THE INFLUENCE OF STAKEHOLDER’S PERCEPTIONS OF PARATRANSIT SACCOS ON PERFORMANCE OF URBAN PUBLIC ROAD TRANSPORT INDUSTRY IN KENYA

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Abstract

The objective of Kenyan Government Legal Notices No. 161 of 2003, No. 83 of 2004 and No. 65 of 2005, Was to restore order, reduce accidents, increase passenger safety, reduce conflicts and safeguard private investment in the public transport sector. This notice directed all current and potential paratransit operators in Kenya to establish Paratransit SACCOs; as a condition for the licensing of their vehicles to operate public service transport. The transport industry is affected by stakeholders who are affected by the achievement of the organization objectives. Their influence on the performance of urban road transport can be negative or positive, depending on whether their expectations are being met or not. The purpose of this study was to determine the influence of stakeholder’s perceptions of paratransit SACCOs on performance of urban public transport industry in Kenya. The specific objective was to determine the perceptions of paratransit owners on the effect of paratransit SACCOs on the performance urban public transport industry, To ascertain the perceptions of Local Authority on the effect of paratransit SACCOs on the performance of urban public transport industry and finally To investigate the perceptions of paratransit operators on the effect of paratransit SACCOs on the performance of urban public transport industry. The study targeted 635 paratransit (matatu) SACCOs registered in Kenya. A sample of 64 was selected from the registered SACCO. Data was collected using questionnaire and analyzed using descriptive statistics. Based on the findings of the study, it was concluded that stakeholder’s perceptions of the Paratransit SACCOs significantly influenced the performance of urban road transport in Kenya. The study recommended that the government should adequately engage stakeholders during urban road policy formulations and implementations this will result to the stakeholders ownership of decisions, reduces negative influence and consequently success of the policy.

Key Words: Stakeholders, Paratransit SACCOs, Performance
Introduction

Background of the study

Paratransit is a mode of transport that operated parallel to an organized, usually large scale government or government subsidized transport system (Gicheru 2011). In Kenya this mode of transport is referred to as Matatus. During Kenya’s independence in 1963 the demand for public transport began to outstrip its supply the government then decided to regularize the formerly been informal commercial vehicles. Over the years paratransit in Kenya become a very important means of transport. By mid 2000 it was estimated that half of Nairobi population relied on paratransits as means of transport (Aligula et al, 2005; McCormick et al., 2013). Since 1970 the Kenyan government has tried to regulate the transport sector this had largely failed due to enforcement problems because of their large share of the transport market, also because weaknesses in the institutional framework allowed them essentially a free hand in their operations (McCormick et al. 2013). The effect of this was an increase in fatal accidents due to overloading, disregard of traffic regulations, poor vehicles maintenance, careless driving, lack of standards and stiff competition (Gicheru 2011).

To restore order on kenyan roads the Kenyan government implemented the Legal Notices No. 161 of 2003, No. 83 of 2004 and No. 65 of 2005 to regulate the public transport sector as part of the Integrated National Transport Policy (INTP), while the National Road Safety Action Plan (NRSAP) was meant to restore order, reduce accidents, increase passenger safety, reduce conflicts and safeguard private investment in the public transport sector. Other objectives were, to facilitate the transition of the paratransit business from the informal to the formal economy, increase employment opportunities and inculcate a culture of respect for the motor sector regulations. (Ibid). This act directed all current and potential paratransit operators to upgrade their 14-seat vehicles to vehicles with more than 25-seats and to establish Paratransit SACCOs

SACCOs in Kenya

A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a joint-owned and democratically controlled enterprise (International cooperative alliance 2005). Cooperatives, as democratic organizations, lay importance on shared leadership, a style which allows members to control the organization and to participate in decision making and in the running of the organization through a democratically elected board (ICA 1995). The structure of the cooperative is based on the self-reliance and cooperation among members each members have the same rights duties and responsibilities and agree to manage it together. In Kenya cooperatives have proven their relevancy to the economic and social development. Currently there are over 11,200 registered co-operative societies with a membership of about 6.1 million with mobilized savings of over Ksh.125 Billion (Bwana &Mwakujonga 2013). Cooperatives employ over 300,000 people besides providing opportunities for self-employment. They traverse all sectors of the economy with about 63% of Kenyan population deriving their livelihood directly or indirectly through cooperatives (International Monetary Fund, 2007).
Despite this enormous growth, SACCO faces numerous challenges this includes; board of directors not being trusted by employees, board members in most cases are non-professional volunteers, yet they assume very highly technical issues such as loan analysis and disbursement, budgeting and financial expenditure control. (Mudibo, 2006) Furthermore, there are no adequate guidelines on various stakeholders in SACCOS. For example, where the authority of Credit Committees should end, where the authority of Executive Committee should begin, and what are other staff members’ authorities. (Ibid).

