IMPACT OF COMPETITION FROM THE BANKS ON THE SACCO PERFORMANCE: A CASE STUDY OF UNITED NATION’S SACCO

BY

TERESA KAGONIA

A Project Report Submitted to the Chandaria School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY-AFRICA

FALL 2017
STUDENTS DECLARATION

I, the undersigned declare that this is my original work and that it has not been submitted to any other College, Institution or University other than the United States International University for academic purposes

Signed: ______________________   Date: ______________________

Teresa Kagonia Student ID (624851)

This project has been presented for examination with my approval as the appointed supervisor.

Signed: ______________________   Date: ______________________

Francis Mambo Gatumo

Signed: ______________________   Date: ______________________

Dean, Chandaria School of Business
ABSTRACT

The purpose of this research was to assess the impact of bank competition on the performance of the UN-Sacco. The study was guided by the following research questions:

Does competition from the banks lead to negative change in profitability of the Sacco?

Can the competition from the banks influence a change in member deposit’s to the UN-Sacco?

The researcher adopted quantitative methods to examine the relationship between variables with the primary goal being to analyze and represent that relationship mathematically through statistical analysis. The researcher further used a descriptive approach because the data that was collected was secondary data from UN-Sacco financial report and from central bank of Kenya. This was because the researcher wanted to establish the relationship between the variables. The survey study aimed at investigating the relationship between competition and the profitability and Members deposit of the UN-Sacco. The study analysed the asset base for the 40 listed banks and this will be compared to the profitability of the UN sacco and membership deposit. The period under scrutiny was from 2012 to 2016. This period is made on the basis that it covers the five years before after SASRA regulations came into effect.

To determine relationship between profitability of the Un Sacco i.e. the surplus of the entity and the completion i.e. the net asset of the commercial banks regression was done between Net assets of the commercial bank as a predictor variable against the surplus of the UN Sacco achieved in the period 2012- 2015. The \( R^2 \) of the model was 0.437. This means that 43.7 percent of the variations in the net profits are explained by equity financing of the firms in the manufacturing and allied industry. The 56.3 percent difference is due to factors not predicted in this model symbolized by the error term. Given this model, the study tested whether there is a strong empirical ground to conclude that equity financing significantly enhances net profits.

Based on the findings, it was established that 99.14% of the variations in the members deposit are explained by the change in the competition i.e. Net assets of the commercial banks which is very significant. The small difference of 0.86% is what is due to factors not predicted in this model symbolized by the error term. Given this model, the study tested and concluded that member deposit is very significantly influenced by the
competition from the commercial banks. The F-significance (P Value) for the study is 0.0002 therefore the relationship is statistically very significant. The study reveals that the relationship between member deposit and bank assets of the Sacco is strongly significant.

The study concluded that the variations in profitability of the UN Sacco can be explained by changes in the value of the Asset of the bank which in this case are the measure of the competition weight. It was also concluded that positive variations in the value of the assets of banks enhance the competition and hence negatively affect the growth of members’ deposit.

To exist in this industry it is recommendable that SACCOs should develop the depth and breadth of its market by carrying out the following marketing activities, market research, market fore casting, understand customer behavior, understand market segment and their needs, analyze the life cycle, promotion and proper pricing offer higher loan sizes and at the same time provide a longer repayment period and flexibility in the repayment period and flexibility in the repayment of the loans. UN Sacco needs to come up with a good strategy that will encourage member to deposit share with them rather than considering what the competition has. They should launch a good divided policy that will enhance the trust member have on them at the same time compete well with the banks. At the same time the UN Sacco should work closely with the members and using their expertise advise them on long term financial plans that include their investment strategy and work with them to ensure total success.

The study recommends that further research should be done on the effects of competition on the various variables influencing financial performance of UN Sacco. Further study should be carried out to determine the challenges facing Sacco in dealing with this competition and the relationship between competition and Sacco savings.
DEDICATION

I would like to dedicate this work to my husband Robinson and our children Joan, Cliff and Becky for their moral support they have extended to me during this period of study. The encouragement, understanding and sacrifice they have shown. I also dedicate it to my Mum Cecilia for her moral support and prayers all the time.
ACKNOWLEDGEMENT

My sincere gratitude goes to my Research Supervisor, Francis Mambo Gatumo for the guidance, intellectual advice and encouragement throughout the Semester. Special thanks go to my family for creating conducive environment for learning at home during my studies and even taking up some of my responsibility to give me more time to read. Thanks to the entire administration and management of the United State International University -Africa for their co-operation and all those who have sacrificed their time towards the contribution of this noble exercise. I am deeply indebted to many others whom I have consulted in the course of preparing this proposal. I thank them for being supportive and co-operative in various ways.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>STUDENTS DECLARATION</td>
<td>ii</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>iii</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>v</td>
</tr>
<tr>
<td>ACKNOWLEDGEMENT</td>
<td>vi</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>ix</td>
</tr>
<tr>
<td>ABBREVIATIONS AND ACRONYMS</td>
<td>x</td>
</tr>
<tr>
<td><strong>CHAPTER ONE</strong></td>
<td>1</td>
</tr>
<tr>
<td>1.0 INTRODUCTION</td>
<td>1</td>
</tr>
<tr>
<td>1.1 Background of the Study</td>
<td>1</td>
</tr>
<tr>
<td>1.2 Statement of the Problem</td>
<td>4</td>
</tr>
<tr>
<td>1.3 Purpose of the Study</td>
<td>5</td>
</tr>
<tr>
<td>1.4 Research Questions</td>
<td>5</td>
</tr>
<tr>
<td>1.5 Importance of the Study</td>
<td>5</td>
</tr>
<tr>
<td>1.6 Scope of the Study</td>
<td>6</td>
</tr>
<tr>
<td>1.7. Definition of the Terms</td>
<td>7</td>
</tr>
<tr>
<td>1.8 Chapter Summary</td>
<td>7</td>
</tr>
<tr>
<td><strong>CHAPTER TWO</strong></td>
<td>8</td>
</tr>
<tr>
<td>2.0 LITERATURE REVIEW</td>
<td>8</td>
</tr>
<tr>
<td>2.1 Introduction</td>
<td>8</td>
</tr>
<tr>
<td>2.2 Effect of Competition of Commercial Banks on the Profitability of the Sacco</td>
<td>8</td>
</tr>
<tr>
<td>2.3 Effect of competition of Commercial banks on Sacco Member Deposit</td>
<td>16</td>
</tr>
<tr>
<td>2.4 Chapter Summary</td>
<td>20</td>
</tr>
<tr>
<td><strong>CHAPTER THREE</strong></td>
<td>21</td>
</tr>
<tr>
<td>3.0 RESEARCH METHODOLOGY</td>
<td>21</td>
</tr>
<tr>
<td>3.1 Introduction</td>
<td>21</td>
</tr>
<tr>
<td>3.2 Research Design</td>
<td>21</td>
</tr>
<tr>
<td>3.3 Population and Sampling Design</td>
<td>21</td>
</tr>
<tr>
<td>3.4 Data collection</td>
<td>22</td>
</tr>
<tr>
<td>3.5 Research Procedures</td>
<td>23</td>
</tr>
<tr>
<td>3.6 Data Analysis</td>
<td>23</td>
</tr>
<tr>
<td><strong>CHAPTER FOUR</strong></td>
<td>25</td>
</tr>
<tr>
<td>4.0 RESULTS AND FINDINGS</td>
<td>25</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table 4.1: Surplus of the UN Sacco and Membership Deposits........................................25
Table 4.2: Surplus of the UN Sacco..................................................................................26
Table 4.3: Member Deposit 2012-2016 ........................................................................26
Table 4.4: Surplus of the UN Sacco to the Bank Asset ..................................................27
Table 4.5: Correlation of Members’ deposit to the Banks Asset.................................29
ABBREVIATIONS AND ACRONYMS

SACCO : Savings and Credit Cooperative Organization
SASRA : SACCO Regulatory Authority
UN : United Nations
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

Ministry of Industrialization and Enterprise Development (2014) states that cooperative movement has been in Kenya since 1908 when the first society was formed and since then the growth in this sector has been tremendous and quite dynamic (Ministry of Industrialization and Enterprise Development, 2014). According to Nkuru(2015) Cooperatives in Kenya contributes about 47% of the GDP and 34% of the national savings; empirical evidence indicates further that some 78% of the Kenyan people derive their livelihood either directly or indirectly from Cooperatives. This has indeed contributed to the growth in social and economic aspects in this country. According to Lakshmi and Visalakshmi (2013), Kenyan co-operatives put their contribution to GDP at 45% with 31% of national savings and deposits. They have 70% of the coffee market, 76% of the dairy, 90% of pyrethrum and 95% of cotton. In Kenya one in every five citizens is a member of a co-operative or 5.9 million and 20 million Kenyans directly or indirectly deriving their livelihood from the Co-operative movement. Cooperative movement therefore is an important part of this country’s growth.

United Nations (2009) established that globally, there are over 800 million members of different cooperative in over 100 countries. This has created over 100 Million jobs and hence very critical in terms of the economy and the wealth of a country. In terms of the percentage contribution to the country’s’ GDP, Kenya leads with the 45% worldwide and only followed by New Zealand at 22%. According to International Cooperative Alliance (2013) the Sacco movement in this country is very critical and vital for the growth of its citizen. It has been noted that some SACCOs have grown to a level where they have been able to convert to banks and own assets worth millions of money. Though Agricultural sector have been main vibrant one over years, other sector have really come up in the recent past.

According to Gicheru and M’Imanyara (2012)there are three main types Co-operatives namely i) consumer cooperatives that allows members to obtain goods and services e.g. the Juicily traders Sacco ii) Producers Co-operatives that helps members to access good
market and eventually high profitability for their produce e.g. the coffee farmers, Macadamia farmers’ association etc. iii) Worker or Employees co-operative that helps the workers to pull their resources together and access credit from the pool. All these groups have one thing in common, which is to allow growth and development of its member and increase their income levels. KMPG (2016) outlines that co-operatives therefore have been key contributors in this country to uplift members from low income level to middle income and increase their net worth in indeed the Gross domestic product of this country.

