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STRATEGIC FACTORS AFFECTING COMPLIANCE WITH THE SACCO ACT OF 2008 BY DEPOSIT TAKING SAVINGS AND CREDIT COOPERATIVES IN NAIROBI COUNTY

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ABSTRACT
Savings and Credit Cooperatives (Sacco's) play an increasingly important role in the process of financial intermediation in the highly competitive financial market in Kenya. Various players in the financial sector are under regulatory arms and include Insurance regulatory authority, Retirement benefits authority, commercial banks under Central bank of Kenya and lately Sacco's under Sacco society's regulatory authority (SASRA). The study's overall objective was to examine the strategic factors affecting compliance with the Sacco Act of 2008 by Deposit Taking Sacco in Nairobi County. The study adopted a correlational research design and a census survey of 42 Deposit taking Sacco's in Nairobi County. Data was collected using a questionnaire and analyzed using descriptive statistics with the aid of Statistical Package for Social Sciences computer software version 21. To test the relationship in the hypotheses H_{A1}, H_{A2} *and* H_{A3} *Pearson's correlation analysis was used while hypothesis* H_{A4} *was tested using multiple regression model in testing the strategic factors affecting compliance with the Sacco Act of 2008 by Deposit Taking Sacco's in Nairobi County. The findings concluded that Information Communication Technology capacity of the Sacco's in Nairobi County were inadequate; The Sacco's in the County had not attained the required human resource capacity and approximately 80% of the Sacco's had not fully complied with the Societies' Act of 2008. The research's conclusion and recommendations were that Information and Communication Technology capacity, corporate governance and human resource capacity were found to be important as far as compliance with the Societies' Act of 2008 was concerned. These factors presented challenges that hindered deposit taking Sacco's from compliance. Therefore more time was to be given to deposit taking Sacco's to ensure that they complied with the Act. The research recommended Sacco's to enhance management capacity on compliance issues, establish a training program, while on the other hand the board of directors should initiate change management with an aim of setting realistic user expectations objectives and goals.*

Key Words: *Human Resource Capacity, Information Communication Technology, Corporate Governance, SACCOs*

INTRODUCTION

Cooperative societies are formal organizations that enable their membership make efforts to achieve common objectives on voluntary and democratic basis. According to (Wanyama, 2009), the first ever Co-operative movement was started by Robert Owen in the year 1844. In recent history the Sacco sector has faced tough challenges globally as noted by (WOCCU, 2012) that include income generation, compliance with the Act, mission drifts, competition, insufficient capital among many others. The sectors' financial stability will broadly impact on the nation's employment creation and economic growth. The Sacco industry being part of the cooperative sector in Kenya has impacted on many lives of Kenyans over the years. The sector is categorized into financial and non-financial Cooperatives. Financial cooperatives comprise Sacco's, housing and investment cooperatives while Non-financial cooperatives deal with the marketing of members' produce and services such as dairy, livestock, coffee, tea, handicrafts and many more similar products in other cooperatives.

Deposit-taking Sacco Societies (DTS's) are part of the larger Sacco product sub-sector in Kenya which comprises the non-deposit taking and deposit taking Sacco Societies. The non-deposit taking Sacco's are composed of those Sacco Societies whose business is limited to mobilization of deposits for purposes of lending to members. The deposits are non-withdrawable in that they may be used as collaterals for loans only and can only be refunded upon the member's withdrawal (Annual Sacco supervision report, 2014). Besides the basic savings and credit products offered Deposit Taking Sacco's also provide basic banking services that include demand deposits, payments services and channels such as quasi banking services commonly known as Automated Teller Machines, Front Office Savings Activity (FOSA) and are licensed and supervised by the Sacco Societies Act of 2008. The trend is that Sacco's generally start as non-deposit taking Sacco business and convert to deposit taking Sacco business to expand their range of financial services offered to members (Ademba, 2012).

Deposit taking Sacco's are owned and controlled by its members and operated for the purposes of promoting thrift, credit at low interest rates and other financial services to members. The justification behind the Savings credit and cooperative organisations (Sacco's) regulation was to ensure that deposit taking Sacco's in Kenya operate under a certain set of stipulated regulations as in Sacco Societies Act (SSA) of 2008.The legislation came into being so as to mimimise misuse, embezzlement and mismanagement of members' funds. Stakeholders on the other hand observed that prior to the SSA; lack of regulation was the main reason for stagnation in the sector brought about by issues of mismanagement, poor risk management structure. Sacco regulation came with challenges in Africa out of which many Sacco's have not been able to meet the set requirements of the regulators.

According to SASCCO (2010), Malawi's Cooperative sector had the following challenges lack of technology, lack of good governance, financial viability and lack of products diversification. The head of Rwanda's Cooperative Agency Mabyarimana observed that Sacco's in Rwanda experienced the following challenges that include lack of managerial capacity in Sacco's committees and staff, low capacity of maintaining enough liquidity and Inadequate Management Information systems (MIS) in some Sacco's. Rural Sacco's in Kenya thrived following widespread bank failures in Kenya in the 1980's and 1990's, which led to banks withdrawing from these rural areas. Later many rural Sacco's became associated with Co-operative Bank of Kenya. The loan portfolio and deposit of Sacco's grew and amounted to approximately to 34 percent of national savings and approximately 24 percent of outstanding domestic credit. The World Council of Credit Unions (WOCCU) estimated that the Kenyan Sacco sector had the largest membership in Africa estimated to be above 2.5 million in membership with a share capital and deposits of US$1.66 billion and a loan portfolio of US$1.24 billion (WOCCU, 2005).

This study seeks to examine the strategic factors affecting compliance with the Sacco Act of 2008 by Deposit Taking Sacco's in Nairobi County. To attain this the study focused on the Savings & Credit Co-operative Societies (Sacco's) sector. The study's focal point was the Deposit Taking Sacco's compliance with the Sacco Act of 2008 in Kenya. It is envisaged that the D.T.S have various challenges to compliance with the Act. For the purpose of this study the strategic factors envisaged are corporate governance, Information and Communication Technology and Human resource capacity. Stakeholder theory was utilised in order to understand the corporate governance influence on compliance with Sacco Act of importance to the study was how leadership of the board, separation of powers, board calendar meetings, board charter and code of ethics affect compliance with the Sacco Act.

Diffusion theory was used to study the information and communication technology as an independent variable. The theory is concerned with the spread of innovation, ideas and technology through culture(s). The study thus looked at information preservation policy, automation of Sacco operations, Banking software, computer and networked systems, I.C.T infrastructural support system, backup-system, and the degree of adoption of information systems within the D.T.S. All Sacco's require resources to develop these variables. The study looked at the human resource capacity variable, of concern were the senior staff educational requirements, staff training, staff and board of directors training programme.

