positively to household welfare through improving household production or smoothing consumption over time. Specifically, it is shown that although most credit programmes may not serve the poorest of the poor, all categories of the poor may be able to benefit through increased income and reduced vulnerability to 'shocks', as noted in (Kenworthy, 1999).

2.4 Research Gap

Though many studies including those by Mudibo, (2005), Turto (2008), Durban *et al* (2003), Porkodi and Aravazhi, (2013) Chakraborty and Ghosh, (2009) have indicated that SACCOs help in of poverty eradication, they have not addressed clearly what aspects actually in the SACCOs which contribute to the poverty eradication among farmers in rural areas specifically. In Maranga County, SACCOs have been there for more than ten years but there are still a large number of members who are still very poor hence slow pace in the poverty eradication especially among farmers. The researcher would examine three independent variables which are: To determine the extent to which deposits/share capital help in eradication of poverty among farmers in Muranga County and; To find out how the loans issued by the SACCOs help in eradication of poverty among farmers in Muranga County and verify whether and how they contribute to the dependent variable which is poverty eradication in Maranga County. None of the studies cited in the

empirical review above have tested the three variables on eradication of poverty and hence the research is important.

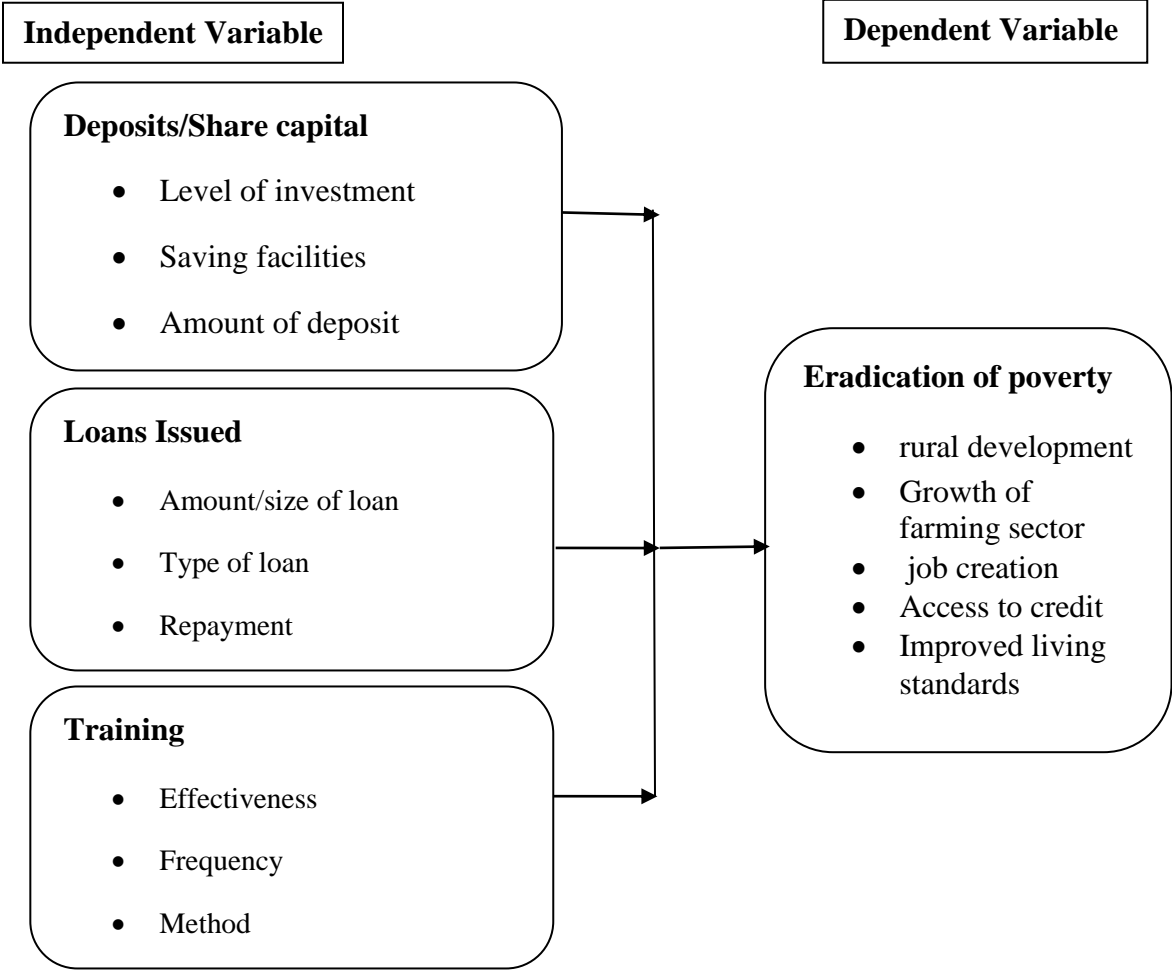
2.5 Summary

This chapter focused on the literature review on the role of SACCOs in the eradication of poverty. The chapter specifically covers the theoretical foundation, conceptual framework, the empirical review and the research gap. The study is intended to determine the role of SACCOs in the eradication of poverty of the members' among farmers in Muranga County.

2.6 Conceptual Framework

According to Bogdan and Biklen (2003) a conceptual framework refers to the result of when a researcher conceptualizes the relation between variables in the study and shows the relationship graphically or diagrammatically. It is therefore a linked set of variables that are backing up in the critical analysis. It is made of the dependent and independent variables. The dependent variable in this study is the eradication of poverty the independent variables of this study will be Information flow; Deposits/share capital and; Loans issued. Independent Variables are changes that occur in an experiment that are directly caused by the experimenter. An independent variable is that variable which is presumed to affect or determine a dependent variable. It can be changed as required, and its values do not represent a problem requiring explanation in an analysis, but are taken simply as given (Dodge, 2003). A dependent variable is a variable dependent on another variable: the independent variable. The relationships are presented in a hypothetical framework as shown below.

FIGURE 1
Conceptual framework



Source, Author (2015)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the research design, target population, data collection instruments and procedures, reliability and validity of instruments that were used as well as the data processing and presentation methods.

3.2 Research Design

The study employed a descriptive survey research design to find out the role of SACCOs in the eradication of poverty of the members' among farmers in Muranga County. According to Orodho (2005), a descriptive survey is a method of collecting information by way of interviewing or the administering of a questionnaire from a selected sample. It is mostly used to collect information about people's attitudes, opinions, habits or any variety of social issues. This design is deemed appropriate for the study because the researcher will collect, analyse and report information as it exists on the field without the manipulation of the variables under study.

3.3 Population

All people under consideration in any field of inquiry constitutes of all universe or targeted population (Kombo, 2006). The target population of this study consisted of 94,592 SACCO members in all five (5) SACCOs in Murang'a County licensed by the regulator and under the regulation of the ministry of co-operatives. The target population was selected by simple random sampling method from the SACCO members were selected, leaving out nonmembers. The researcher chose Murang'a County because of the prevalence of SACCOs, in the area.

The actual respondents from each SACCO will be generally members.

TABLE 1
Target Population

| SACCOs Members | Target population |
|-------------------------|--------------------------|
| Kirimiri Jamii Sacco | 420 |
| Makuyu cereals Sacco | 384 |
| Ahadi Sacco | 250 |
| Piocom Sacco | 112 |
| Kamugathi kanyitu Sacco | 78 |
| Total | 1,244 |

Source; Sacco records

3.4 Sample Design

A sample from Gramer and Howitt (2005) view is a set of entities drawn from a population with the aim of estimating characteristics of the population. The study used stratified random sampling to select 10% of the target population. According to Mugenda and Mugenda (2003) a sample size of 10% to 30% is representative. Random approach gives each member an equal opportunity of being selected (Kombo and Trump, 2006). Stratified sampling was chosen as it exudes the advantage of focusing on all sub populations within a heterogeneous population; it allows use of different sampling techniques for different sub populations and improves accuracy of estimations.

