ROLE OF ETHICAL PRACTICE REINFORCEMENT STRATEGIES ON FINANCIAL PERFORMANCE OF RURAL SACCOS IN NYERI COUNTY KENYA

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DECLARATION

This thesis is my original work and has not been submitted for examination in any other University.

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APPROVAL

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This work is dedicated to my immediate family members John Githinji, Cynthia Wanjiku and Olive Wangui for their love and support throughout the course.

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ABBREVIATIONS AND ACRONYMS

CBK	:	Central Bank of Kenya
CEO	:	Chief Executive Officer
CMA	:	Capital Markets Authority
CU	:	Credit Unions
HRM	:	Human Resource Management
ICT	:	Information, Communication and Technology
KBA	:	Kenya Bankers Association
KERUSSU	:	The Kenya Rural Savings and Credit Cooperatives Societies Union
KYC	:	Know Your Customers
NSE	:	Nairobi Securities Exchange
ROA	:	Return on Assets
SACCO	:	Savings and Credit Co-Operative Societies
SPSS	:	Statistical Package for Social Sciences
UN	:	United Nations
SASRA	:	Sacco Societies Regulatory Authority

ABSTRACT

The purpose of this study was to investigate the role of ethical practice reinforcement strategies on financial performance of rural SACCOs operating in Nyeri County. The study was guided by four objectives: to explore the role of personal behavior practice strategies in determining the financial performance of Rural SACCOs in Nyeri County, to examine the effect of organizational culture strategies in determining the financial performance of Rural SACCOs in Nyeri County, to investigate the role of performance management strategies in determining the financial performance of Rural SACCOs in Nyeri County and to examine the effect of decision making strategies in determining the financial performance of Rural SACCOs in Nyeri County. Agency theory, utilitarian theory, personal trait theory and decision theory were used in this study. The research adopts a descriptive survey research design. The target population for this study was the 42 Rural SACCOs operating in Nyeri County. Census was done where all the Senior Managers from 42 Rural SACCOs operating in Nyeri County were the respondents. A self-administered, questionnaire was used to collect data from the target respondents. The study achieved a response rate of 90.5%. Data analysis was conducted using statistical package for social sciences (SPSS) to generate descriptive and inferential statistics. Frequencies and percentages were generated from the data and presented using frequency distribution tables while linear regression analysis was done to establish relationship of each parameter of the independent variables in the study. The study findings revealed that personal behavior practice strategies, organizational culture strategies and decision making strategies had positive and significant effect on financial performance of rural SACCO. Performance management strategies had positive but insignificant effect on financial performance of rural SACCOs. The study further revealed that staffs were being effectively managed through constant monitoring and job rotations. In addition, SACCOs had designed an effective organization structure and they complied with regulatory authorities. The study recommends that SACCOs should review their internal control systems and seal the loopholes that pose opportunities for unethical practices. SACCOs should also review their human resource policy especially recruitment and selection procedures and ensures that the guidelines are adhered to when recruiting new employees. Future researchers should undertake comparative studies covering other Counties in order to validate whether the findings can be generalized.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Financial institutions are establishments that conduct financial transactions such as investments, loans and deposits. Utmost everyone deals with financial institutions on a regular basis. The financial sector is a very significant instrument of speedy progress and economic growth (Machan, 2007). Apart from financing, financial institutions are considered as crucial organizations that ensure development and stability of the economy. The success of financial institutions mainly depends on the confidence and trust between the stakeholders. Ethical behavior and values are essential in creating and maintaining this mutual confidence and trust. Ethical issues in the financial institutions affect everyone. This is because even if one is not a banker, they are consumers of the services. In relation to this study financial institutions refers to credit unions (CU).

A credit union is a member-owned financial cooperative, democratically controlled by its members. It's operated for purposes of promoting thrift, offering credit at competitive rates, and providing other financial services to its members. Different countries use different terms to refer to credit unions. In Kenya, credit unions are referred to as savings and credit co-operative societies (SACCOs). The Kenya Rural Savings and Credit Cooperatives Societies Union (KERUSSU) is the national umbrella of cooperative organizations for rural SACCOs in Kenya. It was registered in 1998 and the secretariat was set up in 2001. As the voice of its' corporate members, the union articulates the unique needs, opportunities and challenges of its affiliates. It brings together rural SACCO societies in Kenya where the members' key source of income is tea, dairy, coffee and horticulture. The Sacco Societies Regulatory Authority (SASRA) is a statutory state corporation established under the Sacco Societies Act (Cap 490B) of the Laws of Kenya. Its mandate is to safeguard members' funds by regulating and supervising Sacco societies in Kenya. Organizations in which leaders act ethically are more sustainable and have better long-term financial performance, according to a report by the Chartered Management Institute (CMI 2014). Proactive ethical initiatives have a positive impact on financial performance because ethical behaviors derive from the creation of intangible assets, which are vital to the long-term business success (Jones, 1995; Jones and Wicks, 1999).

Intangibles like good reputation, trust, and commitment are generated through a strong ethical stance (Fombrun 2000; Hosmer, 1994). By behaving ethically, an organization generates intangible gains that improve its ability to attract resources, enhance performance, and build competitive advantages while satisfying its stakeholders' needs (Fombrun 2000). Stakeholders expect the firm to fulfill their ethical demands. To the extent that ethical claims are attended, the satisfaction level increases, and stakeholders are more willing to affably interact with the firm, providing their resources and effort, which in turns derives from enhanced performance.

1.1.1 Ethical Practices in the Financial Sector

Business ethics is a world operational philosophy. It seeks to establish those organizational conducts, attitudes, perceptions and value systems that conform to established standards (Ferrall, Fraedrich & Ferrell, 2008). Ethics refers to principles that define behavior as right or wrong and good or bad. Such principles do not always dictate a single "moral" course of action. They provide a means of evaluating and deciding among competing options (Rakesh, Anusha & Suresh, 2016). Most people have convictions about what is right and wrong based on religious beliefs, cultural roots, family background, personal experiences, laws, organizational values, professional norms and political habits. These are not the best values to make ethical decisions by. This is not because they are unimportant, but because they are not universal. In contrast to consensus ethical values; such as basics trustworthiness, respect, responsibility, fairness, caring and citizenship personal and professional beliefs vary over time, among cultures and among members of the same society. They are a source of continuous historical disagreement, even wars. There is nothing wrong with having strong personal and professional moral convictions about right and wrong, but unfortunately, some people are "moral imperialists" who seek to impose their personal moral judgments on others. The universal ethical value of respect for others dictates honoring the dignity and autonomy of each person and cautions against self-righteousness in areas of legitimate controversy.

According to Ferrall, Fraedrich and Ferrell (2008) the need for established standards of behavior, had predisposed most organizations especially financial institutions, to evolve and entrench ethical practices as part of their culture. This is to mould and direct their employees' actions and value systems toward the expected “code of conduct” in an attempt to enhance corporate performance. The authors observed a number of well-published scandals, which eventually result to public outrage on deception and fraud in business organizations. Stemberg (2000) notes that unethical management practices affect corporate performance. Therefore he stressed the need for business firms to integrate ethics in an attempt to establish those organizational conducts that conform to established standards.

As the most significant part of ethical practices in business life is associated with the activities of the human resources department, the relationship between human resource management (HRM) and ethics plays a vital role in organizations (Greenwood, 2002). Which behaviours of individuals in the business environment are wrong or right, ethical or unethical are defined within the scope of certain rules. This is very important in the reliable operation of the working environment and the ability of the enterprise to establish trust-based relationships with its stakeholders. The liability of the enterprise to its employees is a part of its social responsibility and the application of the HRM functions includes issues such as justice, equal opportunities, privacy and faith. Meanwhile, the employees have a liability towards the enterprise for acting in compliance with business ethics and accordance of their conducts with business ethics which is monitored by the HR departments.

In the financial sector, ethics is considered as the suitable behaviour for the creation of mutual advantage for the stakeholders such as shareholders, depositors, employees and clients. In conducting its business operations, the financial institutions must consider the lawfulness, rightfulness and the goodness of its activities (Kiluva, 2006). Respectable financial institutions are expected to be fair and accountable and have social responsibility, integrity and honesty. Financial institutions have to make viable choices when dealing with unclear areas of ethics and when working under high pressure levels that may be detrimental to their reputation as well as cause financial loss.

In Kenya, the Code of Ethics for Business is an initiative by the business community with an aim to enhance and promote the ethics of business conduct (Riaga, 2016). The code was established under the United Nations (UN) Global Compact which requests businesses to embrace, support and enact some core values in the areas anti-corruption, the environment, labour standards and human rights. The financial sector is guided by a banking code, which is voluntary and that sets standards of decent practice for financial institutions, when they are dealing with personal customers in Kenya. This allows the competition and the market forces work to promote higher standards for the benefit of customers. The Kenya Bankers Association (KBA) emboldens its members to use best practices when providing financial services. This includes the highest level of customer care when engaging with the public banking (KBA, 2016).

1.1.2 Unethical Behaviour in the Financial Institutions

According to Weiss (2009) banking business is complex and the margin between legal and illegal business is blurring every day. Financial institutions should never forget how crucial ethical behaviour is while aiming to make the most of their profits. Unethical practices and profitability are inversely related. Good corporate governance usually translates to the company's long term existence and generation of profits. The business environment today demands greater transparency, corporate accountability and actively following up on ethical and integrity issues in the financial institutions can help achieve this.

According to John (1996) there are many faces of unethical practices and the prime one is corruption, where organization's office is used for personal gains. However, corrupt actions is not only restricted to bribery, extortion, influence peddling, nepotism, fraud, embezzlement and abuse of power. Dzansi (2006) avowed that in small organizations the prime reason for unethical practices is its size and the struggle to survive within the competitive market. A number of the big corporate houses, which are wearing an ideal mask are actually making money, by engaging into unethical practices and thereby fulfilling their core objective of maximizing shareholder's value. They are making huge profits at the cost of anything leading to pollution, health hazards, destruction, monopolize markets and even breaking laws.

Baucus and Near (1991) were of the opinion that, the reasons of workplace deviance can be traced to many individual sociological effects, organizational culture, and economic causes (pressure). Personality, education, group influence, ethical work climate, frustration, and stress are only but a few examples. Deviant behaviour takes place when an employee's behaviour changes substantially. The manifestations of deviant behaviour are changes in work punctuality, work attitude and performance, extended lunch breaks, tardiness, and many other incidences. The deviant behaviour can be regarded as a cry for help, and management's major task is to recognize the change in behaviour and to take corrective action.

According to Mielach (2012) many financial workers view unethical and illegal practices as a necessity. The survey findings revealed that; 24 per cent of financial services workers reported that in order to be successful in life, they may have to engage in illegal and unethical conduct while 26 per cent reported to have had knowledge of or witnessed such behaviour at their offices. Other workers reported that they would be insider traders if they knew they would not be caught. Workers believed that such unethical practices were not exclusive to their firms. Further findings showed that 39 per cent of respondents reported that competitors were likely to practise the same dishonourable practices to be successful. The biggest motivation for workers to engage in unethical practices was mainly money. Majority of the respondents said that most unethical practices were as a result of unsatisfactory compensation/bonus plans.

The Kenyan banking sector has been trying to survive in an unstable business environment. During the years 1992 and 2002, the sector went through a crisis with the collapse of nearly 20% of the registered financial institutions in the country (Riaga, 2016). Major shareholders, board members and top managers of most financial institutions were charged with practicing potentially harmful activities, resulting in financial institutions losses, and failing to protect the rights and interests of depositors. Recently, the banking sector has been on the limelight with financial institutions being put under receivership by the Central Bank of Kenya (CBK). These have put to question the level of integrity in financial institutions in Kenya.

When financial institutions are declared insolvent, many companies and individuals lost their money. This is according to Frederic (2002) who observes that financial institutions are different from the generalities of companies, in that their collapse affects a wider circle of people and moreover may undermine the financial system itself, with serious effects on the entire economy. Based on these views, ethics in banking actually affect the very wellbeing of people's lives. To minimize unethical behaviour and financial loss to corporations, investors, creditors and employees, this research is important in order to make recommendations on the way forward.

