

Stakeholders' Perception on the Effect of Savings and Credit Cooperative Societies on Performance of Matatu Businesses in Taita Taveta County in Kenya

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Abstract

Cooperatives are formed and owned by a group of individuals for the purpose of improving their standard of living and enjoying the social services provided. The underlying philosophy of cooperative movement emphasizes on service and the well-being of members and governed by seven cooperative principles that have been universally accepted and adopted by the International Cooperative Alliance. The Cooperative movement in Kenya is an important player in the social economic development of this country. Cooperatives cut across all sectors of the economy and provide an important framework for mobilization of both human and capital resources. The general objective of this study was to establish the stakeholders' perceptions on Savings and Credit Cooperative Societies (SACCOs) on matatu business in Taita Taveta County in Kenya. This study adopted a survey design while pursuing a descriptive structure. The target population of this study comprised of; matatu owners, local authority employees, route operators and matatu users within Taita Taveta County. Stratified random sampling was used to identify individual respondents. The study aimed to reach out to a sample of at least 384 respondents. Primary information was gathered by use of a questionnaire. The study used both quantitative and qualitative techniques in data analysis. The data was represented using graphs, tables and pie-charts. It can be concluded that the matatu owners perceived that SACCOs had good and effective policies in place hence increased performance. It can also be concluded that the local authority staff have helped in cutting out costs for the SACCOs to be given to other cartels as they are in charge of parking fees. It can therefore be concluded that SACCOs need to have good governance and short routes for making decisions regarding the operation of matatus. It is recommended to the SACCO management to ensure that all members of SACCO are bonded together and the policies are followed fully to maximize profitability and success of the business. It is recommended that the management conducts a market survey of other SACCOs performances in order to bring them to par with the other operators. It is recommended that the SACCOs and local staff authority should harmonize their relationship and ensure that the control of matatus is not a tag of war between them. This help the route operators have harmonized working conditions hence able to deliver the services well.

Key Words: Co-operative Societies, Performance, Savings Culture, Cartel

Background and Research Gap

The International Cooperative Alliance [ICA] (2005) defines a cooperative as an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise. The seven internationally recognized cooperative principles are: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; provision of education, training and information; cooperation among cooperatives; and concern for the community (ICA, 2005, ILO, 2002). In concurrence with ICA (2005) definition, ILO (2002) also defines a cooperative as an autonomous association of persons united voluntarily to meet their comment

economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise. Thus the whole structure of the cooperatives is based on the concept of self-reliance and cooperation in which members have the same rights, duties and responsibilities and agree to manage it together (Tan and Selvarani, 2008).

In Malaysia, co-operative movements have played a significant economic and social role and demonstrate their relevancy to the economic and social development. Hence, it's a government aspiration to recognize cooperatives movement become Malaysian fourth engine growth after manufacturing, services and agriculture that can contribute to national economic growth (Tan and Selvarani, 2008). It is important that, the competitive and ever changing environment calls the co-operative movement to be more adaptive to meet a high level of performance (Sapran, 2010). Co-operatives movement can be described as an autonomous organization where members come together voluntarily in order to achieve joint interests and joint aspirations in the field of economic, social and culture, regardless of gender, socio-cultural and religious body which is owned jointly and democratically controlled (Salleh, Arshad, Shaarani, and Kasmuri, 2008).

Savings and Credit Co-operative Societies (SACCOs) are started locally and have solid bases of small saving accounts constituting a stable and relatively low-cost source of funding and low administrative costs. More so, SACCOs are able to advance loans at interest rates lower than those charged by other financial providers. In addition, SACCOs have the ability and opportunity to reach clients in areas that are unattractive to banks such as rural or poor areas (Branch, 2005). This has made SACCOs more attractive to customers thus deeply entrenching themselves in the financial sectors of many countries (Munyiri, 2006). In fact, the core objective of SACCOs is to ensure members empowerment through mobilization of savings and disbursement of credit (Ofei, 2001). SACCOs have been efficient in achieving this objective. In Kenya, for instance, SACCOs have mobilized over Kshs.200 billion in savings (Co-operative Bank of Kenya, 2010).

