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Effect of Financing Decisions on Performance of Housing Cooperative Societies in North Rift Counties, Kenya

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Abstract

Housing is one of the largest concerns facing most countries of the world, where the increase in the numbers of the population are not corresponding with the available housing facilities. The huge demand of housing has resulted in making the housing sector to be one of the lucrative sectors to venture into in Kenya but unfortunately, lack of adequate information on financial management practices, greed and insufficient resources having replaced reason, has led to contractors constructing buildings that are extremely unfit for human occupation, stalled structures and low returns on housing sector investors. This has prompted the Kenyan government to recognize housing as one of the big four agenda of the current Jubilee government. Specifically, the study determined the effect of financing decisions on performance of housing cooperatives in North Rift Counties in Kenya. The study was guided by. The study used descriptive survey design. The study targeted 90 respondents from 12 housing cooperatives registered by NACHU in the North Rift Region. The respondents included all the management committee members, credit committee members and finance officers of all housing cooperatives in the North Rift Region. The study adopted a mix of quantitative and qualitative techniques in data collection and analysis. Primary data was used and the data collected using open self-structured questionnaires. Content validity was used to determine the validity while Cronabach's alpha coefficient was used to determine the reliability of research instrument. Data was analyzed using both descriptive and inferential statistics. For descriptive statistics frequency tables, percentages and means were used and for inferential statistics correlation and regression analysis were used. The SPSS Version 24 helped in the data analysis. The study findings indicated that there was a positive and significant effect of financing practices on performance of Housing Co-operative Societies ($\beta=0.456$; $p<0.05$. These findings will be of great significance to managers and policy makers to open an insight on the policies which will enhance the performance of the housing cooperatives. It will also provide input for further research works to be conducted on the housing cooperative societies in the future.

1.0 Introduction

Cooperatives play an important role in enhancing rural peoples' livelihoods around the world. Ortmann and King (2007) noted that co-operatives were founded in Europe before spreading in the late 19th century to other developed countries. The establishment of these cooperatives was nevertheless taken as a step against the severe poverty conditions. Kenya is one of the nations of Africa with the longest history of cooperative development, characterized by strong growth which, since it became independent, has contributed significantly to the nation's economy as a whole.

Housing is considered to be one of the major problems facing most countries in the world, where the growth in population does not balance the available resources. As a result, housing cooperative societies have been implemented as a way to try to address the shortage of accommodation. As part of the commitment of the local community to the housing sector, it is considered to be one of the most relevant players in this sector and is one of the foundations of housing policy focused on facilitating processes and adopted in many countries around the world.

Housing cooperatives play a vital role as a collective housing system for low-and moderate-income families. Housing cooperatives are valuable tools for community building. Cooperatives are used in particular to organize slum inhabitants in informal or structured communities for group loans or self-help housing. According to Ganapati 2001, Saegert and Benitez (2005) housing cooperatives require collective resource pooling that reduces the cost of each household's housing. Cooperatives have opportunities for economies of scale in property, building materials, construction, finance, management, service provision and other housing activities. Despite that cooperatives play a major role in economic growth, they face challenges to fulfill their mandate. The efficiency of the cooperative is a problem that affects their position in the economy. Practices of financial management boost housing co-operatives efficiency.

Financing decisions are characterized as the relative debt and equity used in the financing of a business. This reflects a proportional sum of short-term fixed debt , long-term debt, common stocks, and equity used to fund a business. The financial structure, by contrast, relates to the overall current liabilities, the long-term debt, the preferred stocks and the common equity for funding the business. Continuous means of funding for a company are, for example, part of the financial system (Boateng, 2004).

Housing cooperatives in South Asia have been functioning since the start of the 20th century. In the early 20th century (Rhodes 2012), the British founded Raiffeisen credit unions as production organisations. Clearly, the cooperatives were the result of political acts such that those whose gain it was incorporated had a complete ignorance of the cooperative nature and its objects. The Co-operative Societies Act of 1904 laid the cornerstone of the credit cooperative creation in the United Kingdom.

In South Africa, housing cooperatives formally emerged only in the late 1990s (Rust 2001). Cooperatives have been increasingly promoted as means of social housing in the post-apartheid era for low- and moderate-income households. A concept similar to housing cooperatives was utilized in the People's Housing Process (PHP), a self-help social housing policy (Marais et al. 2008). The Social Housing Foundation (SHF), a non-profit set up in collaboration with the National Department of Housing in 1997 and funded by international organizations, has been instrumental in promoting the role of cooperatives as a means of collective ownership and secure tenure (SHF, 2009).

The cooperative movement in the housing sector in Tanzania came about as a result of the multinational concept of encouraging home ownership through housing co-operatives for low-income families in the late 1960s. While the number of Housing Cooperatives saw a steady growth in the 1970s, in the 1980s and 1990s, there was a diminishing trend in both the number of Cooperative Societies and members in Tanzania. Following the failure of the Tanzania Housing Bank (THB) in 1995, it became impossible to fund cooperative housing programs. From the late 1990s to the present, independent developer community-based cooperative housing initiatives with less government involvement have been implemented.

