

**ASSESSEMENT OF THE EFFECTS OF PERFORMANCE MANAGEMENT PRACTICES ON
PROVISION OF FINANCIAL SERVICES BY SAVINGS AND CREDIT CO-OPERATIVE
SOCIETIES: A CASE OF GUSII MWALIMU SACCO, KISII CENTRAL DISTRICT, KENYA**

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**A Research Project Submitted to the Graduate School in Partial Fulfillment of the Requirements
of the Award of Masters of Business Administration Degree, Faculty of Commerce, Kisii
University College**

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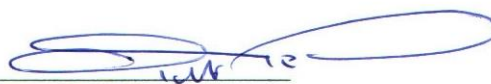
RECOMMEDATION

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DEDICATION

This research project report is dedicated to my late parents Mzee Joseph Onsase and Mama Mary Nyaboke who had love for education and advised me to pursue studies only the sky to be the limit.

ACKNOWLEDGEMENT

I would like to thank all those who helped me in one way or another during the preparation of this research project report, specifically my supervisors Dr. Charles Okioga and Mr. Ojera Patrick for their help in this research project report. I also thank my dear husband, Kennedy Maragia and children, Gladness, Geoffrey, Gavins and Gloria Maria for giving me humble time and encouragement.

ABSTRACT

Gusii Mwalimu Sacco Society is a member owned and controlled Savings and Credit Society. It offers a diversity of financial services to its members at a competitive rate of interest. These include: loaning, which is the major and obvious service of any Sacco; Members Welfare Fund; Risk Management Fund; Credit facilities; and Savings facilities. Reports from Kenya Union of Savings and Credit Cooperative Society (2009) indicated that membership in Gusii Mwalimu Sacco was declining. The concerns raised by clients were: delay in loan disbursement, poor ATM services, inadequate variety of FOSA services, inefficient BOSA services and inadequate credit facilities. If this trend was to continue, it could impair the financial position of the Sacco. This could cause redundancy of workers and suffering of clients who rely on the Sacco for their livelihood. It could be that the forgoing negative trend was due to lack of effective Performance Management Practices. Performance Management Practices are a management tool which assists an organization to track progress and direction towards strategic goals and objectives. In spite of the importance of Performance Management Practices, it was not clear to what extent these practices were affecting Gusii Mwalimu Sacco. The main objective of the study was to assess the effect of Performance Management Practices on provision of financial services by Gusii Mwalimu Sacco Society. The study adopted a descriptive research design. The target population comprised a total of 1012 (Board of Directors 14, Delegates 162, employees 76, and ordinary clients 760) of Gusii Mwalimu Sacco. The study adopted stratified and random sampling criteria to obtain a sample of 152 respondents consisting of 4 Board of Directors, 10 Delegates, 8 Sacco employees and 130 ordinary clients. Semi-structured questionnaires were used to collect both quantitative data and qualitative data. A pilot study was done to test the validity of the questionnaire before administering it. Data obtained were coded and analyzed using descriptive statistics such as frequencies and percentages. Also a Likert scale was used to analysis data. A regression analysis and Pearson Correlation were used to establish the strength, direction and significance of the relationship between Performance Management Practice and provision of Financial Services. Data were presented using tables, charts and in narrative form. The Sacco management should put specialization into practice for efficiency and effectiveness. This research is useful to academia in adding to the existing literature, to the Sacco societies Management Practice in general and Gusii Mwalimu Sacco management in particular.

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LIST OF ABBREVIATIONS

ATM	-	Automated Teller Machine
BOSA	-	Back Office Savings Account
CIC	-	Co-operative Insurance Company
FOSA	-	Front Office Savings Account
IDS	-	Identification Cards
IT	-	Information Technology
ISAS	-	International Sacco Accounting Standard
Kshs	-	Kenya Shillings
K-REP	-	Kenya Rural Enterprise Programme
KUSCCO	-	Kenya Union of Savings and Credit Cooperative
MEWEFU	-	Members Welfare Fund
NGOs	-	Non-Governmental Organizations
PM	-	Performance Management
PMP	-	Performance Management Practice
SACCOs	-	Savings and Co-operative Credit Societies
SASA	-	Sacco Savings Account
SPM	-	Strategic Performance Management
SPSS	-	Statistical Software Package for Social Sciences
U.S.A	-	United States of America

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Performance Management Practices (PMP) is defined as the use of performance measurement information to effect positive change in organizational culture, systems and processes by helping to set agreed-upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or programme directions to meet those goals, sharing results of performance in pursuing those goals (Ittner, Larcker, & Randall, 2001).

PMP is very beneficial to an organization if nurtured properly. The key benefits include: focusing on results rather than behaviors and activities; it aligns organizational activities and processes to the goals of the organization; produces meaningful measurements; and cultivate a system-wide long term view of the organization. Other advantages of PMP include optimizing operations in the organizations because goals and results are closely aligned; ensures equitable treatment of employees because appraisals are based on results; validates expectations because in today's age of high expectation organizations are striving to transform themselves and society, having measurable results can verify whether grand visions are realistic or not; and depersonalizes issues as supervisors focus on behaviours and results rather personalities. Therefore, PM is that process of motivating employees through setting goals, measuring progress, giving feedback, coaching for improved performance, and rewarding achievements (Langfield-Smith, 1997).

Strategic Performance Management (SPM) is a system that translates business strategies into deliverable results. SPM systems combine financial, strategic, and operating business measures to gauge how well an organization meets its targets (Gates, 1999). Regular tracking is a key characteristic of PMP. For budget purposes, annual data are usually sufficient, but organizations and their manager need more frequent outcome information to assess the success of their program activities, identify where significant problems exist, and motivate personnel to strive for continuous service improvement.

There is need to relate SPM and financial service outcomes of accounting and stock returns as well compare their relative ability to explain firm performance. Financial services refer to services provided by the finance industry. The finance industry encompasses a broad range of organizations that deal with the management of money. Among these organizations are banks, Credit card companies, insurance companies, Consumer finance companies, Stock brokerages, investment funds and some government

sponsored enterprises. The term "financial services" became more prevalent in the United States partly as a result of the Gramm-Leach-Bliley Act of the late 1990s, which enabled different types of companies operating in the United States' financial services industry at that time to merge. Companies usually have two distinct approaches to this new type of business: One approach would be a bank which simply buys an insurance company or an investment bank, keeps original brands of the acquired firm, and adds the acquisition to its holding company simply to diversify its earnings. Outside the U.S. for example in Japan, non-financial services companies are permitted within the holding company. In this scenario, each company still looks independent, and has its own customers. In the other style a bank would simply create its own brokerage division or insurance division and attempt to sell those services to its own existing customers, with incentives for combining all things with one company. The financial services industry constitutes the largest category in terms of service provision, revenue and employees. Most Sacco societies offer the following financial services, Credit facilities, Savings facilities FOSA and BOSA services, issuance of bankers' cheques, ATM services and Mewefu Service.

1.1.1 Saccos and Financial Institutions in Kenya

Sacco Societies constitute not only the fastest growing sub sector of the Cooperative Movement in Kenya, but also the most significant in impacting on the livelihoods of their members. They are currently regulated through the Cooperative Act, which unfortunately is grossly deficient of adequate provisions to guide Saccos in the competitive financial sector. The Act does not prescribe standards of performance required for such specialized Cooperatives providing financial intermediation. Sound management of a Sacco society depends on production of accurate and timely financial statements. This is because reliable records can point out problems before they become serious and can serve as a motivational tool to deal with the problem as well.

Sacco Societies are the most recent in Kenya. They were started after independence by groups that came together to save money and provide loans to customers as the need arose. However, the early Sacco Society did not last because the customers, who were either a communal or a church group, did not have steady incomes to maintain the Sacco society. Majority of these cooperatives became dormant and were dissolved. Management was inadequate due to poor record keeping and inaccurate financial statements, it therefore, became the concern of managers who are decision makers of the society and crucial decisions related to finance.

Sacco Societies are formed by persons who come together to save their money in a common pool with a view of getting loans to improve their welfare. Customers of a Sacco are usually attached to one

employer. The employer deducts a part of a customer's earning on a monthly basis and remits it to the society. Most of these societies have grown and continue to grow, in both membership and savings. The steady monthly deduction through the check-off system from members' salary ensures that a society receives the contribution before one gets the salary. Thus, the check-off system is seen as the secret behind Saccos' success in Kenya.

Sacco Societies have assisted their customers in various aspects. These include: buying plots and developing them, paying school fees and meeting other financial obligations. Profits earned by these societies may be shared among the members in form of dividends. Saccos are therefore viewed as cooperatives which contribute substantially to people's development and also as a tool for the country's domestic savings and investment.

Most Saccos have insured the member's savings and loans with Cooperative Insurance companies (CIC). This means that if a member dies, his/her beneficiaries are neither called upon to repay the loan nor do they lose the shares. Saccos provide loan facilities to most people who do not qualify for loans from commercial banks and other money lending institutions.

Currently, many Banks and Saccos are willing to accept greater risk in their operations, in part, due to a more intensified competition from Banks and non-banking financial institutions. Therefore, competition among the said bodies is the order of the day, and this has greater consequences on the institutions both in the short run and the long run. Consequently, Sacco societies find that, they have to aggressively market their products to the teachers who form a bulk of their members among other clients. In developing acceptable performance standards to manage risks and enforcing greater market discipline, Saccos are likely to provide the basis upon which member confidence is to be built and enhance services to customers.

The Gusii Mwalimu Sacco was formally registered in February 1977 after meeting all the then basic requirements for registration. However it started operations in 1979. The registration and subsequent operation of Gusii Mwalimu Sacco was in line with the cooperative development policy as was contained in Sessional paper No 8 of 1970. The ministry of cooperative development came into being in 1974, Sessional paper No 4 of 1987 on "Renewed Growth through the cooperative movement" gave responsibility to members of Saccos to manage themselves. Gusii Mwalimu Sacco consists of the following main pillars namely, the members, Delegates, Board of Directors, management and the

employees. The Board of Directors, management and the staff are charged with the day-to-day management of the Sacco. The members are both the owners and customers of the Sacco.

The Sacco is structured into departments charged with different operations. At the top was administration department charged with administrative duties, collection, analysis, storage and dissemination of Sacco information. Next was the accounts department responsible in promotion of efficient allocation and utilization of financial resources for maximum benefit to the Sacco. There was also the loans department for recommending loans and compiling loan delinquency. Also, there was SASA department responsible in offering financial services related to new savings, credit and banking services. Other departments included Information Technology (IT), and internal audit department.

