CREDIT INFORMATION SHARING INFLUENCE ON PERFORMANCE OF LICENSED DEPOSIT TAKING SACCO BUSINESSES IN KENYA.

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Abstract

The good performance of credit in financial institutions is crucial for the overall success of the organization because they contribute to organizational profitability. The CAMEL model that addresses the Capital adequacy, Asset quality, Management quality, Earnings and Liquidity has been a model that has been adopted to measure performance in financial institutions and the same can be applied in deposit taking SACCO businesses.

The specific objective was to establish the influence of credit information sharing on deposit taking SACCOs.

Since the number of SACCOs in the credit reference bureau sharing platform are few, an explanatory research design was adopted where census method was applied in all the sixty (60) registered with credit reference bureau.

The study established that credit information sharing plays a significant role on performance of the deposit taking Sacco's and recommends the extension of credit information sharing to all other Sacco's including non deposit taking.

Key words: *credit reference bureau, credit information sharing, capital adequacy, asset quality, management quality, earnings, liquidity, deposit taking*

1. Introduction

1.1 Background of the study.

Co-operatives remain one of the best vehicles through which the previously perceived as 'unbankable populace' can access savings and credit facilities. The global estimation of the number of cooperatives is high in Africa, with most concentration of the cooperatives in Kenya. According to SACCO Societies Regulatory Authority -SASRA (2011), there are two hundred and fifteen savings and credit organizations which are undertaking 'quasi banking' services-deposit taking SACCO business.

About 90 percent of the people in developing countries lack access to financial services from institutions, either for credit or savings, which further fuels the "Vicious Cycle of Poverty" A lack of access to financial institutions also hinders the ability for entrepreneurs in Least Developing Counties to engage in new business ventures, inhibiting economic growth, and often, the sources and consequences of entrepreneurial activities are not financially sustainable due to lack of a savings and credit vehicle.

The role of savings and credit cooperative organization in Kenya is given a very keen concern by the government. This is evidenced by inclusion of cooperatives as a vital pillar in the economic mirage and in vision 2030, economic blue print, small and micro enterprises.

Cooperatives serve as a means to empower the poor, who were previously termed as the 'unbankable' in financial terms and provide a valuable tool to assist the economic development process. Referring to a paper "the microfinance revolution: sustainable finance for the poor' reducing poverty in developing countries ,microfinance institutions savings and credit cooperative organizations included reduces financial inclusions and can have significant impact on poverty reduction.(Charitoneko, Campion & Fernado (2004).

However, unavoidably, various barriers and obstacles limit the roles of Cooperatives continued sustainability around the world. Historically most cooperatives have collapsed; others have run down due to mass mismanagement. This has been greatly attributed to lack of specific laws to address the mainstream cooperative sector and the SACCO subsector. It's imperative most of the public funds are saved at the SACCO subsector and governments say in the running of such institution is long overdue. According to Government of Kenya (2011), the co-operative movement commands over Ksh 195 billion out of which ksh 148 billion is controlled by the savings and credit organizations subsector.

Members fund are expected to be managed in accordance with specified statutory requirements laid down by government authority; such regulations stipulate the percentage of bank deposits, reserve requirements, default or non-performing loans, capital adequacy and prudential regulations to preserve soundness of the SACCOs. The nonexistence of a regulator and a specific legislation- Act has been a big loophole.

The development of cooperative movement has been a longstanding objective of the government of Kenya since pre-independence through to independence and status post independence. The reason is because cooperatives are considered as being good

savings vehicles to avail banking services to the previously unbanked populace. Provision of regulatory supervision to all cooperatives societies in Kenyans is fundamental to the success of the sector in Kenya as it is in line with the government overall development strategy to increase banking services to all Kenyans.

However, due to huge defaults and non performing loans, there was the need to establish credit reference bureaus that first concentrated in the commercial banks.

The Kenya banking sector was in the 1980's and 1990's saddled with momentous Non performing NPL portfolio. This invariably led to the collapse of some banks .one of the catalyst on this scenario was the 'serial defaulters' who borrowed from various banks with no intention of repaying the loans. These defaulters thrived in the information asymmetry environment that prevailed due to lack of credit information sharing mechanism.