According to Wanyama( 2009) Some SACCOS have collapse due to simple reasons such as, gross mismanagement by officials, theft of cooperative resources, split of viable cooperatives into smaller ineffective units, failure of employers to surrender members’ deposits to cooperatives, failure to hold elections, nepotism in hiring and firing and, conflict of interest.

Stakeholders influence can be negative or positive on the performance of an organization, depending on whether their expectations are being met or not.

**Statement problem**

One of the challenges facing cities in both developed and developing nations is meeting increasing demand for transportation services. (Graeff 2013). Transport policies, projects and practices have enormous impacts on the land use, air quality, income and time spent on traveling, access to services and overall quality of life in cities (Klopp 2011). If done well transport policies and projects can play an enormous in improving equity, efficiency and overall Quality of 'cityness' .If done poorly they can intensify struggle over urban land and space, contributing to poverty and the violence and terror of everyday city life (Pieterse 2010).

Kenya urban transport system is characterized by terrifying numbers of traffic accidents (Azetsop 2010, Khayesi 1998,2003, Nantulya and Muli-Musiime 2001), serious traffic congestion (salon and Gulyani 2010,Gonzale et all 2010), corruption of traffic police and the existence of cartels and criminal gangs that own some of the public transport root (McCormick et al. 2013,Chitere 2004; Anderson 2002; Alston 2009). combined these problems have degraded the transport system in Kenya urbancities making daily routines and movements around the city demanding,detrimental,expensive and sometimes insecure.The Government’s preferred strategy, to tame this sector and reap the expected benefits, was to direct all current and potential paratransit operators to upgrade their 14-seat vehicles to vehicles with more than 25-seats and to establish savings and credit Co-operatives societies (SACCOs), as a condition for the licensing of their vehicles to operate public service transport (Gicheru 2013).

Co-operatives can be described as an autonomous organization where members come together voluntarily in order to achieve joint interests and joint aspirations in the field of economic, social and culture, regardless of gender, socio-cultural and religious body which is owned jointly and democratically controlled (Salleh et al, 2008).For Co-operatives to be effective stakeholder’s involvement is important.Many researchers have given the view that project success concerns not only cost, time and quality, but also the satisfaction and effective management of the stakeholders.
involved (e.g. Bourne and Walker, 2004; Jepsen and Eskerod, 2008).

Stakeholders may have negative or positive impacts on the performance of a project (McElroy and Mills 2000, Nguyen et al, 2009). According UNDP (2006) multi-Stakeholder Engagement can create the conditions for confidence building and trust between different actors and serve as a mechanism for providing mutually acceptable solutions and win-win situation there by contributing to improved governance. Consequently the success of a strategy .This study therefore seeks to determine the influence of stake holder’s perceptions of SACCOs on performance of urban public transport industry in Kenya.

Objectives

General objective

To establish the influence of stake holder’s perceptions of SACCOs on performance of urban public transport industry in Kenya

Specific Objectives

a) To establish the perceptions of paratransit owners on the effect of paratransit savings and credit cooperatives societies on the performance of urban public transport industry
b) To ascertain the perceptions of Local Authority on the effect of paratransit savings and credit cooperatives societies on the performance of urban public transport industry
c) To investigate the perceptions of paratransit operators on the effect of paratransit savings and credit cooperatives societies on the performance of urban public transport industry

Research hypothesis

Hypothesis 1

H_0: There is no significant relationship between paratransit owner’s perceptions of paratransit SACCOs and the performance of urban public transport industry

Hypothesis 2

H_0: There is no significant relationship between Local Authority perceptions of paratransit SACCOs and the performance of urban public transport industry

Hypothesis 3

H_0: There is no significant relationship between paratransit operator’s perceptions of paratransit SACCOs and the performance of urban public transport industry

LITERATURE REVIEW

Stakeholder’s perceptions and their impact on perform.