Ademba (2010) postulates that SACCOs in Kenya are faced by such problems as; negative cash (liquidity), poor governance and, lack of members confidence, while Ndung'u (2010) adds that the SACCOs are encompassed by mismanagement and poor investment decisions. Earlier, Thabo, et al., (2003) note that SACCO societies have problems generating wealth due to poor financial stewardship, under-capitalization of co-operative enterprises, high cost of funds, and delayed member payments. Munyiri (2006) says that such challenges would hinder the achievement of the said objectives and even lead to decline in growth of Sacco's wealth. The opposite results follow in a study among farmers who are members of different Danish cooperatives. Laursen (2005) found that the farmers were generally satisfied with the cooperatives, even though these are of very large size. Based on the finding from previous studies regarding the effect of SACCOs, this study is set out to study the perceptions of various stakeholders on the effects of SACCOs on the performance of matatu businesses in Taita Taveta County.

Research Objectives

- i). To establish the perceptions of matatu owners on the effect of savings and credit cooperatives societies on the performance of matatu businesses in Taita Taveta County in Kenya
- ii).To ascertain the perceptions of Local Authority on the effect of matatu savings and credit cooperatives societies on the performance of matatu businesses in Taita Taveta County in Kenya
- iii).To find out the perceptions of matatu users on the effect of matatu savings and credit cooperatives societies on the performance of matatu businesses in Taita Taveta County in Kenya
- iv).To investigate the perceptions of matatu operators on the effect of matatu savings and credit cooperatives societies on the performance of matatu businesses in Taita Taveta County in Kenya

Methodology

The study adopted survey research design and research framework was of descriptive nature. Both Young (1960) and Kothari (2004) concur that a survey study is a very powerful form of qualitative analysis that involves a careful and complete observation of a social unit; be that unit a person, a family, an institution, a cultural group or even the entire unit community. It is a method of study that drills down rather than casts wide. The target population of this study was all matatu owners, local authority employees, route operators and matatu users within Taita Taveta County. Accessible population was the matatu owners, local authority employees, route operators and matatu users who are domiciled within the county and who availed themselves to the main towns along the matatu routes. This was the population that was easily and realistically available to the researcher for sampling purposes. When the population of the study is small and located in a narrow geographical area, the target population is closely comparable to the accessible population (Mugenda and Mugenda, 2003). Mugenda and Mugenda (2003) and Gay (1981) recommend a formula for determining a final population for a large population which is assumed to be normally distributed at a confidence interval of 95% or significance level of 5%. The sample size was therefore 384 cases. The sample was composed of several strata picked from a Stratified random sampling technique.

The data used for the purpose of the study was primary data collected by the researcher, through questionnaires. A questionnaire was preferred because large amounts of information can be collected from a large number of people in a short period of time and in a relatively cost effective way. The results of the questionnaires can usually be quickly and easily quantified by either a researcher or through the use of a software package. The questionnaires were self administered. Cooper and Schindler (2006) support the use of questionnaire over personal interviews in descriptive studies because self administered surveys typically cost less and the respondents feel free when filling the questionnaire at their own convenient time. Due to the confidentiality and sensitivity of the information, Auta (2010) recommends that the questionnaire should be designed in a manner that not requires the respondents to reveal their names or identities.

The multiple regression model was used so as to develop an equation showing how the variables are related. Anderson, Sweeney, Williams (2011) define multiple regression analysis as the study of how a dependent variable y is related to two or more independent variables. Using multiple linear regression equation of the following form was developed:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \mu$$

Where

Y = Performance of Matatu business

X_1 = Matatu Owners perceptions

X_2 = Local Authority Staff perceptions

X_3 = Matatu Users perceptions

X_4 = Matatu operators perceptions

In the model, β_0 = the constant term while the coefficient $\beta_i = 1 \dots 4$ was used to measure the sensitivity of the dependent variables (Y) to unit change in the predictor variables. μ is the error term which captures the unexplained variations in the model.

