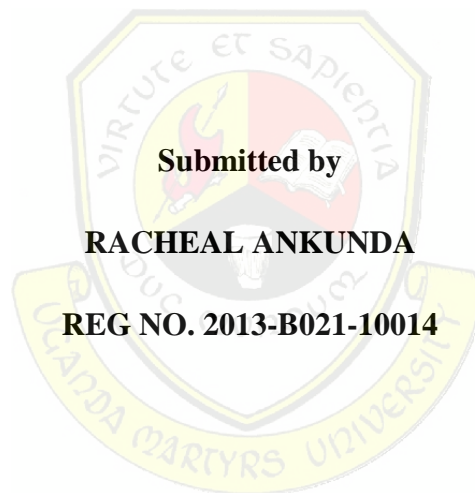


**MANAGEMENT COMPOSITION AND FINANCIAL PERFORMANCE OF SACCOs**

**CASE STUDY: RUKIGA SAVINGS AND CREDIT COOPERATIVE SOCIETY**



**Submitted by**

**RACHEAL ANKUNDA**

**REG NO. 2013-B021-10014**

**Uganda Martyrs University**

**April 2016**

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**A dissertation submitted to the Faculty of Business Administration and Management in  
partial fulfillment of the requirements for the award of a Degree of Bachelor of  
Business Administration and Management  
Uganda Martyrs University**

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**RACHEAL ANKUNDA**

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## **DEDICATION**

This research paper is dedicated to my mum Mrs. Twinomugisha Jane and the entire family for the spirited and unwavering care and assistance right from conception, the reason that has made me what I am. May God bless you in abundance.

## **ACKNOWLEDGEMENTS**

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## **LIST OF ABBREVIATIONS**

AMFIU- Association of Micro-Finance Institutions of Uganda.

BNR- National Bank of Rwanda.

CGAP- Consultative Group for Assisting the Poor.

FSRA -Financial Services Regulatory Authority.

SACCOs- Savings and Credit Cooperative Organizations.

SASRA – SACCO Societies Regulatory Authority.

SPSS-Statistical Package for Social Scientists.

WOCCU-World Council of Credit Unions.

## **ABSTRACT**

This research is based on the topic; Management composition and financial performance of SACCOs. The researcher therefore aimed at assessing the relationship between management members' qualifications and the financial performance of SACCOs, the relationship between management members' experiences and the financial performance of SACCOs and the relationship between management members' skills and the financial performance of SACCOs.

Financial performance of a SACCO greatly relies on its Management composition. The financial performance is determined by the profitability, loan portfolios, quality of services and technology, liquidity (solvency) ratios and the continuity (stability) of the SACCO. Management composition involves qualifications, experiences and skills of the management members which are necessary to decide how departments should interact, how resources should be optimally used, prepare documents and reports, and planning and implementing decisions.

Using Rukiga SACCO as a case study, the researcher used both qualitative and quantitative data collection approaches, questionnaire and interviewing methods, primary and secondary data sources and sampling methods to obtain reliable findings.

The study found out that with proper management members, Rukiga SACCO has been able to serve members satisfactorily over the last ten years, attributed to its proper management composition and hence recommends that more emphasis be put on this crucial requirement so as to achieve even greater financial performance.

## **CHAPTER ONE**

### **GENERAL INTRODUCTION**

#### **1.0 Introduction**

This part presents the background to the study, statement of the problem, major objectives of the study, specific objectives, research questions, justification of the study, significance of the study, scope of the study and conceptual framework.

#### **1.1 Background to the Study**

A SACCO is a member owned and controlled savings and credit society. It offers diversity of financial services that include loaning, members' welfare fund, risk management fund, credit facilities and savings facilities. SACCOs have significantly increased to account for 50% of the registered cooperatives. The Kenya's National development blueprint and the vision 2030 recognize SACCOs as important players in deepening financial access to mobilize savings for investments in enterprises and personal development (Mohammed, 2013). SACCO Sub sector comprises both deposits taking SACCOs. Non-deposit taking SACCOs are supervised by the commissioner for co-operatives while Deposit taking SACCOs are licensed and regulated by SASRA. SASRA licenses SACCOs that have been duly registered under the cooperative societies Act CAP 490. As at December 2012, the total SACCO sub sector assets stood at Kshs.293 billion and total membership for the sector was 3 million persons. Total deposits for the sector stood at Kshs.213 billion and loans to members were Kshs.22billion (Ademba, 2013).

According to Lubwama, 1997, as cited in Nuwagaba, 2011; the growth of SACCOs in Uganda had three main influences. These were Campbell, the church and the government influences. The SACCOs helped agricultural families to stop depending on money lenders and to find the credit necessary to modernize their agricultural co-operatives (Mwakajumilo, 2011).

The growth and rapid expansion of SACCOs in Uganda was also by the efforts of the church clergy, especially the Catholics who got involved in encouraging their followers to actually participate in the program. The idea was to help the people establish lasting SACCO-economic structure and to encourage self-help, self-reliance, and initiative (Kabuga and Batarinyebwa, 1995:232; as cited in (Nuwagaba, 2011).

The SACCOs in Uganda further took more and more strength in 2006 when the government introduced the “prosperity for all” which helped to establish at least one SACCO per sub-county (AMFIU, 2010). The researcher thus attempts to investigate the relationship between management composition and financial performance of SACCO in Uganda by studying the relationship of management qualifications, experiences, skills and financial performance of SACCOs.

SACCOs are usually rather small independent financial performances. In the business model, most SACCOs are to collect savings from their members and to intermediate them into loans. This enables the rural and poor population to deposit savings as well as to take loans. Only members can use the services of SACCOs as Kenyan law prohibits SACCOs to take savings or lend out money to the public.

The SACCOs are members owned whose care business is to encourage thrift and easy access to credit to their members. Members pool resources together in form of cash savings and SACCOs use mobilized savings to extend small credit facilities to them (Were, 2009). They

are user-owned financial cooperatives that offer savings, credit and other financial services to their members (WOCCU report, 2005).

Cooperatives, like other private sector, enterprises have not remained untouched by the recent management structure scandals (Show, 2006). SACCO's management is the system in which SACCOs are lead, enabled and its leadership helps accountable for the actions taken in the interest of all members (Ssemwanga, 2009).

According to the rural speed report published in 2007, typical stylized organizational structure of a SACCO which is highest organization of the SACCO that elects volunteers officers to serve on the board adopts the fundamental policies of SACCOs is a fairly touchy and much more complex issue as cooperatives are based on the principle of democracy in regard to decision making with much more spread ownership than classical firms (Lapie and Perilleur, 2009).

According to the AMFIU report (2008), strategy challenges still existed particularly among SACCOs where risks were highest, given that they collected and intermediated Member's savings. Cuevas and fisher (2006) observed that SACCOs had a high credit risk as well as operational risk.

The risk of direct or indirect loss resulting from inadequate or failed internal processes, people and external events (Basel committee report, 2011). There has been massive fraud of funds by SACCO's leaders (Mugisha, 2011). And that law-breaking in SACCOs had increased. SACCOs are developed in different region of the country such as rural, peril-urban and urban SACCOs (Wolff et al, 2011). In Uganda, SACCOs operate as financial intermediaries, channeling savings into loans, provide savings opportunities for poor especially in rural areas but further improvements are necessary to make their service more efficient and sustainable. There is a high potential to mobilize, however, poor people used to

mostly rely on informal, often insecure ways of saving such as circles or hiding money under the mattress (Wright and Mutesasira 2011).

## **1.2 Statement of the Problem**

A study by FSD (2013) revealed that SACCOs are facing severe liquidity problems and the majority is unable to meet the withdrawal of savings. Given this situation, clients despite their loyalty are getting worried about the future of the SACCOs if this situation is not rectified, a decline of SACCOs that will be a terrible loss for Ugandans. Thus there is need to understand the impact external financing has on the financial performance of SACCOs. There is still a low banking culture, financial literacy and co-operative awareness among many communities in the country. Some people have been cored and lost interest in working with rural financing institutions. These calls for more to be done to rectify this situation, in a good number of SACCOs, strategic management and leadership still lack, and personal interests other than members' interests, this result in SACCOs' mismanagement. These practices are rampant in SACCOs that are not supervised by UCA (Annual Report 2014-2013). SACCO members also face a challenge of low income arising out of low volume of economic activities, limitedness of good enterprises. This means that UCA's effects to promote SACCOs should be matched with similar efforts to assist co-operators select and implement feasible and profitable enterprises. This can be done through financial literacy education; supporting rural producer co-operatives as well as marketing. There are some issues which have not been adequately covered in the cooperative societies, limited requirement standards, and poor development strategy framework for SACCO management leading to high staff-turn over. This situation is made worse by unstable macro-economic environment and with stringent prudential requirement on capital adequacy and liquidity standards (Ongore et al, 2013). This study seeks to find out the management structure and financial performance of SACCOs in Uganda.

### **1.3 Major Objectives of the Study**

“To examine the relationship between the management composition and the financial performance of the SACCO.”

### **1.4 Specific Objectives of the Study**

- i. To assess the relationship between Management Members’ qualification and financial performance of the SACCOs.
- ii. To investigate the relationship between the Management Members’ experience performances of SACCOs.
- iii. To evaluate the relationship between the Management Members’ skills and financial performance of SACCOs.

### **1.5 Research Questions**

- i. What is the relationship between the Management Members’ qualification and financial performance of SACCOs?
- ii. What is the relationship between Management Members’ experience and financial performance of SACCOs?
- iii. What is the relationship between Management Members’ skills and financial performance of SACCOs?

### **1.6 Significance of the Study**

The findings of this study will increase or boost the efforts of management composition in coming up with rules and regulations that govern the operation of SACCOs.



The researcher will gain vast knowledge in the way SACCOs should be run and thus organize programs aimed at creating awareness on how to run SACCOs for the benefits of the members.