1.2 Statement of the Problem

The recent past has seen confidence in Kenya's financial sector being shaken by SASRA publication (27th day of January, 2017) notifying the general public on SACCOs that didn't comply with the Act leading to twelve being granted restricted Licenses for a period of six (6) months ending 30th June 2017, one being placed under statutory management and one License being revoked due to non-compliance with the Act. SASRA, C.E.O, Carilus Odemba on 26th August 2013 cited that the main reasons for blocking licenses for SACCOs are failure to meet the minimum capital requirements and poor corporate governance frameworks. The two mentioned reasons are the board and top management affairs which are guided by the SACCOs policies and procedures. According to SASRA guidelines on good governance June 2015 it's the role of the board to formulate the Sacco's policies and procedures. It also states that Good governance is guided by the code of ethics. Therefore the Sacco's failure is as a result of non-compliance with the code of ethics.

The events have negatively affected public trust as many people wonder whether the SACCOs and auditors involved had fulfilled their fiduciary responsibilities. With such occurrences, strengthening consumer protection and wining back consumer trust is paramount for the success of SACCOs. The financial sector is among the most regulated sectors anywhere in the world. It is vital, and indeed essential, that this should be the case because they hold the customers' money in trust (Mielach, 2012). There is no greater responsibility than that entrusted on financial institutions. An expanding financial sector and a growing economy have led to the emergence of new industry players aiming to cash in on the growth trajectory that has been witnessed over the past ten years. The public confidence in the financial sector has apparently been put to test and as such, it is imperative that the sector looks for new thinking and limit the ethical issues in the industry. Among the many factors influencing SACCOs financial performance are; corporate governance, members commitment, staff motivation, cooperative principles, technological influences and ethical practice reinforcement strategies. This study factored in the ethical practice reinforcement strategies. Most studies dealing with ethical issues in the financial sector have mainly concentrated on the commercial banks and urban SACCOs. There is therefore a research gap in rural SACCOs yet they play an important role in the economy. Rural SACCOs stimulates wealth creation and poverty reduction in the society by providing affordable and convenient savings and credit services to its members. Out of the 14 SACCOs outlined by SASRA for non- compliance with the Act laws none of them emanated from Nyeri County. Therefore this study investigated the role of ethical practice reinforcement strategies in determining the financial performance of rural SACCOs operating in Nyeri County.

1.3 Purpose of the Study

The purpose of this study was to investigate the role of ethical practice reinforcement strategies on financial performance of rural SACCOs operating in Nyeri County.

1.4 Objectives of the Study

The specific objectives of the study were;

i. To explore the role of personal behaviour Practice strategies in determining the financial performance of rural SACCOs operating in Nyeri County
ii. To examine the effects of organizational culture strategies in determining the financial performance of rural SACCOs operating in Nyeri County.
iii. To investigate the role performance management strategies in determining the financial performance of rural SACCOs operating in Nyeri County.
iv. To examine the effects of decision making strategies in determining the financial performance of rural SACCOs in operating Nyeri County.

1.5 Research Questions

The specific research questions that guided this study were

i. What is the role of personal behaviour practice strategy in determining the financial performance of rural SACCOs operating in Nyeri County?
ii. How does an organizational culture strategy affect the financial performance of rural SACCOs operating in Nyeri County?
iii. How does a performance management strategy influence financial performance of rural SACCOs operating in Nyeri County?
iv. What is the role of decision making strategy on financial performance of rural SACCOs operating in Nyeri County?

1.6 Significance of the Study

It is anticipated that the study findings will provide valuable information to the financial sector and they will form a blue print upon which financial institutions can practice ethics. The study provides a starting point for stakeholders such as owners and directors of financial institutions interested in enhancing ethical practices. To the government and in particular the ministry of finance, the study forms the basis for future review of the Sacco Societies Act and other institutions further governing issues in the sector. It will also assist in formulating future policies and regulations affecting ethics in Kenyan financial institutions. The Kenya financial sector might benefit from the findings of the study as they could be instrumental in the revision of the Sacco Societies Act. The study seeks to improve the body of knowledge about ethics in the financial sector and forms a basis for further study.

1.7 Scope of the Study

There are many ethical practice reinforcement strategies in practice. This study will explore on personal behavior practice strategies, organizational culture strategies, performance management Strategies and decision making Strategies only and choose to exclude all others. There are many SACCOs in Kenya. The SACCOs are categorized under urban and rural SACCOs. This study will focus on rural SACCOs operating in Nyeri County.

The study will focus on the ethical practice reinforcement strategies in determining the financial performance of rural SACCOs operating in Nyeri County. It will concentrate on the rural SACCOs in Nyeri County, those dealing with tea, coffee and horticulture. It will target the management of the said financial institutions. Data will be collected using questionnaires.

1.8 Limitations of the Study

The independent variables in this study do not have a driver measure. They can only be measured using likert scale as they are a perception, a belief or an attitude. This type of measure has implications on precision of results.

As it happens in all studies, the proposal will have limitations. The nature of the study requires the SACCOs to reveal information which can hamper their trust and credibility. To surmount this, the researcher will assure the respondents of anonymity and that the findings are for research purposes only.

1.9 Assumptions of the Study

The study will be conducted on the assumption that SACCOs reinforce ethical practices are in their operations. It is also assumed that the participants of the study will willingly provide accurate information regarding the study.

1.10 Definition of Terms

Personal traits: Refer to individuals' characteristic pattern of thoughts, feelings and behaviours (Joshanloo & Afshari, 2009).

Organizational culture: Refers to the values and behaviours that contribute to the unique psychological and social environment of an organization (Kotter & Heskett, 1992).

Performance management: Refers to the activities which ensure that goals are consistently being met in an effective and efficient manner (Nielsen, 2014).

Decision making: Refers to the cognitive process resulting in the selection of a belief or a course of action among alternative possibilities (Triantaphyllou, 2000).

Financial performance	Refers to the level of performance of a business over a specified period of time expressed in terms of overall profits and losses during that time (Kieso, Weygandt & Warfield, 2007).
Rural Saccos	Refers to SACCOs which stimulates wealth creation and poverty reduction in the society by providing affordable and convenient savings and credit services to its members whose key source of income is tea, dairy, coffee and horticulture (KERUSSU)
Reinforcement strategy	positive reinforcement refers to the contingent presentation of a stimulus, following a response that increases the probability or rate of the response (Alberto & Troutman, 2009). While a negative reinforcement occurs when the rate of a behavior increases because an aversive event or stimulus is removed or prevented from happening
Business Ethics	Refers to a world operational philosophy that seeks to establish those organizational conducts, attitudes, perceptions and value systems that conform to established standards (Ferrall, Fraedrich & Ferrell, 2008).
Ethical Practice	Refers to principles that define behaviour as right or wrong and good or bad. Such principles do not always dictate a single "moral" course of action, but provide a means of evaluating and deciding among competing options (Rakesh, Anusha & Suresh, 2016).

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The chapter covers theoretical literature review, empirical literature, conceptual framework, operational framework and the research gap.

2.2 Theoretical Literature Review

The study was guided by the agency theory, personal trait theory, utilitarian theory and decision theory.

2.2.1 Agency Theory

Agency theory originated from Stephen Ross and Barry Mitnick (Donaldson & Davis, 2012) and explains the relationship between agents and principals in business. It helps to resolve the problems in agency relationships. It mainly addresses two problems one being the problems arising when principals' and agents' desires conflict and those that occur when principals and agents differ in attitudes towards risk making each to take different actions. Agency theory specifies instruments which reduce agency loss. It is common for some agents to practice unscrupulous behaviour to the detriment of shareholder interests (Donaldson & Davis, 2012). The board of directors is a main instrument for curtailing such opportunistic behaviours because it monitors the actions of the managers on behalf of the shareholders.

Agency theory is applicable to this study in that the managers of the SACCOs are the agents while the directors are the principals of these companies. If agents practice opportunistic behaviour, the SACCOs are likely to suffer since the agent in that case would be looking into their own interests more than the companies'. The financial performance of the SACCOs may go down in such a case. If the management has the capability and the will to utilize the firms' resources such as finances, technology and human capital maximally to the benefit of the firm, such firms have higher chances of succeeding.

2.2.2 Utilitarian theory

Utilitarian theory seeks an objective basis for making value judgments that would provide a common acceptable norm for determining social policy (Agha, 2010). The most promising way to reach such an objective ground of agreement, the theory suggests is by looking at the various policies and comparing the beneficial and harmful consequences of each. The right course of action from an ethical point of view would be to choose the policy that would produce the greatest amount of utility. Utilitarian principle holds that an action is right from an ethical point of view, if and only if the sum total of utilities produced by that act is greater than the sum total of utilities produced by any other act the agent could have performed in its place.

Utilitarian theory advocates that the right action for a particular occasion is the one that produces more utility than any other possible action; it does not mean that the right action is the one that produces the most utility for the person performing the action (Agha, 2010). Rather, an action is morally right if it produces the most utility for all persons affected by the action. From the aforementioned therefore, utilitarian principle opine that the objectives of business organizations cannot be attained except the employees of the said organizations demonstrate ethical behaviour in the light of the assigned duties, thereby enhancing the corporate performance of the organizations. Agha (2010) observed that the forgoing is essential so as to develop strategies that will stimulate patronage for the services produced and provided by the business concern; the way business organization designs its banking operations. These according to Agha (2010) are the key determinants of whether a business is ethical and are as important as the way it deals with crisis. The theory informs this study as some individuals that take actions which mostly benefit themselves without considering the effect of such actions on other stakeholders. This may result into unethical practices which can negatively affect the financial performance of organizations.

2.2.3 Personality Trait Theory

For trait theory, individual behaviour is the result of inherited or acquired traits. Trait theorists subscribe to the premise that certain traits will be disposed to react to a given situation in a certain way (Kidder, 2005). In this case, traits can be defined as stable characteristic that cause a person to depict a response to any situations in certain ways. Trait theories indicate that the traits are always constant regardless of the situations. Trait research has provided relative stable and predictable outcomes. For example, an individual with the personality traits of "conscientiousness" shows the qualities of dependability, carefulness and responsibility.

In terms of criticism, trait theory has been questioned on its research design and on its ignorance of situational variables (McKenna, 1994). Furthermore, research by McAdams (1992) has pinpointed the limitations of personality trait theory, namely its inability to predict behaviour, its failure to provide causal explanations of behaviour, its disregard of the contextual and conditional nature of the human experience. However, the theory still informs this study as unethical practices are more likely to be practiced by individuals with certain personality traits such as greed and dishonesty. As such, organizations can screen employees of such traits as a way of curbing unethical behaviour.

2.2.4 Decision Theory

Most decision-making theory has been developed in the twentieth century. Decision theory is the study of the reasoning underlying an agent's choices (Steele &Orri, 2015). It can be broken into two branches: normative decision theory, which gives advice on how to make the best decisions, given a set of uncertain beliefs and a set of values; and descriptive decision theory, which analyses how existing, possibly irrational agents actually make decisions. Normative or prescriptive decision theory is concerned with identifying the best decision to make, modeling an ideal decision maker who is able to compute with perfect accuracy and is fully rational. The practical application of this prescriptive approach (how people ought to make decisions) is called decision analysis, and is aimed at finding tools, methodologies and software (decision support systems) to help people make better decisions (Myerson, 1991).

In contrast, positive or descriptive decision theory is concerned with describing observed behaviours under the assumption that the decision-making agents are behaving under some consistent rules (Steele & Orri, 2015). The prescriptions or predictions about behaviour that positive decision theory produces allow for further tests of the kind of decision-making that occurs in practice. There is a thriving dialogue with experimental economics, which uses laboratory and field experiments to evaluate and inform theory.

Decision-making means the adoption and application of rational choice for the management of private, business or governmental organization in an efficient manner.

As such, the theory is applicable in this study as the management should make decisions on the ethical practice reinforcement strategies to be used in their organizations and how such can be implemented to boost ethical behaviour hence performance.

