ANALYZING WILLINGNESS FEATURES OF NON-DEPOSIT TAKING SAVINGS AND CREDIT COOPERATIVE ORGANIZATIONS ON ADOPTION OF DEPOSIT TAKING SERVICES IN KENYA

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DECLARATION

I declare that this work has not been previously submitted and approved for the award of a degree by this or any other University. To the best of my knowledge and belief, the dissertation contains no material previously published or written by another person except where due reference is made in the dissertation itself.

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20th March 2025

Approval

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ABSTRACT

This study showcases an in-depth analysis on the willingness features of Non-Deposit Taking (NDT) Savings and Credit Cooperative Organizations (SACCOs) on adopting deposit taking (DT) services in Kenya. This essentially assesses whether NDT SACCOs have the appetite to transition from solely offering Back Office Service Activity (BOSA) products to introducing Front Office Service Activity (FOSA) products or otherwise. NDT SACCOs have historically struggled in growing membership numbers and keeping them actively engaged in uptake of SACCO products compared to their Deposit Taking (DT) SACCO counterparts. Despite growing demand for loans among NDT SACCOs, they suffered a drop in member deposit growth rates a strong indicator of impending liquidity challenges affecting future capabilities to meet member loan needs. Constrained ability to meet loan demands, reduced membership growth rates and increased member dormancy can contribute to stifled liquidity, poor income diversification and lower profitability. The study research objectives were geared towards investigating the level of willingness of NDT SACCOs to adopt DT services, investigating the features of NDT SACCOs likely to adopt DT services and examining the management perspectives on adoption of DT services. The research was anchored primarily on two theories namely the institutional theory and stewardship theory. The study assessed a target population of 183 NDT SACCOs authorized by Sacco Societies Regulatory Authority (SASRA) as of December 2023 by collecting secondary and primary data. Secondary data was sourced through the regulator in the form of audited accounts to facilitate collection of financial soundness information whereas primary data was obtained through a questionnaire administered online via Google Forms to staff of a managerial or equal rank. The study utilized a Binomial Logistic Regression (BLR) model to analyze the features of NDT SACCOs based on their likelihood to adopt deposit taking services. The research adopted both descriptive and multivariate statistics based on the BLR model to present the findings from the data analysis. The study found that majority of the NDT SACCOs in Kenya were unwilling to transition into DT SACCOs. The study examined key features that affected their willingness to adopt deposit taking services. The study revealed that financial stability features were the most statistically significant with a strong positive impact. Specifically, the financial stability results demonstrated that SACCOs with higher liquidity, stronger profitability and lower non-performing loan books were more likely to transition. Structural features were also found to play a positive role in adoption however governance features like board size and diversity showed no significant influence. Management perspectives investigated highlighted increased membership, improved liquidity and branch expansion as key benefits of adopting deposit taking services. On the contrary, high licensing fees, costly staff recruitment and growing infrastructure expenses were noted as some of the adoption challenges. To enhance the transition of NDT SACCOs in Kenya into DT SACCOs, this study recommends phased regulatory licensing, financial incentives, capacity-building programs, and technological adoption to improve financial sustainability. The research suggests future research on long-term SACCO performance, technological innovations, and comparative studies with other African countries. The study advanced a significant knowledge base on the perceptions of NDT SACCOs towards adoption of DT services based on SACCO management reflections for consideration among regulators, policy makers and researchers.

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ABBREVIATIONS AND ACRONYMS

ATM	Automated Teller Machine
CEO	Chief Executive Officer
BOSA	Back Office Service Activity
DT	Deposit taking
FICU	Federally Insured Credit Unions
FOSA	Front Office Service Activity
FSDK	Financial Sector Deepening Kenya
GDP	Gross Domestic Product
GoK	Government of Kenya
GMM	General Method of Moments
KES	Kenya Shillings
M&A	Mergers and Acquisitions
MFI	Micro Finance Institutions
NDT	Non-Deposit Taking
NPL	Non-Performing Loans
ROA	Return on Assets
ROE	Return on Equity
SACCOs	Savings and Credit Cooperative Societies
SASRA	Sacco Societies Regulatory Authority
USD	United States Dollar
WOCCU	World Council of Credit Unions

DEFINITION OF TERMS

Deposit Taking Services: These refer to the acceptance of deposits from members into savings accounts that are withdrawable, similar to banking services. These Savings and Credit Cooperatives offer front office services where members can deposit and withdraw money at will, providing easy access to their savings (Matumo et al., 2013).

Deposit Taking SACCOs: These are Savings and Credit Cooperatives (SACCOs) that are licensed and regulated by the SACCO Societies Regulatory Authority (SASRA) to accept deposits from members into savings accounts that members can freely withdraw from, similar to commercial banks (GoK, 2008).

Non-Deposit Taking SACCOs: These refer to primary cooperatives offering financial intermediation services to its members. These services mobilize savings from members that are used strictly as collateral for credit facilities and these deposits are not withdrawable but may be refunded when a member leaves the SACCO (GoK, 2004).

Financial stability features: these are ratings for monitoring and reporting the stability and safety features of both regulated SACCOs (SASRA, 2022).

Savings and Credit Cooperative (SACCO): it is a member-owned, member-managed financial cooperative formed by individuals with a common bond-such as working for the same employer, living in the same area, or sharing similar interests. The main purpose of a SACCO is to encourage members to save together and provide them with affordable credit and other financial services (Hyndman et al., 2004; McKillop & Wilson, 2011).

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

This study proposes to analyze the willingness features of non-deposit taking savings and credit cooperative organizations on adoption of deposit taking services in Kenya. A cooperative society is defined as a self-governing democratic entity comprised of members with a common bond (Hyndman et al., 2004; McKillop & Wilson, 2011). Membership to a cooperative credit society tends not to be open to the general public and limited to members based on their pre-existing relationship serving to advance their social and economic goals (McKillop & Wilson, 2011). Gatuguta et al. (2014) essentially states that Cooperatives in Kenya are structured in four tiers comprised of apex, tertiary, secondary and primary cooperative organizations. SACCOs in Kenya fall under the primary cooperative organization movement and typically classified either as back-office service activity (BOSA) or front-office service activity (FOSA) SACCOs (Mathuva et al., 2017).

Deposit-Taking (DT) SACCOs are licensed SACCOs in Kenya that offer FOSA products to its members while Non-Deposit Taking (NDT) SACCOs are limited to BOSA product offerings. NDT SACCO BOSA offerings usually include savings and credit services limited to its member base of a similar bond such as social grouping or economic activity whereas DT SACCOs can offer similar services with no membership restrictions. By virtue of offering FOSA services, DT SACCOs are observed to have more sophisticated products that match those of commercial banks (Forker & Ward, 2012). Currently, FOSA products have positioned DT SACCOs to be as competitive as commercial banks with some mobilizing larger savings compared to some banks (Odhiambo, 2018). Currently both DT and some NDT SACCOs are regulated by SACCO Societies Regulatory Authority (SASRA) and subject to SACCO Act 2008 as well as the Cooperatives Act of 2004 (GoK 2004; GoK 2008).

According to Alhassan (2015), large financial institutions benefit more from pursuing income diversification strategies that not only maximize their revenue potential but also ensure cost efficiency. The same is true for the SACCO scene in Kenya as smaller SACCOs can indeed gain

from employing revenue diversification strategies that increase their reliance on other income sources and better optimizes their revenue mix (Mathuva, 2016). Historically however, cooperatives in developing nations have suffered sub-par performance from a myriad of issues including poor income diversification strategies due to their risk averse and financially conservative nature (Logue & Yates, 2006). Nonetheless, DT SACCOs that have adopted FOSA products have realized increased membership rates by availing an array of savings vehicles thus mobilizing savings rates which are associated with positive financial performance (Ochangwa & Memba, 2012).

1.1.1 Financial Stability Features

Financial stability ratings are kits for monitoring and reporting the stability and safety features of both DT and NDT SACCOs. NDT SACCOs regulated by SASRA are required to maintain some minimum standards according to SASRA's regulations of 2020. In combination with other internationally prescribed industry practices, keeping in line with these standards by each SACCO ensures that they are not only financially stable but also able to meet any depositor financial obligations when called upon (SASRA, 2022).

Key financial stability features for monitoring NDT SACCOs' compliance with prudential standards include capital adequacy, asset quality, earnings rating, and liquidity management. Capital adequacy is based on SASRA's minimum core capital requirement of 8% of total assets, with a minimum value of KES 5 million. Asset quality evaluates total assets against non-performing loans. Earnings rating assesses financial sustainability by measuring income relative to total assets or equity. Liquidity management examines a SACCO's liquidity position against the 10% regulatory minimum for NDT SACCOs (Birgen et al., 2023; Ntoiti & Jagongo, 2021; SASRA, 2022).

1.1.2 Structural Features

NDT SACCOs in Kenya exhibit distinct structural features that encompass their age, sector, and size. These characteristics are essential for understanding their operational framework and regulatory environment.

The age of NDT SACCOs varies significantly, with many established for several years while others might have fewer years of existence. The regulatory framework was notably enhanced with the introduction of the NDT Regulations in 2020, which aimed to streamline the operations and governance of these societies. As of recent reports, some non-deposit taking SACCOs have been operational for over a decade, while others are relatively new, particularly those leveraging digital platforms for membership mobilization (GoK, 2008). Further NDT SACCOs operate within specific sectors of the wider Kenyan economy and thus can be categorized based on common membership areas of interest or professions for instance agriculture, education, health and among others.

1.1.3 Governance Features

Kenyan NDT SACCOs are governed by a structured framework that emphasizes transparency, accountability, and compliance with regulatory standards. The governance features of these SACCOs are shaped by regulations established by SASRA and they include the following key aspects: governance structure, regulatory oversight, accountability and oversight.

Focusing on the governance structure feature element, this is an inherent feature on how the SACCO organizes its leadership at the apex level i.e., board of directors. NDT SACCOs are required to have a board of directors to oversee management and strategic direction. For SACCOs, strategic leadership is key where it has been established that proper strategic direction setting has significant influence on performance (Odero, 2023). The Cooperative Societies Act Cap 490 of 2004 stipulates that a SACCOs shall constitute a board of directors through an election of delegates who are responsible for providing leadership, strategic planning and oversight of the organization (GoK, 2004). The governance regulations mandate that the board must operate in accordance with the principles of cooperative governance, ensuring that decisions are made transparently and in the best interest of all members.

1.1.4 Front Office Service Activity (FOSA) and Adoption of Deposit Taking Services

Front Office Service Activity (FOSA) refers to the diversified set of products that licensed DT SACCOs offer to its members and the general public. DT SACCOs have integrated FOSA products like salary advances, product loans, savings accounts, fixed deposits accounts, school fee accounts,

festive accounts, FOSA juniors accounts, standing orders, salary processing, overdraft and ATM services. Matumo et al. (2013) determined that FOSA products have enabled DT SACCOs to build a robust capital base to enhance member welfare through efficient loan provision from increased savings mobilization. DT SACCOs that offer both BOSA and FOSA products realize increased diversified income driven by the growing volume of transactions. The study recommended adoption of FOSA services by NDT SACCOs.

1.1.5 Non-Deposit Taking (NDT) SACCOs

Non-Deposit Taking (NDT) SACCOs are primary cooperatives offering financial intermediation services to its members. SASRA, (2022) annual supervision report further classifies NDT SACCOs according two categories: (1) Specified Non-Deposit Taking SACCOs with deposits of KES 100 million and (2) Non-Specified Non-Deposit Taking SACCOs with deposits of less than KES 100 million. The first category of NDT SACCOs i.e., Specified NDT SACCOs with deposits of over KES 100 million are subject to the SACCO Act of 2008 SASRA regulations while the Non-Specified NDT SACCOs are not subject to SACCO Act of 2008 thus not regulated by SASRA. Non-Specified NDT SACCOs are however subject to oversight by the Commissioner of Cooperative Development (CCD) and equally supervised by County Cooperative Officers under the Cooperatives Act of 2004. At the beginning of 2023, NDT SACCOs accounted for about 51% of the total regulated SACCOs but only accounting for 7.40% of the total regulated SACCO membership figures (SASRA, 2022).

1.1.6 SACCO Sub-Sector in Kenya

SACCOs in Kenya form a key aspect of the financial services industry contributing largely to economic growth and financial inclusion of the country. The World Council of Credit Unions (WOCCU) statistical report of 2022 indicated that there were approximately 82,758 credit unions serving over 404 million members globally with about USD 3.6 trillion in assets held. In Africa alone, there were 34,079 credit unions and financial cooperatives serving over 43 million members. In Kenya there are 8,744 credit unions accounting to 25% of credit union population the second largest in the continent only behind Ethiopia with 21,328 credit unions equal to 62% of the total credit unions in Africa. From a membership perspective, Kenya is the continental leader

accounting for 25% of the total figures with over 10 million members. Kenya also ranked the highest on other financial metrics like savings and shares (USD 16 billion), loans (USD 9 billion), and assets worth USD 21 billion (WOCCU, 2022). The Kenya SACCO industry is estimated to contribute to the country's Gross Domestic Product (GDP) by 45% (Mirichii et al., 2024). Currently under the SACCO Act of 2008, there are a total of 359 regulated SACCOs. Of these, 176 DT SACCOs that were licensed by SASRA to conduct deposit taking services while there were 183 NDT SACCOs with assets of over KES 100 million authorized by SASRA to conduct non-deposit taking services at the beginning of 2023 (SASRA, 2022). Figure 1 below shows the evolution of market share among regulated SACCOs between 2021 and 2022 tiered by total assets held.

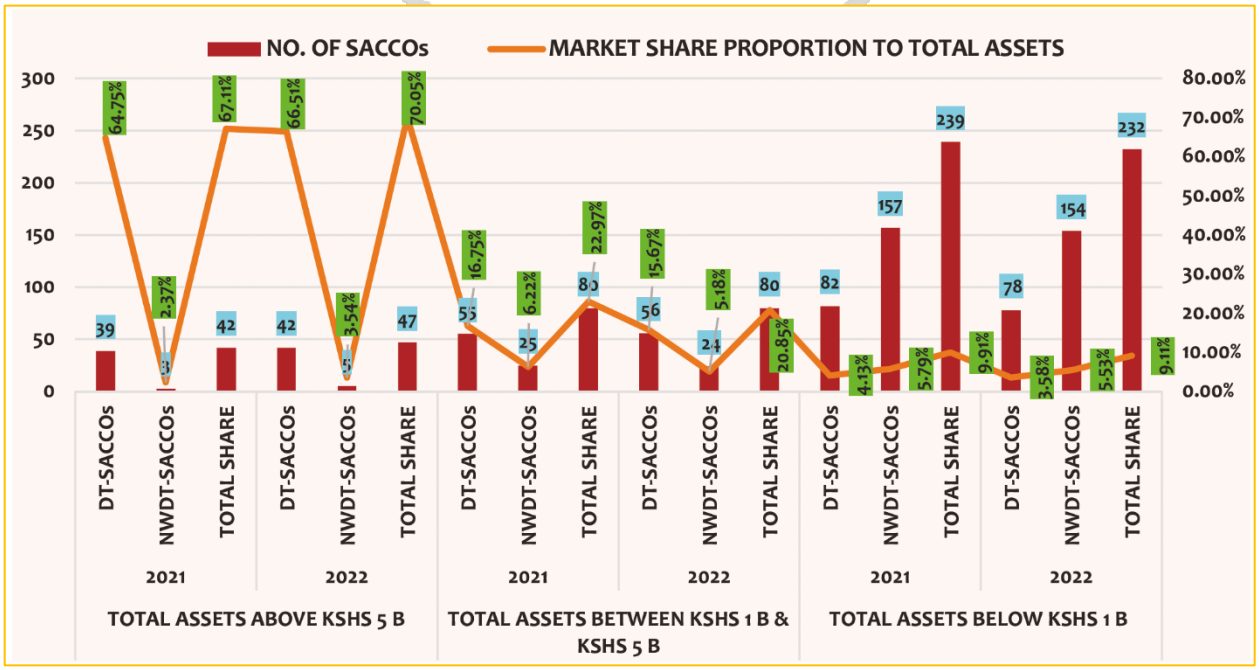


Figure 1.1 Market share by total assets among regulated SACCOs, 2021 to 2022

From Figure 1 it is evident that NDT SACCOs had a smaller market share in the higher asset tiers of total assets ranging from KES 1 billion to 5 billion plus more in both 2021 and 2022. NDT SACCOs however dominated the number of SACCOs in the lowest total asset tier of below KES 1 billion. Despite having twice, the number of DT SACCOs in this tier, NDTs only marginally outpaced the DT SACCO market share by about 2% in 2022 whereas in the other two tiers DT SACCOs led market share by over 10% and 62% in the KES 1 billion to 5 billion and over 5 billion

in total asset tiers respectively. The large value of market share held through assets by DT SACCOs when compared to NDT SACCOs concurs with recommendations to integrate FOSA services to strategically grow SACCO capabilities.

1.2 Statement of the Problem

The closure of banks due to widespread banking failures of during the 1980s and 1990s in Kenya left a void in financial service provision especially in rural areas. This widespread exit created an opportunity for rural SACCOs to step in and thrive (Mumanyi, 2014). Despite having a high level of mobile money penetration, approximately 21% of Kenya's adult urban and rural population is still completely financially excluded. Majority of the excluded population are rural and fall in the lowest wealth quintile (FSDK, 2021). According to Dibissa, (2015) SACCOs have historically served a crucial role in providing financial products and services to financially excluded low-income individuals in rural and urban areas. FSDK (2021) Household Survey however illustrated that non-banking financial services including SACCO utilization fell whereas traditional brick and mortar banking as well as mobile banking experienced growth.

Licensed DT SACCOs account for over 92% of the total membership with 5.95 million members whereas the regulated NDT SACCOs accounted for the remainder with a paltry 475,270 membership. Nevertheless, the number of dormant members among NDT SACCOs had increased from in 2021 to 2022 while DT SACCOs managed to reduce member dormancy in the same period. This is a demonstration that NDT SACCOs have faced more challenges in ensuring economic productivity of their members in comparison to DT SACCOs (SASRA, 2022). On a positive note, according to SASRA (2022), NDT SACCOs witnessed a gross loans growth of 8.90% an increase from 7.74% growth rate recorded in 2021. In as much as the loan demand increased in 2022, the deposits growth rate by NDT SACCO members was 7.97% in 2022 down from 9.90% in 2021. With loan demand outpacing member deposit growth rates in NDT SACCOs, it poses liquidity risks as the SACCOs will struggle to grow their ability to grow their loan books and advance financial inclusion capabilities. SACCOs rely heavily on interest on loans with over 70% of the Kenyan SACCO revenue generated through interest levied on member loans (Mathuva, 2016). SACCOs are therefore constantly looking to increase their savings base in order to have adequate liquidity grow their lending capacity.

Several studies agree on the significance of adoption of FOSA products on improving SACCO performance (Matumo et al., 2013; Ochangwa & Memba, 2012; Odhiambo, 2018; Ogundipe et al., 2020). Though the benefits of adopting deposit taking services through integration of FOSA products are clear and documented there has been minimal evidence of NDT SACCOs seeking to be licensed and eventually getting authorized to offer deposit taking services. In the last six years (2017 to 2022) the number of licensed DT SACCOs has ranged between 172 and 176 illustrating a very small change in the number of NDT SACCOs that have shown interest to adopt deposit taking services. To the best of this study's understanding, there are limited to no studies that have explored the perceptions of NDT SACCOs to uptake deposit taking services as a growth strategy. This study therefore contributed to the knowledge gap by analyzing the perceptions of NDT SACCO leadership on adopting deposit taking services. Having an informed understanding of NDT SACCO leadership perspectives on integrating FOSA products/deposit taking services would help inform regulatory and policy interventions to promote further conversion of NDT SACCOs to DT SACCOs offering FOSA products.

1.3 Research Objectives

1.3.1 General Objective

The primary objective of the research was analyzing willingness features of Non-Deposit Taking SACCOs on adoption of deposit taking services in Kenya.