The study will add new knowledge to future researchers who are interested in the same area and the research will be helpful to managements, stakeholders and their clients.

### **1.7 Justification of the Study**

Rukiga savings and credit cooperative organizations have been in operation for close to ten years providing the services to their clients on the basis management composition as platform for saving and acquiring loans and has experienced there is significant performance. The study therefore intends to establish and develop a baseline data that would be used by scholars, management of Rukiga SACCO and other micro-credit institutions in Kabale district to ascertain the duty of management levels and financial performance of SACCOs.

### **1.8 Scope of the Study**

This usually specifies the coverage of the study into three areas; that is subject, geographical, and time scope.

#### **Subject Scope**

The study focuses on the management composition and financial performance of SACCOs. Specifically the study concentrates on internal composition aspects of management composition. Financial performance will be looked at in terms of profitability, loan portfolios, quality and liquidity.

## **Geographical Scope**

The study focuses on the SACCO in Rukiga County which is located in Kabale district, Western Uganda, a distance of about 400kms away from Kampala. This is because the county has experienced the development or better performance of SACCOs and results can explain development of SACCOs in other countries as well as similar principles and guidelines.

## **Time Scope**

The study will cover the SACCO's information for multiple periods; that is from 2010 to 2015 in order to capture most up to date information.

## **1.9 Definition of Key terms**

### **Financial performance**

According to Armstrong (2006), performance is often defined simply in output terms the achievement of quantified objectives. In this study financial performance will be measured in terms of profitability.

### **Management**

According to Angelo Kinick and Brian K. William's (2008), management is defined as the pursuit of organizational goals efficiently and effectively by integrating the work of people through planning, organizing, leading and controlling the organization's resources. In this study management composition will be measured in terms of the directors and managers who have the power and responsibility to make decisions and oversee the performance of SACCO.

According to Robert N. Lussier (1997), management is the process of achieving organizational objectives through efficient and effective utilization of resources. Everyone in organizations works with managers. It is important to learn about management because a

knowledge of what management is can help you to be a better employee, due to this course can help you to qualify to become a manager.

### **Management skills**

According to Robert N. Lussier (1997), management skills is composed of three elements that is technical skills, human and communication skills and conceptual and decision making skills. Technical skills are the ability to use methods and techniques to perform a task, Human and communication skills are the ability to work with people in teams and conceptual and decision making skills are the ability to understand abstract ideas and select alternatives to solve problems. In another words conceptual skill is the systems thinking, or ability to understand an organizational/ department as a whole and the interrelationship among its parts.

### **Competence**

According to Gupta (2010), competence means having skills, traits and knowledge required for a person to be effective in a job. In this study, competence will be measured in terms of the skills to implement the requirements of SACCO.

### **A cooperative society**

It is an autonomous association of persons united voluntarily to meet their common economic cultural needs and aspirations through a jointly owned and democratically controlled enterprise. The key idea behind a co-operative society is to pool the scarce resources, eliminate the middlemen and to achieve a common goal or interest (Ministry of Cooperative Development and Marketing, 2007). Cooperative societies are good vehicles for assisting the people improves their socio-economic situation. They derive their strength and authority from member solidarity cooperation and concern for each other. The Co-operatives are

anchored on a well established Cooperative philosophy based on seven principles formulated by the International Cooperative Alliance which include: voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, cooperation among co-operatives and finally concerned for the community (Hans, H. 1976).

## **Regulation**

According to Baskin, Heiman, Lattimor and Toth (2012), regulation means a proposition underlying systems theory that maintains that underlying the behavior of systems is constrained and shaped by interaction with other systems. In this study, regulation means the rules that have been put and which SACCO are expected to adhere to.

## **Saving and Credit Cooperative Organizations**

A SACCOs is a member owned and controlled savings and credit society. It offers diversity of financial services that include loaning, members' welfare fund, risk management fund, credit facilities and savings facilities. SACCOs have significantly increased to account for 50% of the registered cooperatives. The Kenya's National development blueprint and the vision 2030 recognize SACCOs as important players in deepening financial access to mobilize savings for investments in enterprises and personal development (Mohammed, 2013). SACCO Sub sector comprises both deposits taking SACCOs. Non-deposit taking SACCOs are supervised by the commissioner for co-operatives while Deposit taking SACCOs are licensed and regulated by SASRA.SASRA licenses SACCOs that have been duly registered under the cooperative societies Act CAP 490. As at December 2012, the total SACCO sub sector assets stood at Kshs.293 billion and total membership for the sector was 3 million persons. Total deposits for the sector stood at Kshs.213 billion and loans to members were Kshs.22billion (Ademba, 2013).

## **Profitability**

Profitability, measured as net pre-tax profit over assets, is an indication of successful performance and the efficient management of assets. Profitability is the company's ability to produce a profit that would sustain long-term and short-term growth (Chandler, 2009).

The competition in the markets has got a role in determining company's profitability.

Regardless of the divergence that exists in the market, the companies retain their profitability over time by the market dynamics.

## **Liquidity**

According to Julius Kakuru (2007), liquidity refers to the ability of a firm to meet its daily obligations as they fall due. A high level of liquidity is achieved by keeping a huge amount of current assets on hand. In this study, liquidity will be measured in keeping huge amount of current assets of SACCO.

### 1.10 Conceptual Framework

It defines the framework of study basing on the variables that is independent and dependent variables as well as identifying their dimensions thus it is used in research to outline the possible courses of action or to present a preferred approach to an idea.

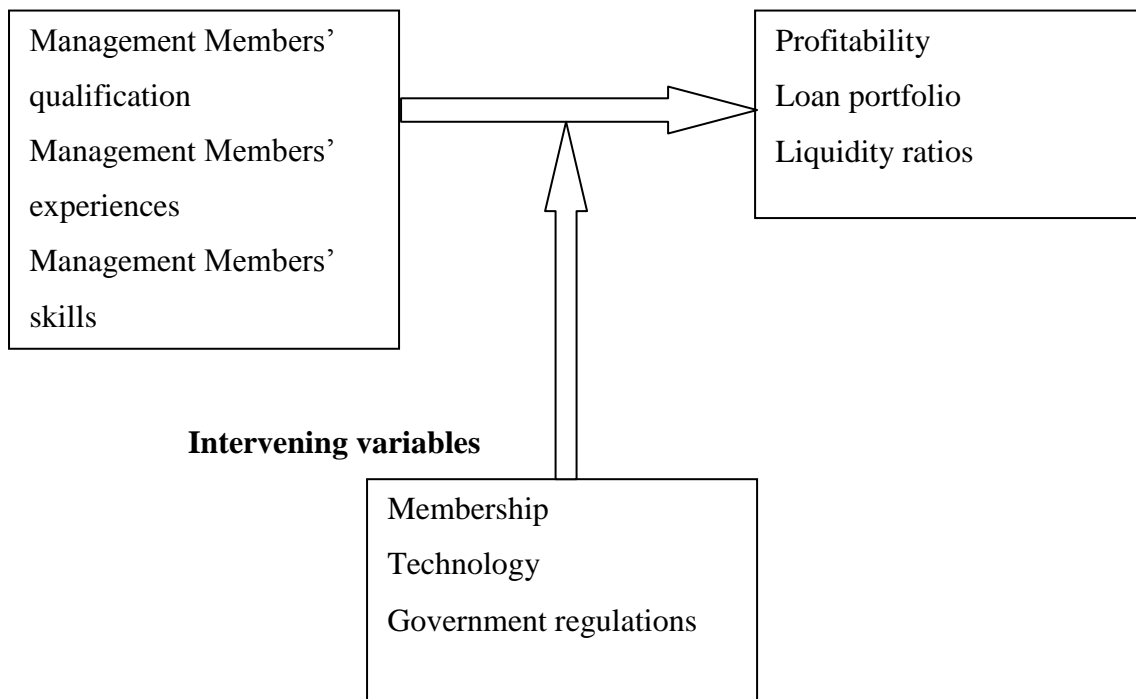
The relationship between management composition and financial performance is diagrammatically shown in figure 1 below. It links the independent to the dependent variables. As Sammy (2013) emphasizes, a conceptual frame work refers to a group of concepts that are systematically organized in providing a focus, basis and a tool for interpretation and integration of information (as cited in Balachander and Soy, 2003). This is usually achieved in clear illustrations.

**Figure 1: Conceptual Framework**

**Independent variable**

**Dependent variable**

Management composition and Financial Performance of SACCOs



**Source:** Adopted from WAMBUA (2011).

The conceptual frame work depicts the relationship between management composition and financial performance of SACCOs. It states the independent variable which is management composition with management members' qualifications, experiences and skills as its dimensions, influencing the dimensions of the dependent variable which is the financial performance with profitability, loan portfolio and liquidity ratios.

Profitability which is a dimension of a dependent variable can be influenced by membership's interest rates especially in financial institutions which ultimately affect their performance. Thus high interest rates especially those posed by the SACCOs can lead to a reduction in the profits of the organization.

Loan portfolio and liquidity ratios are dimensions of the dependent variable and the intervening variable influencing both the dependent and independent variable including the government regulations such as taxation can affect the profits, memberships and the technology. Management qualifications of any organization depends on the type of decision that the management directors make however these may be influenced by some intervening factors like government policies, memberships and technology to effect or implement the decisions. For example in 2009 the SACCO earned 2% on average assets and 27% on average equity.

Financial performance either profitability, loan portfolio and liquidity ratios may depend on the skills of the people involved that is if people who are involved in management composition are unskilled, they may lead to poor performance of the SACCOs but however if they are experienced and skilled as far as financial performance is concerned, they will make good quality profits that may boost the overall performance of the organization.

Profitability may also be influenced by government regulations that will automatically affect the overall organizational performance either positively or negatively. That is favorable

government policies may boost the performance of the SACCOs in terms of profitability but however unfavorable policies like restructuring may lead to poor performance of the organization as different employees will be laid off while others may be moving from one department to another.