Housing cooperatives in Kenya originated as a professional support organisation in the 1980s,

when the National Cooperative Housing Union (NACHU) was established in 1979. Co-operatives for homes boomed in the 1990s from twenty in 1990 to 424 in 2000 (512 in 2005) (United Nations Habitat 2010). Cooperative housing operations in Kenya are closely tied to Apex. More than 390 licensed housing co-operatives were enrolled as members in 2011 (NACHU 2012). NACHU was founded by a Central Organization of Trade Unions (COTU) effort to provide its members with affordable housing (Alder and Munene 2001). It provides technical services as well as capacity building programmes to its member primary cooperatives. NACHU's main focus is on shelter for low-income communities. Financially supported by international organizations, NACHU has been notably engaged in providing microfinance loans (Houston 2010).

The Kenyan government is committed to gradually upholding the right of all residents to sufficient housing. The government's long-term goal is to shift towards a scenario in which every individual or family, whether publicly or privately, lives in decent affordable housing. Indeed, Kenya 's 2004 National Housing Policy notes that: "…improvement of housing for the Kenyan population is a major concern to the Government. This concern has been influenced by the fact that the improvement in housing stock is a strategically important social and economic investment.

The Kenyan Government has described the nation's 'Big Four' development plan, outlining four key measures to be placed in place in 2017–22, core of which 500,000 cost-effective housing units will be supplied. As a result, the State Department of Housing and Urban Development has been directed to organize and enforce the affordable housing policy for large metropolitan centers around the country, integrating creative, economic and productive implementation models. These will entail the use of affordable building materials, efficient construction technologies and use of environmentally friendly building materials and techniques (Republic of Kenya, 2016).

The housing cooperatives are therefore critical in the implementation of the Big four agenda. However, it is perceived that housing cooperatives are ill-prepared for this great task, particularly in financial management practices. This research study therefore seeks to investigate the effect of financial management practices on the performance of selected housing co-operative societies in North Rift Region Counties, Kenya.

Statement of the Problem

Housing cooperatives are poised to play a significant role in delivering the over 500,000 housing units envisaged by the Kenya government in its Big four agenda initiative. Housing forms one of the sustainable development goals. In Kenya, it is part of the big four agenda of the Jubilee government. Real estate performance therefore provides an opportunity to achieve these goals. It is a dream of every one to own a home and that is why most people living in urban areas are working hard to own homes in big towns, either individually or as a group (Mwangi, 2012). Housing cooperatives play a significant role as social housing mechanisms for low- and moderate-income households. Housing cooperatives are useful vehicles for building community. Specifically, cooperatives are used to organize slum-dwellers into informal or formal collectives to obtain group credit and to build self-help housing. According to Ganapati 2001; Saegert and Benitez 2005 housing cooperatives entail pooling of resources in the collective, which reduces the individual housing costs that each household would otherwise incur.

However, the housing cooperatives in Kenya have faced challenges. The performance of the cooperatives societies leaves much to be desired. Majority of the housing cooperative have failed to complete housing projects, some of the completed housing units are poorly done. Some of the housing societies have collapsed and closed shop due to financial straining and inadequate finance. According to WOCCU, Statistical Report 2011, there are notable challenges affecting operations of SACCOS which consequently tainted its image towards the mode of service delivery. As of 2009, SACCOs in Kenya were not performing very well and hence were not playing the expected vital and vibrant role in the economic growth and development of Kenya, (Kimeu, 2008). According Kyaitha and Nzioki (2017) there are 424 housing co-operatives as having been registered, 79 out of these being dormant, 16 having been liquidated and 329 active. This clearly indicates that some housing cooperatives have not achieved the objectives for which they were formed. Yazza (2010) observed that cooperatives have a high

exposure to credit risk (the risk that borrowers are unable to pay or risk of delayed payments), as well as operational risks.

In Kenya, some of the factors responsible for poor corporate performance especially in cooperatives include lack of transparency, accountability and poor ethical conduct especially at the management level (UN Habitat, 2010). Omar (2017) finds that financial management practices are one of the important factors that influence financial capability and financial well-being of institutions and housing co-operative societies need these financial management practices for growth.

Thus, the study seeks to establish the effect financial management practices on performance of the housing cooperative Societies in North Rift Region Counties, Kenya.

Objectives of the Study

To establish the effect of financing decisions on performance of housing cooperative Societies in North Rift Counties, Kenya.