1.3.2 Specific Objectives

The research aimed to fulfill the subsequent specific objectives:

i. To investigate willingness among NDT SACCOs in Kenya that are likely to transition into DT SACCOs.
ii. To investigate the financial stability features of NDT SACCOs in Kenya that are likely to transition into DT SACCOs.
iii. To investigate the structural features of NDT SACCOs in Kenya that are likely to transition into DT SACCOs.
iv. To investigate the governance features of NDT SACCOs in Kenya that are likely to transition into DT SACCOs.

v. To examine the management perspectives of NDT SACCOs in Kenya on adoption of deposit taking services.

1.4 Research Questions

This research aims to address the following questions derived from the general and specific objectives:

i. What are the willingness levels of NDT SACCOs to uptake deposit taking services in Kenya?
ii. What are the financial stability features of NDT SACCOs in Kenya likely to transition into DT SACCOs?
iii. What are the structural features of NDT SACCOs in Kenya likely to transition into DT SACCOs?
iv. What are the governance features of NDT SACCOs in Kenya likely to transition into DT SACCOs?
v. What are the management perspectives of NDT SACCOs in Kenya on adopting deposit taking services?

1.5 Scope of the Study

The research concentrated on 183 NDT SACCOs authorized by SASRA to conduct non-deposit taking services. These are required to prudentially submit periodical finance performance reports that include annual audited accounts to SASRA. The regulator upon receiving a formal request can avail these reports for academic research and policy development purposes. The study potentially utilized audited financial statements and licensing application data from 2019 to 2023.

1.6 Significance of the Study

This study benefits key stakeholders, as discussed below.

1.6.1 Regulators and policy shapers

The study outcomes provide crucial insights into the willingness levels, financial, structural, and performance characteristics, as well as leadership views on the appetite to adopt deposit-taking

services among NDT SACCOs in Kenya. The findings enlighten policymakers and regulators on policy development and regulation of NDT SACCOs, creating an enabling environment for the uptake of deposit-taking services in line with SACCO membership growth and geographical expansion ambitions.

1.6.2 SACCO Leadership

The findings offer valuable insights to NDT SACCO boards and management delegates regarding their peers' perceptions of transitioning into deposit-taking services. The study deductions assist leadership in understanding the opportunities, impediments, and constraints that NDT SACCOs face. These insights may support lobbying efforts with regulators and relevant government agencies to facilitate the transition to deposit-taking services, especially if there is significant interest but an inadequately structured operating environment. SACCO leadership benefits from assessing how best to fulfill their stewardship role in growing SACCO membership and increasing returns for members by strategically analyzing the cost-benefit dynamics of adopting deposit-taking services, as informed by this study's outcomes.

1.6.3 Research fraternity

The study's results enhance scholarly understanding of how NDT SACCO leadership perceives the adoption of deposit-taking services in Kenya and suggest potential areas for future research. The research outcomes could also influence development and knowledge experts to explore technical assistance initiatives for SACCO leadership, equipping them with the necessary expertise to facilitate a successful transition to deposit-taking services where knowledge gaps exist.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter critically analyzes existing research and theoretical frameworks relevant to the study. It identifies knowledge gaps, establishes the research context, and provides a foundation by highlighting key concepts, methodologies, and findings from prior studies. The chapter also reviews relevant theories, empirical studies, and summarizes the literature to identify research gaps that justify the study.

2.2 Theoretical Review

This study examines NDT SACCOs' perception of adopting deposit-taking services in Kenya. It employs three key theoretical frameworks: institutional theory, stewardship theory and resource-based view theory. Institutional theory (Meyer & Rowan, 1977; DiMaggio & Powell, 1983) explains how SACCOs adopt practices like FOSA products through mimetic isomorphism. Stewardship theory highlights how SACCO leadership, as both managers and members, pursue growth strategies without agency conflicts. The Resource-Based View theory covers how the SACCO internal structure, capabilities and its performance in the market will impact its decision to adopt deposit taking services.

2.2.1 Institutional Theory

Zucker (1987) defines an institutionalization as an external organized pattern of actions that follow a set of rules embedded within organizations. Institutional theory is a framework that facilitates better understanding of organizations. It emphasizes on the importance of institutions consisting of regulatory, normative, and social aspects. These aspects together with related processes and resources serve as an anchor and provide meaning to social life as know it Scott (1987). The roots of the old institutional theory date back to the 1940s and 1960s where organizational sociologists conducted extensive qualitative studies on the formal organizational structure. Weber (1968) posited that bureaucratization within individual formal organizations was tool of achieving

dominance driven due to competition among capitalist firms, need to increase span of control by leaders and championing for equal rights under law.

In the 1970s the neo-institutional theory emerged that took a conceptual and methodological departure from historical theoretical view of looking at organizations. Specifically, the shift pivoted towards viewing organizational behavior across clusters of organizations in the same environment rather than looking at them based on activities or processes within an individual organization. As pioneers of the neo-institutional theory, Meyer and Rowan (1977) asserted that formal organizations in modern society often depict institutional myths rather than individual work demands. Institutional rules serve as myths that organizations adopt for legitimacy and survival. Organizations tend to mirror elements in their environments and become isomorphic with them by reducing internal control and coordination to maintain legitimacy. Success depends on adapting to institutionalized rules and conforming to environmental institutions.

DiMaggio and Powell (1983) built on isomorphism tendency by elaborating further on why modern organizations tend to exhibit similar behavior. The causes of organizational bureaucratization and rationalization have evolved with organizations leaning towards homogeneity driven less by competition or desire to achieve efficiency. Organizational change is now as a result of activities that increase similarity across organizations even at the expense of achieving efficiency. Institutional isomorphism is described as constraining process that forces an organization in a cluster of others to resemble others that are exposed to the same environmental conditions (Hawley, 1968). There are three avenues through which institutional isomorphism occurs namely coercive isomorphism (tendency to comply with rules, regulations and social pressures and expectations), mimetic isomorphism (imitative pressure to mimic what other successful peers have adopted for legitimacy) and normative isomorphism (professionalization pressures involving adherence to professional norms such as hiring of staff with formal education across organizations from internal or external sources) (DiMaggio & Powell, 1983; Meyer & Rowan, 1991). For the purposes of this study, mimetic isomorphism is relevant in establishing why NDT SACCOs would be willing to make deliberate efforts to adopt deposit taking services. This is informed by the fact that NDT SACCOs are likely to strategically uptake deposit taking services in order to imitate DT SACCOs who have been successful in growing their membership,

assets and market share significantly as a means of enjoying competitive advantage benefits (Fernández-Alles & Rocío, 2008).

Tseng and Chou (2009), in studying the effect of mimetic isomorphism on mergers and acquisition (M&A) activity in Taiwanese financial institutions concluded that an individual firm's M&A activity and frequency of M&A deals in the firm's industry were positively correlated to completion of ongoing M&A deals. Further they established that M&A deals stood a better chance of gaining shareholder approval if more organizations engaged in M&A activity within their industry.

While modeling political mimetic isomorphism versus economic and quality factors in local government privatizations in Spain, Campos-Alba et al. (2023) found that political mimetic isomorphism (PMI) influenced privatization decisions. The study concluded that local governments with similar political ideologies tend to adopt similar privatization decisions even outweighing the economic considerations of privatization strategies under consideration. However, Hytönen (2016) realized contradictory findings when reviewing local governments in the United States where ideological considerations did not influence privatization decisions a testament of differences in continental contextual characteristics among local government institutions. In Kenya, Mathuva (2018) analyzed the characteristics of DT SACCOs participating in reporting excellence awards in Kenya and determined that SACCOs that participated in the FIRE awards provided a basis for others to mimic their quality reporting and thus be motivated to participate in the awards in future.

Whereas there were conclusive findings on the featured studies across financial services and even public sector, they are set in other contexts like Europe and USA. Within the Kenyan context there are limited studies that have been focused on observing mimetic forces on SACCOs in general but even fewer looking at NDT SACCOs which make up the majority of the SACCO population.

2.2.2 Stewardship theory

Stewardship theory traces its roots in psychology and sociology. Davis et al. (1997a) defined the stewardship theory as situations in which managers are not motivated by individual goals but rather as stewards whose motivations are aligned with those of their principals. The onset of the modern

corporation developed a ridge between ownership and wealth management. Essentially although owners would typically prefer to manage their own wealth and their companies, the complications of the modern corporations have limited their ability to realize this desire further limiting maximum utility generation. Organizational growth goes beyond the span of a singular owner who is not able to meet all the economic obligations of the firm and thus the modern corporation has multiple owners each with their own desire to maximize their utility within the organization (Berle & Means, 1932).

In a SACCO perspective, the organization is comprised of members who are the principals and leadership (executives and staff) who act as stewards. Part of the SACCO operating principles is the cooperative principle of democracy that mandates members to democratically appoint directors who periodically serve to the board of directors as stewards of the organization. The board is responsible for hiring management and staff who run the day-to-day affairs of the cooperative extending the stewardship mandate. In most cases SACCO leadership and staff double up as members and thus integrate their stewardship duties together with their ownership goals. Under stewardship theory, a steward's view is pro-organizational and collectivistic with the aim of maximizing principals' wealth and in turn their utility functions are also maximized. The theory assumes that stewards will act with the objectives of the organization at heart especially in heterogenous organizations featuring multiple stakeholders and owners. Even in a very politically charged situation, it is ultimately assumed that the vast majority of principals will strive for a successful enterprise. A steward will diligently work to improve organizational performance increasing organizational wealth therefore satisfying the competing multi-stakeholder interests (Davis et al., 1997b).

Executives frequently view themselves as stewards of organizational affairs who can be trusted to do a decent professional job connected to the aims of the company taking precedence over their self-interest (Hernandez, 2012; Schillemans & Busuioc, 2015). Moreover, leaders will make a certain degree of personal sacrifice and act honestly and diligently seeking intrinsic rewards. They take gratification in seeing organizational success as opposed to pursuing extrinsic rewards, that are principally economic in nature (Blair & Stout, 2001; Davis et al., 1997b; Pastoriza & Ariño, 2008; Tosi et al., 2003).

Keay (2017) however cautions against blind-trust and altruistic nature of organizational leadership calling for stewardship being anchored in accountability measures to curb against the presumptive assumptions in agency theory that executives will tend to act in their selfish interest rather than serve the organizational interests collectively. Jasir et al. (2022) study findings also echoed some pre-cautionary sentiments recognizing the value of externally hired non-family professionals serving as executives in terms of knowledge and expertise. However most tend to lack long term commitment to the organization and likely to make myopic self-serving decisions compared to family members who bear principal socio-emotional wealth burden.

2.2.3 Resource-Based View Theory

The Resource-Based View (RBV) of the firm, introduced by Wernerfelt (1984) and later refined by Barney (1991), posits that an organization's sustainable competitive advantage stems from its ability to acquire and effectively utilize valuable, rare, inimitable, and non-substitutable (VRIN) resources. Unlike external market-based perspectives, RBV emphasizes internal firm-specific capabilities and how they can be leveraged for strategic growth and differentiation. RBV is particularly relevant in analyzing NDT SACCOs' willingness to transition into deposit-taking SACCOs (DT SACCOs). For a SACCO to successfully adopt and manage deposit-taking services, it must possess or develop unique bundles of tangible and intangible resources, such as financial capacity, robust governance structures, trained human capital, information systems, brand reputation, and trust among members. These elements are not easily replicable by competitors and can form the basis for strategic advantage in a competitive financial services environment.

Barney (1991) asserts that organizations should not only identify internal strengths but must also protect and develop them to withstand competitive pressures. In the SACCO context, a SACCO with strong member loyalty, experienced management, and effective risk management systems may view the adoption of deposit-taking services as a natural evolution to better serve members and expand its financial footprint. Conversely, a SACCO lacking in these internal resources may perceive the transition as risky, costly, or unfeasible, thereby influencing its reluctance to adopt the model.

Further, Teece, Pisano, and Shuen (1997) advanced the RBV by introducing the concept of dynamic capabilities, which emphasize an organization's ability to integrate, build, and reconfigure internal and external competences in response to rapidly changing environments. This concept is particularly crucial for NDT SACCOs operating within the shifting regulatory and competitive landscape in Kenya. A SACCO with high dynamic capabilities is better positioned to respond to Central Bank or SASRA directives, implement required systems for deposit protection, and remain compliant with prudential guidelines.

Empirical studies support the RBV's relevance in strategic organizational shifts. For example, Kamukama et al. (2011) found a strong link between intangible resources—such as human competence and reputation—and performance among financial cooperatives in Uganda. Similarly, Kinyuira (2014) observed that SACCOs in Kenya with stronger internal capabilities were more likely to report superior performance and innovation adoption.

In the context of this study, RBV provides a lens to analyze how internal resource endowments may drive or inhibit willingness among NDT SACCOs to adopt deposit-taking services. While institutional theory explains external pressures and stewardship theory focuses on leadership motivation, RBV addresses the "can we?" dimension by interrogating the actual capacity and readiness of SACCOs to undertake such a transition.

2.3 Empirical Review

Several empirical studies have been done on investigating performance, structural and governance factors in financial institutions across different perspectives. Specifically, they have looked at variables like return on assets, return on equity, size, age and governance issues such board composition, etc. This subsection presents an empirical review of the features crucial to this investigation in trying to establish how they influence adoption of deposit taking services among NDT SACCOs in Kenya.

2.3.1 Willingness levels of NDT SACCOs to adopt deposit taking services

Wilcox (2006) research analyzed the conversion of credit unions to banks looking at the facts, incentives, issues and reforms in the USA. The research reviewed 29 federally-insured credit unions (FICUs) from 1995 to 2006 that had converted into banks based on available data. The

research results found that there was a very low level of conversion among credit unions into banks through the period of study given only 29 out of 4733 credit unions had converted into banks across all three FCIU categories of medium ($10 million to $100 million), large ($100 million to $1 billion) and very large ($1 billion to 2 billion). This is despite conversion experts citing clear merits for conversion including: (1) lack of restrictions to membership sourcing thus opening up membership to people of diverse backgrounds (2) improve capability to diversify lending portfolios beyond personal loans and vehicle loans (3) increased limits on lending and investments and (4) greater headroom to offer better compensation packages for directors and management. This study focused on credit unions based in the USA which have different contextual issues to Kenya. The current study focused on NDT SACCOs based in Kenya looking at their willingness to convert to DT SACCOs by adopting deposit taking services.

2.3.2 Features of NDT SACCOs likely to transition to DT SACCOs

For this research we shall analyze NDT SACCO features across financial stability, structural and governance categories to evaluate their likelihood to transition in to DT SACCOs. Financial stability features for this study focused on the following statutory indicators: capital adequacy ratio, asset quality based on NPL ratio, profitability indicators of return on assets (ROA) and return on equity (ROE) plus liquidity ratio. These are in line with Lang and Lundholm (1993) definition of a firm's returns that are periodical and the management has preferential access to. Lang and Lundholm (1993) further described structural features as variables that depict a firm's characteristics that tend to remain stable over time. For this study, we shall utilize firm size and age as proxy indicators for examining the structural characteristics of NDTs that are likely to adopt deposit taking services.

Corporate governance is universally described as a combination of relationships between organizational leadership and other stakeholders. It also provides a framework for goal setting, means of attainment and performance evaluation based on OECD corporate governance principles (Demise, 2006). WOCCU (2005) depicts three operating principles under corporate governance for credit unions including SACCOs are meant to adhere to: external, internal and individual. External governance tackles SACCO conduct in the financial place towards practicing transparent operations, regulatory and prudential compliance as well as accountability to the public. Internal

governance on the other hand handles the roles and responsibilities of the leadership (board, management and staff) towards SACCO members by ensuring an effective governance structure to ensure union remains a going concern. Finally individual governance addresses the duty of the SACCO to obtain board members and a management team capable of upholding external and internal governance requirements by ensuring their competence, integrity and commitment. These form the basis for analysis of governance features in this study.

Kimutai et al. (2019) study analyzed the relationship between asset quality and efficiency among DT SACCOs in Kenya. The study adopted a positivist philosophy and an explanatory research design. Their target population included 110 DT SACCOs as of 2017 and they collected secondary data from 2012 to 2016. The research indicated that the quality of assets as non-performing loans adversely and significantly impacted the efficiency of the SACCOs. This is because DT SACCOs would spend more time and resources to recover bad debts. The study focused on DT SACCOs instead on NDT SACCOs and failed to relate asset quality to adoption of deposit taking services among NDT SACCOs which the current study sought to explore.

Kathuo et al. (2021) study explored the influence of profitability on dividend payout among Deposit-Taking Saccos in Kenya. The study used a cross-sectional design to obtain data from all registered DT Saccos in Kenya over an eight-year period between 2012 and 2019 from which the panel regression was applied in data analysis. The results demonstrated that return on equity had a significant effect on dividend payout, with a positive direction. The study also found that SACCO size had a strong moderating relationship between profitability and dividend payout. The study failed to assess profitability features using ROA while only focusing on DT SACCOs whereas in the current study it featured both ROA and ROE variables among NDT SACCOs towards adopting deposit taking services.

Mutinda and Ombati (2018) analyzed the influence of liquidity management regulatory standards among DT SACCOs in Kenya in relation to financial performance. Their study used a comparative study design targeting a population of 175 DT SACCOs licensed in Kenya. They drew a sample thirty DT SACCOs as their sample for the purposes of their study using a random sampling methodology. Secondary data collected from the regulator utilized for data analysis. The results of the study found that liquidity ratio as stipulated by SASRA had the most significant on the effect

of financial performance of the DT SACCOs post liquidity management regulatory standards (LMRS) implementation. The study assessed failed to analyze liquidity ratio against the adoption of deposit taking services among NDT SACCOs.

Ali et al. (2021) study also examined the influence of profitability on dividend payout in Kenyan DT SACCOS. The research implemented a descriptive study design methodology utilizing secondary data on DT SACCOs between 2018 and 2021. They sampled 62 DT SACCOs out of a population of 166 and performed a linear regression analysis on the data obtained. The study also found that profitability has a strong and positive influence on dividend payout in deposit-taking Saccos in Kenya, with a significant relationship between the two variables. The study did not look at profitability variables among NDT SACCOs under which the current study targeted and examine the profitability features in relation to adoption of deposit taking services.

Mathuva (2018) examined the characteristics of savings and credit cooperatives (SACCO) that voluntarily apply for the Kenyan Financial Reporting (FIRE) excellence awards. The study targeted a total population of 215 FOSA SACCOs but sampling 212 due to missing data gaps from three SACCOs. The data collected was secondary from SASRA and ICPAK between 2010 and 2014 then analyzed using a probit model. The study results revealed that larger and well-governed FOSA SACCOs in Kenya were more likely to participate in the annual FIRE awards. The study relied on ROA and interest on deposit as the performance variable features indicating participation in FIRE awards among FOSA SACCOs/DT SACCOs. In the current study, ROE was included as an additional performance variable feature when examining adoption of deposit taking services among NDT SACCOs.

Gachenga et al. (2023) sought to evaluate the moderating influence of SACCO size on the correlation between lending decisions and the liquidity of farmer-oriented DT SACCOs. The research focused on farmer DT SACCOs drawn from five regions in Kenya (Central, Rift valley, Nyanza, Western and Nairobi) sampling a total of 49 farmer-oriented DT SACCOs. The mixed methods study adopted an explanatory research methodology and included self-administered questionnaires. They subsequently employed a hierarchical regression model to evaluate the moderating influence of SACCO size on the correlation between lending decisions and liquidity in farmer-oriented DT-SACCOs. The study found that SACCO size significantly moderated the

relationship between lending decisions and liquidity of farmers-based DT-SACCOs. The study concluded that SACCOs should consider their size when making lending decisions, allowing larger SACCOs to manage more risk in loans to farmers, while smaller SACCOs needed to exercise more caution. Gachenga et al. (2023) focused on farmer DT SACCOs in select regions in Kenya relating liquidity and lending decisions by moderating for SACCO size. The current study looked at NDT SACCOs across Kenya while relating SACCO size to adoption of deposit taking services.