## **Conclusion**

In conclusion, chapter one presents the background of the study, purpose of the study; that is the reason why the study was carried out, scope of the study subject, geographical and time scope, significance and justification of the study as highlighted above.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

According to Owolabi (2006), literature review is the gradual process which the researcher uses to search out, read, digest and critically evaluating previous works of scholars related to the problem under investigation. This part discusses the literature presented by previous scholars related to the management composition and financial performance of SACCOs. It particularly focuses on the literature on the dimensions of management and their relationship with the financial performance of SACCOs.

#### **2.1 Management composition**

According Branch and Baker (1998) it is important that management members be qualified as unqualified management members may be unable to make proper decisions. Bald (2007) agrees with Branch and Baker (1998) and suggest that elected officers should have financial and technical skills roughly on par with management so that they can engage management in a meaningful debate and at times challenge the interpretation of certain results. Mugabi (2009) concurs with Branch and Baker (1998), Bald (2007) stating that lack of skills among the management members to run the SACCOs was one of the challenges of composition setting back newly created SACCOs. Branch & Evans (1999) observed that management dominated by volunteer non-professionals could be very responsive to local community social issues but fail to have the financial and business expertise required for a financial institution. The members-control is challenged when faced with lack of knowledge within the committee members leading to weak policies and weak supervision of management. SACCO

members do not know their rights and have no adequate financial literacy (Kyazze, 2010). This explains why the WOCCU report (2005) recommended that all management members should have basic financial literacy, or commit to acquiring these skills through education or training. Shaw (2006) concurs with the WOCCU report (2005) adding that the emergence of a better educated membership in some cooperatives has resulted in the election of directors with higher levels of literacy and related skills. As a result, the overall quality of co-operative managements had improved. According to Kato (2008) a researcher by Financial Sector Deepening Project, shows that more than 52% of SACCO members did not know their rights in the management of SACCOS. According to Erik (2012) Management composition provides people with a powerful set of tools that improves their ability to plan, implement and manage activities to accomplish specific SACCOS' objectives. Management composition is composed of three dimensions that are management members' qualification, experience and skills executive that work hand in hand to lead to growth and development of SACCOS in Uganda. They can also know-how to manage the risks or risk identification and how to overcome up with it.

According to Felix (2014) performance management in SACCO's workshops have planned to bring consistency in applying performance management with the cooperative, assisting managers and other team leaders to be aware with their role in contribution to successfully manage performance and conduct at work. The workshop is aimed at helping people to understand how they contribute to the considered goals of cooperatives and ensuring that the right skills and efforts are applied on the things that really matter to members and their clients. According to the European central bank report (Euro system) 2013, assets to be eligible as management qualifications for financial institution's operation needs to see certain criteria and requirements to ensure sufficient quality and protect the financial

institution's name from their clients credit risk as always instructed by management of SACCOs.

### **2.1.1 Management members' Qualifications**

Managers are responsible for the performance of all departments. They are responsible to establish SACCO's goals, decide how departments should interact and monitor the performance of members' experience and members' skills of managers. According to Kumbukumbu (2013) SACCO limited registered its membership potential as at December 2008 stood at 944. It has committee members who form the nine board member of SACCO, three members of supervisory board and four staff members who check on the day today running of the SACCO society. The SACCO has grown from strength to strength and come with various challenges and created enormous opportunities that need to be tapped for a long period of time, the SACCO has operated without clear strategies to take merit of these opportunities and mitigate emerging challenges and threats. The strategic SACCO felt the need to develop a strategic plan so as to redefine its vision and mission of purpose and aimed at creating unity of purpose amongst the board, supervisory committee, members and staff of Kumbukumbu SACCO in order to achieve its goals. Therefore management members' qualification helps the board by making decisions to be implemented by the board members in order to achieve their goals and objectives.

### **2.1.2 Management members' Experiences**

These are managers who have experiences in supervising others and are responsible for finding the best way to use resources to achieve the SACCO's objectives. For example in Rukiga SACCO, Abaho John Bosco is the one who supervises the staff. Management member's experiences are meant to increase and sustain SACCOs' value and satisfy the needs and interests of all the members. Accordingly, the financial manager is expected to

provide information which will assist in decision making concerning the investment of the SACCOs' capital. The major financial decisions involved in management composition include laying down basic objectives to be met, evaluation of the objectives, establishment of the budget, budget approval, deciding on capital structure, and cost of finance, fund raising, investment and distribution of returns (Horne, 2003 and Mudibo, 2005). In this context, the financial practice management member needs to set up the objectives of the cooperative. They should come up with alternative options to invest available funding and evaluate the core objectives by costing them. The alternatives are ranked based on cost and benefit analysis and the best fit is selected. Once the management member is satisfied with the selection, a budget is established for the selected objectives. This incorporates a plan to show how much would be incurred in carrying out the chosen alternative. The common budgets include working capital, revenue, and cost of mobilizing funds, cash, and disbursement budgets.

These budgets are forwarded to the management committee for approval. The possible capital structure to invest in the selected objectives is identified once the budget is approved. In this case, the management should identify the required startup capital and long term finance in order to achieve its objectives. A decision is taken on the mix with respect to optimum capital structure and considerations are made on the returns and risks of such sources (Singh, 2003). The cost of capital for each different funding is evaluated because different types of capital carry different rates of return. For instance, loans without full security or with a high risk usually carry higher rates of interest. The Return on Capital Employed (ROCE) is determined as well and expressed as a percentage of the capital employed in the cooperative business. The funds to be used in the investment are raised from the sources identified during the mobilization of financial resources (Ross, 1998).

After the required funds have been raised, they are then applied to generate income. This is the utilization of the finance raised by the society in the selected objectives. This marks the implementation stage of the investment identified by the SACCO Society. However, after income has been obtained, the agent measures the results from the investment by preparing a statement of comprehensive income which shows the surplus, statement of financial position indicating the financial state of affairs as at that time and cash flow statements. The management committee determines whether the appropriate returns, the dividends and rebates are paid according to the SACCOs' policy where the focus may be to distribute profits or set up reserves to pay debt in future or set sinking funds for retirement of debts (Pandey, 2010).

### **2.1.3 Management members' Skills**

According to Gupta (2010), skill means having competence, traits and knowledge required for a person to be effective in a work. In this study, competence will be measured in terms of the skills to implement the requirements of board members.

They have skills for the daily supervision of the non managerial employees who perform many of the specific activities necessary to produce goods and services. They work in all departments or functions of an organization such as the supervisor of a work team in the SACCO. According to internal control guidelines for SACCOs (2013), skills management is responsible for all accounting operations from the collection of accounting data, recording, keeping the supporting documents and preparation of financial statements. They should also ensure that the accounting books are adequately filled including the deposit financial, credit, income and expenditure of SACCOs per day. They should keep chronologically, in a safe place, all supporting documents to justify the operations done and control of all cash in and out of the SACCO and oversee the operations of the cashiers before they are counter checked

by manager. The report to the manager on a monthly basis on the performance of accounting operations and the financial statements of SACCOs responsible and liable of all accounting malpractices of the SACCOs including loss and poor handling of supporting documents, inaccuracy in financial reports, non compliance with procedures in cash utilization.

According to (National Bank of Rwanda, 2014) said that appraisal of the applied for and the applicant's capacity to pay and technically advise the staff to take the financial decision depends on the approval limits. Therefore management skills help the SACCOs to perform better and develop due to use of the skills that management has to deal with their clients and stakeholders in Rukiga area.

## **2.2 Financial Performance of SACCOs**

According to SASRA (2013): SACCO supervision annual report says that SACCO is a significant player in the provision of financial services to the Kenyan households and small business segments. This is demonstrated by the membership served by the SACCOs which in December, 2013 increased to 3.30 million from 2.97 million in 2012. This is in addition to 12 million that indirectly benefited from the subsector as family members of the households. Total assets for the subsector grew by 14% to close at Kshs 335 billion from Kshs 294 billion in 2010 funded. Total deposits for the sector stood at Kshs 241 billion posting an increase of 8.4% from 213 billion in 2012. Loans to members grew by 32 billion to stand at Kshs 253 billion up from 221 billion in 2012.

The FSR 2013 provides an assessment of the performance, soundness and stability of SACCOs' financial system in 2013 and developments in the first half of 2014. The report also identifies emerging risks and weaknesses to the domestic financial system and outlines some of the policy measures taken by respective domestic regulators and policy makers to achieve and sustain stability in 2013 and beyond. The NSE 20 share index increased by 29%

to close at 4133.02 points from 3205.02 points in 2011, the financial sector plays a critical role in the development process. In vision 2030 for example the SACCO is expected to drive high levels of savings and financing of Uganda's investment needs.

SACCOs comprises over 50% of all cooperatives in Uganda and as financial Institutions, they play a critical role of financial intermediation in Uganda's financial landscape focusing mostly on personal development SACCOs review (2012). Therefore financial performance of SACCOs shall be continuously increasing due to putting more rules and regulations especially for loan lenders in order to add on their improvements.

Mburu, 2010, carried out a study on the determinants of performance of the SACCOs in Kenya. According to his findings, lack of business planning, conflict of interest and absence of stringent monitoring and evaluation measures are among the causes of business failure in the SACCO industry. According to these Authors, that's SASRA (2013) talked about the increment and performance of SACCOs while Mburu, (2010) talked about poor planning, conflict of interest and absence of stringent monitoring of SACCOs has led to their failure ,this shows that there is a gap between the findings. Thus, these researchers limited themselves to investigating the management composition and financial performance of SACCOs specifically gender imbalance among themselves but did not investigate financial performance as far as the board of directors are concerned which is the objective of this study. This gap is attended to in objective iii.

