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Influence of Regulatory System on Implementation of Strategic Plans of Deposit - Taking Co-Operatives in Nairobi County

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Abstract: **The regulatory system may be cited as the Sacco Societies (Deposit Taking Sacco Business) regulations 2010.The purpose of these regulations is to provide minimum operational regulations and prudential standards required of a Deposit-Taking Sacco Societies (DTS) in Kenya. The purpose of this study was to establish the influence the regulatory system on implementation of strategic plans DTS in Nairobi County. The study targeted the Chief Executive officers of licensed DTS in Nairobi County. The study used questionnaires to collect primary data and such formal records and SASRA reports to collect secondary data. Purposive sampling method was adopted to identify a population that constituted the sample. The quantitative data collected was analyzed by the use of descriptive statistics using the statistical package for social science (SPSS) and the results were presented informs of tables and graphs. Corporate governance and risk management regulations had great influence on implementation of Saccos strategic plans while regulation on capitalization had some influence but not as significant as the first two. This therefore led to conclusion that the regulatory system has influence on implementation of strategic plans of Saccos in Kenya.**

Keywords: **Deposit taking Saccos, Regulatory system, Strategic Plan, Implementation.**

1. INTRODUCTION

This chapter provides background information of the study Saccos in Kenya and Strategic Plan Implementation. It covers the research problem, objectives, research questions, importance, scope, limitations and conceptual framework of the study.

A Cooperative is an autonomous association of persons united voluntarily to meet their common economic, social, cultural needs and aspirations through jointly owned and democratically controlled enterprise (ICA2004.The Sacco industry is part of the cooperative sector in Kenya, which has impacted on lives of many disadvantaged Kenyans over the years. The sector may be categorized into financial and non-financials cooperatives. Non-financials cooperatives deal with the marketing of members' produce and services. .

The Sacco sub sector can be described as two-tiered given the range of financial services to members and regulatory regime. The traditional savings and credit cooperative societies (Sacco), described in law as Non-Deposit Taking Sacco provide a limited range of savings and credit products, are registered and supervised under the cooperative Societies act, CAP 490.The Deposits Taking Sacco's (DTS) besides the basic savings and credit products, also provide basic banking services (demand deposits, payments services and channels such as quasi banking services commonly known as ATMs). FOSA operating Sacco's are licensed and supervised under the Sacco Societies Act of, 2008. The general trend is that Sacco's start as non-deposit taking Sacco business and grow to Deposit Taking Sacco business to expand the range of financial services to members.

The DTS Societies are part of the larger Sacco sub-sector in Kenya which comprises the DT and non -DT Societies. The non- Deposit Taking segment is composed of those Sacco Societies whose business is limited to mobilization of deposits (non- withdrawal) for purposes of lending to members. The deposits are non-withdrawable in that they may be used as collateral for loans only, and can only be refunded upon the member's withdrawal. On the other hand, the DT segment of the sub-sector is composed of those Sacco Societies which undertake both withdrawable deposits and non-withdrawal deposits. Whereas the non-withdrawable deposits portion of the business may be used as collateral and are not refundable unless on withdrawal from the membership, the withdrawable deposits portion of the business can be accessed by the members at any time.

The Sacco Societies Act and Regulations 2010 made there under however apply only to DTS Societies because regulations relating to non-deposit taking business have not been developed. The Authority's supervisory and regulatory mandate under the Sacco Societies Act and Regulations 2010 therefore applies only to DTSs.

By December 2014 there were over 6,000 registered non-Deposit Taking Sacco in Kenya, 1,995 of which were active. Active in this context means the Sacco's that filed their audited financial statements with the commissioner for Cooperative Development as a legal requirement. The 215 DTS accounts for 78% of the total assets and deposits of the entire Sacco sub-sector. Further, they command 82% of membership in the Sacco industry (SASRA-Supervision annual report, 2014).

There were a total of 135 licensed DTSs at the beginning of the year 2014, out of 215 DTSs which had submitted their applications for deposit taking business. The remaining 80 DTSs were required by law to have attained the minimum licensing requirements and be licensed on or before 18th June, 2014 upon the lapse of the four years transition period which was provided in section 68 of the Sacco Societies Act Cap 490 B) as read with Regulation 84 of the Sacco Societies (Deposit taking Business) Regulations, 2010.

The Authority had a total of 184 licensed DTSs during the year 2014 but at the close of the year 2014, three DTSs had their deposit taking licenses revoked and not renewed for the year 2015 due to their persistent failure to address non-compliance issues which put the interest of member deposits and financial sustainability of the deposit taking business at risk. They were directed to revert to BOSA under the Co-operative Societies Act (SASRA –Sacco Supervision Annual report, 2014).The Authority did put one DTS under statutory management during the year 2014,for purposes of protecting the deposits of the members therein which resulted from an acute liquidity challenges ,rendering the DTS incapable of meeting its short term obligations, particularly the deposit taking ones.