2.3 Empirical Literature Review

Empirical literature review involves the description of previous studies based on what is known about the topic, the methodology that was used and the results of the study. It is based on the observed and measured phenomena and derives knowledge from actual experience rather than theory.

2.3.1 Personal Behaviour Practice Strategies

According to Tsytsyk (2014) the effective system of prudential supervision is complex but generally aimed to prevent systemic risks and to increase transparency and efficiency of the financial institutions. Tsytsyk (2014) further states that regulators should focus on effective risk management strategies. In Kenya, supervision of financial institutions must be undertaken in accordance with Central Bank Act and Banking Act and CBK Prudential Guidelines (CBK, 2014). Most suitable supervision is the mixed approach which entails both onsite and off-site inspection.

Wanjohi's (2014) study on fraud utilized a descriptive research. A population of 68 employees representing 33% of the populations were included in the sample size using a stratified random sampling technique. Data for the study was collected using an online questionnaire for cost and convenience to all the respondents. The study found that, opportunities for fraud were present due to relaxed internal controls and accounting systems, inadequate supervision of subordinates, disregard for customer due diligence requirements and poor personnel policies. This study recommended that financial institutions should implement systems and structures that reduce the opportunities for fraud. In addition to strengthening internal control systems and structures, financial institutions can use Information, Communication and Technology (ICT) tools to reduce opportunities or instill punitive measures for employees engaging in fraud and fraud related incidences. However, the study was on fraud in the banking industry, which was a case study on Commercial Bank of Africa and data was collected using online questionnaire. The current study is a descriptive survey which will focus on SACCOs and data will be collected using hand delivered questionnaires.

Ogwoka, Namada and Sikalieh (2017) conducted another study on human resource practice, ethical investor relations, ethical consumer relations and ethical advertising on the financial performance of listed firms in Kenya. Primary data was collected through a semi-structured questionnaire. Secondary data was collected from both the listed firms in the Nairobi Securities Exchange (NSE), and information from the sector regulator, the Capital Markets Authority (CMA). The target population of this study was 64 companies listed in the Nairobi Securities Exchange (NSE) with consistency being evaluated between the years 2011 to 2015. The study did a joint regression test for the combined effects of ethical human resource practices, ethical advertising practices, ethical consumer practices and ethical relation practices. In the regression, it was established that, acting jointly, these practices have a positive relationship with the financial performance of listed firms. The study recommends that there is need to involve truthful disclosure of information, especially regarding financial statements of the firms. Integrity and truthful disclosure of information will uphold investor trust, and subsequently inject more incentives (majorly in the form of financial) for the benefit of the firms. Overall, the study recommends that, by practicing ethical leadership, the firms' financial performance will greatly improve. Nonetheless, the study was conducted among the listed firms in the NSE while the current study will be carried out among rural SACCOs in Nyeri County.

Wanga (2013) also conducted a study on financial institutions' response strategies to fraud-related challenges. This was a case study since the unit of analysis was one organization aimed at getting detailed information regarding the strategic responses to increasing fraud risk at financial institutions. Primary data was collected using self-administered questionnaires. A quantitative analysis was employed. The study found that the financial institutions adopted fraud prevention strategies to great extent. The financial institution also carries out a random check christened "the Eye-ball". This is a random selection of account opening documents by a dedicated team of Fraud Samplers. The study also revealed that a whistle blowing facility is existent in the financial institutions. The study found that the financial institutions have a fraud control plan documenting the responsibilities for fraud prevention, detection and response initiatives. The study concludes that fraud is very sensitive and that customers have immense fear of fraud and it impacts negatively on financial institutions profitability where income lost through fraud would have been reinvested to foster growth. Other recommendations suggested include staff management where human beings need constant monitoring and motivation of staffs. Appropriate methods should be put in place deal with the situations. Methods such as employee screening, staff account monitoring, profiling of staff disciplinary cases, job rotation and enrichment are worth considering. Nevertheless, the study was a case study while the current study will be a descriptive survey.

2.3.2 Organizational Culture Strategies

Adeoye and Adeoye (2014) assessed fraud risk management in Nigerian financial institutions. The study revealed that there are weak internal control systems which were compounded by financial institutions' failure to undertake proper surveillance both onsite and offsite inspections to ascertain and penalize financial institutions which had suffered fraud as a result of weak internal controls and failure to establish compliance unit. Levine (2012) opined that ineffectiveness of any form of supervision in financial institutions could be as a result of uninformed, inadequately staffed and politically dependent supervisor. Gottschalk (2013) study showed that the inefficient and ineffective on-site supervision as no issues which may bring down financial institutions are being detected by the on-site examiners, issues only surface through whistle blowers. However, these studies were conducted in other countries like Nigeria which have different characteristics than Kenya.

Evaluations of annual financial institutions' supervision reports published by the CBK (2014) fail to report on effectiveness of operational risk management and also adherence of the provisions of operational risk management by the individual financial institutions (CBK, 2014). BFID Annual Report (2015) evidenced that all along falsification of documents were not being tracked prior to 2014, however figures of 2014 are alarming as the amount of loss stood at Kshs 324 Million with the figure skyrocketing to Kshs 1.55 Billion in 2015. Assessment of annual inspection reports by the CBK gives glaring inefficiencies on on-site financial institutions' supervision. The annual inspection reports are too generalized and fail to highlight the inspection approaches adopted (CBK, 2014). However, this was a report by CBK in the banking industry in general and it did not indicate how inspection in banks affected the banks' financial performance. The current study however concentrates on SACCOs and how ethical practice reinforcement affects their financial performance.

Kamau and Mwithi (2015) carried out a study on determining the factors leading to the current upsurge of customers' transactions frauds in Kenya and the plausible mitigation strategies and/or causes of action. The population of the study was drawn from 132 employees from various management levels of various financial institutions. The sample size of the study was 50 acquired using a multistage sampling design. Data for the study was collected using a questionnaire administered by the researcher. Collected data was cleaned, edited and coded into SPSS vs. 20 and MS-Excel spread sheets for analysis. This study found that although not all were fully carried out or fully successful in certain instances for one reason or another, institutions endeavored to a large extent to put in place fraud prevention strategies such as Know Your Customers (KYC) for the detection and prevention of fraud. Mitigation strategies and/or causes of action identified as successful in this study include: strengthening of internal controls, undertaking background checks on employees, introducing a central fraud department, provision of referees by employees, tracking of employees actions, undertaking sensitization trainings to employees and customers by the financial institutions, regulatory authorities and the industry body. Assistance by local investigative bodies in the arrest of suspected fraudsters enhanced prevention of fraud in the financial institutions locally. Further, the laws of Kenya are also not sufficient to cover all types of fraud perpetrated within financial institutions. Employees as well as customers are also major drivers of fraud hence fraud is externally as well as internally driven. Still, the study used multistage sampling design and MS-Excel spread sheets for data analysis. The current study will use stratified random sampling procedure and SPSS for data analysis.

Ohando (2015) sought to establish the relationship between fraud risk management practices and financial performance of financial institutions in Kenya. The target populations for the study were the senior officers in the risk management department of the financial institutions operating in Kenya. The research data was collected in Nairobi using structured questionnaire. Collected data was then analyzed using SPSS Version 22. The results of the study indicated that there exists a positive relationship between fraud risk management practices and financial performance of financial institutions in Kenya. It also found out that preventive and detective fraud risk management practices had a very strong positive (Pearson correlation coefficient of 0.932 and 0.868) influence on financial performance of financial institutions as measured by ROA. It is therefore imperative that financial institutions use preventive and detective fraud risk management practices in order to put fraud risk exposure under control and to improve financial performance. Nevertheless, the study used correlations to establish the relationship between fraud risk management practices and financial performance of financial institutions in Kenya while the current study will analyse data using regression analysis.

2.3.3 Performance Management Strategies

Akelola (2015) on a study on fraud in financial institutions found an association between organizational structure and performance. The author advised that there is no best structure of how police force can interact with civilian but it is essential that while reviewing the reporting structure of police one must keep in mind their job description, incentives and their respective impact on morale and perception. The findings showed that states that it has not been easy to review police reporting lines. Akelola (2015) highlights the immediate need to change the reporting structure of police due to the fact that BFID has been tainted with issues of lack of integrity which has led to low public confidence. However Akelola's study concentrated on fraud in commercial banks while this study is on ethical practice reinforcement strategies and their effect on financial performance of rural SACCOS.

Ogbechie (2016) carried out another study on challenges of compliance of indigenous Nigerian business enterprises to business ethics and the measures that should be adopted in ensuring compliance. Furthermore, in achieving its aim, the study adopted a quantitative field survey methodology with respondents in indigenous companies that have operated in the Nigerian business environment over a period of ten years and are listed on the Nigerian Stock Exchange (NSE) and also those that are not listed on the Nigerian Stock Exchange. In its final analysis, the study reveals that the prevalence of corruption, 'godfatherism' and difficulties faced when reporting unethical issues are the major challenges of Business Ethics compliance in Nigeria organizations. On challenges in reporting unethical behaviour within organizations, 91% of the respondents strongly agree that it is good to report any violation of the codes of conduct, even though, 65% of the respondents prefer to report the matter anonymously because they would rather avoid being put under unnecessary tension and pressure that could lead to others being relieved of their jobs. This shows that the responsibility of reporting breaches of the code of conduct is not strengthened within most of the organizations, and it reflects also the possible presence of a compromised system of evaluating such reports. Respondents believed that penalties for non-compliance were only applied when lower cadre staffs were involved in unethical behaviour. Again, it appears that the organizations often desire their staff to be ethical, till a defining moment of truth arrives and the Chief Executive Officer (CEOs) need to make major decisions; then, they are ready to quickly cut corners, provided their actions would bring more jobs or revenue to the organization. Nevertheless, the study was conducted among the firms listed in Nigerian Stock Exchange (NSE) and was on challenges. The current study is on rural SACCOs and will focus on ethical practice reinforcement strategies.

Another study was carried out by Ogola, K'Aol and Linge (2016) on the effect of corporate governance on occurrence of fraud in financial institutions in Kenya. The population of the study was 13,092 top management staff of financial institutions regulated by CBK. A sample size of 169 top management staff stationed in Nairobi City was drawn using stratified random sampling method. Primary data was collected through structured questionnaires. Data was analyzed using descriptive statistics and inferential statistics of Pearson's Correlational Analysis, Analysis of Variance and regression analysis using statistical tool of SPSS. The findings revealed that the more the established the procedures are for reporting incidences of fraud, the less the likelihood of fraud through falsification of documents by staff. The study however was on corporate governance and did not relate it to the performance of the financial institutions. The current study will focus on ethical practice reinforcement strategies and its effect of the financial performance of rural SACCOs.

2.3.4 Decision Making Strategies

Wanyama (2012) discovered that fraud is among the greatest challenge facing organization today, if not well managed; it may lead to their downfall. This was a case study aimed at getting detailed information regarding effectiveness of responses strategies to fraud at financial institutions of Kenya. The primary data was collected using an interview guide. The study concludes that ineffective strategies cannot adequately control fraud, managing the risk of fraud will ensure growth, customer confidence and security for the financial institutions. The study recommends that financial institutions must examine each response strategy for effectiveness and develop, modify or discard those that are not effective. The study also recommends reforms in the police and judiciary, enhancement of security features on key identification documents, staff motivation and whistle blowing. Nonetheless, Wanyama (2012) study was on the effectiveness of fraud response strategies adopted by co-operative bank of Kenya limited and did not link the effectiveness to performance. However, the current study researches on the effect of the ethical practice reinforcement strategies on the financial performance of rural SACCOs in Nyeri County.