### **2.2.1 Profitability**

According to Pandey (2010), SACCOs should earn profit to survive and grow over a long period of time. Profits are essential but it will be wrong to assume that every action initiated by the management of a SACCO shall be aiming at maximizing profits, irrespective of concerns for customers, employees, clients or social consequences. It is that the word profit is

looked upon as a term of abuse since some SACCOs always want to maximize profits at the cost of employees, clients and society. It is a fact that sufficient profits must be earned to sustain the operations of SACCO to be able to obtain funds from investors for expansion and growth and to contribute towards the social overheads for the welfare of the SACCO. Profit is the difference between revenue and expenses over a period of time. It is ultimate output of a SACCO and it will have no future if it fails to make sufficient profits. Thus, the financial manager shall continuously evaluate the efficiency of the SACCO in terms of profits.

Kyazze (2010) pointed out that low profitability in SACCOs was not due to control issues but due to poor costing in order to make the loans attractive to the members, partly due to lack of knowledge about operating costs.

### **2.2.2 Loan Portfolio**

According to Pandey (2010), a portfolio is a bundle or a combination of individual assets or securities. Portfolio theory provides normative approach to investors to make decisions to invest their wealth in assets or securities under risk.

The AMFIU report (2007) indicated that there had been problems of over indebtedness as well as poor management of the loan portfolio. Loan application appraisals and subsequent monitoring by SACCO were all poor leading to high default rates.

Ocowun (2010) however, explained the causes of high default rates from another perspective. He also pointed out that defaulting amongst SACCO members resulted from wrong public perception that prosperity –for-all money was a donation from the president of Republic of Uganda.

Kyazze (2010)'s findings followed those of Allen and Maghimbi (2009) who stated that under normal circumstances delinquency rates of SACCO loans could appear high although



much of this was due to delinquent loans associated with agricultural cycles. This indicated a modify in the trends earlier observed by Kiwalabye (2008) that some SACCOs in Rukiga such as Kisiizi Rural Development SACCO located in a totally remote area had good loan recovery rate of about 50%.

Studies carried out by Deshpande (2006) on a small number of co-operatives selected for a donor-funded technical assistance had initially found them to have a collective portfolio at risk. In Uganda, the average reported portfolio at risk (PAR) greater than 30 days in SACCOs reached as high as 42%, compared with single digits for regulated institutions. However an analysis of loan portfolios for some selected SACCOs indicated an increasing trend (UCSCU Report, 2008). Thus, this helps the researcher to investigate more details about the loan portfolio on the financial performance of SACCOs.

### **2.2.3 Liquidity Ratios**

The liquidity ratios measure the ability of SACCO to meet its current obligation (liabilities). In fact, analysis of liquidity needs the preparation of cash budgets and cash and funds flow statements, but liquidity ratios by establishing a relationship between cash and other current assets to current obligations, provide a quick measure of liquidity. Lack of liquidity will result in poor credit worthiness and high degree of liquidity is also bad thus liquidity should be balancing in order to generate the development of SACCOs in terms of profits or incomes.

According to Kyazze (2010), demand for credit in SACCOs over weighs mobilization of savings. Allen and Makhumbi (2009), agrees with IMF report (2001) adding that managing liquidity and capital levels while meeting the needs of members for finance has been one of the major ongoing challenges for SACCOs in Uganda.

## **2.3 Review of literature Based on Study Objectives**

On the review of literature based on the study objectives that is management qualifications, management experiences, management skills and financial performance of SACCOs.

### **2.3.1 Management Qualification and Financial Performance of SACCO's**

Qualification management is expected to provide information on SACCO's operation to other members. Tusiime et al, (2011), argued that an autonomous management can effectively monitor and supervise staff members of SACCOs enhancing shareholder value. In management qualifications a relatively autonomous management will help to minimize agency costs and thereby improving financial SACCOs. However, other studies suggest that excessive self rule management can hinder financial performance of SACCOs that is why some SACCOs decline.

### **2.3.2 Management Experiences and Financial Performance**

Ssemwanga (2009) noted that good management had enabled Uganda to witness some levels of acceptable progress in terms of how SACCO matters are managed and supervised which helps the SACCOs to develop. SACCOs like Rukiga which have been able to register high returns on their investments over the years, have embraced the useful of better SACCOs' performance. According to Feli, Fang and Pattipati (2008), management qualifications should be made in such a way that they ensure to achieve overall mission objective in the real time in dynamic environments and all decision makers at all levels should co-ordinate their actions extensively and be prepared to adopt their schedules in order to ensure good performance outcomes that will enable the SACCOs gain competitive advantage. Similarly, Ssemwana (2009) agreed with Feli, Fang and Pattipati (2008) due to good performance of SACCOs as

the researcher is investigating on the experiences and financial performance of SACCOs. This is addressed to objective ii.

### **2.3.3 Management skills and Financial Performance of SACCOs**

According to Samuel Antwi and Frederick Binfor (2013), has examined the understanding of ownership, management qualification and management experience team performance on SACCOs values .It has also revealed the relationship between management skills and the financial performance in the community.

**Management skills**-This will be measured in terms of the level of education, experience, adequacy and relevance of their knowledge, Professional qualification, years of experience, frequency of training of staff and membership to professional bodies.

**Financial performance**-The research will focus on the profitability of SACCO by specifically looking at their profits prior to and after introduction of management composition.

### **2.3.4 Membership**

The number of members contributing to a SACCO determines the level of financial performance. A higher number of members accumulates larger amount of savings than a small group of SACCOs members. Larger volume of deposits is invested rationally to get returns. Such a great amount of savings is able to meet the increasing demand for loans by members Wagereka (2013). Government regulations plays big role to increase members' confidence that they will receive principal plus interest. The management of SACCOs controls moral hazards to maximize the value of members.

### **2.3.5 Technology**

Technology advancement has a bearing on financial performance of SACCOs. Technology cuts down transaction costs and improves service delivery. SACCOs install management information systems to track loan repayment by members. Chances of loan defaulting is minimal since the management of SACCOs has adequate information about the borrowers. The automation of internal controls like procurement, human resources management and financial reporting reduces the costs of doing business.

In conclusion, chapter two highlights the relationship between management composition and financial performance of SACCOs specifically in line with the specific objectives. In this chapter, the works of different people have been highlighted in identifying the missing gap that necessitates further research.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter presents a description of the methods that were used by the researcher in research design, study area, study population, sample size, sampling techniques, data source, data collection, quality control, and measurement of variables, data analysis and presentation, ethical consideration and the limitations of the study.

#### **3.1 Research Design**

The researcher used a case study design to collect the required data with reference to Rukiga SACCO organization as the representative study business. The researcher used both qualitative and quantitative data collection approaches. The qualitative study was applied in order to identify the relationship between the variables and the qualitative approach was employed in order to identify the existence of relationship between management composition and financial performance of SACCOs.

The qualitative and quantitative data collection approaches was applied because of their suitability in describing the study characteristics and determining the association of the variables. The use of the two methodologies was aimed at obtaining reliable, valid and logical conclusions to the research findings. The baseline data that was got through the qualitative method was complemented by the numerical and statistical representation of the quantitative research. In depth, there was also understanding of the topic of management by the researcher when the two methodologies were employed. The study also employed cross sectional study to collect data.

### **3.2 Study Population**

Odiya (2009) observed that study population is the total number of potential units for observation or an entire group of people, objects, or event having at least one characteristic in common. The researcher used Rukiga development SACCO's population particularly the managers as her unit of analysis. According to (Sekaran and Roger 2013), a unit of analysis refers to the level of aggregation of data to be collected during the subsequent data analysis stage. According to Tumwebaze Felix and Abaho John Bosco who were managers of Rukiga Development SACCOs in Kabale district, said that the area is comprised of 30 employees from/in all Rukiga Development SACCO branches; that is Bukinda, Kashambya, Nyaruziba, Kamwezi, Rwamucucu and Kisiizi.

The target population is thirty (30) employees of Rukiga county SACCO, the management and staff particularly those in the loans section and profitability. The respondents were distinguished according to their age, marital status, experiences, skills, level of education.

According to Ngechu (2004), a population is a well defined set of people, services, elements, and events, group of things or households that are being investigated. The population of interest of this study was all the Rukiga SACCOS in Kabale district six of which had complied with SACCO regulations up to date. A survey was carried out in these SACCOs to establish management composition and financial performance for the period of six years that is (2010, 2011, 2012, 2013, 2014 and 2015). The main respondents were the managements since they are more familiar with SACCOs performance and they were involved in formation and implementation of SACCO.

### **3.3 Area of the Study**

The study was conducted in Rukiga county, Kabale district in western Uganda, a distance of about 400kms a way from Kampala by road.

### **3.4 Sample Size**

The researcher employed purposive sampling approach to determine the sample size from the study population. It is from the large group of people who constitute the study population that a sample of population will be selected to comprise the respondents for the study. This particular sample size will be selected because it will be easier to manage and it will be enough to generate findings as well as to generalize the findings to a bigger population. The sample size will also take into account the fact that the respondents are only beneficiaries of Rukiga SACCO.

### **3.5 Sampling Techniques**

The researcher used purposive sampling technique to choose respondents basing on their familiarity with the subject and their ability to give information readily since the study required specific data. It was a deliberately non-random method of sampling, which aimed to sample a group of people or setting, with a particular characteristic, usually in qualitative research designs. This was also sometimes called judgment sampling where respondents were selected because they had knowledge which was variable to the research process (for instance, general managers in case studies of organization) Bowling (2002), as cited in Luyirika (2010).

The sample was selected from managers, loans officers (staff) and other active members to constitute the respondents. This sampling technique helped the researcher to economize the little time she had to carry out the research.

### **3.6 Data Sources**

The researcher used primary and secondary data sources to help her collect data. The researcher used the primary data which helped her to get original information from the respondents of Rukiga SACCO where she used questionnaires to collect the data required. The researcher also used secondary data sources which helped her to get access to annual reports of Rukiga SACCO and other external sources which were established by other scholars and academicians about the variables under study through use of data sources.