Strategic plans are laid out goals and objectives that an organization wishes to accomplish together with the mechanisms put forward to achieve these goals. According to Pearce and Robinson, (2009), Strategic planning involves making choices and decisions about the long–term future of an organization. Such resources include human resources as well as material resources. Coopey and Burgoyne 2011 further define strategic planning as a process that provides direction for the whole organization.

Strategic plan implementation is the process in which the laid out goals are made a reality. According to a report by Innovation Insight Series Number 21, implementation is the hardest part of any strategic plan. For it to be a success, this process has to be continuous throughout the whole phase (Innovation Insight, 2009). Implementation should follow a SWOT (Strengths, Weaknesses, Opportunities and threats) analysis.

Strategic planning however cannot be casually or easily developed and all the stakeholders have to commit their resources for it to be successful. Without proper implementation and execution, any strategic plan is bound to fail. According to Johnson (2004), 66% of strategic plans developed by organizations mostly fail at the implementation stage.

Lack of co-ordination and communication between the various stakeholders has been cited as the major contributor of strategic plan implementation failure. Because of its perceived contribution to organizational effectiveness (Thompson &Strickland, 2007), the concept and practice of implementing strategic plans has been embraced worldwide and a cross various sectors. Both public and private organizations have adopted the practice of implementing strategic plans to guide them in achieving organizational goals. Steiner (1979) noted that the framework for formulating and implementing strategies requires a strong backbone in the formulation process. However, he observed that due to the misunderstanding of the factors that influenced the implementation process, adoption of strategic management often led to incomplete implementations. Strategic Plans are therefore a means to the end of achievement of organization objectives. However good a strategic plan may appear, non-implementation therefore renders it meaningless.

Regulation is meant to not only protect consumers but to also ensure smooth running of operations in SACCOS. Regulation could be a difficult process especially for upcoming Sacco's and organizations and its impact on set goals is inevitable. Depending on how well the organization is prepared; regulation can have both negative and positive effects on implementation of organizational strategic plans in order to achieve strategic objectives.

Ngaira ,(2011), in her study to evaluate the impact of Sacco regulatory authority guidelines on Sacco operations, found out that regulations led to improved management. With improved management, strategic plan implementation is viable (Wernham, 2004). Increased cash flow due to the capital adequacy requirement by SASRA also contributed to the growth of loan portfolio which is the major activity and asset of Sacco's. According to Ngaira, a Sacco that adheres to set rules is more likely to portray a better image to the public. This eventually leads to trust of the Sacco by the public that the Sacco is accountable and transparent.

Statement of the Problem:

Lack of regulation and inadequate supervision has been the biggest weakness of the Kenyan Sacco system. This has partially been responsible for the absence of standardized policies and procedures for SACCOs and the absence of an accounting system appropriate to the needs of SACCOs**.** The enactment of the new Sacco Societies Act 2008 that led to the formation of SASRA and accompanying regulation 2010 was expected to streamline and professionalize SACCO operations hence improve on their performance. The regulations came in against a backdrop of losses and compromised profitability, loss of members to banks and other financial institutions, incompetent staff and poor corporate governance. All licensed DTS are required to review and align their policies and systems to the regulatory standards to underscore the business risks attendant to them namely credit, operational, market and legal (SASRA,2012). More specifically at operational level, regulations require SACCOs' to reconstitute their boards, improve on corporate governance and upgrade staff competence in order to improve profitability. Since the enactment of these regulations, there has been increased empirical attention on the effect of the regulator on the financial performance of SACCOs' in the country (Kioko, 2010). However, empirical studies have avoided looking at specific aspects of these regulations particularly their influence on implementation of strategic plan in the SACCOs. The new SACCO Society Act (2008) provides for registration and licensing of SACCOs, prudential rules and guidelines, standard forms of accounts, amalgamations, divisions and liquidations, establishment of SACCO Societies Regulatory Authority, Depositors Guarantee Fund, Central Liquidity Fund, and Disclosure norms.

The study therefore sought to analyze the influence of regulatory system on implementation of strategic plans of DTS in Kenya with specific reference to selected SACCOs in Nairobi County.

2. RESEARCH OBJECTIVES

General Objective:

The broad objective of the study is to examine the influence of regulatory system on implementation of strategic plans of Saccos in Kenya.

Specific objectives:

I) To examine the influence of corporate governance regulations on strategic plan implementation of SACCOS in Kenya.

ii) To establish the effect of capitalization regulations on strategic plan implementation of SACCOS in Kenya.

iii) To determine the relationship between risk management regulations and strategic plan implementation of SACCOS in Kenya.

Research Questions:

i) To what extent, does corporate governance regulation influence the implementation of strategic plans of Saccos in Kenya?

ii) How does a capitalization regulation influence the implementation o f strategic plans of Saccos in Kenya?

iii) What is the effect of risk management regulations on the implementation of strategic plans of Saccos in Kenya?