Conceptual Framework

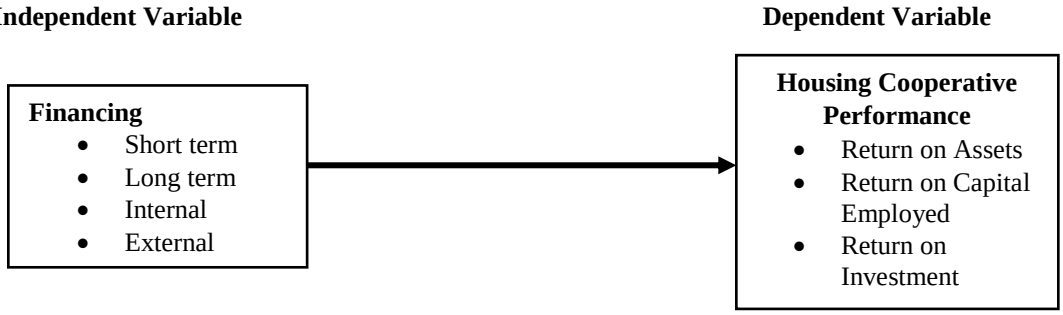

Figure 1.1: Conceptualization the effect of financial decisions on the performance of Housing Co-operative Societies.

2.0 Literature Review

Theoretical Framework

Agency Theory

The Agency's Theory was propagated by Jensen and Meckling in 1976. The theory was built based on the assumption that debt agency expenses occur because of a conflict of interest between loan agencies on the one hand and owners and management on the other. Managers have the opportunity to spend funds for shareholders' gain in risky companies, and if the venture loses, the promoters are liable to cover the risks and the borrowers have limited liability. However, the use of short-term debt sources may alleviate the organization issues, as any effort by lenders to obtain capital from debt holders in the near future is likely to limit the corporations' access to short-term funding.

The Agency's theory is used in this analysis to explain the interactions among different agents and directors of cooperative housing societies. In a specific corporate contract, this agent is the principal and can, without regard to self-interest, represent the interests of the principal. For example, the Agency theory is used in this study to demonstrate the relationship between the management of housing cooperatives and the stakeholders. Management may be of the belief that the tenants would lift occupancy rates in order to satisfy their short-term economic goals, but owners will take a different view of housing facilities / units in the long run. Furthermore, there are several housing cooperatives that own their properties. In this situation, a dispute may arise between the multiple interests of directors (housing cooperatives) and agents, when those agents do not behave in the best interests of the principal.

Simon, (2006), World Health Organization's critique of the agency theory, which explained this idea, did not clarify the complexities of larger organisations. The hiring of a specialist provides an external partnership between organizations, which in turn undermines trust and raises new independence problems. Banks are employed as contract agents, but are supposed to be separate

from the agents who handle the activities of the firm. Bankers are subordinates of management that are likely to give rise to further questions about credibility, challenges to objectivity and transparency and to a growing need for more measures such as legislation to balance owners, administrators and auditors interests.

Furthermore, it overlooks, the role of commitment and the related forms of non-financial rewards (recognition, status, belongingness) and especially identification with organizational goals which explains why despite explicit or clear orders employees often take initiatives which are not self-serving but contribute to the achievements of the firm (Simon, 1991). The agency theory also overlooks the role of a firm in relation to their changing environment, competitive realities and the necessity to refocus resources within a firm in order to survive and grow (Foss, 2009). This is acknowledged, too, and authors therefore recommend the use of agency theory in combination with other theories, because the agency theory offers only a partial view on organizations (Eisenhardt, 2009).

Jensen and Meckling (1976) argue that the use of secured debt might reduce the agency cost of debt. Um (2014), however, suggests that if a company's level of tangible assets is low, the management for monitoring cost reasons may choose a high level of debt to mitigate equity agency costs. This theory is relevant to the present study since it is anchoring the financing decision such as the short term financing, longterm financing, external and internal financing and also the working capital management.

Financing Decisions and Performance of Housing Cooperatives

Financing decision is how a firm and for this case co-operative society's operations are financed.it is concerned with borrowing and allocation of funds required for the investment decisions. The decisions that have to be taken with respect to the capital structure are the financing decisions.

The term capital structure refers to the percentage of capital (money) at work in a business by type. Broadly speaking, there are two forms of capital: equity capital and debt capital. Each type of capital has its benefits and drawbacks, and a substantial part of wise corporate stewardship and management is attempting to find the perfect capital structure regarding risk/reward payoff for shareholders (Gardeklint, 2009).

Song (2005) outlines the term capital structure refers to the mix of diverse types of securities (long-term debt, common stock, preferred stock) issued by a company to finance its assets. He goes ahead to observe that a company is said to be unlevered as long as it has no debt, while a firm with debt in its capital structure is said to be leveraged. Song (2005) notes that there exist two major leverage terms: operational leverage and financial leverage. While operational leverage is related to a company's fixed operating costs, financial leverage is related to fixed debt costs. Loosely speaking, operating leverage increases the business (or the operating) risk, while financial leverage increases the financial risk. Total leverage is then given by a firm's use of both fixed operating costs and debt costs, implying that a firm's total risk equals business risk plus financial risk. In this study of capital structure and its determinants, with leverage, we mean financial leverage, or its synonym gearing.