The Statistical Package for Social Sciences (SPSS) computer software was used to present descriptive statistics inform of pie charts, tables and bar charts.

Findings and Discussion

The first objective of the study was to establish the perceptions of matatu owners on the effect of savings and credit cooperatives societies on the performance of matatu businesses in Taita Taveta County in Kenya. Table 1 shows that 79% of the respondents agreed that their SACCO had policies that are supportive to their businesses, 83% agreed that there was need for improvement in SACCO policies in order to provide more growth opportunities to members and 88% agreed that their SACCO gave loans which have empowered many members to grow their business. In addition 83% of the respondents agreed that policies in their SACCO have controlled members in terms of their financial discipline and empowered members to save more, 79% agreed that given a chance they would recommend their SACCO to others because it has progressive policies and 81% agreed that their policies ensured protection of their investments. The mean score of the responses for this section was 3.98 indicating that more respondents agreed that SACCO policies were a key determinant of matatu business performance in Kenya.

The findings agree with those in Asogwa et al. (2011) who observed that poor policies have resulted to high level of cost inefficiency leading to low profitability that results from inadequate organization in the different SACCOs into collective member's institutions that can provide opportunities for risk sharing and improved bargaining power. The findings also concur with those in Hesse and Cihak (2007) who asserted that cooperatives tend to fare better than investor-owned savings and loans institutions, as they pursue more conservative investment policies which are less speculative and returns are therefore less volatile. The findings also agreed with those in Gicheru , Migwi and M'Imanyara (2011) who argued that successful matatu SACCOs significantly contributed to employment creation, savings mobilization, access to credit, restoration of sanity and order, increased profitability and comfort in the paratransit transport system in the major cities and urban centers in Kenya; however, they need to be supported through a facilitative policy and legal framework.

Table 1: Perceptions of Matatu Owners and Performance of Matatu

Statement	S.D	D	N	A	S.A	Mean
My SACCO has policies that are supportive to my business	3%	11%	6%	48%	31%	3.92
There is need for improvement my SACCO policies in order to provide more growth opportunities to members	1%	7%	9%	51%	32%	4.05
My SACCO give loans which have empowered many members to grow their business	1%	4%	7%	60%	28%	4.10
Policies in my SACCO have controlled members in terms of their financial discipline and empowered members to save more	3%	8%	7%	58%	25%	3.94
Given a chance I would recommend my SACCO to others because it has progressive policies	6%	6%	9%	46%	33%	3.92
Our policies ensure protection of our investments	5%	9%	6%	45%	36%	3.97
Mean						3.98

The second objective of the study was to ascertain perceptions of Local Authority on the effect of matatu savings and credit cooperatives societies on the performance of matatu businesses in TaitaTaveta County in Kenya. Table 2 shows that 71% of the respondents agreed that the revenue collected from the matatu business have since increased after the introduction of SACCOs, 73% agreed that the process of revenue collection was easy, organized and transparent and 78% agreed that the council was involved in managing matatu terminals within the county. In addition, 80% of the respondents agreed that the council was supportive to the Matatu business, 72% agreed that members who don't follow the route rules and regulations are suspended from the route for some time or they can be fined and 67% agreed that SACCO regulations have improved ethics and discipline in the matatu business. The mean score of the responses for this section was 3.84 indicating that more respondents agreed that management of local staff authority at business terminals had effect on performance of matatu business in TaitaTaveta County in Kenya.

The findings agree with those in Dunn, et al. (2002) study, who included cooperative managers and directors, voiced concern that owner-directors too often make decisions based on internal politics rather than on sound economics. These participants believed that, on occasion, cooperative directors may be motivated to make decisions that benefit the individual at the expense of the cooperative. This insight may help explain why governance issues are exaggerated at cooperatives relative to corporations. The findings concur with those in Mayson, (2004 and 2002) who showed that for cooperatives to succeed, they need an enabling legislative environment, supportive state and other institutions, access to means of production and economic assets, access to credit, interest rates, extension, access to markets, research and development and support for the expansion of production.

