

Journal of

**Entrepreneurship and**

**Project Management**

(JEPM)

**INFLUENCE OF SACCOS IN ENTREPRENEURIAL CAPACITY DEVELOPMENT IN  
DAGORETTI SOUTH CONSTITUENCY, KENYA**

**Sammy Mwatha Njoroge and Dr. Assumpta Kagiri**



**CARI**

**Journals**

## INFLUENCE OF SACCOS IN ENTREPRENEURIAL CAPACITY DEVELOPMENT IN DAGORETTI SOUTH CONSTITUENCY, KENYA

<sup>1\*</sup>Sammy Mwatha Njoroge

\*Post graduate student; Jomo Kenyatta University of Agriculture and Technology

\*Corresponding Author's Email: mwathanjoroge@gmail.com

<sup>2\*</sup>Dr. Assumpta Kagiri

<sup>2</sup>Lecturer, Jomo Kenyatta University of Agriculture and Technology

### Abstract

**Purpose:** The main objective of this study is to find out the influence of SACCOs in entrepreneurial capacity development in Dagoretti South constituency, Nairobi, Kenya. To successfully achieve the study objective the research was guided by the following specific objectives: - To establish the extent to which disbursed credit by SACCOs help in entrepreneurial capacity development in Dagoretti South constituency; To determine the extent to which deposits/share capital help in entrepreneurial capacity development in Dagoretti South constituency; To find out how SACCOs investment portfolios help in entrepreneurial capacity development in Dagoretti South constituency. To find out how information dissemination helps in entrepreneurial capacity development in Dagoretti South constituency

**Methodology:** The study employed a descriptive survey research design to find out the role of SACCOs in entrepreneurial development in Dagoretti constituency. The study adopted a census study. A questionnaire was used as primary data collection instruments. The collected data was examined and checked for completeness and comprehensibility. The data was then summarized, coded and tabulated with the help of the Statistical Package for Social Sciences (SPSS 17.0) Data presentation was done by the use of pie charts, bar charts and graphs, percentages and frequency tables.

**Results:** With all the independent variables having  $p < 0.05$ , this indicates that there is a significant relationship among all the four variables with the influence of SACCOs in entrepreneurial capacity development in Dagoretti South constituency. From the results, a unit % increase in Access to Loans would result to 44% decrease in share capital. Additionally, a unit % increase in entrepreneurship education would result to 36% increase on the influence of SACCOs in entrepreneurial capacity development in Dagoretti South constituency. Having the composite mean as 3.68053 and the standard deviation as 0.4768, meant that the respondents agreed that Access to Loans, Share capital, and Entrepreneurship education had a significant influence on SACCOs in influencing entrepreneurial capacity development in Dagoretti South constituency.

**Recommendation:** With the Kenya government steering towards industrialization in her vision 2030, entrepreneurship training should be the first gear towards this direction. Many countries have prospered as a result of constructing and embracing entrepreneurial culture among their population. SACCOs are a good starting point especially in rural-urban areas where government devolution tentacles have started to spread.

SACCOs should strive to maximize on the earnings to build the institutional capital. This institutional capital ensures the permanence and growth of the SACCOs even in turbulent economic times. In fact, it would help the SACCOs to grow and, remain economically and financially viable. Such growth should be enhanced by effective financial practices not to mention entrepreneurial training.

**Keywords:** *Access to finance, SACCOs, share capital, Entrepreneurial education, Capacity development and Dagoretti South Constituency*

## 1.0 INTRODUCTION

Investment is the most certain way through which a country can sustain its growth and development. However, the levels of domestic savings and investment in developing countries have been very low, (Kyendo, 2011). World Bank (2012) approximates capacity utilization in Kenya at 63%. Kenya's Vision 2030 for financial services is to create a successful and globally competitive sector that drives savings and investments in the country. However, the Vision 2030 argues that access to financial services still remains low (Adam *et al.*, 2011). WOCCU (2011) has shown that 38.3% of Kenyans are not included in financial services and use. All these indicate low levels of investment in Kenya. The problem of low savings and investment comes at a time when African Confederation of Co-operative Savings and Credit Association [ACCOSCA], (2011) workshop has classified SACCOs as vehicles for economic growth.

Kenya's Vision 2030 for financial services is to create a successful and globally competitive financial sector capable of promoting high levels of saving and financing for Kenya's investment needs (Lawrence, et al, 2009). The country's Vision 2030 recognizes the role of financial services in mediating between borrowing and investment. However, access to financial services is a stumbling block which has led to low investment culture in Kenya. This is confirmed by the World Council of Credit Unions [WOCCU], (2012) that 38.3% of the Kenyans are still not included in financial services and use. The Vision 2030 for financial services in Kenya can, however, be fully achieved if SACCO members can transform their savings into viable investments. In fact, to amplify this point Aggarwa, Singer, (2012) asserts that high rates of investments depend on high rates of savings.

In an effort to build an entrepreneurial culture, Kenya Poverty Eradication Commission (PEC) was established through a Gazette Notice No. 2295 of 30th April, 1999 with a wide range of mandates including: to promote policies and pilot strategies for eradicating poverty in Kenya; to coordinate poverty eradication activities undertaken by various actors, both governmental and non-governmental agencies throughout Kenya; to Identify and demonstrate poverty eradication initiatives on a pilot basis; to mobilize and manage resources for direct poverty reduction activities with a strong focus on the poorest section of the population and to monitor and evaluate poverty eradication programmes nationally by building a crossover bridge toward entrepreneurial culture (Poverty Eradication Commission Report, 2009).