Kiai et al. (2020) investigated the moderating effect of SACCO size on credit management practices and financial sustainability of DT-SACCOs in Kenya. The study sampled 119 DT SACCOs in Kenya applying mixed methods to collect primary and secondary data. A binary logistic regression model was employed to examine the moderating influence of SACCO size on the credit management and financial sustainability. The study found that size of the SACCO has a significant moderating impact on credit management practice and financial sustainability of DT-SACCOs. The study thus recommended that SACCO size should be considered while addressing credit risk mitigation and staff competence of DT-SACCOs in an effort to improve their financial sustainability. The study by Kiai et al. (2020) failed to investigate SACCO size relationship among NDT SACCOs towards adopting deposit taking services as proposed by our current study.

Maina et al. (2021) study examined the correlation between governance expenditure and the financial stability of DT SACCOs in Nairobi City County, emphasizing the moderating influence of SACCO size. The researchers employed a descriptive cross-sectional survey research design to evaluate and analyze the moderating effect of the relationship between governance expenditures and the financial soundness of Nairobi City County DT SACCOs. They then used a binary logistic regression model to examine the correlation between governance expenditures and the fiscal stability of DT-SACCOs, with SACCO size as a moderator variable. The study found that governance expenditure was not highly significant in forecasting the financial stability of DT-SACCOs, but SACCO size had a significant moderating effect on the relationship between governance costs and financial soundness. Their research concentrated exclusively on Nairobi County DT SACCOs while the current study had a national focus but with NDT SACCOs on adopting deposit taking services.

Nduati and Oluoch (2021) research investigated the determinants of liquidity of DT SACCOs in Laikipia, focusing on the effects of capital adequacy, firm size, and non-performing loans on liquidity risk. They utilized a secondary data analysis research design, using data from January 2015 to December 2018 and analyzed by multi-regression. The result revealed that non-performing loans have a positive effect on liquidity risk, while capital adequacy, profitability, and size of the firm exhibited an inverse correlation with liquidity risk. Their study failed to take a national outlook limiting itself to Laikipia DT SACCOs while relying solely on secondary data sources. The current study switched to NDT SACCOs across Kenya while exploring the SACCO size as a structural feature for adoption of deposit taking services applying both primary and secondary data sources.

Towo et al. (2022) study analyzed the influence of relationship lending on the financial performance of SACCOS in Tanzania, focusing on the duration and number of relationships with formal financial institutions (FFIs). The study used secondary data sources to analyze data from 115 SACCOs between 2011 and 2014 in Tanzania using panel regression models. The results showed that the duration of the relationship is negatively and significantly related to SACCOS financial performance, while the number of relationships has an insignificant effect on financial performance. While the study controlled for age and size, it revealed both had a negative and significant relationship with return on assets (ROA) a financial performance indicator. The current study examined the direct relationship of age with adoption of deposit taking services among NDT SACCOs in Kenya.

Gupta and Mahakud (2020) study focused on assessing the role of various bank-specific, industry-specific and macroeconomic determinants in Indian commercial banks performance. The study used panel data over 19 years reviewing 64 banks in India that was analyzed through models like general method of moments and effects estimation. Their results deduced that bank size, non-performing loan ratio and revenue diversification are the major determinants of the commercial banks performance in India. Further they revealed during the crisis, the influence of size, age, labor productivity, and income diversification on the performance of Indian banks is substantial. Whereas the study focused on commercial banks in India the current study transitions to Kenya examining the impact of size and age variables as they relate to adoption of deposit taking services among NDT SACCOs.

Ngumo et al. (2020) examined the determinants of financial performance of Microfinance (MFI) banks in Kenya in their study. The study relied on secondary data looking at data from MFI banks in Kenya between 2011 and 2015 employing a descriptive research design. The data was then analyzed using correlation and regression analysis. The study found a positive and statistically significant relationship between operational efficiency, capital adequacy, firm size and financial performance of microfinance banks in Kenya. However, the study found an insignificant negative relationship between liquidity risk, credit risk and financial performance of microfinance banks in Kenya. While their study looked at determinants of financial performance among featuring firm size MFI banks in Kenya, the current study equally looked at perceptions of adoption of deposit services among NDT SACCOs using both primary and secondary data sources.

Kathuo et al. (2020) study examined the relationship between financial performance, financial leverage, and dividend payout among DT SACCOS in Kenya. The study used secondary data on all licensed DT SACCOs between 2012 and 2019 which was analyzed using panel data regression analysis. Their research employed return on equity (ROE) as the metric for financial performance and debt ratio as the leverage for evaluating dividend payout. The study found that financial performance and financial leverage have a significant effect on dividend payout among deposit taking SACCOs in Kenya. The study also found that small SACCOs have higher dividend payout compared to large ones. The current study reviewed both financial performance and leverage as part of the indicative variables on adoption of deposit taking services among NDT SACCOs instead applying a mixed methods research design.

Atukunda et al. (2024) investigated the link between corporate governance practices, the operating environment, and the financial sustainability of SACCOs in the Greater Mbarara region in Uganda. The study employed a cross-sectional design and analyzed data from a population 164 SACCOs in the region sampling 116 SACCOs using multiple regression. The results show a positive significant relationship between corporate governance practices and SACCO financial sustainability, and between the operating environment and SACCO financial sustainability. The study focused on SACCOs in Uganda while current study focused examining corporate governance features among NDT SACCOs in Kenya.

Mugilwa et al. (2024) examined the relationship between corporate governance (CG) and financial performance (FP) in deposit-taking SACCOs in Kenya. The study utilized a descriptive research design to systematically analyze the relationship between CG practices and FP metrics among deposit-taking SACCOs in Kenya. The study used balanced panel data sourced from SASRA reports spanning from 2018 to 2022 which was then analyzed through a panel regression model. The research identified a favorable and substantial statistical correlation between corporate governance procedures and financial performance results among DT SACCOs in Kenya. The research focused on DT SACCOs in Kenya while the current study focused on NDT SACCOs relating governance features to adoption of deposit taking services.

Akinyi and Bett (2023) examined the effect of corporate governance on the performance of DT SACCOs in Nairobi County, Kenya. The study sampled 6 DT SACCOs in Nairobi County and employed a descriptive research design and purposive sampling to identify respondents. The study relied on secondary quantitative data from the SACCOs and used regression for data analysis. The results showed that corporate governance attributes of: board independence, board composition, ethical consideration, and board policy/procedure had a positive and significant impact on the performance of SACCO companies in Nairobi County, Kenya. The study failed to have a holistic SACCO view only focusing on a very small sample size of DT SACCOs in Nairobi. The current study looked at the entire NDT SACCO population instead across Kenya relating governance features to adoption of deposit taking services.

2.4 NDT SACCO management perspectives on adoption of deposit taking services

Jain et al. (2015) study evaluated the motivating factors for conversion of credit unions to mutual banks in Australia. Their study reviewed 9 mutual banks that previously were credit unions that demutualized and converted into banks between 2011 and 2013. The study collected data using semi structured interviews involving CEOs and senior management officials from 7 out of the 9 institutions that agreed to participate. The results of the study indicated that senior management established that converting into a bank resulted in positive business outcomes like increased deposit-taking, loans and customer base. Further the results indicated that conversion enabled the bank to deliver more complex products and services like financial planning and wealth management. Finally, the transition into a bank from a credit union improved the public perception on stability and recognition within the local community and beyond. Their study focused on credit

unions based in Australia that already converted versus those that had not which poses a different contextual setting Kenya. The current study focused on understanding management perspective on adoption of deposit taking services among NDT SACCOs based in Kenya.

Odero (2023) assessed the impact of strategic direction and firm performance across the SACCO sector in Kenya. The study employed a descriptive and correlational research design across a population of 42 DT SACCOs in Kenya. The study collected data using close-ended questionnaires from 126 senior managers and conducted interviews with 12 CEOs. The study results found that strategic direction had a positive and significant influence on performance. This study focuses on management leadership outlook on performance while the current study looked at management perspectives relating to adoption of deposit taking services among NDT SACCOs.

Waihenya et al. (2018) study assessed the role of strategic leadership on customer growth among SACCOs in Kiambu County. The research employed a descriptive approach including a population of 558 SACCOs in Kiambu County. Eventually a sample size of 56 representing about 10% of the SACCOs in the population was selected. Data for the study was collected using close-ended structured questionnaires administered to operations managers across each of the selected SACCOs in the sample. The study results showed that managerial strategic direction is crucial and significantly influenced customer growth among the SACCOs. The study focused on managerial strategic leadership focusing on customer growth in Kiambu County. The current study focused on managerial leadership views on adoption of deposit taking services specifically among NDT SACCOs across all counties in Kenya.

Kisiangani et al. (2024) examined the impact of strategic direction on the performance of commercial banks in Kenya using a descriptive research design. The study targeted 39 registered banks as of 2017, with a respondent pool of 557 strategic leaders. A sample of 277 respondents, including CEOs, executive directors, and senior managers, provided data via questionnaires. Findings revealed a significant positive relationship between strategic leadership direction and bank performance. Unlike this study, which focuses on management perspectives on adopting deposit-taking services among NDT SACCOs, Kisiangani et al. (2024) analyzed commercial banks.

2.5 Summary of the Literature and Research Gap(s)

The literature review highlights numerous studies on financial stability, governance, and structural features of financial institutions, primarily examining their impact on financial performance or sustainability. Empirical studies have linked financial stability factors (capital adequacy, asset quality, ROA, ROE), structural features (age, size), and governance elements (board composition, diversity) to outcomes such as financial sustainability, liquidity, and dividend payout among SACCOs (Akinyi & Bett, 2023; Ali et al., 2021; Kiai et al., 2020; Mathuva, 2018). However, a significant knowledge gap exists, as few studies have explored the relationship between financial stability, structural, and governance features and the adoption of deposit-taking services among NDT SACCOs in Kenya. Additionally, most research has focused on DT SACCOs, leaving a population gap. The amended GoK (2008) law mandates SACCOs seeking deposit-taking status to apply for licensing by SASRA. This study aims to bridge these gaps by examining the perceptions of NDT SACCOs regarding the adoption of deposit-taking services. Table 2.1 summarizes the reviewed literature and identified gaps.

Table 2.1 Summary of Literature and Gaps

Author	Purpose of the study	Findings	Gaps	How the current study fills the gaps
Wilcox (2006)	The research analyzed the conversion of credit unions to banks looking at the facts, incentives, issues and reforms in USA.	The research results found that there was a very low level of conversion among credit unions into banks through the period of study given only 29 out of 4733 credit unions had converted into banks across all three FCIU categories of medium ($10 million to $100 million), large ($100 million to $1 billion) and very large ($1 billion to 2 billion).	The research was set in USA which is contextually different from Kenya.	This study looked at NDT SACCOs a sub-set of credit unions in Kenya focusing on adoption of deposit taking services.
Gachenga, Kinyariro, Wambu and Maina (2023)	The study examined the moderating influence of SACCO size on the correlation between lending decisions and the liquidity of farmer-oriented DT SACCOs in Kenya.	The study finds that SACCO size significantly moderates the correlation between loan decisions and the liquidity of farmer-oriented DT-SACCOs. The study recommends that DT-SACCOs should take their size into account when making loan choices and endeavor to increase their size and membership demographic to enhance their capacity to manage liquidity and lending risk.	The study focuses on farmer DT SACCOs and failed to investigate the direct relationship between SACCO size and adoption of deposit taking services among NDT SACCOs	This study instead examined SACCO size in relation to adoption of deposit taking services among NDT SACCOs in Kenya.
Maina, Kiai and Kyalo (2020)	This study investigated the moderating effect of SACCO size on credit management practices and financial sustainability of DT-SACCOs in Kenya.	The study found that SACCO size has a significant moderating effect on credit management practice and financial sustainability of DT-SACCOs. It recommended that SACCO size should only be	The study focuses on DT SACCOs and did not examine the direct relationship of SACCO size and adoption of deposit	This study instead examined SACCO size in relation to adoption of deposit taking services among

Author	Purpose of the study	Findings	Gaps	How the current study fills the gaps
		considered while addressing credit risk mitigation and staff competence of DT-SACCOs in an effort to improve their financial sustainability.	taking services among NDT SACCOs	NDT SACCOs in Kenya.
Maina, Ndwiga and Kanyariro (2021)	The study examines the relationship between governance costs and financial soundness of Deposit Taking Savings and Credit Co-operative Societies (DT-SACCOs) in Nairobi City County, with a focus on the moderating effect of SACCO size.	The study found that governance cost was not statistically significant in predicting DT-SACCOs financial soundness, but SACCO size had a significant moderating effect on the relationship between governance costs and financial soundness.	The study failed to look at NDT SACCOs and the direct relationship between SACCO size and adoption of deposit taking services in Nairobi County only.	This study instead examined SACCO size in relation to adoption of deposit taking services among NDT SACCOs in Kenya.
Nduati and Oluoch (2021)	This study examined the determinants of liquidity of Deposit Taking SACCOs in Laikipia Kenya, focusing on the effects of capital adequacy, firm size, and non-performing loans on liquidity risk.	The results of the study show that non-performing loans have a positive effect on liquidity risk, while capital adequacy, profitability, and firm size have a negative relationship with liquidity risk.	The study focused solely on Laikipia DT SACCOs and did not relate firm size to adoption of deposit taking services. Finally, they only used a secondary data analysis approach to draw insights	This study looked at NDT SACCOs instead across Kenya and use mixed methods as opposed on relying on secondary data sources alone.
Towo (2022)	The study aims to analyze the influence of relationship lending on the financial performance of SACCOS in Tanzania, focusing on the duration and	The results show that the duration of the relationship is negatively and significantly related to SACCOS financial performance, while the number of relationships has an insignificant effect on	The study is set in Tanzania relating lending relationships with financial performance while controlling for age	This study was set in Kenya applying mixed methods to explore age directly as a structural feature and how it affects adoption

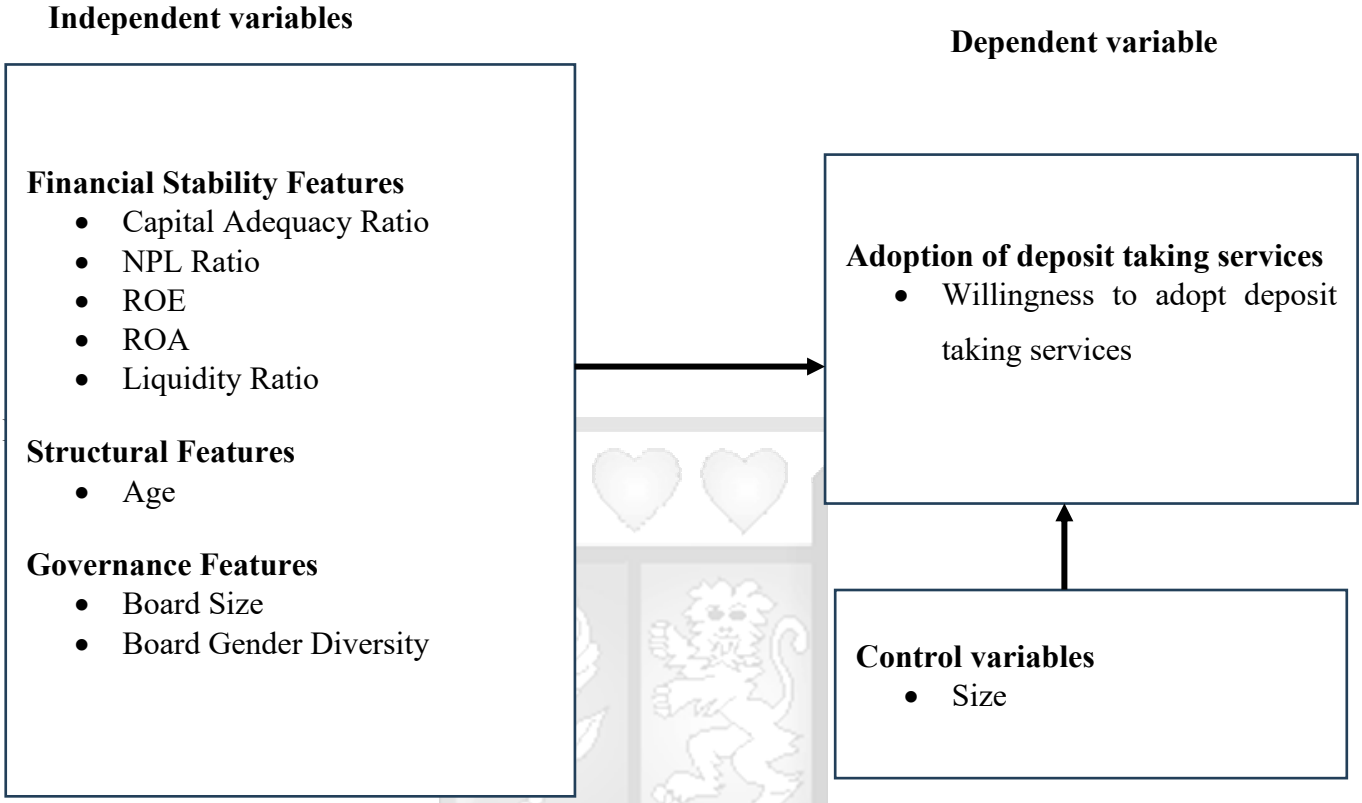
Author	Purpose of the study	Findings	Gaps	How the current study fills the gaps
	number of relationships with formal financial institutions (FFIs)	financial performance. Age and size, control variables, were found to have a negative and significant relationship with ROA as a financial performance indicator.	using purely secondary data sources.	of deposit taking services among NDT SACCOs.
Gupta and Mahakud (2020)	This study focused on assessing the role of various bank-specific, industry-specific and macroeconomic determinants in Indian commercial banks performance.	The results showed that bank size, non-performing loan ratio and revenue diversification are the major determinants of the commercial banks performance in India. Further they revealed during the crisis period the impact of bank size, bank age, labor productivity and revenue diversification on the performance of the Indian banks was robust.	The study was conducted in India and among commercial banks.	This study focused on SACCOs specifically by examining the relationship of age and size adoption of deposit taking services among NDT SACCOs in Kenya
Kingo'ri, Kioko and Shikumo (2017)	The study aimed to investigate the determinants of financial performance of Microfinance banks in Kenya.	They found a positive and statistically significant relationship between operational efficiency, capital adequacy, firm size and financial performance of microfinance banks in Kenya. However, the study found an insignificant negative relationship between liquidity risk, credit risk and financial performance of microfinance banks in Kenya.	The research analyzed MFI banks in Kenya.	This study focused on SACCOs similarly looking at firm size as a factor impacting the adoption of deposit taking services among NDT SACCOs.
Kathuo, Oluoch and Njeru (2021)	This study examined the influence of profitability on dividend payout among	The results of the study showed that return on equity had a significant effect on dividend payout, with a positive direction.	The study focused on DT SACCOs using secondary data sources.	The study focused on NDT SACCOs instead using mixed methods investigating

Author	Purpose of the study	Findings	Gaps	How the current study fills the gaps
	Deposit-Taking Saccos in Kenya.	The study also found that SACCO size had a strong moderating relationship between profitability and dividend payout.		relationship of performance variables ROA and ROE to adoption of deposit taking services.
Ali, Muema and Muriuki (2021)	This study examines the influence of profitability on dividend payout in deposit-taking Savings and Credit Co-operatives (SACCOS) in Kenya.	The study found that profitability has a strong and positive influence on dividend payout in deposit-taking Saccos in Kenya, with a significant relationship between the two variables.	The study focused on DT SACCOs using secondary data sources	The study focused on NDT SACCOs instead using mixed methods investigating relationship of performance variables ROA and ROE to adoption of deposit taking services
Mathuva (2018)	The study examined the characteristics of savings and credit cooperatives (SACCO) that voluntarily apply for the Kenyan Financial Reporting (FIRE) excellence awards.	The study results revealed that larger and well-governed FOSA SACCOs in Kenya were more likely to participate in the annual FIRE awards.	The study focused on DT SACCOs using secondary data sources.	The study focused on NDT SACCOs instead using mixed methods investigating relationship of performance variables ROA and ROE to adoption of deposit taking services
Atukunda et.al (2024)	The study investigated the link between corporate governance practices, the operating environment, and the financial sustainability of Savings and Credit Cooperatives (SACCOs) in the Greater Mbarara region.	The results show a positive significant relationship between corporate governance practices and SACCO financial sustainability, and between the operating	The study focused on SACCOs in Mbarara region in Uganda.	The study focused on NDT SACCOs across Kenya evaluating governance features and how they impact on adoption of deposit taking services.