Gusii Mwalimu Sacco society is a member owned and controlled Savings and Credit Society offering a diversity of financial services to its members at a reasonably low rate of interest. The Sacco provided various services to customers and these services included lending or loaning, which was the major and obvious service of any Sacco. Other services offered by the Sacco included; Withdrawal Savings Fund, Members Welfare Fund, Risk management Fund, Credit facilities, Savings facilities and Check off system loans. The Sacco had introduced a number of new products and services such as instant FOSA loans repayable between four to twenty four months, customer care desk, marketing sub-department, automated teller machines (ATM) and opening up the BOSA section to non-member to save and channel their earnings such as farmers, retirees, business people and institutions. In a nutshell membership in Gusii Mwalimu Sacco Society was declining and the issues raised by clients were: delay in loan disbursement; poor ATM services; inadequate variety of FOSA services; inefficient BOSA services and inadequate credit facilities. If this trend continued, the financial position of the Sacco would be impaired.

1.2 Statement of the Problem.

Reports from Kenya Union of Savings and Credit Cooperative Society (2009) indicated that membership in Gusii Mwalimu Sacco was declining. The concerns raised by clients were delay in disbursement of loans, poor ATM services, inadequate variety of FOSA services, inefficient BOSA services and inadequate credit facilities. If this trend continued, it would impair the financial position of the Sacco. This could have caused redundancy of workers and suffering of clients who relied on the Sacco for their livelihood. It could be that the forgoing negative trend was due to lack of effective Performance Management Practices. Performance Management Practices are a management tool which assists an organization to track progress and direction towards strategic goals and objectives. In spite of

the importance of Performance Management Practices, it was not clear to what extent these practices were affecting Gusii Mwalimu Sacco. This study, therefore sought to assess the effects of Performance Management Practices on provision of financial services by Gusii Mwalimu Sacco Society.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to assess the effect of performance management practices on provision of financial services by Gusii Mwalimu Sacco Society.

1.3.2 Specific Objectives

The study was guided by the following specific objectives:

- i. To determine the extent to which Performance Management Practices were undertaken in the Sacco.
- ii. To evaluate the level of Performance of financial services in the Sacco.
- iii. To establish the extent of the relationship between Performance Management Practices and the level of performance of financial services.

1.4 Research Questions

The research questions guiding the study were:

- i. To what extent was Performance Management Practices undertaken in the Sacco?
- ii. What was the level of performance in provision of financial services in the Sacco?
- iii. What was the extent of the relationship between Performance Management Practice and the provision of financial services?

1.5 Significance of the Study

The findings of this study would be useful to academia, to the Sacco Performance Management Practice in general and to Gusii Mwalimu Sacco managements in particular. The result of this study could provide useful information to improve savings and credit delivery and implement appropriate mechanism on Performance Management Practices to Gusii Mwalimu Sacco society. This would enable the Sacco to evaluate its strategy in light of the recent performance, hence, help to modify strategies to reflect real-time learning and the implementation of performance. Besides, this study would be an expansion of previous micro studies which will form the basis of macro studies of Saccos in the country. Above all, the findings would also assist the Ministry of Cooperative Development and Marketing to point out the areas that require capacity building programmes and fund them.

1.6 Assumptions of the Study

There existed Performance Management Practices in Gusii Mwalimu Sacco and that the respondents would give honest views on how it had affected the Sacco.

1.7 Scope and justification of the Study

The study confined itself to Gusii Mwalimu Sacco clients, staff and management as well as credit officers. Also, the study sampled clients of the Sacco in Kisii Central District. Even though much work has been done on Saccos in general, it is apparent from the available literature that little has been done on the effects of Performance Management Practices on provision of financial services by Gusii Mwalimu Sacco. It was also hoped that the research would help relevant financial organizations especially the Mwalimu Sacco management to identify the Performance Management Practices. This would help in monitoring and maintaining organizational control to ensure that the Sacco pursued strategies that led to the achievement of overall goals and objectives.

1.8 Limitations of the Study

The study was limited by data collection that was subjected to Sacco Managers, and staff who may have not been willing to reveal details about the Sacco Performance Management Practices in a bid to protect business image. It was also limited to the use of questionnaires to collect data which locked out other methods such as interviews that are flexible and also provide in-depth data.

1.9 Definition of Terms

Accounting: is the process of identifying, measuring and communicating economic information to permit informed judgment and decisions by users of information.

Management accounting: is concerned with the provision of information to people within the business to help them make better decisions.

Performance: Refers to efficiency and effectiveness of services or outcomes.

Performance evaluation: is the process of judging the value or quality of a person or thing. For managers, an employee evaluation is a core means for ensuring effective employee performance.

Goal setting: is the process of determining an objective or desired results.

Performance management: is the process of motivating through setting of goals, measuring progress, giving feedback, coaching for improved performance and rewarding achievement

Entrepreneurial: Refers to skills manifested in investors who starts or organizes commercial enterprises.

Performance management: Refers to the ongoing process of how well, a program is being provided. It involves the continuous collection of data on progress made towards achieving the program's pre-established objectives.

LITERATURE REVIEW

2.1 The Concept of Performance Management Practices.

Performance Management Practices (PMP) is defined as the use of performance measurement information to effect positive change in organizational culture, systems and processes by helping to set agreed-upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or programme directions to meet those goals, sharing results of performance in pursuing those goals (Ittner, Larcker & Randall, 2001). Organizations which do not integrate ongoing performance practices and feedback into their management development programmes tend to experience lower than expected performance improvements and higher dissatisfaction and turnover. Thus, performance management provides organizations the opportunity to refine and improve their development activities. Performance management programmes provides feedback based on specifics rather than generalizations and are based on specific objectives derived from the desired outcome of performance practice results.

PMP if nurtured properly is very beneficial. The key benefits include: focusing on results rather than behaviors and activities; it aligns organizational activities and processes to the goals of the organization; produces meaningful measurements; and cultivate a system-wide long term view of the organization. Therefore, PM is that process of motivating employees through setting goals, measuring progress, giving feedback, coaching for improved performance, and rewarding achievements (Langfield-Smith, 1997).

The current understanding of performance management practices (PMP) and the consequences of different Performance Management (PM) and control system design is limited (Otley, 1999). One reason for this lack of information is the fragmentary nature of the accounting and control research. Managerial accounting is evolving to encompass a more strategic approach that emphasizes the identification, measurement, and management of the key financial and non-financial means of strategic success and shareholder value (Institute of Management Accountants, 1999; International Federation of Accountants, 1998). In response many firms are adopting Strategic Performance Management (SPM) systems that : provide information that allows the firm to identify the strategies offering the highest potential for achieving the firm's objectives and align management processes, such as target setting, decision-making, and performance evaluation, with the chosen strategic objective (Otley,1999).

2.1.1 Elements of Performance Management Practices

PMP include problem identification, capital investment, performance evaluation and external disclosure (Ittner, et al 2001). These elements can be explained as follows:

Problem identification is a Performance Management Practice used by an organization to identify problems and improvement opportunities and developing action plans. The practice increases willingness to share solutions to common problems and build consensus about what is needed to accommodate challenges. Therefore it raises awareness of the strengths and weaknesses of performance. This will help organizations make better informed decisions, see beyond barriers, embrace change, think “outside the box”, and provide a framework and methodology for implementing and managing change.

Capital investment is a Performance Management Practice where an organization evaluates her major capital investments; introduce new ways of working and innovative solutions in order to achieve organizational goals and objectives.

Performance evaluation is a practice where an organization evaluates managerial performance. It sets appropriate measures and develops realistic targets for improvement. Hence, it permits more sophisticated analysis of results and activities that produce them, allow comparisons of the relative effectiveness of specific tools and strategies, and lead to informed resource allocation that is more likely to achieve the desired results. In a nutshell, it puts strategy and vision, goals and objectives at the centre of managerial attention.

External disclosure is a practice of disclosing information to external parties through educational Seminars, brochures, analyst meetings, conference calls, press releases, organization Internet websites, and one-on-one meeting.

2.2 Review of Empirical Literature

Performance measurements provides the basis for an organization to assess how well it is progressing towards its predetermined objectives, helps to identify areas of strengths and weaknesses, and decides on future initiatives, with the goal of improving organizational performance. A measurement is not an end in itself, but a tool for more effective management. Results of performance measurement indicate what happens, not why it happens. In order for an organization to make effective use of its performance measurement outcomes, it must be able to make the transition from measurement to management. It must also be able to anticipate needed changes in the strategic direction of the organization and have a methodology in place for effecting strategic change.

Ferreira, & Otley, (2004) in their case studies into Performance Management Practices (PMP) at four Portuguese organizations, highlight the importance of time and depth dimension. The authors report that PMP has enabled them to develop a good understanding of the existence of organizational practices over a very short time period. They focused on the existence rather than use of PMP. It is a concern that the difference between the formal and informal processes is often highlighted. The authors call for future research to begin by examining the PMP over time in one organization and their study provide a tool-kit for researchers to use to describe and assess PMP in an organization.

Zairi, (1994) asserted that the right processes and routines surrounding PMP is to ensure effective communication with stakeholders and a smooth execution of strategic objectives leading to improved performance results in the organization. Communication across organizational sub-units can be seen as an important ingredient in the functioning of the organization, because extensive information is needed to integrate operations across the society.

Ittner, et al (2001) focused on the importance of Performance Management Practices to long term organizational success and their use in Performance Measurement and decision making using some value driver categories such as short-term organizational success (e.g., annual earnings, return on assets, cost reduction); customer relations(e.g market share, customer satisfaction, customer retention); employee relations (e.g., employee satisfaction, turnover, workforce capabilities); and product and service innovation (e.g., new product or service development success, development cycle time) . The practices include: identifying problems and improvement opportunities and developing action plans; evaluating major capital investment; evaluating Managerial Performance; and disclosing information to external parties. These practices were to improve the alignment between Performance Management Systems and the firm's organizational objectives.

Alvesson, & Karreman, (2006) while researching on performance management practices in a Global consultancy firm, report that they only 'stumbled' on the 'ghosting' issue when they attended a management meeting. The high levels of under-reporting of time by consultants became one of the key issues in their study. They found that the under-reporting of the time spent on jobs had a substantial impact on the formal systems such as financial, performance evaluations, and knowledge management. It was vital to research in the discloser of information to stakeholders in an organization to determine the effects of PMP to the Sacco globally.

Sink (1991) in his study of PMP suggests that performance is a “mystery ... complex, frustrating, difficult, challenging, important, abused and misused” function. The level of performance an organization attains is a function of efficiency and effectiveness of the actions it undertakes, and thus: performance measurement can be defined as the process of quantifying the efficiency and effectiveness of an action.