It is against this background that, SACCOs have emerged as the ideal vehicle through which entrepreneurial seeds can be spread. In Dagoretti South constituency for example, there has been an upsurge of SACCOs that are now playing an important role in enhancing economic growth and entrepreneurial development as well as poverty eradication. Since the formalities involved in the

formation of the SACCOs are simple, and due to their popularity, the government has continued to register more of these forms of organizations. Although Cooperatives have been there for a long time, poverty is still rampant. In some places where people still struggle to pay school fees for their children and some cannot afford the basic facilities like school fees and foodstuff, (Bharti, and Shylendra, 2011)

The Government of Kenya recognizes cooperatives as the major contributor to national development with the total population of Kenya estimated at 37.2 million people (Republic of Kenya [RoK], 2008). The Ministry of Cooperative Development and Marketing [MCDM], 2008) estimated that 63 % of Kenya's population participates directly or indirectly in cooperative based enterprises. However the question is, does this participation in cooperative based enterprises build entrepreneurial capacity? The policy governing cooperatives in Kenya is provided by sessional paper number 6 of 1997 (RoK, 1997a). The policy made cooperatives autonomous and changed the government's role from that of control to that of regulation. However, the 1997 policy did not provide for the government's supportive role of development of cooperatives and was also silent on the cooperative societies Act of 2004. This prompted the MCDM to formulate a revised policy framework called Kenya Cooperative Development Policy 2008 which addresses restructuring, strengthening and transforming cooperatives into successful economic entities. In legislation, the Cooperative Societies Act of 2004 (RoK, 2004) guides the formation and management of cooperatives in Kenya. The Act enhances state regulation of the cooperative movement through the office of the commissioner for cooperative development. In addition to this legislation there is the SACCO Societies. Act of 2008, (RoK, 2008b) that provides for the licensing, regulation, supervision and promotion of SACCOs by the SACCO Societies Regulatory Authority (SASRA). SASRA licenses SACCOs to carry out deposit-taking businesses called Front Office Service Activity (FOSA) and can also intervene in the management of SACCOs that are mismanaged. SASRA is a Government agency under the MCDM.

Dagoretti South Constituency is an electoral constituency in Kenya. It is one of seventeen constituencies of Nairobi City County, a rural urban constituency where there is prevalence growth of informal businesses. Most of the business are members of SACCOs and have their working capital funded SACCOs to which they are members. There is a demographic landscape of several SACCOs in Dagoretti South Constituency. Some are in the financial services provision sector, and transport industry. The bulk of all these SACCOs are regulated by the Ministry of Cooperatives. The study sought to find out the influence of SACCOs in entrepreneurial capacity development in Dagoretti South Constituency.

### **Problem Statement**

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", (Dzandu, 2009). People in developing countries have a limited capacity to invest in capital, restricted productivity and inhibited incomes, low domestic savings and therefore increases in productivity are prevented. Lack of access to financial institutions also hinders the ability for entrepreneurs in developing countries to engage in new business ventures, thereby inhibiting economic growth, and often, the sources and consequences of entrepreneurial activities. (FSD, 2010).



According to the Kenya National Bureau of Statistics, (2012) more than 40% of the Kenyan population is still living in poverty where a family survives with less than one United States dollar a day which makes it difficult for them to participate in the national building. In an attempt to alleviate this poverty, In 1999, the government of Kenya initiated the Poverty Eradication Fund (PEF) as a sure strategic move forward towards financial self-sustainability by encouraging growth of the so called Jua Kali (informal business) sector as a move away from the reality of poverty in Kenya (PEC Report, 2009) This has been a key concern to the government and this is evidently outlined in the Kenyan Vision 2030 strategy paper. However, in converse, the so called Jua Kali businesses have for long been ignored by mainstream banks due to their informal management styles thereby inhibiting growth of entrepreneurship and consequent economic growth.

According to Republic of Kenya (2014), this industrial development growth can never be a goal by itself, but needs to translate into higher wellbeing and socio-economic progress of populations around the globe. However, Anyanzwa (2013) argues that it is impossible to evaluate a development process without addressing the criteria. Robinson (2012), observes that economic development is the process of improving the quality of all human lives which incorporates three equally important aspects: raising incomes and consumption; fostering self-esteem through institutions that promoting human dignity. Robinson (2012), contends that “the first thing that many poor families do when their incomes rise is improve their nutrition, and send their children to school. This is fundamental to economic development since financial services help the poor expand their economic activities and increase their incomes and assets.

The extent to which credit and entrepreneurship are interrelated is dependent on the extent to which it addresses the economic development process. Microfinance through SACCOS are sound bedrock of conscious-driven entrepreneurship perpetuated by a sustainable access to credit, also known as “Micro Entrepreneurship” a development process combining the aspects of microfinance and entrepreneurship. Micro Entrepreneurship is a small-scale, self-sustaining active development process initiated by the poor to help themselves break free from their poverty, (Yunus, 2011), Credit invested in an income-generating enterprise as working capital or for productive assets leads to establishment of a new enterprise or growth of an existing one. Profit from the enterprise provides income, and a general strengthening of income sources.