John (2014) conducted a study on the effects of capital structure decisions on financial performance of manufacturing firms in Kenya. The study used gross profit margin, net profit margin, operating ratio and return on capital employed as measures of financial performance. The findings indicated that the capital structure decisions of sugar manufacturing firms in Kenya had a negative effect on the financial performance as measured by gross profit margin, net profit margin, operating ratio and return on capital employed (ROCE).

Abor (2005) studied the influence of capital structure on profitability of listed companies on the Ghana Stock Exchange during a five-year period and found out that there was a significant positive interrelation between short-term debt level and ROE and firms which earn a lot use more short-term debt level to finance their operations. In other words, short-term debt level is an essential source of financing in favour of Ghanaian companies, by representing 85 percent of total debt level financing. Yet, the results showed the adverse relation between long-term debt level and ROE. The regression output showed that there is positive relationship between Debt level and ROE which measure the relationship between total debt level and profitability; this indicates that firms which earn a The opposite of debt level financing is

equity level financing. Equity capital represents the personal investment of the owner(s) in co-operatives. It is called risk capital because investors assume the risk of losing their money if the co-operative fails. Equity does not have to be repaid with interest like a loan does. This means that an entrepreneur must give up some ownership in the co-operative to outside investors.

Kemi (2013) investigated the impact of capital structure on firm performance in Nigeria recommended that firms should use more of equity than debt in financing their SACCO activities; this is because in spite of the fact that the value of a SACCO can be enhanced with debt level capital, it gets to a point that it becomes detrimental. Brigham (2004) posit that capital structure puts into perspective the way in which a firm finances its operations.

Onugu, (2014) carried a study on the financial performance of cooperative societies in Enugu state, Nigeria. The study found that cost of financing is the main issue considered by organization when deciding of the type of capital. The value of the investments and projects undertaken by Housing cooperative societies is highly linked to the costs of financing them thus have to be put into account for the managers to make informed decisions.

Cooperative societies find it difficult to measure the impact of financing costs on their capital structure decisions in regard to their investing activities. However, this study did not exhaust all aspects of cost of finance which contributes to the financial performance of cooperative societies at large. Akhtar et al., (2012) undertook a research on the relationship between financial leverage and financial performance of energy sector in Pakistan. It was noted that organizations with inadequate investment opportunities often engage in insufficient projects where risk analysis is not easy thus the costs of financing are likely to be high and size of the firm was used as control variable for indirect measure of financing costs. Therefore, the largest firms have greater negotiation power and thus lower average financing costs.

A study conducted by Butt, Hunjra and Tehman (2010) on the relationship between financial management practices on organizational performance in Pakistan. Sixty companies related to eight leading sectors of the economy were approached (Banking, Telecommunication, Cement, Insurance, Leasing, Textile, Fertilizer and Oil and Gas companies). The companies in each sector were selected on the basis of; listing at Karachi stock exchange, profitability and application of financial management practices. The study established a positive and significant effect of capital structure decision on financial performance assessment on organizational performance.

Al Mutairi, Hassan, and Risik (2011) sought to establish the impact of corporate financing decision on corporate performance in the Absence of taxes: panel data from Kuwait stock market. The study examined the impact of industrial sectors and financial performance using the panel data of 80 listed companies in Kuwait. The results of this study suggested that, contrary to the trade-off theory of capital structure, there is a negative association between the level of debt and financial performance.

Karanja (2014) conducted a study to establish the effect of capital structure on financial performance of SMEs in dairy sector in Kiambu County. The research was a causal study to find out whether capital structure was a predictor of financial performance in the SMEs under study. Data from 50 the 71 SMEs were used. The secondary data used in the research was obtained from the SMEs annual reports and newsletters. The multivariate regression and correlation analysis revealed that debt equity ratio was a significant cause of financial performance.

Debt equity ratio and liquidity ratios also had significant effect on financial performance. The general finding was that capital structure affected financial performance. A study by Chepkemoi (2013) aimed at analyzing the effect of capital structure on the financial performance of SME in Nakuru Town of Nakuru County. The study assessed the effects of a SMEs' capital structure on profitability, liquidity and sales growth. 170 of the targeted 295 SMEs made the sample. Secondary data was collected from financial records of SMEs were used. Descriptive statistics such as mean and standard deviation and inferential statistic such as Pearson correlation and multiple regression models were used to analyze data. The findings revealed that capital structure had negative effect on firm profitability, positive effect on firm liquidity and positive effect on sales growth.

In another study Raza (2013) used panel data analysis to find the determinants of capital structure of nonfinancial firms listed on the Karachi Stock Exchange for the period 2004-2009. Using descriptive statistics the study found the highest leverage ratio in textile industry but the average profitability of textile industry was negatives. This made them conclude that leverage had a negative relationship

The study findings are in line with Daud, Norwani, Mansor and Endut (2016) did a study on the impact of financing decision on performance among Malaysian public listed firms in Bursa Malaysia. This research targeted a population of 76 firms and covering balanced panel data series for the period of 1994-2007. The study observed that capital structure has insignificant relationship with performance. However, it is recommended that firms should wary in using debt financing to finance business operation as it could lead to performance discount with financial performance. High leverage results to low profitability.