In the recent past however competition has clip into this sector in a very fast rate. The growth of banking sector, globalization and opening of many trading fronts has empowered the citizen and taking up part of the economy previously controlled by the Sacco. Central Bank of Kenya (2007) reported that over 30 non-bank financial institutions (NBFIs) have transformed to commercial banks in the past 13 years. Mbogo (2010) notes that this has therefore increased completion with each bank trying to entice the same clientele. Simpson (2005) stated that “A good concept of competition is one based on rivalry. This says that “to compete” one must try and outdo one’s competitors in production and voluntary trade” This competition phenomenon in today’s financial industry environment can only be approached by the Sacco getting the most effective way of competing and managing the competition which is the real challenge. So how can SACCOs thrive in an increasingly competitive environment where members and their needs are more diverse?

In 2007 the ICA ranked the Co-operative Sector in Kenya number seven in the world and one in Africa in terms of membership, capital, number of enterprises, and contribution to national economy Gweyi and Karanja (2014). Over the years however, Sacco’s in Kenya have gone through many turbulent that has tested their resilience. Though most Sacco’s are in Africa and Asia, that the developing country, other countries have also had people coming together to accomplish a goal for the goodness of their future. World Bank for example was started as a small club of members who wanted to protect their investment just before the end of the Second World War in 1944 at an international conference in Bretons Woods. Today World Bank effect is felt in each and every country in this world IMF (2016). In its expansion many other institutions were formed under its umbrella.
Today, in global and regional sector, countries are signing treaties to work together and benefit from the synergy. These agreements join the countries together to enjoy the synergy of working and negotiating as a bigger market or economy rather than one country by itself. East African commission is a good example five nations having an agreement to work together and negotiate as one. This gives the community a better bargaining power than when countries are stand alone. Other grouping at global level would include European commission (EU), COMESA region, and SADC countries to mention a few.

All the grouping are formed to deal with the issues to the day and to be able to bargain and compete with stronger force than before. There is an African proverb that says one finger cannot kill lice. In the same concept Sacco members have come together with the same thing and focus. Pulling their investment together and loan one another fund for their better future. According to Ngugi and Afande (2007) the Saccos have given members a chance to pool their resource together for re-investment in many areas such as provision of decent shelter for their families, healthcare, education, transport and benevolence. This has been the traditional thinking and concept. Until the recent year when dynamic of this togetherness is being threaten by the corporate sector that is more profit oriented and quite competitive. Banks are aggressively going for the traditional Sacco members and have completely enticed them with goodies that include low interest rate and longer period of payment (Mwangi & Auka, 2013).

Though this is debatable whether the deal the members are getting is better or not majority seem to be buying the idea since they are quite pressed with short repayment period offer by the Sacco. The UN-Sacco for example allows its member ship to repay their loans with a period of 36 months only. According to Karago and Okibo (2014) majority of Sacco’s are giving loans three times of members contributions at the lending rates of 1% on reducing balance, on the other hand, some other leading institutions are giving nine times of members’ savings at the same lending rates with Sacco’s. Sacco’s should look for more member retention strategies rather than the dividend aspect Sacco’s will therefore have to re-look at the way of operation thoroughly and have a paradigm shift to avoid loan defaulting.
For the SACCO to survive under this situation have to be innovative and inventive in their business strategies. Business competition in this context means, rivalry in business circles and the capability to taking a portion of the market share being controlled. Since no study that has been carried out in respect to UN SACCO under the current challenges it is important to carry out a study on the effects of competition. The competition has been intense with commercial banks eating into the business that had initially been owned by SACCOs.

This study therefore explorer the impact of competition to the SACCO movement and more especially to the UN-SACCO for the period 2012-2016. It was reviewed the movement of the cash flows and profitability as well as membership of the UN-SACCO analyses the changes.

1.2 Statement of the Problem

Since their establishment in 1973 in Kenya, Saccos have been providing financial products to their members without any competition from other financial service providers. However reform programs in the financial sector that started in the late 1990s such as liberalization have resulted in a lot of competition from other financial service providers especially in the banking sector.

Across-cutting issues affecting performance of SACCOs in Kenya include, governance, inadequate human resource, weak regulations and supervision, limited products and services, low marketing, innovation and poor image. The other challenges have been low capitalization, poor information technology, and high taxation, lack of financial standards (Mudibo, 2005). Certainly, these issues are the factors that either undermine or support the running of SACCOs. However, in his research he has not identified the aspects of risk management that affect the performance of the SACCOs. In addition there are inadequate research findings on how and to what extent these factors influence the performance of the SACCOs in Kenya.

According to National Micro and Small Enterprises (MSE) baseline survey by Central Bureau of statistics (1999) indicate that Kenya had a relatively well developed banking and formal financial sector. This consist of the central Bank, 43 commercial banks, 16 non-bank financial institutions, 2 mortgage finance companies, 4 building societies, 8
developed financial institutions, and about 387 savings and credit co-operative societies, 38 insurance companies, the National stock exchange and venture capital companies. The survey further indicates that nearly 89.6% of micro and small enterprises had never received credit and other financial services. Although with the recent capping of rates, the banks lower interest rates have led to them gaining competitive advantage over Sacco’s, as such forcing members with high loans to sell their Sacco loans to the banks (Guguyu, 2017).

This therefore means that for SACCO to survive under this situation have to be innovative and inventive in their business strategies. Business competition in this context means, rivalry in business circles and the capability to taking a portion of the market share being controlled. The competition has been intense with commercial banks eating into the business that had initially been owned by SACCOs. This study therefore aims to analyse the impact of bank competition on the performance of Sacco. The main focus will be on UN-Sacco.

1.3 Purpose of the Study

The purpose of this research was to assess the impact of bank competition on the performance of the UN-Sacco.

1.4 Research Questions

1.4.1 Does competition from the banks lead to negative change in profitability of the Sacco?

1.4.2 Can the competition from the banks influence a change in member deposit’s to the UN-Sacco?

1.5 Importance of the Study

1.5.1 UN–SACCO

The research will help the UN-Sacco to have a good understanding of the behavior of its membership hence in term of the investments and how to attract more members to the Sacco. This will help the Sacco to come up with better strategies and method of governance.

1.5.2 Academicians
The study will help the academicians to understand the impact of competition and the implication to SACCOs and to the economic development of a country. The study may also be used as a basis of further research in management of SACCOs.

1.5.3 To the SACCO Movement

This study will act as an eye opener to the SACCO movement that is threatened by the competition as to the causes and ways in which it can be reduced.

1.5.4 To SASRA

This study will useful to SASRA as it can be used as a benchmark on which the other Sacco’s are rated. This is because the environment under which the Sacco’s are operated is almost similar. SASRA can use the finding of the report to advise Sacco on how to mitigate on the competition

1.5.5 Government

The study will be useful to the government for policy formulation that relates to the performance and the management of the cooperative societies. The researcher is confident that valuable insights and conclusions drawn from this study will be useful in making financial and regulatory decision for the sector and mainly for the UN-Sacco

1.6 Scope of the Study

The study was confined to the competition of commercial banks in the Sacco in the period of five years 2012-2016. This was narrowed down to one Sacco which was the UN-SACCO. It also focused on the factors that have contributed to high competition and get to establish the impact of such competition to the growth SACCO business.

In attaining its objective, the study was limited to UN Sacco. Secondary data was collected from the Sacco and the study was also limited to the degree of precision of the data obtained from the secondary source. While the data was verifiable since it came from the SACCOs publications, it nonetheless could still be prone to these shortcomings.

The study was limited to determining the effects of competition from the commercial banks on financial performance of Sacco. The study was based on a five year study period from the year 2012 to 2016. A longer duration of the study would have captured periods
of various economic cycles. This may have probably given a longer time focus hence given a broader dimension to the problem.

1.7. Definition of the Terms

1.7.1 Profit

This is the ability an institution to use its resources to generate revenues in excess of its expenses. It is the entities capability of generating profits from its operations. Profitability is mainly measured using ratios (Ngugi & Afande, 2007).

1.7.2 SASRA

This is an acronym of SACCO Regulatory Authority. The Authority derives its powers to regulate the deposit taking Sacco Societies in Kenya from the Sacco Societies Act 2008 (Ministry of Industrialization and Enterprise Development, 2014).

1.7.3 Co-operative

This is an association of persons who have come together with a common purpose of pooling their resources together for mutual economic and social benefit (Nkuru, 2015).

1.8 Chapter Summary

This Chapter presents the background, the problem statement as well as the research questions importance of the study. It has also explained the importance of this study to all stakeholders that include the government; Sacco’s themselves and the academicians among others. The researcher has also looked at the scope of the study including the definition of the terminology used. In chapter two the literature review is analyzed in line with previous studies, chapter three presents the literature review and in chapter four data analysis is presented. In chapter five the conclusion and recommendation is drawn.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

In today’s rapidly changing business environment, managing both internal resources and challenges posed by the external environment is essential in the survival of any given organization. To deal effectively with matters that affect growth and profitability, executives employ management processes that they believe will position a firm optimally in its competitive environment and stated by Pearce and Robinson (2014). Strategic management plays a critical role in facilitating the deployment of a firm’s resources in an efficient manner to facilitate the optimization of long-term performance of the firm. The goal of competitive strategy is to find a position in the industry where the company can best defend itself against competitive forces or use them in its favor Porter (2013). Competitive strategy is concerned with how a firm competes in a given industry of market. It is therefore appropriate to state at this point that competitive strategies are concerned with one main question; how should we compete? This the thesis therefore seek to establish whether does competition from the banks lead to negative change in profitability of the Sacco or whether competition from the banks influence a change in member of deposit’s to the UN-Sacco.

2.2 Effect of Competition of Commercial Banks on the Profitability of the Sacco

2.2.1 Competition among Firms

Strategic management plays a critical role in facilitating the deployment of a firm’s resources in an efficient manner to facilitate the optimization of long-term performance of the firm. The goal of competitive strategy is to find a position in the industry where the company can best defend itself against competitive forces or use them in its favor Porter (2013). Competitive strategy is concerned with how a firm competes in a given industry of market. It is therefore appropriate to state at this point that competitive strategies are concerned with one main question; how should we compete?

According to Porter (2013) there are five forces driving competition in the industry, which largely determine the structure of the industry. The forces are: The threats of new entrants; the bargaining power of buyers; the threat of substitute products and rivalry among competitors. He also argues that competitive strategy is about offensive or
defensive actions to create a defendable position in an industry, to cope successively with
the competitive forces and thereby yield superior return on investment for the firm. Grant
(2015) urged that as competition intensifies in almost all industries, very few industry
environments can guarantee secure returns. Hence, the primary goal of a strategy is to
establish a position of competitive advantage for a firm.

