ETHICAL VALUES EDUCATION AND LOANS REPAYMENT PERFORMANCE IN SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES. EVIDENCE FROM UASIN GISHU COUNTY, KENYA

Wilson Kipkemboi Metto
The Co-operative University of Kenya, email address: wmetto@cuk.ac.ke

Abstract

Non-Performing Loans (NPLs) continue to threaten the sustainability of Savings and Credit Co-operative Societies (SACCOs) a concern highlighted by both the International Labour Organisation (ILO) and the International Co-operative Alliance (ICA). Although various solutions have been proposed, evidence on what works best remains limited. This study explored how educating SACCO members' education on ethical values and its influence on loan performance and the long-term sustainability of SACCOs in Uasin Gishu County, Kenya. The study targeted all 238 registered SACCOs in the county, from which 24 were selected for the study. Data were gathered through questionnaires and interviews with SACCO members and managers. Before analysis, quantitative data were cleaned, coded, and checked for accuracy, then analyzed using binary logistic regression. Qualitative data were analyzed using content analysis. The results show that ethical-values education—particularly training centered on honesty, openness, social responsibility, and caring for others—significantly improves loan sustainability ($p < 0.05$). The study concludes that when members develop stronger ethical awareness, their commitment to loan repayment improves, ultimately strengthening SACCO sustainability. It recommends that SACCO managers and the Ministry of Co-operatives adopt continuous, well-structured ethical-values training programs, supported by clear budgets and policies, to enhance loan management and overall institutional performance.

Keywords: Ethical Values Education, SACCOS' Sustainability

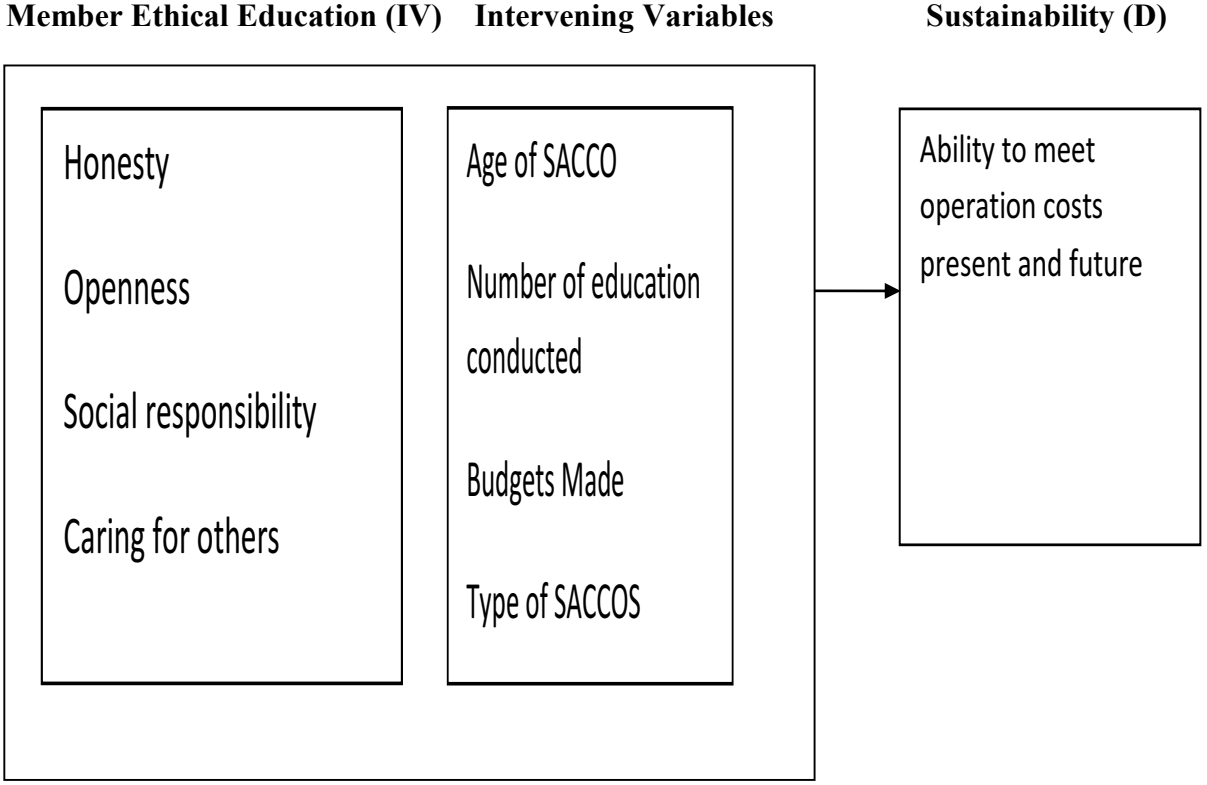
AJCDT, Vol. 9 No. 1 (December, 2025), pp. 179 – 187, © 2025 Authors