The target population was grouped into various categories and a proportionate sample drawn. The random sampling method was used to select 124 SACCO members randomly who

have being SACCO members for more than five years, in all the five (5) SACCOs in Murang'a County only three members were selected in each SACCO within the stratum. The goal of stratified random sampling is to achieve the desired representation in the target population. In stratified random sampling subjects are selected in such a way that the existing sub-groups in the population are more or less represented in the sample.

TABLE 2

Sample size

| SACCOs Members | Target Population | Sample Size 10% |
|-------------------------|--------------------------|------------------------|
| Kirimiri Jamii Sacco | 420 | 42 |
| Makuyu cereals Sacco | 384 | 38 |
| Ahadi Sacco | 250 | 25 |
| Piocom Sacco | 112 | 11 |
| Kamugathi kanyitu Sacco | 78 | 8 |
| Total | 1,244 | 124 |

3.5 Research Instruments

A questionnaire was used as primary data collection instruments. This was because questionnaires are easier to administer and save time. The questionnaire was divided into sections representing the various variables that were adopted for the study. The questionnaire included closed and open ended questions which sought views, opinion, and attitude from the respondents which might not have been captured by the closed ended questions. The questionnaire was administered through drop and pick method to the five (5) SACCOs in

Murang'a County licensed by the regulator and under the regulation of the ministry of cooperatives. The questions were designed to collect qualitative and quantitative data. The open-ended questionnaires were giving unrestricted freedom of answer to respondents.

3.5.1 Pilot Test

Cooper & Schindler (2010) indicated that a pilot test is conducted to detect weaknesses in design and instrumentation and to provide proxy data for selection of a probability sample. A pilot study was conducted to check on the reliability and validity of the instruments. 10 respondents were used in piloting. Subjects of the pilot study were not be included in the main study. The aim of piloting was to help identify misunderstandings, ambiguities, and unnecessary or inadequate items in the instruments. Pilot study was also carried out to check the suitability and level of language, and to gain basic administrative experience in conducting the research in preparation for the large group survey. Important suggestions and corrections from the pre-testing was incorporated in the final instruments of data collection. After the pilot study, necessary adjustments were made where need be before being used in the main study.

3.6 Data Collection Procedure

The research used both primary and secondary data. The researcher visited the Murang'a County Cooperatives office and request for an introductory letter to the target respondents. The researcher dropped n pick the questionnaires to the target respondents and collected them once filled in.

3.7 Validity and Reliability

Validity is the strength of our conclusions, inferences or propositions while Reliability is the consistency of a set of measurement items while validity indicates that the instrument is testing what it should.

3.7.1 Validity of the instruments

According to Somekh and Cathy (2005) validity is the degree by which the sample of test items represents the content the test is designed to measure. Content validity which is employed by this study is a measure of the degree to which data collected using a particular instrument represents a specific domain or content of a particular concept. Expert opinion was requested to comment on the representativeness and suitability of questions and give suggestions of corrections to be made to the structure of the research tools. To establish the validity of the research instrument the researcher will seek opinions of experts in the field of study. This helped to improve the content validity of the data that was collected. It facilitated the necessary revision and modification of the research instrument thereby enhancing validity.

3.7.2 Reliability of the instruments

Reliability is increased by including many similar items on a measure, by testing a diverse sample of individuals and by using uniform testing procedures. The researcher selected a pilot group of 15 individuals from the target population to test the reliability of the research instruments. In order to test the reliability of the instruments, internal consistency techniques were applied using Cronbach's Alpha. The alpha value ranges between 0 and 1 with reliability increasing with the increase in value. Coefficient of 0.6-0.7 is a commonly accepted rule of

thumb that indicates acceptable reliability and 0.8 or higher indicated good reliability (Mugenda, 2008). The pilot data was not included in the actual study.

3.8 Data Processing and Analysis

The collected data was examined and checked for completeness and comprehensibility. The data was then be summarized, coded and tabulated. Descriptive statistics such as means, standard deviation and frequency distribution will be used to analyze the data. The data was tabulated with the help of the Statistical Package for Social Sciences (SPSS 17.0) that has data handling and statistical analysis capability that can analyze data statistics and generate descriptive statistics such as frequency, percentages and means. Data presentation was done by the use of pie charts, bar charts and graphs, percentages and frequency tables. This ensured that the gathered information is clearly understood. The content analysis was used to analyze the respondents' views about the role of SACCOs in the eradication of poverty of the members' among farmers in Muranga County.

In addition, the researcher conducted a regression analysis in order to find out the role of SACCOs in the eradication of poverty of the members' among farmers in Muranga County. The researcher used ordinary least squares method for estimation. Regression analysis was used to predict the value of the dependent variable on the basis of the independent variables. Regression analysis is concerned with the study of the dependence of one variable, the dependent variable, on one or more other variables, the explanatory variables with a view to estimating and or predicting the population mean. The multivariate regression equation was;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon \dots\dots\dots (i)$$

- Whereby** Y = Eradication of poverty
- X1 = Deposits/Share capital
- X2 = Loans Issued
- X3 = Training
- ε = Error term/Erroneous variables

3.9 Ethical Issues

Ethics refers to norms for conduct that distinguish between acceptable and unacceptable behavior (Resnik, 2011). Ethics in reference to the research design helps protect the rights of the participants in the research study. For ethical consideration, the researcher obtained an authority letter to collect data from KCA University. This letter assisted the researcher to acquire authority to collect data from the selected SACCOs. Respondents were assured of confidentiality and their concurrence to participate in the study before administering questionnaires and document analysis. The researcher avoided causing physical or psychological harm to respondents by asking embarrassing and irrelevant questions, using threatening language or making the respondents nervous.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION

4.1 Introduction

The study sought to find out the the role of SACCOs in the eradication of poverty of the members' among farmers in Muranga County in Kenya. This chapter presents data analysis, presentation and discussion. The sample of the study was 124 SACCO members in Murang'a County and where data was collected for analysis.

4.2 Demographic Information

The study aimed to establish the demographic information of the Sacco Members targeted for the study. The study sought to find out their gender, age, number of years they had worked as farmers, their level of education and how long they had been members in the SACCO. The findings were analysed in the table below;

TABLE 3 DEMOGRAPHIC INFORMATION OF THE SACCO MEMBERS

| Gender | Frequency | Percentage |
|----------------------------|------------------|-------------------|
| Male | 74 | 59.7 |
| Female | 50 | 40.3 |
| Total | 124 | 100 |
| Age | | |
| Below 25 | 7 | 5.6 |
| 25-30 | 11 | 8.9 |
| 31-35 | 31 | 25.0 |
| 36-40 | 43 | 34.7 |
| 41-45 | 24 | 19.4 |
| Above 45 | 8 | 6.5 |
| Total | 124 | 100 |
| Years Worked | | |
| Less than 5 | 27 | 21.8 |
| 5-10 | 51 | 41.1 |
| 11-15 | 22 | 17.7 |
| 16-20 | 14 | 11.3 |
| Above 20 | 10 | 8.1 |
| Total | 124 | 100 |
| Level of Education | | |
| O'Level | 10 | 8.1 |
| Certificate | 43 | 34.7 |
| Diploma | 46 | 37.1 |
| Degree | 21 | 16.9 |
| Masters | 2 | 1.6 |
| PhD | 0 | 0.0 |
| Total | 124 | 100 |
| Membership Duration | | |
| Less than 5 | 18 | 14.5 |
| 5-10 | 56 | 45.2 |
| 11-15 | 17 | 13.7 |
| 16-20 | 22 | 17.7 |
| Above 20 | 11 | 8.9 |
| Total | 124 | 100 |

Source: Research Data (2015)

The study results on the gender of the members of the SACCO revealed that 59.7% were male while 40.3% of the members were female. This implies that the study collected data from both genders. The study findings on the age of the respondents revealed that 5.6% of the respondents

were below 25 years, 8.9% were aged between 25-30 years, 25.0% were aged between 31-35 years, 34.7% were aged between 36-40 years, 19.4% were aged between 41-45 years while 6.5% were above 45 years. This gives the implication that the study collected data from all the age brackets represented and targeted by the study.