A co-operative society is an association of people who join together voluntarily to
achieve a common social economic objective through the formation of a democratically
controlled organization, making equitable contribution to the capital required and
accepting a fair share of risk involved and benefits derived out of the undertaking in
which the members participate actively as urged by Murungi (2004). In Kenya, co-
operative are formed by different people in accordance to the activities they perform. The
most common types of co-operatives are: - Saving and credit co-operatives SACCO, Housing co-operative, transport co-operative, Marketing co-operative, Handcraft co-
operative and Service co-operative.

A saving and credit co-operative society (Sacco) is a type of co-operative whose objective
is to pool savings for the members and in turn provide them with credit facilities. Other
objectives of Sacco are to encourage thrift amongst the members and also to encourage
them on the proper investment practices. Whereas in urban areas salary and wages earner
have formed urban Sacco, in rural areas farmers have formed rural Sacco. There are also
traders, transport and community based Sacco KUSCCO (2007).

There is a need to protect the co-operatives from the competition from the banks hence all
the stakeholder need to work together toward this cause. The Cooperative movement
contributes over 31 percentages of the country’s national Savings, having mobilized over
KHz. 110 billion in domestic savings (Auditor, 2016). Up to 63% of the country’s
population also derives their livelihood, in one way or another from the cooperative
movement MoCDM (2007).Currently there are approximately 17,000 co-operatives
societies with the saving that impact on 75 % of Kenyan population. It has a capital base
of members’ capital base of 694 billion shillings.

These have had a lot of impact in the Socio-economic Development of this country and
make a significant contribution in its G.D.P (Daily Nation, 2015).Sacco respond to
people’s needs for food production, housing education, small enterprises, transport, Medicare, clothing and expenses in marriage, birth and death argues Mudibo in a column in Daily Nation (2003). Banks on the other hand have emerged with the same solution to the issues hence giving competition a platform. Zeuli and Cropp (2004) acknowledges that the cooperative principles are the guidelines by which these values are put into practice and the need to protect them. This in itself will help to mitigate the issues in the surrounding including the threat from the banks.

2.2.2 Empirical Review

Profitability of any institution is very critical. A number of studies have been undertaken on the effect of competition to the Sacco profitability. Littleton (1928) Stated that profit is the difference between the total revenue and total expenditure of an entity. Profits of the entity are expected to fluctuate due to dynamic changes in the business environment.

Profit is one of the most important components of any entity and profitability is affected by the economic conditions of demand and supply of the services of the Sacco. Mertens, 1998 stated that the framework of an institution has an implication for every decision made in the research” Mertens (1998). Keynes (2016) studied the profit and stated that “there exist normal rates of profit which is a return on capital that must be paid to the owner of capital as a reward for the investment of their funds rather than consuming all the income Keynes(2016). UN-Sacco had for the past many ears since formation in 1975 monopolized the Market for the UN staff and was the sole credit provider. The Sacco investors always have been hopeful that the profit will be better now than it was in the past years due to it’s the monopolistic it has over its territory. Increase in profit also means higher returns in terms of dividends (Gunduz & Semercioz, 2001).

This statement is building on the previous assertion by Hirschey (2009) that stipulated that in a stagnant economy where no unanticipated changes in demand or cost conditions occur, in long-run equilibrium the entity would be earning only normal rate of profit on their capital. This study would want to investigate if the profit have been stagnant of have fluctuated due to many changes in the economy and mushrooming of new facilities by the banks that are infringing into the territory of the UN-Sacco.
The journal article by Pasinetti (1962) explained that in a stationary economy or entity, if the quantum of capital invested, managerial organization, technology, demand pattern etc. remain constant hence no changes is expected in the surplus hence referred as pure profit. Under competitive conditions, price tends to equal average costs and hence, the surplus is zero. So, no pure profit but there may be some frictional profits emerging due to frictions in the system. Some of the factors mentioned above have in one way or the other affected the UN-Sacco. The demand pattern will need to be tested to see if the competition from the financial institution has any effect on it. The Sacco may therefore have to review if there is a change in the percentage of the profit they used to report in the past year the competition crept in to its territory.

UN Sacco profitability can be affected by many factors. According the past studies some of the factors can be internal with the Sacco itself. According to Mudibo (2005) Sacco profitability is affected by the governance “The major financial decisions involved in Sacco governance include laying down basic objectives to be met, evaluation of the objectives, establishment of the budget, budget approval, deciding on capital structure, cost of finance, fund raising, investment and distribution of returns. Internal weakness in governance of a Sacco gives room to the competition to hit hard on the entity hence causing reduction in profitability. The board of the directors of the Sacco may not be fast enough in taking up decision and measure to mitigate the many challenge from the environment.

Further studies have found that the use of institutional capital as a mode of financing Sacco’s activities would ensure their sustainability in the competitive co-operative sector. This means that the profitability and the growth of Sacco’s wealth depend to some extent on loan management, institutional strengths, and on Innovativeness of Sacco products as stipulated in Olando, Jagongo, and Mbewa(2013). If these factors are weak the competition will find its way to the institution and consume the little profit the organization is depending on. Banks are becoming very innovation and the wa of doing business. Saccos on the other has seem to be taking a lot of time due to bureaucratic way of doing business with SASRA. Hence by the time decision are reached a number of member are convinced otherwise by the competitors (SASRA,2011).

UN-Sacco profitability can also be affected by increase or decrease in membership of the entity. Members joint the Sacco to develop themselves and increase their wealth through
easier credit facilities. The Sacco rules can however be rigid at times at this can cause withdrawal of membership to the advantage of other lending institution. “There are more factors that have an effect on settling loans which include; inadequate loan follow ups by the management, inadequate collateral verification, bad repayment system and members’ failure to honor their obligations Karumuna and Akyoo(2011). The researcher further argues that Representative bodies have urged SACCOs to exercise cautious in admission of new members and have stressed adherence to the savings first principle. In a climate where access to credit provided by is poor, the financial institution may get a chance to buy them out of the Sacco. Furthermore, with rising of cost of living, informal economy and associated informal lending can provide the right climate for exploitative pyramid selling schemes to flourish. To mitigate on this the UN-Sacco will need to come up with lenient rule to encourage many members to take credit with them.

According to Owen (2007) SACCOs face considerable competition from banks more especially from the in urban areas and in the large market towns in rural areas. The primary competition is from banks. The banks are are of late seen by clients to be more transparent, and having better governance and operational systems. Banks generally have much smaller boards and managements, which allows them to make quick operational decisions to adapt to market changes hence providing the loan much faster and efficiently.

The reasons why banks have been able to give stiff competition to the Sacco is that banks have better strategic policy, better operational systems and transparent decision making processes than the Sacco’s. According to Kibaara (2016) Banks have been better and quicker in developing new products and providing clients with quick access to funds. In the past, the bank’s collateral requirement, charges for financial transactions, and minimum levels of deposits were prohibitive for the majority of the population. These policies pushed clients, particularly in rural areas, into the SACCO sector. The improvement on this has been seen in the past few years.

According to Muchungi and Associates (2004) Banks in Kenya have seen extraordinary growth in recent years. While the SACCOs have focused mainly on the men and the main bread winner, banks are targeting both men and women. The have a whole department dealing with products of microfinance, which is often missing in the market strategy of most SACCOs. SACCO’s competitive situation in Kenya is also complex because they are both competitors and clients to the banks.
As stated by Owen (2007) SACCOs have been slow in increasing their competitiveness by correcting operational and governance issues, developing new products and services, and pricing them competitively. He notes that only 175 large SACCOs have FOSAs with withdrawable savings and time deposits. The very top tier of the most progressive SACCOs including most of those with FOSAs are expanding their branch networks and partnering with other financial institutions such as the Cooperative Bank to offer ATM and money transfer services. This has given the bank an easier penetration to Sacco’s clients.

In that context new staff employed by the United Nation will probably become the member of the Sacco hence increasing the level of deposit that as a result will increase the supply of fund to be borrowed by the members. On the other hands some members may want to withdraw from the Sacco and take their investment to the banking sector hence reducing the supply of funds available for borrowing. Still on the same the retiring staff may wish to withdrawal their investment instead of continuing with the membership.

The UN-Sacco membership may change their taste and preference in terms of the loan and loan services required. Member who in the past years would apply for short term loan would now wish to take mortgage related loans or loans for long term investment. Long term credit requires loan term repayment period that The Sacco would not be able to support. The Sacco loan are paid within sixty (60) months while the bank can provide the mortgages that are payable in twenty (20) years. The Sacco guidelines are set by SASRA and in this case it would be a long process to amend the existing rules. Due to this flexibility in the banking sector the members may probably wish to consider the leniency that the banking sector offers. If the Sacco members choose to take this route the net effect might cause a reduction in profitability.

The world today is very dynamic. Member to Sacco have different type of wants that multiplies day in day out. These wants includes school fees, purchasing of motor vehicle, building shelters among many thing that required consolidated funding. Banking sector as a way of competition has provided different facilities and made it easier for their client to access. On the other had the Sacco will have to stick on their rules and regulation. A good example is that all the borrowers will need to have a one third of their income reaming in their paycheck otherwise no facility will be advanced to them. This may discouraged most members would have some emergencies here and there and would wish to have a
quick fix solution. On account of these changes the economy tends to be dynamic. Demand and supply conditions are altered. Some entrepreneurs may get advantageous business positions against others.

### 2.2.3 Gaps in Literature

Even though Littleton (1928) analyzed the issue of profitability on an entity thoroughly he failed to show the relationship that may exist between the competition from the environment and the profit of the entity. He however, agrees that profit changes are attributable to the uncertainty and that any divergence of the condition around may have effect on the net surplus. The researcher could have gone further to state some of this uncertainty that might be there in the environment.

Pasinetti (1962) failed to associate the profit of an entity to the changes in the environment including the competitors. He instead associated the profitability to the saving of individual more than to the level of the competition. The study will therefore try to see if there is any correlation between the competition and the profitability. He further states that “Economists have never been able to bring the issue of profitability out clearly. In particular they have always thought-and the post-Keynesian theories seemed to confirm-that the relation between capitalists' savings and capital accumulation depended on particularly simplifying and drastic assumptions about negligible savings by the workers. The novelty of the present analysis has been to show that the relation is valid independently of any of those assumptions Pasinetti(1962).