Justification of the study:

Saccos are important in personal financial development of their members and a major contributor to economic development of the economy. Because of their importance to the economy, the Government enacted the Sacco Societies Act 2008 and accompanying regulations in order to address four fundamentals of the sector: access, efficiency, stability and consumer protection and therefore Knowledge of how the regulatory system influences implementation of Sacco's strategic plans should be made available so that many Saccos can benefit from it. The study is important to the following parties:

To Saccos-The findings of this study will help the management of Saccos to make informed strategic decisions that will help them to achieve their goals and become competitive in the financial sector.

To stakeholders-The study will also provide the Sacco fraternity and other stakeholders with information and methodologies, which can be replicated in ensuring that the strategic plans developed, have positive impact on the Saccos development and enhance the gains made.

To academicians and researchers-The study will help in suggesting areas of improvement thus providing a doorway for more research on the factors influencing strategic plan implementation of Saccos in Kenya.

To Customers, Depositors and Members of the public-Through the findings of the studies, members of the public will have adequate information to enable them make an informed decision on which Saccos they are willing to take membership or do business with.

Scope of the study:

The study focused on influence of regulatory system on implementation of strategic plans of Saccos in Kenya with specific reference to DTSs in Nairobi County.

3. LITERATURE REVIEW

Introduction:

This chapter reviews theoretical and empirical literature related to strategic plan implementation which also leads to development of conceptual frameworks. From the conceptual framework, both independent and dependent variables are reviewed.

Theoretical Review:

According to public interest theory, government regulation is the instrument for overcoming the disadvantages of imperfect competition, unbalanced market operation, missing markets and undesirable market results. In the first place, regulation can improve the allocation by facilitating, maintaining, or imitating market operation. The exchange of goods and production factors in markets assumes the definition, allocation and assertion of individual property rights and freedom to contract (Pejovich, 1979).

The Theory of Economic Regulation' by Stigler (1971) central proposition was that 'as a rule, regulation is acquired by the industry and is designed and operated primarily for its benefit'. The benefits of regulation for a branch of industry are obvious. The government can grant subsidies or ban the entry of competitors to the branch directly so that the level of prices rises. In the second place, the government can maintain minimum prices more easily than a cartel. In the third place, the government can suppress the use of substitutes and support complements. An example of support to complements is the subsidizing of a Economic theory offers two complementary rationales for regulating financial institutions. Altruistic public-benefits theories treat rules as governmental instruments for increasing fairness and efficiency across the society as a whole. Agency-cost theory recognizes that incentive conflicts and coordination problems arise in multi-party relationships and that regulation introduces opportunities to impose rules that enhance the welfare of one sector of society at the expense of another (Diamond *et.al.*, 1983).

The competition theory suggests that there exist a market for regulation, in which consumers and producers compete (Becker, 1985). Excessive competition can be at the expense of safety and reliability when consumers are not in a position to assess the quality of goods or services (Kahn, 1988). Regulation will serve the interests of those who are willing to offer the most for the regulation. Since regulation can be regarded as a public good, the free-rider problem suggests that the benefit to the individual consumer is likely to be small relative to the producer (Posner, 1971).Therefore producers will have more incentive to try and obtain favorable regulation through industry associations.

Review of variables:

Strategic plans:

Strategic plans are laid out goals and objectives that an organization wishes to accomplish together with the mechanisms put forward to achieve these goals. According to Pearce and Robinson, (2009), Strategic planning involves making choices and decisions about the long–term future of an organization. Such resources include human resources as well as material resources. Coopey and Burgoyne 2011 further define strategic planning as a process that provides direction for the whole organization

Strategic plan implementation is the process in which the laid out goals are made a reality. According to a report by Innovation Insight Series Number 21, implementation is the hardest part of any strategic plan. For it to be a success, this process has to be continuous throughout the whole phase (Innovation Insight, 2009). Implementation should follow a SWOT (Strengths, Weaknesses, Opportunities and threats) analysis.

Strategic plan Implementation tactics:

In a study to identify the effects of implementation tactics on strategic plan implementation, Aosa (1992), discovered four types of implementation tactics used by managers in making planned changes by profiling 91 case studies: intervention, participation, persuasion, and edict. According to him "The study found a 100 percent success rate when key executives used an intervention tactic, but observed this tactic in less than 20 percent of the cases. Both the persuasion and 20 participation tactics had 75 percent success rates; persuasion had the highest frequency of use, 42 percent, and participation the lowest, 17 percent. Implementation by edict had a 43 percent success rate and a 23 percent frequency of use".