The study findings on the number of years worked as a farmer indicated that 21.8% of the respondents had worked for less than 5 years, 41.1% had worked for between 5-10 years, 17.7% had worked for 11-15 years, 11.3% had worked for between 16-20 years whereas 8.1% had worked for over 20 years. This implies that the farmers had worked for a considerable time period and therefore could provide information necessary for the study.

The study results on the level of education of the respondents revealed that 8.1% were O' level, 34.7% were certificate holders, 37.1% were diploma holders, 16.9% were degree while 1.6% were masters degree holders. This gives the implication that the study collected data from knowledgeable respondents and therefore understood the intention of the study and information they provided.

The study results on the duration of membership to the SACCO indicated that 14.5% of the respondent had been members for less than 5 years, 45.2% had been members for between 5-10 years, 13.7% for between 11-15 years, 17.7% for between 16-20 years while 8.9% had been members for over 20 years. This implies that the study collected data from the respondents who understood the role of SACCO in their everyday life and therefore could give a fair view of the purpose of the study.

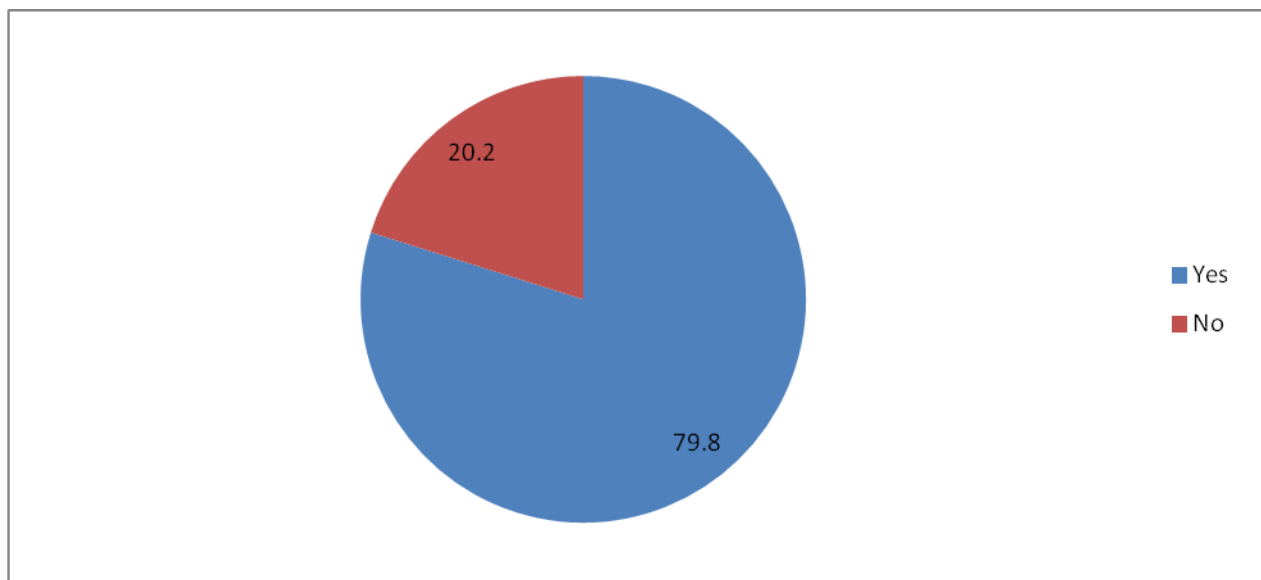
4.3 Analysis of the Specific Objectives of the Study

In this section the study sought to analyze the specific objectives of the study. The main objective of the study was to find out the role of SACCOs in the eradication of poverty of the members' among farmers. The specific objectives of the study were to establish the extent to which training of farmers help in eradication of poverty among farmers; find out the loans issued by the SACCOs help in eradication of poverty among farmers and to determine the extent to which deposits/share capital help in eradication of poverty among farmers. The study results were analyzed and presented as below;

4.3.1 Loans Issued and Poverty Eradication

The study sought to find out whether the respondents had taken loan from the SACCO, how much was the first loan, the purpose of the loan and how the loan helped them in eradication of poverty. The study results were as analyzed and presented below;

Figure 2: Taken Loan from SACCO



Source: Research Data (2015)

The study findings on whether the respondents had taken loan from the SACCO indicated that 79.8% of the respondents had taken loan while 20.2% had not taken loan from the SACCO. This implies that majority of the respondents had taken loan from the SACCOs and this could have helped them better their standard of living.

Study findings on the amount of the first loan were as shown below;

Table 4: Amount of the First Loan

| Amount of loan | Frequency | Percentage |
|-----------------------|------------------|-------------------|
| Less than 5000 | 7 | 5.6 |
| 5001-10000 | 32 | 25.8 |
| 10001-15000 | 36 | 29.0 |
| 15001-20000 | 41 | 33.1 |
| Above 20000 | 8 | 6.5 |
| Total | 124 | 100.0 |

Source: Research Data (2015)

The study findings in the amount of loan revealed that 5.6% of the respondents had taken loan of less than 5000, 25.8% of the respondents had taken loan of between 5001 -10000, 29.0% had taken between 10001-15000, 33.1% had taken loan of between 15001 -20000 whereas 6.5% had taken loan of over 20, 000 shillings. These findings imply that majority of the respondents had taken of between 15001 and 20000 shillings and this could be because of the shares or the deposits they had with SACCO. The first loan by a member is usually smaller than the subsequent loans. This is because of the SACCOs initiatives of encouraging members to increase their savings/ investments so as to borrow more.

As regards the purpose of the loan issued, majority of the respondents were of the opinion that they borrowed the loan for consumption purposes like buying food or paying school fees but in most cases large loans were invested in businesses or farming which in return may eradicate

poverty for such a member. Loans that are invested in businesses or farming enables the member to repay them promptly and apply for more loans which will eradicate more power to the member and to the community at large.

The study used Cronbach's coefficient alpha method to determine the internal consistency of the Variables. The results were as follows;

Table 5: Reliability Results for Resource Utilization

| Reliability Statistics | |
|------------------------|------------|
| Cronbach's Alpha | N of Items |
| 0.858 | 4 |

The results indicated that the variables were reliable since it had a Cronbach's coefficient of 0.858 which is above 0.70.

