



MEMBERSHIP CHARACTERISTICS AND FINANCIAL PERFORMANCE OF SAVINGS AND CREDIT COOPERATIVE SOCIETIES IN KERICHO COUNTY, KENYA

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ABSTRACT

Savings and Credit Cooperative Societies (SACCOs) are member-owned financial institutions whose financial performance is closely connected to the characteristics and financial behaviour of their members. This study examined the influence of membership characteristics on the financial performance of SACCOs in Kericho County, Kenya. The study was anchored on Contingency Theory and Transaction Cost Theory, which explain how organizational arrangements can be aligned with environmental and member-related conditions while minimizing costs associated with coordination, monitoring and exchange. A correlational research design was adopted, targeting 121 employees from five registered SACCOs in Kericho County through a census approach. Primary data were collected using semi-structured questionnaires, with 111 usable responses representing a 91.7% response rate. Reliability coefficients were 0.732 for membership characteristics and 0.741 for financial performance. Data were analysed using descriptive statistics, Pearson product-moment correlation and simple linear regression in SPSS version 21. Membership characteristics recorded an aggregate mean of 4.1866 (SD = 0.5085), while financial performance recorded an aggregate mean of 4.3658 (SD = 0.5284). Pearson correlation indicated a positive and statistically significant relationship between membership characteristics and financial performance ($r = 0.585$, $p < 0.01$). Simple linear regression showed that membership characteristics explained 34.2% of the variation in financial performance ($R^2 = 0.342$), with a statistically significant standardized coefficient ($\beta = 0.585$, $p < 0.05$). The null hypothesis was therefore rejected. The findings indicate that savings behaviour, economically active membership, members' income levels, education and appropriate financial-product utilization are relevant dimensions of SACCO performance in the study context. The study recommends strengthening savings mobilization, financial literacy, member engagement and product development that responds to members' socioeconomic characteristics.

KEYWORDS: Membership Characteristics, Financial Performance and Savings and credit cooperative societies in Kericho county.

INTRODUCTION

Savings and Credit Cooperative Societies (SACCOs) have played a crucial role in promoting financial inclusion since their establishment. SACCOs provide savings and credit facilities, thereby promoting social and economic improvement in communities (Rawal, 2021; Kimani, Arasa, & Karau, 2024). SACCOs were initially introduced in Germany in the seventeenth century to benefit people with low incomes, and the model subsequently spread to other parts of the world, where members pool savings and access affordable credit (Sibomanana & Maringa, 2021). Financial performance is a critical measure of institutional success and reflects an institution's ability to use its assets and resources efficiently to generate sustainable financial outcomes (Wawire, 2022). Common measures include profit after tax, Return on Assets (ROA), Return on Equity (ROE) and other income and efficiency indicators (Armstrong, 2017). Several factors influence SACCO financial performance, including loan security policy, membership characteristics, capital adequacy, asset quality, operational efficiency and liquidity (Ademba, 2019; Berk & DeMarzo, 2017).

Membership is particularly important in SACCOs because members are not merely customers; they are also the principal users and contributors of the institution's financial resources. Membership characteristics may therefore shape the volume and stability of savings, demand for loans, utilization of financial products, repayment behaviour and participation in SACCO activities. In this study, membership characteristics encompass savings behaviour, age profile, income levels, education levels and utilization of financial products. These dimensions capture both the financial capacity of members and their ability to interact effectively with SACCO services. Kenyan SACCOs operate within a regulated cooperative financial environment, with the SACCO Societies Regulatory Authority (SASRA) overseeing licensed deposit-taking SACCOs. The thesis underpinning this article notes that agriculture-based SACCOs constituted 46.79% of the total SACCO membership reported by SASRA in 2021, a particularly relevant context for Kericho County, an important agricultural area. The membership base of a SACCO therefore has implications for savings mobilization, loan demand and the institution's capacity to sustain its operations.



Empirical evidence suggests that membership-related factors can be associated with financial outcomes. López-Ruiz and García-Sánchez (2023) examined membership diversity and financial performance in cooperative banks in Spain and reported a positive association between membership diversity and performance. Pereira and Alves (2022) examined education and professional characteristics of members of mutual insurance companies in Portugal and Italy and reported that member capabilities were associated with financial stability and profitability. Within Kenya, the thesis literature reports that Mwangi and Ogola (2023) found that membership size and composition were associated with profitability and asset growth among SACCOs, while Omondi and Ochieng (2024) linked member education and age profiles to financial sustainability in Kenyan microfinance institutions.