On the intervention tactics, he identified introduction of new practices as the core constitute of this tactic. In participation, the necessary personnel are identified to form a team that will spearhead the implementation process. Persuasion includes convincing employees of the benefits of the strategic plan and encouraging them to be part of it while an edict refers to giving the directions to be followed during implementation. Five approaches can aid in strategic plan implementation. The five approaches include Commander Model, Change model, Collaborative model, Cultural model and Crescive model**.** In the commander model, the firm's future is charted by the executive officers, in the change model; organization culture is reviewed to fit the strategic plan. The collaborative model involves the executive officer involving other top leaders cultural model and implementation of the strategic plans.

Regulation and strategic plan implementation:

Regulation is meant to not only protect consumers but to also ensure smooth running of operations in SACCOS. Regulation could be a difficult process especially for upcoming Sacco's and organizations and its impact on set goals is inevitable. Depending on how well the organization is prepared; regulation can have both negative and positive effects on implementation of organizational strategic plans in order to achieve strategic objectives.

Strategy and Corporate Governance regulation:

Corporate governance is a system of rules, practices and processes by which an organization is directed and controlled. Corporate governance essentially involves balancing the interests of the many stakeholders in an organization which includes directors, employees, customers, suppliers, financiers, government and the community. Corporate governance provides the framework for attaining an organization's objectives and therefore encompasses practically every sphere of management from action plans and internal controls to performance measurement and corporate objectives.

The development, planning, implementation, monitoring and evaluation of strategic plans heavily depend on sound corporate governance and organization structures in a given institution. Strong corporate governance structures ensure that good operational policies and systems are in place, effective management staff and operational staff are hired competitively and professionally and offer strong supervision and oversight role. Effective implementation will also depend on a manager who must provide leadership if the people in his/her organization are to work together to achieve its goals and mission. Aosa (1992) noted that participating in the implementation of strategic plans varied with some companies exhibiting high participation while others had low participation as dictated upon by their management style. In Kenya, Co-operative leadership has drawn the attention of various stakeholders and organizations making them notice rethink and embrace their various organizational concepts in order to effectively implement strategic plans that are vital in a very competitive atmosphere.

Strategy and capitalization regulation:

The SACCO Societies Act (2008) and the Regulations there under defines capital and provides the minimum capital required for a SACCO Societies in the deposit taking Sacco business. Deposit taking SACCO Societies are required pursuant to Section 9 of the SACCO Societies (Deposit Taking SACCO Business) Regulations (2010) to maintain and compute capital adequacy ratios regularly.

This regulation is meant to ensure that each SACCO Society maintains a level of capital which is adequate to protect or cushion member deposits and creditors against losses resulting from business risks that the SACCO, as a financial institution faces. These risks include credit, investment, legislative, liquidity, interest rate and competitive risks. Thus as a measure of a financial institution's safety and soundness, adequate capital promotes public confidence in the institution. Sacco Societies operating FOSAs are required under Rule 52(3b) of Cooperative Societies Rules (2004) to maintain a capital adequacy of 10% of total liabilities.

The minimum core capital for a deposit taking SACCO Society shall at all times be Kshs.10 million (ten million shillings). This must be met before a license is issued. A SACCO Society's capital levels are monitored on a continuous basis by the Authority and may be reviewed.

Sacco societies carrying out deposit taking business at the commencement of Sacco Societies (Deposit Taking Sacco Business) Regulations, 2010 are at the point of applying for license required to have: a core capital of not less than 4% of total assets which shall graduate to 10% by the fourth year; a core capital of not less than five per cent of its total deposit liabilities which gradually graduate to 8% by the fourth year; and an institutional capital of not less than two per cent of its total assets which graduate to 8% by the fourth year.

Strategy and risk management regulation:

Just like any other business entity, Sacco's are increasingly exposed to various risks and must design ways of constantly minimizing them**.** Some of the strategies of minimizing risks include operational costs reduction, strategic stewardship, risk transfer (insuring of all Sacco assets) with reputable insurance companies, following procurement procedures, good investment decisions, adhering to core business, having operational policy manuals and enforcement among others. In order to be effective in risk management, periodical reviews of strategic plans are necessary .The biggest risk that faces all Saccos is related to credit. Therefore a Sacco must undertake a review of its credit portfolio at least once every quarter and must ensure that lending conforms to approved credit policy, adequately identify and classify problematic accounts and make adequate provisions for potential loss and maintain them at all times. This study sought to determine the relationship between risk management regulations and strategic plan implementation of SACCOS in Kenya.

Empirical Review:

Kioko (2010) conducted a study aimed at establishing the impact of SASRA regulations on the financial performance of Sacco's in Kenya. The study targeted the 98 Saccos licensed by SASRA. However, the researcher only investigated the capital requirements and management efficiency but did not investigate the influence of regulations on implementation of strategic plans. Muriuki and Ragui (2010) conducted a study to establish the impact of the Sacco Societies Regulatory Authority (SASRA) Legislation on Corporate Governance in Cooperatives in Kenya and the problems that employees face. The researchers however did not investigate on strategic plan implementation and how governance affects the same.