Kabue (2015) conducted a study on the effect of internal controls on fraud detection and prevention among financial institutions in Kenya. The main problem was that there is increased level of fraud and misappropriation of funds in Kenyan financial institutions caused by poor internal control measures. The study adopted an explanatory research design. The population of the study was the financial institutions operating in Kenya in the study period. The study used primary data. An ordinary linear regression model was used. The regressions were conducted using Statistical Package for Social Sciences (SPSS) version 20. The regression results indicated that the relationship between reporting and budget control and level of fraud prevention and detection was positive and significant. Following the study findings, the study recommended that financial institutions should fully reconcile their accounts more frequently in order to reduce the cases of more incidences of frauds. Nevertheless, the study focused on fraud detection and prevention unlike the current study which expounds to the effect of ethical practice reinforcement strategies on financial performance of SACCOs.

Adeyemo (2012) on a study on frauds nature, deep seated causes, aftermaths and probable remedies, opined that to guarantee an effective strategies of fraud prevention and control, financial institutions are to ensure that the operational systems are designed with inbuilt control devices. Financial institutions can reduce or totally eradicate frauds if all the control devices built into the system are respected uncompromisingly and unconditionally. Some of the recommended measures are; hiring honest, genuine, hardworking and sincere people, exemplary leadership, adequate and constant training especially in frauds and ethical standards, regular/periodic assessment procedures by all financial institutions, enforcing internal controls and establishing a favorable work environment. Still, the study was carried out in Nigeria which has different characteristics than Kenya.

Gikiri (2012) sought to determine the influence of fraud risk management practices in financial institutions and their effect on fraud risk exposure. This study adopted a descriptive survey design. The target population was the financial institutions operating in Kenya. The study used a questionnaire and interview to obtain primary data. The collected data was organized, sorted, coded and input into SPSS software which was used to generate statistics and used to make conclusions and generalizations. Descriptive statistical methods and frequencies were employed to analyse the data. The results of the study found that financial institutions were applying several fraud risk detection methods and prevention methods to control existing fraud risks. It was discovered that information sharing on fraud matters should be encouraged as there have been instances where financial institutions have suffered loss from the same group of fraudsters due to poor information sharing mechanisms. The financial institutions in Kenya should approach the issue of fraud risk as a sector and not as individual financial institutions. While the focused on fraud risk management practices the current study will focus on ethical practice reinforcement strategies.

2.4 Conceptual Framework

According to Rangarjan (2013) a conceptual framework is an analytical tool with several variations and contexts. It is used to make conceptual distinctions and organize ideas. It is an abstract representation, connected to the research project's goal that directs the collection and analysis of data. This proposed study can be conceptualized as shown in Figure 2.1

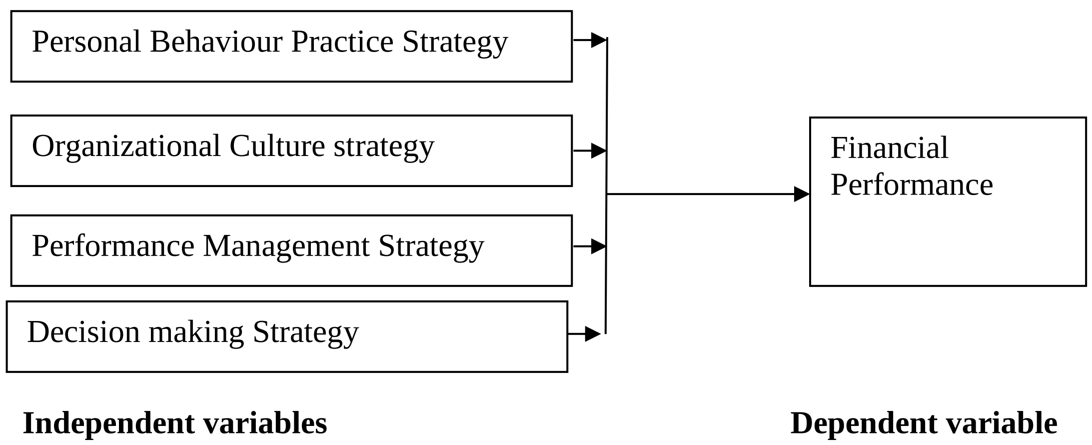

Figure 2.1: Conceptual framework

The dependent variable is financial performance of rural SACCOs operating in Nyeri County. This can be affected by the ethical reinforcement strategies adopted by SACCOs. For instance, the personal behavior practice strategy that promote ethical behaviour would promote financial performance in terms of reducing chances for unethical behaviour and the losses that come with it. An organizational culture strategy where the Organization has effective internal controls systems is likely to promote ethical behaviour because the unethical workers would be afraid of being found out. Performance management strategy which includes regular evaluation of employee performances can enhance better and ethical behaviour in the SACCOs. Decision making strategy in form of good governance practices would boost ethical behaviour.

Effective use of all these strategies to promote ethical behaviour would lead to better financial performance in the SACCOs while failure to observe them would be detrimental to the financial performance of the SACCOs.

2.5 Operational Framework

Operational framework is the implementation plan of the research. It describes the sequence of work to accomplish the research objectives. It shows the connection between the parameters, independent variables and the dependent variable. The study can be operationalized as shown in Figure 2.2

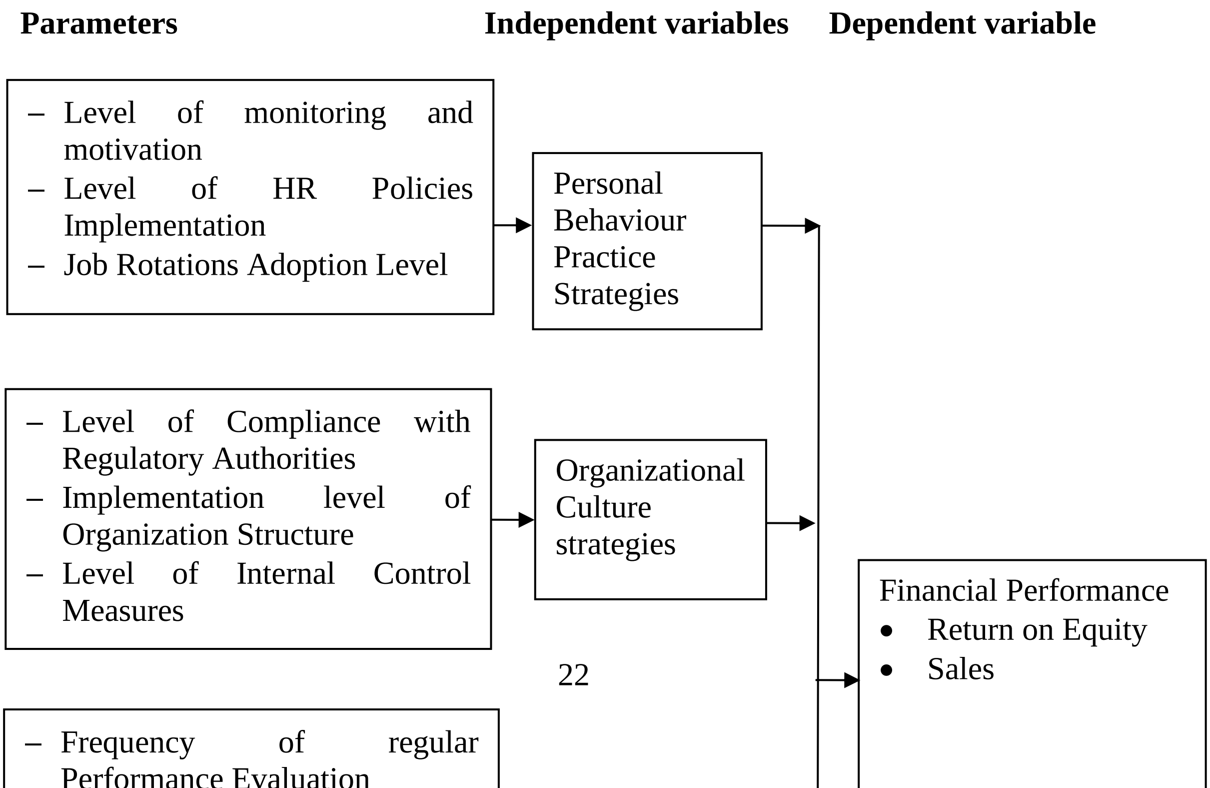

Figure 2.2: Operational Framework

The dependent variable is financial performance measured by Returns on Equity and Sales. This can be affected by personal behavior practice strategies which can be measured by the level of customer satisfaction, level of HR policies implementation and level of job rotation adoption which ensure that employees behave ethically.

On the other hand, an organizational culture strategy such as compliance with regulatory authorities, effective implementation of organizational structure and effective internal controls measures can promote financial performance in rural SACCOs.

Performance management strategies in form of regular evaluation of performances, implementation of reward systems and compliance with recruitment processes would promote financial performance in the rural SACCOs.

Decision making strategies such as good governance practices, effective implementation of policies and procedures and effective implementation of a strategic plan can boost the financial performance in rural SACCOs. However, failure to use such strategies can negatively affect the financial performance of rural SACCOs.

2.6 Research Gap

Past research indicates that SACCOs have been using various strategies to prevent, detect, report and resolve fraud cases. While some of the studies reviewed were conducted internationally, even the local ones have concentrated mainly on commercial banks. Adeoye and Adeoye (2014) study was conducted in Nigeria which has different characteristics than Kenya. Wanjohi's (2014) study was on fraud in the banking industry, which was a case study on Commercial Bank of Africa and data was collected using online questionnaire. Ohando (2015) study used correlations to establish the relationship between fraud risk management practices and financial performance of financial institutions in Kenya. Kamau and Mwithi (2015) study used multistage sampling design and MS-Excel spread sheets for data analysis. Gikiri (2012) study focused on fraud risk management practices. Most of the reviewed studies did not link their variables with financial performance. All these leave a research gap on SACCOs and especially the ones in a rural set up yet they form an important part of the economy. This is the gap that the study intends to fill.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

This chapter deals with the research methodology of the study. Research methodology is the systematic plan used to investigate a research problem. Topics covered include the research design, population of the study, sampling techniques and sample size, data collection instruments and method, pilot study, data analysis and ethical consideration.

3.2 Research Design

Orodho and Kombo (2005) define a descriptive research design as a type of research method that is used when one wants to get information on the current status of a person or an object. It is used to describe what is in existence in respect to conditions or variables that are found in a given situation. The research adopted a descriptive survey research design. This method is appropriate for this study because it is an effective way of collecting data relatively cheap and within a short time.

3.3 Population of the Study

Target population is the eligible population that the researcher is interested in researching (Yin, 2011). The target population for this study is the 42 rural SACCOs operating in Nyeri County.

Ethical practice reinforcement is largely a top level management decision. They set the tone at the top. The population of this study is therefore all the 42 SACCO managers of the rural SACCOs operating in Nyeri County.

3.4 Sampling Technique and Sample size

Sampling means taking any portion of the population as being representative of that population (Mugenda & Mugenda, 2003). Cooper and Schindler (2011) views that when the accessible population is small sampling may not be necessary and census study is the most appropriate. A target population of 42 rural SACCOs is deemed a small target population and hence there will be no need to do sampling. This was therefore a census study.

3.5 Data Collection

Data collection is the process of gathering and measuring information on targeted variables in an established systematic way which then enables one to answer relevant questions and evaluate outcomes (Weimer, 1995). It will include the data collection instrument and data collection method.

3.5.1 Data Collection Instrument

Data may either be primary data or secondary data. A questionnaire is the most common data collection tool in social studies which a primary data collection sheet is ordinarily used to collect secondary data. This study will collect primary data for each of the four independent variables and secondary data in the case of dependent variable. A questionnaire will be used to collect primary data from the SACCO managers. The questionnaire will be semi structured. The items of the questionnaires will be based on the objectives of the study. The questionnaires will have closed ended items accompanied by a list of possible alternatives from which the respondents will select the answer that they feel best suits their responses. Questionnaires are more appropriate when addressing sensitive issues and they will reduce reluctance or deviation from respondents. They are appropriate for this study since its dealing with a sensitive issue and they will ensure anonymity of the respondents. These are easier to administer and economical in terms of time and money and are easier to analyse. The semi structured questionnaire is presented in the Appendices I.

