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Savings and Credit Cooperative Societies (SACCOs) in Kenya: A theo-social justification

By

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Abstract

The article seeks to retrace the historicity of Savings and Credit Cooperative Societies (SACCOs) in Kenya with the view to establishing its theo-social justification. Put it differently, beyond economic development, can we socially justify it? Can SACCOs be justified theologically and philosophically? The initial specific objectives were; to determine the extent to which all stakeholders in society can play a role in promoting ethics and integrity in the management of community based savings and credit cooperative societies without the feeling that it belongs to 'other' people in economic circles, to assess the extent to which ecclesiastical institutions can invest in community based savings and credit cooperative societies, and to investigate its historicity in order to inform the future studies and researches in this area. The findings in this article will be essential in making a theo-social justification for future reference. The researcher validated the research instrument by having the research supervisor go through the questions to identify whether they had construct, content validity and face validity.

Introduction

Social resources lie along a spectrum, from visible institutions such as registered community-based organizations (CBOs), through to unregistered groups of personal friends, to the least visible familial relations. Given that policies and programmes are increasingly seeking to engage and utilize resources within civil society (Loewenson, 2003), associations and groups beyond the ties

of immediate family, whether registered or unregistered, are of particular interest in their potential of improving the economic status of their members. The successes and challenges that indigenous social arrangements and prepayment and risk-sharing mechanisms are likely to offer important lessons for, and potential entry points for working with civil society towards poverty alleviation.

Drawing on Uphoff (2006), organizations may be distinguished by whether they operate at the group, community or locality level. At group level, organizations are self-identified sets of persons with some common interests such as neighborhood, occupation or gender. At community level, organizations are relatively self-contained socio-economic residential units, and at locality level they are sets of communities having socio-economic relations. Blackmore and Ison (1998) argue that organizations operating at different levels incorporate different boundaries of activities and decision making, with many non-government organizations (NGOs) now preferring to work through locality-level organizations. Drawing on the social capital literature, community organizations can also be categorized according to whether membership suggests relationships that are bonding, bridging or linking (Lyon 2000); Bonding relationships are strong, and connect people from the same immediate group: family members, neighbors, close friends and business associates sharing similar socio-demographic characteristics. Bridging relationships are weaker, bringing together people from the same socio-economic status but different ethnic, occupational or geographic groups. Linking relationships are vertical ties between people from different socio-economic groups and positions of power, such as the links between poor people and actors in positions of influence in formal organizations, such as political parties, banks, schools, hospitals, housing authorities or the police.

In contemporary discussions of ways to attain sustainable and authentic human development, there is a reluctance to consider the influence of religion. The reason for this stems from the divisiveness and intolerance among various religious groups. Further, there is a long-standing suspicion towards faith in many quarters of the development establishment, accentuated in recent years by a number of specific issues and colored by the current nervousness about religious extremism (Baptist World Aid, Australia, n.d). Since religious communities do not begin from a clear enlightenment doctrine of universal liberties; they can be exclusive, in the sense that they are committed to particular beliefs that not everyone shares. There is always going to be the shadow

of a suspicion that they will favor their own instead of working for universal benefit, or that they are using aid and development as a vehicle for propagate their convictions (Rowan Williams, 2009). Therefore, development institutions and agencies often neglect religion in the development discourse, or preferring civil religion devoid of creed, code and cult – committed humanism - as partners in development. In addition, when religion is involved through faith-based organizations in alleviating hunger by various forms of charity, contemporary development discourse finds itself in a dilemma as to what form their relationship with religion ought to be, in promoting development, especially at the grass-roots level.

Savings and Credit Cooperative Societies (SACCOs)

Savings and Credit Cooperative Societies (SACCOs) are voluntary associations or cooperative financial institution owned and controlled by their members and operated for the purposes of promoting savings, providing credit at low interest rates and providing other financial services to its members (Waweru, 2011). Members regularly pool their savings, and subsequently may obtain loans which they may use for different purposes. Generally, the idea behind establishment of SACCOs is to promote savings and make credits available to the members. SACCOs are the important micro-financing institutions for mobilization of financial resources for various development activities (Wanyama, 2009).