Author	Purpose of the study	Findings	Gaps	How the current study fills the gaps
		environment and SACCO financial sustainability.		
Mugilwa et.al (2024)	This study examines the relationship between corporate governance (CG) and financial performance (FP) in deposit-taking SACCOs in Kenya.	The study found a positive and statistically significant relationship between corporate governance practices and financial performance outcomes in deposit-taking SACCOs in Kenya.	The study focused on DT SACCOs in Kenya.	The study focused on NDT SACCOs across Kenya evaluating governance features and how they impact on adoption of deposit taking services.
Akinyi and Bett (2023)	The study examined the effect of corporate governance on the performance of Savings and Credit Cooperative Organizations (SACCOs) in Nairobi County, Kenya	The study revealed that corporate governance attributes of board independence, board composition, ethical considerations, and board policies/procedures had a positive and significant effect on the performance of SACCOs in Nairobi City County, Kenya.	The study focused on a small sample of DT SACCOs in Nairobi, Kenya	The study focused on NDT SACCOs across Kenya evaluating governance features and how they impact on adoption of deposit taking services.
Jain et al. (2015)	The study evaluated the motivating factors for conversion of credit unions to mutual banks in Australia.	The results of the study indicated that senior management established that converting into a bank resulted in positive business outcomes like increased deposit-taking, loans and customer base.	The study focused on credit unions that converted to mutual banks in Australia.	This study instead looked at NDT SACCOs (yet to convert to DT SACCOs) in Kenya assessing management perspectives on adopting deposit taking services.
Odero (2023)	The study assessed the impact of strategic direction and firm performance across the SACCO sector in Kenya.	The study results found that strategic direction had a positive and significant influence on performance.	The study focused on assessing DT SACCOs in Kenya relating management	The current study focused on NDT SACCOs in Kenya relating management

Author	Purpose of the study	Findings	Gaps	How the current study fills the gaps
			outlook to financial performance.	perspectives to adoption of deposit taking services.
Waihenya et al. (2018)	The study assessed the role of strategic leadership on customer growth among SACCOs in Kiambu County.	The study results showed that managerial strategic direction is crucial and significantly influenced customer growth among the SACCOs.	The study focused on a subset of the SACCO population including DT and NDT SACCOs in Kiambu County alone.	This study focused on the entire NDT SACCO population alone across all counties in Kenya. This study related management perspectives to adoption of deposit taking services.
Kisiangani et al. (2024)	The study investigated the influence of strategic direction on performance of commercial banks in Kenya.	The study found that strategic leadership direction had a significant and positive relationship to performance of commercial banks in Kenya.	The study focused on commercial banks in Kenya linking strategic direction and performance.	This study focused on NDT SACCOs instead while relating management perspectives to the adoption of deposit taking services.

2.6 Conceptual Framework



2.7 Operationalization of the Variables

Table 2.2 depicts an overview of the approach in which the variables illustrated in the conceptual framework resulted alongside relevant literature and reinforcing theories.

Table 2.2: **Variable operationalization**

Variable	Abbreviation	Description	Sources	Supporting theory	Variable type	Measurement
Adoption of deposit taking services	ADOPT_DT	Level of willingness of a regulated NDT SACCO to introduce deposit taking services	Wilcox (2006); DiMaggio and Powell (1983); Davis et al. (1997b)	Institutional theory and stewardship theory	Dependent variable	Binary score outcome (1 or zero) depending willingness levels
Financial Stability Features						

Variable	Abbreviation	Description	Sources	Supporting theory	Variable type	Measurement
Capital Adequacy Ratio	CAR	Minimum core capital requirements a regulated NDT SACCO must meet at all times	Mirichii et al. (2024); DiMaggio and Powell (1983)	Institutional theory and Resource-based view theory	Independent variable	Ratio of core capital as a percentage of total assets
NPL Ratio	NPLR	Assesses the provisioning of performance of a regulated NDT SACCO loan portfolio	Kimutai et al. (2019); DiMaggio and Powell (1983); (Davis et al., 1997b)	Institutional and Stewardship theory	Independent variable	Ratio of non-performing loans to total gross loans
Return on Equity	ROE	Net income after tax scaled by total equity employed	Ali, Muema and Muriuki (2021); Kathuo, Oluoch and Njeru (2020)	Stewardship theory and Resource-based view theory	Independent variable	Ratio of net income after tax as a percentage of total equity employed
Return on Assets	ROA	Net income after tax scaled by total assets held	Mathuva (2018); Kathuo, Oluoch and Njeru (2021); Ali, Muema and Muriuki (2021)	Stewardship theory and Resource-based view theory	Independent variable	Ratio of net income after tax as a percentage of total assets held
Liquidity ratio	LIQR	Total cash and cash equivalents scaled to the short-term deposits and	Mutinda and Ombati (2018); DiMaggio and Powell	Institutional theory and Resource-based view theory	Independent variable	Ratio of liquid assets to short term liabilities

Variable	Abbreviation	Description	Sources	Supporting theory	Variable type	Measurement
		short-term deposits	(1983); Davis et al. (1997b)			
Structural features						
Age	AGE	The number of years of existence of the SACCO from inception to 2023	Gupta and Mahakud (2020); Towo (2022) DiMaggio and Powell (1983)	Institutional theory	Independent variable	Difference in duration between year of establishment and 2023
Governance features						
Board size	BOARD_SIZE	The span of the leadership at the board level	Mathuva (2017); Mathuva (2018); Akinyi and Bett (2023); Davis et al. (1997b)	Stewardship theory and Resource-based view theory	Independent variable	Number of directors at the board
Board gender diversity	BGD	The level of gender equity at the board level	Mathuva (2017); Mathuva (2018); Akinyi and Bett (2023); Davis et al. (1997b)	Stewardship theory	Independent variable	Number of female directors at the board as a percentage of total number of directors
Control variables						
Size	SIZE	The size of the SACCO based on total assets	Maina, Kiai and Kyalo (2020); Maina,	Institutional theory and Resource-based view theory	Control variable	Natural logarithm of total assets

Variable	Abbreviation	Description	Sources	Supporting theory	Variable type	Measurement
			Ndwiga and Kanyariro (2021); Nduati and Oluoch (2021); Towo (2022); Gupta and Mahakud (2020)			

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter establishes the research approach to be employed in the investigation. It encompasses themes pertaining to research philosophy, design, data and data sources, as well as analysis methods and protocols.

3.2 Research Philosophy

Creswell (2009) defines research philosophy as perspectives that a researcher encompasses their beliefs, discipline and historical experiences that collectively shape how they design, analyze and interpret their study. The study aimed to apply an ontological approach in measuring what is real in the current world and from which we can acquire knowledge (Crotty, 1998). In this study, the primary research area of interest is the adoption of deposit taking services which is a phenomenon that exists in the real world and can be measured objectively. Further this main research variable is an extract of willingness to adopt deposit taking services which is a tangible construct that can be objectively measured (Crotty, 1998; Moon & Blackman, 2014).

Much as the main area of research is an objective reality, in this study we employ a pragmatist approach as we are keen to not only understand the what (adoption status) but also take into account the how (perspectives of different stakeholders in pursuing adoption). Therefore, the pragmatist approach adopted both quantitative and qualitative analysis to elaborate further on the research questions posed. Secondary data was utilized to explain the relationship between the variables outlined in the conceptual framework while primary data was collected to further contextualize insights that would inform adoption decisions taken (Luck et al., 2006).

Based on the research questions posited, this study adopted both inductive and deductive reasoning strategies. The deductive approach is appropriate as it empowers the independence of the researcher to independently validate the research problem. Given we set forth key theories to support the key variables, then we can develop hypotheses to validate or invalidate them based on the outcomes of the study. The inductive strategy was crucial especially for qualitative stakeholder views in order to help develop the key themes as relating to the adoption of deposit taking services.

To realize this, the study used both quantitative and qualitative methods utilizing concurrent triangulation mixed methods data collection for a holistic data collection and analysis.

3.3 Research Design

The study used a descriptive and inferential study design to analyze the features of NDT SACCOs towards adoption of deposit taking services over an extended period of time. The study aims to target 183 NDT SACCOs between 2019 and 2023. Cross-sectional data involves observing several organizational data at on instance in time providing a snapshot view of the population allowing for analysis of characteristics without provisioning for changes of the data over time (Gujarati, 2003). Similarly employing descriptive analysis promotes the examination of study results exhaustively building more confidence in the conclusions. Further the research design was mixed methods encompassing primary and secondary data to better explain the findings using qualitative themes. The mixed methods design of choice was the convergent parallel design where secondary quantitative data was collected and primary qualitative data was collected and analyzed concurrently but separately. The results were then merged by triangulation so as to draw conclusions that can further enhance the validity and reliability of the findings.

3.4 Population and Sampling

Mugenda (2008) defined a population as a comprehensive set of objects, individuals or cases with some similar observable characteristics. A population can also be described as a complete list of items in a particular area of study equally defined as a universe of items (Kothari, 2004). The target population for a study can be defined as population from which a researcher would collect data from instead of using a sample (Green et al., 2006). The researcher thus needs to decide if it is possible to study all items or individuals of the target population would be feasible.

The target population for the study included all 183 NDT SACCOs formally licensed by SASRA as of between 2019 and 2023. The decision for settling on the 183 NDT SACCOs as of 2023 was informed by the fact that: 2020 was the formal year in which NDTs with assets over KES 100 million were required to acquire formal authorization to provide services to members upon SACCO Act 2008 amendment. Therefore, licensed NDT SACCOs in this category were therefore required to make statutory filings to the regulator annually.

Further to conduct qualitative data perspectives, a management representative was selected per SACCO at the rank of finance manager or equivalent. This essentially translates to a total population of 183 stakeholder representatives to be surveyed.

3.5 Data Collection Methods

The study used both secondary and primary data methodologies for data collection. Secondary data in the form of annual audited accounts from the NDT SACCOs as well as license application form submissions given these are mandatory statutory requirements under the SACCO Act 2008 (GoK, 2008). Obligatory statutory returns are required to be filed with the regulator (SASRA) and therefore they can be availed for research purposes once a formal request has been lodged.

For the primary data collection, questionnaires (Appendix III) were used to survey the intended management representatives. Questionnaire was developed to gather the responses of the participants covering perspectives regarding willingness to adopt deposit taking services, features/characteristics of the SACCO likely to influence adoption, insights on challenges and opportunities of transitioning.

3.6 Data Collection Procedures

NDT SACCO performance information, forming the secondary data basis, was obtained through statutory filings including from 2023 audited financial statements acquired from SASRA's data sheets. This information is crucial in assessing the necessary financial stability features for NDT SACCOs likely to deposit taking services. Questionnaires were then used to collect data for objective three of the study to assess the management perspectives on willingness to adopt deposit taking services. The questionnaire is the most appropriate data collection tool for responses involving multiple respondents and were administered online via Google Forms after the audience has been contacted via email. The respondents for the questionnaire were SACCO managers of managers of similar rank within the NDT SACCO. The rationale for selecting this caliber of senior management as respondents is because they have a direct line of sight to the overall strategic direction of the business through interactions with the board, they actively are involved in implementing any strategic initiatives including potentially adopting DT services if that is desired and finally, they are privy to internal and external sentiments on what the challenges and benefits associated with pursuing any strategic initiative.

3.7 Data Analysis

Aligning with El-Habil (2012) study, the study used a binomial logistic regression (BLR) model to analyze the features of NDT SACCOs based on their likelihood to adopt deposit taking services. The empirical data model is established as below:

$$DT_{it} = \beta_0 + \beta_1 Financial\_stabilty\_features_{it} + \beta_2 Structural\_features_{it} + \beta_3 Governance\_features_{it} + \beta_4 CONTROL_{it} + \varphi_i + \varepsilon_i$$

Where DT is a bi-category variable, whose value is an integer depending on NDT SACCO willingness to adopt DT services i.e., 1 if they are willing and 0 if not. Financial_stability_features in the study were measured by variables like capital adequacy ratio (CAR), non-performing loans ratio (NPLR), return on assets (ROA) and return on equity (ROE) and liquidity ratio (LIQR). Structural features on the other hand included variables such as SACCO sector (SECTOR) and SACCO age (AGE). Governance_features was assessed based on variables such as Board size (BOARD_SIZE), Board gender diversity (BGD) based on cooperative governance framework (Mathuva et al., 2017). Size of the SACCO was used as a CONTROL variable. φ_i and ε_i referred to the cross-sectional controls and the error term, respectively. Thus, after expansion of the initial equation above we have the resulting equation as follows:

$$ADOP\_DT_{it} = \beta_0 + \beta_1 CAR_{it} + \beta_2 NPLR_{it} + \beta_3 ROA_{it} + \beta_4 ROE_{it} + \beta_5 LIQR_{it} + +\beta_6 AGE_{it} + \beta_7 BOARD\_SIZE_{it} + \beta_8 BDG_{it} + \beta_9 SIZE_{it} + \varphi_i + \varepsilon_i$$

In this study, the independent variables were regressed with SIZE of the SACCO as the only control variable to evaluate the robustness of their link to the dependent variable. The variables have been discussed comprehensively in the variable operationalization section clear with their definitions and supporting literature that have similarly applied them.

3.8 Model Diagnostic Tests

According to Cooper and Schindler (2011), an effective model is one that when subjected to validity, reliability and practicality tests resulted in a pass. To ensure research outcome quality, we shall highlight below the tests that the regression model was subject to.

(a) Multi-Collinearity

In binomial logistic regression like any other regression model is susceptible to muti-collinearity where at least two predictor variables exhibit a high degree of correlation causing difficulties in estimating the coefficients accurately. In cases where multi-collinearity exists, reliability of statistical inferences falls and therefore imperative that independent variables and any control variables avoid correlation for the model to remain robust (Gujarati & Porter, 2009). In this study we aimed to use the variance inflation factor (VIF) test as it measures by how much the variance of a regression coefficient is inflated due to multicollinearity. VIF was used to check for multicollinearity with acceptable values being below 10 (Hair et al., 2006).

(b) Heteroskedasticity

For the proposed study regression model, heteroscedasticity indicates circumstances where variance of errors differs largely across levels of the independent variables. It is desired that linear analysis methodologies yield constant error term variances meaning they are homoscedastic. Historical studies have indicated the prevalence of heteroscedasticity in cross-sectional data vis a vis time series data as a result of larger coverage (Gujarati & Porter, 2009; White, 1980). The study implemented the Breusch- Pagan test by regressing squared residuals of the binary probit model on the independent variables to check for heteroscedasticity traces.

(c) Autocorrelation

Autocorrelation exists where there is serial correlation in the data set or when there is a lack of independence in the observations. Autocorrelation usually occurs when working with panel data even though there are multiple observations over time for the same entities under investigation. Similar prospects are true for both time series and spatial data points. The study utilized the Durbin-Watson Test to assess autocorrelation in the framework of regression designed for binary outcomes.

(d) Normality

It is assumed the data set utilized for the research followed a normal distribution pattern so as to make proper statistical inferences. As such it is vital for the study to conduct normality tests including Skewness for assessing symmetry around the mean as well as Kurtosis tests for flatness.

3.9 Ethical Issues in Research

Implementation of this research relied on guidance provided by the ethical standards of Strathmore University for graduate students, in conjunction with requirements established by the National Commission for Science, Technology and Innovations (NACOSTI). The research aimed to adhere to anonymity in dissemination of data shared by respondents in line with confidentiality guidelines. For the sake of avoid plagiarism and maintaining originality, the study ensured to reference all previous works cited.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND INTERPRETATION

4.1 Introduction

This chapter presents findings on the willingness of NDT SACCOs to adopt deposit-taking services in Kenya, based on survey data and financial reports (2019–2023). It covers response rates, demographic insights, and descriptive statistics. SACCOs' willingness to transition is examined alongside motivations and concerns. Diagnostic tests assess model reliability, including multicollinearity, heteroskedasticity, autocorrelation, and normality. The chapter also explores SACCO features and management perspectives on deposit-taking adoption.

4.2 Response Rate

This section presents the response rate of the study, highlighting the proportion of participants who completed the survey compared to the total targeted respondents.

Table 4.1: Response Rate

Category	Count	Percentage
Responses	148	80.874%
Non-Responses	35	19.126%
Total	183	100.000%

The study achieved a response rate of 80.87%, with 148 out of the targeted 183 respondents completing the survey, while 35 (19.13%) did not respond. According to Fincham (2008), a response rate above 70% is considered excellent in survey research, enhancing the reliability and generalizability of findings. The high response rate in this study was facilitated by proactive follow-ups, including reminder emails and direct engagement with SACCO management representatives, which helped minimize non-responses and improve data completeness (Dillman et al., 2014).

4.3 Demographic Information

This section presents data on respondents' positions, tenure in their roles, the sectors in which their SACCOs operate, and the age distribution of the SACCOs. Analyzing these aspects allows for a more comprehensive interpretation of the findings, ensuring that variations in responses are considered in light of organizational and individual attributes.

4.3.1 Distribution of Positions Held in SACCOs

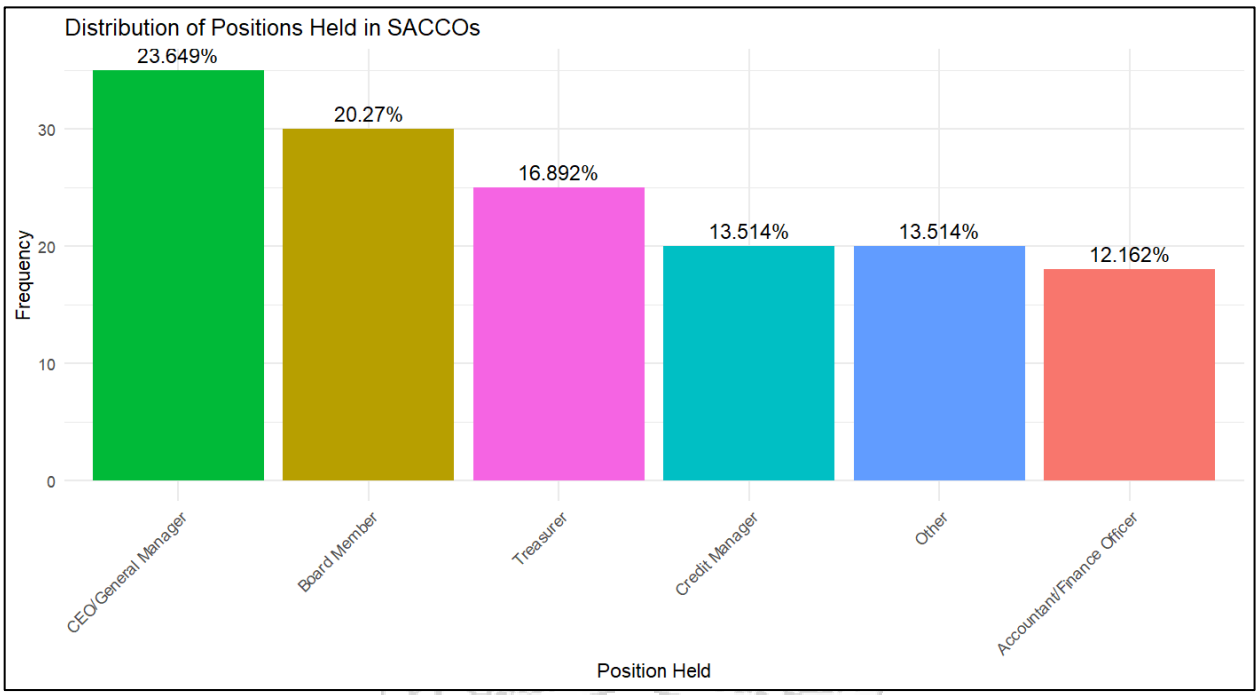


Figure 4.1: Distribution of Positions Held in SACCOs

Figure 4.1 illustrates the distribution of respondent roles within SACCOs, highlighting the prominence of senior management and governance positions. CEOs/General Managers constitute the largest group (23.65%), followed by Board Members (20.27%) and Treasurers (16.89%). Credit Managers and those in other unspecified roles each account for 13.51%, while Accountants/Finance Officers make up 12.16%. This distribution underscores the active involvement of strategic decision-makers in discussions on transitioning to deposit-taking services. The strong representation of leadership roles aligns with studies emphasizing the impact of strategic leadership on SACCO financial performance and sustainability (Mutua & Mwangi, 2022).