3.0 Research Methodology

Research Design

A research design generally entails the use of outline for collection, measurement and analysis of data. It guides the entire research process (Sreevidya & Sunitha, 2011). The study used causal research design. Causal effect (nomothetic perspective) occurs when variation in one phenomenon, an independent variable, leads to or results, on average, in variation in another phenomenon, the dependent variable. The researcher starts with a general idea and uses research as a tool which could lead to the subjects that would be dealt with in the incoming future (Kabir, 2016).

Target Population

Population means all elements and people who share one or some common quality in a special geographical scale (Oso and Onen, 2005). The target population was 18 registered housing cooperatives which are affiliated to NACHU in the North Rift Counties (NACHU, 2018). Therefore, the target population for this study consisted of finance officers, managers and all credit officers working in the 18 housing cooperatives in the North Rift Counties. The respondents' of this study were 18 finance officers, 18 managers and 54 credit officers total target population is 90.

Census Survey

According to Cooper and Schindler (2000) a researcher must clearly define the characteristic of the population, determine the required sample size and choose the best method for selecting members of the sample from the larger population hence the sample size was selected using census since the target population is small.

Data Collection Instruments

Research instrument is a tool used to collect, measure, and analyses data related to study subject (Brislin, 2014). The research instrument used was structured questionnaire. The questionnaire contain questions on financial management practices that are budgeting techniques, financing decisions, investment appraisal techniques and working capital management also, it contained questions on performance.

Pilot Study

Pilot study was used to ascertain the validity and reliability of research instruments. A total of 6 respondents were used for the pilot study carried out in western Counties. This will represent 10% of sample size for the study according to Lancaster and Williamson (2004). Kakamega and Vihiga counties were chosen because they have same characteristics with North Rift Counties Government.

Reliability of the Research Instruments

The reliability of a research instrument explains the extent to which the instrument yields similar results on repeated trials (Mugenda and Mugenda, 2003). Although unreliability is always observed to a certain extent, there is always a good deal of consistency in the results of a quality instrument gathered at different times. The inclination and tendency towards consistency as observed repeatedly is what constitute reliability. In this study, reliability was ensured by pre testing the questionnaire on six respondents in Western Counties. Further reliability test was done during data analysis using Cronbach's Alpha test. According to Pallant (2011) a value above 0.7 was considered acceptable; however, a value above 0.8 was preferable.

Validity of the Research Instruments

Content validity indicates the extent to which items adequately measure or represent the content of the property or trait that the researcher wishes to measure (Kimberlin & Winterstein, 2008). The study measured content validity to identify the overall content to be represented for the instrument. For proper validity checkup experts were involved in preparing the research questions in the instruments through pointing out ambiguity.

Data Processing and Analysis

Before processing the responses, the completed questionnaires was sorted, checked and edited for completeness and consistency. Data collected were analyzed by use of descriptive statistics to generate percentages, means, standard deviations and frequencies. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives and the assumptions. Tables and other graphical presentations as appropriate were used to present the data collected for ease of understanding and analysis. Also, data was analyzed using inferential statistics that is correction and multiple regression analysis.

Data was analyzed by the aid of Statistical Package for Social Scientists (SPSS) at a 0.05 significance level. A regression was done and the results obtained were interpreted using tables and figures for ease of understanding. The following regression model developed by Richard Waterman was used:

$Y=\beta_0+\beta_1x_1+$ ……..…Equation 3.1

Where: Y represents performance of housing cooperatives

X_2 represent financing decisions

ε represents error term

4.0 Data Analysis Presentation, Interpretation and Discussion

Response Rate

The study targeted one finance manager, one manager and 3 credit managers from each of the housing cooperatives. The study censured all the 90 respondents and managed to collect data from 88 respondents. This represented 97.78 per cent response rate. The unreturned questionnaires were 2 representing 2.22% of the administered questionnaires. The main reason for the unreturned questionnaires was that two of the respondents were not available. However, this response rate was deemed satisfactory as suggested by Field (2013) who recommends 75% as a rule of the thumb for minimum responses.

Table 4. 1: Response Rate

Responses	No	Percentages
Administered questionnaires	88	100
Unreturned	2	2.22%
Usable questionnaires	90	97.78

Pilot Study Results

The questionnaire tool was subjected to a pilot study to determine its reliability. The pilot study involved 10% of the sampled respondents hence, 9 respondents were randomly picked from real estate firms in Western counties. The pilot results are presented in Table 4.2;

Table 4.2: Reliability Results

Objective	Alpha	Number of
Performance of	0.829	4
Financing Decisions	0.841	5

The pilot results indicated that the reliability of the performance of housing cooperating societies was 0.829 using Cronbach's alpha test of reliability; the reliability of the financing decisions was 0.841 and the reliability for working capital was 0.789. The study results revealed that all the variables gave an alpha test value of greater than 0.70, therefore all the items were regarded reliable. This was according to Zikmund, Babin, Carr and Griffin (2010), who stated that a cronbach's alpha of 0.7 as a minimum level is acceptable.