The banking (Credit Reference Bureau) regulations 2008 govern licensing, operation and supervision of credit reference bureau by Central Bank of Kenya. The development of a sustainable information sharing industry is therefore recognized as a key component of financial sector reforms in all developing and emerging economies (Slough & Arora 2013)

CRB regulations 2012 allow sharing of positive credit information by a deposit taking microfinance licensed by the Central bank of Kenya.

Association of credit providers provide a flat form for involvement of all credit providers in a comprehensive and all embracing data sharing initiative.

The legislation governing the credit information sharing has not kept pace with new developments with the SACCO subsector due to which has grown tremendously prompting the government to carve out a separate law for the SACCO subsector and delink the subsector from the umbrella Cooperative Act. The extension of credit reference bureaus services to the SACCO societies is a welcome move which is timely.

1.2 Statement of the problem

The savings and credit subsector in Kenya has had major challenges on the area of governance, liquidity and default. This challenge is more on the deposit taking Savings and Credit Societies where the business of collecting funds from the public has continued to be undertaken in an ambiguous frame work and not governed by any specific legislation posing a great risk for funds embezzlement and poor running of this Savings and Credit vehicles. Further the SACCOs do not benefit from credit information sharing like other commercial financial institutions such as commercial bank.

Lack of an authoritative, independent regulator and non-credit referencing bureau (CRB 2014) in the co-operative sector especially Sacco subsector is the root cause of mismanagement and embezzlement of member funds. This is made more complex by lack of formal credit reference bureaus in this subsector resulting to high percentages of non-performing loans.

Since the introduction of a credit information sharing in the recent years, a number of SACCOs previously undertaking deposit taking SACCO business-quasi banking activities have stopped, others have not been able to comply with the requirements and still more others struggle to meet the requirements even after the compliance date. Further, the loan book of even the perceived 'good institution' has continued

to deteriorate in recent years due to increased volumes of non-performing loans.

Out of the 185 deposit taking SACCOs in Kenya, only 60 SACCOs had registered with credit reference bureau as at November 2014 (SASRA 2014) .The high percent that are licensed together with SACCOs that have since joined the credit reference bureaus have one major issue, high default rates and non performing loans (NPL) an indicator of a problem at the individual cooperatives on debt management and recovery. Regulatory requirements and the credit rating may have poised several challenges to majority of SACCOs. Despite the many licenced deposit taking Saccos, a partly 30 percent has been able to join credit reference bureau. As at end November 2014, less than 60 of such Saccos had joined any registered credit reference bureau to share both positive and negative credit information (Metropol 2014), there is little study that has been conducted to study this problem of credit information sharing.

This study fills the knowledge gap that exists concerning the influence of credit reference bureaus ratings in information sharing on the performance of the individual regulated savings and credit cooperative societies in Kenya.

1.3 Objective of the study

The study seeks to address the following specific objective:
To establish the effect of credit information sharing on the performance of licensed deposit SACCOs in Kenya.

1.4 .Hypothesis:
Credit information sharing is not significantly related to performance

2. Literature review:

2.1 The independent variable: Credit information sharing

SACCOs exist to provide vehicles for savings and afford affordable credit to its member's .The task of credit provision carried by the Saccos, forms the core business for this vital establishments. In recent times, there has been increasing interest among policy makers in the area of credit information sharing for credit providers. There is however very little exploration in contemporary literature on the effect of credit information sharing in the deposit taking Sacco business as there is for commercial banks and microfinance institutions.

This chapter is a review of selected literature relevant to the area of research. In connection with this, a number of studies and surveys have been carried out by the ministry of co-operatives and other stake holders. Literature review involves the systematic identification, location and analysis of documents containing information related to the problem being studied or investigated. Literature review is extensive and thorough because it is aimed at obtaining detailed knowledge of the topic being studied.

There has not been a flourishing body of empirical work aimed at identifying relationship between regulatory authority introduction and soundness of informal banking institutions in a

cross section of countries in Africa including Kenya.

2.2 Independent variable: Performance of SACCOs

Performance in deposit taking Saccos can be measured by looking at the capital adequacy, asset quality, management quality, earnings and liquidity. This is guided by a CAMEL model

According to study good performance of Saccos is critical for the long term competitiveness and sustainability of a deposit taking Sacco.