3.5.2 Data Collection Method

There are several data collection methods and the same include; interviews, observations, questionnaires, self-administration or a drop and pick method of structured questionnaires. In this study the questionnaires were self-administered to ensure clarifications are sought during the data collection. Data collection started by getting authority to collect data through an introduction letter from Dedan Kimathi University.

3.6 Pilot Study

A pilot is a small study designed to test logistics and gather information prior to a larger study, in order to improve the latter's quality and efficiency (Mitchell &Jolley, 2012). A pilot study can reveal deficiencies in the design of a proposed study and these can then be addressed before time and resources are expended on large scale studies. The sample for a pilot study generally ranges between 5% and 10% of the sample size for the main study as a minimum (Baker, Morrall and Turkington, 1988). A sample size of 10% of the respondents for the main study was used. A pilot study in four prospective SACCOs in Kirinyaga County which neighbours Nyeri County was conducted so as to test the validity and reliability of the instrument.

3.6.1 Test of Reliability

Mugenda and Mugenda (2003) define reliability of the research instrument as its level of similar consistency over time. A reliable instrument therefore, is the one that consistently produces similar results when used more than once to collect data from the same population over time. Reliability of the instruments was measured using Cronbach alpha coefficient. A coefficient alpha of 0.7 or above was acceptable and all variables with acceptable reliability level will be maintained. (Mugenda & Mugenda, 2003).

3.6.2 Test of Validity

Validity can be defined as the degree to which a test measures what it is supposed to measure (Key, 2013). This implies that validity is the degree to which results obtained from the analysis of the data actually represent the phenomenon under study. To enhance content validity, the researcher consulted the experts in the field of research including her supervisors. To ensure construct validity, the researcher ensured that all the items are based on the set objectives and from quality dominant theory. The results of the pilot study helped to assess whether the instruments of data collection are measuring what they are intended to measure.

3.6.3 Pilot Study Findings

The reliability of the questionnaire was tested using the Cronbach's Alpha coefficient with the aid of SPSS software. According to Mugenda & Mugenda (2003) Cronbach Alpha value greater than 0.7 is regarded as satisfactory for reliability assessment. As presented in Table 3.1 Cronbach alpha values for all the independent variables; personal behavior practice, organizational culture, performance management and decision making strategies were greater than 0.7.

Table 3.1: Reliability test results

Variables	Number of items	Cronbach's Alpha values
Personal behavior practice strategies	9	.799
Organizational culture strategies	8	.939
Performance management strategies	7	.785
Decision making strategies	8	.823

From these findings it can be concluded that the constructs measured had the adequate reliability for the subsequent stages of analysis since all the Cronbach Alpha values were greater than 0.7.

3.7 Data Analysis and Presentation of Research

Data analysis is the process of systematically applying statistical and/or logical techniques to describe and illustrate, condense and evaluate data (Kothari, 2004). Data analysis involved categorizing, ordering, manipulating and summarizing data to obtain answers to research questions. The purpose of data analysis is to obtain meaning from collected data. In this case, the analysis started by sorting and categorizing the data received. It was then coded for the purpose of inputting it into the computer. The process required usage of SPSS version 22.0 computer software.

Data analysis was conducted using descriptive statistics such as mean and standard deviation. After descriptive analysis data was weighted and tested for linear regression assumptions. Gaussian distribution was tested using Q-Q plots. Test of linearity was done using correlation coefficient (r). Durbin Watson (*d*) statistic was used to test for independent of predictors. Finally Variance Inflation Factor (VIF) were used to test for multi-collinearity. Inferential analysis were done using bivariate linear and multiple linear regression at 95% level of confidence. Model R-Square, ANOVA statistics (F-statistic and p-value) and regression coefficients were generated and interpreted.

The multiple linear regression model which was used in this study is shown below:

$$\mathbf{Y = \propto + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon}$$

Where:

Y = Financial Performance

$\propto$ = Constant

X_1-X_4= Independent variables; personal behavior practice strategies, organizational culture strategies, performance management strategies and decision making strategies.
β_1 - β_4 = regression coefficients associated with respective independent variables
In this case, the model was used to help indicate whether the selected strategies (personal behavior practice strategies, organization culture strategies, performance management strategies and decision making strategies) affect the financial performance in Return on Equity and Sales of Rural SACCOs and to indicate the relative strength of different independent variables' effects on the dependent variable.

3.8 Ethical Considerations

Ethical considerations are the contemplations made to distinguish between what is right or wrong when conducting research and to differentiate between what is acceptable or unacceptable. The researcher made various ethical considerations. First of all, the researcher obtained a research permit to allow data collection. The respondents were informed of their right to participate or not to participate in the study (informed consent). To make that decision, all the participants were informed of the purpose of the study. All the respondents also be informed that the information they provide remain confidential and used for research purposes only. Their participation also remain anonymous; consequently it was not be necessary to indicate their names in the instrument. The privacy of the information gathered w ensured.

CHAPTER FOUR
FINDINGS AND DISCUSSION

4.1 Introduction

Chapter four contains data analysis, interpretation and presentation of findings. The broad objective of the study was to investigate the role of ethical practice reinforcement strategies in determining the financial performance of rural SACCOs operating in Nyeri County. Questionnaires were used to collect data from the respondents in rural SACCOs operating in Nyeri County. Data was coded, analyzed and the results obtained using descriptive and inferential statistics guided by the research objectives and research questions. The descriptive findings were presented in form of frequency tables and their implications explained while bivariate and multiple regression analysis were used to determine the extent of the relationship between the dependent and independent variables.

4.2 Response Rate of Respondents

Analyzed data was obtained from thirty eight (38) respondents out of the targeted forty two (42) employees working in rural SACCOs in Nyeri County. Thus the response rate achieved was 90.5%. A response rate of above 80% is regarded as very good according to (Mugenda & Mugenda, 2003).

Table 4.1: Response Rate Results

Response	Targeted	Returned
Numbers (n)	42	38
Percentage (%)	**100**	**90.5**

4.2.1 Age of the Respondents

The study sought to establish the age category of the respondents in order to establish the age of the management team.

Table 4.2: Results for Age of the Respondents

Range (Years)	Frequency (n)	Percent (%)
Below 30 years	2	5.3
31 - 40 years	6	15.8
41 - 50 years	22	57.9
51 - 60 years	8	21.1
Total	38	100.0

As shown by Table 4.2, the study revealed that majority of the employees in management level which accounted for 57.9% are between the age group of 41-50 years. 21.1% were aged between 51- 60 years, 15.8% were aged between 31-40 years while 5.3% were below 30 years.

4.2.2 Work Experience of the Respondents

In order to establish whether the respondent can articulate the issues in this study relating to ethical practice reinforcement strategies in determining the financial performance of rural SACCOs, the study sought to establish the period under which the respondents have worked with the SACCO. The results are as presented in Table 4.3

Table 4.3: Results for Work Experience of the Respondents

Range (Years)	Frequency (n)	Percent (%)
Below 5 years	9	23.7
6-10 years	16	42.1
Above 10 years	13	34.2
Total	**38**	**100.0**

From Table 4.3, the results indicate that more than three quarters of the respondents have worked with SACCOs for more than 6 years which is an adequate period to familiarize with ethical practice reinforcement strategies that affect financial performance of rural SACCOs,

4.2.3 Education Level of Respondents

Details about the education levels of respondents were obtained in order to establish whether the respondents would fill the questionnaire and internalize the intended purpose with ease. The results are presented in the Table 4.4

Table 4.4: Results for Education Level of Respondents

Educational Qualification	Frequency (n)	Percent (%)
Diploma	4	10.5
Bachelor degree	27	71.1
Master degree	7	18.4
Total	**38**	**100.0**

The findings in Table 4.4 above indicate a high percentage (71.1%) of the SACCO employees working in management levels had bachelor degree, 18.4% had master degree while 10.5% had diploma certificate. This is an indication that rural SACCOs are headed by personnel with appropriate qualifications hence they are able to articulate issues prompted by this questionnaire without guidance.

4.2.4 Designation of the Respondent

The study sought to establish the designation of the respondents

Table 4.5: Results for Designation of the Respondent

Position in SACCO	Frequency (n)	Percent (%)
Manager	31	81.6
Staff	7	18.4
Total	38	100.0

As shown in Table 4.5, majority of the respondents were managers of rural SACCOs operating in Nyeri County while 18.4% were staff.

4.3 Descriptive Analysis

The researcher carried out descriptive analysis for the dependent and the independent variables of the study. The results were discussed below

4.3.1 Descriptive Analysis for Performance

According to Stoner (2003), performance is referred to the ability to operate efficiently, profitability, survive grow and react to the environmental opportunities and threats. Performance of the SACCOs in this study focused on sustainability by establishing the revenue and return on equity.

The responses were tabulated and the average for five years were generated and interpreted. Table 4.6 shows revenue and return on equity of SACCOS for the last five years.

Table 4.6: average Performance of SACCOs

Years	2012	2013	2014	2015	2016
Average Sales (Ksh)	5.201B	5.606B	6.064B	7.585B	8.598B
Average ROI (%)	8.21	8.62	8.06	8.58	8.54

Source: Individual Saccos' Financial Reports

B denotes billion shillings

Table 4.6 shows that the average sales (Debts) disbursed by the SACCOs reflect an increasing trend from 5.201B in year 2012 to 8.59B in the year 2016. The increasing trends of SACCOs lending maybe attributed to high interest rate that was being charged by commercial bank which necessitated people to borrow from SACCOs.

4.3.2 Descriptive Analysis for Personal Behaviour Practice Strategies

The first objective of the study sought to explore the role of personal behavior practice strategies in determining the financial performance of rural SACCOs operating in Nyeri County. Descriptive statistics were done to determine the effect of various factors of personal behavior practice strategies. Table 4.7 shows the effect of each factor of personal behavior practice strategies on financial performance of rural SACCOs.

Table 4.7: Descriptive Statistics for Personal Behaviour Practice Strategies

Personal Behaviour Practice Strategies	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std. Dev
Staff are effectively managed through constant monitoring	89.5			7.9	2.6	4.6579	1.02077
The SACCO often practices job rotations	81.6	5.3	2.6	7.9	2.6	4.5526	1.05772
There are effective human resource policies and procedures in the organization.	39.5	26.2	21.1	13.2		3.9211	1.07506
The SACCO always carry out customer due diligence as required in the policy	39.5	26.2	21.1	13.2		3.9211	1.07506

As shown in Table 4.7, a substantial percentage 89.5% agreed that staff are effectively managed through constant monitoring with a mean = 4.6579 and a standard deviation = 1.02077. 86.9% of the respondents agreed that the SACCO often practices job rotations with a mean = 4.5526 and a standard deviation = 1.05772. 65.7% agreed that there are effective human resource policies and procedures in the organization with a mean = 3.9211 and a standard deviation = 1.07506. The study further revealed that SACCO always carry out customer due diligence as required in the policy with a mean = 3.9211 and a standard deviation = 1.07506. Fombrun (2000), noted that by behaving ethically, an organization generates intangible gains that improve its ability to attract resources, enhance performance, and build competitive advantages while satisfying its stakeholders' needs. Wanga (2013) conducted a study on financial institutions' response strategies and recommended that methods such as employee screening, staff account monitoring, profiling of staff disciplinary cases, job rotation and enrichment are worth considering.

4.3.3 Descriptive Analysis for Organizational Culture Strategies

The second objective of the study sought to examine the effects of organizational culture strategies in determining the financial performance of rural SACCOs operating in Nyeri County. Table 4.8 shows the effect of each factor of organizational culture strategies on financial performance of rural SACCOs.