Despite these findings, evidence remains context-specific. Studies have examined cooperative banks, mutual insurance companies, microfinance institutions and SACCOs in other counties or countries, using different designs, populations and measures of membership. This creates a need for evidence from SACCOs in Kericho County using the membership dimensions applied in the present study.

Statement of the problem

SACCOs in Kenya mobilize members' savings, provide credit and support household and enterprise development. Because members constitute the ownership and service base of a SACCO, changes in their savings behaviour, income, age profile, educational attainment and use of financial products can affect the institution's financial activities. However, financial performance varies across SACCOs, and the extent to which member-related characteristics account for this variation is not sufficiently established in the Kericho County context. Previous studies provide useful evidence but differ in geographical setting, institutional type and methodological approach. Evidence from Spanish cooperative banks, mutual insurers in Portugal and Italy, Kenyan microfinance institutions and SACCOs in other Kenyan settings cannot automatically be generalized to registered SACCOs in Kericho County. The empirical gap is therefore not the complete absence of research on membership, but the limited context-specific evidence on the combined membership dimensions of savings behaviour, age, income, education and financial-product utilization and their relationship with SACCO financial performance in Kericho County. This study addressed that gap.

Objective of the Study

The objective of this study was to assess the influence of membership characteristics on the financial performance of SACCOs in Kericho County, Kenya.

Research Hypothesis

H₀₂: There is no statistically significant relationship between membership characteristics and the financial performance of SACCOs in Kericho County, Kenya.

LITERATURE REVIEW

Theoretical Review

Contingency Theory was introduced by Lawrence and Lorsch (1967). The theory holds that organizational performance depends on the alignment of organizational structures and processes with the external environment. Turbulent or changing environments require flexible structures and decision-making arrangements that enable organizations to respond to changing conditions. Zeithaml (1998) similarly considers organizations as problem-solving units that use routines to formulate strategies under uncertainty and limited rationality.

The theory is applicable to SACCOs because member characteristics form part of the conditions to which SACCO management must adapt its operations. A SACCO serving members with different income levels, education levels and financial needs may require differentiated financial products, member education and communication mechanisms. Likewise, the age and economic activity of members may affect savings patterns, credit demand and the design of services. The theory therefore provides a basis for examining whether SACCO structures and services are aligned with the characteristics of their membership.

The thesis also recognizes criticisms of Contingency Theory, including difficulties in identifying and measuring all relevant situational variables and uncertainty about the predictive accuracy of some contingency models. Nevertheless, its emphasis on fit between organizational arrangements and situational conditions makes it relevant to member-owned financial institutions operating in diverse socioeconomic environments.

Transaction Cost Theory (TCT), associated with Coase, explains organizational arrangements in terms of the costs associated with economic exchanges, including coordination, monitoring, review, information and reporting. The central argument is that organizations select arrangements that reduce transaction costs and improve economic efficiency. Geyskens et al. (2021) and Cuyppers et al. (2021) discuss the continuing development of TCT and its relevance to organizational and strategic decisions.



In SACCOs, membership characteristics can affect transaction costs. Members with different levels of financial literacy may require different levels of communication, education and support to understand products and comply with savings or loan requirements. Member participation and peer relationships may also reduce monitoring costs, while appropriate product design can reduce the cost of matching financial services to member needs. The theory therefore provides a complementary explanation for why SACCOs may adapt their member-management systems to reduce costs and improve financial performance.

Empirical Review

López-Ruiz and García-Sánchez (2023) examined the impact of membership diversity on the financial performance of cooperative banks in Spain. The study considered diversity in membership, including age and gender dimensions, and reported that cooperative banks with more diverse membership recorded better financial performance. The study is relevant because it demonstrates that the composition of a member-owned financial institution can have financial implications. However, it used a different institutional and geographical context from the present study.