Table 6: Loans issued and Eradication of Poverty

| Statements | | SD | D | U | A | SA | TOTAL | MEAN | %Mean | SD |
|--|---|-----|-----|------|------|------|-------|------|-------|------|
| Growth in SACCO loans facilitates members in wealth creation | F | 0 | 2 | 24 | 41 | 65 | 124 | 4.3 | 86.0 | 0.79 |
| | % | 0 | 1.9 | 17.2 | 31.4 | 49.5 | 100 | | | |
| My loans from the SACCO has increased during the last 5 years | F | 3 | 5 | 28 | 37 | 56 | 124 | 4.06 | 81.2 | 1.03 |
| | % | 2.7 | 4.1 | 20.9 | 28.6 | 43.6 | 100 | | | |
| The SACCOs facilitate growth in loans for members | F | 3 | 2 | 30 | 39 | 57 | 124 | 4.08 | 81.6 | 0.99 |
| | % | 2.7 | 1.8 | 23.2 | 29.1 | 43.2 | 100 | | | |
| The first loan by a member from a SACCO is smaller than the subsequent loans | F | 0 | 4 | 24 | 53 | 51 | 124 | 4.15 | 83 | 0.83 |
| | % | 0 | 3.2 | 18.2 | 39.5 | 39.1 | 100 | | | |

Source: Research Data (2015)

The study findings revealed that 86.0% of the respondents were of the opinion that growth in SACCO loans facilitates members in wealth creation, 81.2% of the respondents were of the opinion that their loans from the SACCO has increased during the last 5 years , 86.0% of the respondents were of the opinion that Growth in SACCO loans facilitates members in wealth creation, 81.6% of the respondents were of the opinion that the SACCOs facilitate growth in loans for members while 83.0% of the respondents were of the opinion that the first loan by a member from a SACCO is smaller than the subsequent loans.

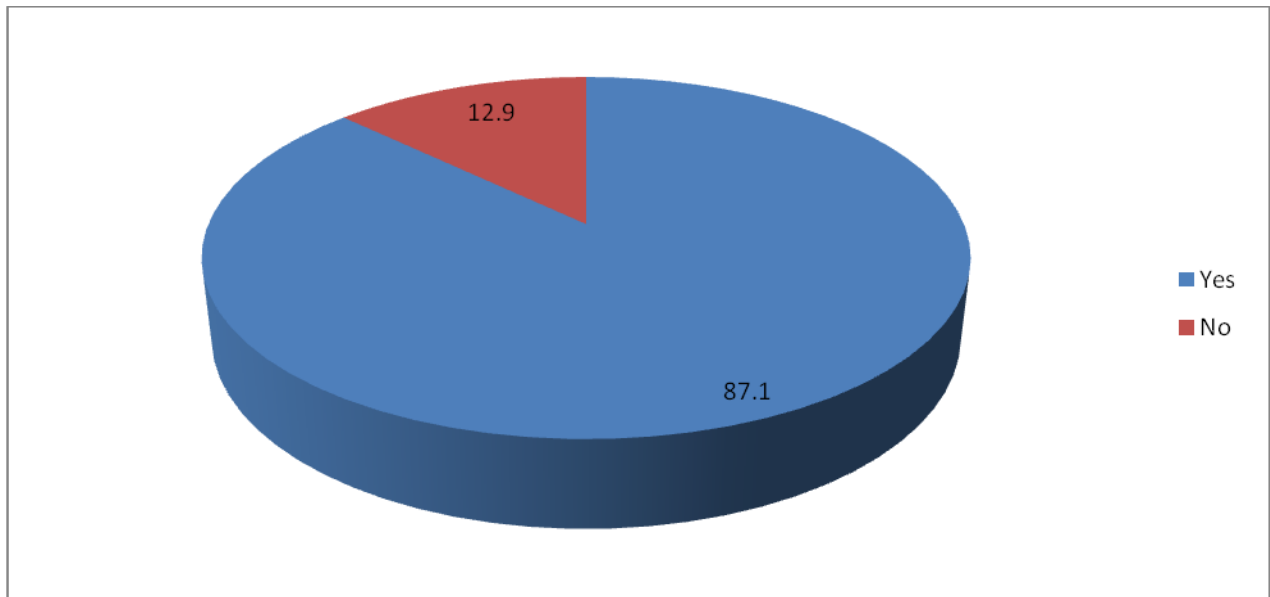
The study findings revealed that majority of the respondents were of the opinion that growth in SACCO loans facilitates members in wealth creation. This implies that the size of the loan that a member qualifies will determine the economic status of such a member. Small loans for example of less than ten thousand shillings are mostly used for consumption purposes like buying food or paying school fees but in most cases large loans will be invested in businesses or farming which in return may eradicate poverty for such a member. Loans that are invested in businesses or farming enables the member to repay them promptly and apply for more loans which will eradicate more power to the member and to the community at large since such wealth will trickle down to the other residents through a multipliers effect.

Study findings by Durban *et al* (2003) are in line with these findings that growth in SACCO loans facilitates members in wealth creation. The study found out that for a member to be able to borrow a bigger loan, he or she must increase his/ her investment in the SACCO. The investment includes shares and deposits which are usually multiplied by a factor which may either be two or three or even one and a half so as to arrive at the maximum loan qualified. This ensures eradication of poverty for the member since shares and deposits are refundable in a situation where a member is leaving the Cooperative. In most cases, the increase in loan

borrowing ability grows proportionately during the life of a member in the Cooperative. The first loan by a member is usually smaller than the subsequent loans. This is because of the SACCOs initiatives of encouraging members to increase their savings/ investments so as to borrow more.

Study findings on whether the loan issued help in the eradication of poverty revealed that 87.1% agreed that loans issued help in the eradication of poverty while 12.9% did not agree with the fact that loans issued help in the eradication of poverty (Figure 4.2). This implies that member borrows a bigger loan to increase his or her investment in the SACCO. The investment includes shares and deposits which are usually multiplied by a factor which may either be two or three or even one and a half so as to arrive at the maximum loan qualified. This ensures eradication of poverty for the member since shares and deposits are refundable in a situation where a member is leaving the SACCO.

Figure 3: Showing effect of Loan Issued on Poverty Eradication



Source: Research Data (2015)

As regards the extent to which loans issued by the SACCOs help in the eradication of poverty among the farmers, the study results were as shown below;

Table 7: Extent of loans issued by the SACCOs on the eradication of poverty

| Extent | Frequency | Percentage |
|--------------------------|------------------|-------------------|
| Very Great Extent | 20 | 18.5 |
| Great Extent | 48 | 38.7 |
| Moderate Extent | 19 | 15.3 |
| Low Extent | 11 | 8.9 |
| Not at all | 10 | 8.1 |
| Total | 108 | 100 |

Source: Research Data (2015)

The study results revealed that 18.5% were of the view of the very great extent, 38.7% were of the view of the great extent, 15.3% were of the view of moderate extent, 8.9% were of the view of the low extent while 8.1% were of the view of not at all. These findings implies that majority of the respondents were of the opinion that loan issued had helped them eradication of poverty at a great extent. Where a surplus remains after the end of the financial year, the SACCO distributes such surplus back to members in form of dividends and bonuses. Therefore a SACCO will encourage members to borrow loans so as to charge more interest and hence retain higher surpluses to distribute back to members. This in the long run eradicates poverty for the members through earning dividends and bonuses and also encouraging them to increase shares and deposits which are refundable.