### **3.7 Methods of Data Collection**

A letter of approval was obtained from Uganda Martyrs University Nkozi. To collect primary data, the questionnaires were self administered by the researcher with the help of a research assistant. In addition, Rukiga SACCO reports were used to obtain secondary data for the management composition and financial performance variables. The research assistant was trained by the researcher on how to administer the questionnaires to the respondents. Drop and pick later method was used.

The questionnaires were improved to the capacity of the respondents to answer questions since some of the questions needed to be translated into vernacular language.

**The interview guide**, the researcher used the interview guide to help her record replies from the respondents which further helped her in completing the work. This method also helped to collect information from incapable people and getting data from people who were reluctant to answer the questionnaires. It also helped the researcher to go deeper into conversation and there was a possibility to cross check whether the data given was correct.

**Document review**, the researcher also reviewed the documents of the study organization so that the researcher gets access to past data which the respondents were not able to reveal



especially in terms of interest income, loan portfolio performance and the amount of share capital of Rukiga SACCO.

### **3.8 Data Analysis and Presentation**

Data collected from the field was checked and edited for completeness and accuracy. This data was manually coded by translating the responses into numerical terms. This was done to ensure that the various responses obtained were carefully classified into meaningful forms so as to bring about good data. Content analysis was applied on open ended questions. After collecting the data, it was organized, edited, sorted and summarized in order to come up with an objective judgment, the data was coded, entered into the computer, cleaned and some few modifications were made where necessary. The data analysis was made using computer statistical package that is, SPSS, analytical methods such as frequency tables and percentages were applied in order to show sample characteristics, correlation analysis was applied to the relationship between the management composition and financial performance of SACCOs and later, descriptive statistics was applied in interpreting the data so as to generate descriptive and inferential statistics such as Pearson correlations coefficient and regression analysis for relationship between management and financial performance of SACCOs.

### **3.9 Quality Control**

The researcher used the research tools to research experts so that they test the reliability and validity to enable collection of the exact data needed by the researcher. The researcher gave the research tools to her research supervisor and financial consultants with knowledge of SACCOs for review of reliability and validity.

### **3.10 Measurement of Variables**

The researcher used the 5-point Likert scale with respondents' answers ranging from strongly agree, to strongly disagree, to collect data that was used to measure the variables. This scale was formulated by Dane Bertram.

### **3.11 Ethical Considerations**

After data collection was done or carried out, the researcher sought permission to collect data from the appropriate authorities. She first got a letter of introduction from Uganda Martyrs University, faculty of Business Administration and Management. The researcher then presented the letter to the manager of Rukiga SACCO to let him inform his members and staff about the study.

The researcher ensured confidentiality and security of the data collected from the respondents. The researcher did also not allow the respondents to write their names on the questionnaires to avoid exposing who gave what information.

The researcher ensured that the information got was from real management of the Rukiga SACCO without duplicating the information in order to be ethical and make perfect results from that original data as analyzed them or the researcher used it well to get clear data.

### **3.12 Study Limitations**

The study was conducted in Rukiga County, Kabale district using only Rukiga savings and credit cooperative society as a case study. This implies that the study had geographical limitations. However, the researcher used both qualitative and quantitative data collections approaches to collect enough data.

The study was limited by time and other valid problems to be used in the data collection methods adequately to get complete information.

The study was a cross sectional study which implies a short term study and may lead to making wrong conclusions on the findings of the study on how the variables behave. The researcher used the multi data collection technique to mitigate making wrong conclusions.

The researcher also found a small sample size from respondents which led to collection of only a small amount of data thereby leading to errors in findings. This was also mitigated through the use of multi data collection strategy by the researcher.

Also selected the sample size from the population which was also a challenge but with the help of a table showing the sample size that was developed by Krejice and Morgan (1970), the researcher was able to establish the sample size that was big to generate the required information.

During the research, a few restrictions were noted to affect the study. For instance it was noted that it was difficult acquiring statistics from the six registered SACCOs operating in Rukiga County. Currently, with a registered office of operations as most of the SACCOs thought of the research operation as a waste of time to their busy routines. Time was also noted to be a hindrance to acquiring all the relevant data relating to the study. The time available to investigate the research problem and to measure change or stability within the sample was constrained by the due date of the study. More time would have been preferred for the study so as to get a comprehensive analysis of the factors for management composition and financial performance of the savings and credit cooperatives operating in Rukiga County.

## **Conclusion**

Chapter three presents the methods that were used in data collection, the total population, sample size and the ethical issues from the researcher's survey. The researcher used both qualitative and quantitative data collection methods, primary and secondary data sources, questionnaire and interviewing methods, in hand with cross sectional study to collect and obtain reliable, valid and logical findings and conclusions.

An area of study and the respondents were selected using purposive sampling or non random sampling method. Rukiga Savings and Credit Cooperative society was selected with a sample population of 36 respondents.

The data was analyzed using Computer statistical package (SPSS) and frequency tables, pie charts, bar graphs and percentages were applied to show the sample characteristics.

## **CHAPTER FOUR**

### **DATA PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS**

#### **4.0 Introduction**

This chapter analyses and discusses the findings from the study of questionnaires and interview collected from the field on composition management and financial performance of SACCOs in Rukiga County, Kabale district. The first section analyses the response rate. This is followed by analyzing of the bio data information about the respondents. The pie charts, graphs and tables below show the analysis and discussion of respondents in relation to the specific objectives in the study.

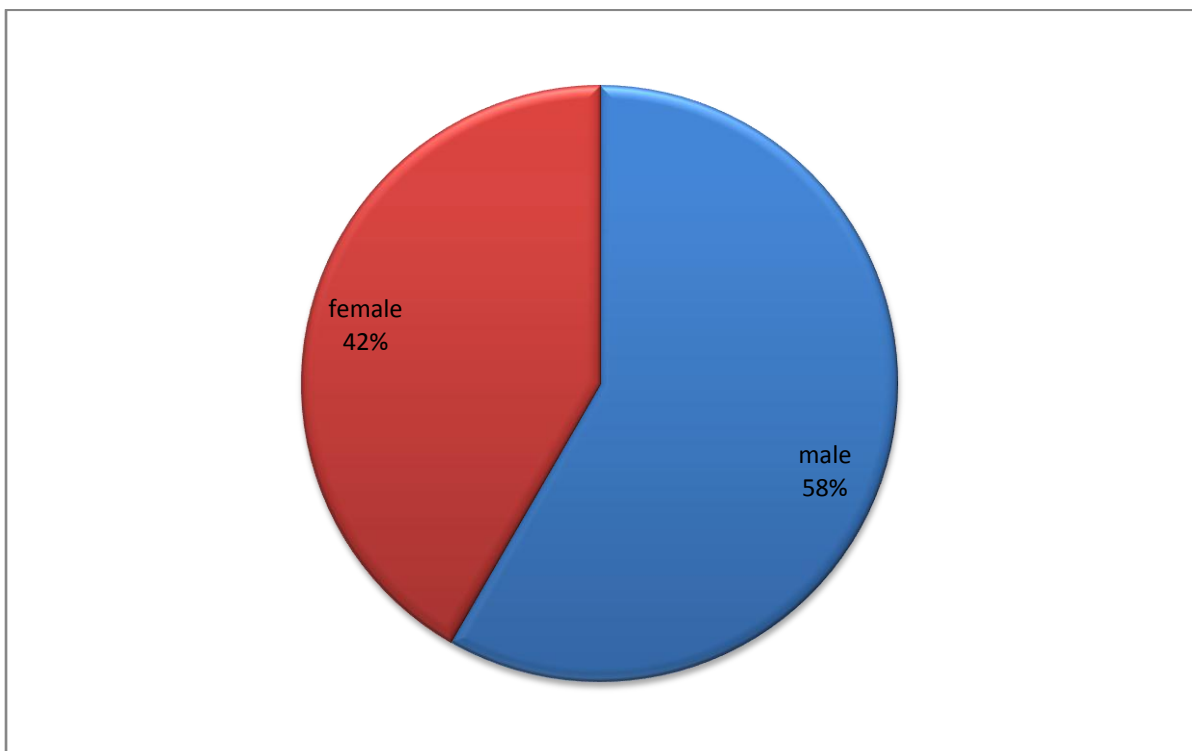
#### **4.1 Respondent rate**

A total of 42 questionnaires were distributed but 36 of them were returned giving a response rate of 85.7% which according to Krejcie and Morgan (1960) is a good analysis of the sample used in the study. The rest of the questionnaires were either never returned, not filled completely or returned late for consideration in this study.

## Gender

The pie chart below, shows the respondent's views on the management composition and financial performance of SACCOs of Rukiga Saving and credit cooperative society, it shows that the male managers play a better role in ensuring the financial performance of SACCOs in Rukiga indicated by (58%) males in excess of females who are only (42%).