There is a substantial and rapidly expanding body of evidence that speaks to the strong connection between how deposit taking saccos manage their credit and the overall results realized. Theory and evidence on the relationship between credit information sharing and deposit Sacco performance has expanded greatly in the last two years. Studies have linked good credit practices such as appropriate loans appraisals to better and improved Sacco performances.

However, since it's not only the credit information sharing affecting performance of the SACCOs; other independent variables will be taken into consideration. This includes management turnover, number of workers in the Sacco, years of the organization in business. The performance variable will be undertaken under CAMEL rating model guideline that look at the capital adequacy, asset quality, management quality, earnings and liquidity and see how they are affected by negative credit information sharing.

Performance of SACCOs was measured based on the accepted performance regulatory guidelines and the minimum regulatory requirements which were;

Capital adequacy   >4%
Asset quality   5% maximum NPL
Management   50 %
Earnings   5%
Liquidity   >10 million

Performance will therefore be measured on attainment of the performance requirements on a scale of attainment of all or some of the above requirements.

Very poor rating will be if at most one of the five minimum requirements is met, Poor rating will be if at most two of the minimum requirement is met, fair rating performance will be if at most three of the minimum requirement are met, good rating performance will be if at most four of the minimum requirement are met and excellent rating performance will be if at most five minimum requirements are met.

2.3.1 Capital adequacy variable

Capital adequacy was measured by the current assets compared to the total assets inclusive of core capital in percentage .As the proportion increases, the performance was improving

2.3 .2Asset quality variable

Asset quality was measured by percentage of good loans to total assets of the SACCOs. As the percentage of total loans increased, performance was been affected negatively as most were turning out to be problematic loans.

2.3.3 Management quality variable

Management quality was measured by possession of post secondary education and professional trainings and availability of policies

in the establishments. This being a qualitative variable, value was attached to achievement of certain regulation requirement to assign a quantitative measure to establish the regression behavior of the variable to performance of SACCOs.

2.3.4 Earnings variable

Earnings were measured by the payouts and dividends to the members. As earnings increase, performance was improving.

2.3.5 Liquidity variable

Liquidity was being measured by attainment of adequate loaning and lack of backlogs and the minimum liquidity requirement set by regulator attainment.

3. Research methodology.

3.1 Research Design

Explanatory research design and descriptive research designs were used.Kothari (2004), elaborates that explanatory research design is suitable for those studies that seek to determine relationships between variables.

3.2 sample and sampling procedure

In this study, the target population was the licenced deposit taking Sacco businesses which were 185 in number as at November 2014(source: sacco societies regulatory authority, November 2014), while the target respondents were 60 credit managers of the Sacco's that had joined the credit reference bureau. This is because it's the credit managers who are the policy makers and are the consumers of credit reference bureau information.

Since the population to study was not too extensive, there was no need for a representative sample. Census approach was employed because it afforded more extensive and detailed study thereby providing accurate and exact information (gupta ,1994).

According to Government of Kenya, Ministry of Co-operative development and Marketing, the total number of licenced and regulated SACCOs deposit taking businesses in Kenya as at 30th November 2014 was sixty. Population refers to the aggregate of all elements defined prior to the selection of the sample. Since the researcher wanted to interview the credit manager from each of the sixty licensed SACCOs, the total target population of respondents was thus be 225 from the licensed SACCOs which had joined CRB at date status 30th November 2014 and interviewing the credit managers was more appropriate as all Sacco's would be represented when census approach was used.

3.3 Research instruments and data collection and analysis

Primary data was collected using data collection instrument questionnaires. The questionnaire provided semi structured format. The other was open ended questions to capture opinions of the respondents regarding the performance variables in the study. Secondary data, questionnaire, likert scale and open ended questions

Questionnaires were developed, pre-tested and reviewed. They were then distributed and sampled for collecting data. Questionnaires - These are questions which the researcher prepared to ask the respondents in order to come up with good research objectives. A self administered questionnaire was considered as the most effective instrument to respondents as cost of sampling the respondents appears to

be lower and the time taken to collect the data is shorter as most are self administered as the target respondents were the management staff of the licenced deposit taking institutions.