Zairi (1994) identifies that performance measurement has been the systematic assignment of a number of activities. He further suggested that the function of measurement is to develop a method for generating a class of information that will be useful in a wide variety of problems and situations. Leading organizations agree on the need for performance management system which is a structured methodology for using performance measurement information to help set agreed-upon performance goals, allocate and prioritize resources, inform managers to either confirm or change correct policy or programme direction to meet those goals, and report on the success in meeting those goals. Organizations ought to deploy a performance management programme, which includes such attributes as: Leadership involvement in designing and deploying effective performance management systems, effective and open communication between employees, stakeholders, and customers in order to share assessment results and any new initiatives to improve performance; Accountability of results which are clearly assigned and well understood, compensation, rewards and recognition that are linked to performance measures, and performance measurement system that is positive.

Kaplan, & Norton, (1992) suggested a performance measurement system which enables managers to examine the accomplishment of the business from four different perspectives: financial perspective; customers' perspective; internal business perspective; and innovating and learning perspective. They further argued that PM establishes goals but assumes that people will adopt whatever behaviours and take whatever actions are necessary to arrive at those goals

Ahrens, & Chapman (2007), point out that, “many organizations seem trapped with the notion that performance management practice is something that is added on to there existing system”. As the PMP drive in an organization's strategy and vision, every society is unique in its objectives and measurement; this may facilitate the adoption of the PMP as a tool and make the organization conscious that it is a new management practice.

Kaplan, et al (1992) in their research on management Accounting and Performance of Financial services indicate that technical and organizational factors can play an important role in the perceived success of

an organization. They found no evidence that high satisfaction levels translate into improved financial performance.

Appelbaum, (2002) in his study, the impact of performance management on employees in an organization, indicated that PM can alleviate declining real wages and growing inequality. He further explained that an understanding of employee outcomes is, therefore, important for reasons of good performance, social justice and creation of a fair society in service delivery.

Kaplan, et al (1992) contends that, even if PM were found to increase wages, 'the relationship between that wage effect and overall inequality is indeterminate'. The findings, thus, caution strongly against the promise that techniques of PMP will necessarily deliver efficient financial services to both individual and wider societal outcome. It is worth determining whether PMP in Gusii Mwalimu Sacco have helped in improving efficiency in financial service delivery.

From the above, it is evident that a lot of research has been done on Performance Management Practice in various organizations in other countries especially in the developed countries. However, little research has been done on the efficiency and effectiveness of PMP in most organizations in Kenya in general and Gusii Mwalimu Sacco Society in particular. This study therefore focused on the efficiency and effectiveness of PMP in Gusii Mwalimu Sacco Society.

2.3 Conceptual Framework

PMP seeks to translate the Sacco vision into clear measurable outcomes that define success, and which are shared throughout an organization with customers and stakeholders. The PMP intends to make an organization strong, highly organized and effective, hence, offering quality, high and diversified financial services to its customers and stakeholders at competitive rates for long term financial stability. This should be done through innovative, qualified, honest, business oriented, and professional staff and directors aiming to be a model Society. An organization is expected to provide financial services efficiently so as to retain their clients.

An effective and efficient PMP should be able to: identify the problem; invest the organization capital; evaluate the performance of an organization; and disclosure of information to stakeholders. This could help an organization take the necessary measures purposely to achieve the intended objectives that is: quality and improved service delivery; increased profits; capacity utilization; business expansion; quality of assets; and corporate image. However, there are militating factors which could hinder the

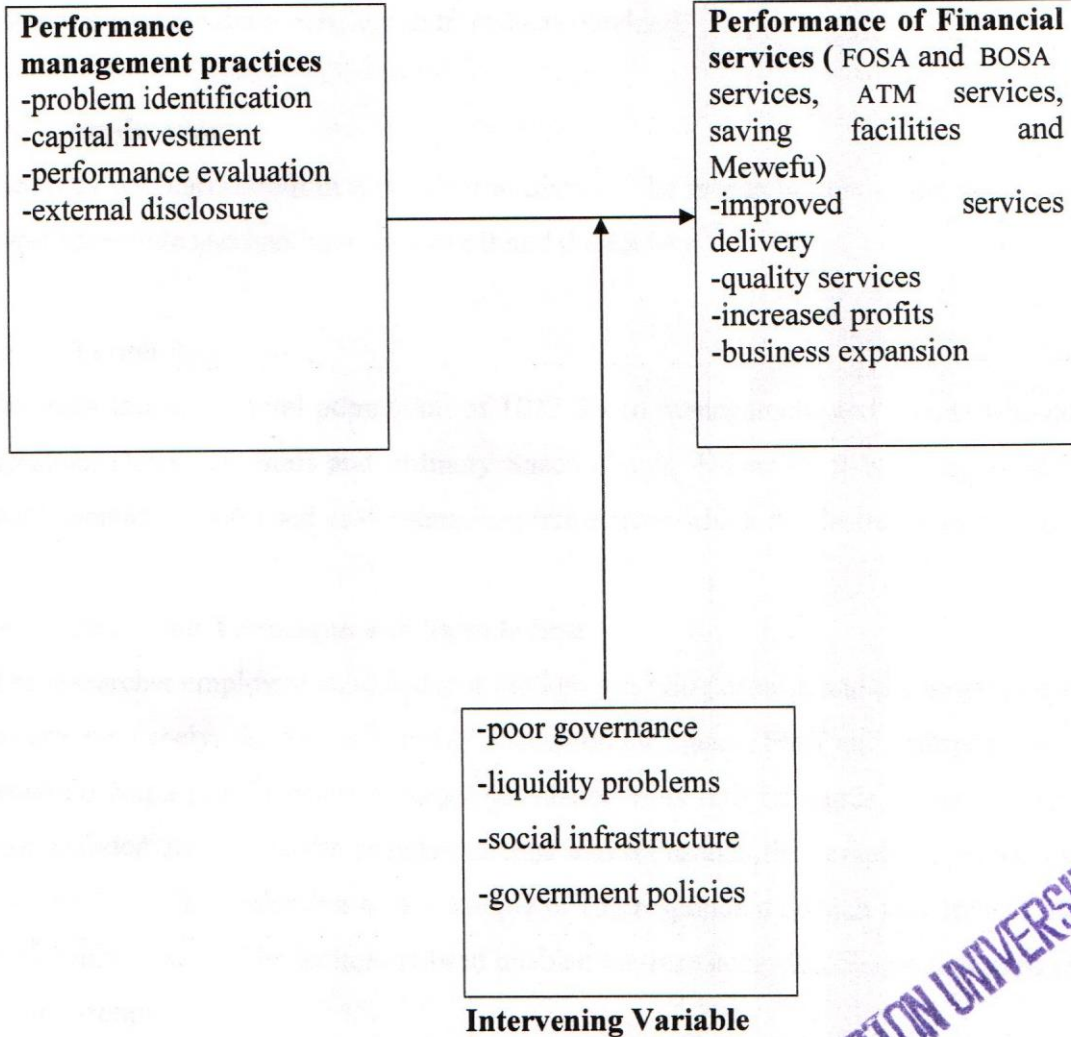
achievement of the set goals and objectives. These intervening factors include; Poor governance; inflexible laws; liquidity problems; social infrastructure; and government policies.

The interrelationship described above can be summarized in figure 1.1 below.

Fig 1.1 Conceptual Framework of the Study

Independent Variable

Dependent Variable



Source: Researcher's Conceptualization, 2010

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RESEARCH METHODOLOGY**3.1 Research Design**

The study adopted a descriptive design to investigate the effects of Performance Management Practices on provision of Financial Services by Gusii Mwalimu Sacco Society and what the Sacco was doing to attain performance goals and objectives. Descriptive design was a process of collecting data in order to answer questions concerning the current status of the subject in the study. This design was appropriate because it involved collecting data in order to answer questions concerning current phenomena and whenever possible draw conclusion from facts obtained.

3.2 Study Area

The study was carried out in Kisii Central district. The researcher chose the district in question because it was accessible and had interest about it and the society.

3.3 Target Population

The study targeted a total population of 1012 Sacco management and clients who comprised Board of Directors, Delegates, Staff and ordinary Sacco clients. However, it was important to note that a staff establishment list was used as the sampling frame from which the desired sample was derived.

3.4 Sampling Technique and Sample Size

The researcher employed stratified and random sampling criteria and the target population was put into sub-groups namely, the Sacco Board of Directors, Delegates, Staff and ordinary clients. According to Nwadiuto Nkpa (1997) where a target population runs into hundreds, a sample population of 50% is recommended and where the population runs into thousands the sample population should be between 15% and 20%. The researcher took a sample of 152 respondents which was 15% of the target population (1012.) of the study. The technique used enabled the researcher to achieve a desired representation from the sub-groups.

3.5 Research Instruments

The study employed semi-structured questionnaires to collect both qualitative data and quantitative data. The questionnaire consisted of both closed-ended and open-ended questions. It was administered to the Sacco management staff that included Board of Directors, Delegates and employees as well as the ordinary clients of the Sacco.

3.6 Validity and Reliability

To enhance validity of the questionnaire, a set of one questionnaire for each stratum of the Board of Directors, Delegates, and staff and a set of 13 questionnaires for ordinary clients' stratum were pre-tested. Then, these were subjected for scrutiny by the supervisors who gave their recommendations on whether the contents were relevant to the study and allowed for any adjustments hence this improved validity of the instruments of the research.

Reliability is the relative absence of errors of measurement in an instrument or accuracy of a measuring instrument (Kerlinger, 1986). The researcher did a pilot study to determine the reliability of the instrument.

3.7 Data Collection Procedure

A letter of authority to allow the researcher to carry out the study was sought from Kisii University College the department of Business management to show the management of the sampled study area Gusii Mwalimu Sacco that the holder was officially authorized to carry out the study. The administration of questionnaires was done by the researcher through, drop and pick in the sampled area of study, and was able to collect the filled questionnaires at the end of two days.