**Figure 4.1: Pie chart showing gender representation in Rukiga SACCO**

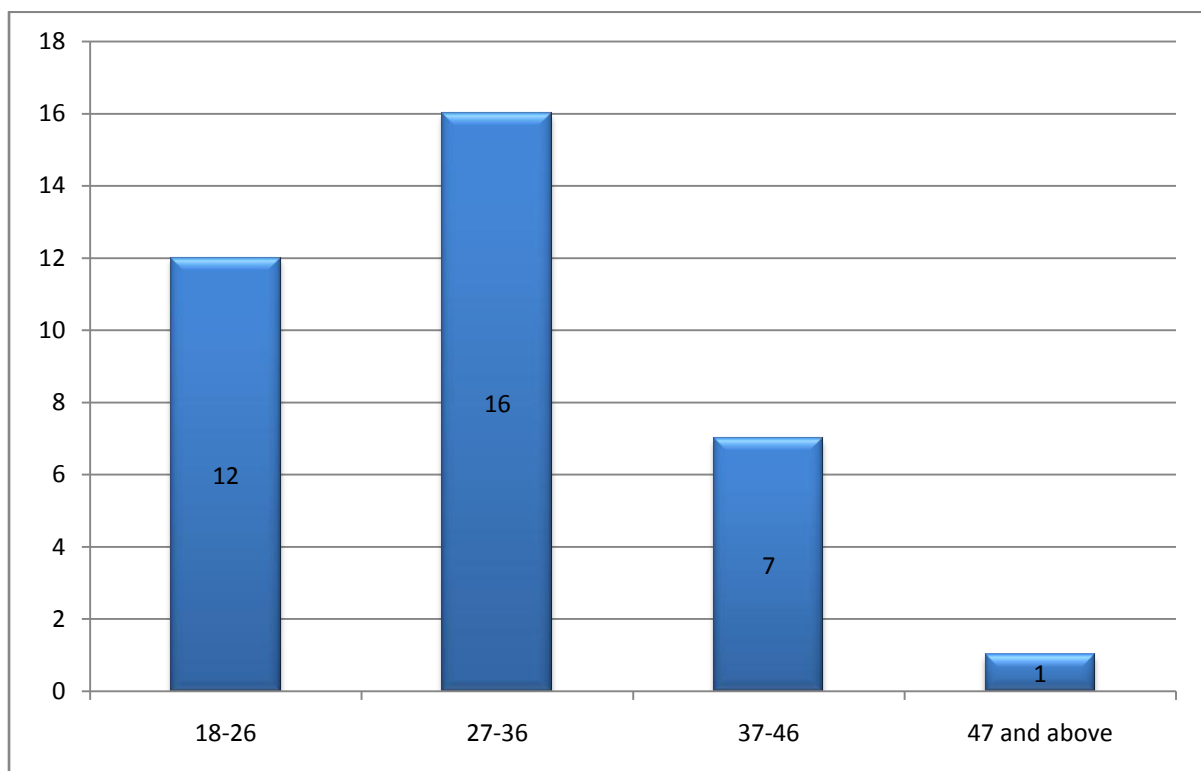


Source: Primary data

## Ages

The graph below shows the age of management members and the graph shows that 16 (27-36 years) in number which is the highest bar followed by 12 (18-26years) and 7 (37-46years) and last is 1 (47 and above) according to the information got from the respondents.

**Figure 4.2: Bar graph showing the age brackets of the management members in Rukiga SACCO**

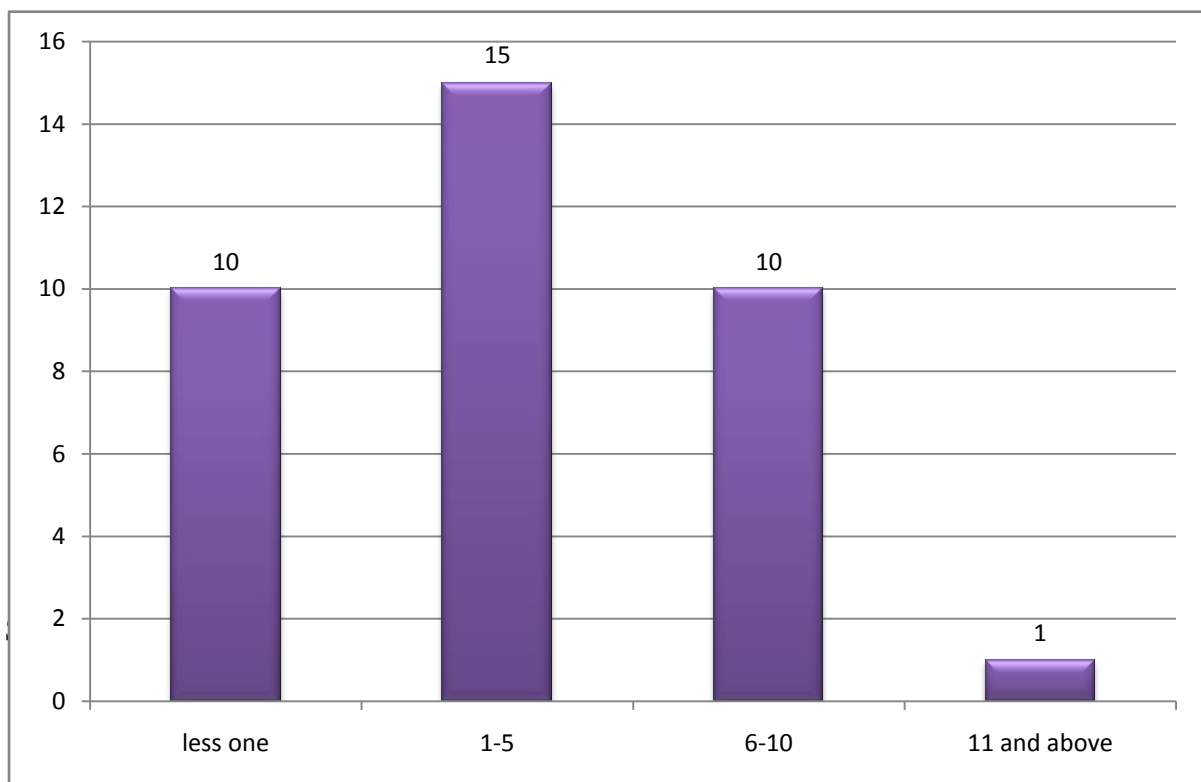


Source: Primary data

## Working experiences

The graph below shows the working experience of the Management members, it shows that 10 members have less than one year's experience. 15 have an experience of one to five years, 10 are between six and ten years and only 1 management member has an experience of over ten years. This shows that the management members have enough experience to help the SACCO in proper decision making and growth since 26 out of the 36 members have more than one year's experience.

**Figure 4.3: Bar graph for the working experience of the management members of Rukiga SACCO**



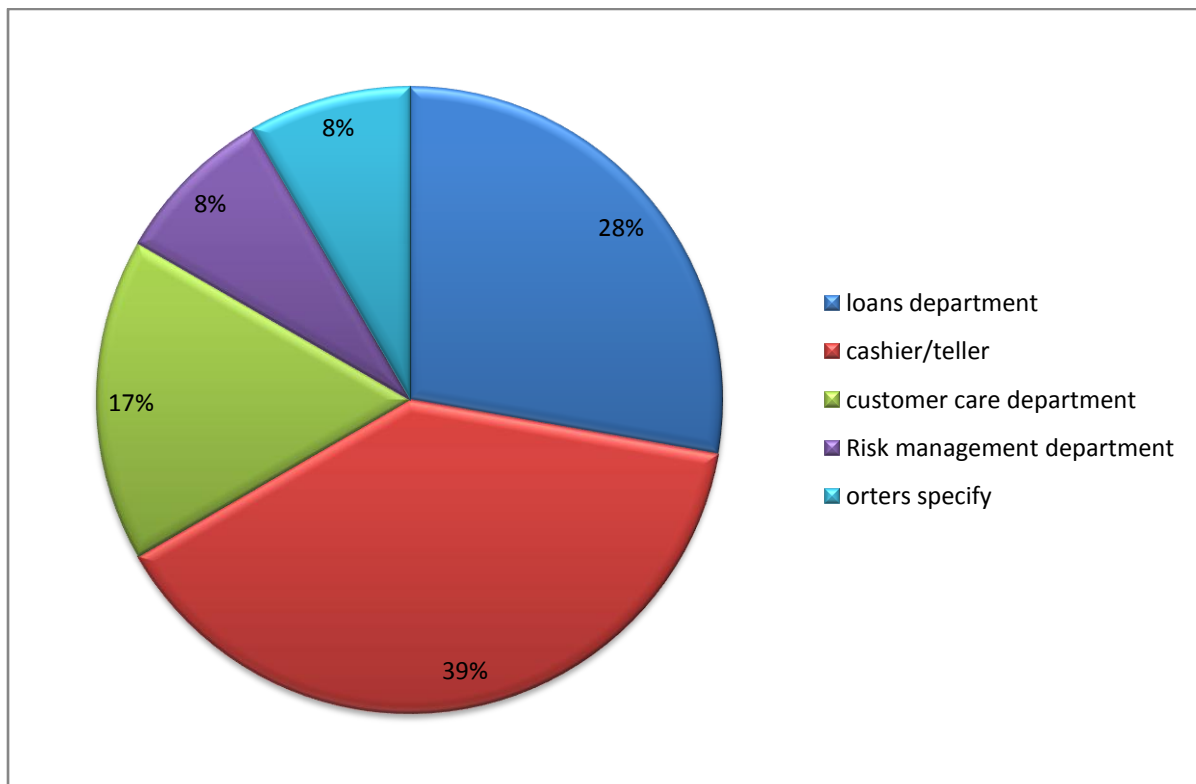
Source: Primary data



### Name of departments

The pie chart shows the allocation of the management members into the different departments. 39% the biggest percentage are cashiers; 28% are in the loans department, 17% in the customer care department while the rest are in the risk management and other departments. This reveals teamwork and delegation of duties which are vital in the performance of the SACCO.