The extent to which microfinance and entrepreneurship are interdependent is becoming increasingly recognized by experts in their respective fields of work, associated with economic development. Over 500 million poor people around the world run profitable microenterprises and often cite credit as the primary constraint to business growth (FSD, 2012) thus, credit is essential for poor entrepreneurs and helps promote entrepreneurship ability in in developing countries. Additionally, SACCOS supplying the finance to these entrepreneurs are equally dependent on them for business, and to expand their services to more rural urban areas. They include a variety of firms even in villages! While most of these villages even in rural Nairobi have limited access to credit SACCOS have emerged as the vehicle through which such credit is accessed, (Ewiwile, 2011), the endpoint being micro-entrepreneurship. SACCOS have often been viewed as means to provide loans for self-development, (Anyanzwa, 2013) However, their role as a catalyst for entrepreneurial development has always been understated. . Hence this study sought to find out

the influence of SACCOs in entrepreneurial capacity development in Dagoretti South Constituency.

## **1.2 Research Objective**

1. To establish the effect of access to finance by SACCOs help in entrepreneurial capacity development in Dagoretti South Constituency.
2. To determine the influence of the share capital help in entrepreneurial capacity development in Dagoretti South Constituency.
3. To establish the relationship between SACCOs' entrepreneurial education and entrepreneurial capacity development in Dagoretti South Constituency

## **LITERATURE REVIEW**

### **2.1 Theoretical Framework: Sociological Entrepreneurship Theory**

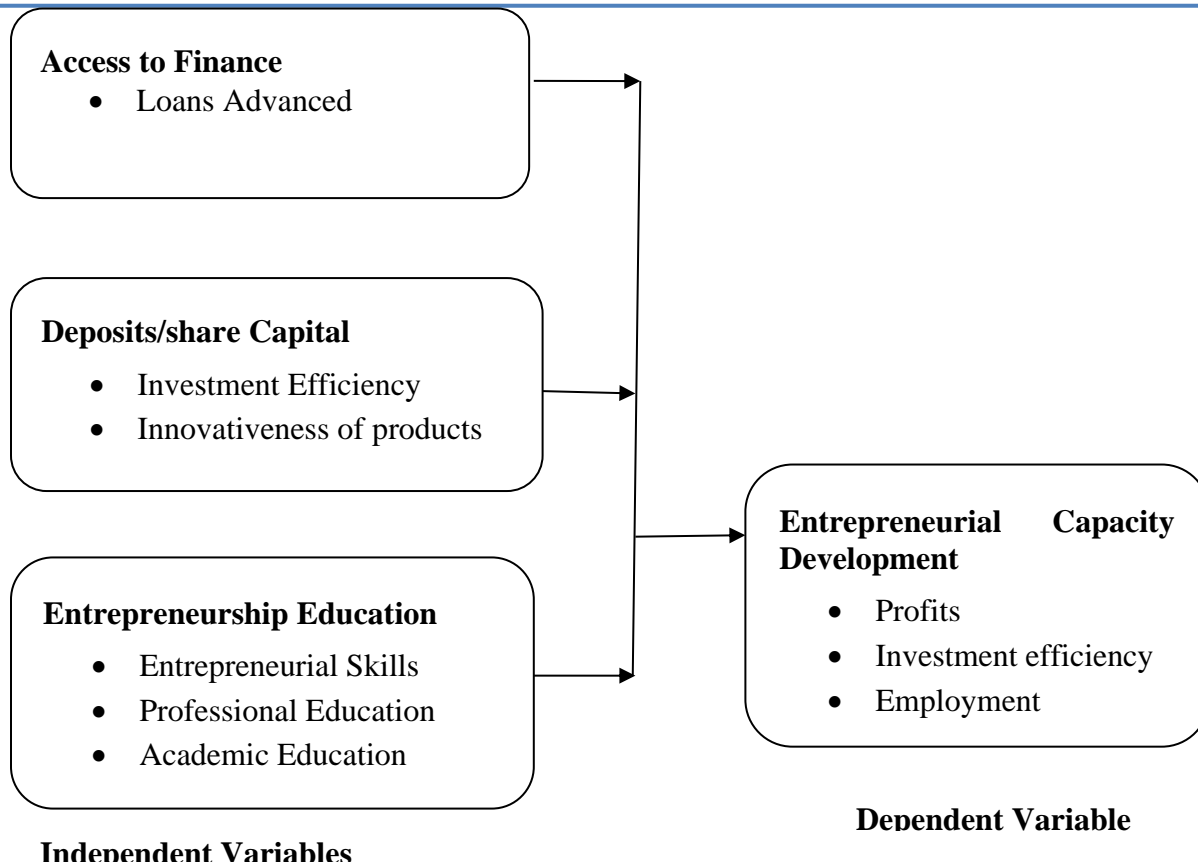
Sociological entrepreneurship focuses on the social context. In other words, in the sociological theories the level of analysis is traditionally the society (Landstrom, 1998). Ramsey (1991) has identified four social contexts that relates to entrepreneurial opportunity. The first one is social networks. Here, the focus is on building social relationships and bonds that promote trust and not opportunism. In other words, the entrepreneur should not take undue advantage of people to be successful; rather success comes as a result of keeping faith with the people. Secondly he called the life course stage context which involves analyzing the life situations and characteristic of individuals who have decided to become entrepreneurs. The experiences of people could influence their thought and action so they want to do something meaningful with their lives. The third context is ethnic identification. One's sociological background is one of the decisive "push" factors to become an entrepreneur. For example, the social background of a person determines how far he/she can go. Marginalized groups may violate all obstacles and strive for success, spurred on by their disadvantaged background to make life better. The fourth social context is called population ecology. The idea is that environmental factors play an important role in the survival of businesses. The political system, government legislation, customers, employees and competition are some of the environmental factors that may have an impact on survival of new venture or the success of the entrepreneur. From the foregoing, sociological theory acts as an ideal wrap up of relevance in analyzing "push" factors that make entrepreneurs from context of group behavior, in this case entrepreneurial upheaval within SACCO members. From the onset, we find that SACCOs especially in Kenya are religiously engrossed in real estate investments, a highly yielding venture. We can therefore agree that SACCO members' sociological interaction is a sound push factor in the growth of entrepreneurial appetite and eventual entrepreneurial capacity.