3.8 Data Analysis and Presentation

Data were analyzed using descriptive statistics such as frequencies and percentages. Also inferential statistics such as Pearson correlation coefficient and simple linear regression were used to establish the strength, direction and significance of the relationship between PMP and PFS. The analyzed data was presented in tables, graphs, pie charts and narratives. The regression model below was applied to establish the relationship between the variables: $Y=a+bx$

Where;

Y, is the dependent variable that is Performance of Financial Services (PFS)

X, is the independent variable that is Performance Management Practices (PMP)

Besides, data were analyzed using a five point Likert scale. The results of Performance Management Practices and Performance of Financial Services were tabulated and weighted using a five-point Likert scale. The sum of the weighted frequencies was divided by the sum of the frequencies of the respondents from each category to obtain the weighted mean. The model used was:

$$X_w = \frac{\sum f_i w_i}{\sum f_i}$$

Where X_w = weighted average

w_i = weight

f_i = frequency

Data Analysis, Results and Discussions

4.1 Questionnaire Response Rate

Data for this research was collected from four groups: Ordinary members; Delegates; Board of Directors; and staff of Gusii Mwalimu Sacco. The research targeted a total of 152 respondents consisting of 130 Ordinary members, 10 Delegates, 4 Board of Directors and 8 Staff Members of Gusii Mwalimu Sacco. The researcher managed to get back 113 duly filled questionnaires from Ordinary members, who represented 86.92% of the target sample. 60 % of the questionnaires given to the Delegates were completed and returned. Of the 4 Board of Directors who were given questionnaires, all questionnaires were duly completed representing 100%. 87.5% of the questionnaires administered to Staff Members of Gusii Mwalimu Sacco 7 duly completed questionnaires were returned. Table 4.1 below provides an overview of the response rates of the questionnaires.

Table 4.1: Questionnaire Response Rate

Category	Disseminated	Completed	Response Rate
Ordinary Members	130	113	86.92%
Delegates	10	6	60%
Board of Directors	4	4	100%
Staff	8	7	87.5%
Total	152	130	85.53%

Source: Research data, 2010

4.2 Demographic characteristics of the sample

This section deals with personal information of the respondents. These include membership category, gender, age, level of education and membership period.

4.2.1: Membership category

Table 4.2: Analysis of Membership Category

Category	Frequency	Percentage
Ordinary members	113	86.9
Delegates	6	4.6
Board of Directors	4	3.1
Staff	7	5.4
Total	130	100.0

Source: Research data, 2010

Table 4.2 above shows that 86.9% of the respondents were Ordinary Members; 4.6% were delegates; 3.1% were members to the Board of Directors; and 5.4% were Staff Members of Gusii Mwalimu Sacco. The result implies that the Ordinary Members were the majority in the Sacco and, therefore, have immense influence especially in determining who become the directors of the Sacco. Therefore, if the ordinary members elect competent people as directors it would improve the Sacco's performance. This is in line with Langfield-Smith's (1997) assertion that the choice of competent directors would necessarily lead to positive effect in performance.

4.2.2: Gender Participation in Sacco activities

Table 4.3: Analysis of Gender participation

Gender	Frequency	Percentage
Male	70	53.8
Female	60	46.2
Total	130	100.0

Source: Research data, 2010

Table 4.3 above shows that 53.8% of the respondents were male while 46.2% were female. The findings show that there are more male respondents than female suggesting that, males are more involved in Sacco activities than females.

4.2.3: Age of Mwalimu Sacco members

Table 4.4: Age of Mwalimu Sacco members

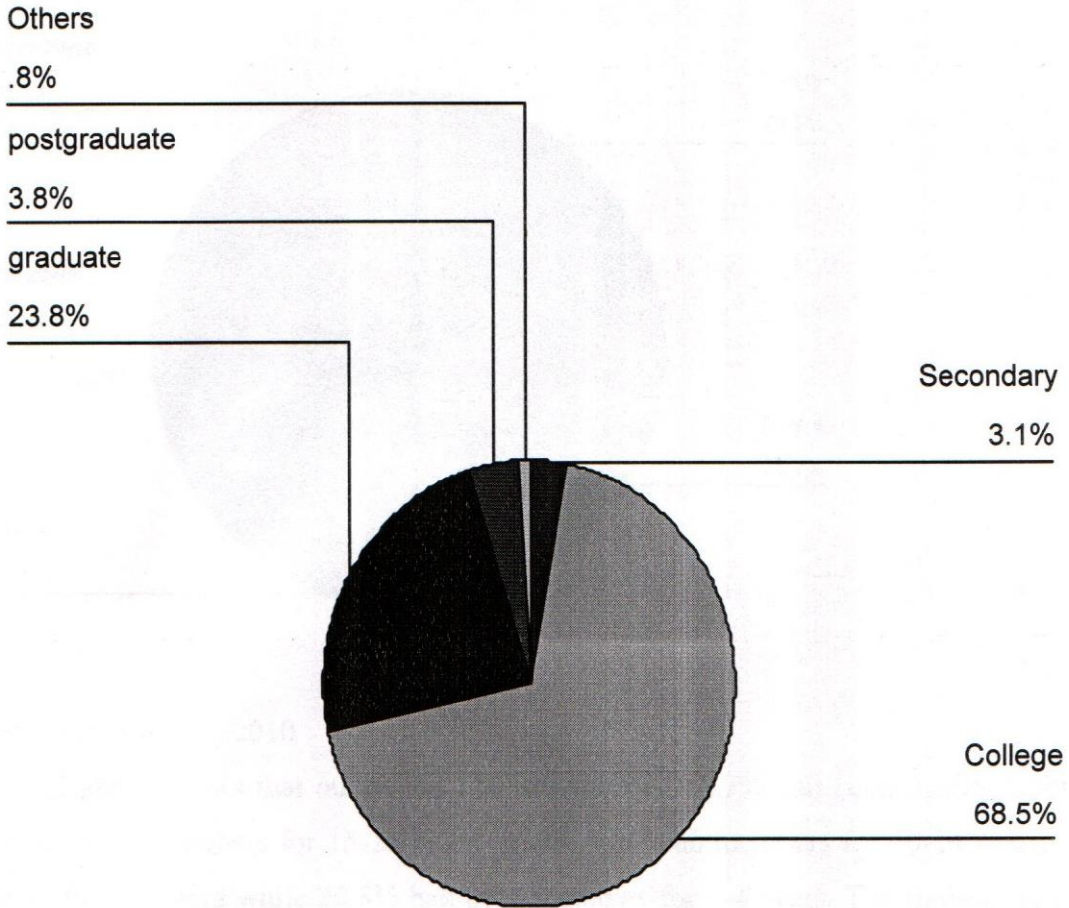
Age	Frequency	Percentage
20-29	13	10.0
30-39	51	39.2
40-49	54	41.5
50-59	11	8.5
>60	1	0.8
Total	130	100.0

Source: Research data, 2010

Table 4.4 above shows that, 10% of the respondents were in the 20-29 age brackets, 39.2% were aged between 30-39 years, 41.5% were aged between 40-49 years, 8.5% were between 50-59 years while 0.8% were above 60 years. Majority (80.7%) of the respondents who totaled 105 were aged between 30-49 years. This implied that, the normal operations of the Sacco may go on for some time before the key players are replaced since majority of them are far below the retirement age. However if the management has been performing poorly, and if the course of the poor performance has been these key players, then the problem might persist as it will take a long time to replace them. On the other hand, if the performance has been good, then the trend may continue for some time.

4.2.4: Level of Education.

Fig.4.1: Level of education

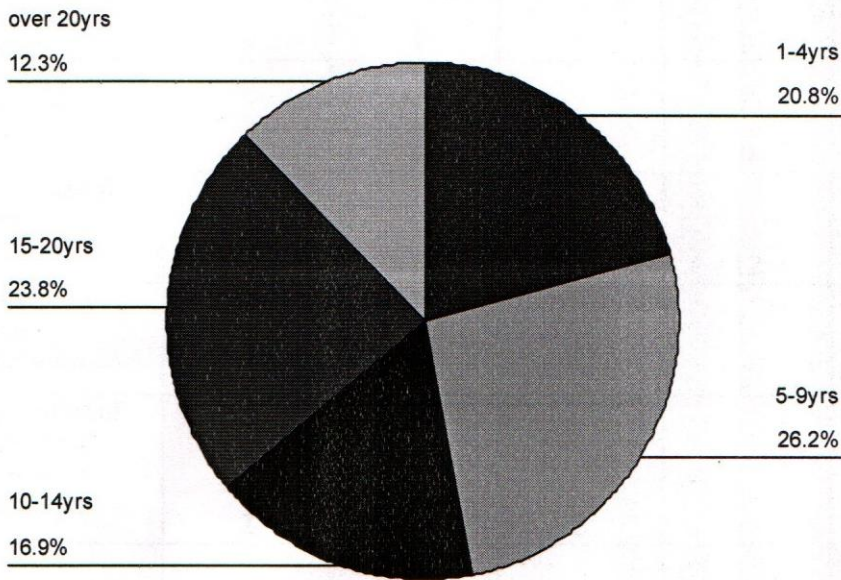


Source: Research data, 2010

Figure 4.1 above shows that 3.1% of the respondents were High School graduates, 68.5% were college graduates, and 23.8% were University graduates, 3.8% had postgraduate qualification while 0.8% mentioned other qualifications. The result implies that the majority of the respondents have post-secondary education.

4.2.5 Membership period

Figure 4.2 Membership period



Source: Research data, 2010

Figure 4.2 above shows that out of the 130 respondents, 12.3% had been members for over 20 years, 23.8% had been members for 15-20 years, 16.9% had been members for 10-14 years, 26.2% had been members for 5-9 years while 20.8% had been members for 1-4 years. The findings imply that majority of the members (53%) had been in the Sacco for at least 10 years.

4.3 Descriptive findings on Performance Management Practices

This section presents descriptive findings of the study, which is linked to the first objective of determining the extent to which Performance Management Practices are undertaken in the Sacco. The result of the analysis on this objective is shown in tables 4.5 and 4.6 below.

4.3.1 The extent Performance Management Practices are undertaken in the Sacco

Table 4.5: Analyzing the extent Performance Management Practices are undertaken in the Sacco

Effectiveness of Performance Management Practices	Very Effectively	Effectively	Moderate Effectively	Less Effectively	Not Effectively	$\sum f_i$	$\sum w_i f_i$	$\frac{\sum w_i f_i}{\sum f_i}$
Communication of Performance results	5	4	3	2	1	17	69	4.05
Uses of Capital investment Technique	1	1	3	12	0	17	42	2.47
Evaluation of Managerial performance	3	3	7	3	1	17	55	3.23
Identification of problems and improvement opportunities	2	9	2	4	0	17	60	3.52
Disclosure of performance	9	8	0	0	0	17	77	4.52

Source: Research data, 2010

Table 4.5 above shows that disclosure of performance information to stakeholders received a weighted mean of 4.52. Since this weighted mean is more than 2.500, it implied that the Sacco effectively disclosed performance information to the stakeholders. Disclosure of Performance Information to members at appropriate time was significant to enable members make appropriate recommendation and informed decisions concerning the performance of the Sacco. This finding agrees with Ittner et al (2001) disclosure of performance information is crucial to an organization.