Pereira and Alves (2022) investigated membership characteristics, particularly education level and professional background, and the financial performance of mutual insurance companies in Portugal and Italy. Their findings indicated that organizations with members possessing stronger educational and professional characteristics achieved greater financial stability and profitability. The study supports the importance of member human capital, although the institutional setting of mutual insurance differs from SACCOs in Kenya.

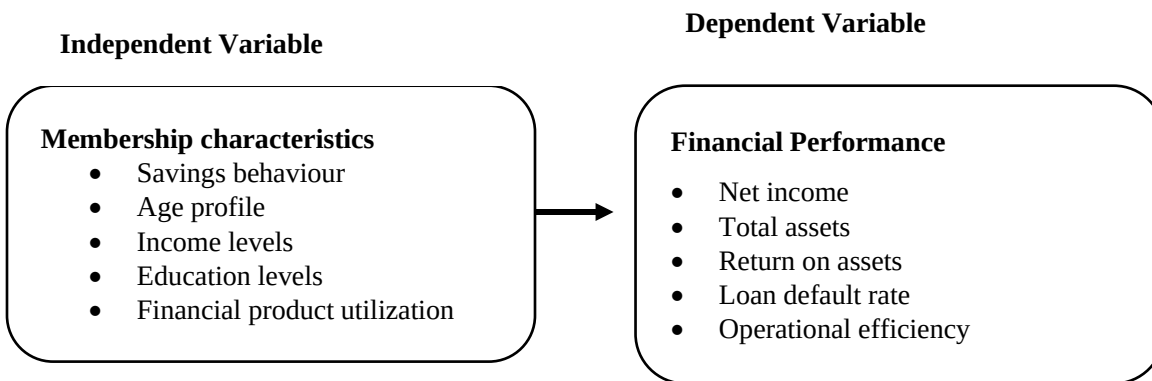
Asiimwe and Njoroge (2023) examined member engagement, governance practices and financial performance of SACCOs in Uganda. The study used a mixed-methods design involving SACCOs, managers and members and found that higher member participation and stronger governance were associated with better financial indicators, including loan repayment and profitability. Its mixed-methods approach differs from the correlational design used in the present study, and the Ugandan setting also differs from Kericho County. Khumaloo (2022) examined membership income levels and employment effects in relation to microfinance institutional performance in South Africa. The study reported that institutions serving a more diversified membership base, including members from different income categories, recorded better loan repayment and financial outcomes. The study highlights the relevance of member socioeconomic characteristics, although it focused on MFIs rather than SACCOs and was conducted outside Kenya.

Mwangi and Ogola (2023) examined membership size and composition and financial performance among SACCOs in Kenya. The study reported that larger and mixed memberships were associated with higher profitability and asset development. The evidence is directly relevant to the SACCO context, but the study was conducted at a broader national level rather than focusing specifically on SACCOs in Kericho County.

Omondi and Ochieng (2024) examined member characteristics, including education and age, in relation to financial performance of microfinance institutions in Kenya. Their findings associated higher education levels and younger, economically active members with improved financial performance. The study supports the relevance of education and age but differs in institutional focus because MFIs are not identical to SACCOs.

Overall, the empirical literature indicates that membership composition, participation, socioeconomic capacity and human-capital characteristics can be related to financial outcomes. However, the studies differ in context, measurement, sampling and research design. The present study extends the evidence by jointly examining savings behaviour, age, income, education and financial-product utilization among SACCOs in Kericho County using primary data from SACCO employees and a census of the accessible population.

Conceptual framework



MATERIALS AND METHODS

The study adopted a correlational research design to examine the relationship between membership characteristics and financial performance. The study was conducted in Kericho County, Kenya. The county is located in the South Rift region and has an economy in which agriculture, particularly tea production, is prominent. The study focused on registered SACCOs operating in the county. The target population comprised 121 employees from five registered SACCOs in Kericho County, categorized into senior managers, middle-level managers and other staff. Because the accessible population was relatively small, a census sampling technique was used and all 121 employees were targeted. Primary data were collected using semi-structured questionnaires. The membership characteristics construct was measured using seven statements covering savings trends, consistency of saving, age profile, income category, changes in member income, tailoring of financial products to income levels, and education-related utilization of financial products. Financial performance was measured using five statements concerning net income, total assets, return on assets, loan default rates and operational efficiency. The questionnaire was pilot-tested among 12 respondents from SACCOs in Bomet County. Cronbach's alpha was 0.732 for membership characteristics and 0.741 for financial performance, indicating acceptable internal consistency for the study constructs. Data were coded and analysed using SPSS version 21. Descriptive statistics comprised frequencies, percentages, means and standard deviations. Pearson product-moment correlation was used to determine the direction and strength of the relationship between membership characteristics and financial performance. Simple linear regression was used to estimate the explanatory contribution of membership characteristics and test H_{02} . The decision rule was to reject the null hypothesis where $p < 0.05$. The simple linear regression model was specified as: $Y = \alpha + \beta_2 X_2 + \varepsilon$, where Y = financial performance; α = constant; X_2 = membership characteristics; β_2 = regression coefficient; and ε = error term.