It is easier to arrange for questionnaire than other methods like personal interview. Questions were standardized because all the respondents were be posed with exactly the same questions thus there was little scope for the data to be affected by interpersonal factors An interview schedule was drawn to collect data from selected respondents through the interview. This enabled the researcher to probe more.

Once the questionnaires were received, they were coded and edited for completeness and consistency .SPSS was used for data analysis using both descriptive and inferential statistical data analysis. Quantitative data analysed using descriptive statistics and inferential statistics use of ssp.

Correlation analysis was conducted to establish the relationship between the independent and dependent variable, to test the hypothesis and also establish the degree of relationship between the independent and dependent variable

Regression analysis was also used to find out if an independent variable predicts a given dependent variable. Linear regressions helps to determine the contribution of each independent variable in explaining the dependent variable when the other variables in the linear regression model are controlled (Fowler ,2004)

The main purpose of content analysis is to study existing information in order to determine factors that explain specific phenomena.

The quantitative data was be used to generate descriptive statistics such as means, standard deviation, graphs, pie charts, frequencies and establish correlation and regression models. The qualitative information was used to augment the quantitative data. The researcher come up with measurable yardsticks of performance to determine was excellent, good fair, poor and very poor performances.

Use of variables of study was applied. The presence of credit information sharing CIS was denoted by a binary number with 1 as present, and 0 as otherwise. The performance variables guided by CAMEL model was having variables rated 0-5 to guide each rating.

4.0 Results and Discussion

4.1 Summary statistics

Variable	Observations	Mean	Std. Dev.	Minimum	Maximum
Performance	15	3.47	0.74	2	4
Capital adequacy	15	5.01	1.15	4	8
Asset quality	15	12.13	9.33	4	95
Management quality	15	76.67	26.90	30	100
Earnings	15	4.63	2.15	2	9
Liquidity	15	0.40	0.51	0	1

Table 4.1

The summary table gives an average score of 3.47, with a minimum value of two and a maximum of four. These shows that on average the SACCOs performance was fair, though some (13 percent) had poor performance while the majority (60 percent) experienced good performance.

The average score for capital adequacy was 5.01, with a minimum of four and a maximum of eight. This shows that all (100 percent) of the SACCOs agrees that credit information sharing was long overdue. Though the bench mark 8 percent was not the basis, the researcher based capital adequacy good performance at 4 percent with a transition period of 4 years assumption. Against this background, attainment of any percentage above 4 was a sign of good performance. The reason for the 100 percent attainment of this capital adequacy requirement is because all the analyzed correspondents were all licenced deposit taking and as such the capital adequacy attainment was a basic requirement.

The average score for asset quality was 12.13, with a minimum of four and a maximum of 35. This shows that on average the performance of the SACCOs in terms of asset quality was not good, since the maximum requirement for a SACCO to be deemed good when considering asset quality is ten. However majority (60 percent) of the SACCOs had met the requirement. The interpretation was the huge concentrations of nonperforming loans, and or large concentration of loans to few members greatly affecting the quality was evident in most of the SACCOs.

The average score for management quality was 76.67, with a minimum of 30 and a maximum of 100. This shows that on average the performance of the SACCOs in terms of management quality was good for the deposit Sacco sharing credit information, since the minimum requirement for a SACCO to be deemed good when considering management quality is 50 percent. In addition majority (80 percent) of the SACCOs had met the requirement. This was further supported by the

regulators strict guideline to SACCOs adherence to a fit and proper test requirement that greatly scrutinizes the management staff and board integrity.

The average score for earnings was 4.63, with a minimum of two and a maximum of nine. This shows that on average the performance of the SACCOs in terms of earnings was not good, since the minimum requirement for a SACCO to be deemed good when considering earnings is five. In addition less than a half (46.67 percent) of the SACCOs had met the requirement. This simply interprets that return for the members investment was negatively affected by the credit information sharing from the members' point of view since the historical loans have to be provisioned for fully.

In considering liquidity, more than a half (60 percent) had good performance. This was however not determined from the descriptive statistics summary table but rather based on generated frequency table.the huge (40 percent) gap was due to huge defaults.