As per the validity of the instruments content validity4 was used and the instruments were found to measure what they purported to measure. In addition the advisor of supervisors were also

sought to determine whether the instruments indeed were valid.

Demographic Characteristics of the Respondents

The study sought to establish the general information of the respondents. The study sought to establish the, gender, years of experience and highest educational level of respondents.

Distribution of Respondents by Gender

This study analysed how respondents were distributed according to their gender. The results of the analysis are presented in Table 4.3

Table 4.3: Gender of the Respondents

Gender	Frequency	Percent
Male	61	69.32
Female	27	30.68
Total	**88**	**100.0**

The study findings on the gender of the respondents showed that 69.32% were male while 30.68% were female. This shows that the study managed to collect data from both genders and their opinions were represented in the study. This also shows that the housing industry more so the SACCOS have more male than female.

Distribution of Respondents by Years of Experience

Respondents were asked to indicate the number of years of experience they have had in the real estate sector to assess their familiarity in the field and hence assure validity of their responses, the results are as indicated in Table 4.4.

Table 4. 4: Respondents Years of experience

Years of Work	Frequency	Percent
1-5 Years	10	11.36
6-10 Years	38	43.18
11-15 Years	40	45.46
Total	**88**	**100**

The study results on the respondent's years of experience indicated that 11.36% of the respondents had experience of between 1-5 years; 43.18% had experience of 6-10 years whereas 45.46% had experience of between 11-15 years old. The findings of this study indicate that the respondents had adequate experience to respond to the questions and are informed the financing options of real estate sector. This concurs with the study by Lussier (2008) who summarized that the individuals with higher experiences have greater chances of responding to the questionnaire statements compared to people with less experience.

Distribution of Respondents by Highest Education Level

Respondents were asked to indicate their highest education level. This item was to assess their level of skills and to establish whether they were in a position to answer the questionnaire accurately and the results were as indicated in Table 4.5.

Table 4. 5: Distribution of Respondents by Education Level

Educational Level	Frequency	Percent
Certificate	9	10.23
Diploma	36	40.91
Bachelor's Degree	38	43.18
Post-graduate	5	5.68
Total	**88**	**100**

The study findings on the education level of the respondents indicated that 10.23% were certificate level, 40.91% were diploma graduates; 43.18% were bachelor's degree graduates; 5.68% were post-graduate. This implies that the respondents were knowledgeable and therefore understood the study questions and this could be interpreted to mean that they gave a true and fair view of the study questions.

Descriptive Statistics

The descriptive statistics are presented in the section that follows; the information was sought in relation to the study objectives. In this section the study used descriptive statistics, which include mean, standard deviation and variance. The evaluation of mean was done in accordance to Aggresti (2009) who indicated that a mean of 1.00 to 2.49 is evaluated to be very weak, 2.50 to 3.49 Weak, 3.50 to 4.49 Strong and 4.50 to 5.00 Very Strong, while for standard deviation of greater than 0.5 was evaluated to indicate homogeneity and a standard deviation less than 0.5 indicates heterogeneity of data.

4.5.2 Effect of Financing Decisions on Financial Performance of Housing Cooperative Societies

The study findings sought to assess the effect of financing decisions on financial performance of housing cooperative Societies in North Rift Region Counties. The study findings were presented in table 4.7

Table 4. 6: Financing Decisions and Financial Performance of Housing Cooperatives

Financing Decisions			SA	A	U	D	SD	Mean	Std. Dev.
i.	The housing cooperative relies on equity financing to finance its long term investment.	F	36	29	6	9	8	3.74	1.208
		%	40.9	32.9	6.8	10.2	9.1		
ii.	The cooperative retains earnings as part of its finances for investments.	F	39	36	5	4	4	4.13	0.991
		%	44.3	40.9	5.7	4.5	4.5		
iii.	The housing cooperative's funds have greater percentage of equity than debt.	F	41	39	5	2	1	4.16	1.031
		%	46.6	44.3	5.6	2.3	1.1		
iv.	The housing cooperative organization's finances are partly owned by the government.	F	14	16	7	23	28	4.18	0.998
		%	15.9	18.2	7.9	26.1	31.8		

Key: F: Frequency, %: Percentage, 5: Strongly Agree, 4: Agree, 3: Undecided, 2: Disagree, 1: Strongly Disagree

The respondents were asked whether the housing cooperative relies on equity financing to finance its long term investment. The study findings indicated that 73.8% of the respondents were of the opinion that housing cooperative relies on equity financing to finance its long term investment, while 19.3% of the respondents indicated that housing cooperative relies on equity financing to finance its long term investment does not. This finding was supported by a mean of mean=3.74; Std. Dev. = 1.208).