RESULTS AND DISCUSSION

The study targeted 121 respondents from five registered SACCOs. Of the questionnaires administered, 111 were successfully completed and returned, representing a response rate of 91.7%, while 10 questionnaires (8.3%) were not returned or were incomplete. The respondent profile reported in the thesis showed representation across gender, age, duration of service, education and job position, providing perspectives from employees with different levels of experience in SACCO operations.

Descriptive Statistics for Membership Characteristics

Membership characteristic	Mean	Std. Dev.
Savings trends increasing over last three years	4.4414	0.7347
Significant portion of members consistently save	4.3964	0.6365
Average age aligns with active/productive workforce	4.1982	0.8926
Members mostly middle-income earners	3.9459	1.0517
Members' income levels increasing over time	3.9730	1.0571
Financial products tailored to members' income levels	4.2883	0.8779
Higher education associated with better product utilization	4.0631	0.9842
Aggregate	4.1866	0.5085

Table 1: Membership Characteristics

Source: Survey Data (2026)

The descriptive findings indicate that respondents generally perceived membership characteristics as favourable, with an aggregate mean of 4.1866 (SD = 0.5085). The highest-rated statement was that members' savings trends had been increasing over the previous three



years ($M = 4.4414$, $SD = 0.7347$), followed by the view that a significant portion of members consistently save in the SACCO ($M = 4.3964$, $SD = 0.6365$). These results indicate a strong savings culture, which can support liquidity and the SACCO's capacity to extend credit.

The perception that members' average age aligns with an active and productive workforce recorded $M = 4.1982$ ($SD = 0.8926$). Members' income levels and the proportion of middle-income earners recorded comparatively lower means of 3.9730 and 3.9459 respectively, with larger standard deviations, suggesting greater variation in respondents' perceptions. The SACCO's tailoring of financial products to members' income levels recorded $M = 4.2883$ ($SD = 0.8779$), while the relationship between higher education and better utilization of SACCO products recorded $M = 4.0631$ ($SD = 0.9842$).

4.3 Financial Performance

Financial performance indicator	Mean	Std. Dev.
Net income increasing	4.6486	0.5665
Total assets grown	4.7297	0.4852
Return on assets improved	4.5225	0.6721
Loan default rates decreased	3.9189	1.1452
Operational costs stable relative to revenue	4.0090	1.0045
Aggregate	4.3658	0.5284

Table 2: Financial Performance

Source: Survey Data (2026)

Financial performance recorded an aggregate mean of 4.3658 ($SD = 0.5284$). Total asset growth had the highest mean ($M = 4.7297$), followed by increasing net income ($M = 4.6486$) and improved ROA ($M = 4.5225$). Loan default rates recorded a comparatively lower mean of 3.9189 ($SD = 1.1452$), while operational cost stability recorded $M = 4.0090$ ($SD = 1.0045$). Overall, respondents perceived the SACCOs as exhibiting positive financial performance.

4.4 Correlation Analysis

Variables	Membership Characteristics	Financial Performance
Membership Characteristics	1.000	0.585**
Financial Performance	0.585**	1.000

Table 3: Correlation Analysis

** . Correlation is significant at the 0.01 level (2-tailed). Source: Survey Data (2026)

The results indicate a positive and statistically significant relationship between membership characteristics and financial performance ($r = 0.585$, $p < 0.01$). The coefficient suggests that more favourable membership characteristics are associated with higher reported financial performance among the SACCOs studied.