The study by Mudibo (2005) may have concluded that the internal governance in one of the major causes of decline in profitability in the Sacco. The connection between the governance issues and the competition from other institutions was however not clearly stipulated. It’s apparent that, if there is a weak management in organization, everything else will be faced in with challenges. Weak management makes poor decision and will not be able to come up with ideas to mitigate the new entrant in the market or the new product which may be more attractive.

Sacco in general will need to be more innovative in tacking the issues. According to Olando, Jagongo, & Mbewa (2013) innovation in term of fresh ideas will held to mitigate
the force in the environment. The study however did not clearly state how innovation will help to mitigate competition from the banks and what steps the Sacco should take to curb this challenge. The researcher however agrees that Vision 2030 strategy among other things requires the financial services sector to play a critical role in mobilizing the savings and investments for development of the country by providing better intermediate between savings and investments than at present. UN-Sacco can only do this if it retains or increases the profitability level.

Out of Porter (2013) five forces driving competition in the industry, which largely determine the structure of the industry, three of these forces really affect the Sacco industry namely; the threats of new entrants; the threat of substitute products and rivalry among competitors. There has been no study that has conclusively closed the gaps that related to the Sacco industries. Porter further had argued that competitive strategy is about offensive or defensive actions to create a defendable position in an industry, to cope successively with the competitive forces and thereby yield superior return on investment for the firm.

Further Studies by Grant (2015) urged that as competition intensifies in almost all industries, very few industry environments can guarantee secure returns. Hence, the primary goal of a strategy is to establish a position of competitive advantage for a firm (Grant, 2015). Hence the Sacco will need to come up with proper strategy to curb the stiff competition been seen from other financial institutions.

Murungi (2004) agrees that a co-operative society is an association of people who join together voluntarily to achieve a common social economic objective through the formation of a democratically controlled organization, making equitable contribution to the capital required and accepting a fair share of risk involved and benefits derived out of the undertaking in which the members participate actively. His study however did not anticipate that these forces will be faced with challenges in future that need and earlier strategy.

A report by KUSCCO (2007) advised the Sacco to be on the top of the game. Sacco contributes a lot in the economy of this country and hence need to have a focus and anticipation of what may happen in the future and hence plan accordingly. The studies
done so far have failed to educate the management of the Sacco on how to deal with turbulent in the economy and in the environment.

2.3 Effect of competition of Commercial banks on Sacco Member Deposit

2.4.1 Empirical Review

The saving of the member deposit may have correlation with the age of the members and the influence of the environment. Modigliani and Brumberg (1954) focused on how age influences the investment decision making. However, the study has been inconclusive regarding the correspondence between observed savings behavior and the pattern of saving and dissaving predicted by the life-cycle hypothesis. Regardless of the income and consumption in different ages of it’s also noted that young people are more alert and irrational in their decision making. The might be easily swayed by marketers who will easily convince them that of better rate in other financial institutions. Many studies seemingly in conflict with the life-cycle hypothesis, have found that older persons continue to deposit funds with the Sacco even after retirement.

King (1987), for example, noted that depositing shares in retirement is not necessarily inconsistent with the life-cycle hypothesis, if one accounts for a version of individuals to uncertainty about the future (e.g., how long they will live and future inflation). The older persons may just want to use the entity they have used over the years. Hence there might be a tendency of them saving more in the Sacco

Mburu (2010) studied the impact of liberalization in the banking industry on SACCOs in Kenya and found that there was need for SACCOs to adopt a corporate governance strategy for them to improve their financial performance and for them to retain competitive in the industry. This competition has been seen to affect the members of deposit majority of the Sacco.

Athanasoglou, Delis and Staikouras (2016) asserted that deposit is one of the specific factors that influence the level of financial performance. Capital is the amount of own fund available to support the SACCOs business and act as a buffering case of adverse situation (Athanasoglou, , Delis and Staikouras , 2016). Hence any effect of the deposit will impact on the performance of the Sacco. In this case the individual member to the Sacco benefits at the same time the Sacco get enough deposit to loan its members.
Diamond (2000) a firms that Sacco capital creates liquidity due to the fact that deposit are most fragile and prone to runs. Moreover, greater capital reduces the chance of distress (Diamond, 2000). It is important to therefore safeguard the Sacco the Sacco deposit from the effect of the competition from the bank. The interest rate (year-end dividend) in the market may, to a greater extent influence the saving form members. Members would want to save whether there is higher benefit in terms of the interest provided. Dividend policy is also likely to be influenced by the performance of Sacco’s. This is a very important factor in measuring the Sacco performance.

When the Co-operative sector was liberalized in 1997, Sacco’s including the UN Sacco started venturing into the provision of services that were previously offered by banks through the FOSA. This included cheques discounting, savings and fixed accounts and serving as salary pay points. This action by Saccos marked the genesis of the competition for customers between Saccos and other Financial Institutions. Ongore (2001) found that more than 50% of the Kenyan Saccos are in Nairobi were competing for scarce funds with Banks and Non-Bank Financial Institutions. A similar study by the Ministry of Cooperative Development & Marketing (G.O.K, 2005) revealed that Saccos are facing stiff competition from Banks and Micro Finance Institutions.

Banks have been using non-price competition strategies to owe the Sacco members. These include longer repayment period, instant loan processing among other. Non-price competition minimizes the importance of price as a competitive tool. Positioning is other strategy the banks are using and it involves implanting the brands unique benefits and differentiation in the customer’s mind. It is the complex set of perceptions, impressions and feelings that consumers have for the product compared with competing products. Marketers must plan positions that will give their products the greatest advantage in selected markets and they must design marketing mixes to create this planned position (Kotler and Armstrong, 2001).

According the study by Gathurithu (2011) Sacco’s are financial institutions which offers similar products like banks and most of them were formed long time ago but their performance is not something to be proud of compared to commercial banks and other financial institutions (Gathurithu, 2011). It is critical to note that banks have been seen to be more flexible than most Sacco in terms of negotiation. SASRA have in the past urged
Sacco to exercise a bit of cautious in admitting new members and have scrutinized and stress adherence to the savings as a first principle. Further, representative bodies have urged Sacco to be alert to the increasing demands of current members by emphasizing to following of the set rules and procedures. In an environment where access to credit is not so good, the Sacco member may get easily bought out by other institutions like banks and Micro-finance credits. Furthermore, with wide spread need of credit facility in an informal economy could lead to informal lending. This could be used as a good ground for exploitative pyramid selling schemes to flourish. In such a context, it was important for Sacco to adopt and implement mechanisms to verify the validity and authenticity of loan application requests rigorously (Karumuna and Akyoo, 2011). Most Sacco may have lost their member in this way and this could cause the change in the levels of member’s deposits which is the backbone of the Sacco.

With the current options prevailing in the market in Kenya the staff who re retiring seem to be preferring to withdrawal their deposit and invest in the market e.g. in Treasury bills where they will have a direct access rather in Sacco whether deposit are no accessed. Instead you can only take a loan against these deposits. Seminars and Education days are expected to mitigate on these expected withdrawal. This education is meant for the good of the members. Financial stewardship is meant to increase and sustain Sacco’s value and satisfy the needs and interests of all the members. Accordingly, the financial manager is expected to provide information which will assist in decision making concerning the investment of the Sacco’s capital. (Olando et al 2013).

A number of other studies, however, have found evidence of a hump-shaped pattern of savings that is consistent with the life-cycle hypothesis. It is important to note that most studies have tended to underestimate the degree of dissaving among retiring persons because these studies have not generally accounted for the lack of accumulation of pension wealth associated with other government saving like National Social Security Fund.

Pension payments are that are received by UN-Sacco retired member are probably the best example of lack of accumulation of savings the entity. They would prefer to earn interest on whatever share they have. The other factor that may cause the older member not save a lot in the Sacco is the inflation rate and the option available in the market that
may offer better rate than what I in the Sacco. 91 Day Treasury bill and M-Akiba are option that may make the member to probably withdrawal deposit from the Sacco and invest in them. This can affect the level of the investment in terms of deposit with the UN-Sacco After accounting for personal contributions and withdrawal of benefits from savings, Tullio and Modigliani (1998) find evidence for the expected hump-shaped savings profile.

2.3.2 Gaps in Literature
The saving of the member deposit is one area that needs to be safeguarded by the Sacco Management. Sacco saving forms the backbone of the Sacco wealth and need to be protected from the competition. The study on the Sacco in Kisumu county revealed that to curb competition, it is common to see Sacco maintaining extended working hours, flexible time schedules, and outsourcing marketing to attract customers. Presently there has been the massive deployment of technology and Sacco have upgraded to computerized system (Otieno and Oyugi, 2016). While the study has clearly shown how the CAMELS model relates to the performance it has not related the same to the competition in the market.

Hafeez and Attiya, (2009) in the study on the determinant of the dividend policy admit that the dividend rate prevailing will encourage the depositor to retain and increase their saving it its favorable or decrease if otherwise. There is a need to analyze the influence of the dividend in the environment and how it influences the deposit of the Sacco to remain in the entity.

King (1987) in said that the older person may not necessarily want save in these institution due to uncertainty. They are the member who hold quite a lot of the money in these institution that their withdrawal could affect the level of deposit and hence the Sacco performance. Further studies will need to link the competition in the market to the decision the older member take in as far as the continuity of their saving.

Financial institutions have capitalized on the reduction of Sacco performance by capturing part of its deposit. Athanasoglou, Delis and Staikouras (2016) asserted that capital is the amount of own fund available to support the SACCOs business and act as a buffering case of adverse situation (Athanasoglou, , Delis and Staikouras 2016). The
study however did not paint a picture of what would be the situation if the buffering is interfered with in terms of membership withdrawals.

Performance is a function of a number of factors that include competition such that if these factors are favorable, the Sacco is likely to post excellent performance and experience poor performance where one or all of the factors are not favorable (Hammer & Champy, 1993). This researcher clearly appreciates that competition is critical for the future survival of the Sacco. It is important to get the clear relationship between competitions to the saving of the member. According to Porter (1980), superior performance can be achieved in a competitive industry through the pursuit of a generic strategy which he defines as the development of an overall cost leadership or differentiation focus approach to industry competition (Porter 1980). This will mean that the return to the deposit for the Sacco needs to be higher than those of the completion to probably encourage member to save more.