Secondly, the respondents were asked to indicate whether cooperative retains earnings as part of its finances for investments. The study findings showed that majority of the respondents that is 85.2% were of the opinion that housing cooperative relies on equity financing to finance its long term investment while 9% were in disagreement. This findings was supported by a mean of mean=4.13; Std. Dev.= 0.999).

In addition the study required the respondents to show whether the housing cooperative's funds have greater percentage of equity than debts. The finding show that 90.0% of the respondents opined that cooperatives have more of equity financing than debt while 3.3% of the respondents disagreed with the statement. The result was further supported by a mean =4.16; Std. Dev.= 1.033).

Lastly, the study sought to know whether the housing cooperative organization's finances are partly owned by the government. From the findings the study showed that 34.1% were in agreement that the housing cooperative organization's finances are partly owned by the government on the same note 57.9% disagreed with the statement. The study finding was supported further with mean =4.1; Std. Dev.= 0.998).

From the study findings it implied that the members contribution, government contributions, retained earnings and all other forms of equity which were not loans were the most common method used by the housing cooperatives to ensure that they financed their operations in an effort to make investments which would in turn influence the performance of the of the housing cooperatives. It was therefore evident that the housing co-operatives avoided debt as a form of financing.

The study findings were in agreement with Butt, Hunjra and Tehman (2010) on the relationship between financial management practices on organizational performance in Pakistan. Sixty companies related to eight leading sectors of the economy were approached (Banking, Telecommunication, Cement, Insurance, Leasing, Textile, Fertilizer and Oil and Gas companies).

The companies in each sector were selected on the basis of; listing at Karachi stock exchange, profitability and application of financial management practices. The study established a positive and significant effect of capital structure decision on financial performance assessment on organizational performance.

Performance of Housing Cooperative Societies

This study sought to establish the effect of financial management practices on the performance Housing Cooperative Societies of North Rift Counties, Kenya. The results were presented in Table 4.10.

Table 4. 7: Performance of Housing Cooperative Societies

Performance			SA	A	U	D	SD	Mean	Std. Dev.
i.	The housing cooperative's return is profitable relative to its assets.	F	29	34	6	8	11	3.91	1.210
		%	32.9	38.6	6.8	9.1	12.5		
ii.	The use of assets by management is efficient	F	30	32	8	8	10	3.83	1.060
		%	40.1	36.3	9.1	9.1	11.4		
iii.	There are adequate company assets	F	28	33	5	12	10	4.35	0.891
		%	31.8	37.5	5.7	13.6	11.4		
iv.	The housing cooperative's return is profitable relative to its capital employed.	F	29	33	9	7	10	4.18	0.998
		%	32.9	37.5	10.2	7.9	11.4		

On performance of housing cooperative, the study findings indicated that majority of the respondents 71.5% agreed that the housing cooperative's return is profitable relative to its assets while 21.6% disagreed, this was supported by (mean=3.91; Std. Dev. 1.210). Further 76.4% of the respondents agreed that the Saccos management make use of assets efficiently while 20.5% disagreed. This was supported by (mean=3.83; Std. Dev. 1.060). In addition, 69.3% of the respondents agreed that there are adequate company assets while 25.0% disagreed with this statement; this was further supported by (mean=4.35; Std Dev 0.891). Lastly, 70.4% of the respondents agreed that housing cooperative's return is profitable relative to its capital employed while 19.3% disagreed; this was supported by (mean=1.18; Std Dev 0.998).

Inferential Statistics

This section brings into perspective the relationship between the independent variables and the dependent variable as well as the influence of independent variables on dependent variables.

Multiple Regression Analysis

The study sought to establish a combined effect of budget practices, financing decisions, investment appraisal techniques and working capital management performance of housing societies in North Rift Counties, Kenya. The results of multiple regression analysis are shown in Table 4.12.

Table 4. 8: Multiple Regression Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.786[a]	.618	.614	.475

a. Predictors: (Constant), Budget Practices, Financing, investment appraisal techniques and Working Capital Management Planning

From Table 4.11, R-Squared is used to evaluate the goodness of fit of a model. In regression, the R square coefficient of determination is a statistical measure of how well the regression line approximates the real data. It measures the proportion of the variation in dependent variable in this case performance of housing cooperative socities explained by independent variables. The adjusted R-squared is a modified version of R-squared that has been adjusted for the number of predictors in the model. The adjusted R-squared increases only if the new term improves the model more than would be expected by chance. It decreases when a predictor improves the model by less than expected by chance while the standard error of the estimate is a measure of the accuracy of predictions. In addition, the standard error(S) of the regression provides the absolute measure of the typical distance that the data points fall from the regression line. S is in the units of the dependent variable.

From the results on model summary, Table 4.11 R= 0.786, R- square = 0.618, adjusted R- square= 0.614, and the SE= 0.475. The coefficient of determination also called the R square is 0.618. This implies that the effect of the predictor variables explain 61.8% of the variations in performance of housing societies in North Rift Counties, Kenya. It further shows that a unit change in the predictor variables has a strong and a positive effect performance of housing societies in North Rift Counties, Kenya. This study therefore assumes that the difference of 38.2% of the variations is as a result of other factors not included in this study. The standard error is an important indicator of how precise an estimate of the population parameter. As presented in Table 4.15 (S=.475) which is 48%. This indicates that the regression model is precise using the units of the dependent variable.