Worldwide the cooperative movement faces serious and fundamental challenges which include basic concepts as the nature and aim of the co-operative, as well as its structure and the principles on which it operates leading to calls of regulating the industry. The World Council of Credit Unions (WOCCU) is the leading international trade association and development agency for credit unions that equips cooperatives with the tools and techniques necessary to strengthen their financial management and deliver fairly priced financial services to large numbers of poor and low-income people (WOCCU, 2014). Additionally WOCCU also enables safe and sound institutions to reach greater efficiencies of scale, builds national credit union networks through working closely with credit union leaders, national government officials and policy makers to create appropriate and effective regulatory environments for credit unions.

Co-operatives in Africa are important tools for providing financial services to marginalised communities and therefore must be harnessed to help mitigate poverty. Sacco's, like other business entities in Africa, are faced with challenges in their quest towards survival and growth hence the need for regulation, Ademba (2012). Regulation and supervision of Sacco's in most African countries are under the Banking Supervisory Authority (Central Banks) with the exception of South Africa and Kenya who have their Act targeted specifically at Sacco's (SASCCO, 2010).

Makori (2013) found that various players in the Kenyan financial sector are under regulatory oversight that is vested in the various authority arms, that is retirement funds under the Retirement Benefits Authority (RBA), commercial banks regulated by the Central Bank of Kenya (CBK), listed companies fall under the Capital Markets Authority (CMA) and insurance companies under the Insurance Regulatory Authority (IRA). Sacco's are the latest to be brought to the regulatory fold under the Sacco societies regulatory authority (SASRA) which was inaugurated in 2009 and charged with the prime responsibility to license and supervise D.T.S by ensuring that there is confidence in the public towards the Sacco's and to protect the interests of SACCO members .

The justification behind an oversight agency for the FOSA, was that Sacco's were accepting deposits that was particularly considered a high-risk activity as depositors risked losing their money and savings in an event of liquidity squeeze. Five years after the implementation of the Act, many Sacco's are still struggling to meet the requirement and hence remain unlicensed. SASRA report in 2014 illustrate that seventy three Sacco's have been licensed against two hundred and sixteen Sacco's that applied while forty eight Sacco's issued with Letter of intent. The report cited various challenges including Capital adequacy, lack of responsible governance players as the major impediments to compliance of the regulations. It is from these that the study focused on Human resource capacity, Information and communication technology and Corporate governance as the key strategic factors that Sacco's have to put in place in order to meet the basic requirements.

According to Robinson (2012), strategic factors are those things that an organization or business entity need to get right in order to succeed with their key stakeholders, that is customers, employees, owners and suppliers. Strategic Factors provide not only a common currency that links the way but also a pathway to success in which strategic planning and performance measurement are undertaken. Link being the key word and Strategic Factors form that link. Strategic Factors across other sectors also provide the tools to be able to address the needs not just of private sector profit-seeking organizations, but also of nonprofit organizations from both the private and public sectors. Strategic Factors act as integrators because all organizations have them at their core. According to Miller and Spoolman (2014) the term strategic means decisions or plans are designed to impact favorably the key factors on which the desired outcome of an organisation, game, system or venture depends. The strategic factors that savings and credit cooperatives have to put in place in order to satisfy the Act requirements are human resource capacity, information and communication technology and corporate governance, these words have been echoed by SASRA report of 2013.

According to the International Cooperative Alliance (ICA) in 1995 a co-operative is defined as an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled Enterprise. Sacco's play a significant role in empowering their members Socio-Economic Status all over the world. In Western Europe there are around 11,000 local and regional saving and credit cooperatives banks, with over 56,000 outlets a 33 million strong membership and a staff of more than 400,000. Their market share is approximately 17% of savings, ranking third after the commercial and savings banks (Shaw, 2006).Regionally in Africa at least 28 countries have established Credit Unions (SACCOL, 2014). According to WOCCU statistical report in 2012 on 101 countries surveyed, Africa has a membership of 16 million making it third in membership size after North America and Asia which have 105 million and 41 million respectively. Africa has a total of 20,831 Credit Unions or 37% and is second only to Asia that has 21,934 Credit Unions or 39% with a Sacco membership of 16 million constitutes 8% of the entire world membership of 200 million. (WOCCU, 2012).

The first Kenyan Sacco was registered in 1964 after the Country became independent in 1963.

The Kenyan sector is by far the largest Sacco sector in Africa with several of Kenya's largest Sacco's having large capital enough to rival banks (Owen, 2007). Ademba (2010) notes that the Sacco movement has evolved in the past 40 years into a formidable force for the economic and social transformation of Kenyan people with approximately 63% of the Kenya population directly and indirectly depending on the co-operative related activities for their livelihood. The Sacco sector has also mobilised over Kshs 200 billion in savings which is about 31% of the national savings and 70% of the total Africa continental portfolio is Kenyan, with Kenya sitting in the group of the 10 largest cooperative movement (G10) members countries and ranked seventh worldwide. According to WOCCU (2012), of the total savings mobilised by Sacco's in Africa and loans advanced, Kenya contributes 62% of the savings and 69% of the Sacco loans.

Statement of the Problem

The Kenyan Sacco sector is seventh worldwide and the largest in Africa (Ademba, 2010).The sector has been observed to contribute approximately over 45% to the Kenyan Gross Domestic Product, the total financial industry and consequently the economy (Ministry of Cooperative Development and Marketing, 2010). It is estimated that approximately 63% of the Kenyan population depend on Sacco related activities for their livelihood (Ondieki et al, 2011). The major innovation in the development of the sector in Kenya was the development of D.T.S. offering banking services (Owen, 2007). The D.T.S contribute overly 70 percent of the assets, member deposits, loans and 78 percent turnover of the total Sacco sector. As at December 31, 2013, out of the 215 D.T.S in Kenya, 135 had fully complied and were licensed by SASRA (SACCO, 2013).

There is limited empirical literature available in this area as the regulations came in force in the year 2010. According to Macharia (2013) the effect of licensing requirements on the performance of Sacco's found that most Sacco's had compliance challenges. According to Magali (2013) study on Tanzania Sacco's he recommended that there should be a continuous monitoring of regulatory compliance. Muriuki and Ragui (2013) study on the Impact of the Sacco Societies Regulatory Authority (SASRA) Legislation on Corporate Governance in Co-operatives in Kenya. The study was anchored on the impact of this legislation on financial management of Sacco's, it only highlighted the impact of the legislation on corporate governance. The findings found that the legislations indeed influenced corporate governance to a great extent though there is still room for improvement. The study recommended synchronization of key monitoring tools with the Sacco's systems and processes achievable via exploitation of information and communication technologies. In addition, it recommended building the right infrastructure and allocating the right resources and human capital. The study focused on only one variable which is corporate governance.