Co-operatives are autonomous association of persons united voluntarily to meet their common economic, social, cultural needs and aspiration through a jointly owned, democratically controlled enterprise (RoK, 2008). As mentioned above, the sole objective of these societies involves mobilization of resources from which individual co-operators may benefit. Generally, co-operatives are organized into service and producer cooperatives (Branco, 2005). The producer co-operatives objectives are to promote the use of modern technology and contribute to national development through production. The service co-operatives are responsible for procurement, marketing and extension services, loan disbursement, sale of consumer goods and member's education.

In Kenya SACCOs operate under Co-operative Societies Act of 2008, but they are not regulated by the central bank. However, under the new regulation, SACCOs that operate front office services are licensed, supervised and regulated by SASRA (Wanyama, 2009). Most SACCOs in urban areas

are formed by salary and wage earners who have common bond, and whose employers are ready to effect check-off system from members' monthly contributions and loan repayments. On the other hand, most of SACCOs found in rural areas are community- based, and their main activity is agriculture.

World over, systems in these organizations vary from slightly to significantly in terms of total system assets, average institutions' asset price and regulatory control. This ranges from volunteer operations with a few members' organizations to the institutions with several billion asset value. The world council of credit unions (WOCCU) defines a credit union as a non- profit making cooperative institution. In real practice however legal provisions relating to these institutions vary by jurisdiction (WOCCU, 2011). For example in Canada credit unions are referred to those that are regulated as non-profit making institutions and view their mandate as earning a reasonable profit to enhance services to members to ensure stability just the same view as was shared in Kenya till the year 1997 whereby these institutions were liberalized by Sessional Paper NO 6 to be run as commercially viable institutions that saw their financial accounts being prepared as the ones of the other commercial entities within the financial sector.

SACCOs Movement in Kenya

The modern history of cooperatives started with the Rochdale Society of Equitable Pioneers, founded in 1844. This was a nearly consumer co-operative, and one of the first to pay a patronage dividend, forming the basis for the modern day cooperative movement. Although other co-operatives preceded them, the Rochdale Pioneers' co-operative became the proto type for societies in Great Britain. The Rochdale Pioneers are most famous for designing the Rochdale Principles, a set of principles of co-operation that provide the foundation for the principles on which co-operatives around the world operate to this day.

These principles include:

1st Principle: Voluntary and Open Membership

Cooperatives are voluntary organization open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2nd Principle: Democratic Member Control

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperative members have equal voting rights (one member one vote) and cooperatives of other levels are also organized in a democratic manner.

3rd Principle: Member Economic Participation

Members contribute equitably, and democratically control, the capital of their cooperative. At least part of that capital is usually receiving limited compensation, if any and capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative possibly by setting up reserve, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that endure democratic control by their members and maintain their cooperative autonomy.

5th Principle: Education, Training and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute to the development of their cooperatives. They inform the general public particularly young people and opinion leaders about the nature and benefits of cooperation.

6th Principle: Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7th Principle: Concern for the Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

The model the Rochdale Pioneers used is a focus of study within co-operative economics (ROK, 2008). The SACCOs' industry is part of the cooperative sector in Kenya, which has impacted on lives of many disadvantaged Kenyans over the years. The SACCO sub sector can be described as two-tiered given the range of financial services to members and regulatory regime. ROK (2008) further states that the traditional Savings and Credit Cooperative Societies (SACCOs), described in law as Non-Deposit taking SACCOs provide a limited range of savings and credit products, are registered and supervised under the Cooperative Services Act, CAP 490. The Deposit Taking SACCOs (DTS) besides the basic savings and credit products, also provide basic 'banking' services (demand deposits, payments services and channels such as quasi banking services commonly known as ATMs), FOSA and are licensed and supervised under the SACCO Societies' Act of 2008. The general trend is that SACCOs start as non-deposit taking SACCO business and grow to deposit taking SACCO business in order to expand the range of financial services to members (SACCO Societies Act, 2008).