Entrepreneurs require information, capital, skills, and labour to start business activities. Congruent to this theory, SACCOs are a powerhouse for information, capital and skills making it easy for members to start ventures. While SACCO members hold some of these resources themselves, they often complement their resources by accessing their extended contacts (Hansen, 1995). The contacts that lead to successful outcomes are their social capital and they are a key component of entrepreneurial networks (Burt, 1992). We can draw relevance and conclusion in concluding that social capital entrepreneurial networks in SACCO members are a true set of tangible or virtual

resources that accrue to actors through the social structure, facilitating the attainment of the actors' goals (Lin, 1999). By this they include contacts that help them getting things done. When the entrepreneurs' contacts contribute to their entrepreneurial goals, these social contacts are their social capital (Burt, 1992). The contacts are often informal work and non-work connections. A case in point is the marriage of non-SACCO members into SACCO's direct investments portfolio. These relations may extend across professional networks, reaching friends, and colleagues from earlier jobs. Entrepreneurial networks span relations to organizations, clusters of firms, as well as to other people that help them set up the firm (Hansen, 1995). Networks have several useful properties for entrepreneurs. In conclusion, Sociological entrepreneurship theory can relate well with the influence of SACCOs in entrepreneurial capacity development through exploitation of networks, contacts and group behavior as pillars of entrepreneurial capacity.

## **2.2 Conceptual Framework**

According to Bogdan and Biklen (2003), a conceptual framework refers to the result of when a researcher conceptualizes the relation between variables in the study and shows the relationship graphically or diagrammatically. It is therefore a linked set of variables that are backing up in the critical analysis. It is made of the dependent and independent variables. Independent Variables are changes that occur in an experiment that are directly caused by the experimenter. An independent variable is that variable which is presumed to affect or determine a dependent variable. A dependent variable is a variable dependent on another variable: the independent variable. The dependent variable in this study is the entrepreneurial capacity development. On the other hand, the independent variables of this study were Access to Finance; share capital, Investment Portfolios and; Entrepreneurship Education. The relationships are presented in a hypothetical framework as shown in figure 1



**Figure 1: Conceptual Framework**

### 2.3 Empirical Review

Several studies have been done on the role of SACCOs in entrepreneurial development. A study by Lopoyetum and Karthikeyan, (2003) asserts that cooperative entrepreneurship through SACCOs deals with undertaking and assuming the responsibility to discover, innovate and initiate cooperative effects of higher growth of cooperative organizations and better socio economic patterns of entrepreneur members and community by simultaneously applying cooperative values, principles and practices. This is in line with this study in which the intended objective is to examine the influence of SACCOs in entrepreneurial capacity development in Dagoretti South Constituency, Kenya.

Elsewhere, Okwany, (2010) and Wanyama, (2009) in their study found out that SACCOs play a critical role in entrepreneurship development, through the delivery of, responsive, affordable and market oriented financial services tailored to the specific needs of its members. They mobilize significant volumes of personal savings and channel them into small loans for productive and provident purposes at the community level.



In their study on SACCOs, Lawrence, Benjamin, Desterio, and George, (2009) observed that Investment is the most certain way through which a country can sustain its growth and development. However, the levels of domestic savings and investment in Kenya have been very low meaning that though seen as alternatives to commercial banks, SACCOs are yet to take up their role in providing credit needed for investment purposes (Adam et al., 2011). A study by WOCCU, (2008) has shown that 38.3% of Kenyans are not included in financial services and use. All these indicate low levels of investment in Kenya. The problem of low savings and investment comes at a time when African Confederation of Co-operative Savings and Credit Association [ACCOSCA], (2011) workshop has classified SACCOs as vehicles for economic growth and entrepreneurship.

In another study by Kimani (2007), it was found that the main causes of inefficiency and ineffectiveness in credit administration were unqualified staff in SACCOs; inadequate funds to lend; inadequate training; lack of effective technology; weak internal control systems; and credit management committee is very powerful and able to manipulate the lending. The study by Kimani (2007) identified the causes of inefficiency and ineffectiveness in credit administration in SACCOs; and growth and sustainability of SACCOs was related to the stewardship and legal framework

### **3.0 RESEARCH METHODOLOGY**

Descriptive survey research design was adopted for this study. This design was chosen because it involves data collection from existing population units with no particular control over factors that may affect the characteristics of interest in the study (Berinsky, 2008). Information obtained from the Dagoretti South Constituency offices, revealed that there were 1860 registered SACCOs. The participants for this research study consisted of 1,870 registered SACCOs in Dagoretti South Constituency of Nairobi County. This means that the study targeted all the 1,860 SACCOs in Dagoretti South Constituency. The study used a sample of 318 respondents. The researcher administered a total of 318 questionnaires to the relevant respondents in an effort to achieve the necessary information. Self-administered questionnaires allowed the participants to respond to the questions by themselves and at their own pace