**Figure 4.4: Pie chart showing the allocation of the Rukiga SACCO management members**

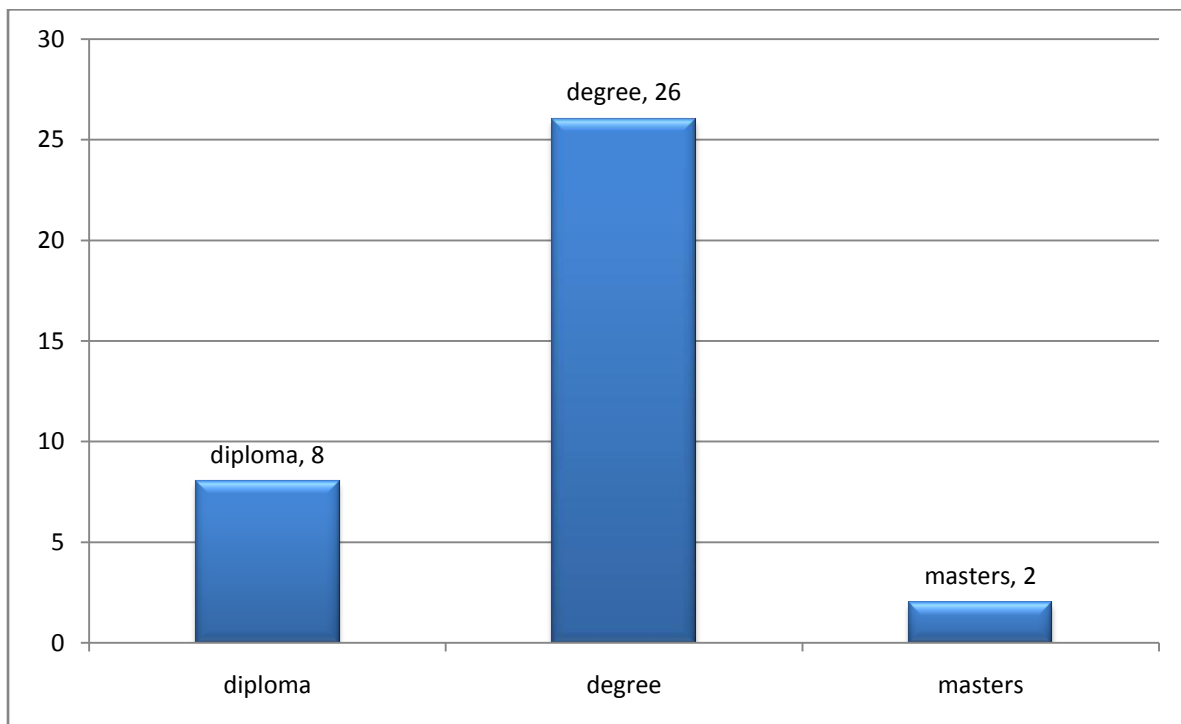


Source: Primary data

## Education levels

From the graph below, the largest number of management members (26) are degree holders, 8 hold diplomas while 2 members have Masters. This is an indication that the management members have got the necessary minimum qualifications required for the good financial performance of Rukiga SACCO.

**Figure 4.5: Bar graph showing the Education levels of the management members of Rukiga SACCO**



Source: Primary data

## Management Members' Qualifications

**Table 4.1: Responses on the responsibility of the management members of Rukiga SACCO**

Statement	Strongly agree	agree	Neither agree or disagree	disagree	Strongly disagree	Total
Managers are responsible for financial performance in all departments.	15(41.7%)	18(50%)	0(0%)	2(5.6%)	1(2.8%)	36(100%)
All SACCO management has relevant professional qualifications.	8(22.2%)	18(50%)	1(2.8%)	6(16.7%)	3(8.3%)	36(100%)

Source: Primary data

Table 4.1 above shows that the majority 91.7% (41.7% +50%) of the respondents agreed that managers are responsible for financial performance in all departments while only 8.4% (5.6%+2.8%) disagreed. This clearly portrays that managers from the data are responsible for the financial performance of Rukiga SACCO.

Similarly, Table 4.1 above shows that the majority 72.2% (22.2%+50%) of the respondents agreed that all SACCO management members have relevant professional qualifications against only 27.8% (2.8%+16.7%+8.3%) who disagreed. This proves that the financial performance of SACCOs is directly related to the professional qualifications of the management members.

## Management Members' Experiences

**Table 4.2: Results on the management members' experience in Rukiga SACCO**

Statement	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Total
All SACCO staff has relevant co-operative management skills	13(36.1%)	15(41.7%)	3(8.3%)	1(2.8%)	4(11.1%)	36(100%)
Management experience has an effect on financial performance of Rukiga SACCO	14(38.9%)	19(52.8%)	1(2.8%)	1(2.8%)	1(2.8%)	36(100%)
Management is essential in assisting the board to find out inefficiencies in the SACCO	20(55.6%)	13(36.1%)	0(0%)	2(5.6%)	1(2.8%)	36(100%)
Training sessions for management are conducted regularly in Rukiga SACCO	10(27.8%)	20(55.6%)	1(2.8%)	2(5.6%)	3(8.3%)	36(100%)

Source: Primary data

Table 4.2 above shows that the majority of the respondents 77.8% (36.1%+41.7%) agreed that all SACCO staff has the relevant cooperative management skills, whereas only 22.2%(8.3%+2.8%+11.1%) disagreed. This reveals the direct relationship between the financial performances of Rukiga SACCO to the possession of co-operative management skills by its staff.

Similarly, the table shows a majority of the respondents 91.7% (38.9%+52.8%) agreed to the fact that the management experience has an effect on the financial performance of Rukiga SACCO, with only 8.4% (2.8%+2.8%+2.8%) disagreeing. The research therefore proves that the financial performance of Rukiga SACCO can be attributed to the management experience of its management members.

Furthermore, Table 4.2 above shows how essential management is in assisting the board to find out inefficiencies in the SACCO where the majority of the respondents 91.7% (55.6%+36.1%) agreed that management is essential in assisting the board to find out inefficiencies in the SACCO, compared to the rest 8.4% (5.6%+2.8%) who disagreed.

In addition, Table 4.2 above shows 83.3% (27.8%+55.6%) which represents the majority of the respondents agreed that Training sessions for management are conducted regularly in Rukiga SACCO while 13.9% (5.6%+8.3%) disagreed and only 2.8% neither agreed nor disagreed. This shows that the financial performance of Rukiga SACCO can be directly related to the regular training sessions conducted for its management members, which equips them with the relevant management skills and potentials to help the SACCO to achieve its various financial performance objectives. Therefore the Rukiga SACCO is doing well in terms of management performance which helps the employees or workers also to perform their duties and work perfectly, hence giving the shareholders or stakeholders plus members of Rukiga SACCO or courage or boast to continue investing in it. It also helps the environment or people around to put more trust in the organization and therefore it discourages the ignorance of the society especially to those who used to keep their money under the mattresses and holes of the house.

**Table 4.3: Making of management decisions in Rukiga SACCO**

	Frequency	Percent
Annually	22	61.1
Bi-annually	4	11.1
Quarterly	1	2.8
Monthly	9	25.0
Total	36	100.0

Source: Primary data

Table 4.3 above shows how regularly the management decisions are made in Rukiga SACCO. 22 (61.1%) respondents revealed that management decisions are made annually, 4 (11.1%) bi-annually, 1 quarterly and 9 (25.0%) monthly. This shows that at least, management decisions are made annually which helps management to detect any inefficiency throughout the year (or any other given period) and lay strategies in time for better financial performance of the SACCO.

## MANAGEMENT MEMBERS' SKILLS

**Table 4.4: Results on the management members' skills in Rukiga SACCO**

Statement	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Total
Management skills are essential in the financial performance of Rukiga SACCO	18(50%)	17(47.2%)	1(2.8%)	0(0%)	0(0%)	36(100%)
Performance appraisal for all staffs in regards to competence is conducted regularly	11(30.6%)	22(61.1%)	2(5.6%)	0(0%)	1(2.8%)	36(100%)
Human skills of management of Rukiga SACCO help them to deal with their customers	17(47.2%)	14(38.9%)	1(2.8%)	0(0%)	4(11.1%)	36(100%)
Technical skills (computer skills) help the management to come up with the balances of customers easily	9(25%)	19(52.8%)	1(2.8%)	1(2.8%)	6(16.7%)	36(100%)
In most cases, management skills especially conceptual skills involve an assessment of risk like loan default or credit risk	8(22.2%)	21(58.3%)	1(2.8%)	3(8.3%)	3(8.3%)	36(100%)

Source: Primary source

Table 4.4 above shows that the majority 97.2% (50%+47.2%) agreed that management skills are essential in the financial performance of Rukiga SACCO while only 2.8% neither agreed nor disagreed. Research therefore reveals that the financial performance of Rukiga SACCO is a result of the management skills hence confirms that management skills are essential for a respectable financial performance of a SACCO.

Similarly, Table 4.4 above shows that the majority of the respondents 91.7% (30.6%+61.1%) agreed that performance appraisal for all staffs in regard to competence is conducted regularly. 5.6% neither agreed nor disagreed whereas only 2.8% strongly disagreed. With this data, the financial performance of Rukiga SACCO can be directly related to the regular conducting of performance appraisal for its staff which has motivated the management to be more competent and contribute towards better financial performance of the SACCO.

Furthermore, the table shows that 86.1% (47.2%+38.9%) which is the majority of the respondents agreed that human skills of management of Rukiga SACCO help them to deal with their customers versus the 11.1% who disagreed and 2.8% who neither agreed nor disagreed. This shows that Rukiga SACCO has been able to get and maintain customers as a result of many factors, human skills of management inclusive. Management at Rukiga SACCO has the skills to deal with customers and handle them as “kings” to attract higher savings and hence better financial performance of the SACCO.

Table 4.4 above also reveals that 77.8% (25%+52.8%) agreed that technical skills (computer skills) help management to come up with the balances of customers easily, 2.8% neither agreed nor disagreed while 19.5% (2.8%+16.7%) disagreed with the latter strongly disagreeing. This shows that with computers skills, management are able to come up with accurate balances of customers and so easily. This is leads to reduced errors which promotes



confidence and trust from the customers, an incentive to better financial performance of the SACCO.

Lastly, table 4.4 above shows that the majority of the respondents 80.5% (22.2%+58.3%) agreed that in most cases, management skills especially conceptual skills involve an assessment of risk like loan default or credit risk. This is an indicator that the financial performance of Rukiga SACCO has been a result of the management skills that have help to assess risks and keep them at minimum especially loan defaulting.

### **Profitability of Rukiga Development SACCO**

The questionnaires sent to the respondents included the question on the profitability of the SACCO. But unfortunately, all the questionnaires returned had the question not answered and no data. The researcher endeavored to know why the data was not given and the respondents declined saying the information was confidential.