Ngaira (2011) conducted a study on the impacts of SASRA regulations on SACCO operations in Kenya. In her study, she only researched on effects of SASRA regulations on the Saccos operation but did not research on their effect on implementation of strategic plans.

Critique on existing literature:

While the review has tried to link regulations and implementation of strategic plans, there are some private and non – Governmental organizations that are not regulated but whose strategic plan implementation has been very effective.

Furthermore some strategic plan implementation areas do not require the regulations to be effected.

Conceptual framework:

This section assesses the research variables derived from literature review to test whether there are significant relationships between the independent and dependent variable. It mainly focuses on the variables identified in the study that is related to implementation of Sacco's strategic plans. In this study, the explanatory variables are corporate governance regulation, Capitalization regulation and risk management regulation.

Independent Variables **Dependent Variable**

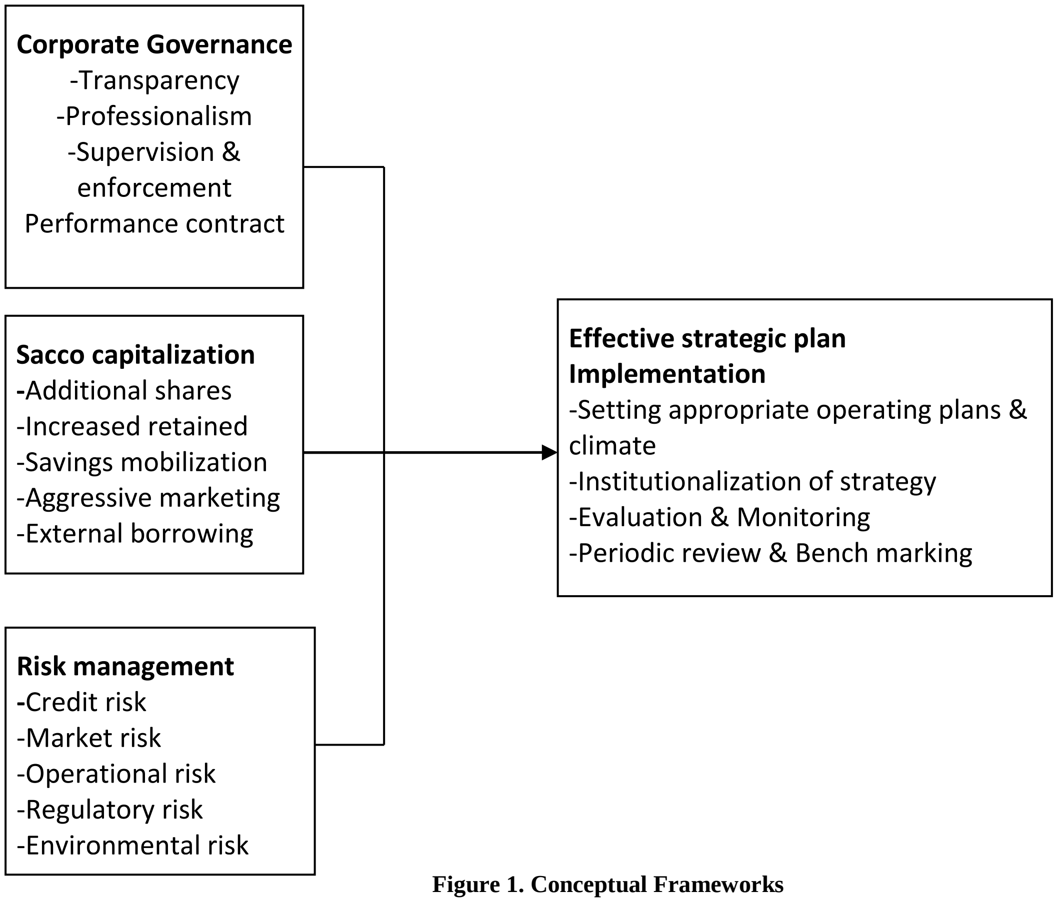

Figure 1. Conceptual Frameworks

Research Gap:

Just like many other studies, this study has some limitations. The above proposed model does not incorporate all the regulatory variables that influence the implementation of Sacco's strategic plan. Future studies should increase the scope and go beyond the proposed model. Secondly this study was more of theoretical and therefore future studies can adopt more of quantitative approaches and use regression tests in order to prove the accuracy of the findings.

4. RESEARCH METHODOLOGY

Introduction:

The chapter deals with the description of methods that were used in conducting the study. The subsections include: study area, research design, sample, sampling procedure, validity and reliability, data Collection Procedure and data Analysis.

Area of study:

This study was conducted in major licensed deposit taking savings and credit co-operative Societies in Nairobi County, Kenya. Mugenda (2006) advises that the ideal setting for any study should be easily accessible to the researcher and should be that which permits instant rapport with the informants. The area is chosen because it is within reach by the researcher.