From the same table 4.5 above, communication of performance results to stakeholders received a weighted mean of 4.05. This implied that communication of performance results to stakeholders was more effective. This finding is in line with Zairi (1994) findings which asserted that, communication of performance results across organizational sub-units can be seen as an important ingredient in the functioning of the organization.

From the same table 4.5 above, identification of problems and improvement opportunities received a weighted mean of 3.52. The findings imply that there was a mechanism of identifying problems and improvement opportunities in the Sacco. In Performance Management Practices, a mechanism of identifying of problems and improvement opportunities is very important as it enables the organization to overcome many challenges. This finding is in line with Ittner, et al (2001) findings that identifying problems and improvement opportunities improves the alignment between Performance Measurement Systems and the firm's organizational objectives.

Also, evaluation of managerial performance received a weighted mean of 3.23. This was an indication that the practice was undertaken in the Sacco. This finding agrees with, Otley, (1999), who held that evaluation of managerial performance contributes to a large extent the formulation of strategic plans. An organization like Gusii Mwalimu Sacco may need evaluation of managerial performance results in order to shape up and remain relevant in the banking industry.

On the other the analysis shows that the use of capital investment technique received a weighted mean of 2.47 which is below the mean of 2.500. The result indicates that the capital investment evaluation technique was not effective. This was probably due to lack of training in the technique or just ignorance by members to use the technique. This finding contradicts Ittner, et al (2001) finding who asserted that capital investment evaluation technique is a practice where an organization evaluates her major capital investment, introduce new ways of working and innovate solutions to achieve organizational objectives.

4.3.2 Satisfaction of Access to Services

Table 4.6: Analysis on satisfaction of Access to Sacco Services

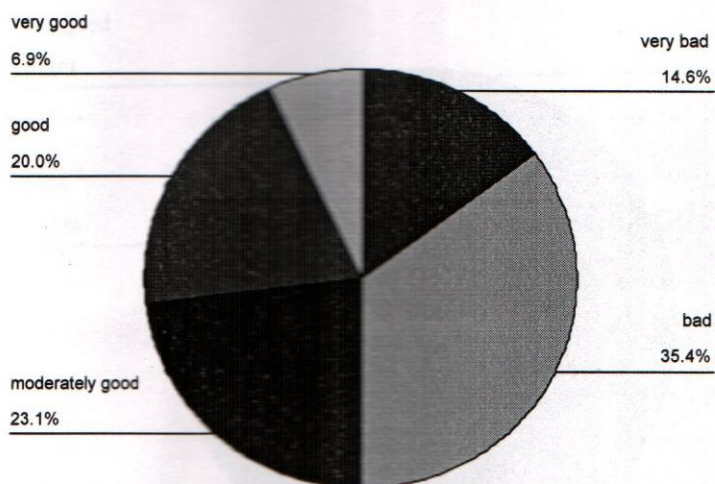
	Very Satisfied 5	Satisfied 4	Moderately Satisfied 3	Dissatisfied 2	Very Dissatisfied 1	Σf_i	$\Sigma w_i f_i$	$\frac{\Sigma w_i f_i}{\Sigma f_i}$
Access to Sacco services	5	12	39	20	37	113	267	2.36

Source: Research data, 2010

Table 4.6 above shows access to Sacco services received a weighted mean of 2.36. The findings imply that many of the respondents were dissatisfied with access to Sacco services. By extension this is a pointer that Sacco members may withdraw to join other financial organizations.

4.3.3.: Member Education

Figure 4.3: Member Education



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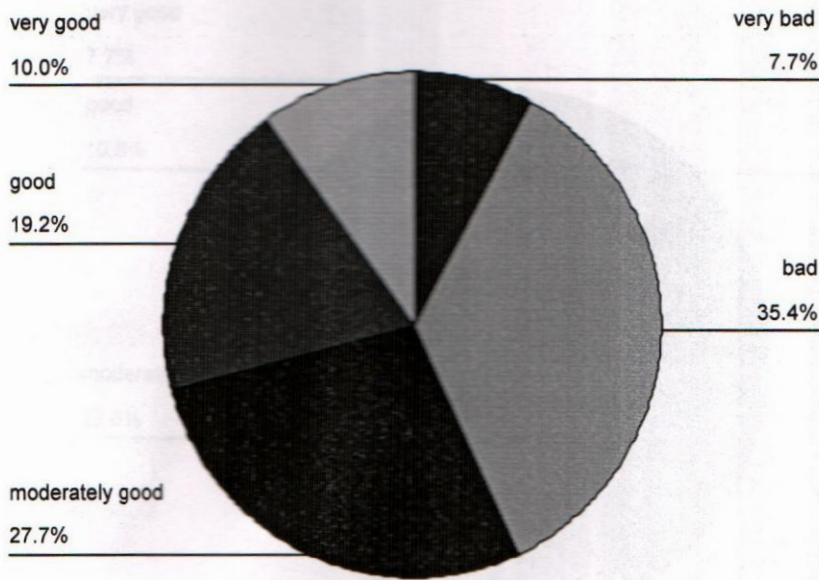
Source: Research data, 2010

Figure 4.3 above indicate that 6.9% of the respondents held that member education was excellent, 20.0% said that it was very good, 23.1% said it was good, 35.4% said it was average while 14.6% of the respondents said that member education was bad. The findings imply that there was no satisfaction on the extent to which members were educated.

The success of the Sacco will always depend on knowledgeable membership. Members should be educated on their rights and obligations to the society and the entire Cooperative movement. In order that the entire membership is enlightened on the day-to-day issues of the society, there is need for elected officials to hold meetings with their members on regular basis. This will supplement the education conducted on yearly or biannual basis by the Management Committee team. To facilitate this worthwhile cause, the management will come up with branch education programmes where officials will visit their members to educate them. However, it is also vital that all officials are educated first. The study suggest that, if performance was expected to be high all the time, then there was need to educate further the key players in management due to ever changing technological environment.

4.3.4 Introduction of New Products and Services

Figure 4.4: Introduction of New Products and Services

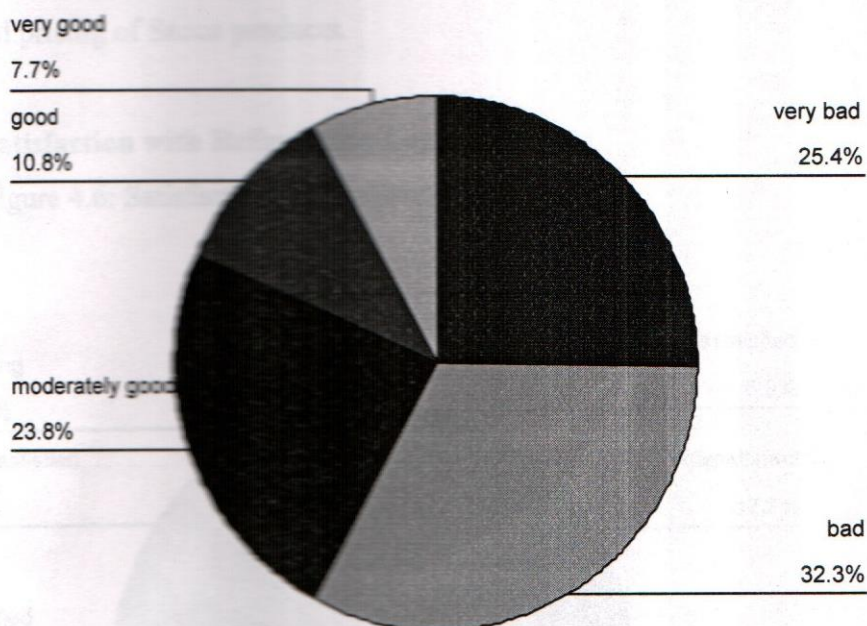


Source: Research data, 2010

Figure 4.4 above shows that 10.0% of the respondents rated introduction of new products and services as very good, 19.2% rated it as good, 27.7% rated it as moderately good, 35.4% rated it bad while 7.7% rated it as very bad. The findings imply that, majority of the respondents, were satisfied to a large extent with the introduction of new products. This attitude expressed by the respondents has been made possible probably due to the efforts of the management to provide a diversified products and services to increase consumer choice. This is in agreement with Ittner, et al (2001) who asserted that to achieve long term organizational successes there ought to be new products and service innovation.

4.3.5: Accountability of Committees

Figure 4.5: Accountability of Committees



Source: Research data, 2010

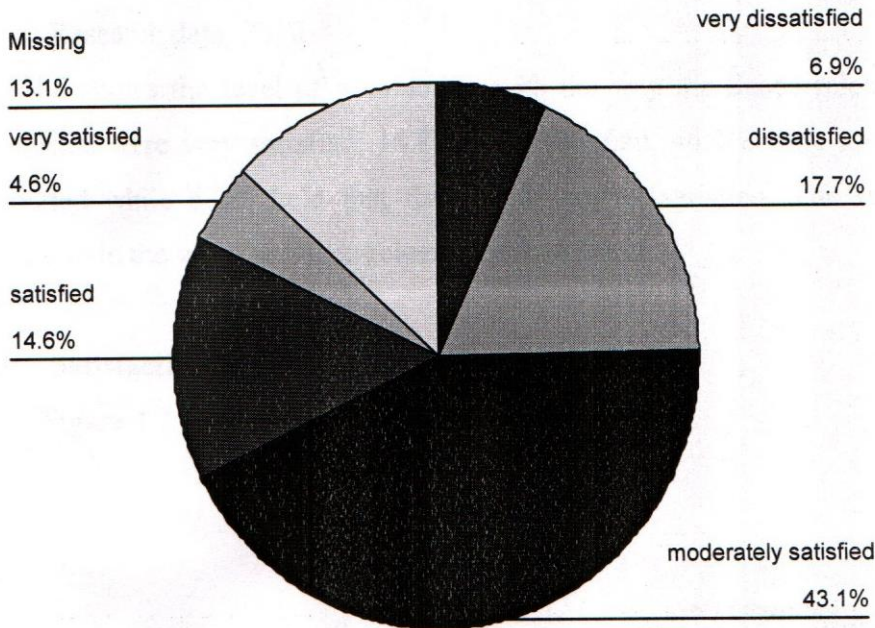
Figure 4.5 above shows that 7.7% viewed accountability of committees as very good, 10.8% indicated they were good, 23.8% said they were moderately good, 32.3% said they were bad while 25.4% said that accountability of the committees was very bad. This implies that majority of the respondents viewed the accountability of the committees as being wanting. The society should be committed to its membership and endeavour to garner the available resources to ensure that members' hard earned savings are protected and safe. Consequently, there should be regular elections conducted for the entire board and supervisory committees. Alternatively, the management staff should be placed on performance contracts and anyone who fails to perform would have his/her employment reviewed. This finding is in line with Zairi (1994) finding who asserted that activities of unaccountable stakeholders should be informed to managers to either confirm or change correct policy or program direction to meet organizational goals.