Data collected was purely quantitative and was analysed by descriptive analysis including SPSS (V. 21.0) and MS Excel to describe the data and determine the influence of SACCOs in entrepreneurial capacity development in Dagoretti South Constituency, Kenya. In addition, the researcher conducted a multiple regression analysis in order to determine the influence of SACCOs in entrepreneurial capacity development in Dagoretti South Constituency. The researcher used ordinary least squares method for estimation. Regression analysis was used to predict the value of the dependent variable on the basis of the independent variables. Regression analysis is concerned with the study of the dependence of one variable, the dependent variable, on one or more other variables, the explanatory variables with a view to estimating and or predicting the population mean. The multivariate regression equation was;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Where;        **Y** = Entrepreneurial Capacity Development  
                  **X1** =Access to Finance  
                  **X2** = Deposits/share Capital  
                  **X3** = Entrepreneurship Education  
                   $\varepsilon$  = Error term/Erroneous variables

## 4.0 RESULTS AND FINDINGS

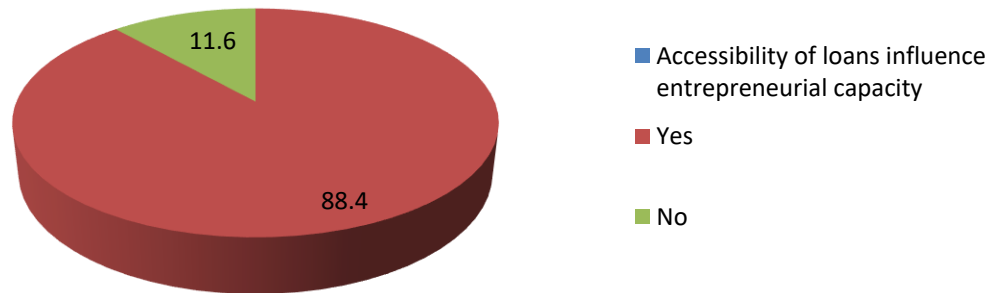
### 4.1 Descriptive Statistics of the study Variables

#### 4.1.1 Access to Finance/Loans

Item 5 of the questionnaire sought to determine whether access to loans influence SACCO members' entrepreneurial capacity development in Dagoretti South constituency, Kenya. This is shown on Table 1. From the responses, 88.4% indicated yes while 11.6% indicated no. With affirmation of 88.4% the findings indicate that credit access is pivotal in influencing entrepreneurial activities by SACCO members.

**Table 1: Influence of access to loan entrepreneurial capacity development**

Influence of access to loans	Frequency	Percentage
Yes	188	88.4%
No	25	11.6%
<b>Total</b>	<b>213</b>	<b>100%</b>



**Figure 2: Influence of access to loan entrepreneurial capacity development**

6 of the questionnaire sought to determine how accessibility to loans influences SACCO members' entrepreneurial capacity development in Dagoretti South constituency, Kenya. This was done by use of a five point likert scale where 1= strongly disagree, 2= disagree, 3= neutral, 4= agree and 5= strongly agree. Five items were developed to measure the extent of this relationship. The composite mean score for these items was 3.57863 while the composite standard deviation was 0.42134. In respect to the study, the implication of this result meant that the respondents agreed that easy access to loans influence SACCO members' entrepreneurial capacity development in Dagoretti South constituency.

These findings agree with Chigunta (2012), who observed that young entrepreneurs face key constraints and challenges in accessing funding for their business ventures. These include lack of personal savings and resources, lack of securities and credibility (for debt financing), lack of business experience and skills (for debt financing), strict credit-scoring methodologies and regulations, complex documentation procedures, long waiting periods (time needed to decide on an application for funding), lack of knowledge, understanding, awareness of start-up financing possibilities, unfavorable firm characteristics and industry and legal status/form of enterprise.

**Table 3: Means and Standard Deviations of accessibility to loans**

No	Item	Mean	Std Dev.
6a	Loans are only accessible to few SACCO members.	3.50731	0.4595077
6b	There is delay of Loans applied and therefore no need of applying	2.482456	0.4820163
6c	The interest charged on loans by the SACCO is fair as compared to banks	4.868421	0.3395249
6d	The loans given by SACCOs are too small to help in starting a business	3.859649	0.9395649
6e	Our SACCO does not consult or involve us in business investments	4.701754	0.9395649
6f	I obtain investment funds from elsewhere other than the SACCO	1.742105	1.373446
6g	Financial strength of SACCO has an effect on members' entrepreneurial capacity development	4.359649	0.6115003
6h	Dividends are too little for investment	3.938596	1.184599
6i	Running a business is hard	4.036842	.8015762
6j	There is no investment advice given by SACCO	2.289474	.9931062
Composite Mean = 3.57863			
Composite Standard Deviation = 0.42134			