4.3.2 Duration of Holding that Position in respective SACCO

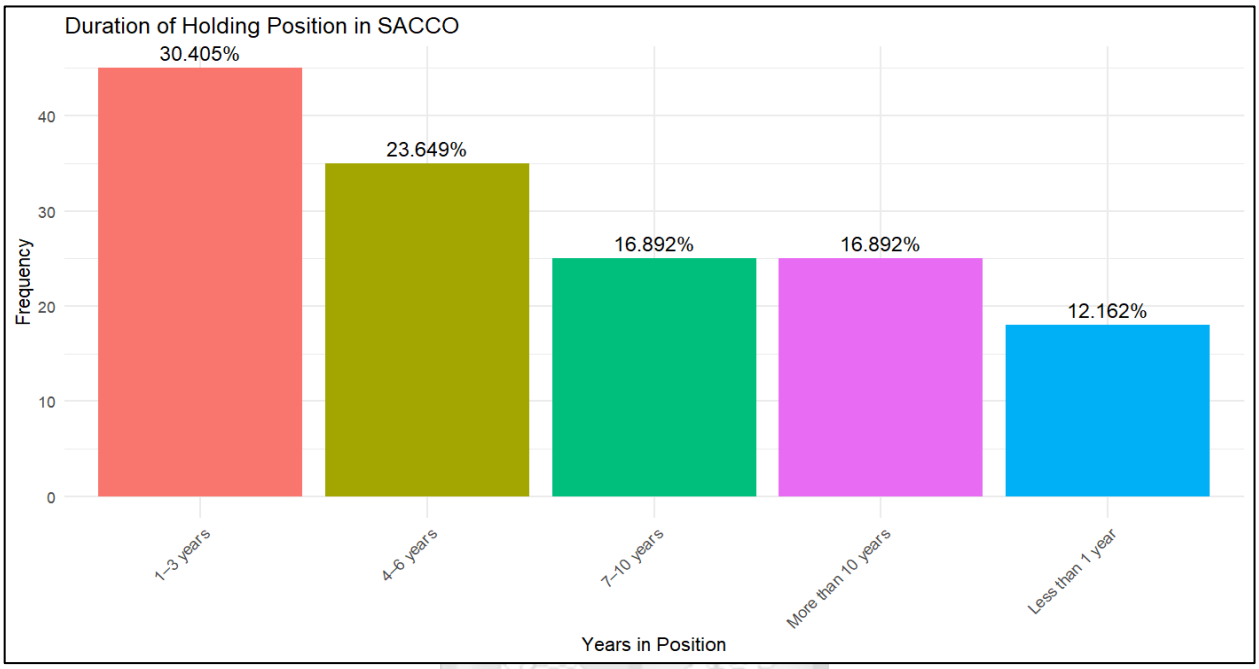


Figure 4.2: Duration of Holding that Position in respective SACCO

Figure 2 illustrates respondents' tenure in their SACCO positions, with 30.41% serving for 1–3 years, followed by 4–6 years (23.65%). Those with 7–10 years and over 10 years each account for 16.89%, while 12.16% have been in their roles for less than a year. The data suggests a dynamic workforce, with 54.06% holding their positions for 1–6 years, indicating potential turnover or promotions driving organizational growth. Meanwhile, 33.78% have tenures exceeding seven years, providing valuable experience for strategic decision-making, such as transitioning to deposit-taking services. The presence of newer employees (12.16%) introduces fresh perspectives, fostering innovation. Employee tenure significantly influences SACCO performance and stability, with studies highlighting the impact of staff dedication on financial sustainability (Mutunga & Wainaina, 2023) and the role of retention programs in mitigating turnover costs (Nyanjom, 2020). Understanding tenure distribution is crucial for enhancing retention strategies and organizational performance.

4.3.3 Distribution of SACCOs by Sector

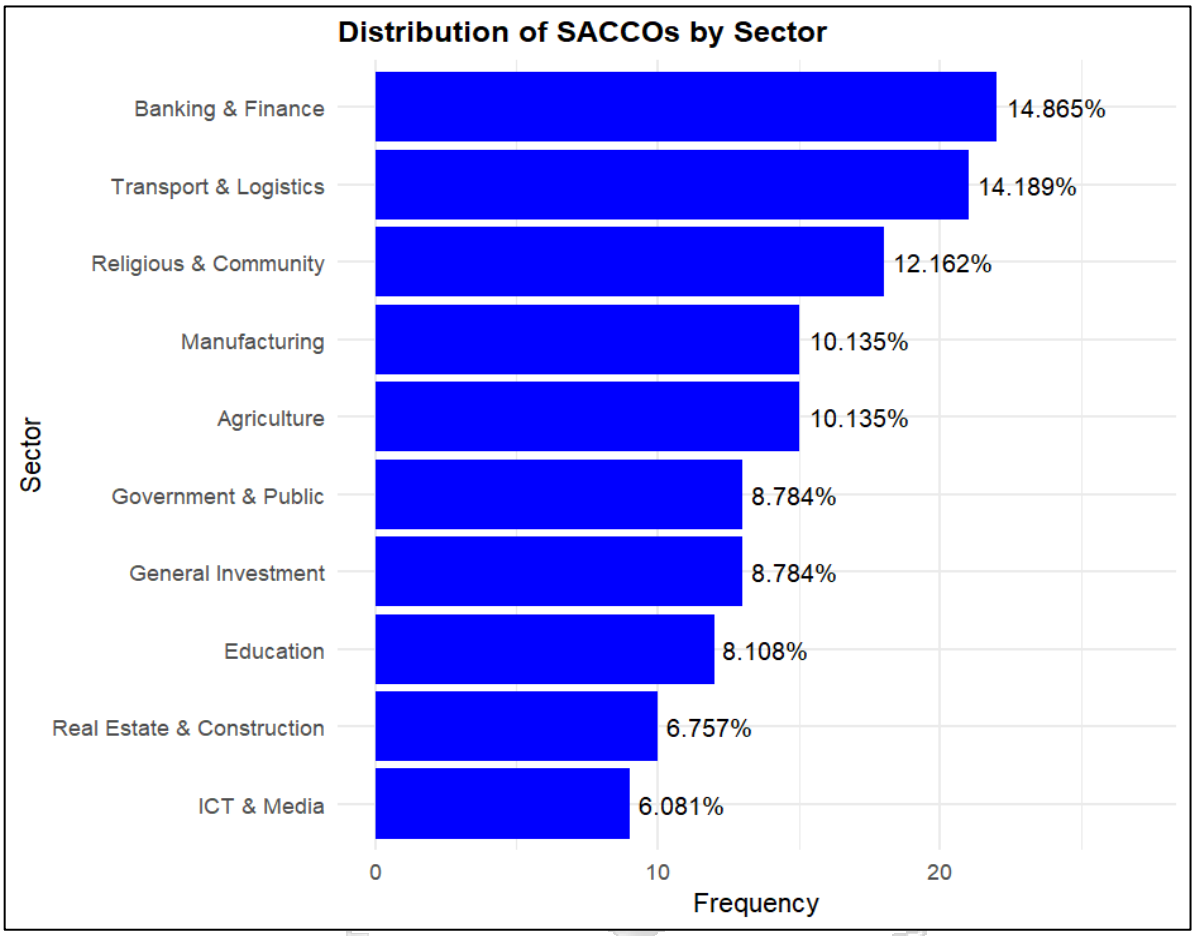


Figure 4.3: Distribution of SACCOs by Sector

The distribution of SACCOs across economic sectors highlights their adaptability to industry-specific financial needs. Banking & Finance (14.87%) and Transport & Logistics (14.19%) are the most represented, indicating strong demand for tailored financial services. Religious & Community SACCOs (12.16%) underscore the role of faith-based and social groups in cooperative finance. Manufacturing and Agriculture (10.14% each) reinforce the reliance on SACCOs for sectoral financial support, particularly in agribusiness (Muriuki & Kinyua, 2021). Government & Public (8.78%) and Education (8.11%) SACCOs reflect a long-standing tradition of employee-based cooperatives. The lower representation of Real Estate & Construction (6.76%) and ICT & Media (6.08%) suggests reliance on alternative financial institutions or limited cooperative penetration. This diversity highlights sector-specific financial preferences, regulatory impacts, and historical growth patterns (Mwangi & Murithi, 2022). Understanding these variations is crucial for

policymakers and financial institutions seeking to expand SACCOs in underrepresented sectors. Sector-based SACCOs play a vital role in financial inclusion and economic stability, particularly in developing economies with limited traditional banking access (World Council of Credit Unions, 2020).

4.3.4 Distribution of SACCOs by their Age

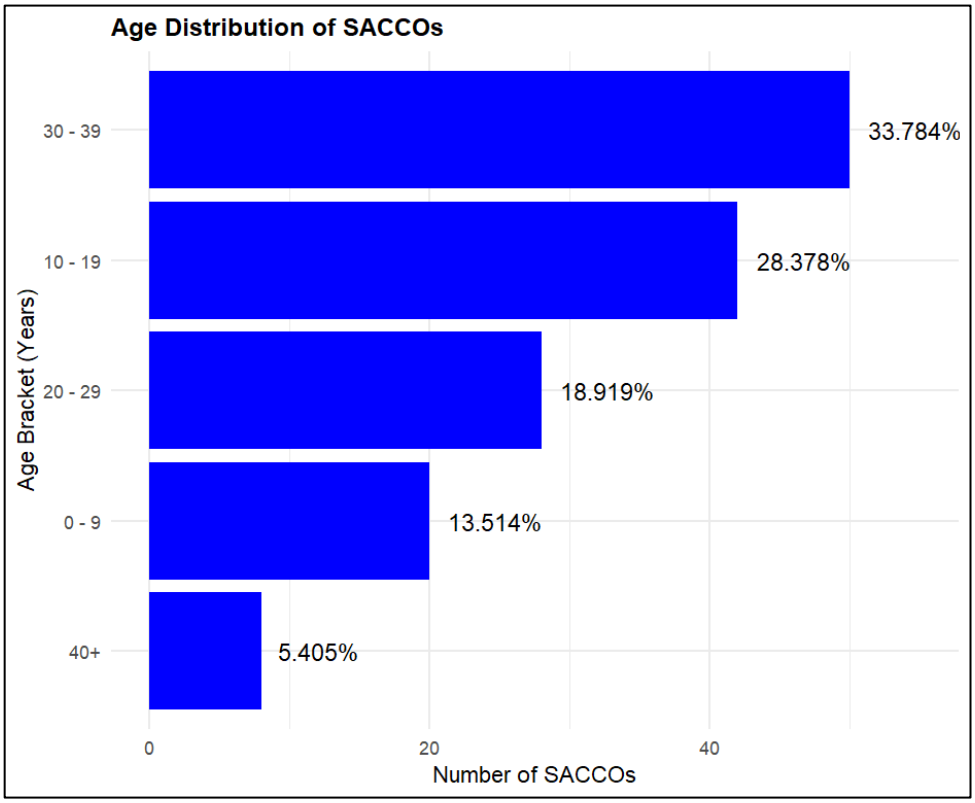


Figure 4.4: Distribution of SACCOs by their Age

The age distribution of SACCOs reflects significant sector growth over recent decades, with the largest share falling within the 30–39-year range (33.78%), followed by 10–19 years (28.38%), indicating a surge in establishment between the 1980s and early 2000s, coinciding with regulatory advancements and financial inclusion efforts (Olando et al., 2021). The 20–29-year category (18.92%) further highlights steady sector expansion. In contrast, SACCOs younger than 10 years (13.51%) suggest that regulatory barriers and market competition have slowed new entrants (KUSCCO, 2022). The small proportion of SACCOs older than 40 years (5.41%) may reflect challenges such as structural changes, mergers, and financial sustainability issues. The dominance of SACCOs aged 10–39 years indicates a period of favorable policies and economic conditions

that supported growth (WOCCU, 2023). These trends underscore the need for continuous policy support and innovation to sustain existing SACCOs and encourage new ones, ensuring their long-term relevance in Kenya's financial landscape.

4.4 Descriptive Statistics of Variables

Descriptive statistics summarize key variable characteristics, including distribution, central tendencies, and variability. This section analyzes the mean, median, standard deviation, minimum, and maximum values, along with skewness and kurtosis. These insights help assess data suitability for further analysis. By examining financial indicators such as capital adequacy, non-performing loans, returns on equity and assets, liquidity, and governance factors, this section identifies key trends influencing SACCOs' adoption of deposit-taking services.

Table 4.2: Summary of Descriptive Statistics for Variables

Variable	Mean	Median	Std. Dev.	Min	Max	Skewness	Kurtosis	Obs
Capital Adequacy Ratio	0.021	0.013	0.028	0.006	0.212	4.093	20.918	915
Non-Performing Loans Ratio	0.192	0.186	0.075	0.065	0.416	0.415	2.402	915
Return on Equity	0.277	0.253	0.171	0.039	0.959	1.022	3.971	915
Return on Assets	0.052	0.051	0.025	0.009	0.121	0.176	2.014	915
Liquidity Ratio	0.862	0.701	0.573	0.186	3.610	1.686	6.122	915
Age	24.492	24	11.050	5	44	0.040	1.620	915
Board size	8.978	9	1.847	7	13	0.522	2.280	915
Board gender diversity	0.363	0.333	0.171	0.091	0.846	0.479	2.534	915
Size	20.345	20.493	0.691	17.668	21.318	-1.618	5.968	915
Adoption of deposit taking services	0.388	0.000	0.488	0.000	1.000	0.460	1.211	148

The descriptive statistics provide an overview of key study variables, summarizing their central tendencies, dispersion, and distribution characteristics. The Capital Adequacy Ratio has a mean of 0.021, ranging from 0.006 to 0.212, indicating significant variation among SACCOs. A skewness of 4.093 and kurtosis of 20.918 suggest a highly skewed and leptokurtic distribution. Similarly, the Non-Performing Loans (NPL) Ratio has a mean of 0.192 and a standard deviation of 0.075, highlighting moderate variability. With a skewness of 0.415 and kurtosis of 2.402, the NPL ratio is relatively normal but slightly right-skewed. These financial indicators are critical in assessing SACCO stability and risk exposure (Olando et al., 2021).

Profitability metrics such as Return on Equity (ROE) and Return on Assets (ROA) show variations in financial performance. ROE has a mean of 0.277 with a high standard deviation of 0.171, indicating differences in profitability levels. ROA, with a mean of 0.052 and standard deviation of 0.025, is more stable, with skewness (0.176) and kurtosis (2.014) suggesting a relatively normal distribution. The Liquidity Ratio has a high mean of 0.862, but its significant standard deviation (0.573) implies disparities in liquidity management. Its kurtosis of 6.122 suggests some SACCOs maintain extremely high liquidity levels, influencing financial stability and investment strategies (Mutua & Mwangi, 2022).

Governance and structural variables indicate diverse SACCO characteristics. The average SACCO age is approximately 24.5 years, with a standard deviation of 11.05 years, suggesting most SACCOs are well-established. The average board size is 8.978 members, with a small standard deviation of 1.847, indicating a relatively uniform governance structure. Board gender diversity has a mean of 0.363, reflecting moderate female representation, with skewness (0.479) and kurtosis (2.534) suggesting a roughly normal distribution (Kamau & Waweru, 2020). Regarding deposit-taking adoption, 38.8% of SACCOs in the sample have transitioned, while a significant portion remains non-deposit-taking. The SACCO size variable, with a mean of 20.345, exhibits a negatively skewed distribution (-1.618), indicating that while some SACCOs are significantly larger, most remain relatively small. These findings highlight key financial, governance, and structural factors influencing SACCOs' willingness and ability to adopt deposit-taking services (Onyango et al., 2023).

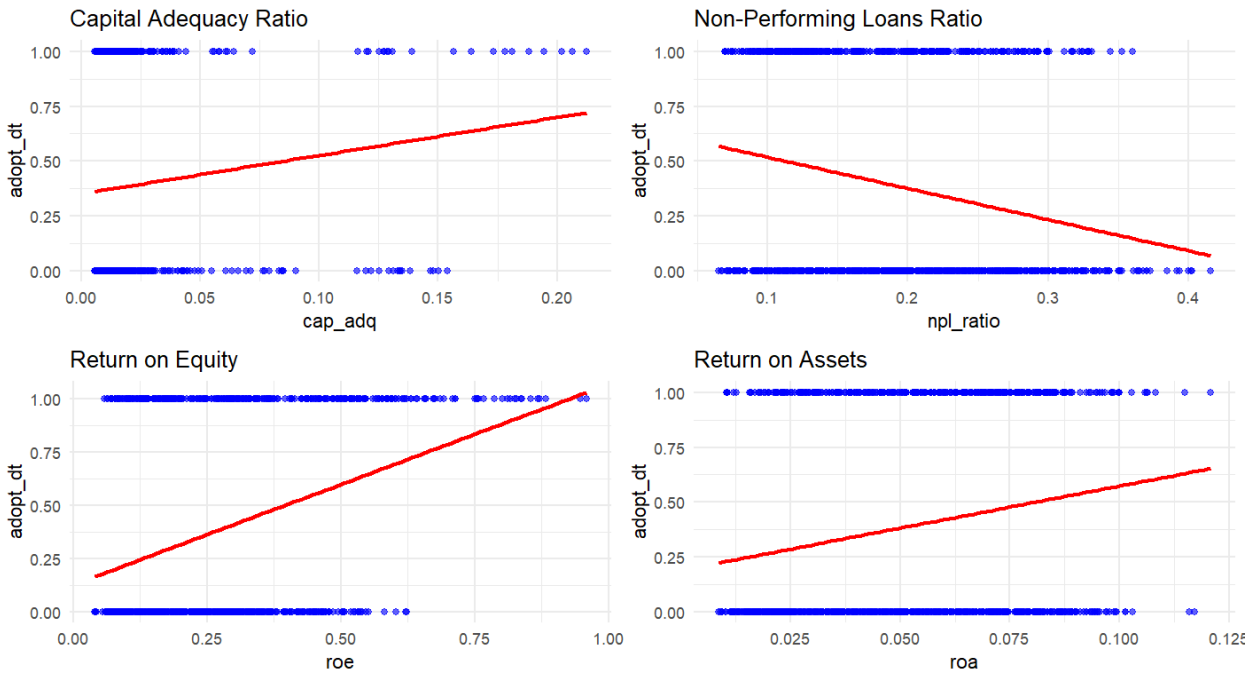


Figure 4.5: Scatter Plots for Key Variables

The scatter plots illustrate the relationship between SACCOs' financial health and their likelihood of adopting deposit-taking services. A positive correlation between Capital Adequacy Ratio (CAR), Return on Equity (ROE), and Return on Assets (ROA) with deposit-taking adoption suggests that financially strong SACCOs are more inclined to transition. Conversely, a negative relationship with the Non-Performing Loans (NPL) Ratio indicates that SACCOs struggling with loan defaults may be hesitant or ineligible for deposit-taking due to financial stability concerns (Mwangi & Wanjiru, 2021). These insights highlight the importance of financial soundness, where higher capital adequacy and profitability enhance readiness for deposit-taking. However, further econometric analysis, such as logistic regression, is needed to confirm the statistical significance of these relationships (Kamau et al., 2023).