4.4 Descriptive findings of Performance of Financial Services of the Sacco

The second objective of the study was to evaluate the level of performance of financial service in the Sacco. It was based on satisfaction with loans, ATM services, time taken in processing loans, timeliness in serving customers, amount paid as dividends, investment of Sacco funds, management of external debts, and pricing of Sacco products.

4.4.1: Satisfaction with Refinancing Loans

Figure 4.6: Satisfaction with refinancing loans



Source: Research data, 2010

Figure 4.6 above shows that 6.9% of the respondents are very dissatisfied, 17.7% dissatisfied, 43.1% satisfied, 14.6% very satisfied while 4.6% are extremely satisfied with refinancing loans. This result implies that there was no satisfaction with refinancing loans.

4.4.2: Satisfaction with normal loans

Table 4.7: Satisfaction with normal loans

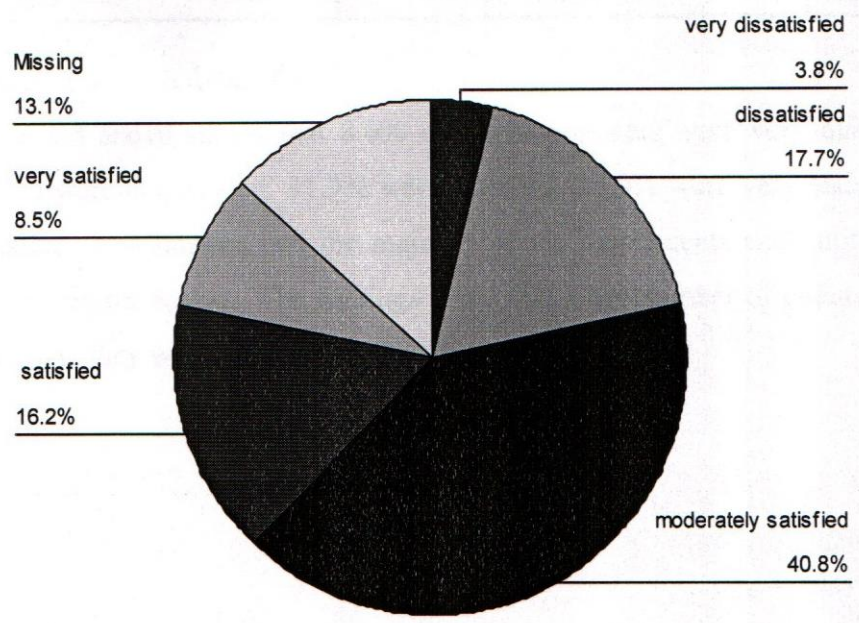
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very dissatisfied	7	5.4	6.2	6.2
	dissatisfied	30	23.1	26.5	32.7
	moderately satisfied	52	40.0	46.0	78.8
	satisfied	19	14.6	16.8	95.6
	very satisfied	5	3.8	4.4	100.0
	Total	113	86.9	100.0	
Missing	System	17	13.1		
Total		130	100.0		

Source: Research data, 2010

Table 4.6 shows the level of satisfaction with the way the Sacco released normal loans. 4.4% of the respondents were very satisfied, 16.8% were satisfied, 46.0% were moderately satisfied, 26.5% were dissatisfied while 6.2% held that they were very dissatisfied. The result shows that there was no satisfaction in the way the Sacco released normal loans.

4.4.3: Satisfaction with Advance Loans

Figure 4.7: Satisfaction with Advance Loans



Source: Research data, 2010

Figure 4.7 above shows that 3.8% of the respondents were very dissatisfied with the way the Sacco released advance loans, 17.7% were dissatisfied, 40.8% were moderately satisfied, 16.2% were satisfied and 8.5% were very satisfied. The result implies that there is a general satisfaction on the way the Sacco released advance loans. It is crucial that the management addresses fully the advancement of all forms of loans to members which is the core business of the Sacco. Through the full utilization of the FOSA network, the Sacco should provide a full range of basic financial services and consolidate these services to the full satisfaction of members. This finding contradicts Kaplan, et al (1992) findings where they found no evidence that high satisfaction levels translate into improved performance of financial services. This contrast was probably due to the fact that Kaplan, et al carried their research on a larger sample size as compared to this study.

4.4.4: Satisfaction with ATM Services

Table 4.8 Satisfaction with ATM Services

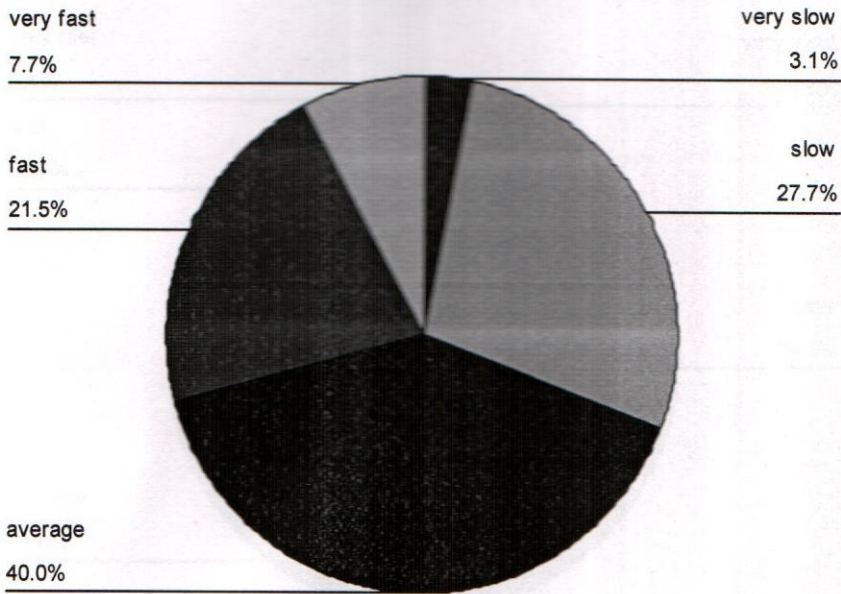
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very dissatisfied	9	6.9	8.0	8.0
	dissatisfied	39	30.0	34.5	42.5
	moderately satisfied	36	27.7	31.9	74.3
	satisfied	18	13.8	15.9	90.3
	very satisfied	11	8.5	9.7	100.0
	Total	113	86.9	100.0	
Missing	System	17	13.1		
Total		130	100.0		

Source: Research data, 2010

Table 4.8 above shows that 8.0% of the respondents were very dissatisfied with the ATM services, 34.5% were dissatisfied, 31.9% were satisfied, 15.9% were very satisfied, while 9.7% were extremely satisfied. This implies that the majority of the respondents were not satisfied with the ATM services offered by the Sacco. The findings show that a big number of clients were not accessing their savings wherever they were.

4.4.5: Time Taken in processing loans

Figure 4.8: Time Taken in processing loans

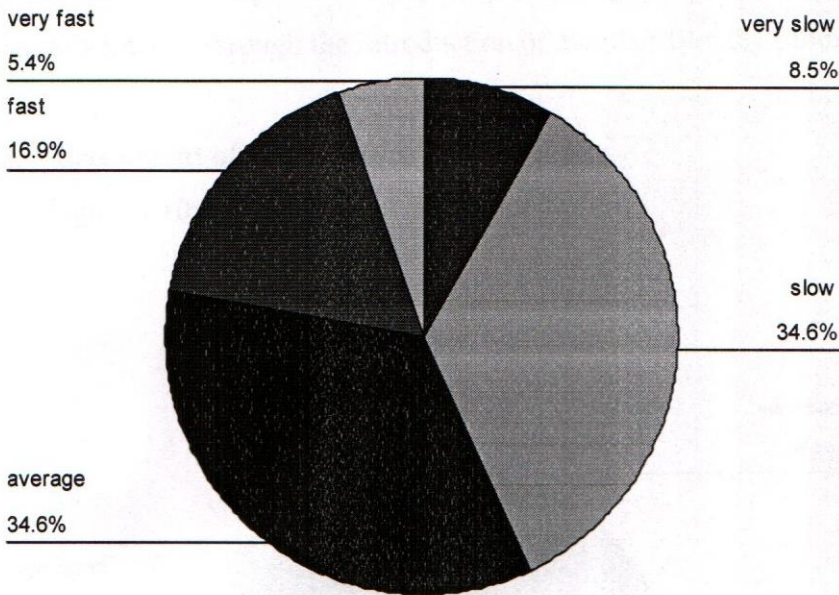


Source: Research data, 2010

Figure 4.8 above show that 7.7% of the respondents indicated that time taken in processing loans was very fast, 21.5% said it was fast, 40.0% said that it was average, 27.7% said it was slow while 3.1% found the process to be very slow. The findings generally indicate that the time taken in processing loans was not fast enough to the satisfaction of customers. Granting of loans depends entirely on members' savings. The more the savings the more there will be for loan lending to members. However, delay on loan disbursement is partly due to lack of adequate funds.

4.4.6: Timeliness in Serving Customers

Figure 4.9: Timeliness in Serving Customers



Source: Research data, 2010

Figure 4.9 above shows that 5.4% of the respondents indicated that time taken in serving customers was very fast, 16.9% fast, 34.6% average, 34.6% slow while 8.5% was very slow. The findings imply that clients were not satisfied with time taken in serving them. This was probably due to misunderstanding of the whole system of loan processing. This finding is in line with Ferreira, et al (2004) finding which asserted that timeliness is of importance in Performance Management Practices.