2.4 Chapter Summary

This chapter presented competition from the banks the Sacco’s in general. It looked at the effects in regards to the Sacco’s profitability as well as the impacts on the interest on the deposits. It further looked at the impact on the levels of the members’ deposits by reviewing various theories and what happens in practice.

The chapter, further, reviewed the indicators of the competition being experienced that starts with declines of the loan being requested by members. Most of the members who had big loans with the UN Sacco and had problems paying back are considering selling of the loan to the banks for a longer repayment period. This continues to eat up on the clientele base of the UN Sacco. The next chapter presents research methodology.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter is about the research methodology to be followed in order to realize the objectives of the study. The chapter outlines the research design, data sources, data collection method, research procedure and data analysis technique that will be used and concludes with a summary. Research methodology tells the researcher how to attain accuracy in the description, explanation, and prediction.

3.2 Research Design

According to Mugenda and Mugenda (2003), research design is the outline plan or scheme that is used to generate answers to Research problem. It’s basically the structure and plan of investigation. The researcher adopted quantitative methods to examine the relationship between variables with the primary goal being to analyze and represent that relationship mathematically through statistical analysis. The researcher further used a descriptive approach because the data that was collected was secondary data from UN-Sacco financial report and from central bank of Kenya. The research design survey is the process of collecting data to determine the relationship between variables study. This was because the researcher wanted to establish the relationship between the variables. The survey study aimed at investigating the relationship between competition and the profitability and Members deposit of the UN-Sacco.

3.3 Population and Sampling Design

3.3.1 Population

The targeted population can be defined as a set of individuals with some common observable characteristics of a particular nature distinct from other population. According to Mugenda and Mugenda (2003), a population is a well-defined as a set of people, services, elements and events, a group of things household that are being investigated. The study analysed the asset base for the 40 listed banks and this will be compared to the profitability of the UN sacco and membership deposit. The period under scrutiny was
from 2012 to 2016. This period is made on the basis that it covers the five years before after SASRA regulations came into effect.

3.3.2 Sampling Design

3.3.2.1 Sampling Frame
Cooper and Schindler (2003) define a sampling frame as a list of elements in the population from which the sample is actually drawn. Sampling frame is defined as the entire set of source materials whereby the research sample is selected from (Turner, 2003). The purpose of this frame is to provide an outline whereby particular members of the target population can be chosen to participate in the survey. An ideal sample frame ought to be complete, accurate and most of all up-to-date. There by drawing conclusion on the factors affecting impact of bank competition on the performance of the UN-Sacco.

3.3.2.2 Sampling Technique
Sampling technique denotes the process utilized by a researcher to select a sample depending on the quality intended by the study. If a sample is to be used, it is necessary that they be a representative of an entire population in order to get an accurate report (Barratt, 2009). The study used purposive sampling where data on profitability and membership deposit was drawn.

3.3.2.3 Sample Size
A sample size of 30% (and above) of any population is conventionally representative sample that enables generalization to the larger population (Mugenda & Mugenda, 2003). For this study, a standard level of 95% and a standard error of 5% were used for a period of 5 years from 2012 to 2016.

3.4 Data collection
The study was facilitated by use of secondary data that was extracted from published financial reports for the period under study. Secondary data was collected by extracting, Surplus, Members deposit from the UN-Sacco annual report and Bank Asset from Central Bank of Kenya annual reports for the past five year. This was downloaded from the UN-SACCO and Central Bank of Kenya website and other channels of communication.
3.5 Research Procedures

The data that is surplus for the period, members’ deposits and net asset of the commercial banks was collected from statement of comprehensive income and statement of financial position of Sacco’s for period 2012-2016 and from the Central Bank of Kenya data respectively.

The surplus for the period and members deposits was used as the dependent variable while the net asset for the forty banks will represented independent variables the in analyzing the data under this study.

3.6 Data Analysis

The data was analyzed through descriptive statistics such as mean, medium, percentages and standard deviation. It was further analyzed using inferential statistics in trying to reach to a conclusion that is beyond the data to make a clear judgment. These include Analysis of Variance (ANOVA) and regression analysis among others.

The data collected was analyzed through the tools that are readily available in the mainly SPSS. Some of the tools used in SPSS included graphs and tables to enhance the simplicity in understanding their contents. The researcher used these methods of presentation to give the reader a better and clear understanding of the study. The tools were also easy to use and widely understood by either literate or semi-illiterate population that might consume the data.

The researcher used SPSS to derive descriptive statistics to calculate the variance and margin of error. Regression method was used to analyze the relationship between independent variables i.e. net asset of the 40 banks and dependent variables i.e. surplus for the period and members’ deposits.

\[ Y = B_0 - B_1X_1 - B_2X_2 + \epsilon \]

Where; \( Y \) = Assets of the Commercial banks
\( B_0 = \) A constant
\( X_1 = \) Surplus of the period
\( X_2 = \) Member deposit of the UN Sacco
B₁, B₂ = Coefficients for respective determinants
ε = Error term

Competition was measured by the net asset value of the commercial banks with assumption that the higher the value of the asset the higher the competition experienced by the UN –Sacco.

Correlation Coefficient (r) determined and measures the strength and direction of the relationship between the independent variable i.e Asset of the bank and each of their dependent variables (profitability, members’ deposit).

3.6 Chapter Summary

The chapter explained the research methodology that was applied. This included the population of the study, the data collection methods, and data analysis and techniques and data presentation. The next chapter presents the results and findings of the study.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter outlines the content of findings, which the researcher got from the study. Here the findings are analyzed on the basis of the secondary data collected from the Annual financial reports of the UN Sacco and also the Bank supervisory Annual reports from the Central Bank of Kenya. The researcher wanted to establish if there is a relationship between the competition from the banks and Profitability of the UN-Sacco and Membership deposits.

4.2 Descriptive Statistic Surplus of the UN Sacco and Membership Deposits

The researcher wanted to establish if the Surplus (profitability) and the members’ deposit of the Sacco have a correlation with bank competition that in this case have been measured by the Net Asset for the a period of five years 2012 to 2016. The Surplus and the members deposit of the Sacco is from the financial statement for the period 2012-2016. The table below gives a summary of the figures collected by the researcher that will be used to get the descriptive statistic, regression and beta.

Table 4.1: Surplus of the UN Sacco and Membership Deposits

<table>
<thead>
<tr>
<th>Years</th>
<th>Surplus for the year in Millions in (Ksh)</th>
<th>Member's Deposit in Millions (Ksh)</th>
<th>Bank (40) Assets in Millions in( Ksh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>88</td>
<td>5,374</td>
<td>2,289,651</td>
</tr>
<tr>
<td>2013</td>
<td>79</td>
<td>6,232</td>
<td>2,631,000</td>
</tr>
<tr>
<td>2014</td>
<td>379</td>
<td>7,158</td>
<td>3,166,404</td>
</tr>
<tr>
<td>2015</td>
<td>347</td>
<td>7,778</td>
<td>3,377,133</td>
</tr>
<tr>
<td>2016</td>
<td>226</td>
<td>8,355</td>
<td>3,613,532</td>
</tr>
</tbody>
</table>

4.2.1 Descriptive statistic on Surplus of the UN Sacco

Description statistics is a brief summary of a data which in this case represent the entire population. The researcher has used the measure of central tendency and variability. The table 4.2 below gives a clear picture of the descriptive statistics derived from the SPSS for the data collected above on the surplus of the period as well as the net assets of the 40 commercial banks.
Table 4.2: Surplus of the UN Sacco

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Dependent Variable</th>
<th>Independent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Surplus in Millions</td>
<td>Bank Asset in Millions</td>
</tr>
<tr>
<td>Mean</td>
<td>224</td>
<td>3,015,544</td>
</tr>
<tr>
<td>Standard Error</td>
<td>63</td>
<td>243,505</td>
</tr>
<tr>
<td>Median</td>
<td>226</td>
<td>3,166,404</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>140</td>
<td>544,493</td>
</tr>
<tr>
<td>Count</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Based on the Table 4.2 above mean of the Surplus is 224 Million Kenya Shillings while the median is 226 Million Kenya Shillings and the standard deviation of 140 Million Kenya Shillings. The standard error expected is 63 Million Kenya Shillings. On the other hand the mean of the net asset of the forty (40) banks that data was collected from, is 3,015,544 Million Kenya Shillings with a stand error of 243,505 Million Kenya Shillings and standard deviation of 544,493 Million Kenya Shillings. The period is 5 years.

4.2.2 Descriptive statistics on Member Deposit 2012-2016

The table 4.3 below gives the descriptive statistics derived from the SPSS for the data collected above on the member deposit and net assets of the 40 commercial banks.

Table 4.3: Member Deposit 2012-2016

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Dependent Variable</th>
<th>Independent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Member’s Deposit in millions</td>
<td>Bank Asset in Millions</td>
</tr>
<tr>
<td>Mean</td>
<td>6,979</td>
<td>3,015,544</td>
</tr>
<tr>
<td>Standard Error</td>
<td>534</td>
<td>243,505</td>
</tr>
<tr>
<td>Median</td>
<td>7,158</td>
<td>3,166,404</td>
</tr>
<tr>
<td>Standard Deviation</td>
<td>1,194</td>
<td>544,493</td>
</tr>
<tr>
<td>Count</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

Based on Table 4.3 above, the descriptive statistics derived on the member deposit shows that the mean is 6,979 Million Kenya Shillings while the median is 6,695 Million Kenya
Shillings and standard deviation of 1,194 million Kenya Shillings. The population count is 5 that represent the number of years of the period under the study. On the other had the mean of the net asset of the forty (40) banks that data was collected from, is 3,015,544 Million Kenya Shillings with a stand error of 243,505 Million Kenya Shillings and standard deviation of 544,493 Million Kenya Shillings. The period is 5 years.

4.3 Correlation of the Variables
4.3.1 Correlation of Surplus of the UN Sacco to the Bank Asset

To determine relationship between profitability of the Un Sacco i.e. the surplus of the entity and the completion i.e. the net asset of the commercial banks regression was done between Net assets of the commercial bank as a predictor variable against the surplus of the UN Sacco achieved in the period 2012-2015.