INTRODUCTION

Co-operative societies continue to play a crucial role in promoting sustainable socio-economic development globally. Statistics from the International Co-operative Alliance (ICA, 2019) show that nearly 280 million people—about 12% of the world's workforce—are employed within the co-operative sector, with the World Co-operative Monitor (2019) reporting a turnover of USD 2,034.98 billion. In Africa, more than 18 million people are co-operative members, underscoring the sector's importance as a vehicle for development. However, despite this significance, rising Non-Performing Loans (NPLs) remain a major threat to co-operative growth and sustainability (ICA, 2019). Savings and Credit Co-operative Societies (SACCOS), one of the major categories of co-operatives, have been particularly affected. Across the globe, credit unions face increasing challenges in recovering loans from members (ILO, 2014).

Although SACCO loans have been instrumental in poverty reduction and economic uplift, unethical member practices—such as dishonesty, lack of openness, and limited social responsibility—pose serious risks to loan sustainability (WCM, 2019). SACCOS were established to mobilize savings, encourage responsible borrowing, and provide affordable credit to low-income earners, yet persistent loan defaults undermine these objectives. The development of SACCOs in Africa dates back to 1959 in Ghana and later expanded to countries such as Tanzania, Uganda, Kenya, and South Africa. In Kenya, the SACCO movement has grown steadily since 1908 and now contributes nearly 45% to the national GDP (Kobia, 2011). By 2017, Kenya had over 22,000 registered SACCOs whose members accounted for more than 62% of the country's total savings. Despite this rapid growth, recent performance reports present a worrying trend. The SACCO Societies Regulatory Authority (SASRA, 2018) reported deteriorating loan portfolios, with NPL levels rising above the 5% and 3% thresholds recommended by WOCCU and SASRA, respectively. For instance, NPLs increased from KES 15.57 billion in 2016 to KES 21 billion in 2017—evidence of deepening financial vulnerability. Although multiple factors contribute to NPLs, this study focuses specifically on ethical issues among members. It examines whether education on ethical values—such as honesty, openness, social responsibility, and caring for others—can influence loan repayment behavior and, ultimately, SACCO sustainability. In addition to ethical values education, other variables considered include SACCO age, the number and type of training sessions offered, and budget allocations for education. SACCO sustainability refers to the ability of a SACCO to meet operational and financing costs while maintaining steady operations (Okello, 2014). Member failure to repay loans on time compromises this sustainability (Othman et al., 2012). The study is theoretically grounded in ethical value theory, which explains how axiological "ego" shapes personal commitment and behavioral choices. The theory asserts that ethical conduct—centered on honesty and duty—is essential in upholding obligations such as loan repayment (Shyam, 2014). Yet the link between axiological ego, cooperative ethics, and financial behavior in SACCOs is rarely synthesized in existing literature. Recent studies (e.g., Muriuki & Kihoro, 2021; Waweru, 2022) emphasize the increasing importance of ethics in financial governance, suggesting the need for more empirical evidence specific to SACCO contexts. Co-operative education remains a key pillar of co-operative success (Clamentina et al., 2015). The fifth co-operative principle emphasizes education, training, and information as essential tools for enhancing member participation and organizational performance (Mervin, 2014). Co-operatives operate on principles of democratic control, economic participation, and autonomy, while embracing values such as equity, equality, and solidarity (Hancock & Brault, 2016). In the tradition of the founding fathers, ethical values of honesty, openness, social responsibility, and caring for others form the moral foundation of co-operative character. Education helps shape members' character, attitudes, and behavior (Kinyuira, 2017), suggesting that ethical-values education may strengthen loan repayment culture. Despite the recognized importance of co-operative education, limited empirical research has examined how ethical-values education specifically influences SACCO loan performance and