4.3.2 Deposits/Share Capital

The study sought to determine the extent to which deposits/share capital help in eradication of poverty among farmers. The study sought to find out the amount of share capital, their initial capital and the influence of deposits on eradication of poverty among farmers. The study results were analyzed and presented as below;

Table 8: Current Share Capital/Deposits

| Share Capital/Deposits | Frequency | Percentage |
|-------------------------------|------------------|-------------------|
| Less than 5000 | 22 | 17.7 |
| 5001-10000 | 32 | 25.8 |
| 10001-15000 | 36 | 29.0 |
| 15001-20000 | 31 | 25.0 |
| Above 20000 | 21 | 16.9 |
| Total | 124 | 100.0 |

Source: Research Data (2015)

The study result on the current share capital/deposit indicated that 17.7% had less than 5000 share capital, 25.8% had between 5001 -10000, 29.0% had between 10001 -15000, 25.0% had 15001 -20000 while 16.9% had over 20000 share capital. These findings implies that majority of the members had share capital/deposit of between 10001-150000. This gives the implication that majority of them could borrow more loan in that the level of investment for each member determines the size of loan which such a member will qualify for. In many SACCOs, the maximum amount of loan will be the total shares plus the deposits multiplied by a factor. This then means that a member who has invested more in the SACCO will get a bigger loan which in return will eradicate more poverty to him/her.

Table 9: Initial Share Capital/Deposits

| Initial Share Capital/Deposits | Frequency | Percentage |
|---------------------------------------|------------------|-------------------|
| Less than 5000 | 17 | 13.7 |
| 5001-10000 | 29 | 23.4 |
| 10001-15000 | 34 | 27.4 |
| 15001-20000 | 29 | 23.4 |
| Above 20000 | 19 | 15.3 |
| Total | 124 | 100.0 |

Source: Research Data (2015)

The study findings revealed that 13.7% of the respondents had initial share capital of less than 5000, 23.4% had between 5001-10000, 27.4% had between 10001-15000, 23.4% had between

15001-20000 while 15.3% had share capital of over 20000. This implies that members begun their investment in the SACCO with a considerable high investment. This means that a member who has invested more in the SACCO will get a bigger loan which in return will eradicate more poverty to him/her. If the average level of investment in the SACCOs is high in a certain region, then the poverty level will be low as compared with an area where the average investment level is high.

The study used Cronbach's coefficient alpha method to determine the internal consistency of the variables. The results were as follows;

Table 10: Reliability Results for Service utilities of the system

| Reliability Statistics | |
|-------------------------------|-------------------|
| Cronbach's Alpha | N of Items |
| 0.933 | 5 |

The study results revealed that the variables were reliable with a coefficient of 0.933 which is above the recommended 0.70 and therefore they could be used in the study.

Table 11 Influence of Share Capital/Deposits on Eradication of Poverty

| Statements | | SD | D | U | A | SA | TO TA L | ME AN | %M EAN | SD |
|--|---|----|-----|-----|------|------|---------------|----------|-----------|-------|
| Financial cooperatives provide safe facilities for savings, enabling savers to smooth consumption | F | 0 | 2 | 1 | 101 | 29 | 124 | 4.14 | 82.8 | 0.566 |
| | % | 0 | 2.9 | 1.1 | 74.6 | 21.4 | 100 | | | |
| SACCO members usually invest in shares and also deposits in the SACCO. | F | 0 | 2 | 1 | 87 | 41 | 124 | 4.26 | 85.2 | 0.577 |
| | % | 0 | 2.2 | 1.4 | 65.3 | 31.2 | 100 | | | |
| The larger the share capital of each member in a SACCO, the stronger the member economically | F | 0 | 2 | 1 | 90 | 35 | 124 | 4.22 | 84.4 | 0.564 |
| | % | 0 | 2.2 | 1.7 | 68.9 | 27.2 | 100 | | | |
| If the average level of investment in the SACCOs is high in a certain region, then the poverty level will be low | F | 0 | 2 | 1 | 91 | 35 | 124 | 4.21 | 84.2 | 0.578 |
| | % | 0 | 2.2 | 1.8 | 68.8 | 27.2 | 100 | | | |
| The level of investment for each member determines the size of loan which such a member will qualify for | F | 0 | 0 | 1 | 87 | 44 | 124 | 4.3 | 86.0 | 0.526 |
| | % | 0 | 0 | 1.1 | 66.7 | 32.2 | 100 | | | |

Source: Research Data (2015)

The study findings revealed that 82.8% of the respondents were of the opinion that Financial cooperatives provide safe facilities for savings, enabling savers to smooth consumption, 85.2% of the respondents were of the opinion that SACCO members usually invest in shares and also deposits in the SACCO, 84.4% of the respondents were of the opinion that The larger the share capital of each member in a SACCO, the stronger the member economically, 84.2% of the respondents were of the opinion that If the average level of investment in the SACCOs is high in a certain region, then the poverty level will be low, 86.0% of the respondents were of the opinion that the level of investment for each member determines the size of loan which such a member will qualify for.

The study findings revealed that majority of the respondents were of the opinion that the level of investment for each member determines the size of loan which such a member will qualify for. This implies that in many SACCOs, the maximum amount of loan will be the total shares plus the deposits multiplied by a factor. This then means that a member who has invested more in the SACCO will get a bigger loan which in return will eradicate more poverty to him/her. If the average level of investment in the SACCOs is high in a certain region, then the poverty level will be low as compared with an area where the average investment level is high.

Study findings by Porkodi and Aravazhi (2013) are in consonance with these findings that the level of investment for each member determines the size of loan which such a member will qualify for. The study indicated that SACCO members usually invest in shares and also deposits in the SACCO. The level of investment for each member determines the size of loan which such a member will qualify for. In many SACCOs, the maximum amount of loan will be the total shares plus the deposits multiplied by a factor. In SACCOs, the economic strength of members is determined by the share capital of each one of them and also the amount of loans they borrow. The larger the share capital of each member in a SACCO, the stronger the member economically; therefore the SACCO should continuously encourage members to increase their share capital and also to increase their borrowings so as to increase their economic strength. This is done through regular education meetings where members are educated on the products and services offered by the SACCO. They are also educated about the benefits of the SACCO loans as compared with those from banks and other financial institutions since SACCO loans are always cheaper.

4.3.3 Training of Farmers

The study sought to establish the extent to which training of farmers help in eradication of poverty among farmers. The study sought to determine the methods of training used, the time period of training, effectiveness of training methods in eradicating poverty among farmers, effect of entrepreneurial training methods in eradicating poverty and the effect of training frequency in eradicating poverty. The study results were as presented below;

Table 12: Methods of Training

| Training | Frequency | Percentage |
|-----------------------|------------------|-------------------|
| Basic Training | 40 | 32.3 |
| Field Training | 50 | 40.3 |
| Others | 34 | 27.4 |
| Total | 124 | 100 |

Source: Research Data (2015)

The study findings on the type of training revealed that 32.3% of the respondents noted basic training, 40.3% noted field training while 27.4% noted other types of training. The study findings revealed majority of the respondents were of the opinion that field training was the main method of training farmers. This gives the implication that training in is to develop and strengthen the capacities of farmers to propagate enterprise development. Training is as well aimed at providing the farmers in addition to normal technical skills also the attitude the capacity for engaging in responsible entrepreneurial activities for self employment and contribute in the long-term arresting the present trend of growing unemployment.

Table 13: Time Period of Training

| Time Period | Frequency | Percentage |
|--------------------|------------------|-------------------|
| Weekly | 24 | 19.4 |
| Monthly | 43 | 34.7 |
| Annually | 40 | 32.3 |
| Others | 7 | 5.6 |
| Total | 124 | 100.0 |

Source: Research Data

The study findings revealed that 19.4% noted weekly training, 34.7% noted monthly training, 32.3% noted annual training while 5.6% noted other periods. These findings reveals that majority of the farmers were trained on monthly basis.