Organization theory holds to model perception of an organization as a process in which an individual forms impressions on basis of organization characteristics which are seen as relevant and distinctive. Good perceptions create a positive influence while negative will affect the firm performance negatively. According to Bosseet al(2009) stake holders choose the levels of efforts and the resources they provide the firm based on their perceptions of justice and fairness received from the firm. Their study further suggests that actors establish their perceptions of fairness based on distribution of materials gained from trade,if they perceive a material outcome as fair(unfair) they are inclined to exhibit
positive (negative) reciprocity towards the other party by putting in more (less) effort. I.e. distribution fairness. Other than distribution justice Bosse et al (2009) also recognized that the efforts put by stakeholders towards the firm is influenced by the stakeholder’s perception of fairness arising from procedural and interaction justice. stakeholder that perceive a firm is fair across all three types of justice will have an incentive to contribute positively to the efforts of the firm than those that perceive the firm as only fair on one of these dimensions. (ibid) a deficiency in one of the justice may offset positive attributes stemming from the other types of justice.

Managers therefore face significant challenges in managing stakeholders effectively to maximize stakeholder’s positive influence while minimizing the negative impact on organizations (Bourne and Walker 2005b). Freeman (1984). Defined stakeholder in an organization as any group or individual who can affect or is affected by the achievement of the organization objectives. This definition implies bi-directional influence between organization and group/individuals. It therefore takes into account a large number of persons and organizations that are directly and/or indirectly related to the organization. A corporation can therefore be seen as an intersection of relationship of dependency and expectations of various parties. Each of this parties (stakeholders) group has different expectations regarding the firm’s objectives. Some stakeholders’ group hold power in influencing firm’s resources (Jawahare et al. 2001). While others deliver perceived strengths to influence firm’s success. Isabelle et al (2005) refers to stakeholder’s pressure as the concern that stakeholders embrace about organizational activities and demand for their implementation by organizations.

**Resource dependency theory relations to stakeholders**

Resource dependency theory provides the framework for assessing the relative importance of primary stakeholders groups to organization. Organizational activities are structured around the need for resources (Rodgers and Gago 2004). Firms need raw materials, access to markets, specialized skilled labor, knowledge, information and regulatory clearance to function. The structure of organization and the structure of asset utilization orients around ensuring continuing access to these resources. When internal resources are insufficient resources must be obtained externally from different stakeholders. Dependency is a state in which a company relies on the actions of a stakeholder to achieve a particular outcome (frooman 1999). Therefore a stakeholder with discretion over a resource only has power if it has the ability to articulate a credible threat of withdrawal of those resources.

Resource dependency theory suggests that the firm’s behavior became externally influenced because it must attend to the demands of those in its environment that provide resources necessary for survival. The firms therefore will pay more attention to stakeholders who control resources critical to the organization than to stakeholders who do not control vital resources. Its survival and success depends on the ability of it's manager to create sufficient wealth and satisfaction for primary stakeholders. If any of the primary stakeholder groups withholds its support, the firms operation is adversely affected (Clarkson 1995). This requires a firm
to identify and integrate crucial social issues specific to each primary stakeholders, with organization policy and practices for each stakeholders category there should be dyadic ties between the firm and the stakeholder group.

**Key stakeholders relationships**

**Owners influence**

Managers might respond to pressures exerted by owner a stakeholders because of power, legitimacy and urgency considerations (Frooman 1999). Scholars have used stakeholders theory to suggest that owner stakeholders influence managerial decisions regarding firms strategic orientation (Berman et al. 1999), management style and organization structure (Brothers and Bamossy 1997), this based on contingency theory have a direct impact on a firms financial performance.

**Local authority influence**

The governmental stakeholders are viewed through existing research as government actors, states, authorities, legislators, regulating agencies and regulatory institutions (Miller and Hobbs 2006; Newcombe 2003; Bourne and Walker, 2005; Ward and Chapman 2008). Have been identified as influential stakeholders in projects. Aaltonen and Sivonen (2009) describe government influence as taking place through organizations such as regulators, legal authority’s government departments. Thus Governments uses these organizations to monitor economic activities and supervise the interest of society. In democratic societies, these organizations can be understood as being supported by major of population (Neville and Menguc 2006), and thus their actions as being legitimate. Their influence has been said to be normative and coercive (Delmar and Toffel, 2004). Sallinen et al (2013) argue that government stakeholders possess all the salience attribute; agency, legitimacy and power.

**Employees influence (Operators influence)**

Motivation and performance of the employees are essential tools for the success of any organization in the long run. Positive relations between employees motivation and organization effectiveness, are reflected in numerous studies (Dobre 2013). Human resources have been seen as an extremely valuable source of competitive advantage for the firm. Favorable organization policies and practices towards employee will improve employee’s motivation and enhances organization performance. An employee oriented company will commit resources to promote employee welfare. At minimum employers are expected to respect employees rights.