sustainability—especially in Kenya. Existing studies in other counties and international contexts highlight governance, financial literacy, and managerial competence as key determinants of SACCO performance, but few directly assess ethical-value training as an intervention. Therefore, the study addresses the practical and empirical gap by investigating whether ethical-values education influences members' loan repayment behavior and contributes to the sustainability of SACCOs in Uasin Gishu County. The research problem, in summary, is that rising non-performing loans continue to threaten SACCO sustainability, yet the role of ethical-values education in mitigating this challenge remains insufficiently understood.



METHODS

Research Design: This study employed a comparative cross-sectional research design with a retrospective pre–post analytical component at the SACCO level**.** Data were collected at a single point in time; however, the analysis compared SACCO loan performance indicators across two distinct periods, three years before and three years after the implementation of ethical-values education using existing administrative records. The unit of analysis was the SACCO rather than individual members. The design is cross-sectional in that the researcher did not follow respondents or institutions over time, nor did the researcher introduce, manipulate, or monitor any intervention. The ethical-values education also referred to as sensitization had already been conducted by the SACCOs as part of their routine capacity-building activities prior to this study. In this context, sensitization refers to structured ethical-values education aimed at improving members' awareness and behavior regarding loan repayment, honesty, accountability, and cooperative principles**,** and is therefore synonymous with education rather than mere awareness creation. The program targeted SACCO members, particularly active borrowers, although individual-level

participation could not be verified retrospectively. Because the researcher did not design or implement the education program and did not engage in iterative cycles of planning, action, and reflection, the study does not constitute action research**.** Instead, it is an observational institutional assessment that examines loan performance outcomes associated with an already existing intervention. Loan performance data were aggregated at the SACCO level including total loans disbursed and total loans recovered because the study focused on institutional performance rather than individual borrower behavior, and because consistent individual-level data were unavailable across SACCOs for the full study period. While a design comparing individual loan behavior before and after education or employing experimental and control groups would have allowed stronger causal attribution, such approaches were not feasible since the education had already been broadly implemented across SACCOs in the study area. The study therefore acknowledges that observed changes in loan recovery may have been influenced by other factors such as economic conditions, management practices, or policy changes. As a result, the findings indicate associations rather than definitive causal effects of ethical-values education on loan performance. Nonetheless, the chosen design was appropriate for efficiently assessing whether meaningful differences in SACCO-level loan performance existed between the pre- and post-education periods using available data (Babbie, 2015).

Study Area and Population: The study was conducted in Uasin Gishu County, Kenya**,** which was selected due to evidence showing a relatively high number of SACCOs experiencing challenges related to non-performing loans. The target population consisted of all 238 registered SACCOs operating within the county, including both rural- and urban-based institutions.

Sampling Procedure and Sample Size: A total of 24 SACCOs were selected for the study, representing approximately 10% of the population**,** in line with Mugenda and Mugenda's (2003) recommendation for large populations. To ensure fair representation, a stratified random sampling approach was used. SACCOs were first grouped into urban and rural categories**,** after which a simple random (lottery) method was applied within each group. Based on the actual distribution of SACCOs in the county, the final sample comprised 18 urban SACCOs and 6 rural SACCOs**.**

Data Collection: Both **primary and secondary data** were collected. Secondary data on loan performance were obtained from SACCO records covering three years before and three years after ethical-values education**.** For each SACCO, annual figures were aggregated for the two periods to allow meaningful comparison. Primary data were collected using structured questionnaires administered to SACCO management, alongside key informant interviews **w**ith selected officials. Ethical values—namely honesty, openness, social responsibility, and caring for others—were measured using a five-point Likert scale**.** Additional organizational information, such as SACCO age, type, budget allocations for member education, and number of training sessions conducted, was also captured.

Validity and Reliability: To ensure the quality of the data, the research instruments were reviewed by experts to confirm content, face, and criterion validity**.** Reliability was assessed through a pilot study using the test–retest method**.** The resulting Cronbach's alpha coefficient of 0.80 indicated that the

instruments were reliable and suitable for the study.