4.5 SACCOs Willingness to Adopt Deposit-Taking Services

This section examines SACCOs' willingness to adopt deposit-taking services and the factors influencing their decisions, including financial stability, regulatory requirements, perceived benefits, and operational capacity. Understanding this willingness provides insights into SACCOs' readiness to comply with regulations and compete in the financial sector.

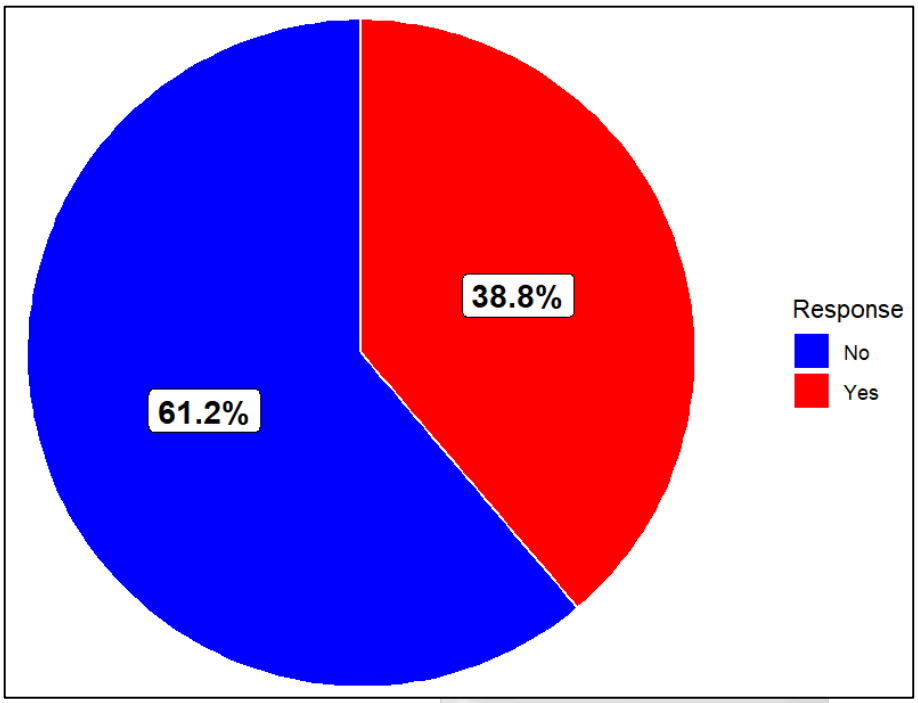


Figure 4.6: SACCOs Willingness to Adopt Deposit-Taking Services

The willingness of SACCOs to adopt deposit-taking services is crucial for the sector's expansion. As shown in Figure 4.6, 61.2% of surveyed SACCOs were unwilling to transition, while 38.8% expressed willingness. This reluctance is likely driven by concerns over regulatory compliance, financial risks, and operational capacity. Prior studies highlight that compliance costs, capital requirements, and governance structures significantly influence SACCOs' decisions (Ndung'u & Waweru, 2021; Muriithi & Kiarie, 2020).

International comparisons show similar reluctance in Uganda and Tanzania due to regulatory barriers, while SACCOs in South Africa and Ghana exhibit greater willingness, supported by stronger financial infrastructure (Kiyingi & Mukasa, 2022; Mensah & Aboagye, 2021). In Kenya, SACCOs with strong financial performance and governance structures are more likely to adopt deposit-taking services (Otieno & Mwangi, 2023). Addressing financial and regulatory constraints through tailored policies and capacity-building initiatives could enhance SACCOs' readiness for transition.

4.6 Diagnostic Statistics

Before regression analysis, key diagnostic tests ensure the model's reliability by detecting potential assumption violations, including multicollinearity, heteroskedasticity, autocorrelation, and normality (Wooldridge, 2021). This study conducts the Variance Inflation Factor (VIF) test for multicollinearity, the Breusch-Pagan test for heteroskedasticity, the Durbin-Watson test for autocorrelation, and the Q-Q plot for normality. Identifying and addressing violations through data transformations or robust standard errors enhances model accuracy and interpretation (Gujarati & Porter, 2020; Asteriou & Hall, 2021).

4.6.1: Multicollinearity Test

The Variance Inflation Factor (VIF) test detects multicollinearity in regression analysis, which occurs when predictor variables are highly correlated, leading to unreliable estimates (Gujarati & Porter, 2020). A VIF above 10 indicates severe multicollinearity, while values between 5 and 10 suggest moderate concerns (Wooldridge, 2021).

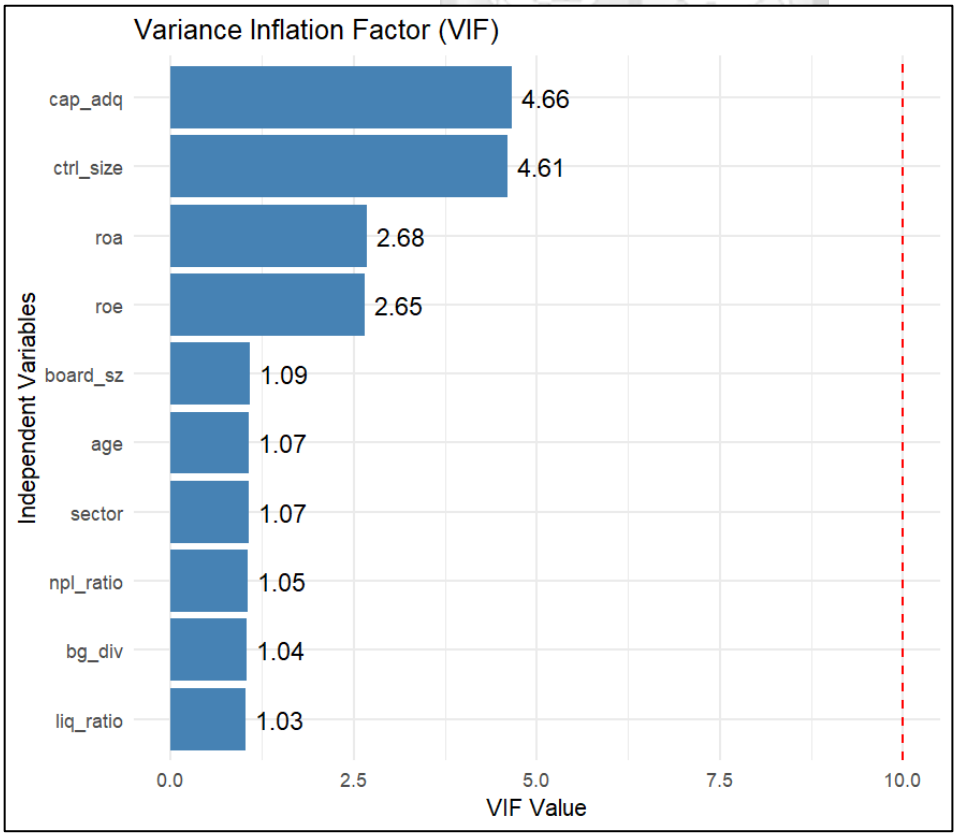


Figure 4.7: VIF Test for Multicollinearity

As shown in Figure 4.9, the capital adequacy ratio (VIF = 4.66) and SACCO size (VIF = 4.61) have the highest VIF values but remain below the threshold of concern. Other variables, such as return on assets (VIF = 2.68) and return on equity (VIF = 2.65), indicate moderate correlations, while age, sector, non-performing loan ratio, board gender diversity, and liquidity ratio exhibit VIF values close to 1, suggesting minimal collinearity (Kennedy, 2019). Overall, multicollinearity is not a significant issue, as all VIF values remain below 10, ensuring reliable regression estimates, though the slightly elevated VIF values for capital adequacy ratio and SACCO size warrant careful interpretation of their effects on deposit-taking adoption (Asteriou & Hall, 2021; Greene, 2020).

4.6.2 Heteroskedasticity Test

The Breusch-Pagan/Cook-Weisberg test is a commonly used method for detecting heteroskedasticity, which occurs when the variance of the error terms in a regression model is not constant across observations (Gujarati & Porter, 2020).

Table 4.3: Breusch-Pagan / Cook-Weisberg Test for Heteroskedasticity

Statistic	After Adjustment
Chi-squared (χ^2)	1.75
Prob > Chi²	0.1862

In this study, the test produced a Chi-squared (χ^2) statistic of 1.75 with a p-value of 0.1862, indicating that the null hypothesis of homoskedasticity (constant variance of errors) cannot be rejected at conventional significance levels (Wooldridge, 2021). This suggests that heteroskedasticity is not a major concern in the dataset, meaning that the regression model's standard errors and coefficient estimates remain reliable (Asteriou & Hall, 2021).

4.6.3 Autocorrelation Test

The Durbin-Watson (DW) statistic is a widely used test for detecting autocorrelation in regression models, particularly in time series and panel data (Wooldridge, 2021). It ranges from 0 to 4, with a value of 2 indicating no autocorrelation. Values below 2 suggest positive autocorrelation, while values above 2 suggest negative autocorrelation.

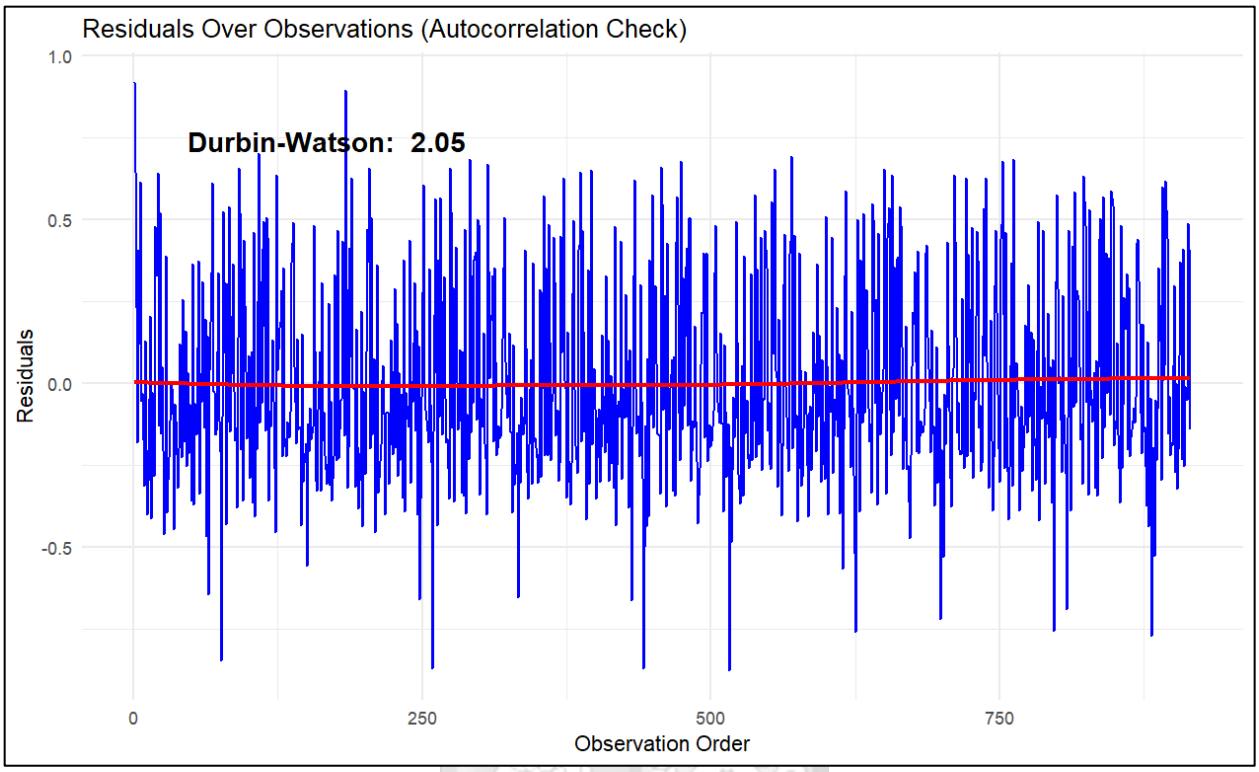


Figure 4.8: Durbin Watson Plot/Statistics for Autocorrelation

The DW statistic of 2.05, close to the ideal value of 2, indicates no significant autocorrelation, ensuring independent residuals (Gujarati & Porter, 2020). This strengthens the validity of regression results by maintaining unbiased and efficient coefficient estimates (Asteriou & Hall, 2021). Additionally, the residual plot supports this conclusion, as the randomly scattered residuals around zero confirm the absence of systematic patterns, reinforcing the assumption of independent errors essential for reliable statistical inferences (Studenmund, 2020).

4.6.4 Normality Test

The Q-Q plot provides a graphical method to assess whether the residuals of the model follow a normal distribution, which is a key assumption in many regression analyses (Wooldridge, 2021).

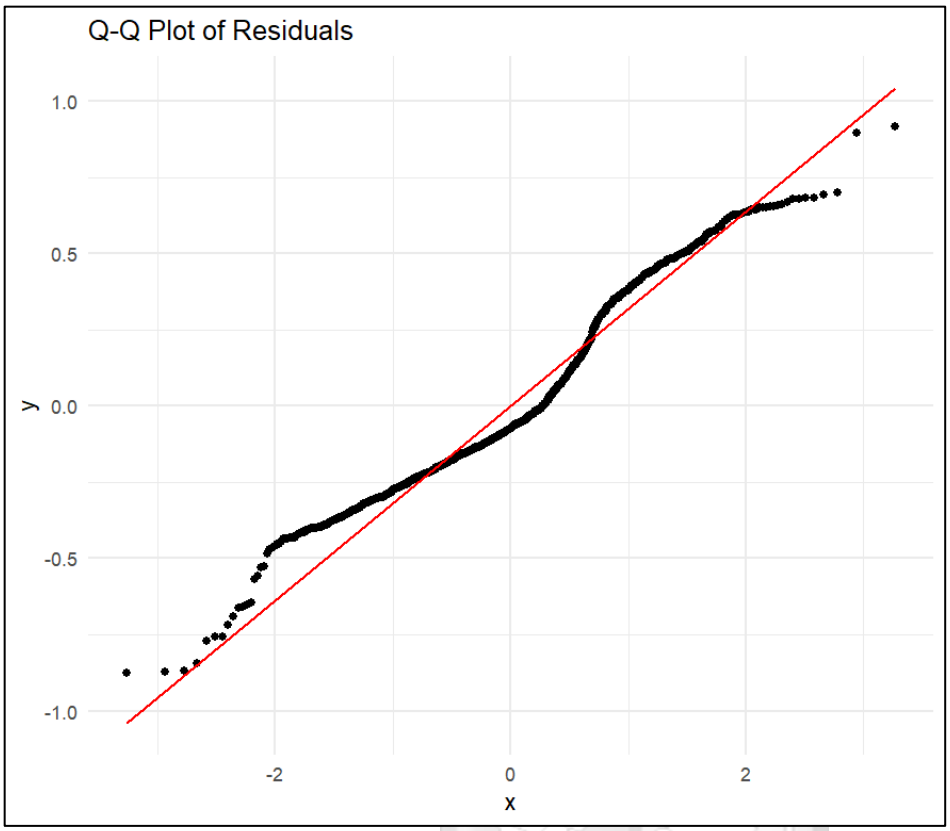


Figure 4.9: Normal Q-Q Curve for Normality

In this case, most points in the plot align closely with the reference line, particularly in the middle section, suggesting that the residuals approximate a normal distribution. However, minor deviations at the tails indicate the presence of slightly heavier tails than expected in a perfect normal distribution. This could mean that the model has a few extreme values (outliers), but given the overall alignment, the assumption of normality is not severely violated (Gujarati & Porter, 2020).

4.7 Correlation

Correlation analysis explores the relationships between financial, structural, and governance variables influencing SACCOs' adoption of deposit-taking services. By examining the correlation matrix, this section identifies key associations and potential multicollinearity, ensuring the reliability of regression models and informing further econometric analysis.

Table 4.4: Correlation Matrix of Key Variables Influencing the Adoption of Deposit-Taking Services by SACCOs

Variable	cap_adq	npl_ratio	roe	Roa	liq_ratio	sector	age	board_sz	bg_div	ctrl_size
cap_adq	1.0000									
npl_ratio	-0.0159	1.0000								
roe	-0.0472	-0.0191	1.0000							
roa	-0.0531	0.0650	0.7720	1.0000						
liq_ratio	0.1243	-0.0216	0.0945	0.0751	1.0000					
sector	0.0445	0.1583	0.1020	0.1532	-0.0108	1.0000				
age	0.0332	-0.0167	-0.095	-0.024	-0.0650	-0.046	1.0000			
board_sz	-0.0889	0.0028	0.0418	0.1330	0.0075	0.1081	-0.173	1.0000		
bg_div	-0.0719	0.0098	0.0877	-0.008	-0.0307	-0.065	-0.047	0.0414	1.0000	
ctrl_size	-0.8803	0.0557	0.0123	0.0188	-0.1214	-0.033	0.0274	0.0334	0.0290	1.0000

The correlation matrix highlights key relationships among variables influencing SACCOs' adoption of deposit-taking services. A strong negative correlation between capital adequacy ratio and SACCO size (-0.8803) suggests that larger SACCOs rely more on external funding, reducing capital adequacy (Asteriou & Hall, 2021). A moderate positive correlation between return on assets and return on equity (0.7720) indicates that profitable SACCOs efficiently convert assets into earnings while maximizing shareholder value (Wooldridge, 2021). Weak correlations among other variables suggest minimal direct linear relationships, reinforcing the need for further econometric analysis to determine causality (Brooks, 2019).

4.8 Features of NDT SACCOs in Kenya That Are Likely To Transition into DT SACCOs

The transition of Non-Deposit Taking (NDT) SACCOs into Deposit-Taking (DT) SACCOs is influenced by a combination of financial, structural, and governance factors. Understanding these features is essential for policymakers, regulators, and SACCOs themselves as they seek to expand their service offerings and enhance financial inclusion. Key determinants such as financial stability, operational efficiency, governance structures, and regulatory compliance play a crucial role in determining which SACCOs are most likely to transition successfully.

Table 4.5: Logistic Regression Output: Factors Influencing SACCOs' Willingness to Adopt Deposit-Taking Services (Component Level)

Iteration	Log Likelihood	Statistic	Value
0	-611.06911	Number of observations	915
1	-123.40705	LR chi2(9)	1106
2	-75.349276	Prob > chi2	0
3	-59.257869	Pseudo R2	0.905
4	-58.114232	Log likelihood	-58.068
5	-58.068055		
6	-58.067982		
7	-58.067982		

Variable	Coef.	Std. Err.	z	P>|z|	95% Conf. Interval Lower	95% Conf. Interval Upper
cap_adq	72.905	64.259	1.130	0.257	-53.039	198.850
npl_ratio	-35.710	5.963	-5.990	0.000	-47.398	-24.023
roe	32.086	4.923	6.520	0.000	22.437	41.736
roa	-0.203	18.182	-0.010	0.991	-35.839	35.433
liq_ratio	32.123	4.229	7.600	0.000	23.835	40.412
age	-0.044	0.028	-1.560	0.119	-0.100	0.011
board_sz	0.010	0.157	0.060	0.951	-0.298	0.318
bg_div	0.635	1.745	0.360	0.716	-2.786	4.055
ctrl_size	2.061	1.692	1.220	0.223	-1.255	5.377
_cons	-72.734	37.616	-1.930	0.053	-146.460	0.991

The model fit statistics indicate strong explanatory power, with a pseudo R-squared of 0.9050, suggesting that the included variables explain a substantial portion of SACCOs' willingness to adopt deposit-taking services. The likelihood ratio chi-square test (LR chi2 = 1106.00, $p < 0.000$) confirms statistical significance, meaning at least one predictor significantly influences the transition decision. These findings align with studies highlighting financial health and governance as key determinants of institutional transformation (Mutua & Mwangi, 2022).

