ABSTRACT

Savings and Credit Cooperative Society (SACCO) refers to an autonomous association of persons, united voluntarily to meet their common economic, social and cultural needs and aspirations through jointly owned and democratically controlled enterprises. They are generally useful in stimulating socio-economic benefits for their members. Despite the notable contribution of SACCOs, most of them particularly in Migori County are currently facing financial distress as evidenced by declining turn-over between the year 2012 and 2013 as in the case of Migori Teachers SACCO from 18,846,647 to 13,886,618 and Sony Sugar SACCO 6,908,420 to 4,031,523 by their inability to meet financial obligations of their clients due to ineffective competition strategies, management incompetency and failure to apply the laid down legal procedures for their operations. These obligations are exemplified by client loan disbursements, front office transactions, reimbursement on withdrawal of membership among others. Although the causes of financial distress are overt, there is no empirical study that has revealed their influence on performance of the SACCOs. The main objective of the study was to determine influence of the determinants of financial distress on performance of SACCOs in Migori County of Kenya. Specifically the study sought to assess the extent to which competition, board members' competence, technology and legal framework influence performance of SACCOs in Migori County. The study was guided by correlational research design, and based on a self-conceptualized framework which showed a priori relationship between determinants of financial distress and performance of an entity. The unit of analysis was 47 SACCOs in Migori County, where a population of 188 staffs were targeted. A total of 128 respondents were selected through stratified random sampling technique. Primary data was collected using questionnaires of both closed and open ended questions. Pilot study of 47 employees was done prior to actual data collection to determine the reliability and validity of the questionnaires. The data was analyzed using descriptive statistics (mean and standard deviation). Pearson's Regression Model was also used to establish the relationship between performance and determinants of financial distress. Statistical Package for Social Sciences (SPSS) version 21 was used in enhancing the handling of the data.The findings were presented using tables, figures and narrations. The study findings revealed that competition, board members' competence, technology and legal framework influenced performance of SACCOs to a great extent depicted by 45%, 45.9%, 56.9% and 48.6% respectively. This was considered to be attributed by lack of updated technology for utilization to enhance SACCO performance during financial distress period as revealed by mean score of1.99. It was further noted that the absence of a regulatory framework that includes prudential regulations and financial supervision results brought several weaknesses in SACCOs as shown by a correlation coefficient score of 0.031. It is recommended that SACCOS need to review their marketing and pricing strategies in order to attract more customers, development of regulations governing the appointments, need of support of the SACCOs by the Government and other stakeholders so as to capacitate them financially aimed at adaptation of new technology and finally to abolish legal framework increasing costs of SACCOs operations.