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COLLEGE OF BUSINESS AND ECONOMICS

FACTORS DETERMINING PERFORMANCE OF SAVING & CREDIT COOPERATIVE SOCIETIES IN ADDIS ABABA IN CASE OF NIFAS SILK LAFTO SUB CITY

ANDENET BIRRU BERGA

A THESIS SUBMITTED TO MBA COORDINATION OFFICE PRESENTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR MASTER OF BUSINESS ADMINISTRATION (FINANCE CONCENTRATION)

ADDIS ABABA UNIVERSITY

ADDIS ABABA, ETHIOPIA

JUNE, 2024

DETERMINANTS OF OPERATIONAL PERFORMANCE OF SAVING & CREDIT COOPERATIVE SOCIETIES IN ADDIS ABABA IN CASE OF NIFAS SILK LAFTO SUB CITY

BY

ANDENET BIRRU BERGA

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ADVISOR : DEGEFA DURESA (PHD)

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STATEMENT OF DECLARATION

I, Andenet Birru Berga, declare that this thesis entitled "Determinants of Operational Performance of Saving & Credit Cooperative Societies in Addis Ababa in case of Nifas Silk Lafto Sub City" is my original work and that all sources of materials used for this thesis have been fully acknowledged. This thesis has been submitted in partial fulfillment of the requirement for the Degree of Master of Business Administration (Finance Concentration).

Name: Andenet Birru Berga

Signature: _____

Place: Addis Ababa University

Date of Submission: June 05, 2024

This master's thesis has been submitted for examination with my approval as thesis advisor.

Name: Degefa Duresa (PhD)

Signature: _____

Date: 05/06/2024

ADDIS ABABA UNIVERSITY

SCHOOL OF GRADUATE STUDIES

THESIS APPROVAL

This is to certify that the thesis prepared by Andenet Birru Berga, entitled: Determinants of Operational Performance of Saving & Credit Cooperative Societies in Addis Ababa in case of Nifas Silk Lafto Sub City submitted in partial fulfillment of the requirements for the degree of MBA (Finance Concentration) complies with the regulations of the University and meets the accepted standards with respect to originality and quality.

Signed by the Examining Committee

External Examiner: Dr. Tenkir Seifu **Signature** _____ **Date** 02 July 2024

Internal Examiner: Dr. Tilahun Teklu **Signature** _____ **Date** 01 July 2024

Advisor: Dr. Degefa Duresa **Signature** _____ **Date** 01/07/2024

DEDICATION

This work is dedicated to my family who gave me invaluable moral support throughout my life. It is dedicated to my wife Ferehiwot Tadesse, who were by my side throughout this work, and my sons Ke'ab Andenet and Nathan Andenet whom brighten my days. To my father who enlightened me about education from the early years, my brothers and sisters, who were by my side the whole time. It is also dedicated to my mother Berzenesh Menjeta (May God rest her soul). Finally, I dedicate this work to God.

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This work is not only belonging to me but it has been a result of the collective efforts of many individuals. I cannot name all, but through this sentence I wish to appreciate their support with all my heart. I have a special thanks for my advisor, Dr. Degefa Duresa for his relentless support and guidance. I am also greatly indebted to Abebaw Kassie Gualu (PhD) for his guidance, support and the timely comments on this Thesis. To my teaching fraternity and fellow students, your words of encouragement and pieces of advice were very inspiring.