Among the variables, the non-performing loans ratio (NPL) has a significant negative effect (-35.71, $p < 0.001$), indicating that SACCOs with higher NPLs are less likely to transition due to financial instability and poor credit management (Njenga & Kariuki, 2021). Conversely, liquidity ratio (32.12, $p < 0.001$) and return on equity (32.08, $p < 0.001$) have strong positive effects, suggesting that SACCOs with higher profitability and liquidity are more capable of handling deposit liabilities (Kimani et al., 2020).

Capital adequacy ratio (CAR) and SACCO size (ctrl_size) show mixed effects. While CAR has a positive coefficient (72.90), it is not statistically significant (p = 0.257), implying limited influence on transitioning. SACCO size has a marginally significant negative impact (-72.73, p = 0.053), suggesting larger SACCOs may face structural or regulatory challenges (Waweru & Muturi, 2019). Governance-related variables, such as board size and gender diversity, show no significant impact, reinforcing that financial stability, particularly low NPLs, strong liquidity, and profitability, are the most critical factors in SACCOs' transition to deposit-taking institutions (Omondi et al., 2023).

The model is constituted as follows:

$$\textbf{logit(ADOP\_DT}_{it}\textbf{)} = -72.734 + 72.905*CAR_{it} - 35.710*NPLR_{it} + 32.086*ROE_{it} - 0.203ROA_{it} + 32.123*LIQR_{it} - 0.044*AGE_{it} + 0.0097*BOARD\_SIZE_{it} + 0.635*BDG_{it} + 2.061SIZE_{it} + \varepsilon_{it}$$

The model estimates the probability of a SACCO adopting deposit-taking services (ADOP_DT) based on various financial, structural, and governance factors. Capital Adequacy Ratio (CAR), Non-Performing Loans Ratio (NPLR), Return on Equity (ROE), Return on Assets (ROA), and Liquidity Ratio (LIQR) represent key financial stability indicators. The age of the SACCO (AGE) reflects its operational maturity, while board size (SIZE) and board gender diversity (BDG) capture governance characteristics. Additionally, SACCO size (SIZE) is included as a control variable. The model accounts for random influences through an error term (ε).

Table 4.6: Logistic Regression Output: Factors Influencing SACCOs' Willingness to Adopt Deposit-Taking Services (Aggregated Level)

Iteration	Log Likelihood	Statistic	Value
0	-611.069	Number of observations	915
1	-82.452	LR chi2(4)	1076.18
2	-73.8827	Prob > chi2	0
3	-72.987	Pseudo R2	0.8806
4	-72.9799	Log likelihood	-72.9799
5	-72.9799		

Variable	Coef.	Std. Err.	z	P>|z|	95% Conf. Interval Lower	95% Conf. Interval Upper
fin_stab	117.5495	13.59836	8.64	0	90.89723	144.2018
struct_fe	1.812965	0.879328	2.06	0.039	0.0895135	3.536416
gov_feat	8.859004	13.88531	0.64	0.523	-18.35571	36.07372

ctrl_size	0.27339	0.471055	0.58	0.562	-0.6498613	1.196641
_cons	-38.2278	11.70544	-3.27	0.001	-61.17	-15.2855

The logistic regression results provide key insights into factors influencing SACCOs' adoption of deposit-taking services. The model shows strong fit (pseudo R-squared = 0.8806), indicating that the selected variables explain a significant portion of adoption likelihood. The likelihood ratio chi-square test (LR chi2 = 1076.18, $p < 0.000$) confirms statistical significance, meaning at least one predictor has a meaningful impact. These findings align with studies emphasizing financial stability, structural features, and governance as critical factors in financial institution expansion (Mwangi & Wanjiru, 2021).

Financial stability (fin_stab) emerges as the most significant determinant (117.55, $p < 0.001$), suggesting that SACCOs with strong profitability, liquidity, and low default rates are more likely to transition to deposit-taking. This supports prior research stressing financial resilience as essential for meeting regulatory requirements (Kimani et al., 2020; Omondi et al., 2022). Structural features (struct_fe) also play a key role (1.81, $p = 0.039$), indicating that SACCOs with developed operational frameworks, branch networks, and digital banking solutions are better positioned for deposit-taking (Waweru & Muturi, 2019).

Conversely, governance features (gov_feat) and SACCO size (ctrl_size) do not significantly influence adoption. Governance (8.86, $p = 0.523$) may support management and compliance but does not determine transition, while SACCO size (0.27, $p = 0.562$) suggests that larger SACCOs do not necessarily adopt deposit-taking services (Njenga & Kariuki, 2021). Overall, financial stability and structural preparedness drive SACCOs' transition to deposit-taking, while governance and size have limited impact. Strengthening financial health and operational efficiency is crucial for meeting regulatory requirements and managing deposit-taking services. Future research could explore the role of technological advancements and regulatory shifts in SACCOs' transition (Mutua & Mwangi, 2022).

$$\mathbf{DT}_{it} = -38.228 + 117.550*\text{Financial Stability Features}_{it} + 1.813*\text{Structural Features}_{it} + 8.859*\text{Governance Features}_{it} + 0.273*\text{Control (Size)}_{it} + \phi_i + \varepsilon_i$$

Where:

$\mathbf{DT}_{it}$ represents the probability of SACCO i adopting deposit-taking services at time t.

Financial Stability Features has a significant positive effect ($p<0.05$), suggesting that SACCOs with better financial stability are more likely to adopt deposit-taking services.

Structural Features is also statistically significant ($p<0.05$), indicating that structural characteristics of SACCOs influence adoption.

Governance Features is not statistically significant ($p=0.523$), implying that governance aspects do not strongly predict adoption in this model.

Control (Size) is also not statistically significant ($p=0.562$), suggesting that SACCO size does not have a meaningful impact on adoption probability.

ϕ_i represents unobserved individual effects.

ε_i is the error term.

4.9 Management Perspectives of NDT SACCOs in Kenya on Adopting of Deposit Taking Services

The transition from Non-Deposit Taking (NDT) to Deposit-Taking (DT) SACCOs is a strategic decision that requires careful consideration by SACCO management. Understanding the perspectives of SACCO leaders on the benefits and challenges of adopting deposit-taking services provides critical insights into the feasibility and readiness of these institutions for the transition. Managers and board members play a pivotal role in determining whether their SACCOs have the financial capacity, operational structures, and regulatory compliance necessary to take on deposit-taking services (Mutua & Wanyoike, 2021).

This section explores the views of SACCO management regarding the advantages of introducing Front Office Service Activities (FOSA) products and services, such as increased membership, improved liquidity, and expansion opportunities. It also examines the perceived challenges associated with the transition, including high licensing fees, staffing costs, and infrastructure demands. By analyzing these perspectives, this study seeks to highlight the key considerations influencing SACCOs' decisions on whether to pursue deposit-taking services.

4.9.1 Benefits of Introducing FOSA Products/Services

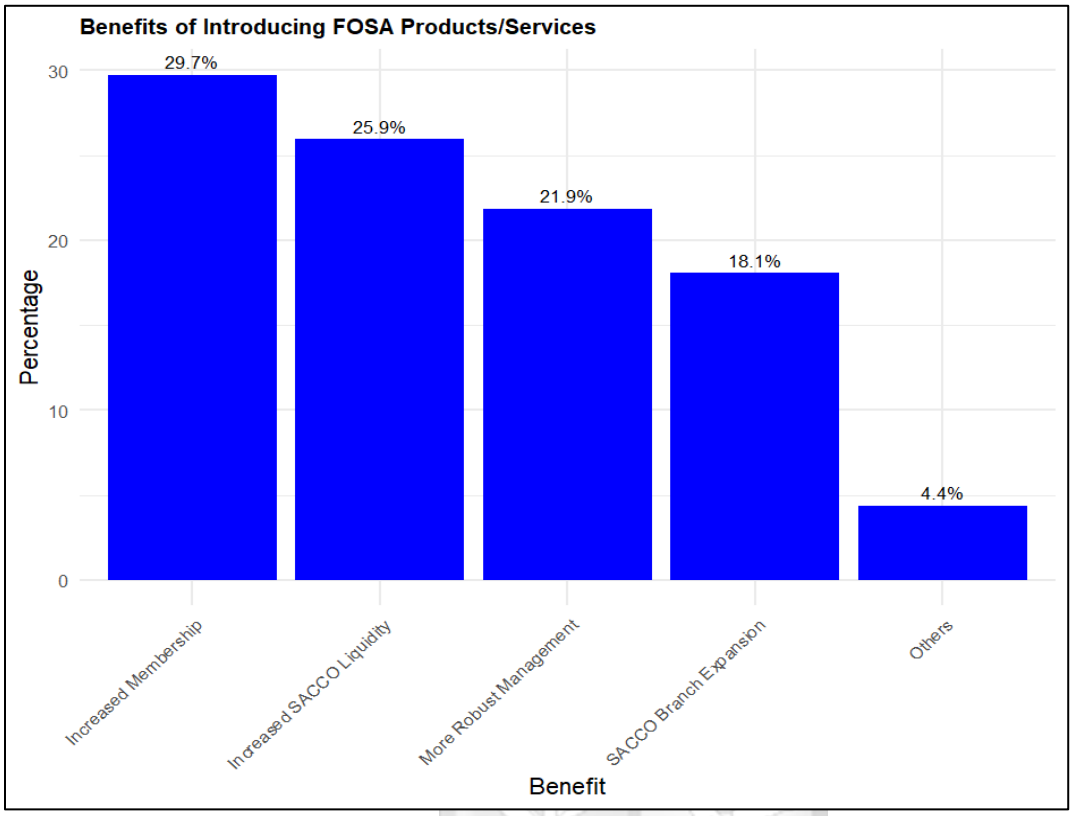


Figure 4.10: Respondents Opinion on Benefits of Introducing FOSA Products/Services

Figure 4.7 shows that the primary motivation for SACCOs to adopt deposit-taking through FOSA is increased membership (29.7%), suggesting it helps attract and retain members, supporting studies linking expanded services to growth and financial stability (Beck et al., 2015). Additionally, 25.9% cited increased liquidity, highlighting its role in enhancing financial stability and credit provision (Kinyua, 2020).

Other key benefits include improved SACCO management (21.9%) and branch expansion (18.1%), indicating FOSA enhances governance, efficiency, and outreach (Mutua & Mwangi, 2022; SASRA, 2023). SACCOs also gain stronger member retention by offering comprehensive banking services, reducing reliance on banks (Kimathi, 2020). Additionally, FOSA improves financial literacy, expands lending capacity through increased deposits, and reduces dependence on external funding (Muriuki, 2018; Nyagah, 2022; SASRA, 2023), strengthening financial sustainability.

4.9.2 Challenges of Introducing FOSA Products/Services

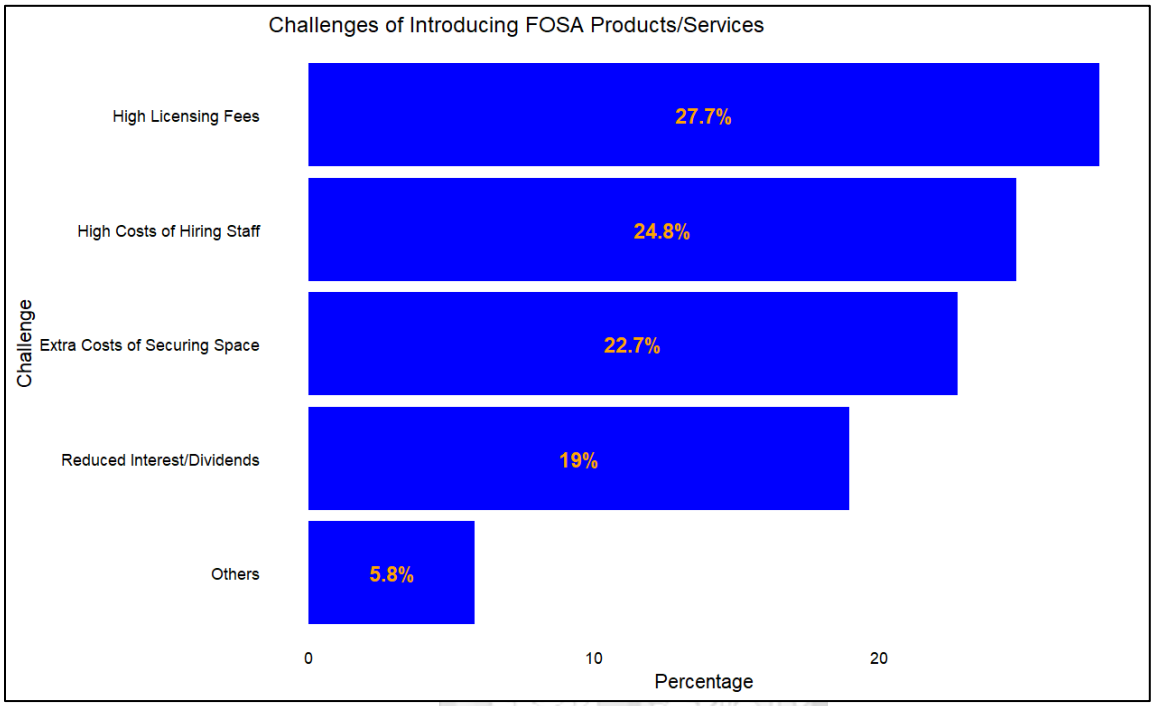


Figure 4.11: Challenges of Introducing FOSA Products/Services

The introduction of FOSA services presents financial and operational challenges for SACCOs. High licensing fees (27.7%) are the most significant barrier, as SACCOs must meet SASRA's capital adequacy requirements and pay substantial fees, which can be prohibitive for smaller SACCOs (SASRA, 2023). Hiring qualified staff (24.8%) is another challenge, as FOSA operations require expertise in financial management and compliance, increasing operational costs (Mugambi & Wamuyu, 2021).

Infrastructure expenses also pose difficulties, with 22.7% citing the cost of securing office space that meets regulatory standards (Otieno, 2020). Additionally, 19% expressed concerns over reduced interest and dividends, as the financial burden of FOSA operations could impact member payouts (Wanyama, 2019). Technological challenges include the need for a robust core banking system and cybersecurity measures to prevent fraud and data breaches (Kimani & Muturi, 2021). Compliance with the Data Protection Act (2019) adds further costs. SACCOs also face potential member resistance to change and competition from established financial institutions, requiring strategic investments in marketing, product innovation, and service excellence to remain competitive (Wanyama, 2020).

CHAPTER FIVE

DISCUSSION, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the study's findings on the willingness of Non-Deposit Taking (NDT) SACCOs in Kenya to transition into Deposit-Taking (DT) SACCOs. It examines key features influencing this transition and SACCO management perspectives on deposit-taking adoption. The findings are interpreted in relation to existing literature and theoretical frameworks. The chapter also presents conclusions and recommendations for policy, theory, and future research.

5.2 Discussion

The discussion examines key findings on the willingness of NDT SACCOs in Kenya to transition into DT SACCOs, highlighting characteristics that facilitate this shift and management perspectives on deposit-taking adoption. It integrates theoretical and empirical insights from existing literature to contextualize the study's results and enhance understanding of the factors influencing SACCOs' decision-making.

5.2.1 Willingness Among NDT SACCOs in Kenya That Are Likely to Transition into DT SACCOs

The willingness of NDT SACCOs in Kenya to transition into DT SACCOs is largely driven by financial stability. SACCOs with strong capital adequacy and liquidity view deposit-taking as a path to service expansion, membership growth, and financial sustainability (Kamau, 2023). Conversely, those with weaker financial positions hesitate due to regulatory costs and operational demands (Mutua & Mwangi, 2022), aligning with the resource-based theory (Asteriou & Hall, 2021). Regulatory requirements also influence willingness. While SACCOs acknowledge deposit-taking benefits, stringent licensing costs deter smaller ones (SASRA, 2023; Ndung'u & Waweru, 2021). A phased licensing approach could encourage adoption, as institutional theory suggests regulatory environments shape financial institutions' strategies (Waweru & Kisaka, 2021).

Market competition plays a role, with SACCOs seeing deposit-taking as a way to strengthen their position in Kenya's financial sector (Mutua & Wanyoike, 2021). However, competition from

banks and microfinance institutions creates hesitancy (Auka & Mwangi, 2013). Porter's competitive advantage theory suggests differentiation through member-focused services (Beck et al., 2015).

Technological readiness is another factor. SACCOs with strong digital platforms are more confident in transitioning, as technology enhances efficiency and regulatory compliance (Mensah & Aboagye, 2021; Mutua & Mwangi, 2022). Those lagging in digital adoption face higher risks (Mwangi & Ngugi, 2020). The Technology Acceptance Model emphasizes the need for financial institutions to embrace digital transformation (Allen et al., 2016).

5.2.2 Features of NDT SACCOs in Kenya That Are Likely to Transition into DT SACCOs

SACCOs with strong financial health are the most likely to transition into deposit-taking institutions, as they can meet regulatory capital requirements, manage liquidity risks, and sustain operational costs (Kamau, 2023). Those with high member deposits, diversified income, and robust financial management systems are better positioned for deposit-taking (Gichuki & Mulu-Mutuku, 2018). Governance structures are also crucial. SACCOs with competent boards and experienced management teams ensure compliance, financial oversight, and strategic decision-making (Waweru & Kisaka, 2021). In contrast, weak governance characterized by leadership conflicts and poor risk management hinders transition efforts (Njiru & Moronge, 2022), aligning with corporate governance theory (Brooks, 2019).

SACCOs with a large, active membership base have a steady deposit inflow, supporting financial stability and growth (Mwangi & Murithi, 2022). Strong member relationships promote savings and lending activities, essential for deposit-taking (Mutua & Wanyoike, 2021). Established branch networks and sufficient office space facilitate infrastructure requirements for deposit-taking, while SACCOs lacking these face additional costs (Mwangi & Ngugi, 2020; Mutua & Mwangi, 2022).

Technological capability is another key factor. SACCOs with advanced IT systems, mobile banking, and automated loan processing enhance efficiency, regulatory compliance, and customer experience (Beck et al., 2015; Mensah & Aboagye, 2021). Regulatory preparedness also determines transition success. SACCOs that proactively comply with financial regulations and risk

management guidelines are more likely to secure deposit-taking licenses, while those struggling with compliance face greater challenges (SASRA, 2023; Ndung'u & Waweru, 2021).

5.2.3 Management Perspectives of NDT SACCOs in Kenya on Adopting Deposit-Taking Services

SACCO management views deposit-taking as a growth opportunity, enabling service expansion, member attraction, and financial stability (Mwangi & Murithi, 2022). However, concerns exist over regulatory burdens, operational costs, and competition (Mutua & Mwangi, 2022). A major concern is the high cost of compliance, including licensing fees, capital adequacy, and risk management requirements (SASRA, 2023). Managers suggest phased licensing or financial support to ease these challenges (Ndung'u & Waweru, 2021). The need for skilled personnel is another issue. Hiring and training staff for deposit-taking, risk assessment, and financial management is costly (Kiyingi & Mukasa, 2022; Mutunga & Wainaina, 2023).

Infrastructure costs also pose a barrier. Setting up secure banking premises, digital banking software, and meeting security standards require significant investment (Mwangi & Ngugi, 2020; Mutua & Mwangi, 2022). Despite these hurdles, SACCO management remains optimistic. With policy support, financial incentives, and capacity-building programs, more SACCOs can transition successfully (Mwangi & Murithi, 2022). Regulatory bodies must collaborate with SACCOs to create a favorable transition environment.

5.3 Conclusion

The study provides valuable insights into the willingness, characteristics, and management perspectives of Non-Deposit Taking (NDT) SACCOs in Kenya regarding the transition to Deposit-Taking (DT) status. The findings highlight that financial stability, regulatory requirements, competition, technological readiness, governance structures, and membership size significantly influence the decision to transition.