The $R^2$ of the model was 0.437. This means that 43.7 percent of the variations in the net profits are explained by equity financing of the firms in the manufacturing and allied industry. The 56.3 percent difference is due to factors not predicted in this model symbolized by the error term. Given this model, the study tested whether there is a strong empirical ground to conclude that equity financing significantly enhances net profits.

Table 4.4: Surplus of the UN Sacco to the Bank Asset

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>R Square Change</td>
<td>F Change</td>
</tr>
<tr>
<td>1</td>
<td>.732a</td>
<td>0.536</td>
<td>0.3815</td>
<td>.428.2088</td>
<td>.119</td>
<td>3.467</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>635801.89</td>
<td>1</td>
<td>635801.897</td>
<td>3.467</td>
<td>.159b</td>
</tr>
<tr>
<td>Residual</td>
<td>550088.201</td>
<td>3</td>
<td>183362.734</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>1185890.099</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Std Error</th>
<th>t-stat</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>2377.918</td>
<td>392.332</td>
<td>.009b</td>
</tr>
<tr>
<td>Surplus of the year</td>
<td>2.847</td>
<td>1.529</td>
<td>1.529</td>
</tr>
</tbody>
</table>

A correlation is referred to be significant when its significance level is less than 0.05 ($P=0.159 > 0.05$). Table 4.4 therefore reveals a relationship between surplus of the UN Sacco and Net Asset of the banks is not very strong.
Based on the table 4.4 above, $R^2$ of the model was 0.5361; this means that 53.61% of the variations in the surplus are explained by the change in net assets of the commercial banks. This is significant. The 46.39% difference is due to factors not predicted in this model symbolized by the error term. Given this model, the study tested whether there is a strong empirical ground to conclude that Surplus of the Un-Sacco is significantly influenced by the competition from the commercial banks.

This is quite significant. $P>0.05$, $N=5$. The F-significance (P Value) for the study is 0.159 therefore the relationship is statistically not that significantly. The study reveals that the relationship between surplus and bank assets of the Sacco is not strongly significant.

In social science research situations, a correlation is considered significant when its significance level ($p$) is less than 0.05 ($p = 0.159<0.05$). Figure 1 reveals a negative relationship between surplus of the UN-Sacco and the competition from commercial banks. From the figure above it is shown that surplus of the UN Sacco correlates with Net Assets of the commercial banks at ($r= -0.732$, $P<0.05$, $N=5$).

The $p$-value for the study is 0.159 therefore, the relationship is statistically significant. The study clearly reveals that there is relationship between surplus of the UN-Sacco and the competition from the Commercial banks.

The standardized coefficient ($\beta$) is-0.732 and $p$ value is 0.159. The study used linear regression model to test the relationship between surplus of the UN-Sacco and the competition from Commercial banks.

Table 4.4 shows the beta coefficients of Surplus of the UN Sacco. The beta coefficient of surplus of the UN-Sacco was negative meaning that a unit change in the competition from commercial banks causes a negative change in the Surplus of the UN Sacco. The study hence concluded that competition from commercial bank has a significant influence on profitability of the UN-Sacco.

The regression equation shown below indicates that a unit change in the competition i.e. net asset of the commercial banks causes a decrease of 0.732 in surplus of the UN Sacco. $y= 2377.92+ 2.847x$, where $y$ is the constant, $x$ is the surplus of the UN-Sacco.
4.3.2 Correlation of Members’ deposit to the Banks Asset

Table 4.5: Correlation of Members’ deposit to the Banks Asset

<table>
<thead>
<tr>
<th>Model</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
<th>Change Statistics</th>
<th>R Square Change</th>
<th>F Change</th>
<th>df1</th>
<th>df2</th>
<th>Sig. F Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.997a</td>
<td>.994</td>
<td>.991</td>
<td>.50370.44</td>
<td>.119</td>
<td>464.40</td>
<td>1</td>
<td>4</td>
<td>.000</td>
</tr>
</tbody>
</table>

Based on the table 4.5 above, R² of the model was 0.9914; this means that 99.14% of the variations in the members deposit are explained by the change in the competition i.e. Net assets of the commercial banks which is very significant. The small difference of 0.86% is what is due to factors not predicted in this model symbolized by the error term. Given this model, the study tested and concluded that member deposit is very significantly influenced by the competition from the commercial banks.

The F-significance (P Value) for the study is 0.0002 therefore the relationship is statistically very significantly. The study reveals that the relationship between member deposit and bank assets of the Sacco is strongly significant significance level (p) is less than 0.05 (p = 0.002<0.05). Table 4.5 reveals a negative relationship between member deposit and the competition from commercial banks. From the table 4.5 above it is shown that member deposit correlates with competition from commercial banks yet Assets (r= -.996, P<0.0002, N= 5).

The p-value for the study is 0.0002 therefore; the relationship is statistically strongly significant. The study clearly reveals that there is relationship between member deposit at the UN-Sacco and the competition from the Commercial banks.
The coefficient of determination for the relationship between surplus of the UN-Sacco and the competition from commercial which is 93.4\% (r adjusted). This means that 93.4\% percent of member deposit was explained by the competition experienced during the period

The standardized coefficient (β) is -0.934 and p value is 0.002. The study used linear regression model to test the relationship between member deposit of the UN-Sacco and the competition from Commercial banks. The beta coefficient of surplus of the UN-Sacco was negative meaning that a unit change in the competition from commercial banks causes a negative change in the member deposit of the UN Sacco. The study hence concluded that competition from commercial bank has a significant influence on member deposit of the UN-Sacco.

The regression equation shown below indicates that a unit change in the competition i.e. net asset of the commercial banks causes a decrease of 158.314 in member deposit of the UN Sacco.

\[ y = -158.314 + 454.74x \]

where y is the constant, x is the surplus of the UN-Sacco

4.5 Chapter Summary

In this chapter, the results and findings of the study have been presented. These results and findings were constructed basing on the secondary data as provided in the financial reports of the UN Sacco and the financial report of the Central bank of Kenya. The chapter showed Regression analysis of Surplus and member deposit of the UN Sacco and net assets of the forty commercial banks. The beta coefficients were also analyzed. The next chapter presents the summary, discussions, conclusions and recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary in regard to the research question and discusses the findings from the data collected. It further provided the conclusion from the finding and recommendations that the researcher would wish to convey. Finally the references used for this document are listed at the end of this chapter.

5.2 Summary

The purpose of this research was to assess the impact of bank competition on the performance of the UN-Sacco. The study was guided by the following research questions:

Does competition from the banks lead to negative change in profitability of the Sacco?
Can the competition from the banks influence a change in member deposit’s to the UN-Sacco?

The researcher adopted quantitative methods to examine the relationship between variables with the primary goal being to analyze and represent that relationship mathematically through statistical analysis. The researcher further used a descriptive approach because the data that was collected was secondary data from UN-Sacco financial report and from central bank of Kenya. This was because the researcher wanted to establish the relationship between the variables. The survey study aimed at investigating the relationship between competition and the profitability and Members deposit of the UN-Sacco. The study analysed the asset base for the 40 listed banks and this will be compared to the profitability of the UN sacco and membership deposit. The period under scrutiny was from 2012 to 2016. This period is made on the basis that it covers the five years before after SASRA regulations came into effect.

To determine relationship between profitability of the Un Sacco i.e. the surplus of the entity and the completion i.e. the net asset of the commercial banks regression was done between Net assets of the commercial bank as a predictor variable against the surplus of the UN Sacco achieved in the period 2012-2015.
The $R^2$ of the model was 0.437. This means that 43.7 percent of the variations in the net profits are explained by equity financing of the firms in the manufacturing and allied industry. The 56.3 percent difference is due to factors not predicted in this model symbolized by the error term. Given this model, the study tested whether there is a strong empirical ground to conclude that equity financing significantly enhances net profits.

A correlation is referred to be significant when its significance level is less than 0.05 ($P=0.159>0.05$). It was revealed that the relationship between surplus of the UN Sacco and Net Asset of the banks was not very strong. The $R^2$ of the model was 0.5361; this means that 53.61% of the variations in the surplus are explained by the change in net assets of the commercial banks. This is significant. The 46.39% difference is due to factors not predicted in this model symbolized by the error term. Given this model, the study tested whether there is a strong empirical ground to conclude that Surplus of the Un-Sacco is significantly influenced by the competition from the commercial banks. The F-significance (P Value) for the study is 0.159 therefore the relationship is statistically not that significantly. The study reveals that the relationship between surplus and bank assets of the Sacco is not significant.

In social science research situations, a correlation is considered significant when its significance level ($p$) is less than 0.05 ($p = 0.159<0.05$) therefore, the relationship is statistically significant. The study clearly reveals that there is relationship between surplus of the UN-Sacco and the competition from the Commercial banks. The study used linear regression model to test the relationship between surplus of the UN-Sacco and the competition from Commercial banks. The beta coefficient of surplus of the UN-Sacco was positive meaning that a unit change in the competition from commercial banks causes a positive change in the Surplus of the UN Sacco. The study hence concluded that competition from commercial bank has a significant influence on profitability of the UN-Sacco.

Based on the findings, it was established that 99.14% of the variations in the members deposit are explained by the change in the competition i.e. Net assets of the commercial banks which is very significant. The small difference of 0.86% is what is due to factors not predicted in this model symbolized by the error term. Given this model, the study tested and concluded that member deposit is very significantly influenced by the competition from the commercial banks.
The F-significance (P Value) for the study is 0.0002 therefore the relationship is statistically very significant. The study reveals that the relationship between member deposit and bank assets of the Sacco is strongly significant significance level (p) is less than 0.05 (p = 0.002<0.05). The study clearly reveals that there is relationship between member deposit at the UN-Sacco and the competition from the Commercial banks.

The coefficient of determination for the relationship between surplus of the UN-Sacco and the competition from commercial which is 93.4% (r adjusted). This means that 93.4% percent of member deposit was explained by the competition experienced during the period

The standardized coefficient (β) is -0.934 and p value is 0.002. The study used linear regression model to test the relationship between member deposit of the UN-Sacco and the competition from Commercial banks. The beta coefficient of surplus of the UN-Sacco was negative meaning that a unit change in the competition from commercial banks causes a negative change in the member deposit of the UN Sacco. The study hence concluded that competition from commercial bank has a significant influence on member deposit of the UN-Sacco. The regression equation shown below indicates that a unit change in the competition i.e. net asset of the commercial banks causes a decrease of 158.314 in member deposit of the UN Sacco.