Table 4.8: Descriptive Statistics for Organizational Culture Strategies

Organizational Culture Strategies	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std. Dev
There is an effective documentation system in the SACCO.	65.8	18.4	7.9	5.3	2.6	4.3947	1.02771
The organization has designed an effective organization structure	76.3		7.9	10.5	5.3	4.3158	1.29667
The SACCO follows the Cooperative Societies Act Guidelines	39.5	26.2	21.1	13.2		3.9211	1.07506
The SACCO follows the Sacco Societies Act Guidelines	39.5	26.2	21.1	13.2		3.9211	1.07506
The SACCO has strong internal control systems	55.3	5.3	18.3	13.2	7.9	3.8684	1.41748

A substantial percentage 84.2% agreed that there is an effective documentation system in the SACCO with a mean = 4.3947 and a standard deviation = 1.02771. Most of the respondents 76.3% agreed that the organization has designed an effective organization structure a mean = 4.3158 and a standard deviation = 1.29667. 65.7% agreed that the SACCOs follows the Cooperative Societies Act Guidelines with a mean = 3.9211 and a standard deviation = 1.07506. In addition, 65.7% agreed that SACCOs follows the Sacco Societies Act Guidelines with a mean = 3.9211 and a standard deviation = 1.07506. 60.6% of the respondents agreed that the SACCO has strong internal control systems with a mean = 3.8684 and a standard deviation = 1.41748. The study support earlier finding by Wanjohi's (2014), who found that opportunities for fraud were present due to relaxed internal controls and accounting systems, inadequate supervision of subordinates, disregard for customer due diligence requirements and poor personnel policies. Kamau and Mwithi (2015), carried out a study on determining the factors leading to the current upsurge of customers' transactions frauds in Kenya.

4.3.4 Descriptive Analysis for Performance Management Strategies

The third objective of the study sought to investigate the role performance management strategies in determining the financial performance of rural SACCOs operating in Nyeri County. Table 4.9 shows the effect of each factor of performance management strategies on financial performance of rural SACCOs.

Table 4.9: Descriptive Statistics for Performance Management Strategies

Performance Management Strategies	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std. Dev
There is effective communication between the management and staff.		47.4	28.9	21.1	2.6	3.2105	.87481
Staff performance is evaluated on quarterly basis.		10.5	34.2	55.3		2.5526	.68566
Staff members are well motivated.		10.5	34.3	52.6	2.6	2.5263	.72548
The organization always follows the recruitment procedure while hiring new staff.	2.6	2.6	31.6	57.9	5.3	2.3947	.75479
The reward systems in the SACCO are well designed	5.3		26.2	63.2	5.3	2.3684	.81940
All staff members are treated equally when it comes to disciplinary measures.		7.9	23.6	63.2	5.3	2.3421	.70811

Results on Table 4.9 show that slightly below half of the respondents 47.4% agreed that there is effective communication between the management and staff with a mean = 3.2105 and a standard deviation = 0.87481. On average 55.3% and 55.2% disagreed that staff performance is evaluated on quarterly basis and staff members are well motivated with a mean score of 2.5526 and 2.5263 respectively. A slightly higher percentage 63.2% and 68.5% disagreed that the organization always follows the recruitment procedure while hiring new staff and the reward systems in the SACCO are well designed with a mean score of 2.3947 and 2.3684 respectively. Generally the SACCOs performance management strategies were lowly rated with majority disagreeing with the factors under considerations. In order to address the current situation, SACCOs can learn from Adeyemo (2012), who found out that financial institutions can reduce or totally eradicate frauds if all the control devices built into the system are respected uncompromisingly and unconditionally. He recommended that hiring honest, genuine, hardworking and sincere people, exemplary leadership, adequate and constant training especially in frauds and ethical standards, regular/periodic assessment procedures by all financial institutions, enforcing internal controls and establishing a favorable work environment. Kiluva (2006), opined that in conducting its business operations, the financial institutions must consider the lawfulness, rightfulness and the goodness of its activities

4.3.5 Descriptive Analysis for Decision Making Strategies

The fourth objective of the study sought to assess the effects of decision making strategies in determining the financial performance of rural SACCOs in operating Nyeri County. Table 4.10 shows the effect of each factor of decision making strategies on financial performance of rural SACCOs.

Table 4.10: Descriptive Statistics for Decision Making Strategies

Decision Making Strategies	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean	Std. Dev
There is separation of managerial levels (operational, tactical and strategic levels)	89.5			7.9	2.6	4.6579	1.02077
There are clear job description for each Job	65.8	18.4	7.9	5.3	2.6	4.3947	1.02771
There is a clear separation of governance and managerial functions	39.5	26.2	21.1	13.2		3.9211	1.07506
The SACCO has clear staff separation policy	55.3	5.3	18.3	13.2	7.9	3.8684	1.41748
There is effective implementation of a strategic plan.	23.7	21.1	44.6	5.3	5.3	3.5263	1.08396
The Sacco reviews the strategic plan annually.	36.8		31.6	18.4	13.2	3.2895	1.46874

Table 4.10 presents the analysis on the effects of decision making strategies on financial performance of rural SACCOs, A high percentage 89.5% agreed that there is separation of managerial levels (operational, tactical and strategic levels) with a mean = 4.6579 and a std dev = 1.02077. A substantial percentage 84.2% agreed that there are clear job description for each Job with a mean = 4.3947 and a std dev = 1.02771. 65.7% of the respondents agreed that there is a clear separation of governance and managerial functions with a mean = 3.9211 and a std dev = 1.07506. On average 60.6% agreed that the SACCO has clear staff separation policy with a mean = 3.8684 and a std dev = 1.41748. Slightly below half of the respondents 36.8% indicated that the Sacco reviews the strategic plan annually with a mean = 3.5263 and a std dev = 1.08396. About a third of the respondents 36.8% and 31.5% agreed that Sacco reviews the strategic plan annually and there is effective implementation of a strategic plan with a mean score of 3.2895. The findings of the study indicated that Sacco had been focusing on decision making strategies factors under consideration.

4.4 Test of Regression Assumption

Prior to running a regression model, pre-estimation and post estimation tests were conducted. The pre-estimation tests conducted in this case were the multicollinearity test while the post estimation tests were normality test. This is usually performed to avoid spurious regression results from being obtained.

4.4.1 Normality Test for Financial Performance

A Q-Q test for normality was performed on the dependent variable (financial performance). The results are presented in Figure 4.1.

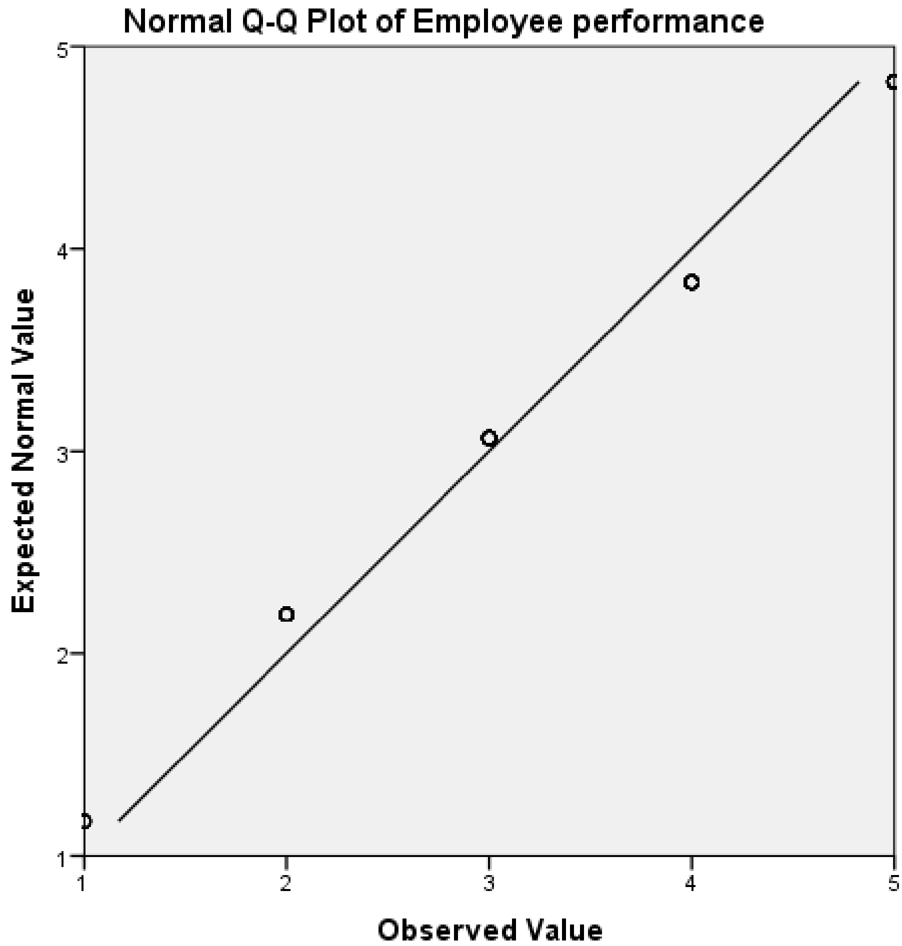

Figure 4.1: Normality Q-Q Plot of Regression Standardized
Om

From figure 4.1, the data plot shows a flow of data points close to the diagonal line therefore the data appear to be normally distributed.

4.4.2 Test of Multicollinearity

Multicollinearity occurs when more than two predictor variables are inter-correlated, Kothari (2004). This is an undesirable situation where the correlations among the independent variables are strong as it increases the standard errors of the coefficients. To test for multicollinearity, Variance Inflation Variable (VIF) or tolerance, a diagnostic method was used to detect how severe the problem of multicollinearity is in a multiple regression model. VIF statistic of a predictor in a model indicates how much larger the error variance for the unique effect of a predictor (Baguley, 2012).

Using the VIF method, a tolerance of less than 0.20 and a VIF of more than 5 indicates a presence of multicollinearity. If two or more variables have a Variance Inflation Factor (VIF) of 5 or greater than 5, one of these variables must be removed from the regression analysis as this indicates presence of multicollinearity (Runkle et al., 2013). From Table 4.11 there is no VIF with a value of 5 or greater than 5 and therefore no presence of multicollinearity.

Table 4.11: Multicollinearity Test

Model	**Collinearity Statistics**	
	Tolerance	**VIF**
Personal behavior practice strategies	.730	1.371
Organizational culture strategies	.683	1.464
Performance management strategies	.773	1.293
Decision making strategies	.844	1.185

4.4.3 Linearity Tests

To establish the nature and magnitude of the relationships between the variables and to test the hypothesized relationships, the researcher used Pearson's Product Moment Coefficient Correlation (r) to establish any linear associations among the variables in the study, as well as their nature and strength. This measure, usually symbolized by the letter (r), varies from ranging from -1 to +1, with 0 indicating no linear association. In order to conduct correlation analysis the set of items that measured each variable were aggregated by computing the average. The findings of the analysis are as indicated in Table 4:12 below.

Table 4.12: Correlation Analysis

Variables	Measures	Financial performance
Personal behavior practice strategies	Pearson Correlation	.424**
	Sig. (2-tailed)	.008
Organizational culture strategies	Pearson Correlation	.333*
	Sig. (2-tailed)	.041
Performance management strategies	Pearson Correlation	.189
	Sig. (2-tailed)	.256
Decision making strategies	Pearson Correlation	.548**
	Sig. (2-tailed)	.000

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

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

From the correlation matrix, all the independent variables had a positive relationship with the dependent variable. Personal behavior practice strategies was positively and significantly related to financial performance of rural SACCOs r = 0.424, p value 0.008<0.05 at 0.05 significance level. Organizational culture strategies was positively and significantly related to financial performance of rural SACCOs r = 0.333, p value 0.041 < 0.05 at 0.05 significance level. Performance management strategies was positively but insignificantly related to financial performance of rural SACCOs r = 0.189, p value 0.256 > 0.05 at 0.05 significance level. Decision making strategies was positively and significantly related to financial performance of rural SACCOs r = 0.548, p value 0.000 < 0.05 at 0.05 significance level.