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Research Design and methodology:

The study adopted descriptive survey design and utilized questionnaires, interviews and documentation as methods of approach. Descriptive survey design is appropriate because it involves collecting data in order to test hypothesis or questions concerning the current status of subjects of the study. It is used to test attitudes and opinions about events, individuals or procedures. According to Lewis (2009), descriptive survey designs are used in preliminary and exploratory studies to allow researchers to gather information, summarize, present and interpret for the purpose of clarification. Mugenda and Mugenda (2006) on the other hand give the purpose of descriptive research as determining and reporting the way things are. Lewis (2009) noted that descriptive survey research is intended to produce statistical information about aspects of strategic management that interest Sacco's.

Study Population:

According to Ngechu (2010), a population is a well- defined set of people, services, elements, and events, group of things or households that are being investigated. In order to achieve the objectives of this study primary data is required. Secondary data was obtained from SASRA and the population of interest of this study was all the 40 licensed DTS in Nairobi as at December, 2014. A sample of 40 Saccos was used for this study. Gay (2012) suggests that at least 10% of the population is a good representation where the population is large and 20% where the population is small. Using the entire population for the study, where possible, gives more conclusive findings as opposed to just part of the population, especially where the entire population is small.

Table 1. Sample Size

Category	Total Population	Actual Size	% Sample Size
Licensed Saccos	181	40	22

Sample Design:

Sampling means selecting a given number of subjects from a defined population as representative of that population. Any statements made about the sample should also be true of the population (Orodho, 2002). It is however agreed that the larger the sample the smaller the sampling error. The sampling method chosen for this study was purposive sampling which is a form of non-probability sampling. Purposive sampling involves a deliberate selection of particular units of population to constitute a sample representing the population (Kothari, 2004).

Data Collection Methods and technique:

The study by use of questionnaire and interviews got primary data and secondary data was obtained from published reports, journal and other related documents. A questionnaire is an instrument that asks the same question to all individuals in the sample. It is a self-administered instrument where the respondents answers all the questions and return the questionnaire. According to Gay (2012) questionnaires give respondents freedom to express their views or opinion and also to make suggestions. It is also anonymous. Anonymity helps to produce more candid answers than is possible in an interview.

Validity and reliability:

To ascertain the validity of the research instruments, the researcher presented questionnaire guide to experts for examination and verification. Validity was further ascertained through piloting. The pilot study was for establishing which relevant data would be collected using the questionnaire developed. Secondly the pilot study identified problems likely to occur when administering the questionnaire. Testing the instrument items by actual administration removes possible errors (Grinnel, 1993).

Data Analysis:

The data collected from the respondents was cleaned, coded and entered into Statistical Package for Social Sciences (SPSS). As Martin and Acuna (2002) observe, SPSS is able to handle large amount of data, has wide spectrum of statistical procedures purposefully designed for social sciences and it is also quite efficient. The data was analyzed using descriptive statistics to indicate categories of respondents and variance in the answers they gave and percentages to indicate the degree of representativeness of the respondents' views. Correlations were carried out to determine the relationship between demographic variables. The data was presented in form of text, tables and figures. The qualitative data was coded according to the various themes and analyzed to produce text reports.

5. RESEARCH FINDINGS AND DISCUSSION

Introduction:

This chapter presents the findings of the study based on the variables that were investigated. For clarity and chronology, it is arranged in order following the three research questions that the study sought to answer. In the first section, however, background information about the respondents is presented, because it is pertinent in interpreting the data that they provided. Thus, the chapter is divided into three subsections namely, introduction, demographic characteristics about the respondents and the research questions that the study sought to answer.

Response Rate:

In the study, 40 questionnaires were administered to the Chief Executive Officers of DTS in Nairobi County. All were successfully filled and returned. According to Mugenda and Mugenda (2003) who assert that a response rate of 50% is adequate, 60% good and above 70% may be rated as being very good. This implies that the entire targeted population was covered.

Background Information:

The research analyzed the background of the respondent using ; gender, level of education, age and the duration each respondent has been working with the SACCO. The result were summarized and presented as follows:

Age of the Respondent:

The age of the respondent is important in research as people who are old in age may have different opinion than young people due to their experience. Also people of different age may have varying ideas about certain issues. The researcher wanted to determine age of the respondent and the results are as indicated in the table 2 below.

Table 2. Ages of the respondents

Characteristic	Category	Frequency (n=40)	Percentage (%)
Age	19-29 years	3	7.5
	30-39 years	17	42.5
	40-49 years	19	47.5
	50-60 years	1	2.5

The findings reveals that 20% of the respondents are aged below 19-29 years, 42.5% of the respondents are aged between 30-39 years, 47.5% are aged between 40-49 years and 2.5% are over 51 years. This study shows that majority of the respondents are aged between 40-49 years.