Table 14: Effectiveness of Training Methods in Eradicating Poverty among Farmers

| Statements | | I | LI | MI | E | VE | TO TA L | MEA N | %M ean | SD |
|----------------|---|-----|-----|------|------|------|---------------|----------|-----------|------|
| Basic Training | F | 0 | 2 | 42 | 38 | 31 | 124 | 3.88 | 77.6 | 0.84 |
| | % | 0 | 1.9 | 38.5 | 30.5 | 29.1 | 100 | | | |
| Field Training | F | 4 | 1 | 61 | 30 | 34 | 124 | 3.67 | 73.4 | 1.00 |
| | % | 3.6 | 1.4 | 45.5 | 23.2 | 26.4 | 100 | | | |
| Other Training | F | 2 | 4 | 52 | 32 | 40 | 124 | 3.79 | 75.8 | 0.98 |
| | % | 1.8 | 3.6 | 39.1 | 24.5 | 30.9 | 100 | | | |

Source: Research Data (2015)

The study findings revealed that 77.6% were of the view that basic training was effective, 73.4% were of the view that basic training was effective while 75.8% were of the view that basic training was effective.

The study findings revealed that majority of the respondents were of the view that basic training was effective in eradicating poverty among the farmers. Training is as well aimed at providing the farmers in addition to normal technical skills also the attitude the capacity for

engaging in responsible entrepreneurial activities for self employment and contribute in the long-term arresting the present trend of growing unemployment.

The study used Cronbach's coefficient alpha method to determine the internal consistency of the variables. The results were as follows; the results were as follows;

Table 15: Reliability Results on Effect of Entrepreneurial Training Methods

| Reliability Statistics | |
|------------------------|------------|
| Cronbach's Alpha | N of Items |
| 0.911 | 4 |

The reliability results indicated that the variables were reliable with a coefficient of 0.911 which is above 0.70 and hence the variables could be used for the study.

Table 16: Effect of Entrepreneurial Training Methods in Eradicating Poverty

| Effect of Entrepreneurial Training Methods | | SD | D | U | A | SA | TOTAL | MEAN | %MEAN | SD |
|---|---|----|---|---|------|------|-------|------|-------|-------|
| Use of appropriate training methods increases effectiveness of farmers | F | 0 | 0 | 0 | 56 | 75 | 124 | 4.57 | 91.4 | 0.496 |
| | % | 0 | 0 | 0 | 43.1 | 56.9 | 100 | | | |
| Use of appropriate training methods increases efficiency of farmers. | F | 0 | 0 | 0 | 60 | 71 | 124 | 4.54 | 90.8 | 0.499 |
| | % | 0 | 0 | 0 | 46.0 | 54.0 | 100 | | | |
| Enterprise education and training methods are the major means to promote farming. | F | 0 | 0 | 0 | 59 | 72 | 124 | 4.55 | 91 | 0.498 |
| | % | 0 | 0 | 0 | 44.9 | 55.1 | 100 | | | |
| When properly used, training methods increases efficiency of farmers | F | 0 | 0 | 0 | 55 | 75 | 124 | 4.58 | 91.6 | 0.495 |
| | % | 0 | 0 | 0 | 42.0 | 56.9 | 100 | | | |

Source; Research Data (2015)

The study findings revealed that 91.4% were of the opinion that use of appropriate training methods increases effectiveness of farmers, 90.8% were of the opinion that Use of appropriate training methods increases efficiency of farmers, 91.0% were of the opinion that Enterprise education and training methods are the major means to promote farming while 91.6% were of the opinion that when properly used, training methods increases efficiency of farmers.

The study findings revealed that majority of the respondents were of the opinion that when properly used, training methods increases efficiency of farmers. This gives the implication that training is as well aimed at providing the farmers in addition to normal technical skills also the attitude the capacity for engaging in responsible entrepreneurial activities for self employment and contribute in the long-term arresting the present trend of growing unemployment.

The study used Cronbach's coefficient alpha method to determine the internal consistency of the variables. The results were as follows;

Table 17: Reliability Results on Training and Poverty Eradication

| Reliability Statistics | |
|------------------------|------------|
| Cronbach's Alpha | N of Items |
| 0.911 | 6 |

The reliability results indicated that the variables were reliable with a coefficient of 0.911 which is above 0.70 and hence the variables could be used for the study.

Table 18: Effect of Training Frequency in Eradicating Poverty

| Statements | | SD | D | U | A | SA | TO TA L | ME AN | %M EAN | SD |
|---|---|-----|------|------|------|------|---------------|----------|-----------|-------|
| Frequency in training allows better use to be made of opportunities | F | 0 | 2 | 1 | 101 | 29 | 124 | 4.14 | 82.8 | 0.566 |
| | % | 0 | 2.9 | 1.1 | 74.6 | 21.4 | 100 | | | |
| Training farmers frequently helps them to advance their entrepreneurial skills | F | 0 | 2 | 1 | 87 | 41 | 124 | 4.26 | 85.2 | 0.577 |
| | % | 0 | 2.2 | 1.4 | 65.3 | 31.2 | 100 | | | |
| Training farmers frequently gives farmers a mastery over their work leading to improved performance | F | 0 | 2 | 1 | 90 | 24 | 124 | 4.22 | 84.4 | 0.564 |
| | % | 0 | 2.2 | 1.7 | 68.9 | 27.2 | 100 | | | |
| Frequent training of farmers is necessary to equip farmers with the skills to encounter the changes | F | 0 | 2 | 1 | 91 | 35 | 124 | 4.21 | 84.2 | 0.578 |
| | % | 0 | 2.2 | 1.8 | 68.8 | 27.2 | 100 | | | |
| Frequent training builds competence among the enterprise | F | 0 | 0 | 1 | 87 | 44 | 124 | 4.3 | 86.0 | 0.526 |
| | % | 0 | 0 | 1.1 | 66.7 | 32.2 | 100 | | | |
| With frequent training, farmers become experienced on their venture over time due to acquisition of skills and knowledge. | F | 1 | 22 | 40 | 21 | 45 | 124 | 3.89 | 77.8 | 0.810 |
| | % | 1.4 | 17.0 | 30.7 | 16.4 | 34.5 | 100 | | | |

Source: Research Data (2015)

The study findings revealed that 82.8% of the respondents were of the opinion that Frequency in training allows better use to be made of opportunities, 85.2% of the respondents were of the opinion that Training farmers frequently helps them to advance their entrepreneurial skills, 84.4% of the respondents were of the opinion that Training farmers frequently gives farmers a mastery over their work leading to improved performance, 84.2% of the respondents were of the opinion that frequent training of farmers is necessary to equip farmers with the skills to encounter the changes, 86.0% of the respondents were of the opinion that Frequent training builds competence among the enterprise while 77.8% of the respondents were of the opinion that

with frequent training, farmers become experienced on their venture over time due to acquisition of skills and knowledge.

The study findings revealed that majority of the respondents were of the opinion that training builds competence among the enterprise. This gives the implication that Frequency in training allows better use to be made of opportunities and further gives farmers a mastery over their work, leading to improved performance. The study observed that training farmers frequently helps them to advance their entrepreneurial skills as acquire better understanding of enterprise operations. The study argued that training and education farmers takes years of development. The study further noted that due to changes in the operating environment, frequent training is necessary to equip farmers with the skills to encounter the changes. Training must be relevant on many levels example, promote the mission and culture increase customer relationship management, teach communication skill instruct in use of technology, and encourage creative thinking, develop potential managers.