4.5 Influence of Personal Behaviour Practice Strategies on Financial Performance.

The bivariate linear regression analysis results of personal behavior practice strategies on financial performance of rural SACCOs were as shown in Table 4.13 to 4.15

Table 4.13: Model Summary for Personal Behaviour Practice Strategies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.424[a]	.180	.157	1.10167

a. Predictors: (Constant), personal behavior practice strategies

From the regression results in Table 4.13, the R value was 0.424 indicating that there is a relationship between personal behavior practice strategies on financial performance of rural SACCOs operating in Nyeri County. The R squared (R^2) value of 0.180 shows that 18.0 percent of the financial performance of rural SACCOs is explained by personal behavior practice strategies all other factors held constant. The remaining 82.0 percent is explained by other factors.

Table 4.14: ANOVA for Personal Behaviour Practice Strategies

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	9.571	1	9.571	7.886	.008[b]
	Residual	43.693	36	1.214		
	Total	53.263	37			

a. Dependent Variable: financial performance

b. Predictors: (Constant), personal behavior practice strategies

The model was significant with the F ratio = 7.886 at p value 0.008< 0.05. This is an indication that personal behavior practice strategies when considered singly have a significant effect on financial performance of rural SACCOs.

Table 4.15: Regression Coefficients for Personal Behaviour Practice Strategies

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.153	.538		3.999	.000
	Personal behavior practice strategies	.401	.143	.424	2.808	.008

a. Dependent Variable: financial performance

Personal behavior practice strategies had positive and significant effect on financial performance of rural SACCOs with β = 0.401 at p value 0.000 which is less than 0.05. From Table 4.15, the bivariate linear regression model equation fitted using unstandardized coefficients is; $Y= 2.153 + 0.401X_1 + e$. where 2.153 is the constant the place where the regression equation crosses the Y-axis. X_1 is personal behavior practice strategies index.

This means that personal behavior practice strategies are positively and significantly influencing financial performance of rural SACCOs. It also means that an increase of one unit of X_1 increases Y by 0.401. The indication was that personal behavior practice strategies can be adopted when evaluating financial performance of rural SACCOs. The finding of the study supports earlier findings by Mielach (2012), who noted that among the many factors influencing SACCOs financial performance are; corporate governance, members commitment, staff motivation, cooperative principles, technological influences and ethical practice reinforcement strategies. Ferrall, Fraedrich and Ferrell (2008), noted that the need for established standards of behaviour, had predisposed most organizations especially financial institutions, to evolve and entrench ethical practices as part of their culture. Stemberg (2000) notes that unethical management practices affect corporate performance.

4.6 Influence of Organizational Culture Strategies on Financial Performance.

The bivariate linear regression analysis results of organizational culture strategies on financial performance of rural SACCOs were as shown in Table 4.16 to 4.18

Table 4.16: Model Summary for Organizational Culture Strategies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.333[a]	.111	.086	1.14683

a. Predictors: (Constant), organizational culture strategies

From the regression results in Table 4.16, the R value was 0.333 indicating that there is a relationship between organizational culture strategies on financial performance of rural SACCOs operating in Nyeri County. The R squared (R^2) value of 0.111 shows that 11.1 percent of the financial performance of rural SACCOs is explained by organizational culture strategies all other factors held constant. The remaining 88.9 percent is explained by other factors.

Table 4.17: ANOVA for Organizational Culture Strategies

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.915	1	5.915	4.498	.041[b]
	Residual	47.348	36	1.315		
	Total	53.263	37			

a. Dependent Variable: financial performance

b. Predictors: (Constant), organizational culture strategies

The model was significant with the F ratio = 4.498 at p value 0.041< 0.05. This is an indication that organizational culture strategies when considered singly have a significant effect on financial performance of rural SACCOs.

Table 4.18: Regression Coefficients for Organizational Culture Strategies

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.766	.426		6.494	.000
	Organizational culture strategies	.506	.239	.333	2.121	.041

a. Dependent Variable: financial performance

Organizational culture strategies had positive and significant effect on financial performance of rural SACCOs with β = 0.506 at p value 0.041 which is less than 0.05. From Table 4.18, the bivariate linear regression model equation fitted using unstandardized coefficients is; $Y= 2.766 + 0.506X_1 + e$. where 2.766 is the constant the place where the regression equation crosses the Y-axis, X_1 is organizational culture strategies index. This means that organizational culture strategies are positively and significantly influencing financial performance of rural SACCOs. It also means that an increase of one unit of X_1 increases Y by 0.506. The indication was that organizational culture strategies can be adopted when evaluating financial performance of rural SACCOs. The finding of the study concurs with (Jones, 1995; Jones and Wicks, 1999), who found out that organizations in which leaders act ethically are more sustainable and have better long-term financial performance. According to a report by the Chartered Management Institute (CMI 2014), proactive ethical initiatives have a positive impact on financial performance because ethical behaviors derive from the creation of intangible assets, which are vital to the long-term business success. Kiluva (2006) opined that in conducting its business operations, the financial institutions must consider the lawfulness, rightfulness and the goodness of its activities. He stated that respectable financial institutions are expected to be fair and accountable and have social responsibility, integrity and honesty. According to Riaga (2016), in Kenya, the Code of Ethics for Business is an initiative by the business community with an aim to enhance and promote the ethics of business conduct.

4.7 Influence of Performance Management Strategies on Financial Performance.

The bivariate linear regression analysis results of performance management strategies on financial performance of rural SACCOs were as shown in Table 4.19 to 4.21

Table 4.19: Model Summary for Performance Management Strategies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.189[a]	.036	.009	1.19446

a. Predictors: (Constant), performance management strategies

From the regression results in Table 4.19, the R value was 0.189 indicating that there is a weak relationship between performance management strategies on financial performance of rural SACCOs operating in Nyeri County. The R squared (R^2) value of 0.036 shows that 3.6 percent of the financial performance of rural SACCOs is explained by performance management strategies all other factors held constant. The remaining 94.4 percent is explained by other factors.

Table 4.20: ANOVA for Performance Management Strategies

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	1.901	1	1.901	1.332	.256[b]
1	Residual	51.362	36	1.427		
	Total	53.263	37			

a. Dependent Variable: financial performance

b. Predictors: (Constant), performance management strategies

The model was insignificant with the F ratio = 1.332 at p value 0.256>0.05. This is an indication that performance management strategies when considered singly have an insignificant effect on financial performance of rural SACCOs.

Table 4.21: Regression Coefficients for Performance Management Strategies

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	2.548	.914		2.787	.008
	Performance Management Strategies	.256	.222	.189	1.154	.256

a. Dependent Variable: financial performance

Performance management strategies had positive but insignificant effect on financial performance of rural SACCOs with β = 0.256 at p value 0.256 which is greater than 0.05. From Table 4.21, the bivariate linear regression model equation fitted using unstandardized coefficients is; $Y= 2.548 + 0.256X_1 + e$. where 2.548 is the constant the place where the regression equation crosses the Y-axis, X_1 is performance management strategies index.

This means that performance management strategies are positively and significantly influencing financial performance of rural SACCOs. It also means that an increase of one unit of X_1 increases Y by 0.256. The indication was that a performance management strategy does not have a major effect when evaluating financial performance of rural SACCOs. Baucus and Near (1991) were of the opinion that, the reasons of workplace deviance can be traced to many individual sociological effects, organizational culture, and economic causes (pressure). Personality, education, group influence, ethical work climate, frustration, and stress are only but a few examples. Deviant behaviour takes place when an employee's behaviour changes substantially. The deviant behaviour can be regarded as a cry for help, and management's major task is to recognize the change in behaviour and to take corrective action. Therefore there is need to review performance management strategies in SACCOs to ensure that those in management conduct their business ethically with integrity, fairness and equity.

4.8 Influence of Decision Making Strategies on Financial Performance.

The bivariate linear regression analysis results of decision making strategies on financial performance of rural SACCOs were as shown in Table 4.22 to 4.24

Table 4.22: Model Summary for Decision Making Strategies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.548[a]	.300	.281	1.01765

a. Predictors: (Constant), decision making strategies

From the regression results in Table 4.22, the R value was 0.548 indicating that there is a relationship between decision making strategies on financial performance of rural SACCOs operating in Nyeri County. The R squared (R^2) value of 0.300 shows that 30.0 percent of the financial performance of rural SACCOs is explained by decision making strategies all other factors held constant. The remaining 70.0 percent is explained by other factors.

Table 4.23: ANOVA for Decision Making Strategies

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.981	1	15.981	15.431	.000[b]
	Residual	37.282	36	1.036		
	Total	53.263	37			

a. Dependent Variable: financial performance

b. Predictors: (Constant), decision making strategies

The model was significant with the F ratio = 15.431 at p value 0.000< 0.05. This is an indication that decision making strategies when considered singly have a significant effect on financial performance of rural SACCOs.

Table 4.24: Regression Coefficients for Decision Making Strategies

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.599	.530		3.015	.005
	Decision Making Strategies	.541	.138	.548	3.928	.000

a. Dependent Variable: financial performance

Decision making strategies had positive and significant effect on financial performance of rural SACCOs with $\beta = 0.541$ at p value 0.000 which is less than 0.05. From Table 4.24, the bivariate linear regression model equation fitted using unstandardized coefficients is; $Y= 1.599 + 0.541X_1 + e$. where 1.599 is the constant the place where the regression equation crosses the Y-axis. X_1 is decision making strategies index.

This means that decision making strategies are positively and significantly influencing financial performance of rural SACCOs. It also means that an increase of one unit of X_1 increases Y by 0.541. The indication was that decision making strategies can be adopted when evaluating financial performance of rural SACCOs. According to Weiss (2009) banking business is complex and the margin between legal and illegal business is blurring every day. Financial institutions should never forget how crucial ethical behaviour is while aiming to make the most of their profits. Unethical practices and profitability are inversely related. Good corporate governance usually translates to the company's long term existence and generation of profits. The business environment today demands greater transparency, corporate accountability and actively following up on ethical and integrity issues in the financial institutions can help achieve this. Akelola (2015), highlights the immediate need to change the reporting structure of police due to the fact that BFID has been tainted with issues of lack of integrity which has led to low public confidence. Kabue (2015), conducted a study on the effect of internal controls on fraud detection and prevention among financial institutions in Kenya.

4.9 Ethical Practice Reinforcement Strategies in Determining the Financial Performance of Rural SACCOs

The researcher carried out multiple regression analysis between the independent and dependent variables of the study. In order to conduct multiple regression analysis, the set of items that measured each independent variable were aggregated by computing the average. Multiple regression analysis was then used to test whether there existed interdependency between independent variables (personal behavior practice, organizational culture, performance management and decision making strategies) and dependent variable (financial performance). The findings of the multiple regression analysis for each of the four independent variables are discussed in Table 4.25 to Table 4.27.

Table 4.25: Model Summary for Ethical Practice Reinforcement Strategies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.678[a]	.460	.395	.93346

a. Predictors: (Constant), decision making strategies , organizational culture strategies , performance management strategies , personal behavior practice strategies

From the regression results in Table 4.25, the R value was 0.678 indicating that there is a relationship between personal behavior practice, organizational culture, performance management and decision making strategies on financial performance of rural SACCOs operating in Nyeri County. The R squared (R^2) value of 0.460 shows that 46.0 percent of the financial performance of rural SACCOs is explained by Ethical Practice Reinforcement Strategies all other factors held constant. The remaining 54.0 percent is explained by other factors.

Table 4.26: ANOVA for Ethical Practice Reinforcement Strategies

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.509	4	6.127	7.032	.000[b]
	Residual	28.755	33	.871		
	Total	53.263	37			

a. Dependent Variable: financial performance

b. Predictors: (Constant), decision making strategies , organizational culture strategies , performance management strategies , personal behavior practice strategies

The model was significant with the F ratio = 7.032 at p value 0.000< 0.05. This is an indication that Ethical Practice Reinforcement Strategies when combined had a significant effect on financial performance of rural SACCOs.