### **Conclusions**

In terms of Gender, the management composition of Rukiga SACCO fairly recognizes gender sensitivity as it comprises of 58% males to 42% females. This provides a range of gender sensitive skills and probably a high rate of honesty in managing SACCO resources.

Rukiga SACCO has a management composition that involves fairly qualified members ranging from Diploma holders to Masters Degree holders. Such qualifications are particularly important for a good financial performance of any given SACCO.

It also has a management composition that has reliable experience, of at least one year and more, equipped with skills necessary to manage a SACCO. This is through training sessions conducted for the management members, performance appraisals on their competences and on-job training.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter presents a summary, conclusions and recommendations for further studies and future references, drawn from the findings of the study on the management composition and financial performance of SACCOs.

#### **5.1 Summary of Findings**

The study found out that the management members of Rukiga SACCO possess the professional qualifications necessary to run a SACCO as most of them were found to have at least a Diploma in the relevant field.

The study also found out that Rukiga SACCO management members also had the experience in running SACCO activities. Most of the management members reportedly had a working experience of more than one year.

The study found out that the management members of Rukiga SACCO had the relevant skills especially computer skills, conceptual skills and interpersonal skills among others. These have greatly contributed to the continued healthy existence of Rukiga SACCO for over the past ten years.

The study found some if not enough and sufficient measures by the management members to improve the financial performance of the SACCO especially through enriching the management composition. This was revealed by the training sessions done to improve the

management skills, regular performance appraisals to motivate the management members and regular decision making which help to cite and solve any inefficiency in time.

## **5.2 Conclusions**

The study was intended to identify and stress the relationship between management composition and the financial performance of SACCO. Quality Management Composition is essential to any SACCO if the SACCO is to achieve its financial performance objectives and attract more members for bigger savings and credit.

The Rukiga Savings and Credit Cooperative Society case study has highlighted how the management composition is essential towards the achievement of better financial performance of any SACCO. The research has showed that in order to achieve profits, stable existence, quality services and technology, loan portfolios and healthy liquidity levels, the management members have to possess the relevant qualifications, right management skills, and a reputable experience. Thus it is very vital for a SACCO to be run by the right management composition to achieve its financial performance goals.

The research has also proven that with regular training sessions conducted to the management members help to improve their efficiency, create teamwork and provide the skills and experience to serve the needs of the SACCO satisfactorily.

## **5.3 Recommendations**

With reference to the findings and analysis, this research has made the following recommendations:

The management decisions in Rukiga SACCO should be made more frequently so as to identify or detect errors or fraud and put appropriate measures. Management decisions should be made quarterly.

Training sessions for management should be conducted more regularly, together with on – job training to improve the skills of the management members.

Performance appraisals for all the management members regarding their competence should also be emphasized to encourage continued hard work and increase positive competition and team work.

Management members of Rukiga SACCO should be in position to assist future researchers to get clear information. They should devise means of providing confidential information to researchers to enhance researchers to get complete data.

The study also recommends savings and credit cooperatives to increase on their enlargement rate as it was evident from the study that the dependent variable (financial performance) was directly proportional to the performance of this savings and credit cooperatives (SACCOs’). The study also recommends individuals wishing to form SACCOs’ should form them after consultations from those ones which have already exists as a start since it was noted that through consulting and training had helped the SACCOs obtaining financing from external financial markets because of information asymmetries; thus, access to internal capital markets is more valuable to those which have trained with additional skills than untrained ones. This argument supports the view that SACCOs which have added more to their employees’ skills are expected to benefit from group membership which helps them to perform well.

## **Conclusion**

Though Rukiga SACCO has had a remarkable financial performance over the last ten years, its management members still need to be encouraged to stay put as the SACCO’s performance depends on their composition, skills, decisions and experiences. This is through continued performance appraisals to all members on their competences, making decisions on

more frequent basis preferably on a quarterly basis, having more training sessions to improve their skills and where possible go for further studies to improve their qualifications. All these would lead to a reputable financial performance of Rukiga SACCO and be an example and model for other SACCOs elsewhere.

#### **5.4 Suggestion for Further Research**

The study suggests that similar studies should be done on other SACCOs as the relationship adduced does not conform to the rule of thumb as different SACCO's have different operational environment. This might impact the relationship between management composition and financial performance of SACCOs. There is need for further studies to carry out similar analysis for a longer time period of time. This will help in observing the SACCO's and the relationship between management composition and financial performance after the establishment of SACCOs Societies Regulatory Authority. Further studies should also be done to compare the performance of SACCO's and Micro Finance institutions in Uganda.

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## APPENDICES

### Appendix I: Questionnaire

#### UGANDA MARTYRS UNIVERSITY

##### FACULTY OF BUSINESS ADMINISTRATION AND MANAGEMENT



**(A research questionnaire to be filled in by the staff of Rukiga Development SACCOs in Kabale district)**

#### TOPIC

MANAGEMENT COMPOSITION AND FINANCIAL PERFORMANCE OF SACCOs

CASE STUDY OF RUKIGA SAVINGS AND CREDIT COOPERATIVE SOCIETY.

Dear sir/madam,

My name is Ankunda Racheal, an undergraduate student at Uganda Martyrs University pursuing a bachelor's degree in Business administration and management. I am conducting research based on a study on management composition and financial performance of SACCOs.

This study is intended to establish the relationship between management composition and financial performance of the SACCOs. The research is completely for academic purposes and the information collected shall be treated confidentially.

I kindly request for some time and co-operation to respond to the attached questionnaire by ticking the right answers.

Therefore all the assistance from you will be highly appreciated and of great importance in the results of this study. Thank you very much and may God bless you.

**INSTRUCTIONS:**

1. Do not write your name on the questionnaire.
2. Please respond to all the questions accurately and honestly.
3. You should respond by ticking  in the appropriate box and filling the spaces that have been provided.

**PART A: Bio Data**

1. Gender

- a) Male                       b) Female

2. Age

- a) 18-26 years     b) 27-36 years     c) 37-46years     d) 47 +

3. Working experience

- a) Less than 1year     b) 1-5years     c) 6-10 years     d) 11and above

4. The name of department under which you work

- a) Loans department     b) Cashier/teller     c) Customer care department   
d) Risk management department     e) others specify

5. Education level

- a) Secondary level     b) Diploma     c) Degree     d) Masters     e) others

**PART B: Management qualifications:**

6. Managers are responsible for financial performance in all departments.

- a) Strongly agree     b) agree     c) neither agree or disagree   
d) Disagree     e) strongly disagree

7. All SACCO management has relevant professional qualifications.

- a) Strongly agree     b) agree     c) neither agree or disagree   
d) Disagree     e) strongly disagree

**PART C: Management Experiences**

8. All SACCO staff has relevant co-operative management skills.

- a) Strongly agree     b) agree     c) neither agree or disagree   
d) Disagree     e) strongly disagree

9. Management experience has an effect on financial performance of Rukiga SACCO.

- a) Strongly agree     b) agree     c) neither agree or disagree   
d) Disagree     e) strongly disagree

10. Management is essential in assisting the board to find out inefficiencies in the SACCO.

- a) Strongly agree     b) agree     c) neither agree or disagree  
d) Disagree     e) strongly disagree

11. Training sessions for management are conducted regularly in Rukiga SACCO.

- a) Strongly agree     b) agree     c) neither agree or disagree   
d) Disagree     e) strongly disagree

12. Management decisions in Rukiga SACCO are made regularly.

- a) Annually     b) Bi-annually     c) quarterly   
d) Monthly

**PART D: Management skills.**

13. Management skills are essential in the financial performance of Rukiga SACCO.

- a) Strongly agree     b) agree     c) neither agree or disagree   
d) Disagree     e) strongly agree

14. Performance appraisal for all staff in regards to competence is conducted frequently.

- a) Strongly agree     b) agree     c) neither agree or disagree  
d) Disagree     e) strongly disagree

15. Human skills of management of Rukiga SACCO help them to deal with their customers.

- a) Strongly agree     b) agree     c) neither agree or disagree   
d) Disagree     e) strongly disagree

16. Technical skills (computer skills) help the management to come up with the balances of customers easily.

- a) Strongly agree     b) agree     c) neither agree or disagree   
d) Disagree     e) strongly disagree

17. In most cases, management skills especially conceptual skills involve an assessment of risk like loan default or credit risk.

- a) Strongly agree     b) agree     c) neither agree or disagree   
d) Disagree     e) strongly disagree

**PART E: Profitability of the of SACCO**

18. Kindly give the SACCO Net profits before paying out dividends and tax from 2010 to 2015 in UGX. (000)'

Year	UGX
2010	
2011	
2012	
2013	
2014	
2015	

THANK YOU VERY MUCH:

## Appendix II: Research Work Plan

<b>Serial No.</b>	<b>Activity</b>	<b>Input requirements</b>	<b>Responsible person</b>	<b>Period</b>
01	Research writing	Papers, literature search from library and internet, pens, typing, printing and binding material.	Researcher.	November 2014.
02	Developing research tools.	Pens, papers, literature search, typing and printing.	Researcher.	November 2014
03	Analysis of research findings.	Training in SPSS, Excel and installing the software to aid the analysis.	Researcher.	January 2016
04	Writing the final Report and submission.	Papers, pens, literature search, printing and binding materials.	Researcher.	March 2016

**Appendix III: Research Budget**

Serial No.	Particulars	Quantity Shs	Unit costs	Amount Shs
01	Stationery	10 pens, 1 ream of paper, 1 flash disc 8GB, printing and binding	6,000 12,000 80,000 200,000	6,000 12,000 80,000 200,000
02	Transport.	7 routes	100,000	100,000
03	Meal and refreshment.	2 months	120,000	120,000
04	Miscellaneous	2 months	60,000	60,000
Total				578,000

## **Appendix IV: Introductory letter**