Study findings by Henry, Hill and Leitch (2003) are in line with these findings that that training builds competence among the enterprise. Frequency in training allows better use to be made of opportunities and further gives farmers a mastery over their work, leading to improved performance. They observed that training farmers frequently helps them to advance their entrepreneurial skills as acquire better understanding of enterprise operations. Entrepreneurial training is not mandatory for new venture creation; it does provide one with the skills, contacts and opportunities vital for most successful businesses. Training can complement the early stage awareness-raising function of education, as it provides the more practical skills that farmers require when they are ready to set up their business. Furthermore, the study added that the transfer of the requisite knowledge and skills is the easiest part of training and is incorporated in

most training programmes. Few farmers have the requisite skills, knowledge, abilities and competencies skills needed to operate there enterprises. As a result, they argued frequent training of these farmers can gradually increase their skills, knowledge and abilities which as a result could lead to better management and performance of the enterprises. Frequent training leads to acquisition of the necessary skills to be able to make substantive contribution towards the organization's growth. When properly used, training increases both effectiveness and efficiency of farmers.

4.4 Inferential statistics

Inferential statistics such non parametric test which include analysis of variance (ANOVA) were used to test the significance of the overall model at 95% level of significance. According to Mugenda (2008) analysis of variance is used because it makes use of the F – test in terms of sums of squares residual.

4.4.1 Regression analysis

The study sought to compute the regression model for the study in an effort to understand the role of SACCOs in eradication of poverty. The study findings were presented in the table below;

Table 19: Regression model on Role of SACCOs

| Model Summary | | | | | | |
|----------------------|-------|----------|-------------------|----------------------------|-------|--------|
| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate | F | Sig. |
| 1 | 0.977 | 0.955 | 0.953 | 0.143 | 4.702 | 0.000' |

| Coefficients | | | | | | |
|-----------------------|-----------------------------|---------------------------|--------|--------|-------|--|
| Model | Unstandardized Coefficients | Standardized Coefficients | | | | |
| | | Std. Error | Beta | | | |
| 1 (Constant) | 0.080 | 0.114 | 0.706 | 0.483 | | |
| Share capital/deposit | 0.679 | 0.082 | 0.711 | 8.254 | 0.000 | |
| Loan issued | 0.330 | 0.106 | 0.315 | 3.124 | 0.003 | |
| Training | -0.037 | 0.100 | -0.037 | -0.373 | 0.711 | |

Dependent Variable: Poverty Eradication

The study findings indicated that 95.5% of the data that was used in the regression model could be accounted for in the regression model (R Square = 0.955) while the comparison of the model was significant to imply that the model had been correctly computed (p=0.000)

The coefficients in the regression equation were used to compute the regression equation as follows;

$$Y \text{ (Poverty Eradication)} = 0.801 + 0.711 \text{ (Share capital/Deposit)} + 0.315 \text{ (Loan issued)} - 0.037 \text{ (Training)} + 0.114 \text{ (Error Rate)} \dots\dots\dots (ii)$$

These results were interpreted to mean share capital was the most important variable in poverty eradication contributing about 71.1% on the poverty eradication. Loan issued were also important in poverty eradication contributing 31.5% with training contributing 3.7% to the poverty eradication of the farmers.

The study findings revealed that there was a significant relationship between share capital/deposit and poverty eradication ($p=0.711$), there was a significant relationship between loan issued and poverty eradication ($p=-0.037$), but there was no significant relationship between training and poverty eradication ($p=0.711$). These findings could be interpreted to mean that share capital/deposits and loan issuing by SACCOs are important roles in poverty eradication of the members. Many developing countries Kenya alike, have devised strategies of reducing poverty among their population. There has been an upsurge of SACCOs that are now playing an important role in enhancing economic growth and development as well as poverty eradication. Since the formalities involved in the formation of the SACCOs are simple, and due to their popularity, the government has continued to register more of these forms of organizations. Although Cooperatives have been there for a long time, poverty is still prevalent amongst the farmers. The population here still struggle to pay school fees for their children and some cannot afford the basic facilities like school fees and foodstuff.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The study sought to analyze the specific objectives of the study. The main objective of the study was to find out the role of SACCOs in the eradication of poverty of the members' among farmers. The specific objectives of the study were to establish the extent to which training of farmers help in eradication of poverty among farmers; find out the loans issued by the SACCOs help in eradication of poverty among farmers and to determine the extent to which deposits/share capital help in eradication of poverty among farmers. This chapter presents summary of findings, conclusion and recommendations based on the findings.

5.2 Summary of Findings

As regards the purpose of the loan issued, majority of the respondents were of the opinion that they borrowed the loan for consumption purposes like buying food or paying school fees but in most cases large loans were invested in businesses or farming which in return may eradicate poverty for such a member. Loans that are invested in businesses or farming enables the member to repay them promptly and apply for more loans which will eradicate more power to the member and to the community at large.

The study findings revealed that majority of the respondents were of the opinion that growth in SACCO loans facilitates members in wealth creation. This implies that the size of the loan that a member qualifies will determine the economic status of such a member. Small loans for example of less than ten thousand shillings are mostly used for consumption purposes like buying food or paying school fees but in most cases large loans will be invested in businesses or

farming which in return may eradicate poverty for such a member. Loans that are invested in businesses or farming enables the member to repay them promptly and apply for more loans which will eradicate more power to the member and to the community at large since such wealth will trickle down to the other residents through a multipliers effect.

The study findings revealed that majority of the respondents were of the opinion that the level of investment for each member determines the size of loan which such a member will qualify for. This implies that in many SACCOs, the maximum amount of loan will be the total shares plus the deposits multiplied by a factor. This then means that a member who has invested more in the SACCO will get a bigger loan which in return will eradicate more poverty to him/her. If the average level of investment in the SACCOs is high in a certain region, then the poverty level will be low as compared with an area where the average investment level is high.

The study findings revealed that majority of the respondents were of the view that basic training was effective in eradicating poverty among the farmers. Training is as well aimed at providing the farmers in addition to normal technical skills also the attitude the capacity for engaging in responsible entrepreneurial activities for self employment and contribute in the long-term arresting the present trend of growing unemployment. The study findings revealed that majority of the respondents were of the opinion that training builds competence among the enterprise. This gives the implication that Frequency in training allows better use to be made of opportunities and further gives farmers a mastery over their work, leading to improved performance. The study observed that training farmers frequently helps them to advance their entrepreneurial skills as acquire better understanding of enterprise operations. The study argued that training and education farmers takes years of development. The study further noted that due to changes in the operating environment, frequent training is necessary to equip farmers with the

skills to encounter the changes. Training must be relevant on many levels example, promote the mission and culture increase customer relationship management, teach communication skill instruct in use of technology, and encourage creative thinking, develop potential managers.

The study findings revealed that there was a significant relationship between share capital/deposit and poverty eradication ($p=0.000$), between loan issued and poverty eradication ($p=0.003$), but there was no significant relationship between training and poverty eradication ($p=0.711$).

5.3 Conclusion based on Findings

The study concluded that growth in SACCO loans facilitates members in wealth creation. Small loans for example of less than ten thousand shillings are mostly used for consumption purposes like buying food or paying school fees but in most cases large loans will be invested in businesses or farming which in return may eradicate poverty for such a member. Loans that are invested in businesses or farming enables the member to repay them promptly and apply for more loans which will eradicate more power to the member and to the community at large since such wealth will trickle down to the other residents through a multipliers effect.