Data Analysis: Data were coded, cleaned, and analyzed using SPSS. Descriptive statistics were used to summarize the characteristics of the SACCOs and their loan performance. To examine the relationship between ethical-values education and SACCO sustainability, binary logistic regression was applied at the 95% confidence level**.**

The model was specified as:

$$\pi(\tilde{x}) = log\left[\frac{\pi(\tilde{x})}{1-\pi(\tilde{x})}\right] = \alpha + \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \ldots + \beta_p x_p \ldots$$

The indicators of ethical education were honest, openness, social responsibility and caring for others. SACCOS' age, education budgets, number of trainings and SACCOS' type measured were the mitigating variables.

Therefore: $log\left[\frac{\pi(\tilde{x})}{1-\pi(\tilde{x})}\right] = \text{Sustainability}$

α = The intercept term of the model, β_0 = Coefficient of the constant term and $\beta_1 - \beta_P$ = Regression coefficients. X_{1-} age of SACCOS, X_{2-} Budgets for education, $X_{3\,-}$ type of SACCOS, $X_{4,}$ number of trainings provided and $X_{5,}$ whether members were ethical or not.

RESULTS

This study set out to examine how ethical-values education influences loan performance and sustainability among SACCOs. To achieve this, loan performance was compared for three years before ethical education and three years after. Results were also analyzed separately for rural and urban SACCOs.

Loan Performance Before and after Ethical Education: Overall, the proportion of non-performing loans was higher before member ethical education (14.83%) than after (12.03%). This decline suggests that ethical-values sensitization may have contributed to positive changes in members' attitudes and repayment behavior. **Table 1** summarizes the three-year performance of urban and rural SACCOs before and after ethical education.

Table 1: Loan Performance Before and After Ethical Education

Item	Before Ethical Education (%)	After Ethical Education (%)
Urban Mean	12.65	12.26
Rural Mean	17.00	11.79
Overall Mean	14.83	12.03

Rural SACCOs showed a more substantial improvement (from 17.00% to 11.79%) than urban SACCOs (from 12.65% to 12.26%). This indicates that ethical education had a stronger influence on SACCOs operating in rural areas, where formal cooperative training is less frequent. An interviewed SACCO manager confirmed this pattern, explaining:

"Whenever loans are given without training, repayment tends to decline. But when members receive proper education—especially new members—the non-performing loans reduce. The challenge is that training budgets are often insufficient, so some SACCOs skip education when funds are low."

This qualitative evidence reinforces the quantitative findings by demonstrating that consistent education shapes responsible borrowing behavior.

Binary Logistic Regression Results: To assess whether ethical education predicts SACCO sustainability, a binary logistic regression analysis was conducted (Table 2).

Table 2: Binary Logistic Regression Results

Variable	B	S.E.	Wald	p-value	Exp(B)
Constant	3.398	0.327	8.007	**0.000**	10.04
SACCO Age	-1.852	0.552	12.01	**0.049**	1.146
Education Budget	1.930	0.450	9.080	**0.001**	2.021
SACCO Type	1.740	0.458	9.071	**0.046**	1.060
Number of Trainings	2.540	0.498	8.990	**0.000**	3.012
Members' Ethics	3.297	0.317	8.000	**0.000**	10.03

All variables were significant at $\mathbf{p} < 0.05$.

The analysis highlighted several key findings. Members' ethical values emerged as the strongest predictor of SACCO sustainability, with a substantial effect size (B = 3.297, p = 0.000), demonstrating that ethical behavior plays a critical role in shaping repayment practices. The number of training sessions also showed a strong positive influence (B = 2.540), underscoring the value of continuous education in improving loan performance. In addition, the education budget significantly predicted sustainability, indicating that SACCOs that invest more resources in structured training programs tend to perform better and maintain healthier loan portfolios. These results clearly demonstrate that SACCOs investing more in ethical training and cooperative education are significantly more likely to remain sustainable.

Overall SACCO Performance Rating: SACCOs were also classified based on overall performance.