Table 4.2 Correlation matrix

Correlation	Performance	Capital adequacy	Asset quality	Management quality	Earnings	Liquidity
Performance	1					
Capital adequacy	0.13	1				
Asset quality	-0.38	0.33	1			
Management quality	0.55	0.27	0.19	1		
Earnings	0.25	0.34	-0.26	0.24	1	
Liquidity	0.04	0.11	-0.37	0.05	0.70	1

A correlation table displays the direction of association between each of the two variables

(bi-variates). Performance is positively related to all the variables save for asset quality. This means that as capital adequacy, management quality, earnings or liquidity increases the SACCOs performance becomes better, while as asset quality increases, the SACCOs performance worsens. However, this effect on SACCO's performance is before controlling for other explanatory variables. The negative association in performance and asset quality is as a result of the way the asset quality is measured and the short run interpretation of data. In the long run, a positive association in performance and asset quality will be evident. Further, the asset component in the study is loans and it's evident that as loans increased, default was increasing thereby negatively affecting performance.

Capital adequacy is positively related to all variables. Asset quality is negatively related to all variables save for capital adequacy and management quality. Management quality is positively related to all the variables. Earning is positively related to all the variables except asset quality. Similar to earning, liquidity is positively related to all the variables with an exception of asset quality.

Table 4.3 Regression model

Source	Sum of Squares	Degrees of Freedom	Mean Square	Number of observations	15
				F(5, 9)	2.97
Model	4.81	5	0.96	Prob > F	0.07
Residual	2.92	9	0.32	R-squared	0.62
				Adj R-squared	0.41
Total	7.73	14	0.55	Root MSE	0.57

Performance	Coefficient	T-statistic	P-value
Capital adequacy	0.12	0.76	0.47
Asset quality	-0.05	-2.63	0.03
Management quality	0.02	2.78	0.02
Earnings	0.03	0.30	0.77
Liquidity	-0.48	-1.09	0.30
Constant (intercept)	2.23	3.03	0.01

Table 4.4

Upon controlling for other variables in the model, all the explanatory variables included in the model appear to have a positive effect on performance save for asset quality and liquidity. However, for asset quality since there is an inverse relationship with performance, the model shows that performance improves with an increase of all the variables except liquidity.

Form the p-values of the t-statistics only asset quality and management quality have a coefficient which is statistically different from zero, based on the conventional, five percent level of significance. Hence, after controlling for other explanatory variables a decrease in asset quality of one percent increases performance by 0.05 percent. Similarly, an increment of management quality by one percent increases performance by 0.02 percent.

The statistical significance of the constant term means that there are relevant explanatory variables which have been excluded from the model. However since the data was cross sectional all the variables which influence SACCOs performance could not be exhaustively included in the model.

To beef up the findings, the researcher then analyzed the responds from the questionnaires

to aid in comparing whether the respondents response was correlating with the data analysis.

4.3.3 Capital adequacy on performance of SACCOs

The third performance measurement variable was to analyze the effect of credit information sharing on capital adequacy performance of SACCOs.

The average score for capital adequacy was 5.01, with a minimum of four and a maximum of eight. This shows that all (100 percent) of the SACCOs had met the minimum requirements for capital adequacy.

From the correlation table which displays the direction of association between each of the two variables (bi-variants). Performance is positively related to capital adequacy. This means that as capital adequacy increases the SACCOs performance becomes better. However, this effect on SACCO's performance is before controlling for other explanatory variables. Capital adequacy is positively related to all variables.

Upon controlling for other variables in the model, capital adequacy appears to have a positive effect on performance. Hence, from the model it shows that performance improves with an increase of capital adequacy. From the p-values of the t-statistics capital adequacy have a coefficient which is not statistically different from zero, based on the conventional, five percent level of significance. Hence, after controlling for other explanatory variables an increase in capital adequacy of one percent has no effect on performance.

The positive effect of capital adequacy on performance was also confirmed by the highest proportion (25) of respondents out of the total number (60) interviewed. The lack of any effect on performance after controlling for other explanatory variables by capital adequacy was also ascertained from the 25 respondents which are less than 95 percent for the five percent level of significance.