The study concluded that the level of investment for each member determines the size of loan which such a member will qualify. This then means that a member who has invested more in the SACCO will get a bigger loan which in return will eradicate more poverty to him/her. If the average level of investment in the SACCOs is high in a certain region, then the poverty level will be low as compared with an area where the average investment level is high.

The study concluded that when properly used, training methods increases efficiency of farmers. This gives the implication that training is as well aimed at providing the farmers in

addition to normal technical skills also the attitude the capacity for engaging in responsible entrepreneurial activities for self employment and contribute in the long-term arresting the present trend of growing unemployment.

5.4 Recommendations

Based on the findings of the study, the study made the following recommendations;

The study recommended that the SACCO should continuously encourage members to increase their share capital and also to increase their borrowings for first loan by a member from a SACCO is smaller than the subsequent loans and also so as to increase their economic strength through regular education meetings where members are educated on the products and services offered by the SACCO. They are also educated about the benefits of the SACCO loans as compared with those from banks and other financial institutions since SACCO loans are always cheaper.

SACCO should encourage members to borrow loans so as to charge more interest and hence retain higher surpluses to distribute back to members. The management of a SACCO should ensure that loans and services are continually reviewed and refined so as to provide the best benefits to the members and compete effectively with products from other financial institutions like banks and micro finance institutions. This in the long run eradicates poverty for the members through earning dividends and bonuses and also encouraging them to increase shares and deposits which are refundable.

The study further concluded that training in terms of creativity and innovation should be provided. It aims to equip farmers with skills, knowledge and dispositions that can help them develop or implement innovative social or business plans. Training and education is one of the

key drivers of sustained social development and economic recovery. The main objective of training in is to develop and strengthen the capacities to propagate enterprise development.

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APPENDICES

APPENDIX 1

LETTER OF INTRODUCTION TO RESPONDENTS

Judy Mwai

Reg, No. 13/01890

KCA University

To whom it may concern,

Dear Sir/Madam

REF: REQUEST FOR RESEARCH DATA

I am student at KCA University pursuing a degree in Master of Science in commerce (finance and accounting). Your SACCO has been selected to take part in a study I am undertaking titled **“The role of SACCOs in the eradication of poverty of the members’ among farmers in Muranga County”**. Herein attached, find a questionnaire designed to assist in collecting the necessary data for this research. The study is purely for academic purposes and all information collected from you shall be treated as confidential. In no way shall your name appear in the final report. Upon your request a copy of the thesis shall be availed to you. Your assistance, cooperation and honest responses will be highly appreciated.

Yours faithfully,

Judy Mwai

APPENDIX 2

QUESTIONNAIRE TO RESPONDENTS

Section A: Demographic Information

You are requested to fill out your personal information in the spaces below. Please tick only one response.

1. Indicate your gender?

Male [] Female []

2. What is your age?

Below 25 yrs [] 25- 30 yrs []

31-35 yrs [] 36- 40 yrs []

41-45 yrs [] Above 45 yrs []

3. Number of years worked as a farmer?

Less than 5 years [] 5-10 years []

11-15 years [] 16-20 years []

Above 20 years []

4. Level of Education

O'Level [] Certificate holder []

Diploma holder [] Degree holder []

Masters holder [] PhD Holder []

5. For how long have you been a member of a SACCO?

Less than 5 years [] 5-10 years []

11-15 years [] 16-20 years []

Above 20 years []

Section B: Loans Issued

6. Have you ever taken a loan from the SACCO in the last 5 years?

Yes [] No []

7. How much was your first loan?

Less than 5000

Between 5001 to 10000

Between 10001 to 15000

Between 15001 to 20000

Above 20000

8. Kindly highlight the purpose of the loan issued _____

9. The statements below on how loans issued by the SACCOs help in eradication of poverty among farmers in Muranga County. On a scale of 1-5 (where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree) please rank your level of agreement with each statement by ticking the appropriate box.

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| My loans from the SACCO has increased during the last 5 years | | | | | |
| The SACCOs facilitate growth in loans for members | | | | | |
| Growth in SACCO loans facilitates members in wealth creation | | | | | |
| The first loan by a member from a SACCO is smaller than the subsequent loans | | | | | |

10. Do loans issued by the SACCOs help in eradication of poverty among farmers in Muranga County?

Yes [] No []

11. If yes in (6) above indicate the extent to which loans issued by the SACCOs help in eradication of poverty among farmers in Muranga County?

Very great extent []
Great extent []
Moderate extent []
Low extent []
Not at all []

Section C: Deposits/share capital

12. What is your Share Capital/ deposits now?

Less than 5000
Between 5001 to 10000
Between 10001 to 15000
Between 15001 to 20000
Above 20000

13. What was your initial share capital/deposits when joining the SACCO?

Less than 5000
Between 5001 to 10000
Between 10001 to 15000
Between 15001 to 20000

Above 20000

14. Below are statements on the influence of deposits/share capital in eradication of poverty among farmers in Muranga County. On a scale of 1-5 (where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree) please rank your level of agreement with each statement by ticking the appropriate box.

| | 1 | 2 | 3 | 4 | 5 |
|--|---|---|---|---|---|
| SACCO members usually invest in shares and also deposits in the SACCO. | | | | | |
| The level of investment for each member determines the size of loan which such a member will qualify for | | | | | |
| If the average level of investment in the SACCOs is high in a certain region, then the poverty level will be low | | | | | |
| Financial cooperatives provide safe facilities for savings, enabling savers to smooth consumption | | | | | |
| The larger the share capital of each member in a SACCO, the stronger the member economically | | | | | |

Section D: Training of Farmers

15. Which methods of training are used in training farmers?

Basic training ()

Field training, ()

Others (specify) ()

16. On what time period are the trainings carried out

Weekly ()

Monthly ()

Annually ()

Others ()

17. How effective are the methods of training in eradicating poverty among the farmers. Use 5 scale rating whereby: 1. Ineffective 2. Less Effective 3. Moderately effective 4. Effective 5. Very Effective

| Methods of Training | 1 | 2 | 3 | 4 | 5 |
|---------------------|---|---|---|---|---|
| Basic training | | | | | |
| Field training . | | | | | |
| Others (specify) | | | | | |

18. Rate the extent to which you agree or disagree with the following statements on the effects of entrepreneurial training methods in eradicating poverty among the farmers. Use 5 scale rating whereby: 1= Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree

| Statements | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Use of appropriate training methods increases effectiveness of farmers | | | | | |
| Use of appropriate training methods increases efficiency of farmers. | | | | | |
| Enterprise education and training methods are the major means to promote farming. | | | | | |
| When properly used, training methods increases efficiency of farmers | | | | | |

19. Rate the extent to which you agree or disagree with the following statements on the effect of entrepreneurial training frequency in eradicating poverty among the farmers. Use 5 scale rating whereby: 1= Strongly Disagree 2. Disagree 3. Neutral 4. Agree 5. Strongly Agree

| Statements | 1 | 2 | 3 | 4 | 5 |
|---|---|---|---|---|---|
| Frequency in training allows better use to be made of opportunities | | | | | |
| Training farmers frequently helps them to advance their entrepreneurial skills | | | | | |
| Training farmers frequently gives farmers a mastery over their work leading to improved performance | | | | | |
| frequent training of farmers is necessary to equip farmers with the skills to encounter the changes | | | | | |
| Frequent training builds competence among the enterprise | | | | | |
| With frequent training, farmers become experienced on their venture over time due to acquisition of skills and knowledge. | | | | | |