Table 2: Perceptions of Local Authority Staff and Performance of Matatu Business

Statement	S.D	D	N	A	S.A	Mean
The revenue collected from the matatu business have since increase after the introduction of SACCOs	3%	15%	11%	36%	35%	3.84
The process of revenue collection is easy, organized and transparent.	3%	11%	13%	42%	31%	3.88
The council is involved in managing matatu terminals within the county.	1%	8%	13%	65%	13%	3.81
The council is supportive to the Matatu business.	3%	6%	11%	51%	29%	3.96
Members who don't follow the route rules and regulations are suspended from the route for some time or they can be fined	6%	14%	9%	34%	38%	3.84
SACCO regulations have improved ethics and discipline in the matatu business	3%	23%	7%	34%	33%	3.71
Mean						3.84

The third objective of the study was to find out the perceptions of matatu users on the effect of matatu savings and credit cooperatives societies on the performance of matatu businesses in TaitaTaveta County in Kenya. Results in Table 3 indicate that majority (73%) agreed that SACCO regulations have improved ethics and discipline in the matatu business, 78% agreed that SACCOs have been key in shaping the way players in the matatu sector handle business matters and 69% agreed that SACCOs have come up with stringent rules which are key to improving business discipline in the matatu sector. 76% of the respondents agreed that passengers are not consulted when increasing route fares and 73% agreed that the route fares are determined by the Sacco management. The mean score of the responses for this section was 3.74 indicating that more respondents agreed that matatu users influence had effect on matatu Sacco's operations in Taita Taveta County in Kenya.

The findings concur with those in Harnecker (2007) who found out that in some cooperatives, the most important decisions for example involving distribution of surpluses or compensation were taken by the coordinators or even just by the president or general coordinator who behaved like the main owner of a cooperative. The findings also agreed with those in Pollet (2009) who asserted that savings and Credit Cooperatives (SACCOs) are increasingly popular and may soon be the most common form of cooperative within the African cooperative movement and policies maker and all stakeholders involved are well concerned with the good governance of this institution.

Table 3: Perceptions of Matatu Users and Performance of Matatu Business

Statement	S.D	D	N	A	S.A	Mean
SACCO regulations have improved ethics and discipline in the matatu business	9%	10%	9%	55%	18%	3.62
SACCOs have been key in shaping the way players in the matatu sector handle business matters	6%	10%	6%	41%	37%	3.93
SACCOs have come up with stringent rules which are key to improving business discipline in the matatus sector	6%	16%	9%	53%	16%	3.59
Passengers are not consulted when increasing route fares	5%	8%	11%	53%	23%	3.81
The route fares are determined by the Sacco management	5%	13%	9%	44%	29%	3.77
Mean						3.74

The last objective of the study was to investigate the perceptions of matatu operators on the effect of matatu savings and credit cooperatives societies on the performance of matatu businesses in TaitaTaveta County in Kenya. Table 4 shows that 74% agreed that their SACCO gave them good remuneration hence high motivation, 89% agreed that drivers in their route have to follow set rules and regulations for the purpose of ensuring ethical behavior and 64% agreed that there are so many levies by many players which cripples their matatu business. Furthermore, 76% of the respondents agreed that many players in the matatu sector are after their levies and not their welfare, 79% agreed that passengers are not consulted when increasing route fares and 79% agreed that

passengers are key in the business performance and they treat them well. The mean score of the responses for this section was 3.99 indicating that more respondents agreed that matatu operators had effect on matatu Sacco's performance in Taita Taveta County in Kenya.