Table 4.10: Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.012	.198		.0610	.951
Financing Decisions	.456	.100	.459	4.551	.000

a. Dependent Variable: Performance

Assessing the Fit of the Multiple Regression Model

Multiple regression analysis was conducted to test the influence among predictor variables on performance of housing societies in North Rift Counties, Kenya. All the four null hypotheses were tested using F statistic. The test results are shown in Table 4.13.

Table 4.9: ANOVA Results

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	28.063	4	7.016	121.495	.000[b]
Residual	3.638	63	.058		
Total	31.701	67			

a. Dependent Variable: Performance

b. Predictors: (Constant), Financing decisions,

The findings showed that there was a statistically significant relationship between the independent variables and the dependent variable (F=121.495; p<0.05). This therefore indicates that the multiple regression model was a good fit for the data. It also indicates that financing decisions, investment appraisal techniques and working capital management all influence performance of housing societies in North Rift Counties, Kenya.

Regression Coefficients

The study employed multiple regression analysis to test the hypotheses. Multiple regression analysis was conducted to test the effect of the study variables budget planning, cash management planning, inventory planning and investment planning practices on performance of housing Cooperative Societies in North Rift Counties, Kenya. This was done with a significance level of 0.05, such that when the significance value is less than the 0.05 the null hypothesis is rejected and when it is above 0.05 we fail to reject. These results were presented in Table 4.14.

Thus the regression equation becomes;

$Y= 0.012+ 0.456X_2 +$ .....Equation 4.1

From the study, Hypothesis one stated that;
Hypothesis $H0_1$ postulated that financing decisions has no significant effect on performance of housing cooperative societies in North Rift Counties, Kenya**.** The study findings indicated that there was a positive significant effect of financing decisions on performance of housing cooperative societies in North Rift Counties, Kenya by (β = .456; p< 0.05). The null hypothesis was therefore rejected at 95% level of significance. This implies that financing decisions practice enhances significantly the performance of housing cooperative societies in North Rift Counties, Kenya.
These findings are in line with a study by Onyango (2016) which investigated the effect of external financing on the growth of Savings and Credit Co-operative Societies wealth in Nairobi County in Kenya during the period 2010-2014. The study found that the growth in SACCOs' wealth had been increasing yearly during the study period. The study established that external financing has a positive and significant effect on the growth of wealth. The study also established that it was possible to use non-withdrawable capital assets to provide a cushion to absorb losses and impairments of members' savings.

5.0 Summary of Findings, Conclusion and Recommendations

Summary of Findings

The findings of the study were summarized with reference to earlier established objectives and research hypothesis as discussed below:

Financing Decisions

The second objective sought to examine the effect of financing decisions on housing cooperatives societies in North Rift Counties. The findings indicated that most of the respondents agreed that financing decisions enhance the performance of housing cooperatives societies in North Rift Counties. It was also indicated that there was a positive and significant effect of financing decisions on housing cooperatives societies in North Rift Counties. This implies that financing decisions enhances the housing cooperatives societies in North Rift Counties.

Conclusion of the Findings

From the results it was also established that financing decisions in an organization it enhances performance housing cooperatives societies. Therefore, it was concluded that financing decisions affect performance of housing cooperatives societies in North Rift Counties.

Recommendations for the Study

Based on the results, findings and conclusions the following recommendations have been made:

Recommendation for Policy and Practice

Based on the findings and conclusion the study recommends the policy makers and management should ensure establish a trade-off between debt financing and equity financing in order to attain the objective of the society. There is also need for the management of the societies to utilise investment appraisal techniques to identify and invest in viable projects to avoid investing in un profitable projects. Finally, there is need for the society management to ensure that there is a trade-off between profit and liquidity.

Recommendations on Theories

The study is in support of the theory of budgetary since it explains that an effective budgetary control solves an organization's need to plan and consider how to confront future potential risks and opportunities by establishing an efficient system of control. In addition from the findings the study further supports contingency theory that for resource-allocation efficiency is not merely a matter of adopting sophisticated, theoretically superior investment techniques and procedures but consideration must also be given to the fit between the corporate context and the design and operation of the capital budgeting system. This study in addition tried to fill the gap in the existing literature by investigating the effect of financial management practices in housing sector in North Rift thus providing a updated evidence from Kenyan perspective.

Suggestions for Further Research

From the regression output, it was revealed that the study variables explained 61.8% of the variations

in performance of housing cooperatives societies in North Rift counties. This study therefore assumes that the difference of 38.2% of the variations is as a result of other factors not included in this study. Therefore, the study recommends that those factors need to be studies for instance the future studies can seek to establish the board of directors on performance of housing cooperative societies. In addition a moderating effect of studies on financing practices on performance of housing cooperatives in Kenya can be done.

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