The vibrant and dynamic cooperative movement in Kenya the strongest in Africa is a key player in the economy, controlling about 43 per cent of Kenya's gross domestic product (GDP). The Savings and Credit Co-operatives (SACCOs) sub-sector has over 16,000 societies with 14 million members, making it the largest in Africa accounting for 62 per cent, 65 per cent, and 63 per cent of the continent's savings, loan and assets respectively (Daily Nation, 2013).

The impact of SACCOs' movement in Kenya can never be gainsaid, about 28 million Kenyans, 63 per cent of the entire population, depend on the co-operative related activities, directly and indirectly, for their livelihoods. This phenomenal growth of SACCOs can be attributed to the fact that membership has for long been based on common bonds and Africans thrive in their interconnectedness. SACCOs are further opening up to respond to the needs of the fast-changing and competitive financial environment (ROK, 2008).

Further, the Cooperative Societies in Kenya employs more than 300,000 people, besides providing opportunities for self-employment to many more. Savings and Credit Cooperative Societies (SACCOs) are the fastest growing sub-sector in the movement, have mobilized savings of more than Kshs 230 billion. The cooperative movement commands 67 and 62 per cent of the total assets and deposits/savings, respectively. The greatest contribution attributed to cooperatives in Kenya's social and economic development has been in the financial sector, where SACCOs and national financial cooperative organizations, Cooperative Bank and Cooperative Insurance Company (CIC), hold substantial savings portfolio accounting for more than 31 per cent of Kenya's gross national savings (Wanyama, 2009).

Theological Justification

In the heart of the Christian message is the realization that human beings have a part in the created world as representatives of God. Since humankind are created 'in God's image', they should function responsibly in sharing equitably in the earth's abundance and in the construction of their communities and stewarding the earth and its resources in such a way that God's purpose of all people enjoying abundance life are fulfilled (Baptist World Aid, Australia, n.d). Unfortunately, humankind fails to live as called, these results in the breaking of relationships with God, within communities and with the earth. Violence, poverty, exclusion, oppression, injustice, greed, deforestation and environmental degradation become part of the human experience (Baptist World Aid, Australia, n.d).

However, God set the stage for the restoration and redemption of the humanity through the life, death and resurrection of Jesus. In this redeeming work God took it upon Himself to overturn injustice, violence, poverty and exclusion and creates communities of faith, justice, inclusion, hope and peace. This work of re-establishing peace, which begun in Christ's advent, will be finally and fully realized upon Christ's return (Baptist World Aid, Australia, n.d).

Therefore, it is needless to say that the church must take the centre stage in addressing the social concern of the communities that they are called to serve in. Of particular concern to the church is the issue of poverty (Rowan, 2008). Poverty is pronounced deprivation in well-being. But what precisely is deprivation? The voices of poor people bear expressive testimony to its meaning... to

be poor is to be hungry, to lack shelter and clothing, to be sick and not cared for, to be illiterate and not schooled. But for poor people, living in poverty is more than this. Further Rowan (2008) notes that poor people are particularly vulnerable to adverse events outside their control. They are often treated badly by the institutions of state and society and excluded from voice and power in those institutions (World Bank, World Development Report 2000/2001).

The Scripture reveals that God's mission is to bring wholeness to all creation, which includes bringing human beings into right relationship with Him, one another and the creation. While the restoration of right relationship between God and humankind is achieved through the life, death and resurrection of Christ to which the church bears witness, God's wider mission to communities and creation is accomplished through a variety of agents, such as the earth itself, government, households, individuals, and the church (e.g. Genesis 8.21-22; Psalm 104; Matthew 5.45; Acts 14.17; Romans 13; Proverbs 31.1-9).