The respondent's feedback clearly indicates that the respondents have not yet established the effect of credit information sharing on capital adequacy performance. The high percentage of 20 respondents comprising 33 percent response that it affects negatively shows the concept of capital adequacy has not been clearly understood in the SACCOs.

4.3.4 Asset quality on performance of SACCOs

The second performance measurement variable was to determine the effect of asset quality on performance of SACCOs.

The average score for asset quality was 12.13, with a minimum of four and a maximum of 35. This shows that on average the performance of the SACCOs in terms of asset quality was not good, since the maximum requirement for a SACCO to be deemed good when considering asset quality is ten. However majority (60 percent) of the SACCOs had met the requirement.

From the correlation table which displays the direction of association between each of the two variables (bi-variants). Performance is negatively related to asset quality. This means that as asset quality increases, the SACCOs performance worsens. However, this effect on SACCO's performance is before controlling for other explanatory variables. The negative

association in performance and asset quality is as a result of the way the asset quality is measured. Asset quality is negatively related to all variables save for capital adequacy and management quality.

Upon controlling for other variables in the model, asset quality appears to have a negative effect on performance. However, for asset quality since there is an inverse relationship with performance, the model shows that performance improves with an increase of asset quality. From the p-values of the t-statistics asset quality have a coefficient which is statistically different from zero, based on the conventional, five percent level of significance. Hence, after controlling for other explanatory variables a decrease in asset quality of one percent increases performance by 0.05 percent.

The negative effect of asset quality on performance was also confirmed by the highest proportion (33) of respondents out of the total number (60) interviewed. However, the significant effect on performance after controlling for other explanatory variables by asset quality was not ascertained from the 33 respondents which is less than 95 percent for the five percent level of significance, hence the need to run a model.

4.3.5 Management Quality on performance of SACCOs

The average score for management quality was 76.67, with a minimum of 30 and a maximum of 100. This shows that on average the performance of the SACCOs in terms of management quality was good, since the minimum requirement for a SACCO to be deemed good when considering management quality is 50 percent. In addition majority (80

percent) of the SACCOs had met the requirement.

From the correlation table which displays the direction of association between each of the two variables (bi-variants). Performance is positively related to management quality. This means that as management quality increases the SACCOs performance becomes better. However, this effect on SACCO's performance is before controlling for other explanatory variables. Management quality is positively related to all the variables.

Upon controlling for other variables in the model, management quality appears to have a positive effect on performance. Hence, from the model it shows that performance improves with an increase of management quality. From the p-values of the t-statistics management quality have a coefficient which is statistically different from zero, based on the conventional, five percent level of significance. Hence, after controlling for other explanatory variables an increment of management quality by one percent increases performance by 0.02 percent.

The positive effect of management quality on performance was also confirmed by the highest proportion (58) of respondents out of the total number (60) interviewed. The significant effect on performance after controlling for other explanatory variables by management quality was also ascertained from the 58 respondents which is more than 95 percent for the five percent level of significance.

4.3.7 Liquidity on performance of SACCOs

The fifth and last specific objective of the research study was to study the effect of liquidity on performance of SACCOs.

In considering liquidity, more than a half (60 percent) had good performance. This was however not determined from the descriptive statistics summary table but rather based on generated frequency table.

From the correlation table which displays the direction of association between each of the two variables (bi-variants). Performance is positively related to liquidity. This means that as liquidity increases the SACCOs performance becomes better. However, this effect on SACCO's performance is before controlling for other explanatory variables. Similar to earning, liquidity is positively related to all the variables with an exception of asset quality.

Upon controlling for other variables in the model, liquidity appears to have a negative effect on performance. Hence, from the model it shows that performance improves with a decrease of liquidity. From the p-values of the t-statistics liquidity have a coefficient which is not statistically different from zero, based on the conventional, five percent level of significance. Hence, after controlling for other explanatory variables a decrease in liquidity of one percent has no effect on performance.