**METHODOLOGY**

**Research design**

A descriptive research design was be adopted. Since it seeks to describe the way things are done Cooper (2006). The design also allows assessment of relationship between research variables and present description.

**Sample and sampling procedures**

The target population was registered paratransit SACCOS in Kenya according to the data from NTSA data. The total number of paratransit (matatu) SACCOS registered are 635. 10% of the SACCOS were sampled out and data
collected using questionnaires from this population a total of 64 questionnaires were given to 64 Sacco’s. Purposive sampling technique was used. The selection was done in such a way that data was collected from SACCO situated in different towns in Kenya.

Research instrumentation and data collection

Primary data was collected using Questionnaires. These questionnaires composed of semi structured questions. The questions provided a set of alternative answers for the respondents to choose one that best reflect their opinions using a five point likert scale. The questionnaires were used to measure the influence of stakeholder’s perceptions of SACCOs on the performance of urban public transport industry in Kenya. Once the questionnaires were received they were coded and edited for completeness and consistency. SPSS was then used for data analysis.

RESULTS AND DISCUSSION

The response rate of 87.5% was adequate. The study’s main objective was to determine the influence of stake holder’s perceptions of SACCOs on performance of urban public transport industry in Kenya.

Regression Analysis between influences of stakeholder perceptions and performance of urban road transport

Table 1

The Table 1 shows that the influence of stakeholder perceptions (operators, city council and owners) has an R square value of 0.672. This implies that 67.2% performance of urban road transport is explained by the influence of stakeholder’s perceptions on paratransit SACCOs. While 32.8% is explained by other variables not captured in the model.

Analysis of Variance

Table 2

From Table 2 the p-value is 0.000, which is less than the level of significance of 0.05, it shows that a significant linear relationship exist between stakeholders holders perceptions and performance of urban road transport

Regression of Coefficients

Table 3
From hypothesis

Hypothesis 1
H₀: There is no significant relationship between Paratransit owner’s perceptions of paratransit SACCOs and the performance of urban public transport industry.
H₁: There is significant relationship between Paratransit owner’s perceptions of paratransit SACCOs and the performance of urban public transport industry.

From the Table 3 above the p-value for Paratransit owners perception is 0.000 which is less than 0.05; we therefore reject H₀ and accept H₁ that there is significant relationship between Paratransit owner’s perceptions of paratransit SACCOs and the performance of urban public transport industry.

Hypothesis 2
H₀: There is no significant relationship between Local Authority perceptions of paratransit SACCOs and the performance of urban public transport industry
H₁: There is significant relationship between Local Authority perceptions of paratransit SACCOs and the performance of urban public transport industry

From the Table 3 above the p-value for local authority perception is 0.000 which is less than 0.05; we therefore reject H₀ and accept H₁ that there is significant relationship between local authority perceptions of paratransit SACCOs and the performance of urban public transport industry.

Hypothesis 3
H₀: There is no significant relationship between paratransit operator’s perceptions of paratransit SACCOs and the performance of urban public transport industry
H₁: There is no significant relationship between paratransit operator’s perceptions of paratransit SACCOs and the performance of urban public transport industry

From the Table 3 above the p-value for paratransit operator’s perceptions is 0.000 which is less than 0.05; we therefore reject H₀ and accept H₁ that there is significant relationship between paratransit operator’s perceptions of paratransit SACCOs and the performance of urban public transport industry.

If the b values are substituted in the equation below the model can be defined as follows

\[ Y = -2.686 + 0.213X₁ + 0.223X₂ + 0.222X₃ + e \]

Where \( Y \) = performance of urban road transport
\( X₁ \) = local authority perceptions
\( X₂ \) = Owners Perception
\( X₃ \) = Operators Perception
\( e \) = error term

CONCLUSIONS AND RECOMMENDATIONS

The objective of the study was to establish the influence of stakeholder’s perceptions of paratransit SACCOs on performance of urban public road transport industry in Kenya. Based on the findings the influence of all three primary stakeholders’ perceptions, (owners, operators and local authority) had a p-value of 0.000. It was concluded that all the influence of all three primary stakeholders’ perceptions i.e. owners, operators and local authority had a significant effect on the performance of urban road transport in Kenya.

Recommendations

The study recommends the following based on the finding
The government should adequately engage stakeholders during urban road policy formulations and implementations this will result to the stakeholders ownership of decisions, reduces negative influence and consequently success of the policy.

1. There is need to educate Management of the SACCO on how to manage the primary stakeholders putting into considerations their effects on the performance of SACCOs and their difference in needs and expectations.
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