According to Gweyi and Karanja in 2014 the major problem facing Sacco's was inadequate regulatory compliance and recommended that a study targeting all D.T.S be done. According to Mosongo, Gichana, Ithai, and Nguta (2013) study on regulation compliance on Sacco's under supervision by the Commissioner of Co-operatives. The study recommends that there was need to address the challenges to regulation compliance for the D.T.S to strategically exploit their full potential. Furthermore the studies available in the literature review were restricted in scope as they were case studies or focused on particular regions of a country but Nairobi county has not been studied . The factors that affect successful regulatory compliance also differ significantly because of contextual factors such as Sacco size divided into large, medium and small savings credit and cooperative societies but the mentioned studies did not consider its effect. This is despite the fact that according to SASRA (2013) D.T.S were ranked according to asset size. This study therefore sought to examine and provide more insight into the Strategic factors affecting compliance with the Sacco Act of 2008 by Deposit Taking Sacco's in Nairobi County.

Objectives of the Study

The general objective of the study was to examine the strategic factors affecting compliance with the Sacco Act of 2008 by Deposit Taking Sacco's in Nairobi County. The specific objectives of the study are to:

- Establish the effect of human resource capacity on compliance with the Sacco Act by Deposit Taking Sacco's.
- Determine the effect of Information and Communications Technology on compliance with the Sacco Act by Deposit Taking Sacco's.
- Establish the effect of Corporate Governance on compliance with the Sacco Act by Deposit Taking Sacco's.
- Determine the joint effect of human resource capacity, information and communication technology and corporate governance on compliance with the Sacco Act by Deposit Taking Sacco's.

LITERATURE REVIEW

Savings Credit and Cooperative Societies Compliance

Worldwide the cooperative movement faces serious and fundamental challenges which include basic concepts as the nature and aim of the co-operative, as well as its principles and the structure on which it operates leading to calls of regulating the industry. The World Council of Credit Unions is the leading international trade association and development agency for credit unions that equips cooperatives with the tools and techniques necessary to strengthen their financial management and deliver fairly priced financial services to low-income people and large numbers (WOCCU, 2014). WOCCU also builds national credit union networks, which enable sound and safe institutions to reach greater efficiencies of scale, national government officials, working closely with credit union leaders, policy makers to create appropriate and effective regulatory environments for credit unions.

World Council of Credit Unions has a long and successful history working with multinational, private partners and bilateral to develop and strengthen member owned credit unions and their national or regional systems around the world. For example WOCCU advocates before the Basel Committee on Banking Supervision, an international standards setting body that was established by the Bank for International Settlements to formulate policy on prudential standards and best practices among financial regulators globally (WOCCU, 2014). According to ILO (2013) in the economically developed countries, the recent banking crisis has led inevitably to increased regulation of the banking system by government under a tightened Basel III regime. From the point of view of cooperatives that have already proved their soundness, there is the threat of too much regulation. In contrast in developing countries there is often a lack of effective regulation from governments unable to supervise thousands of small societies. Here the threat is of too little regulation. In both scenarios, there is the threat of inappropriate regulation by governments that do not understand the cooperative difference (ILO, 2013).

According to Fonteyne (2007) past regulators have proved largely unaware of cooperatives. For instance, Basel II had no mention of cooperatives, despite its large share of the European market. In addition cooperatives can either be very large, and able to deal with new requirements without their costs increasing too much or very small, and here inappropriately detailed requirements will impose costs that will damage their competitiveness. Regulators in the United States have recognized this issue by exempting community banks from some of their requirements. In other countries, microfinance laws regulate small cooperatives while large ones come under the banking system (ILO, 2013).

WOCCU played a key role in the formation of the International Credit Union Regulators Network (ICURN) in 2007. The Network purpose was to share information and ideas on topics of common interest among credit unions and financial cooperative supervisors and to undertake research on specific issues or topics related to financial cooperatives and their oversight. Membership in the ICURN was open to all entities that have statutory supervisory authority for credit unions and financial cooperatives in their respective jurisdictions. A steering committee of representatives from several regions across the world leads the Network and WOCCU serves as the Secretariat, the committee's role was to help coordinate the network and to assist WOCCU in organizing the annual Regulators Roundtable (WOCCU, 2014).

According to Ademba (2012) Co-operatives in Africa are important tools for providing financial services to marginalised communities and must be harnessed to help alleviate poverty. Like any other business entity in Africa Sacco's, are equally faced with challenges in their quest towards survival and growth hence the need for regulation. Most of the African countries, regulation and supervision of Sacco's are under the Banking Supervisory Authority (Central Banks) with the exception of South Africa and Kenya who have acts targeted specifically at Sacco's (SASCCO, 2010).

Most countries in Africa have focused attention on the legislation of microfinance and non-banking financial institutions, out of which some have adopted prudential standards specific to Sacco's while others use existing banking laws to regulate Sacco's. Kenya and South Africa have independent regulators with specific regulations Sacco Societies Act and Co-operative Banking Act respectively (Ademba, 2010). WOCCU in 1991 did an assessment of the viability of South Africa's movement and found that only three of the existing 47 Sacco's were viable. Thus resulted in a shift in the movement towards a more business oriented approach focused on developing strong and sound Sacco's with the long-term interests of members in mind, rather than short-term gains. In 1993 a self-regulatory body for all Sacco's in the country was formed, it was known as the Savings and Credit Co-operative League of South Africa (SACCOL, 2014).

According to Makori (2013) various players in the Kenyan financial sector are under regulatory oversight that is vested in the various authority arms. Listed companies fall under the Capital Markets Authority (CMA), Retirement funds under the Retirement Benefits Authority (RBA), commercial banks regulated by the Central Bank of Kenya (CBK) and insurance companies under the Insurance Regulatory Authority (IRA). Sacco's are the latest to be brought to the regulatory fold under the SASRA which was inaugurated in 2009 and was charged with the prime responsibility to license and supervise D.T.S in order to protect the interests of SACCO members and ensure that there is confidence in the public towards the Sacco's. According to Ademba (2012), of the 19 million adult Kenyan population 22.5 % are served by commercial banks and micro financial institutions (MFI) while approximately 17.6 % are served by Sacco's. It is therefore due to the combination of providing retail services to the low income population and having a large coverage that Sacco's must be regulated.

Specific Regulatory Provisions Requirements for Sacco's

According to the Sacco Act of 2008 (Section 24) and Regulations (Section 4) detail the main Regulatory Provisions, a Sacco will be subjected to the following after licensing. Equivalent to other deposit-taking financial institutions in Kenya, Sacco's have to comply with a wide range of regulatory provisions in their day-to-day operations. These include but not limited to Governance rules at a minimum, the Board of Directors (elected at the Annual General Meeting) have to establish an audit committee and credit committee. The committee's responsibility will be to establish appropriate policies on credit, liquidity, information preservation, dividend, investment, human resource, savings and risk management.