The findings concur with those in Pollet (2009) who argued that young institutions dominated by founding entrepreneurs for the founder to select board members on the basis of friendship or prior relationship. While this practice may provide support and counsel to the founder and a ready-made group of backers for a new venture, it leads to management-dominated organizations lacking important checks and balances. Board members whose primary loyalty is to the CEO may hesitate to challenge him or her or demand accountability, particularly if such members lack technical knowledge

Table 4: Perceptions of Matatu Operators and Performance of Matatu Business

Statement	S.D	D	N	A	S.A	Mean
My SACCO gives us good remuneration hence high motivation	3%	16%	6%	51%	23%	3.74
Drivers in our route have to follow set rules and regulations for the purpose of ensuring ethical behavior	4%	4%	3%	49%	40%	4.18
There are so many levies by many players which cripples our matatu business	8%	11%	17%	27%	37%	3.74
Many players in the matatu sector are after their levies and not our welfare	3%	7%	14%	39%	37%	3.99
Passengers are not consulted when increasing route fares	4%	6%	10%	38%	41%	4.07
Passengers are key in our business performance and we treat them well	4%	8%	10%	20%	59%	4.2
Mean						3.99

Table 5 displays the regression coefficients of the independent variables. The results reveal that perceptions of matatu owners, local staff, matatu users and matatu operators are statistically significant in explaining the performance of matatu business in TaitaTaveta. The results show that all the independent variables had a positive and significant relationship with performance of matatu business. This shows that all the predictor variables of the study are important in explaining or predicting the performance of matatu business in Kenya.

Table 5: Regression Coefficients

Variable	Beta	Std. Error	t	Sig.
Constant	0.95	0.147	6.463	0.000
Matatu Owners	0.152	0.061	2.502	0.013
Local Authority	0.334	0.062	5.398	0.000
Matatu Users	0.137	0.047	2.92	0.004
Matatu Operators	0.127	0.034	3.757	0.000

Conclusions and Recommendations

Based on the objectives and the findings of the study the following conclusion can be made; Matatu owners' perceptions are a key driver to performance of matatu business in Kenya. It can be concluded that the matatu owners perceived that SACCOs had good and effective policies in place hence increased performance. This kind of finding is a familiar as it has been supported by other scholars and hence highlighting the intensity of having good policies and supportive legal framework.

It can also be concluded that the local authority staff have helped in cutting out costs for the SACCOs to be given to other cartels as they are in charge of parking fees. This also led to a conclusion that the matatus are more disciplined and do not drop and pick passengers at any place they feel like due to the rules and regulations of the SACCOs management.

Matatu users had an effect on performance of matatu business in Kenya. It can therefore be concluded that SACCOs need to have good governance and short routes for making decisions regarding the operation of matatus. The matatu operators should also treat customers and users with respect as without them the business cannot progress.

Matatu operators perceptions had a positive effect on performance of matatu business. It can be concluded that though this sector is dominated by young operators the laws put in place by SACCOs are being adhered to and thus improved profitability.

Based on the results, findings and conclusions the following recommendations have been deciphered. It was found that SACCO policies determined the performance of matatu business. It is recommended to the SACCO management to ensure that all members of SACCO are bonded together and the policies are followed fully to maximize profitability and success of the business. It is recommended that the management conducts a market survey of other SACCOs performances in order to bring them to par with the other operators. This effort can lead to better services being delivered to the clients and subsequently lead to better performance.

It is recommended that the SACCOs and local staff authority should harmonize their relationship and ensure that the control of matatus is not a tag of war between them. This has help the route operators have harmonized working conditions hence able to deliver the services well.

Matatu users had an effect on performance of matatu business in Kenya. It is recommended that the management should put in place governance policies to ensure that everyone is heard. That is to ensure there is ability to mobilize the energies and commitments of members, through the creation of shared values and shared understanding, with the aim of framing, bridging and broadening.

The study also recommended that the management should ensure that they employ workers who can follow orders with minimum supervision and reward them well in terms of salary payment to avoid cases of theft and reduce accidents from over speeding and carrying excess passengers.

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