5.3 Discussion

5.3.1 Relationship Between Net Asset Of Commercial Bank And Surplus On UN Sacco

From the data there exists a moderate correlation between the Surplus of the Sacco and Net value of the bank’s assets for the period of 5 years shows that relationship exists between this independent and dependent variables, thus competition from the bank will affect the profitability of the Sacco. Profitability of any institution is very critical. A number of studies have been under taken on the effect of competition to the Sacco profitability. Littleton (1928) Stated that profit is the difference between the total revenue
and total expenditure of an entity. Profits of the entity are expected to fluctuate due to dynamic changes in the business environment.

The $R^2$ of the model was 0.437. This means that 43.7 percent of the variations in the net profits are explained by equity financing of the firms in the manufacturing and allied industry. The 56.3 percent difference is due to factors not predicted in this model symbolized by the error term. Given this model, the study tested whether there is a strong empirical ground to conclude that equity financing significantly enhances net profits. Profit is one of the most important components of any entity and profitability is affected by the economic conditions of demand and supply of the services of the Sacco. Mertens, (1998) stated that the framework of an institution has an implication for every decision made in the research” Mertens (1998). Keynes (2016) studied the profit and stated that “there exist normal rates of profit which is a return on capital that must be paid to the owner of capital as a reward for the investment of their funds rather than consuming all the income Keynes (2016).

There exists a strong relationship between assets and members while also a strong correlation exists between membership and loan default. There exists a strong correlation between the loan default and assets from the sample size of used. This has the potential of interfering with the liquidity and future borrowing of the company from the Bankers. Increase in assets will be used as source of collateral by the SACCO’S to source for more finance and hence advance to its members. Further studies have found that the use of institutional capital as a mode of financing Sacco’s activities would ensure their sustainability in the competitive co-operative sector. This means that the profitability and the growth of Sacco’s wealth depend to some extent on loan management, institutional strengths, and on Innovativeness of Sacco products as stipulated in Olando, Jagongo, and Mbewa (2013). If these factors are weak the competition will find its way to the institution and consume the little profit the organization is depending on. Banks are becoming very innovation and the way of doing business. Saccos on the other has seem to be taking a lot of time due to bureaucratic way of doing business with SASRA. Hence by the time decision are reached a number of member are convinced otherwise by the competitors.

Based on the findings, it was established that 99.14% of the variations in the members deposit are explained by the change in the competition i.e. Net assets of the commercial banks which is very significant. The small difference of 0.86% is what is due to factors
not predicted in this model symbolized by the error term. UN Sacco profitability can be affected by many factors. According to the past studies some of the factors can be internal with the Sacco itself. According to Mudibo (2005) Sacco profitability is affected by the governance “The major financial decisions involved in Sacco governance include laying down basic objectives to be met, evaluation of the objectives, establishment of the budget, budget approval, deciding on capital structure, cost of finance, fund raising, investment and distribution of returns. Internal weakness in governance of a Sacco gives room to the competition to hit hard on the entity hence causing reduction in profitability. The board of the directors of the Sacco may not be fast enough in taking up decision and measure to mitigate the many challenge from the environment.

5.3.2 Relationship Between Net Assets Of Commercial Banks And Members Deposit

From the regression analysis, there is a negative relationship the competition form the banks the growth of members deposit in the UN Sacco. The increase in the competition in the market that is in this case measured by asset value of the bank causes a decline in the growth of members’ deposits. Other authors have tried to establish the cause of this relationship. For instance, Modigliani and Brumberg (1954) focused on how age influences the investment decision making. However, the study has been inconclusive regarding the correspondence between observed savings behavior and the pattern of saving and dissaving predicted by the life-cycle hypothesis. Regardless of the income and consumption in different ages of it’s also noted that young people are more alert and irrational in their decision making. The might be easily swayed by marketers who will easily convince them that of better rate in other financial institutions. Many studies seemingly in conflict with the life-cycle hypothesis, have found that older persons continue to deposit funds with the Sacco even after retirement.

Alternatively, banks have been using non-price competition strategies to owe the Sacco members. These include longer repayment period, instant loan processing among other. Non-price competition minimizes the importance of price as a competitive tool. Positioning is other strategy the banks are using and it involves implanting the brands unique benefits and differentiation in the customer’s mind. It is the complex set of perceptions, impressions and feelings that consumers have for the product compared with competing products. Marketers must plan positions that will give their products the
greatest advantage in selected markets and they must design marketing mixes to create this planned position (Kotler and Armstrong, 2001).

The significance level in this case is quite strong and is given at 0.0002 which is way below the threshold of 0.05 with the r vale of 99.7%. This means that when the bank are aggressively entrench into the Sacco market some of the Sacco members are convinced and use the Bank facilities more than the Sacco(Sacco Marketing Manager, 2016). Athanasoglou, Delis and Staikouras (2016) asserted that deposit is one of the specific factors that influence the level of financial performance. Capital is the amount of own fund available to support the SACCOs business and act as a buffering case of adverse situation. Hence any effect of the deposit will impact on the performance of the Sacco. In this case the individual member to the Sacco benefits at the same time the Sacco get enough deposit to loan its members.

The finding revealed that there exists a very strong relationship between assets value of the banks and members deposit at the UN Sacco while also a negative correlation exists between member deposit and the competition. Diamond (2000) affirms that Sacco capital creates liquidity due to the fact that deposit are most fragile and prone to runs. Moreover, greater capital reduces the chance of distress (Diamond, 2000). It is important to therefore safeguard the Sacco the Sacco deposit from the effect of the competition from the bank. The interest rate (year-end dividend) in the market may, to a greater extent influence the saving form members. Members would want to save whether there is higher benefit in terms of the interest provided. Dividend policy is also likely to be influenced by the performance of Sacco’s. This is a very important factor in measuring the Sacco performance.

5.4 Conclusion

5.4.1 Net asset of Commercial Bank and surplus on UN Sacco

Variations in profitability of the UN Sacco can be explained by changes in the value of the Asset of the bank which in this case are the measure of the competition weight. In this case R-Square shows variation and Standard error of estimate measures the dispersion of the dependent variable estimate around the mean.
The study was to establish if there was relationship between surplus the competition from the banks. From the analysis above and the model, an increase in value of the asset cause a decrease in profitability as indicated by the negative sign in the beta of the unstandardized coefficients in the regression model. From the findings it was deduced that in correlation matrix table there is moderate correlation between surplus and the value of asset which explains the profitability in Sacco’s. From the table of coefficients, surplus shows a negative effect. This confirms the relationship value of bank assets hence competition has on the surplus and the overall profitability of these Sacco’s

5.4.2 Net Assets of the commercial banks and Members deposit
Positive variations in the value of the assets of banks enhance the competition and hence negatively affect the growth of members’ deposit. In this case R-Square shows variation and standard error of estimate measures the dispersion of the dependent variable estimate around the mean. The study established that, there is a very strong relationship between the competition from the banks and the member deposit at the UN Sacco. From the analysis above and the model, an increase in value of the asset cause a decrease in members deposit as indicated by the negative sign on the constant in the regression model.

From the findings it was concluded that in correlation matrix table there is strong correlation between members deposit and the value of asset which is the force behind the band competition. From the table of coefficients, members deposit shows a negative effect.

5.5 Recommendations

5.5.1 Recommendations for Improvement

5.5.1.1 Net asset of Commercial Bank and surplus on UN Sacco

To exist in this industry it is recommendable that SACCOs should develop the depth and breadth of its market by carrying out the following marketing activities, market research, market fore casting, understand customer behavior, understand market segment and their needs, analyze the life cycle, promotion and proper pricing offer higher loan sizes and at the same time provide a longer repayment period and flexibility in the repayment period and flexibility in the repayment of the loans. This may enable the members to be engaged
in activities that may help them generate funds for repaying the loans outside employment pay or business. The SACCOs need to establish a system of receiving feedback from clients. At the same time the SACCOs need to use information that makes customers service quick and reliable. This line of action would enhance their (SACCOs) response to their clients and ensure efficient service delivery.

The financing/funding of SACCOs by the government should take into consideration only the value adding activities and the point of intervention must be identified. To enhance on the supervision capacities it is important that the MOCDM, the Cooperative Bank of Kenya, KUSCCO and other relevant agencies discuss and agree on the best mode of establishing a joint supervisory desk that will ensure that SACCOs receive the necessary guidance on business management and likewise deliver as per their set business targets. The SACCOs need to widen the breadth and depth of their membership by opening up the common bond which will automatically change their outreach in terms of clients and staff, loans outreach and savings outreach.

5.5.1.2 Net Assets of the commercial banks and Members deposit

The study recommends that the UN Sacco come up with a good strategy that will encourage member to deposit share with them rather than considering what the competition has. The should launch a good divided policy that will enhance the trust member have on them at the same time compete well with the banks. At the same time the UN Sacco should work closely with the members and using their expertise advise them on long term financial plans that include their investment strategy and work with them to ensure total success.

The competition has a policy of introducing new product every now and then and hence the UN Sacco should ensure that their product are re-launched every now and then and branded afresh. In this can the marking section of the UN Sacco should be strengthened to reach out to all staff member and other stakeholders like the embassies and promote their products. Sacco education day should be emphasise and noticed for members to attend should be sent out well in advance. All this should be done to ensure that the new members join the Sacco and old member are retained with high confidence level in the sacco. The study recommends the UN Sacco use the Porters model to deal with the threat
of competition from the commercial banks. The Sacco should enhance their member deposits as it is a good indicator of its fundamental health and competitive position. The level of deposit observed over a period of time of study, indicates that entity can sustain its present investment levels and can also increase steadily since it has the protected clientele.

5.5.2 Suggestions for Further Research
The study recommends that a research should be done on the effects of competition on the various variables influencing financial performance of UN Sacco. Further study should be carried out to determine the challenges facing Sacco in dealing with this competition and the relationship between competition and Sacco savings.
REFERENCES


Nairobi, KE: Government Press.