A major change on governance was that directors and senior management are subject to vetting (fit and proper test) by SASRA. The separation of the responsibilities of the Board and management has been clearly outlined in the Regulations to ensure accountability and transparency in running of the Sacco. As relates reporting requirements, Sacco's are subject to adhering to monthly (capital adequacy, liquidity, and deposits), quarterly (risk classification of assets and loan loss provisioning, investment returns, financial performance) and annual (audited financial statements).

Strategic Factors

Several studies have emerged in recent history that have shown the relationship between both financial factors and strategic factors on regulation compliance with the Sacco Act of 2008 by deposit taking Sacco's in Kenya. According to Macharia (2013), the effect of licensing requirements on the performance of Sacco's found that most Sacco's had compliance challenges. According to Mvula in 2013 report presented on common issues affecting performance of Sacco's and pointed out that the issues affecting performance of Sacco's are inadequate capital, poor governance, poor asset quality, poor profitability, poor liquidity and non-compliance, on the other hand Ademba (2011) discussed some of the factors affecting performance of Sacco's as weak regulation, low marketing, limited product and services and poor image.

According to Wasike (2012) on corporate governance practices and performance at Elimu Sacco in Kenya sought to achieve two objectives; to find out influence of corporate governance practices on the performance and to establish the challenges facing corporate governance practices at Elimu SACCO. The findings indicated that the main tasks of corporate governance involved providing for transparency and legitimacy of corporate activity, assuring corporate efficiency and mitigating arising conflicts, lowering risk for investments and providing high returns for investors and delivering framework for managerial accountability. According to Ngaira (2011) a report on the impact of SACCO regulatory authority guidelines on SACCO operations in Kenya a case of Nairobi deposit taking Sacco's looked at the impact SASRA has had on Sacco performance since its inception. It concluded that SASRA regulations have greatly impacted performance of Sacco's in terms of outreach and sustainability. Most SACCOs reported recent improvement in their performance both in membership, portfolio and loan cycle and general efficiency. This was attributed to a number of factors ranging from high demand and quick recoveries, increased membership, high efficiency, one can easily attribute this to be as a result of SASRA regulatory framework.

According to Muriuki (2010) on the factors affecting Sacco performance in Meru South district a case of Tharaka Nithi Teachers Sacco. The broad objective was to investigate the effects management variables on Sacco's performance in TNT Sacco. The results showed that governance had enormous effects on the Sacco performance. Further, the results also indicated that the aspects of education and training played a major role on influencing governance structures. The researcher recommended that the Sacco diversifies its products to take into account the needs of the members and the availability of market as a means for resource mobilization. From the above studies by Wasike, Ngaira and Muriuki the choice of variables are the key strategic factors that affect compliance with the Sacco Act of 2008. For the purposes of the study the key factors that were looked at were corporate governance, human resource capacity and Information and communication technology as the key factors that affect Sacco compliance with the Act of 2008.

Strategic Factors and Compliance

The strategic factors in these study are human resources capacity, information and communication technology and corporate governance. These factors affect compliance of deposit taking Sacco is to compliance with the set requirements as per the Sacco societies Act of 2008.Both Boards of directors and senior management are accountable for the internal governance of the Sacco's Drake (2002). The annual general meeting or assembly is the supreme authority with the highest decision making organ in the Sacco's. It has a duty to the general assembly, senior management must be accountable for the implementation of policies, preparation of the budgets, strategic plans and achievement of predetermined targets specified in the strategic plans.

According to Andrew (2008) carried out a study to assess the impact of the new regulatory framework and the continued poor perception of credit unions amongst users of financial service products. Another assessment was made of what future may hold for the direction of the United Kingdom credit union sector. The study found out that the membership of the credit unions was growing, as well as member's deposits and loans, but the numbers of credit unions were falling. The result ultimately lead to a strong, secure and professionally managed credit union sector, capable of meeting the credit needs of a wide range of persons.

The underlying factor behind merger activities is the beneficial side effect of economy of scale for which Mckillop et al (2002) noted was a considerable scope which in return allowed credit unions to diversify into a range of product and services. The management of these ranges of highly sophisticated portfolio of investments needed highly qualified managers to run efficiently. Increasingly members of credit unions, particularly to those that had merged to form larger entities, employed professional personnel in key roles such as managers as regulatory requirement became a reality. There was a downside to merger, consolidation drive in that it is arguable that such a move will ultimately threaten the viability of smaller Sacco's, forcing them into merger and possibly affecting new start up rates of borrowing of their credit facilities. The credit union ethos had always been as self-help financial cooperatives and the push to merger, led to larger financial organizations professionally managed which competed effectively with other financial institutions.

Although policies are not a requirement in the provision of the Act, all Sacco's are required to have by laws that define at the minimum the field and requirement for membership scope of activities, duties and responsibilities of the Board members, committees and operational staff. In the absence operational policies, some activities like setting interest rates on loans and saving products have been institutionalized in the bylaws, Ademba (2011). Because of these, Sacco's are forced to refer to the Annual general meeting for operational decisions that can be easily made by senior management kept their interest rates below market rates despite higher borrowing costs, fluctuating inflation, stiff competition, rates and changing cost structures Sacco's are required to comply with the standards set by the regulatory body.

In Kenya, the Ministry of Cooperative Development and Marketing oversees Sacco's activities but this will move to Sacco societies regulatory Authority (SASRA) established by law. Currently, Sacco's are not monitored properly as there is no annual or frequent examination of Sacco's by the regulatory body. Moreover, there exists no comprehensive set of standards by which Sacco's should comply (WOCCU, 2008). Hence it's hoped that the new Sacco regulation will establish prudent standards that will govern the Sacco sector. The standards established will enhance benchmarking and enforce safety and sound principles to safeguard Sacco's from losses. As financial institutions, Sacco's should be accountable to their members, stakeholders and to the public by enhancing excellence through professionalism (Ademba, 2011).

According to Wanyoike (2013) study on the effect of compliance to SASRA Regulation on financial performance of Sacco's found out that qualifications should be upgraded for managers to have more qualifications, since this qualification was needed for a better performance. The boards of directors should also to be trained or and elected on professional grounds. Maintaining competitiveness with much larger rival's demand that credit unions focus on both efficiency and member and customer satisfaction. While mergers can potentially increase efficiency, they can also reduce member's satisfaction through rationalization of staff and/ or branches and from the problems in the integration of systems, procedures and technologies (Ralston et al, 2001).