Gender of the Respondents:

Different gender has different opinion about various issues. The researcher wanted to find out the views of different gender interviewed. The findings are as indicated in table 3 below.

Table 3 Respondents' Gender

Characteristic	Category	Frequency (n=40)	Percentage (%)
Gender	Female	8	20.0
	Male	32	80.0

The findings show that 80% of the respondents were male and 20% of the respondents were females. This implies that more males were interviewed during the research and more male are dominating top leadership of licensed DTSs.

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Designation of respondents:

The respondents were mostly the Chief Executive officers or their immediate assistants. These are management staffs that are involved in strategic planning and implementation and are also conversant with the regulatory system and implementation of SASRA requirements and guidelines.

Table 4 The Designation of respondents

Characteristic	Category	Frequency (n=40)	Percentage (%)
Designation	Operational Level	0	0
	Management Level	40	100

Respondents' Level of Education:

Education levels have an impact on how people respondent to different opinions. The researcher sought to establish the education level of the respondent. The findings are indicated in table 5 shown below.

Table 5 Level of Education of respondents

Characteristic	Category	Frequency (n=40)	Percentage (%)
Professional qualification	Certificate	1	2.5
	Diploma	12	30
	Degree	24	60
	Postgraduate	3	7.5

The finding reveals that 2.7% of respondents are certificate holders, 30% of the respondents have education level of diploma, 60% of the respondents are degree holders and 7.5% 0f the respondents hold postgraduate certificates. This shows that majority of the respondents were degree holders.

Years worked with the SACCO:

The time one has been working in the SACCO is helpful because the experience gained about the SACCO enables one to understand how the SACCO works and operates. The findings on the duration are as tabulated in table 6 shown below.

Table 6 Duration of time respondents have worked with Sacco

	Category	Frequency (n=40)	Percentage (%)
Length of service at the work station	1-5 years	17	42.5
	6-10 years	9	22.5
	11-15 years	8	20.0
	16-20 years	4	10.0
	21 years >	2	5.0

The findings reveals that 42.5% of the respondents are between 1- 5 years old in the Sacco, 22.5% of the respondents are between 6- 10 years old in the Sacco, 20% are between11- 15 years old in the Sacco,10% are between 16-20 years old in the Sacco and only 5% are more than 21 years old in the Sacco. This study shows that majority of the respondents are between 1-5 years older in their Saccos.

The relationship between corporate governance regulation and implementation of strategic plan in the Sacco's:

The respondents were asked whether they agree or disagree that the corporate Governance regulation has influenced implementation of strategic plans in their Saccos. Their responses are as shown in table 7 below.

Table 7 Sacco Corporate governance regulations

	Frequency	Percent (%)	Cumulative Percent (%)
Disagree	3	6.3	6.3
Agree	37	93.7	100
Total	40	100.0	

The findings indicate that, 93.7% of the respondents agree that corporate governance regulations have indeed influenced the successful implementation of strategic plans while 6.3% disagreed.

Capitalization structure and financing:

The respondents were asked to state the extent to which they are satisfied that regulatory system influences implementation of strategic plan hence capitalization structure as shown in Table 8 below.

Table 8 Content on changes in owners' equity

	Frequency	Percent	Cumulative Percent
Satisfied	16	40.4	40.4
Dissatisfied	24	59.6	100
Total	40	100.0	

The finding revealed that, 40.4% are satisfied that Capitalization regulation has influence on implementation of strategic plan of Saccos while 59.6% were dissatisfied and felt that capital regulation has no influence on implementation of strategic plans of Saccos.

Regulatory standards:

The respondents were asked whether they are satisfied or not by the regulatory standards touching on Licensing requirements, Prudential standards, Supervision and enforcement and Reporting standards, and if their management decisions and plans are based on them.63.0% of the respondents were satisfied with the regulations standards followed by the Sacco's management in their daily activities while 37.0% were dissatisfied as summarized in Table 9 below.

Table 9 Regulatory Standards

	Frequency	Percent (%)	Cumulative Percent (%)
Satisfied	25	63.0	63.0
Dissatisfied	15	37.0	100
Total	40	100	

On whether regulation standards were to be followed in the Sacco's, the respondents acknowledged that they apply standards as set out by the Sacco Societies Act 2008 and premised on the Co-operative Societies Act (Cap 490 of the Laws of Kenya). 63% of the respondents were satisfied with the influence of licensing requirements on the implementation of strategic plan while 37% were not.

The table below shows average response from respondents on various risk management components.

Table 10 Risk management

	Category	Frequency (n=40)	Percentage (%)
Risk Management	Strongly Agree	6	15
	Agree	17	42
	Somehow Agree	11	27
	Disagree	3	7.5
	Strongly Disagree	3	7.5

Out of all the respondents, 15% of them strongly agree, 42% of the respondents agree, 27% somehow agree 7.5% disagree and 7.5 strongly disagree that effective strategic plan implementation depends on risk minimization on operation.