Table 3: SACCO Performance Ratings

Category	Excellent (%)	Good (%)	Fair (%)	Bad (%)
Urban (18)	3	5	8	
Rural (6)	1	1	4	
Overall %	8.33	16.66	25.00	**50.00**

Half of the SACCOs (50%) were classified as "bad," indicating significant loan repayment challenges. Only 8.33% performed excellently. These results point to the urgent need to strengthen ethics-focused education and governance.

DISCUSSION

This study found clear evidence that ethical-values education plays an important role in shaping loan repayment behavior and improving SACCO sustainability. The results revealed three clear patterns. First, ethical education was associated with lower levels of non-performing loans, an effect that was especially pronounced among rural SACCOs. Second, members' ethical behavior itself emerged as the strongest predictor of sustainability, with the regression results showing a particularly high influence (Exp(B) = 10.03). Third, SACCOs that invested more

in training sessions and allocated larger budgets for member education consistently performed better, highlighting the value of ongoing learning. These patterns collectively align with behavioral ethics theory, which suggests that education enhances ethical awareness and, in turn, influences how individuals behave and honor responsibilities such as loan repayment. The findings agree with Bee (2014) and Kiaritha (2015), who noted that member training and ethical sensitization positively influence cooperative performance. However, the current results add a deeper dimension by showing that **ethical behavior itself**, not just training frequency, is the strongest predictor of sustainability. Some contrasting studies argue that financial incentives or strict enforcement—rather than ethics—drive repayment performance. The present study shows that while structures matter, ethical awareness has a strong independent effect. According to ethical value theory (Shyam, 2014), personal values influence perceptions of right and wrong. The study's results support this idea but also show that values are **environmentally shaped**. Regular education sessions create an environment that reinforces cooperative values such as honesty, openness, and responsibility. This interaction between internal values and external education helps explain why SACCOs with more training sessions performed better. This study is not without limitations. Because it focused solely on SACCOs in Uasin Gishu County, the findings may not fully apply to SACCOs in other regions with different operational contexts. In addition, some of the data on ethical behavior were self-reported, which introduces the possibility of response bias as participants may portray themselves more favorably. The use of a cross-sectional design also limits the ability to draw firm causal conclusions. To strengthen future investigations, studies could incorporate longitudinal data or widen the scope to include SACCOs from multiple counties.

CONCLUSION

This study set out to examine how member ethical-values education influences loan performance and overall sustainability of SACCOs. The results provide clear evidence that ethical education—particularly training that promotes honesty, openness, social responsibility, and care for others—plays a significant role in reducing non-performing loans and strengthening SACCO sustainability. The analysis further showed that members' ethical behavior is the strongest predictor of sustainability, while consistent training and adequate education budgets also contribute meaningfully to improved performance. These conclusions directly address the study's objectives and demonstrate that strengthening ethical awareness among members is an effective intervention for loan management challenges. The findings also offer a theoretical contribution by reinforcing cooperative value theory and behavioral ethics frameworks. Both theories posit that values and ethical consciousness influence decision-making; this study confirms that ethical education can shape loan-repayment behavior in practical, measurable ways. However, the study also found that ethical values are not consistently prioritized in SACCO operations, contributing to weak member participation and poor loan performance. Rural SACCOs showed greater responsiveness to ethical education than urban SACCOs, suggesting that context matters in how education interventions are received. Finally, the results highlight that non-performing loans remain a significant threat to SACCO stability,

underscoring the need for sustained and targeted educational interventions.

RECOMMENDATIONS

Based on the study's findings, several actionable recommendations are proposed to enhance SACCO sustainability and member compliance. Firstly, SACCO boards and managers should strengthen ethical-values training by institutionalizing continuous education as part of routine loan-processing procedures. This can be achieved by integrating ethics modules into mandatory member induction programs as well as refresher training sessions, ensuring that members consistently engage with the principles of honesty, openness, social responsibility, and caring for others. Secondly, regulatory bodies such as the Ministry of Cooperatives and SASRA should embed ethics education within compliance frameworks, requiring SACCOs to allocate sufficient budgets for training and to periodically demonstrate improvements in members' ethical behavior and adherence to cooperative principles. Thirdly, SACCOs should prioritize education in resource allocation by dedicating funds for regular ethics-based capacity building, supported by clear policies and annual training plans, to guarantee the sustainability of these initiatives. Fourthly, training approaches should be tailored to the context, recognizing that rural SACCOs were more responsive to ethical education than urban SACCOs; hence, methods should consider the specific characteristics and needs of different member populations to ensure equitable benefits across diverse SACCO types. Finally, future research should extend these insights through broader comparative studies across multiple counties, investigate digital or online ethics-training platforms, and utilize longitudinal designs to capture long-term changes in member behavior resulting from ethical-values education, thereby providing more comprehensive evidence for policy and practice.