Overall, it is submitted that with supervision and regulations passed to Financial Services Authority (F.S.A), the outlook for credit unions in the United Kingdom (U.K) was better than at any in history. The results of the new regime ultimately led to a strong, secure and professionally run credit union sector, capable of meeting the credit needs of a wide range of persons. However, it must be noted this did not happen overnight as the move away from wholly volunteer run organizations was not universally popular. The enforced professionalism has put a lot of administrative load that has led a reduction in number of credit unions and further increasing pressure on consolidation. In the long run the move from long held ethos self-help community credit union, too much larger financial service providers, as evidenced by the movement in the USA, ACCOSCA (2008).

Credit unions can help social and financial exclusion, however, state bodies must also recognize that they will only be able to help if they prove successful at attracting more members, highly qualified staff. The regulation and legislation must reflect the need to allow credit unions to attract all members of the society, by allowing them to provide competitive, effective and efficient reliable services preferred by customers. The governance structure of Sacco's assume legitimacy via the votes of its members who surrender their wealth or administration to board of management (Muchemi, 2005). The board can therefore make or break the wealth acquisition aspirations of the Sacco membership. One way through which Sacco's can improve management financial decisions is through provision of financial education and training to its members. Broadly defined, financial education and training encompasses all aspects of our lives and it revolves around the ability and courage to enable us acquires logical wealth acquisition and management skills. If rightly applied, the knowledge can positively impact on the running of these Sacco's. It is therefore important to understand the life cycle of wealth creation and management and its relevance to various stages of Sacco's growth prospects.

Corporate Governance and Compliance

Owen (2007) argues that governance in Kenyan Sacco's are typically weak because of their 'management Board' system which results in the absence of clear division between roles of the board and management committees. The boards and management capacity of most Sacco's is weak with board membership largely seen as a stepping-stone into politics. This causes board membership to be occupied by individuals not necessarily interested in enhancing member interests. Okwee (2011) found that a significant number of Sacco do comply less with corporate governance guidelines which may relatively explain the poor financial performance of these Sacco's. SASCCO (2010) also found that in some instance, an attempt to implement good corporate governance is perceived by leaders as an act of questioning their ability to perform.

Lari (2009) argued that corruption and mismanagement were two significant challenges facing Sacco's in today in Kenya. According to Bwana and Mwakujonga (2013) Sacco's board of directors were not trusted by their employees. Furthermore, there were no adequate guidelines on various stakeholders in Sacco's. For instance, the authority of the Executive Committee and Credit Committee in comparison with staff authority was not properly defined. In addition, the board members in most cases were non-professional volunteers, yet they assumed very highly technical issues such as loan analysis and disbursement, budgeting and financial expenditure control.

According to Bwana and Mwakujonga in 2013, Sacco's frequently require very important decisions to be made on urgent matters such as change in interest rates, introduction of new products and services to be done expeditiously, however most of this decisions have to await approval by the Annual General Meetings. The historical practice where the board of directors (B.O.D) comprising of elected officers heavily involved in operational affairs of the Sacco, to the exclusion of the technical staff and the C.E.O, was deeply entrenched limiting the effectiveness of the Act and Regulations in D.T.S. The Sacco B.O.D was charged with the responsibility of ensuring sound and prudent management of Sacco affairs through implementation of sound and effective policy framework (SASRA, 2012). This however has been a key concern in a majority of Sacco's where there is need to improve on the corporate governance front to ensure realisation of the Sacco's full potential.

Information and Communication Technology and Compliance

According to Owen (2007) lack of good computerised systems was a major constraint in efficient operations. In its absence, it proved very difficult to track loan delinquencies, aging of accounts, provisioning, write offs, and ensure that accountants and financial managers apply business rules consistently. Furthermore, most Sacco's had a manual or simple spreadsheet-based accounting and communication technology systems. Even in Sacco's which had computerised systems, these were not integrated between front and back office. The exceptions are some of the top Sacco's that are using off the shelf software and some others that have developed customised systems. The key factor constraining the adoption of computerised systems is the limited capacity of Sacco boards and managements. The weakness of the underlying communications infrastructure was also a factor constraining adoption of networked systems.

Makori (2013) noted that an inadequate ICT system and underdeveloped Management

Information System (MIS) is a challenge facing regulatory compliance in Sacco's. This was a significant challenge for the Sacco sector given that large Sacco's have several thousand clients and a wide variety of products. New products required sophisticated cash flow loan management systems that allowed staff and managers to generate the necessary types of reports for proper loan monitoring and recovery management. This unfortunately was lacking in most Sacco's. The operating regulations and prudential standards defined new ways of doing business thus requiring heavy investments by the Sacco's in upgrading the existing management information systems for effective compliance (SASRA, 2012). The pace of the upgrade was however slow, importantly as well was that generation of data by Sacco's is not entirely without integrity issues on its accuracy and consistency.

Information and communication technology (ICT) is a system that manages information, collects, processes, stores, analyses and distributes it to users for a specific purpose or objective. Information and communication technology are distinct from other information systems in that they are designed to be used to analyse and facilitate strategic and operational activities in the organisation (O'Brien, 1999). An ICT system thus provided information that was needed to manage organisations efficiently and effectively. Information and communication technology are not only computer systems these systems encompass three primary components: technology, people (individuals, groups, or organizations), and data/information for decision making.

According to Turban, Volonino, and Wood (2013) there are six components of an information system; software, data, network, procedures, hardware and people. Hardware relates to a set of devices such as monitor, keyboard and mouse while software are the programs that act as processor to process data or inputs, data is the information collected, network is the telecommunication system such as phones or internet while procedures relate to a set of instructions about how to combine the hardware and people are those individuals who relate with the system, interface with it or use it output (Turban et al., 2013). ICT provide information organisations require to manage themselves efficiently and effectively and are distinct from other information systems because they are used to analyse and facilitate operational and strategic activities (O'Brien, 1999).

Human Resource Capacity and Compliance

Human resource capacity gap in terms of senior management skills, educational levels and competence have been noted in majority of Sacco's. This is reflected as Sacco's inability to meet the minimum regulatory requirements. A resource is defined as anything that is used to produce benefit. Benefits of resource utilisation may include increased wealth, meeting needs or wants, proper functioning of a system or enhanced well-being (Miller & Spoolman, 2014). Makori (2013) noted that inadequate managerial competence is a great challenge facing regulatory compliance of Sacco's. According to Ondieki et al., (2011) reveals that the major challenges inherent in the Sacco movement in Kenya include limited transparency in management of co-operatives and lack of management capacity. Magali in 2013 observes that Sacco's had poor management, lack of competence and accountability of staffs and Sacco's leaders.

According to Bwana and Mwakujonga (2013), lack of education and skills among staff are prevalent in Sacco's. According to Mugo (2013), lack of career development path and low salaries of personnel also militates against reforms implementation. Owen in 2007 notes that the majority of Sacco's have no operational manuals detailing policies and procedures for accounting, credit and savings operations, internal controls, cash flow management, procurement and risk management. This makes it almost impossible for auditors to assess compliance or detect fraud. Internal audit capacity in most Sacco's is therefore very weak.