Item 6a sought to establish whether loans are only accessible to few SACCO members. The mean score was 3.50731 while the standard deviation was 0.4595077. This result indicates that the majority of the respondents agreed loans are only accessible to few SACCO members. On the other hand, Item 6b sought to establish whether there is delay of loans applied and therefore no need of applying. The mean score was 2.482456 while the standard deviation was 0.4820163. This result indicates that the majority of the respondents disagreed that there is delay of Loans applied and therefore no need of applying. Item 6c sought to establish whether interest charged on loans by the SACCO is fair compared to banks. In this case, the mean score was 4.868421 while the standard deviation was 0.3395249. This result indicates that the majority of the respondents strongly agreed that interest charged on loans by the SACCOs is fair compared to banks. Additionally, item 6d sought to establish whether loans given by SACCOs are too small to help in starting a business. The mean score was 3.859649 while the standard deviation was 0.9395649. This result indicates that the majority of the respondents agreed that loans given by SACCOs are too small to help in starting a business. Likewise, Item 6e sought to establish whether SACCOs consult or involve members in business investments. The mean score was 4.701754 while the standard deviation was 0.9395649. This result indicates that the majority of the respondents strongly agreed that SACCOs do not consult or involve members in business investments. Item 6f sought to establish whether the respondent obtain investment funds from elsewhere other than the SACCO. The mean score was 1.742105 while the standard deviation was 1.373446. This result

indicates that the majority of the respondents strongly disagreed that they obtain investment funds from elsewhere other than the SACCO.

Item 6g sought to establish whether the financial strength of a SACCO has an effect on members' entrepreneurial capacity development. The mean score was 4.359649 while the standard deviation was 0.6115003. This result indicates that the majority of the respondents strongly agreed that the financial capacity of a SACCO has an effect on members' entrepreneurial capacity development. Item 6j sought to establish whether members do find investing in a business a difficult task. The mean score was 4.036842 while the standard deviation was 0.8015762. This result indicates that the majority of the respondents agreed that members find investing in a business as a difficult task. Moreover, item 6k sought to establish whether SACCO gives investment advice to members. The mean score was 2.289474 while the standard deviation was 0.9931062. This result indicates that the majority of the respondents disagreed that SACCOs do not give investment advice to members. The composite mean score for these items was 3.57863 while the composite standard deviation was 0.42134. In respect to the study, the implication of this result meant that the respondents agreed that easy access to loans influence SACCO members' entrepreneurial capacity development in Dagoretti South constituency. The findings agree with Wanyama et al. (2008), who observed that where there is existence of short duration in credit access, favorable terms of payment, flexible security and the provision of supplementary services fitting the needs of the target group, potential borrowers will apply for credit

#### 4.1.2 Influence of Share Capital

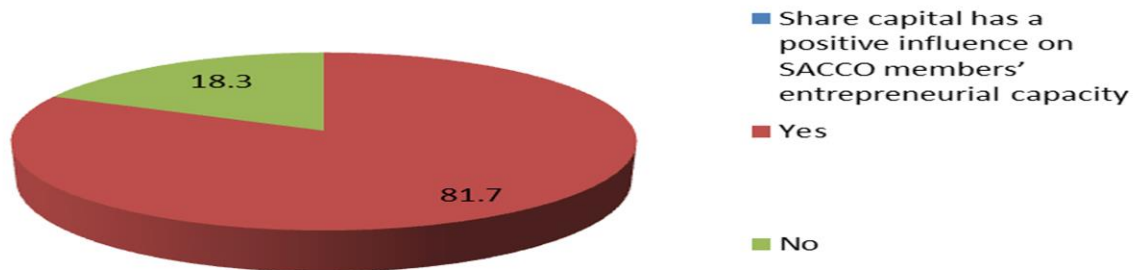
The respondents were asked whether share capital influence SACCO members' entrepreneurial capacity development in Dagoretti South constituency. From the responses, 81.7% indicated yes while 18.3% indicated no. this means that majority of the respondents' agreed that share capital in the SACCO was critical in shaping their investments. This information was important to the study since it is argued that share capital ensures permanency, provide cushion to absorb losses and impairment of members' savings. Share Capital ensures the permanence and growth of the SACCOs even in turbulent economic times and therefore important point in shaping entrepreneurial capacity of members.

With respondents agreeing that share capital has a positive influence on SACCO members' entrepreneurial capacity development, the findings are congruence with Turto, (2008) who found that financial cooperatives provide safe facilities for savings, enabling savers to smooth consumption, prepare for emergencies, gradually accumulating financial resources, self-financing the purchase of durable goods, and thus making investments.

**Table 4: Influence of Share Capital**

Influence of Share Capital	Frequency	Percentage
Yes	174	81.7%
No	41	18.3%
<b>Total</b>	<b>213</b>	<b>100%</b>





**Figure 3: Influence of Share Capital**

These findings agree with a study by Hein (2008) where it was found that increasing shareholder power would either have positive (finance-led), negative (normal) or intermediate (profits without investment) effects on capacity utilization, profits and capital accumulation. In the medium run, the positive (finance-led) effects may have to be maintained in a stable environment under very special conditions, whereas the negative (normal) and the intermediate (profits without investment) effects turn into cumulative disequilibrium processes with falling rates of capacity utilization, profits and capital accumulation and rising debt and rentiers' equity-capital-ratios. According to Hein (2008), the growth of members' wealth was determined by shareholders' power.

Indeed a study by Porkodi and Aravazhi, (2013) concur that investment through SACCOs is an entrepreneurial activity in the sense that investments includes shares and deposits which are usually multiplied by a factor which may either be two or three or even one and a half so as to maximise loans applied for.

