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## A MODERATING EFFECT OF COMMON MEMBERSHIP ON THE DETERMINANTS OF FINANCIAL PERFORMANCE OF DEPOSIT TAKING SACCOS IN KENYA

The study was conducted to analyze the moderating effect of common bond membership characteristics on the determinants of financial performance of Deposit Taking Savings and Credit Co-operatives in Kenya. The sample size of 122 of a population of 176 licensed Deposit Taking Sacco's in Kenya with both closed and open membership bond was arrived at by Yamane (1967) sample determination formulae. Secondary data was extracted from Sacco Society's Supervision reports for a period of 6 years and audited financial statements filed with the regulator. Panel data analysis technique using Estimated General least squares methodology was employed to examine the moderating effect of membership bond characteristics on the determinants of performance. Data was analyzed using e-views software version 10 and Microsoft excel and information was presented using tables, charts and line graphs. The results of this study indicate that capital adequacy significantly affects performance of both closed and open bond DT-SACCOS with a p-value of 0.001. Liquidity level is not significant while Asset quality only affects the performance of closed bond DT-SACCOS. The overall moderated regression has an adjusted R<sup>2</sup> of 0.36. The membership bond has a significantly moderates effect on Capital adequacy and liquidity levels subsequently on the Return on Assets for DT-SACCOS in Kenya. Based on the above findings Compliance to capital adequacy ratio especially institutional capital by DT-SACCOS should be embraced so as to improve return on member's shares. The positive effect of the regulatory regime on this sector should be enhanced for better capitalization as a buffer for financial risk to build confidence and guarantees safety of member's funds. Proper design of policies to encourage DT-SACCO's in Kenya to form new structures that opens up the sector to unrestricted member participation and prudent management of financial resources that maintains adequate liquidity levels will broaden outreach and brand positioning for this sector to compete in the financial space.

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