Management board members generally do not have any formal training in finance and accounting and there is also conflict of interest since the audit committee members also have a role in operational decisions through their role in management. Furthermore, few Sacco's have an internal control staff employed. According to Owen (2007) a small proportion of Sacco's have well qualified and paid managers and staff since only these can pay attractive salaries. The study observed that as far as the training by the apex body of Sacco's was concerned only a small proportion of large Sacco's could afford training services at Kenya Union of Savings and Credit Cooperatives (KUSCCO) or Kenya Rural Savings and Credit Co-operatives Union (KERUSSU). It was therefore imperative that human resource functions in Sacco's should be aligned to the key functions and output areas (SASRA, 2012). In particular the regulation is very clear on the academic and skills qualification requirements of key personnel, an area yet to be fully implemented by Sacco's.

A threshold of the required qualification of the senior staff which has meant that Sacco's had to go back to the drawing board and recruit more qualified staff as per Sacco Societies Regulatory Authority (SASRA) while at the same time they had to train the already existing staff in order to meet set regulations. According to Sasra regulations, an internal auditor should be a qualified Certified Public Accountant and also pass the test of integrity. Training of staff has been emphasized by SASRA thus the authority conducts seminars from time to time. Previously Sacco staffs were being recruited based on nepotism and most of them did not have relevant qualification. This has changed with the introduction of Sacco Societies Act (SSA) of 2008 regulations.

Theoretical Framework

Stakeholder Theory

Stakeholder theory was utilised in order to understand how corporate governance influence on compliance of SASRA regulations, of importance to the study was how powers were shared between board of directors and senior management, schedule of board meetings, leadership in the board, autonomy and board charter affect SASRA compliance levels. The stakeholder theory addressed three interconnected problems relating to business; the problem of value creation and trade; the problem of ethics of capitalism; the problem of managerial mindset.

The stakeholder theory suggests that if we adopt as a unit of analysis the relationships between a business and the groups and individuals who can affect or are affected by it then we have a better chance to deal effectively with these three problems (Freeman, Harrison, Wicks, DeColle and Purnell, 2010). Firstly from a stakeholder perspective, business can be understood as a set of relationships among groups that have a stake in the activities that make up the business (Walsh, 2005). Basically how they interact to jointly create and trade value. To understand a business is to know how these relationships work and change over time. It is the executive's job to manage and shape these relationships to create as much value as possible for stakeholders and to manage the distribution of that value.

Where there is a conflict in stakeholder interest, the executive must find a way to re-think how problems of a broad group of stakeholders are addressed and to the extent this is done even more value may be created for each (Harrison, Bosse, and Phillips, 2010). If tradeoffs have to be made, as sometimes happens it could then, executives must figure out how to make the tradeoffs and then work on improving the tradeoffs for all sides (Freeman et al, 2010). Secondly, although effective management of stakeholder relationships helps businesses survive and thrive in capitalist systems, it is also a moral endeavor because it concerns questions of values, choice and potential harms and benefits for a large group of groups and individuals (Phillips, 2003). Finally, a description of management which focuses attention on the creation, maintenance and alignment of stakeholder relationships better equips practitioners to create value and avoid moral failures (Sisodia, Wolfe, and Sheth, 2007). The business description that stakeholder theory offers has been readily accepted in the field of business ethics. The ethical underlying foundations of the theory consist of the normative core of stakeholder theory. One way to think about the work developed under the banner of stakeholder theory is to see it as providing a normative justification for the theory and its associated activities. Stakeholder theory is a genre of theories capable of encompassing a variety of normative cores.

As an explicit effort normative cores answer two questions facing all corporations. First, what is the purpose of the firm and second to whom does management have an obligation. These are answered by the stakeholder theory (Freeman et al, 2010). Another important ethical question deals with which stakeholders are legitimate from the firm's perspective. It is a common misconception that stakeholder theory casts a very large net in terms of who is considered a legitimate stakeholder (Phillips, Freeman, and Wicks, 2003). This notion of legitimacy is further clarified by the definition that a stakeholder represents a "group that the firm needs in order to exist, specifically customers, suppliers, employees, financiers, and communities" (Dunham, Freeman, and Liedtka, 2006).

Traditional shareholders view looks at the shareholders or stockholders as the only owners of the firm, and having a binding fiduciary duty to put their needs first, to increase value for them. However in contrast, the stakeholder theory argued that there are other parties involved, including employees, customers, suppliers, communities, governmental bodies, political groups, financiers, trade associations and trade unions. Even competitors are sometimes counted as stakeholders, their status being derived from their capacity to affect the firm and its stakeholders. The nature of what is a stakeholder is highly contested by Miles in 2012 with hundreds of definitions existing in the academic literature (Miles, 2011). Others have differentiated between primary and secondary stakeholders. Primary refers to groups whose support is necessary for the firm to exist and to whom the firm may have special duties towards.

Secondary stakeholders on the other hand have no formal claim on the firm and management has no special duties pertaining to them; nevertheless the firm may have regular moral duties, such as not doing them harm (Gibson, 2000). Rather than seeing the definitional problem as a singular and fixed, admitting of only one answer, we instead can see different definitions serving different purposes. Thus, what might make one a (legitimate) stakeholder for one company, or for a given research agenda, may vary (Freeman et.al, 2010).

Diffusion of Innovations Theory

The research studied the information and communication technology as an independent variable and utilised the diffusion theory which is also known as the diffusion of innovations theory. This theory is concerned with the spread of innovation, ideas and technology through culture(s). In the case of this research study it explains how diffusion of the management information system and degree of adoption of management information systems, infrastructural support system within the D.T.S. Diffusion of innovations theory sought to explain how innovations are taken up in a population.

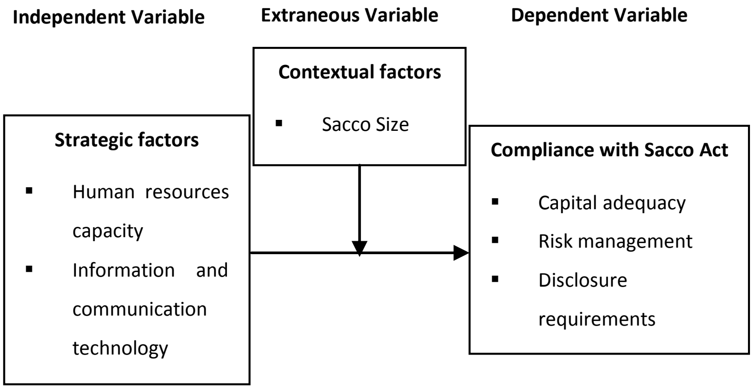
An innovation is an idea, object or behaviour that is perceived as new by its audience. Diffusion of innovations offers three valuable insights into the process of social change: Importance of peer-peer conversations, what qualities make an innovation spread and peer networks. Understanding the needs of different user segments. Diffusion of innovations takes a radically different approach to most theories of change. Instead of focusing on persuading individuals to change, it sees change as being primarily about the evolution or "reinvention" of products and behaviors so they become better for the needs of individuals and groups. In diffusion of innovations it is not people who change, but the innovations themselves (Robinson, 2012).