## APPENDIX I: Data Collection Tool I

### DATA FROM THE UN SACCO

<table>
<thead>
<tr>
<th>Years</th>
<th>Surplus for the year</th>
<th>Members deposits</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>88,376,576</td>
<td>5,374,384,513</td>
</tr>
<tr>
<td>2013</td>
<td>79,281,709</td>
<td>6,231,636,509</td>
</tr>
<tr>
<td>2014</td>
<td>378,817,067</td>
<td>7,158,079,068</td>
</tr>
<tr>
<td>2015</td>
<td>346,992,632</td>
<td>7,777,889,283</td>
</tr>
<tr>
<td>2016</td>
<td>226,326,318</td>
<td>8,355,333,216</td>
</tr>
</tbody>
</table>

**SOURCE:** UN-SACCO RECORDS
## APPENDIX II: Data Collection List

### VALUE OF BANKS ASSETS IN MILLIONS

<table>
<thead>
<tr>
<th>Bank</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>African Banking Corporation Ltd</td>
<td>19,071</td>
<td>19,639</td>
<td>21,439</td>
<td>22,058</td>
<td>23,602</td>
<td>105,809</td>
</tr>
<tr>
<td>Bank of Africa (K) Ltd</td>
<td>48,958</td>
<td>52,683</td>
<td>62,212</td>
<td>69,280</td>
<td>74,130</td>
<td>307,263</td>
</tr>
<tr>
<td>Bank of India</td>
<td>24,877</td>
<td>52,022</td>
<td>61,945</td>
<td>42,163</td>
<td>45,114</td>
<td>226,121</td>
</tr>
<tr>
<td>Barclays Bank of Kenya Ltd</td>
<td>185,102</td>
<td>30,721</td>
<td>34,370</td>
<td>241,153</td>
<td>258,034</td>
<td>749,380</td>
</tr>
<tr>
<td>Baroda Bank Ltd</td>
<td>46,138</td>
<td>207,010</td>
<td>226,043</td>
<td>68,178</td>
<td>72,950</td>
<td>620,319</td>
</tr>
<tr>
<td>CFC Stanbic Bank Ltd</td>
<td>133,378</td>
<td>170,726</td>
<td>171,347</td>
<td>198,578</td>
<td>212,478</td>
<td>886,507</td>
</tr>
<tr>
<td>Chase Bank Ltd</td>
<td>49,105</td>
<td>76,569</td>
<td>107,112</td>
<td></td>
<td></td>
<td>232,786</td>
</tr>
<tr>
<td>Commercial Bank of Africa Ltd</td>
<td>100,456</td>
<td>124,882</td>
<td>282,689</td>
<td>198,484</td>
<td>212,378</td>
<td>918,899</td>
</tr>
<tr>
<td>Consolidated Bank of Kenya Ltd</td>
<td>18,001</td>
<td>16,779</td>
<td>175,809</td>
<td>14,136</td>
<td>15,126</td>
<td>239,851</td>
</tr>
<tr>
<td>Cooperative Bank of Kenya Ltd</td>
<td>199,663</td>
<td>228,874</td>
<td>15,077</td>
<td>341,329</td>
<td>365,222</td>
<td>1,150,165</td>
</tr>
<tr>
<td>Credit Bank Ltd</td>
<td>6,407</td>
<td>7,309</td>
<td>8,865</td>
<td>10,287</td>
<td>11,007</td>
<td>43,875</td>
</tr>
<tr>
<td>Development Bank of Kenya Ltd</td>
<td>13,417</td>
<td>15,581</td>
<td>16,943</td>
<td>18,129</td>
<td>81,024</td>
<td>239,851</td>
</tr>
<tr>
<td>Diamond Trust Bank Ltd</td>
<td>94,512</td>
<td>114,136</td>
<td>141,176</td>
<td>190,948</td>
<td>204,314</td>
<td>745,086</td>
</tr>
<tr>
<td>Dubai Bank Ltd</td>
<td>2,584</td>
<td>2,927</td>
<td>3,502</td>
<td>0</td>
<td>0</td>
<td>9,013</td>
</tr>
<tr>
<td>Ecobank Kenya Ltd</td>
<td>31,771</td>
<td>36,907</td>
<td>45,934</td>
<td>52,427</td>
<td>56,097</td>
<td>223,136</td>
</tr>
<tr>
<td>Equatorial Commercial Bank Ltd</td>
<td>14,109</td>
<td>15,562</td>
<td>16,589</td>
<td>14,470</td>
<td>15,483</td>
<td>76,213</td>
</tr>
<tr>
<td>Equity Bank Ltd</td>
<td>215,829</td>
<td>238,194</td>
<td>277,116</td>
<td>341,329</td>
<td>365,222</td>
<td>1,437,690</td>
</tr>
<tr>
<td>Family Bank Ltd</td>
<td>30,985</td>
<td>43,501</td>
<td>61,813</td>
<td>81,190</td>
<td>86,873</td>
<td>304,362</td>
</tr>
<tr>
<td>Fidelity Commercial Bank Ltd</td>
<td>11,772</td>
<td>12,779</td>
<td>16,515</td>
<td>15,025</td>
<td>16,077</td>
<td>72,168</td>
</tr>
<tr>
<td>Fina Bank Ltd</td>
<td>17,150</td>
<td>15,278</td>
<td></td>
<td>0</td>
<td>0</td>
<td>32,428</td>
</tr>
<tr>
<td>First Community Bank Ltd</td>
<td>9,959</td>
<td>11,305</td>
<td>15,082</td>
<td>14,613</td>
<td>15,636</td>
<td>66,595</td>
</tr>
<tr>
<td>Giro Commercial Bank Ltd</td>
<td>12,280</td>
<td>13,623</td>
<td>14,571</td>
<td>15,810</td>
<td>16,917</td>
<td>73,201</td>
</tr>
<tr>
<td>Guardian Bank Ltd</td>
<td>11,745</td>
<td>12,835</td>
<td>19,754</td>
<td>14,609</td>
<td>15,632</td>
<td>74,575</td>
</tr>
<tr>
<td>Gulf African Bank (K) Ltd</td>
<td>13,562</td>
<td>16,054</td>
<td>12,147</td>
<td>24,714</td>
<td>26,444</td>
<td>92,921</td>
</tr>
<tr>
<td>Habib A.G. Zurich</td>
<td>9,702</td>
<td>11,009</td>
<td>9,449</td>
<td>10,230</td>
<td>10,946</td>
<td>51,336</td>
</tr>
<tr>
<td>Habib Bank Ltd</td>
<td>7,014</td>
<td>8,078</td>
<td>60,491</td>
<td>14,440</td>
<td>15,451</td>
<td>105,474</td>
</tr>
<tr>
<td>I&amp;M Bank Ltd</td>
<td>91,520</td>
<td>110,316</td>
<td>137,299</td>
<td>147,846</td>
<td>158,195</td>
<td>645,176</td>
</tr>
<tr>
<td>Imperial Bank Ltd</td>
<td>34,590</td>
<td>43,006</td>
<td>56,599</td>
<td>0</td>
<td>0</td>
<td>134,195</td>
</tr>
<tr>
<td>Jamii Bora Bank Ltd</td>
<td>3,480</td>
<td>7,010</td>
<td>13,118</td>
<td>16,782</td>
<td>17,957</td>
<td>58,347</td>
</tr>
<tr>
<td>Kenya Commercial Bank Ltd</td>
<td>304,112</td>
<td>323,312</td>
<td>15,799</td>
<td>467,741</td>
<td>500,483</td>
<td>1,611,447</td>
</tr>
<tr>
<td>K-Rep Bank Ltd</td>
<td>9,546</td>
<td>13,199</td>
<td>376,969</td>
<td>0</td>
<td>0</td>
<td>399,714</td>
</tr>
<tr>
<td>Middle East Bank (K) Ltd</td>
<td>5,870</td>
<td>5,766</td>
<td>5,937</td>
<td>5,678</td>
<td>6,075</td>
<td>29,326</td>
</tr>
<tr>
<td>National Bank of Kenya Ltd</td>
<td>67,155</td>
<td>92,493</td>
<td>122,865</td>
<td>125,295</td>
<td>134,066</td>
<td>541,874</td>
</tr>
<tr>
<td>NIC Bank Ltd</td>
<td>101,772</td>
<td>112,917</td>
<td>137,087</td>
<td>156,762</td>
<td>167,735</td>
<td>676,273</td>
</tr>
<tr>
<td>Oriental Commercial Bank Ltd</td>
<td>6,220</td>
<td>7,007</td>
<td>7,858</td>
<td>8,496</td>
<td>9,091</td>
<td>38,672</td>
</tr>
<tr>
<td>Paramount Universal Bank Ltd</td>
<td>7,255</td>
<td>8,029</td>
<td>10,402</td>
<td>10,526</td>
<td>11,263</td>
<td>47,475</td>
</tr>
<tr>
<td>Prime Bank Ltd</td>
<td>43,463</td>
<td>49,461</td>
<td>54,918</td>
<td>65001</td>
<td>69,551</td>
<td>282,394</td>
</tr>
</tbody>
</table>

46
<table>
<thead>
<tr>
<th>Bank Name</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard Chartered Bank (K) Ltd</td>
<td>195,493</td>
<td>220,524</td>
<td>222,636</td>
<td>234,131</td>
<td>250,520</td>
<td>1,123,304</td>
</tr>
<tr>
<td>Trans-National Bank Ltd</td>
<td>8,801</td>
<td>9,658</td>
<td>10,240</td>
<td>10,533</td>
<td>11,270</td>
<td>50,502</td>
</tr>
<tr>
<td>UBA Bank (K) Ltd</td>
<td>2,924</td>
<td>3,710</td>
<td>4,756</td>
<td>7,781</td>
<td>8,326</td>
<td>27,497</td>
</tr>
<tr>
<td>Victoria Commercial Bank Ltd</td>
<td>10,323</td>
<td>13,644</td>
<td>17,244</td>
<td>20,020</td>
<td>19,405</td>
<td>82,652</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,289,651</strong></td>
<td><strong>2,631,000</strong></td>
<td><strong>3,166,404</strong></td>
<td><strong>3,377,133</strong></td>
<td><strong>3,613,532</strong></td>
<td><strong>15,077,720</strong></td>
</tr>
</tbody>
</table>

**SOURCE: CENTRAL BANK OF KENYA RECORDS 2012-2016**