The negative effect of liquidity on performance was also confirmed by the highest proportion (35) of respondents out of the total number (60) interviewed. The lack of any effect on performance after controlling for other explanatory variables by liquidity was also ascertained from the 35 respondents which is less than 95 percent for the five percent level of significance

4.4 Summary Researchers Analysis

Capital adequacy, asset quality, management quality, earnings and liquidity are credit information sharing performance variables.
All these variables are key to good performing financial institutions. With the advent of credit information sharing, SACCOs are now licensed to undertake banking activities and therefore have to be enjoined in credit information sharing .The performance variables guided by the CAMEL rating, greatly shows that SACCOs performance in relation to commercial banking institutions is fair .The reason is that credit information sharing has just been introduced.

Capital adequacy received a positive rating with twenty five of the sixty respondents reporting a positive influence by the variable on performance of SACCOs after information sharing. Asset quality and liquidity was seen by the respondents as negatively affecting performance of the SACCOs. The researcher however disagrees with this finding as the respondents gave the response on the skewness of being investors and not based on the artificial person the SACCO institution. Management quality received a high positive rating with Fifty eight of the sixty respondents reporting a positive influence by the variable on performance of SACCOs.

5 Conclusions and Recommendation

5.1 Conclusions
The study sought to determine the effect of credit information sharing on performance of deposit taking Saccos. Based on the findings, the study concludes that credit information sharing significantly affects performance as explained by the performance variables. The

first performance variable was capital adequacy on performance of SACCOs. Capital adequacy was shown as greatly affecting positively the performance of SACCOs was ranked high. This implies that SACCOs should put effort in ensuring their capital bases are sufficient and adequate for sound and stable SACCOs. The second performance variable was to access the effect of asset quality on performance of SACCOs. It's true that asset quality is a problem in SACCOs. There are so many loans that are concentrated to few individuals and are not performing. On the bases of this factor of loan, the more the loan, the worse the performance of the SACCOs and therefore the negative correlation to performance.

The study also wanted to study how management quality as a variable affects performance of SACCOs. The management quality on performance of SACCOs was the other variable. Respondents agreed that good management quality greatly improves performance of SACCOs a variable greatly supported by the correlation matrix analysis. Improved management quality by recruiting qualified human capital and ensuring adequate policies was reported to affect performance positively.

Earnings were also other study variables to this study. There seems to be negative correlation on performance based on increased earnings. When earnings were increased, the SACCOs performance was affected negatively; however, there are other explanatory factors worth studying.

The study was also to establish the extent to which liquidity variable affected performance of SACCOs. When liquidity requirement is increased, the SACCOs operations are affected. The huge liquidity requirement strains the SACCOs and leaves them with very minimal near cash to on lend. However this response is on the short run considering that the liquidity levels for SACCOs had not been there in the past. In the long run, SACCOs should appreciate that liquidity greatly improves performance.

5.3 Recommendations

It is evident that SACCOs in Kenya are experiencing hard times in non-performing loans. Performance indicators guided by CAMEL performance model that addresses variables of capital adequacy, asset quality, management quality, earnings and liquidity are a big challenge to these previously unregulated organizations. It follows that SACCOs should carry out regular analysis of their variable factors to enable them determine their performance. The information from the analysis should be used by management to allocate resources appropriately and have close loan default follow-ups. This will also help in adopting best practices in the management of these vital institutions. This, though not obvious will lead to increased good performance in the SACCO subsector.

In view of the foregoing conclusions, this study has made recommendations that if well implemented can have positive results on performance in Savings and Credit Co-operative Organizations.

Recommendations for policy

Policy makers need to seek and develop policies to ensure the attainment of ideal performance. Towards this end and based on the above conclusions, the following recommendations are necessary for better performance of SACCOs.

i) There is a recommendation that the credit information sharing be extended to the whole SACCO subsector and not only the SACCO deposit taking business.

ii) There is need for the government to introduce a consolidated fund account from where the financially strained institutions due to historical huge losses due to defaults can borrow at reduced rates to ensure that the budgetary constraints are mitigated.

5.4 Suggestion for further research

This research was mainly focused on a selected number of regulated SACCOs hence the findings cannot be replicated in the entire Cooperative movement. It is important to carry out a research to determine effect of credit information sharing among other Cooperatives which are unregulated. This study would probably have yielded different results if the data were collected in both the regulated and the unregulated SACCOs. This is an area other researchers might like to explore.

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