Table 4.27: Regression Coefficients for Ethical Practice Reinforcement Strategies

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-1.904	1.247		-1.528	.136
Personal behavior practice strategies	.547	.203	.403	2.693	.011
Organizational culture strategies	.431	.176	.379	2.448	.020
Performance management strategies	.376	.221	.248	1.703	.098
Decision making strategies	.478	.138	.483	3.472	.001

a. Dependent Variable: financial performance

Personal behavior practice, organizational culture and decision making strategies had positive and significant effect on financial performance of rural SACCOs with β_1 = 0.547 at p value 0.011, with β_2 = 0.431 at p value 0.020, and β_4= 0.478 at p value 0.001 which is less than 0.05 respectively. Performance management had positive but insignificant effect on financial performance of rural SACCOs with β_3 = 0.547 at p value 0.098 which is greater than 0.05. The regression equation for this study can be stated as: $Y= -1.904 + 0.547X_1 + 0.431X_2 + 0.376X_3 + 0.478X_4 + e$. Where X_1 is personal behavior practice strategies index, X_2 is organizational culture strategies index, X_3 is performance management strategies index and X_4 is decision making strategies index. The finding of the study that personal behavior practice, organizational culture and decision making strategies are ethical issues that significantly effect on financial performance supports earlier finding by Baucus and Near (1991), who opined that, the reasons of workplace deviance can be traced to many individual sociological effects, organizational culture, and economic causes (pressure). According to Kidder (2005), trait theorists subscribe to the premise that certain traits will be disposed to react to a given situation in a certain way.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter is a synthesis of the entire report and contains the summary of the findings, conclusion arrived at and policy recommendations arising from the study. Research gaps identified during the study are also identified as basis for future studies.

5.2 Summary of the Finding

The general objective of the study was to investigate the role of ethical practice reinforcement strategies in determining the financial performance of rural SACCOs operating in Nyeri County. The study specifically sought to examine the effect of personal behavior practice strategies, organizational culture strategies, performance management strategies and decision making strategies in determining the financial performance of Rural SACCOs in Nyeri County.

5.2.1 Personal Behaviour Practice Strategies and Financial Performance.

The first objective of the study was to explore the role of personal behavior practice strategies in determining the financial performance of rural SACCOs operating in Nyeri County. In order to ascertain the relationship between personal behavior practice strategies and financial performance of rural SACCOs, the researcher carried out both descriptive and bivariate regression analyses. The study accentuates that at 5% level of significance the regression results indicated a positive and significant relationship between personal behavior practice strategies and financial performance of rural SACCOs when considered alone and when combined with other factors. The results revealed that staffs were being effectively managed through constant monitoring and job rotations. In addition, there were effective human resource policies and procedures in the organization and staff normally carry out customer due diligence as required in the policy.

5.2.2 Organizational Culture Strategies and Financial Performance

The second objective of the study was to examine the effects of organizational culture strategies in determining the financial performance of rural SACCOs operating in Nyeri County. In order to ascertain the relationship between organizational culture strategies and financial performance of rural SACCOs, the researcher carried out both descriptive and bivariate regression analyses. The study accentuates that at 5% level of significance the regression results indicated a positive and significant relationship between organizational culture strategies and financial performance of rural SACCOs when considered alone and when combined with other factors. The results revealed that SACCOs have designed an effective organization structure and documents storage and retrieval is effective due to proper documentation in the organization. In addition, they comply with regulatory authorities such as SASRA.

5.2.3 Performance Management and Financial Performance.

The third objective of the study was to investigate the role performance management strategies in determining the financial performance of rural SACCOs operating in Nyeri County. In order to ascertain the relationship between performance management strategies and financial performance of rural SACCOs, the researcher carried out both descriptive and bivariate regression analyses. The study accentuates that at 5% level of significance the regression results indicated a positive but insignificant relationship between performance management strategies and financial performance of rural SACCOs when considered alone and when combined with other factors. The results revealed that communication between the management and staff was not effective since staff members were not treated equally when it comes to disciplinary measures, staff performance was not evaluated on quarterly basis, reward systems in the SACCO are not well designed, staff members were not well motivated and the recruitment procedure was not always adhered to when hiring new staff

5.2.4 Decision Making Strategies and Financial Performance

The fourth objective of the study was to assess the effects of decision making strategies in determining the financial performance of rural SACCOs in operating Nyeri County. In order to ascertain the relationship between decision making strategies and financial performance of rural SACCOs, the researcher carried out both descriptive and bivariate regression analyses. The study accentuates that at 5% level of significance the regression results indicated a positive and significant relationship between decision making strategies and financial performance of rural SACCOs when considered alone and when combined with other factors. The results revealed that that there was separation of managerial levels (operational, tactical and strategic levels) and governance and managerial functions. The study further revealed that there was clear job description for each Job and SACCO had clear staff separation policy. However most of the Sacco does not review the strategic plan annually.

5.3 Conclusions of the Study

Personal behavior practice strategies had positive and significant effect on financial performance of rural SACCO. The result of the findings indicates that staffs are being effectively managed through constant monitoring, job rotations and effective human resource policies and procedures. In addition, the study revealed that staff normally carry out customer due diligence as required in the policy

Organizational culture strategies had positive and significant effect on financial performance of rural SACCOs. The SACCOs were found to have designed an effective organization structure in addition they comply with regulatory authorities such as SASRA and all other government Guidelines. The study further revealed that SACCOs have designed an effective organization structure and documents storage as well as documents retrieval was effective due to proper documentation in the organization.

Performance management strategies had positive but insignificant effect on financial performance of rural SACCOs. In addition, the study revealed that there was ineffective communication between the management and staff, staffs were not treated equally when it comes to disciplinary measures, the reward systems in the SACCO were not well designed, staff members were not well motivated and the recruitment procedure was not always adhered to when hiring new staff.

Decision making strategies had positive and significant effect on financial performance of rural SACCOs. Moreover the study revealed that there was separation of managerial levels (operational, tactical and strategic levels) and governance and managerial functions which established a chain of command and organizational structure. The study further revealed that there was clear job description for each Job and SACCO but most of the SACCOs were not able to review their strategic plan annually.

5.4 Recommendations of the Study

Based on the research study, a number of recommendations can be made to improve the financial performance of these SACCOs. To start with the SACCOs should review their internal control systems in order to seal the loopholes that pose opportunities for

unethical practices. SACCOs should embrace an open door policy where staff and customers can channel their sentiments without fear of reprimand as this shall benefit the SACCOs and their members through enhanced customer services delivery hence improving the financial performance of the SACCOs. SACCOs should review their human resource policy especially recruitment and selection procedures and ensures that the guidelines are adhered to when recruiting new employees. This shall benefit the SACCOs and their members as well as the society. SACCOs should come up with staff motivation strategies in order to improve their morale. SACCOs should revise the reward system and ensure that its application is done with fairness, just and equality. This shall benefit the SACCOs and their members as well as the staff.
The SACCOs should also review their policies and procedures regularly to enable them comply with the changes in government rules and guidelines.

5.5 Areas of Further Studies

The study confined itself to the role of ethical practice reinforcement strategies in determining the financial performance of rural SACCOs operating in Nyeri County, Kenya while there is need to undertake comparative studies covering other Counties in order to validate whether the findings can be generalized. This study considered four variables, personal behavior practice strategies, organizational culture strategies, performance management strategies and decision making strategies. Future researchers should focus on other characteristics in order to establish their relationship with financial performance of Rural SACCOs in Nyeri County

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APPENDICES

APPENDIX I-QUESTIONNAIRE

The purpose of this study is to establish the ethical practice reinforcement strategies and their effect on performance of rural SACCOs operating in Nyeri County. Kindly answer the questions to the best of your knowledge. The information collected will be used for academic purpose only. The findings of this study will be availed to you on request.

Section A: Demographic information

1. How old are you?

   Below 30 years ( ) 31-40 years ( ) 41-50 years ( )

   51-60 years ( ) Above 60 years ( )

2. Please indicate the length of service in this organization

   Below 5 years ( ) 6-10 years ( ) Above 10 years ( )

3. What is your highest level of education?

   KCPE ( ) KCSE ( ) Diploma ( )

   Bachelor's degree ( ) Master's degree ( ) PhD ( )

4. What is your designation?

   Manager ( ) Employee ( )

For each Section use the likert scale below to indicate how accurately the statements under each strategy describe.

5 = Strongly agree 4= Agree 3=Neutral 2= Disagree 1=Strongly disagree

Section B: Personal Behaviour Practice Strategies

Personal Behaviour Practice	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
There are effective human resource policies and procedures in the organization.					
The SACCO often practices job rotations					
The SACCO always carry out customer due diligence as required in the policy					
Staffs are effectively managed through constant monitoring and motivation.					

Section C: Organizational Culture Strategies

Organizational Culture	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
The SACCO follows the Cooperative Societies Act Guidelines					
The SACCO follows the Sacco Societies Act Guidelines					
The SACCO has strong internal control systems					
The organization has designed an effective organization structure					
There is an effective documentation system in the SACCO.					

D: Performance Management Strategies

Performance Management	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
Staff performance is evaluated on quarterly basis.					
The reward systems in the SACCO are well designed					
The organization always follows the recruitment procedure while hiring new staff.					
Staff members are well motivated.					
There is effective communication between the management and staff.					
All staff members are treated fairly when it comes to disciplinary matters.					

Section E: Decision Making Strategies

Decision Making	**Strongly Agree**	**Agree**	**Neutral**	**Disagree**	**Strongly disagree**
The SACCO has clear staff separation policy					
There is separation of managerial levels (operational, tactical and strategic levels)					
There are clear job description for each Job					
The Sacco reviews the strategic plan annually.					

There is effective implementation of a strategic plan.					
There is a clear separation of governance and managerial functions					

Section F: Financial Performance

What was the Return on Equity (ROE) of your organization for the period 2012 to 2016 in percentage and the total loan disbursed in Kenya shillings

	2012	**2013**	**2014**	**2015**	**2016**
Sales (debt)					
ROE (%)					

APPENDIX II: LIST OF SACCOS

1.	Wananchi Sacco Society Ltd.
2.	Arahuka Sacco Society Ltd.
3.	Othaya B. Women Sacco Society Ltd.
4.	Othaya R. Women Sacco Society Ltd.
5.	Zaidi Women Sacco Society Ltd.
6.	Mawega Sacco Society Ltd.
7.	Mausa Sacco Society Ltd.
8.	Taifa Sacco Society Ltd.
9.	Biashara Sacco Society Ltd.
10.	Nyeri B. Women Sacco Society Ltd.
11.	NgaoYetu Sacco Society Ltd.
12.	Nyeri Youth Sacco Society Ltd.
13.	Action Sacco Society Ltd.
14.	Nyekatra Sacco Society Ltd.
15.	Mbele Sacco Society Ltd.
16.	Wakulima Commercial Sacco Society Ltd.
17.	Matundu Christian Sacco Society Ltd.
18.	Empowerment Sacco Society Ltd
19.	Urigiti Sacco Society Ltd.
20.	Baraka Sacco Society Ltd.
21.	Enea Sacco Society Ltd.
22.	Mweiga Farmer Sacco Society Ltd.
23.	Ihururu Dairy Sacco Society Ltd.
24.	Othaya Farmers Sacco Society Ltd.
25.	Rumukia Farmers Sacco Society Ltd.
26.	Endarasha Farmers Sacco Society Ltd.
27.	Thiriku Coffee Farmers Sacco Society Ltd.
28.	Watuka Farmers Sacco Society Ltd.
29.	Lamuria Farmers Sacco Society Ltd.
30.	Thuruthuru Farmers Sacco Society Ltd.
31.	Nairutia Farmers Sacco Society Ltd.

32.	Mugaga Farmers Sacco Society Ltd.
33.	Wakulima Dairy Sacco Society Ltd.
34.	Gikondi Dairy Sacco Society Ltd.
35.	Aguthi Farmers Sacco Society Ltd.
36.	Karururmo Pig Breeders Sacco Society Ltd.
37.	Tetu Farmers Sacco Society Ltd.
38.	Mukurweini Farmers Sacco Society Ltd.
39.	Gatitu Pig Breeders Sacco Society Ltd.
40.	Gikondi Pig Breeders Sacco Society Ltd.
41.	Ruguru Dairy Sacco Society Ltd.
42.	Kibirigwi Farmers Sacco Society Ltd.