Diffusion of innovations is a theory that seeks to expound how, why, and at what rate new ideas and technology spread through cultures. The origins of the diffusion of innovations theory vary and span multiple disciplines. Diffusion theory states that there are many qualities in different people that cause them to accept or not to accept an innovation. There are also many qualities of innovations that can cause people to readily accept or to resist them. Rogers (2003) claims that four main elements influence the spread of a new idea: innovation, time, communication channels and a social system. This process relies heavily on human capital. These elements work in conjunction with one another: diffusion, which is the process by which an innovation are communicated through certain channels over time among the members of a social system. The innovation must also be widely adopted in order to self-sustain. According to Rogers (2003) the diffusion theory has five stages put forward to the process of adopting an innovation, these are: awareness, interest, evaluation, trial and adoption. These same stages apply, to varying degrees, to groups of people in addition to individuals.

If the innovation is adopted, it spreads via various communication channels. During communication, the idea is rarely evaluated from a scientific standpoint; rather, subjective perceptions of the innovation influence diffusion. Lastly, social systems determine diffusion, norms on diffusion, roles of opinion leaders and change agents, types of innovation decisions and innovation consequences. Within a rate of adoption, there is a point at which an innovation reaches critical mass. Rate is usually measured by the length of time required for a certain percentage of the members of a social system to adopt an innovation.

Diffusion manifests itself in different ways in various cultures and fields and is highly subject to the type of adopters and innovation-decision process. The rates of adoption for innovations are determined by an individual's adopter category: innovators, early adopters, early majority, late majority, and laggards. Also additionally the gatekeepers and opinion leaders who exist within a given community are change agents from outside the community who essentially bring innovations to new communities, through the gatekeepers, then through the opinion leaders (Rogers, 2003). According to Robinson (2012) five intrinsic characteristics of innovations that influence an individual's decision to adopt or reject an innovation are the relative advantage, compatibility with existing values and practices, simplicity and ease of use, trial ability and observable results. Furthermore, according to Rogers in 2003 innovations are often adopted by organisations through two types of innovation decisions: collective and authority innovation decisions.

Conceptual Framework



Source: Author, 2015

Figure 1: Relationship between strategic factors, contextual factors and compliance with Sacco Act

RESEARCH METHODOLOGY

The study adopted a correlational approach. The population of the study comprised of 42 deposit taking savings and credit cooperatives in Nairobi County, licensed to carryout deposit taking business. Primary data was collected using a closed structured questionnaire. The questionnaire was self-administered to the respondents and the respondents were Executive Officers, including Chief Executive Officers and other senior managers of deposit taking Sacco's in Nairobi County. The researcher therefore consulted and seeked the opinion of other experts in assessing or validating the contents of the research instruments. A pilot data collection exercise for testing the questionnaires by pre-testing of the instrument on three (3) Deposit Taking Sacco's was performed, sampled out of the entire population in Nairobi County before the actual data collection exercise in a bid to ensure consistency and comprehensiveness. The data collected from the field was sorted, edited, coded and checked to ensure completeness. Data was analyzed using Statistical package for social sciences version 21.

RESULTS AND DISCUSSIONS

The study targeted 42 licensed deposit taking Sacco's in Nairobi County. Responses were obtained from 39 respondents making a response rate of 92.9%. There were more male respondents with a prevalence of 87.2 than female respondents who formed 12.8% of the sample. Distribution by age of the respondents showed that in general most of the respondents (48.7%) were between 35-44 years of age with minority (20.5%) being 45 and above years. The level of education for the respondents was also sought in the questionnaire. Overall results showed that more than a half (60.0%) of the study participants had a degree while slightly over a quarter (25.6%) had postgraduate education.

Human Resource Capacity

To measure Human resource capacity respondents were presented with twelve statements on likert scale and asked to state how much they agreed with each statement. The statements were distributed across two categories namely participative and human resources skills and competition & control skills. The responses ranged from 1 = strongly disagree; 2 = disagree; 3 = Neutral; 4 = Agree to 5 = strongly agree. The responses were averaged per statement. From the findings, the overall mean for the items for information interpretation was 3.87. This indicates that the respondents generally agreed with the statements regarding aspects of Human resource capacity in their Sacco's to a great extent. The item with the highest mean score was 'Team building capacity and staff training had a mean score of (M = 4.30, SD = .763) and the item senior staff educational level requirements had the lowest score of (M = 3.38, SD = .816). The results generally indicated that the respondents strongly agreed with the statements regarding Human resource capacity in their Sacco's. The view that the presence of the board charter is important in implementation of the

Sacco Act of 2008 was agreed on by majority of respondents. These findings agree with those of Ademba (2012) who notes that principals (members) of Sacco's delegate the running of business to the management board, which in turn hire and delegate authority to the managers. The findings concur with Ademba (2013) who asserted that as decision makers in organizations, board of directors and managers are inclined to operate the firm to maximize financial performance, compliance of Sacco's as well as shareholders' profits.

Information and Communications Technology

To measure Information and Communications Technology respondents were presented with eleven statements on likert scale and asked to state how much they agreed with each statement. The statements were distributed across three categories namely Networked Systems, Computer Systems and Banking Software. The responses ranged from 1 = strongly disagree; 2 = disagree; 3 = Neutral; 4 = Agree to 5 = strongly agree. The responses were averaged per statement. The study showed that the mean score for Information and Communications Technology distribution was 3.94. Standard deviation for all statements were below 1.0 which reflects that the responses were not far spread from each other among the respondents thus indicating low variability in response to the statements. The respondents almost agreed unanimously about the statements. The item with the highest score was 'The Sacco used customized banking systems.' (M = 4.56, SD =.557) and the item with the lowest score was 'The Sacco has automated its operations' (M =3.69, SD =.730). The results generally indicated that the respondents agreed with the statements regarding Information and Communications Technology in their Sacco's.

Corporate Governance

To measure corporate governance, respondents were presented with eleven statements on likert scale and asked to state how much they agreed with each statement. The statements were distributed across four categories namely separation of powers, board calendar meetings, leadership of the board and code of ethics. The responses ranged from 1 = strongly disagree; 2 = disagree; 3 = Neutral; 4 = Agree 5 = strongly agree. The responses were averaged per statement. The findings showed that the mean score for corporate governance dimension was 4.11. Standard deviation for all statements were below 1.0 which reflected that the responses were not far spread from each other among the respondents thus indicating low variability in response to the statements. The item with the highest score was 'Board of directors were vetted before assuming office.'(M = 4.29, SD =0.665) while the item with the lowest score was 'The Board of directors was audited by an external body.' (M =3.64, SD = .808). The results generally indicated that the respondents agreed with the statements regarding corporate governance in their Sacco's. These results were interpreted to mean that the firms practice corporate governance to a great extent.