The willingness of SACCOs to adopt deposit-taking services is largely dependent on their financial health, regulatory preparedness, and ability to compete with banks and microfinance institutions. SACCOs with strong capital reserves, robust digital infrastructure, and an extensive membership base are more likely to pursue deposit-taking licenses. However, high compliance costs and

stringent regulatory requirements act as deterrents, particularly for smaller SACCOs with limited resources.

The study also finds that well-governed SACCOs with effective leadership structures have a higher probability of transitioning. Governance frameworks play a critical role in ensuring compliance with financial regulations, managing operational risks, and enhancing institutional sustainability. Furthermore, SACCOs that proactively invest in digital banking platforms and secure financial technologies demonstrate greater confidence in offering deposit-taking services. From a management perspective, SACCO leaders recognize the growth potential associated with deposit-taking services but express concerns about regulatory burdens, operational costs, and the need for skilled personnel. Many SACCOs advocate for phased licensing models, financial support mechanisms, and policy interventions to ease the transition process (Ndung'u & Waweru, 2021; Mutua & Mwangi, 2022).

Thus, the study underscores the need for a balanced regulatory framework that supports SACCOs' transition while ensuring financial stability and consumer protection. Policymakers and regulators should consider flexible compliance models, capacity-building programs, and financial incentives to facilitate the adoption of deposit-taking services among SACCOs in Kenya. Further research could explore the long-term impact of deposit-taking services on SACCO performance, financial inclusion, and member welfare.

5.4 Recommendations

Based on the findings of this study, several recommendations are proposed to enhance the transition of Non-Deposit Taking (NDT) SACCOs in Kenya into Deposit-Taking (DT) SACCOs. These recommendations focus on policy interventions, theoretical contributions, and future research areas to address the challenges identified and improve the overall financial sustainability of SACCOs.

5.4.1 Policy Recommendations

To support NDT SACCOs in transitioning to DT SACCOs, regulators like SASRA and CBK should adopt a phased licensing approach. This would help SACCOs meet requirements gradually while maintaining financial stability. A tiered framework, like that used for microfinance

institutions, could offer flexibility based on financial capacity (Ndung'u & Waweru, 2021). Policymakers should also introduce financial incentives such as tax breaks, grants, or subsidized compliance costs to ease the burden of licensing fees and operational expenses, which are major barriers (SASRA, 2023). Targeted financial support could help smaller SACCOs transition without liquidity strain.

Capacity-building initiatives are essential to equip SACCOs with financial management, risk assessment, and regulatory compliance skills. Training, workshops, and partnerships with financial institutions can strengthen governance and readiness for deposit-taking (Mutua & Mwangi, 2022). Additionally, promoting technological adoption through incentives for digital banking will improve service delivery, lower costs, and boost competitiveness against traditional banks (Beck et al., 2015).

5.4.2 Theoretical Contributions

This study contributes to financial intermediation theory by showcasing SACCOs' evolving role in financial inclusion. Traditionally member-driven, their transition to deposit-taking strengthens financial intermediation by bridging informal savings groups and mainstream banking (Allen et al., 2016). It also aligns with agency theory by highlighting governance structures' role in SACCOs' transition. Strong governance minimizes agency conflicts, ensures regulatory compliance, and enhances member confidence (Waweru & Kisaka, 2021). Effective oversight becomes crucial as SACCOs manage deposits.

Additionally, the study supports the resource-based view (RBV), showing that SACCOs with financial strength, digital infrastructure, and skilled personnel are better equipped for deposit-taking (Kamau, 2023). Finally, the study contributes to financial inclusion literature by emphasizing SACCOs' role in expanding banking access, particularly in underserved rural and peri-urban areas (Mwangi & Murithi, 2022).

5.4.3 Recommendations for Future Studies

Future research could examine the long-term effects of deposit-taking on SACCO performance through a longitudinal study assessing financial sustainability, loan performance, and membership

growth post-transition (Gichuki & Mulu-Mutuku, 2018). Additionally, studies on technological innovations, such as mobile banking, fintech partnerships, and blockchain, could provide insights into how digital advancements enhance SACCO operations (Mensah & Aboagye, 2021). Comparative research on SACCOs in Kenya and other African countries could further highlight best practices in regulation, financial performance, and governance to strengthen Kenya's SACCO sector (Kiyingi & Mukasa, 2022).

5.4.4 Limitations of the Study

This study, while insightful, has some limitations. Data availability and consistency from SASRA, particularly from 2020-2023, varied, potentially impacting accuracy. Historical data may not fully reflect the dynamic SACCO sector. Assessing "willingness" involved subjective management perspectives, prone to bias, and relied on SACCO reports, which could be inaccurate. The binomial logistic regression model has limitations, including assumptions of linearity and sensitivity to multicollinearity. The study's focus on Kenyan NDT SACCOs limited generalizability. The study's scope was confined to the features that influence the willingness of NDT SACCO's to become DT SACCO's, and did not address all factors that influence the success of DT SACCOs. Unforeseen external factors, such as economic changes or regulatory shifts, were not fully accounted for. These limitations provide a more nuanced understanding of the findings and suggest areas for future research.

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APPENDICES

APPENDIX I: INTRODUCTION LETTER

Ole Sangale Rd, Madaraka Estate
P. O Box 59857 - 00200, Nairobi, Kenya
Cell: +254 703 034 414/6/7
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Strathmore UNIVERSITY BUSINESS SCHOOL

20 Years of Developing Great African Leaders

Thursday, 20th February 2025

To Whom It May Concern,

RE: FACILITATION OF RESEARCH – MAURICE KUNGU NJOROGE

This is to introduce Maurice Kungu Njoroge, a Master of Science in Development Finance (MDF) student at Strathmore University Business School, admission number MDF/ 67315/22. As part of our MDF Programme, Maurice is expected to do applied research and undertake a project. This is in partial fulfilment of the requirements of the MDF course. To this effect, he would like to request appropriate data from your organization.

Maurice is undertaking a research paper on *"Analyzing Willingness Features Of Non-Deposit Taking Savings And Credit Cooperative Organizations On Adoption Of Deposit Taking Services In Kenya"* The information obtained shall be treated confidentially and shall be used for academic purposes only.

Our MDF Programme seeks to establish links with industry, and one of the ways of doing so is directing our research to areas that would be of direct use to industry. We would be glad to share our findings with you after the research, and we trust that you will find them of great interest and of practical value to your organization.

We appreciate your support and shall be willing to provide any further information if required.

Yours sincerely,

Alois Njenga,
Manager – Graduate Programmes,
Strathmore University Business School.

Strathmore University Business School is a Proud member of:

Association of African Business Schools AABS EFMD AACSB

APPENDIX II: RESEARCH AUTHORIZATION LETTER

Strathmore UNIVERSITY

10th February 2025

Mr Njoroge Maurice,
maurice.kungu@strathmore.edu

Dear Mr Njoroge,

RE: Analyzing Willingness Features of Non-Deposit Taking Savings and Credit Cooperative Organizations on Adoption of Deposit Taking Services in Kenya

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** proposal. Your application reference number is **SU-ISERC2520/24.** The approval period is from **10th February 2025 to 9th February 2026.**

This approval is subject to compliance with the following requirements:

i. Only approved documents including (informed consents, study instruments, MTA) will be used.
ii. All changes including (amendments, deviations, and violations) are submitted for review and approval by SU-ISERC.
iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to SU-ISERC within 72 hours of notification.
iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
v. Clearance for the export of biological specimens must be obtained from relevant institutions.
vi. Submission of a request for renewal of approval at least 60 days prior to the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology, and Innovation (NACOSTI) https://research-portal.nacosti.go.ke/ and obtain other clearances needed.

Yours sincerely,

Mr Ambrose Rachier,
Chairperson; SU-ISERC

Ole Sangale Rd, Madaraka Estate. PO Box 59857-00200, Nairobi, Kenya. Tel +254 (0)703 034000
Email admissions@strathmore.edu www.strathmore.edu

APPENDIX III: QUESTIONNAIRE

Instructions

Please complete the questionnaire below using the guidance provided for in each set of questions. Please tick appropriately or write your responses in the spaces provided.

Confidentiality

All information provide shall be accorded strict confidence and anonymity. Therefore, we shall not refer to made to any specific individual(s) or organization in compiling the report findings.

SECTION A: GENERAL INFORMATION

This section of the questionnaire is intended to obtain general information

1. Name of the respondent .....
2. Position held in the SACCO .....
3. How long have you held this position?.....

SECTION B: SACCO DEMOGRAPHICS

1. What sector does your SACCO belong to.....
2. Which year was the SACCO established? .....

SECTION C: TRANSITION FROM NON-DEPOSIT TAKING SACCO to DEPOSIT TAKING SACCO

1. Would your SACCO be willing to adopt deposit taking services?

   Yes [ ] No [ ]

2. Please provide a brief explanation of your answer choice above?
   .....
   .....
   .....
3. What would you say are the benefits of introducing FOSA products/services in your SACCO? (tick all the appropriate ones)
   a) Increased membership ☐
   b) Increased SACCO liquidity ☐

c) More robust management structures ☐
d) SACCO branch expansion ☐
e) Others ☐

4. What other benefits would you say your SACCO would accrue from introducing FOSA products/services?

.....

.....

.....

5. What would you say are the challenges that your SACCO will face while introducing FOSA products/services? (tick all the appropriate ones)
   a) High licensing fees ☐
   b) High costs of hiring additional staff ☐
   c) Extra costs of securing additional space ☐
   d) Reduced interest/dividends to members to achieve core capital requirements ☐
   e) Others ☐
6. What are some of the other challenges that you anticipate will affect your SACCO while introducing FOSA products/services?

.....

.....

.....

7. Any additional insights/feedback that you would like to share that is relevant to the decision to adopt deposit taking services?

.....

.....

.....

APPENDIX IV: NACOSTI LICENSE

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: **922828**

Date of Issue: **25/February/2025**

RESEARCH LICENSE

This is to Certify that Mr.. Maurice Njoroge of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Embu, Kajiado, Kiambu, Kilifi, Kitui, Machakos, Meru, Mombasa, Muranga, Nairobi,
Nakuru, Siaya, Transnzoia, Uasin-Gishu on the topic: Analyzing Willingness Features of Non-Deposit Taking Savings and Credit Cooperative Organizations on Adoption of Deposit Taking Services in Kenya for the period ending : 25/February/2026.

License No: **NACOSTI/P/25/416295**

922828

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Verification QR Code

NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.

See overleaf for conditions

APPENDIX V: LIST OF NDT-SACCOS

LIST OF ALL SACCO SOCIETIES AUTHORIZED TO UNDERTAKE SPECIFIED NON-DEPOSIT TAKING SERVICES (BOSA ONLY) FOR THE PERIOD OF 1ST JANUARY 2023 TO 31ST DECEMBER 2023

	SACCO NAME	HEAD OFFICE LOCATION
1	3N SACCO	NAIVASHA
2	ABC EMPOWEREMENT SACCO	MACHAKOS
3	ACCEL SACCO	NAIROBI
4	ACK KIHARA SACCO	KIHARA, KIAMBU
5	ACK THIKA TALENTS SACCO	THIKA
6	ADVENTIST SACCO	NAIROBI
7	AIBK SACCO	NAIROBI
8	AIRLINK SACCO	NAIROBI
9	ALARMS SACCO	NAIROBI
10	AMREF SACCO	NAIROBI
11	APPOLLOSURE SACCO	NAIROBI
12	B-SMART SACCO	NAIROBI
13	BALLOT SACCO	NAIROBI
14	BALOZI SACCO	NAIROBI
15	BAMBURI SACCO	MOMBASA
16	BANDS SACCO	NAIROBI
17	BANKI KUU SACCO	NAIROBI
18	BARABARA SACCO	NAIROBI
19	BARAKA YETU SACCO	NAIROBI
20	BAT SACCO	NAIROBI
21	BESCO SACCO	THIKA
22	BESTROCK SACCO	KITUI
23	BIBILIA SACCO	NAIROBI
24	BLUE EAGLE SACCO	NAIROBI
25	BRAEMEG SACCO	NAIROBI
26	BROOKSIDE SACCO	KIAMBU
27	BUNGE SACCO	NAIROBI
28	BUNISTA SACCO	SIAYA
29	CDF SACCO	NAIROBI
30	CHRISTIAN ENTREPRENEURS SACCO	RUIRU
31	CIC SACCO	NAIROBI
32	COCOTECH SACCO	NAIROBI
33	COMMUNICATIONS SACCO	NAIROBI
34	CONCORDE SACCO	NAIROBI
35	CO-OPERATIVE BANK SACCO	NAIROBI
36	COTTS SACCO	MOMBASA
37	DAVIS & SHIRTLIFF SACCO	NAIROBI
38	DEVCO SACCO	NAIROBI

39	DHAMINI SACCO	NAIROBI
40	DHL SACCO	NAIROBI
41	DIGITAL MEDIA SACCO	NAIROBI
42	DUDU SACCO	NAIROBI
43	EAGLE'S EYE SACCO	KIAMBU
44	EMBASSAVA SACCO	NAIROBI
45	ENERGY SACCO	NAIROBI
46	EPZA SACCO	ATHI RIVER
47	EQUITY SACCO	NAIROBI
48	ESTA SACCO	MURANGA
49	EXAMS SACCO	NAIROBI
50	FAMILY SACCO	NAIROBI
51	FARMERS CHOICE SACCO	NAIROBI
52	FAULU BANK SACCO	NAIROBI
53	FINNLEMM SACCO	NAIROBI
54	FUGO SACCO	NAIROBI
55	GATHERS SACCO	KIAMBU
56	GRAIN BULK SACCO	MOMBASA
57	GRAND GRANITE DIASPORA SACCO	NAIROBI
58	GREEN ARO COMMUNITY SACCO	SIAYA
59	HACO SACCO	NAIROBI
60	HEART SACCO	NAIROBI
61	HELB SACCO	NAIROBI
62	HILLS SACCO	NANDI
63	HOECHEM SACCO	NAIROBI
64	HYPERFLORA SACCO	MERU
65	ICEA AGENTS SACCO	NAIROBI
66	IRRIGATION SACCO	NAIROBI
67	JACHIN SACCO	NAIROBI
68	JAVA SACCO	NAIROBI
69	JOGOO SACCO	NAIROBI
70	JUMUIA YA ULAYA SACCO	NAIROBI
71	KABARAK UNIVERSITY SACCO	NAKURU
72	KAG SACCO	NAIROBI
73	KANISA SACCO	NAIROBI
74	KASNEB SACCO	NAIROBI
75	KEMRI SACCO	NAIROBI
76	KENCHIC SACCO	NAIROBI
77	KENRED SACCO	NAIROBI
78	KENTOURS SACCO	NAIROBI
79	KENYA MEDICAL ASSOCIATION SACCO	NAIROBI
80	KENYA REGULATED SACCO	NAIROBI
81	KENYA RURAL ROADS SACCO	NAIROBI
82	KENYATTA MATIBABU SACCO	NAIROBI
83	KETEPA SACCO	KERICHO

84	KEWISCO SACCO	NAIROBI
85	KIAMBU CHANIA UMOJA SACCO	THIKA
86	KIATU SACCO	LIMURU
87	KICO SACCO	NAIROBI
88	KIDAPU SACCO	KIAMBU
89	KIJABE SACCO	KIJABE
90	KILELE SACCO	NAIROBI
91	KIMTECH SACCO	NYERI
92	KINGA SACCO	NAIROBI
93	KINGSIZE SACCO	NAIROBI
94	KIRUNGII SACCO	NAIROBI
95	KUMBUKUMBU SACCO	NAIROBI
96	KUTAFITI SACCO	KILIFI
97	LAW SOCIETY OF KENYA SACCO	NAIROBI
98	LIMLAK SACCO	LIMURU
99	LOMPASAGO SACCO	NAIROBI
100	LONDON SACCO	ATHI RIVER
101	MADISON SACCO	NAIROBI
102	MAJANEES SACCO	LIMURU
103	MAKTABA SACCO	NAIROBI
104	MASTERWAYS SACCO	NAIROBI
105	MATAARA TRAVELLERS SACCO	KIAMBU
106	MHASIBU SACCO	NAIROBI
107	MIKEBE SACCO	THIKA
108	MINET SACCO	NAIROBI
109	MKOMBOZI SACCO	NAIROBI
110	MOFAA SACCO	NAIROBI
111	MKU SACCO	KIAMBU
112	MTN SACCO	MURANGA
113	MULTIPLE SACCO	NAIROBI
114	MZIMA SPRINGS SACCO	NAIROBI
115	NAIROBI CONSUMERS SACCO	NAIROBI
116	NAIROBI WATER SACCO	NAIROBI
117	NENDENI SACCO	KITENGELA
118	NENO SACCO	EMBU
119	NETWORK SACCO	NAIROBI
120	NIMEPATA SACCO	NAIROBI
121	NJIWA SACCO	NAIROBI
122	NYUMBA GENERATIONS SACCO	MOMBASA
123	NYUMBA-NAIROBI SACCO	NAIROBI
124	OLKAUNSEL SACCO	KAJIADO
125	PANDA SACCO	NAKURU
126	PARENTS PLAN SACCO	NAIROBI
127	PARLIAMENTARIANS SACCO	NAIROBI
128	PCEA KAYOLE SACCO	NAIROBI

129	PCEA MAKUPA PARISH SACCO	MOMBASA
130	PCEA SACCO	NAIROBI
131	PCEA RUIRU SACCO	RUIRU
132	PEFA NAIROBI SACCO	NAIROBI
133	PESA SACCO	NAIROBI
134	PICEA STAFF SACCO	NAIROBI
135	POLYTECH SACCO	NAIROBI
136	POSTBANK SACCO	NAIROBI
137	QUEENSWAY SACCO	NAIROBI
138	RADIO GUARD SACCO	NAIROBI
139	RAMBHAI SACCO	NAIROBI
140	RAMCO GROUP SACCO	NAIROBI
141	RELI SACCO	NAIROBI
142	RELIEF SACCO	NAIROBI
143	REMBO SHUTTLE SACCO	KITENGELA
144	ROYAL MEDIA SACCO	NAIROBI
145	RUBANI SACCO	NAIROBI
146	SAUTI SACCO	NAIROBI
147	SAWA SACCO	NAIROBI
148	SHAMIRI SACCO	ELDORET
149	SHELLOYEES SACCO	NAIROBI
150	SISI KWA SISI SACCO	MOMBASA
151	SMART SAVERS SACCO	NAIROBI
152	STOKE-UK DIASPORA SACCO	NAIROBI
153	TAA SACCO	NAIROBI
154	TEAL SACCO	NAIROBI
155	TETRAPACK SACCO	NAIROBI
156	THE STANDARD SACCO	NAIROBI
157	TORCH SACCO	MOMBASA
158	TOTAL SACCO	NAIROBI
159	TRAMOM SACCO	MOMBASA
160	TRANSGLOB SACCO	NAIROBI
161	TRANSWEST SACCO	KITALE
162	UAMINIFU SACCO	NAIROBI
163	UBORA SACCO	NAIROBI
164	UKAGUZI SACCO	NAIROBI
165	UKOMOBOZI SACCO	NAIROBI
166	UMOJA WENDANI SACCO	NAIROBI
167	UNBOUND SACCO	NAIROBI
168	UNGA SACCO	NAIROBI
169	UNIFYING SACCO	UTHIRU
170	UNITED WOMEN SACCO	NAIROBI
171	UOKOAJI SACCO	NAIROBI
172	USIU AFRICA SACCO	NAIROBI
173	UTABIBU SACCO	NAIROBI

174	UTAFITI SACCO	NAIROBI
175	UWEZO SACCO	NAIROBI
176	VEGPRO SACCO	NAIROBI
177	VERONA HURUMA SACCO	NAIROBI
178	VISION SACCO	NAIROBI
179	WASADO SACCO	NAIROBI
180	WASKOM SACCO	NAIROBI
181	ZOGHORI SACCO	MOMBASA
182	KENYA-USA DIASPORA SACCO	NAIROBI
183	FORWARD TRAVELLERS SACCO	NAIROBI