4.4.7: Amount paid as dividends

Table 4.9: Amount paid as dividends

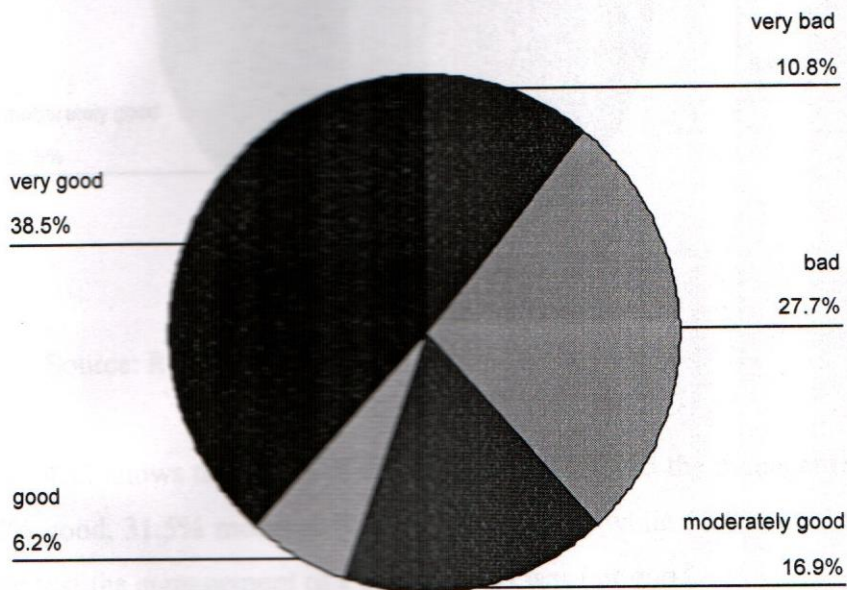
	Frequency	Percent	Valid Percent	Cumulative Percent
Valid very bad	13	10.0	10.0	10.0
bad	44	33.8	33.8	43.8
moderately good	37	28.5	28.5	72.3
good	27	20.8	20.8	93.1
very good	9	6.9	6.9	100.0
Total	130	100.0	100.0	

Source: Research data, 2010

Table 4.9 above shows, 6.9% of the respondents indicated that the amount paid as dividends was very good, 20.8% good, 28.5 moderately good, 33.8% bad while 10.0% held it was very bad. The findings imply that the majority of the respondents were not satisfied with amount paid as dividends. The Sacco should endeavour to improve this pay-out by cutting on operational costs and at the same time improve the Sacco's income through the introduction of member friendly products.

4.4.8: Investment of Sacco Funds

Figure 4.10: Investments of Sacco Funds



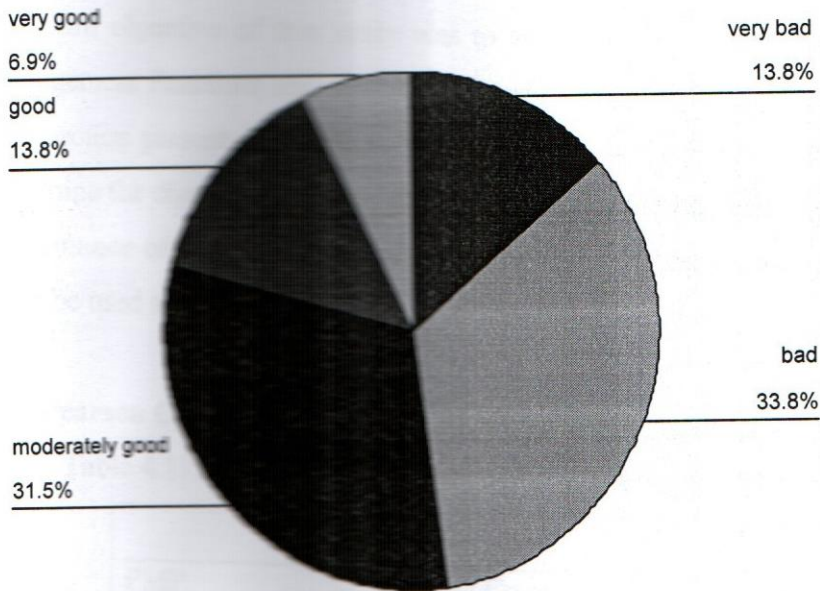
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Source: Research data, 2010

Figure 4.10 above show that 38.5% of the respondents indicated that Investment of Sacco Funds was very good, 6.2% good, 16.9% moderately good, and 27.7% bad while 10.8% held it was very bad. The findings imply that investment of Sacco funds was good. This is in line with Ittner et al (2001) who asserted that capital investment is meant to improve the alignment between Performance Management Systems and the firm's organizational objectives.

4.4.9: Management of external debts

Figure 4.11: Management of external debts



Source: Research data, 2010

Figure 4.11 shows that 6.9% of the respondents viewed the management of external debts as very good, 13.8% good, 31.5% moderately good, 33.8% bad, while 13.8% held that it was very bad. The findings imply that the management of external debts was not good.

4.4.10 Pricing of Products and Services.

Table 4.10: Pricing of Products and Services

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	bad	17	13.1	13.1	13.1
	average	50	38.5	38.5	51.5
	good	24	18.5	18.5	70.0
	very good	27	20.8	20.8	90.8
	excellent	12	9.2	9.2	100.0
	Total	130	100.0	100.0	

Source: Research data, 2010

Table 4.10 above shows that 9.2% of the respondents viewed the pricing of products and services to be excellent, 20.8% very good, 18.5% good, 38.5% average and 13.1% bad. The findings imply that the pricing of Sacco products and services was good.

4.5 Associative Analysis of the study findings

The third objective of this study was to establish the extent of the relationship between Performance Management Practices and the level of performance of financial services of the Gusii Mwalimu Sacco. This section presents associative findings of the study. Pearson's correlation coefficients were used to determine the direction and strength of the relationship between Performance Management Practices and Performance of Financial Services. Simple linear regression analysis was used to deduce a model that could be used to explain Performance of Financial Services.

4.5.1 Pearson Correlation Coefficient between PMP and PFS

Table 4.11: Pearson correlation coefficient between PMP and PFS

		PMP	PFS
PMP	Pearson Correlation	1.000	.507
	Sig. (2-tailed)	.	.000
	N	130	130
PFS	Pearson Correlation	.507	1.000
	Sig. (2-tailed)	.000	.
	N	130	130

** Correlation is significant at the 0.01 level (2-tailed).

Source: Research data, 2010

In analyzing the correlation between PMP and PFS the Pearson correlation coefficient was used. The correlation matrix in table 4.11 above shows that PFS has a strong significant positive relationship with PMP with a Pearson correlation coefficient of 0.507.

4.5.2 Simple Linear Regression Analysis

Table 4.12 below shows a coefficient of determination $r^2 = 0.257$ which indicates that 25.7% of the variation in the performance of financial services can be explained by the changes in Performance Management Practices. While 74.3% remains unexplained, this means that it can be explained by intervening variables.

4.5.3 Model Summary showing the Coefficient of Determination R Square

Table 4.12: Model Summary showing the Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.507	.257	.251	6.5079

a Predictors: (Constant), performance management practices index

b Dependent Variable: performance of financial services index

Source: Research data, 2010

4.5.4 ANOVA Table showing the F Statistic

Table 4.13 ANOVA Table showing the F Statistic

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1873.464	1	1873.464	44.235	.000
	Residual	5421.159	128	42.353		
	Total	7294.623	129			

a Predictors: (Constant), performance management practices index

b Dependent Variable: performance of financial services index

Source: Research data, 2010

The ANOVA table 4.13 above reveals that the independent variable (PMP) can significantly predict the performance of financial services ($F_{1, 128} = 44.235, P < 0.05$). This indicates that PMP was contributing to the variance in the performance of financial services.

Table 4.14 below shows that the T-test values for the regression coefficient are significant at 0.05 confidence levels. This implies that PMP was making a significant contribution to the performance of financial services model. The unstandardized regression equation is therefore $PFS = 10.060 + 0.975PMP$. The standardized Beta coefficient indicates that a unit change in PMP results to an increase of 50.7% in the performance of financial services.

44.5.5 Simple Linear Regression-coefficients

Table 4.14 Simple Linear Regression-coefficients

		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
Model		B	Std. Error	Beta		
1	(Constant)	10.060	2.281		4.411	.000
	performance management practices index	.975	.147	.507	6.651	.000

a Dependent Variable: performance of financial services index

Source: Research data, 2010

SUMMARY, CONCLUSION AND RECOMMENDATIONS**5.1 Summary of findings.**

The first objective of the study was to determine the extent to which Performance Management Practices were undertaken in Gusii Mwalimu Sacco. The study established that performance results were communicated to the members and that capital investment evaluation technique was not used to the maximum. It also showed that evaluation of Managerial Performance was carried out in the Sacco. Further, it established that there was disclosure of information to the stakeholders and that members were educated on the rights and obligations to the society and the entire Cooperative movement. However, on the other hand, the findings indicated that members were not satisfied with Sacco services. Generally, the study showed that to a large extent Performance Management Practices were undertaken in Gusii Mwalimu Sacco.

The second objective of the study was to evaluate the level of Performance of Financial Services in the Sacco. The study revealed that, generally clients were not satisfied with the way the Sacco offered its loans that is, refinancing, normal and advance loans. The ATM services offered were not satisfactory at all and management of Sacco funds and external debts was not a fair deal at all. The Sacco was not offering quality and timely services, a situation that has made some clients to turn to commercial banks for their financial obligations. For example, it takes a commercial bank a maximum of 4 days to disburse a Kshs 1.5 million a sum one can access at a Sacco after weeks and months and subject to availability of funds. Even though Saccos charge lower interest rates than other financial institutions, in Business time is of essence and the lower interest rates hold little meaning. The findings showed that customers were dissatisfied with performance of the financial services of the Sacco.

Third, there was a positive relationship between PMP and PFS with a unit change to PMP carrying a 50.7% increase in PFS. The study showed that Performance Management Practices were making a significant contribution to the Performance of Financial Services. The result revealed that the independent variable (PMP) could significantly predict the performance of financial services. This indicates that PMP was contributing to the variance in the performance of financial services.

5.2 Conclusion

From the summary above, the results implied that Gusii Mwalimu Sacco was undertaking Performance Management Practices (PMP). Clients in Gusii Mwalimu Sacco were not willing to leave the Sacco

because of its stability, an indication that Performance Management Practices were making a significant contribution to the Performance of Financial Services. However, it seemed that many challenges face the stakeholders especially when it comes to applying the Performance Management Practices as most managers are commercial managers who have little grounding on the Sacco philosophy and functioning. Besides, the Sacco was not offering quality and timely services to clients, a situation that has made some of them to turn to commercial banks for their financial obligations. Even though the Sacco charges lower interest rates than other financial institutions, in business, time is of essence and the lower interest rates hold little meaning. As a result effective Performance Management Practices on provision of financial services by Gusii Mwalimu Sacco is far from being achieved.

5.3 Recommendations

In view of the above conclusion this study makes several recommendations about the Performance Management Practices among them are: need for Gusii Mwalimu Sacco to enter into partnership with other financial organizations to provide money transfer services to its members and the public. This will create an income stream. Example of such partnership organizations are Kenya Union of Savings and Credit Organizations (KUSCO), Kenya Bankers Sacco and Afya Sacco among others.