4.5 Regression Analysis

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.585	0.342	0.336	0.43060

Table 4: Regression Model Summary for Membership Characteristics and Financial Performance

Source: Survey Data (2026)

The regression model summary shows $R = 0.585$ and $R^2 = 0.342$. Membership characteristics therefore explained 34.2% of the variation in financial performance, while 65.8% remained attributable to other factors outside the simple model.

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	10.500	1	10.500	56.628	0.000
Residual	20.210	109	0.185		
Total	30.710	110			

Table 5: ANOVA for Membership Characteristics and Financial Performance

Source: Survey Data (2026)

The ANOVA results show that the regression model is statistically significant ($F = 56.628$, $p < 0.001$), indicating that membership characteristics provide statistically significant explanatory information about financial performance.



Model	B	Std. Error	Beta	t	Sig.
Constant	1.822	0.341		5.351	0.000
Membership Characteristics	0.608	0.081	0.585	7.525	0.000

Table 6: Regression Coefficients

Source: Survey Data (2026)

The regression coefficient for membership characteristics was positive and statistically significant ($B = 0.608$; $\beta = 0.585$; $t = 7.525$; $p < 0.001$). The results therefore provide evidence against H_{02} and indicate a statistically significant positive relationship between membership characteristics and financial performance in the study context.

Discussion of Findings

The positive relationship observed in the study is consistent with López-Ruiz and García-Sánchez (2023), who reported that membership diversity was associated with financial performance among cooperative banks in Spain. It also agrees with Pereira and Alves (2022), who linked educational and professional characteristics of members with financial stability and profitability in mutual insurance organizations. The current findings extend this line of evidence to SACCOs in Kericho County, where members simultaneously act as users, contributors and participants in the cooperative.

The findings also agree with Mwangi and Ogola (2023), who associated larger and more diversified SACCO memberships with profitability and asset growth in Kenya. Similarly, Asiimwe and Njoroge (2023) reported that member participation and engagement were associated with better financial indicators in Ugandan SACCOs. Omondi and Ochieng (2024) likewise reported that education and age characteristics were associated with financial performance in Kenyan microfinance institutions. Khumaloo (2022) reported that serving a diversified membership base was associated with stronger loan repayment and financial outcomes.

The findings can be interpreted through Contingency Theory because SACCOs may need to align their services, communication and member-management practices with the socioeconomic characteristics of their members. The strong ratings for savings behaviour and product tailoring are consistent with this logic: services that fit members' circumstances may support savings mobilization and financial-service utilization. Transaction Cost Theory also provides a complementary interpretation. Differences in financial literacy, income and member needs can create information, coordination and monitoring costs; member education, suitable products and participation mechanisms may reduce these costs and facilitate more efficient transactions.

At the same time, the results should be interpreted within the study's design. The analysis was based on employees' perceptions collected at one point in time and establishes a statistically significant relationship rather than proving that changes in membership characteristics cause changes in financial performance. Differences between the present results and evidence from other institutional settings may reflect differences in cooperative structure, regulation, membership composition and measurement.

CONCLUSION AND RECOMMENDATIONS

The study established a statistically significant positive relationship between membership characteristics and financial performance of SACCOs in Kericho County. Membership characteristics explained 34.2% of the observed variation in financial performance, with savings behaviour, member age profile, income, education and financial-product utilization forming relevant dimensions of the construct. The results indicate that the characteristics and financial behaviour of members are important considerations in understanding the performance of member-owned financial institutions.

The study recommends that SACCOs should strengthen savings mobilization strategies that encourage regular and sustained member savings, given the high ratings for increasing savings trends and consistent saving. Second, SACCOs should enhance financial literacy and member education so that members can understand and make effective use of savings, credit and other financial products.

Third, SACCOs should periodically review financial products according to differences in members' income levels and financial needs. This can improve the fit between products and the socioeconomic characteristics of the membership base. Fourth, SACCOs should maintain recruitment and retention approaches that support an economically active and sufficiently diverse membership while preserving the cooperative principle of member inclusion. Finally, SACCO managers should incorporate membership indicators into routine strategic and financial performance monitoring. Membership data on savings activity, income characteristics, age profile, education and product utilization can complement conventional financial indicators in management decision-making.



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