#### **4.2.3 Entrepreneurship education**

The respondents were asked to rate how the level of education influence SACCO members in entrepreneurial capacity development in Dagoretti South Constituency. This was important to the researcher because managerial and financial stewardship is viewed as the routine backbone decision-making of enterprises. The role of education is critical in shaping sound and informed vertical and horizontal decisions by providing better intermediary between savings and investments. Majority of the respondents agreed that academic education helps in creating entrepreneurial capacity. This is in congruence with Chigunta (2012), who assert that most budding entrepreneurs do not bring many skills (such as technical, managerial, strategic, personnel, and marketing skills) and experience to their business from previous experience as workers which imply a limited transfer of skills. As the enterprise begins to grow, the owner/ manager require new skills to take the enterprise to the next level of growth.

Majority of the respondents agreed that entrepreneurship training influence business interest. This is in line with Turto, (2008) who found that entrepreneurial training contributes positively to

household welfare through improving household production or smoothing consumption over time and Garavan,(2007) who affirms that entrepreneurial education has been advocated as essential for every enterprise. Organisations should utilize training to varying extents and with varying success and as agreed by Tharenou, (2006).training is crucial in productivity as it influences the quality, depth and flexibility of members' skills and generates positive attitudes such as job satisfaction

**Table 5: Entrepreneurship education**

Influence of Entrepreneurship education	Frequency	Percentage
Yes	157	73.7%
No	56	26.3%
<b>Total</b>	<b>213</b>	<b>100%</b>

The findings of the study are in line with Schoof (2006) who argue that, there is a lack of on-the-job training focusing on technical aspects of starting up a business (business plan preparation, project formulation, start-up administration, procedural details, forms, duration, what to do and in what order, accountancy, taxation, etc.). Not surprisingly, Schoof (2006), agrees with our findings that entrepreneurship education is one of the initiatives that can be designed to enhance skills and knowledge in entrepreneurship.

A study by Lopoyetum and Karthikeyan, (2003) also agree with the findings. The study asserts that cooperative entrepreneurship through SACCOs deals with undertaking and assuming the responsibility to discover, innovate and initiate cooperative effects of higher growth of cooperative organizations and better socio economic patterns of entrepreneur members and community by simultaneously applying cooperative training, values, principles and practices.

In support of this view and findings of this study is Okwany, (2010;) and Wanyama, (2009) who in their study found out that SACCOs play a critical role in entrepreneurship development, through the delivery of, responsive, affordable and market oriented financial services tailored by SACCOs to the specific needs of its members by mobilizing significant volumes of personal savings and channelling them into small loans thereby ensuring efficiency in investments.

In conclusion, the study revealed that the entrepreneurship education offered by SACCOs impacted positively on entrepreneurs by inculcating positive attitudes toward self-employment, improving business management skills and thus whetting appetite for credit.

#### 4.2 Regression Analysis

A regression analysis was conducted to explain the influence of SACCOs in entrepreneurial capacity development in Dagoreti South constituency, Kenya. Regression analysis was conducted using STATA analytical software. The regression model used in this study is as shown.

Entrepreneurial Capacity Development = f (Access to Loans, Share capital, Entrepreneurship education)

$$y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Where:

y = Influence of SACCOs in Entrepreneurial Capacity Development

X<sub>1</sub> = Access to Loans

X<sub>2</sub> = Deposits/share capital

X<sub>3</sub> = Entrepreneurship education

$\varepsilon$  = Error term

**Table 6: Ordered Probit Results for Access to Loans, Share capital, Entrepreneurship education and Entrepreneurship Experience**

Influence of SACCOs in Entrepreneurial Capacity Development	Coef.	Std. Err.	P value
Access to Loans	-0.437253	0.7901336	0.0403
Share capital	0.3620392	0.2896499	0.0480
Entrepreneurship education	0.2495407	0.2953548	0.0383
Composite Mean = 3.68053			
Composite Standard Deviation = 0.4768			

$$r = 0.3729$$

The calculated correlation coefficient shows that  $r = 0.3729$ . According to Shirley et al. (2005), the strength of the relationship was considered weak for  $0.1 \leq r \leq 0.29$ , moderate for  $0.3 \leq r \leq 0.59$  and strong if  $0.6 \leq r \leq 0.9$ . It can, therefore, be concluded that there is a moderate positive correlation between Access to Loans, Shares, Entrepreneurship education and Entrepreneurship Experience.

The p-values indicate the statistical significance of the relationship. A p-value of less than 0.05 is recommended as it signifies a high degree of confidence. With all the independent variables having  $p < 0.05$ , this indicates that there is a significant relationship among all the four variables with the influence of SACCOs in entrepreneurial capacity development in Dagoreti South constituency. From the results, a unit % increase in Access to Loans would result to 44% decrease in share capital. Additionally, a unit % increase in entrepreneurship education would result to 36% increase

on the influence of SACCOs in entrepreneurial capacity development in Dagoretti South constituency.

Having the composite mean as 3.68053 and the standard deviation as 0.4768, meant that the respondents agreed that Access to Loans, Share capital, and Entrepreneurship education had a significant influence on SACCOs in influencing entrepreneurial capacity development in Dagoretti South constituency.

## **5.0 CONCLUSIONS AND RECOMMENDATIONS**

### **5.1 Conclusions**

The objective of the study was to find out the influence of SACCOs in entrepreneurial capacity development in Dagoretti South Constituency. The study concludes that SACCOs play a critical role in entrepreneurship development; through the delivery of, responsive, affordable and market oriented financial services tailored to the specific needs of its members and that SACCOs promotes entrepreneurship capacity as a viable, poverty reduction development strategy given that many new jobs are being created through small enterprises and self-employment.