In promoting development, the church should never surrender her unique role as witness to Christ and the centrality of this role in the restoration of right relationship between God and human beings. No other agent can fulfill that role. Nor should the church forget that when pursuing the wider developmental vision of Scripture (right relationships within communities and with the creation) the church is but one of many agents God uses. The church's knowledge of God allows her to champion a vision of an inclusive, equitable, just and peaceful world, while the reality that it is one of many agents for bringing such a world into being should see it partnering with individuals, households, communities and governments to realize that vision (Baptist World Aid, Australia, n.d).

Paul Verghese (n.d) supports the theology of development as a means to ending poverty among the society members. In line with his views, the church in the modern society has an obligation of ending human suffering in poverty by initiating and engaging in self-sustaining communal ventures. Jacques & Mary-Anne Plaatjies van Huffel, (2013) noted that towards this end a theology of development came into existence in the sphere of the World Council of Churches and the ecumenical movement, motivated by a Christian desire to be creatively and wholeheartedly be involved in seeking solutions to human, social and political problems in the contemporary. A

theology of development focuses on holistic people-centered development from a practical theological perspective. Any involvement of churches and Christians in development in this regard can be considered as an approach which is theologically motivated and therefore implies a theology of development.

A theology of development should be established in the declaration that God and humanity are linked because of the cross. Jacques & Mary-Anne Plaatjies van Huffel (2013) explain that a theology of development is a theology that is at task to empower the church for an effective role in development, as the church's past motivation for involvement was based on the Christian principle of love and it was recognized as a fundamental point that the traditional Christian sources were in themselves insufficient to guide the churches towards an effective praxis in development. Swart (2010:212) as quoted in Jacques & Mary-Anne Plaatjies van Huffel (2013) confirms this by saying, "[that] at most, such a point of departure would lead to a simplistic mode of involvement defined by the notion of charity, an obedient response to Christ's law of love through which nothing more but some basic necessities of life could be met. Essentially therefore, an ecumenical 'theology of development' involved the quest for new social understanding in order to empower the churches for development praxis responsive to the life problems of the modern world."

Therefore, the researcher observed that the Church's involvement in society implies God's restoration in this world which leads to both spiritual and physical transformation and change in the lives of individuals and communities. It is against this background of the aforementioned conceptualization of a theology of development that we seek to understand the church's involvement in the community based SACCOs in Kenya.

Conclusion

On the whole, Community based SACCOs in Kenya are faced with the challenge of growing into a strong tool that can meet the social and economic needs of the community. These cooperatives are meant to bring about equitable development and justice that is desperately needed for life, social continuity and cohesion for the human race. Some of the challenges they face are unique and specific to different sectors and must be dealt with at sectoral level. For instance, SACCOs are operating without effective accounting and control systems, putting billions of savers' funds at

risk. The SACCOs Regulatory Authority's (SASRA) role in ensuring compliance with prudential guidelines is wanting (The East African, 2017). The SACCOs movement are also faced with deficiency in relevant skills, leadership and governance problems, inadequacy of resources, insufficient technological development, quality service demand, HIV/AIDS pandemic, ethics and integrity problems. This is a sector that cannot be ignored because SACCOs support over 60 million dependants in Africa (ROK, 2008).

Nevertheless, the Government of Kenya has taken various measures to ensure the movement operates according to international best practice. These include the establishment of the SACCO Societies Regulatory Authority (SASRA) through the SACCO Societies Act 2008, which introduced prudential regulations covering all deposit-taking SACCOs to enhance transparency and accountability in the fast growing sub-sector. It is anticipated that the move will also spur economic growth through mobilization of domestic savings (World Council of Credit Unions, 2005).

Further, Faith-based organizations are viable organizations that are doing important work and well-positioned to do even more. This, then, is a great opportunity for us to learn more about what the churches do and how we can help them be more effective. The faith based organizations are too important to ignore and they are too important for us not to know what they are doing. In fact, in the recent years' policymakers have begun looking to churches to play a greater role in strengthening communities and one of the avenues is through the SACCOs where a larger portion of the population can raise resources necessary for meeting their social and economic needs (World Council of Credit Unions, 2005). Certainly, the article has established that there is theo-social justification SACCOs that all cadres of society must exploit for the good of the general society.

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