Figure 4.5 Risk Management:

From the findings as summarized in the table above, on minimization on credit risk, 22% strongly agree, 38% agree, 17% somehow agree, 16% disagree while agreed 7 % of the respondents strongly disagreed. Minimization on market risk was strongly agreed upon by 9% of the study participants, 18% agree, 40% somehow agree 26% disagree and 7% showing strong disagreement for such risk minimization. Minimization on environmental risk was strongly agreed upon by 12.5%, 34% agreed, 38% somehow agree, 16% disagree while only 2 strongly disagree. Minimization of regulatory risks was strongly supported by 30%, 18% agree, 18% somehow agree, 24% disagreed while only 10% strongly disagreed. Minimization on systematic risk was strongly supported by 23% of the respondents ,37% agreed,26%somehow agreed , 7% disagreed while another 7% of the respondents strongly disagreed with such kind of risk minimization

A further question was asked to the respondents on whether their Saccos base management activities on regulatory requirements (SASRA) while implementing the strategic plan. The response was overwhelming yes at 67% and the explanation is that they want to be compliant with regulatory and statutory requirements.

6. CONCLUSIONS AND RECOMMENDATIONS

Summary of major findings:

Background information:

This study sought to evaluate the influence of regulatory system on implementations of strategic plans of DTSs in Kenya. The major variables of discussion are: To examine the influence of corporate governance regulations on implementation of strategic plans of DTSs in Kenya, To establish the effect of capital adequacy regulations on implementation of strategic plans of DTSs in Kenya, To determine the relationship between risk management regulations and implementation of strategic plans DTSs in Kenya.

The response rate was 100%. The findings show that majority of the respondents were male at 80% further, the findings indicated that 60% of the respondents are degree holders. The studies revealed that majority of the respondents are in age bracket of between 40-49 years representing 47% of the respondents and 42.5% of the respondent are between 1-5 years in their current Sacco.

Findings on the influence of corporate governance regulations on implementation of strategic plan of SACCOS in Kenya:

The findings indicate that all the sampled Saccos have strategic plans in place and majority of the respondent at 93% agree that corporate governance regulation has influence on implementation of strategic plans of Saccos while 7% disagree. In the pas t implementation of strategic plan was at each Society's pace and pleasure. With the regulatory system now in place, DTSs are compelled to implement them in order to meet the regulatory requirements.

As a result, there is improvement in governance practices such as professionalism, transparency's supervision and enforcement and performance because of performance contracting.

Findings on the effect of capital adequacy regulations on strategic plan implementation of SACCOS in Kenya:

The study reveals that majority of respondents felt that capitalization regulation does not affect the implementation of strategic plan of a Sacco. When asked why they think so, some argued that capitalization decisions are majorly internal affairs and such decisions depends heavily on shareholders and management. Others felt that some not all key strategic areas require capital for them to be implemented.

65.0% were satisfied with their influence on external borrowing and funds intermediation among various Sacco's because licensing gives Saccos an image and confidence from financiers and Government funds as financial intermediaries. Saccos are now competing with other financial players to attract government funds such as Youth Fund, Women Enterprise Development Funds, Uwezo Fund, Coffee Development Fund and Poverty Eradication Fund and mobilization of savings from the public.

Findings on the relationship between risk management regulations and implementation of strategic plans of SACCOS in Kenya:

Most of the respondents at 38% agree that risk management regulation is important as far as strategic plan implementation process of DTSs is concerned. Sacco's just like other business entities are exposed to various risks. In the past managing of such risk was not properly thus subjecting them to losses ranging from litigation, default and misappropriation done. The risk management regulations are meant to help minimize and guard Saccos against such.

CONCLUSION:

Corporate governance and risk management regulations had great influence on implementation of Saccos strategic plans while regulation on capitalization had some influence but not as significant as the first two. This therefore led to conclusion that the regulatory system has influence on implementation of strategic plans of Saccos in Kenya.

RECOMANDATIONS:

Based on the findings and conclusions of this study, the following recommendations are made:

All Saccos should be regulated in order to realize strategic changes like those seen in DTSs and minimize risks. Regulations have compelled Saccos to have operational policy manuals that guide their operations hence minimize risks. This is contrary to the situation that was there before the regulations. Some of these manuals are risk management policy, Credit management policy, Procurement policy, Corporate governance, internal Audit, human resource among others.

The Government should strengthen and empower the regulator (SASRA and supervision of DTSs) to ensure effective enforcement of the rules that promote sound financial management. Capital adequacy requirements and financial reporting regulations have helped much on this front. More research should be conducted in this area in order to provide Saccos with relevant information to enable them understand and review their plans.

Proposed Areas for further Study:

Research can be done on impact of the Ethics commission for co-operatives on Sacco Operations. A further research could be done on the effects of "Fit & proper Test "vetting process by SASRA on promotion of corporate governance in DTSs in Kenya.

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