It is important to educate members on the operations of the Sacco and their services for them to be supportive at all times. They should be educated on how to utilize various financial services introduced like the FOSA, BOSA and ATM services as well as on savings and borrowing.

There is need for the Sacco management to point out an increase in loan repayment period to 60 months from 48 months so as to entice more of the Sacco clients. The issue of guarantors should be reviewed and other securities except one's salary pay slip to qualify for a personal loan

Gusii Mwalimu Sacco management should put specialization into practice where each employee will be assigned what he can do easily and best. It should ensure regular departmental transfer to enhance efficiency.

There is also need for Mwalimu Sacco Management to amend its by-laws in order to allow non-members to open accounts with FOSA.

Besides, the society should procure a modern computer software system that has several features to enable the Sacco introduce a wide range of services. The implementation of this system will also involve intensive training for the users.

The society should also consider operating Over the Counter Trading. This is a product geared towards the economic and social well being of the members. It will enable members to get value for their shares and the Sacco shall not only refund at par value but also members qualify for refund of their investment shares. Over the Counter Trading is commonly practiced in Nairobi Stock Exchange and it enables members to sell and buy shares amongst themselves.

5.4 Suggestions for further research

More research should be done using an ex-post facto design in which the independent variable or variables have already occurred and in which the researcher starts with the observation of a dependent variable in retrospect for the possible relations to, and effects on the independent variable or variables. This design does not give room for the researcher to manipulate the variables or arrange for events to occur since they already exist. Further investigation can be undertaken to establish how Savings and Co-operative Societies are able to cope with competition from banks and other financial institutions. Above all, further research can be done using another research instrument like the interview schedule as this might give more information on this field of study.

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KISII UNIVERSITY COLLEGE



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KISII, KENYA

OFFICE OF THE DEAN FACULTY OF COMMERCE

14/09/2010

To Whom It May Concern:

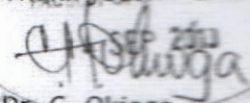
RE: ANASTANCIA ONSAGE REG. NO. OK11/0396/08

The above named is a student of Kisii University College. She is pursuing a Master of Business Administration (MBA) degree (Accounting Option).

In a bid to fulfill her course requirements, she is required to collect data to assist her in research project writing.

The purpose of this letter is to introduce the student to you and request you to accord her the necessary assistance. The data she will collect will be purely academic.

Any information given to her will enable her to succeed in her academic endeavor.

Thank you

Dr. C. Okioga
Dean, Faculty of Commerce

(Circular stamp: KISII UNIVERSITY COLLEGE, DEAN, FACULTY OF COMMERCE, SEP 2010)

APPENDIX II
QUESTIONNAIRE

Instructions

Kindly follow the following instructions while filling the form.

- (i) Do not write your name in this questionnaire.
- (ii) Respond by ticking the correct answer or comment on the dotted lines as appropriate.
- (iii) Identify the right place to fill as an ordinary member, management staff, or as a board of director

Kindly, respond to the following questions as honest and accurate as possible. The information you give will be useful for the purpose of this research only and will be treated with the confidentiality it deserves.

**PART 1
PERSONAL INFORMATION**

1. Tick your Membership category in the Co-operative Society below.

- (a) Ordinary member
- (b) Delegate
- (c) Board member
- (d) Staff
- (e) Others (specify) -----

2. Please tick against your gender:

- a) Male
- b) Female

3. Tick how old you are:

- a) 20-29 years
- b) 30-39 years
- c) 40-49 years
- d) 50-59 years
- e) Over 60 years

4. Specify your level of education below:

- a) Secondary
- b) College/Diploma/Certificate
- c) Graduate
- d) Post graduate
- e) Others (specify) -----.

5. Tick how long you have been a member of the Co-operative Society:

- a) 1-4 years
- b) 5-9 years
- c) 10-14 years
- d) 15-20 years
- e) Over 20 years

PART 2

FOR MANAGEMENT ONLY (Delegates, Board of directors and staff)

6. Tick to what extent the following Performance Management Practices are carried out in the Co-operative Society

Dimension	To a very large extent 5	To a large extent 4	To a moderate extent 3	To a little extent 2	To no extent at all 1
Communication of Performance results to stake holders					
Capital investment evaluation technique					
Evaluation of Managerial Performance					
Identification of problems and improvement opportunities					

7. Tick how frequently the following educational methods are undertaken in the Co-operative Society.

Dimension	Very Frequently 5	Frequently 4	Moderate Frequently 3	Less Frequently 2	Not at all 1
Brochures					
Seminars					
Workshops					
Circulars					
Delegates meetings					

PART 3

FOR ORDINARY MEMBERS ONLY

8. Rate your satisfaction on how loans are processed in the Co-operative Society

Dimension	Very satisfied 5	Satisfied 4	Moderately satisfied 3	Dissatisfied 2	Very dissatisfied 1
Re-financing Loans					
Normal Loans					
Advance Loans					
School Fees Loans					
Emergency Loans					

9. Rate how effective the following Financial Services were offered by the Co-operative Society

Dimension	Very Effectively 5	Effectively 4	Moderate Effectively 3	Less Effectively 2	Not effectively 1
ATM Services					
Member's Welfare Fund Services					
Risk Management Services					
Speed in serving customers					

PART 4

FOR BOTH MANAGEMENT AND ORDINARY MEMBERS

10. State how satisfactory the following Financial Services were offered by the Co-operative Society

Dimensions	Very satisfied 5	Satisfied 4	Moderately satisfied 3	Dissatisfied 2	Very dissatisfied 1
Dividends payment					
Investment of Sacco funds					
Management of external debts					
Pricing of products and services					

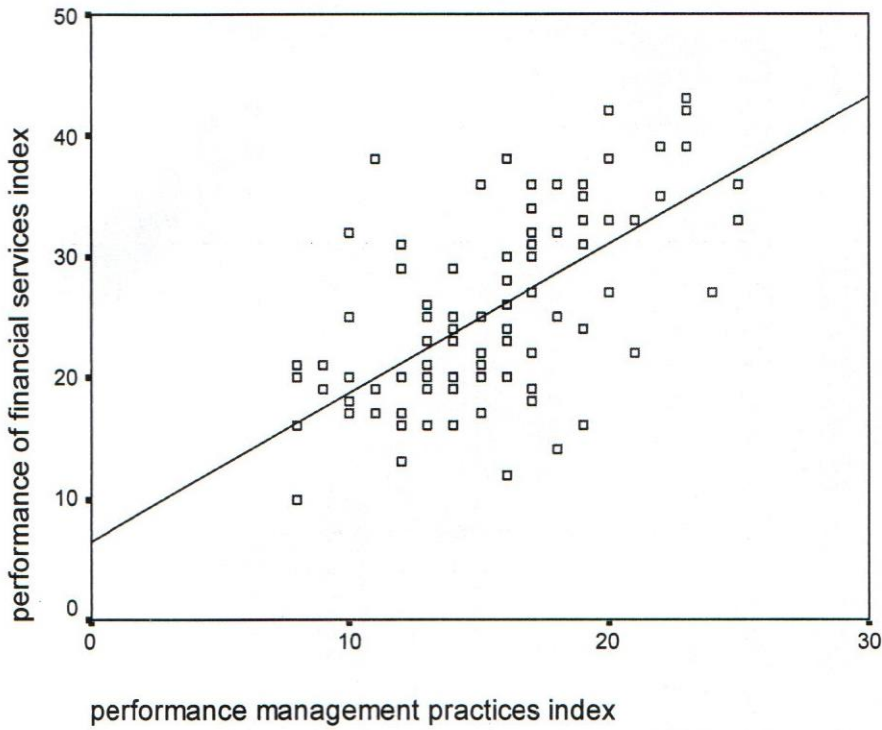
11. State how satisfactory the following Performance Management Practices were undertaken in the Co-operative Society

Dimensions	Very satisfied 5	Satisfied 4	Moderately satisfied 3	Dissatisfied 2	Very dissatisfied 1
Accountability of committees					
Member education					

APPENDIX III

The Scatter Graph Showing the Relationship between PMP and PFS

A Scatter plot to test for linearity between PMP and PFS



Source: Research data, 2010

APPENDIX IV

Data showing correlation between PMP and PFS

PMPI	PFS
12.00	17.00
8.00	20.00
12.00	13.00
14.00	16.00
17.00	18.00
16.00	20.00
15.00	21.00
11.00	38.00
11.00	19.00
17.00	22.00
13.00	23.00
15.00	20.00
12.00	16.00
12.00	29.00
16.00	28.00
17.00	31.00
16.00	28.00
12.00	29.00
12.00	16.00
17.00	30.00
15.00	25.00
15.00	20.00
9.00	21.00
14.00	16.00
11.00	17.00
10.00	20.00
14.00	23.00
8.00	21.00
13.00	26.00
13.00	25.00
14.00	23.00
12.00	13.00
16.00	24.00
13.00	19.00
15.00	17.00
19.00	31.00
18.00	36.00
22.00	39.00

19.00	36.00
16.00	30.00
17.00	27.00
10.00	32.00
17.00	34.00
18.00	32.00
20.00	42.00
16.00	38.00
20.00	38.00
21.00	33.00
25.00	36.00
18.00	32.00
23.00	39.00
18.00	36.00
19.00	24.00
17.00	32.00
13.00	21.00
18.00	14.00
15.00	22.00
21.00	22.00
16.00	23.00
8.00	16.00
16.00	26.00
13.00	20.00
10.00	18.00
19.00	16.00
18.00	25.00
18.00	25.00
18.00	25.00
15.00	20.00
14.00	24.00
16.00	12.00
14.00	16.00
17.00	19.00
14.00	19.00
17.00	27.00
12.00	20.00
13.00	16.00
8.00	10.00
15.00	21.00
10.00	17.00
24.00	27.00
12.00	31.00
13.00	21.00
14.00	25.00
14.00	19.00

10.00	25.00
22.00	35.00
23.00	42.00
9.00	19.00
22.00	35.00
23.00	43.00
14.00	29.00
20.00	33.00
14.00	20.00
19.00	33.00
18.00	32.00
20.00	27.00
17.00	36.00
19.00	35.00
18.00	36.00
25.00	33.00
15.00	36.00
14.00	24.00
14.00	24.00
12.00	17.00
8.00	20.00
12.00	13.00
14.00	16.00
17.00	18.00
16.00	20.00
15.00	21.00
11.00	38.00
11.00	19.00
17.00	22.00
13.00	23.00
15.00	20.00
12.00	16.00
12.00	29.00
16.00	28.00
17.00	31.00
16.00	28.00
12.00	29.00
12.00	16.00
17.00	30.00
15.00	25.00

Source: Research data, 2010