REFERENCES

Anania, P., & Rwekaza, G. C. (2018). Co-operative education and training as a means to improve performance in co-operative societies. Journal of Social Sciences, **1**(2), 39–50.

Babbie, E. (2015). The practice of social research (12th ed.). Wadsworth Cengage Learning.

Bee, K. F. (2014). Co-operative education in Africa: Case of Moshi University College of Co-operatives and Business Studies, Tanzania. Asian Journal of Humanities and Social Studies, **2**(1), 2321–2799.

Clamentina, O. N., Maurice, E. I., & Choma, D. O. (2015). Factors influencing the implementation of co-operative education in Enugu State, Nigeria. World Applied Sciences Journal**, 33**(5), 809–813.

Hancock, E., & Brault, A. (2016). The fifth co-operative principle in action: Mapping the co-operative education initiatives of Canadian co-operatives. Canada: University of Regina & University of Saskatchewan.

International Co-operative Alliance. (2019). The international co-operative day**.** https://www.ica.coop/en/co-op-principles

International Labour Organization. (2014). Contribution of international symposium on co-operatives and sustainable development goals. Berlin, Germany: Jurden Schwettmann.

Kenya Co-operative Policy. (2017).

Promoting co-operative societies for industrialization**.** Ministry of Industry, Trade and Co-operatives, State Department for Co-operatives.

Kiaritha, H. W. (2015). Performance of savings and credit co-operatives in the banking sector in Kenya (PhD thesis, Jomo Kenyatta University of Agriculture and Technology, Kenya).

Kivuvo, M., & Olweny, T. (2014). Financial performance analysis of Kenyan SACCOs sector using the Altman Z-score model of corporate bankruptcy. *International Journal of Business and Social Science,* **5**(9).

Kinyuira, D. K. (2017). Assessing the impact of co-operative education capacity building on co-operative performance. JSPM-Journal of Strategy and Performance Management, **5**(1), 23–41.

Kingu, D., & Ndiege, O. B. (2018). Empowering small-scale dairy farmers through the co-operative model. *Journal of Co-operatives and Business Studies,* **3**(1), 33–45.

Kobia, S. K. (2011). The co-operative movement in Kenya: Challenges and opportunities**.** Colorscapes Media Ltd.

Mervin, W. (2014, April 8). Why education is important for co-operatives. *Co-operative News.* https://www.thenews.coop

Miner, K., & Guiollotte, C. A. (2014). Relevance and impact of co-operative business education. [Unpublished manuscript].

Mugenda, O. M., & Mugenda, A. G. (1999). Research methods: Quantitative and qualitative approaches. Acts Press.

Ngugi, O. (2014). Corporate governance challenges and their impact on the performance of SACCOs in Mombasa County, Kenya (Unpublished MBA research project). Management University of Africa.

Obure, R., & Muturi, W. (2015). Effects of internal factors on performance of SACCOs in Kenya: A case of Kisii County. *International Journal of Economics, Commerce and Management,* **3**(7), 767–785.

Okelo, M. O. (2014). Sustainable competitive advantage among savings and credit co-operative societies in Nairobi County (Unpublished MBA research). University of Nairobi.

Othman, A., Kari, F., Jani, R., & Hamdan, R. (2012). Factors influencing co-operative membership and share increment: An application of logistic regression analysis in Malaysian co-operatives. *World Review of Business Research***,** **2**(5), 24–35.

SASRA. (2018). Annual report. Savings and Credit Societies Regulatory Authority. https://www.sasra.go.ke

Shyam, N. (2014). A fault line in ethical theory. *Philosophical Perspectives***,** **28**(1), 173–200.

World Co-operative Monitor. (2019). Data presented by the International Co-operative Alliance. https://monitor.coop