There was unanimous agreement that is lack of entrepreneurial training in SACCOs negates this performance while SACCOs products and business innovation is becoming a critical reference point for many enterprises. There is evidence of a great shift from the traditional financial products to high returns investments e.g. real estate development and investment in in greenhouse farming in which SACCOs engage in. Despite gravitations towards these ventures, it is crucial for SACCOs to exploit new opportunities to gain competitive advantage through viable strategic plans that include members in decision making as far as investments are concerned. Indeed there is need for a shift from traditional savings credit giving SACCOs to building new strategies by equipping members through both information and requisite skills for sound entrepreneurship.

SACCOs should put premium in entrepreneurial education both at corporate and membership level to improve SACCOs performance over time, since both business and the entrepreneurial skills are really of importance in the business world as confirmed by Smith &Perks, (2006).who assert that business and entrepreneurial skills are important for the sustainability and profitability of businesses. The input of SACCOs in initiating budding entrepreneurs will become a rare gem in Kenya. Many SACCOs that have identified this requisite attribute are growing big in members' contribution through return on investments with capital base growing and resulting in more financial muscle to invest even more.

## **5.2 Recommendations**

This section outlines recommendations arising out of the study

### **5.2.1 Credit Access**

The role of SACCOs in providing savings and credit access should be expanded to include building capacity by empowering members in knowledge and skills. As a result, members will make viable investments decisions that in the long run will enhance SACCOs' equity and that of members.

In consequence, this will be in line with the GOKs vision 2030 blue print that emphasis the role to be played by financial intermediaries in the mobilization of savings and development so as to achieve economic growth and realization of the vision that is clearly placed on the ability of entrepreneurial innovations. Thus SACCOs should embrace other economic activities that will enable them mobilize savings from members and be able to create investments that will have a favorable return on investment to members.

With the Kenya government steering towards industrialization in her vision 2030, entrepreneurship training should be the first gear towards this direction. Many countries have prospered as a result of constructing and embracing entrepreneurial culture among their population. SACCOs are a good starting point especially in rural-urban areas where government devolution tentacles have started to spread.

### **5.2.2 Share Capital**

SACCOs should strive to maximize on the earnings to build the institutional capital. This institutional capital ensures the permanence and growth of the SACCOs even in turbulent economic times. In fact, it would help the SACCOs to grow and, remain economically and financially viable. Such growth should be enhanced by effective financial practices not to mention entrepreneurial training.

### **5.2.3 Entrepreneurial Education**

SACCO member's borrowing frequency can be enhanced through regular education meetings where members are educated on the products and services offered by the SACCO so as to increase their entrepreneurial economic strength. SACCO members can be trained through basic concepts of entrepreneurship and knowledge of business planning which is essential to the success of the entrepreneur of a small business. Specifically members should be taught how to generate, identify and select business ideas and additionally introduced to the linkages between an entrepreneur and all the resources and services needed to successfully launch and sustain a small enterprise

## **5.3 Areas for Further Research**

While the purpose of SACCOs is to mobilize members' funds and grant credit for the members', the following directions for future research in growth of SACCOs' entrepreneurship capacity are recommended:

- i. Study is recommended on effects of SACCO managers' capacity on entrepreneurial stewardship of SACCOs



- ii. Study on the gap between SACCOs wealth and members and the consequent reasons thereof
- iii. Study to investigate SACCOs gravitation towards conversion into banks as opposed to growing members investments portfolio.

## REFERENCES

- Adam, C., Collier, P., & Ndungu, N. (2011), Kenya. Policies for Prosperity. Oxford University Press.
- Aggarwa, S. Klapper, L. Singer, D (2012) Financing Businesses in Africa The Role of Microfinance. World Bank Policy Research Working Paper 5975
- Anyanzwa, J. (2013, April 2). National Bank Diversifies in New Turnaround Strategy. The Standard Newspaper, p. 13
- Bharti, N. and Shylendra H. (2011). Microfinance and Sustainable Micro Entrepreneurship Development. Institute of Rural Management, Anand, Gujarat.
- Ewiwile, S. Azu, B. and Owa, F. (2011) effective financing and management of small scale businesses in delta state, Nigeria: a tool for sustainable economic growth International Journal of Economic Development Research and Investment Vol 2 No. 3, Dec. 2011
- Kyendo, M. (2011). The Growing Power of Savings and Credit Co-operative Societies in Kenya ([http://www.investmentnewskenya.com/the\\_growing\\_power\\_saving-and\\_cooperative\\_societies- in\\_Kenya](http://www.investmentnewskenya.com/the_growing_power_saving-and_cooperative_societies- in_Kenya))
- Lawrence, K. K., Benjamin, K. M., Desterio, E. O., Shem, A. O., & George, O. (2009). Determinants of Household Saving: Case Study of Smallholder Farmers, Entrepreneurs

---

and Teachers in Rural Areas of Kenya. Journal of Development and Agricultural Economics vol 1 (7), pp. 137- 143

Okwany A (2010). Transformative Development: harnessing Cooperative Entrepreneurship Advantage for Women and Youth in Africa. Paper presented to the 11th SACCA Congress Meeting on fostering the Culture of entrepreneurship and Innovation in SACCOs held in Swaziland