Compliance with the Sacco Act of 2008

To measure compliance with the Sacco Act of 2008 respondents were presented with four statements on likert scale and asked to state how much they agreed with each statement. The responses ranged from 1 = strongly disagree; 2 = disagree; 3 = Neutral; 4 = Agree to 5 = strongly agree. The responses were averaged per statement. The result showed that the mean score for compliance with the Sacco Act was 4.12. Standard deviation for all statements were below 1.0 which reflects that the responses were not far spread from each other among the respondents thus indicating low variability in response to the statements. The respondents almost agreed unanimously about the statements. The item with the highest score was 'Capital adequacy requirement by the Act affects compliance.' (M =

4.32, SD =.878) and the item with the lowest score was 'There Sacco has complied with international financial reporting standards' (M = 3.79, SD =.843). The results generally indicated that the respondents agreed with the statements regarding Compliance with the Sacco Act in their Sacco's.

The study sought to determine the effects between dimensions of Strategic factors and compliance with the Sacco Act as hypothesized in H_{A1} to H_{A3}. To test the hypotheses, data was analyzed using Pearson's correlation. The results displayed in Table 4.6 present the results of the analysis.

Test of Hypotheses

Table 1: Correlations matrix for Strategic Factors and Compliance with the Sacco Act

		Corporate Governance	Human Resource capacity	Information Communication Technology	Compliance with the Sacco Act
Corporate Governance	Pearson Correlation	1	.450	.498	.665
	Sig. (2-tailed)		.000	.000	.000
	N	39	39	39	39
Information and communication technology	Pearson Correlation	.450	1	.491	.215
	Sig. (2-tailed)	.000		.000	.034
	N	39	39	39	39
Human resource capacity	Pearson Correlation	.488	.491	1	.375
	Sig. (2-tailed)	.000	.000		.000
	N	39	39	39	39
Compliance with the Sacco Act	Pearson Correlation	.665	.215	.375	1
	Sig. (2-tailed)	.665	.034	.000	
	N	39	39	39	39

**. Correlation is significant at the 0.01 level (2-tailed).
 * Correlation is significant at the 0.05 level (2-tailed)

The study sought to establish whether there was a significant effect between human resource capacity by Deposit Taking Sacco's on compliance with the Sacco Act (H_{A1}). The results indicate that there is a positive significant effect between human resource capacity and compliance with the Sacco Act ($r = 0.215$, $p < 0.05$). Therefore the results support the hypothesis that; there is a significant relationship between human resource capacity and compliance with the Sacco Act.

The study sought to establish whether there was a significant relationship between Information and communication technology and compliance with the Sacco Act (H_{A2}). The results indicate that there was a positive significant relationship between

Information and communication technology and compliance with the Sacco Act ($r = 0.375$, $p < 0.05$). Therefore the results support the hypothesis that; there is a positive relationship between Information and communication technology and compliance with the Sacco Act.

The study sought to establish whether there is a significant relationship between Corporate Governance and compliance with the Sacco Act (H_{A3}). The results indicated that there was a positive significant relationship between Corporate Governance and compliance with the Sacco Act ($r = 0.665$, $p < 0.05$). Therefore the results supported the hypothesis that; there was a positive significant relationship between Corporate Governance and compliance with the Sacco Act.

The study sought to establish the joint significant effect of Strategic factors on compliance with the Sacco Act dimensions. It was hypothesized (H_{A4}) that Strategic factors for examples Human resource capacity, information and communication technology and corporate governance jointly signicantly affected compliance by deposit taking Sacco's with the Sacco Act.

SUMMARY, CONCLUSION AND RECOMMENDATION

The findings revealed that to a great extent deposit taking savings and credit cooperatives are affected by the strategic factors. Regarding the effect of human resource capacity on compliance with the Sacco Act by Deposit Taking Sacco's, the respondents strongly agreed with the statements regarding aspects of human resource capacity in their Sacco's to a great extent.

Regarding effect of information and communications technology on compliance with the Sacco Act by Deposit Taking Sacco's, respondents agreed unanimously about the statements. Regarding effect of corporate governance on compliance with the Sacco Act by deposit taking Sacco's, the findings showed a positive significant relationship between corporate governance and compliance with the Sacco Act.

Regarding the joint effect of strategic factors on compliance with the Sacco Act by deposit taking Sacco's, regression results showed that the combination of human resource capacity, information and communication technology and corporate governance explained a greater variance in compliance with the Sacco Act by Deposit Taking Sacco's than individual variables alone.

Conclusions

The findings of the study lead to the following conclusions: There was a link between strategic factors and compliance with Sacco Act of 2008 by deposit taking Sacco's in Nairobi County; human resource capacity is positively related to compliance. The study confirmed that human resource capacity was crucial in ensuring that deposit taking Sacco's fully complies with the Sacco Act of 2008.

Results of the study also revealed that information and communication technology positively affected compliance with the Sacco Act of 2008. The findings confirmed that corporate governance was crucial in effective management and it affected compliance of deposit taking Sacco's with the act of 2008. Finally, the results showed that the combined effect of human resource capacity, information and communication technology and corporate governance. This showed that a combination of human resource capacity, information and communication technology and corporate governance would achieve a greater effect on compliance by deposit taking Sacco's. Therefore, in the long run these would enable proper preparation to compliance and creation of a system that would guide savings and credit cooperative organizations.

Recommendations of the Study

The study used diffusion theory and stakeholder theory to determine the joint effect of strategic factors on compliance with the Sacco Act. The findings conducted in Nairobi County on Deposit taking Sacco had various implications on strategic management and policy implementers. The study confirmed that a positive significant relationship exists between strategic factors and compliance with Sacco Act. Deposit taking Sacco's must combine their human resource capacity and their 'hard' ICT investments including but not limited to acquisition of new hardware, software and networks, with appropriate 'soft actions', in order to achieve compliance with the Sacco Act. The study recommended that Sacco's engage external experts to advice the board of directors. Deposit taking Sacco's required to continuously carry out training on the board, management committee, members and staff of the Sacco. Further they needed to employ qualified personnel. On corporate governance Sacco's need to benchmark with the best practices found in the Sacco sector and implementation of their strategic plans.

Recommendations for Future Research

There is need for further research to establish other factors that may affect Sacco compliance apart from strategic factors and a target of both Deposit taking Sacco's and non-deposit taking Sacco's across the Country since the Sacco sector is a major contributor to the national economy of Kenya.

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