Abstract

Where unemployment, poverty and inflation are rampant like a country of ours, Ethiopia, credit and saving cooperatives societies provide indispensable benefits to tackles unemployment, poverty and provides some degree of relief from this excruciating inflation. Therefore, this study explores the determinants of operational performance of Saving & Credit Cooperative Societies in Addis Ababa in case of Nifas Silk Lafto Sub City. This research was guided by cost of capital theory, liquidity theory, theory of cooperatives and social capital theory. The researcher adopted both descriptive and inferential research design. The target population consist of 145 saving and cooperative managers and team leaders. Descriptive analysis and multiple regression model were used to analyze data where the dependent variable is operational performance (Return on Asset - ROA) of Saving and Credit Cooperative Societies was regressed against the independent variables (Internal Control Practices, Risk Management, Core Capital Management, Dividend Policy, and Capitalization). From descriptive statistics & regression result this study, out of six independent variables, the effect of Core Capital Management was the most significant, followed by Internal Control Practice, Dividend Policy, Capitalization, Cost of Finance and then Risk management. The research recommends the Saving & Credit Cooperatives need to put more focus on improving the Core Capital Management, put efficient internal control mechanisms and boost their efficiency in controlling their cost of capital by boosting their members savings and reinvestment of dividends, enhance their investment to expand the level of return in order to improve their operational performances.

Keyword : determinants, cooperatives, customers societies, operational performance, operational performance, Nifas Silk Lafto Sub City,

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LIST OF ACRONYMS

AANSLSC	Addis Ababa in case of Nifas Silk Lafto Sub City
Co-op	Cooperative Union
CrUn	Credit unions
FP	Financial Performance
PM	Profit Margin
RA	Rapid Appraisal
ROA	Return on Assets
ROE	Return on Equity
SACCS	Saving and Credit Cooperative Societies
SPSS	Statistical Package for Social Sciences
STD	Standard Deviation
VIF	Variance Inflation Factor

CHAPTER 1

INTRODUCTION

1.1 BACKGROUNDS OF THE STUDY

The financial sector, how it operates, and its development partly determines the rate of economic development of every nation (Mantey, 2016). Financial institutions, both bank and non-bank have major roles to play for their country economy which contributes to the world economy. Co-operative unions (Saving and Credit Cooperative Societies) are non-bank financial institutions that provide financial services to serve the interest of their members. According to Mohammed (2015), co-operative unions are seen all over the world and presently, CrUns are found in more than 90 countries with an estimated membership of more than 700 million. Considering the unique activities of credit unions to their members and their contribution to the economies of the world, Njeri (2016) has described them as one of the most powerful economic institutions in the world.

The financial performance of co-operative unions is instrumental in sustaining the interest of members. The performance matrix of co-operative unions in Ghana, as discovered by the World Bank (2016) revealed the following.

- There are more Credit Unions (CrUns) in Ghana compared to banks,
- CrUns in Ghana offers borrowing at lower interest rates than that of commercial banks,
- CrUns commonly offer cheaper lending products to its members that would otherwise have limited access to finance from commercial banks (World Bank, 2016).

Though there are many CrUns in Ghana, their cost of funding is higher than those of the commercial banks. Further the spread of CrUns has been decaling from 20% in 2010 to 18% in 2014 (World Bank, 2016).

Therefore, it become a paramount importance for CrUns to explore the key financial performance indicators and plan a better business strategy to increase their competing capacity in the market and provide a better product to their members.

Some ratios help most financial report users to quickly assess firm profitability, financial position and its future earning prospect of a business. (Carl et al., 2011). According to Shah Mohd & Ahmed Siddiqui (2020), various ratios are utilized to assess the financial stability a firm. These ratios are: return on assets (ROA), return on equity (ROE), sale, revenue, growth, profit margin, stock prices, liquidity ratio, dividend payout ratio, cash flow ratio, and inventory turnover ratio. Further, Hoang et al.(2019) supported this construct by suggesting business's result must be assessed using the accounting value of profitability. Basically, the ratio of Net sales to assets, Rate earned on total assets, Rate earned on stockholders' equity, Rate earned on common stockholders' equity, Earnings per share on the common stock, Price-earnings ratio, Dividends per share, and Dividend yield (Of & Flows, n.d.)

- ***Profitability ratios :-*** assesses and evaluate how effectively a business performance in generating profits on sales, total assets, and, most importantly, stockholders' investment.

- ***Operating & financial ratios :-*** have long been used as tools for determining the condition and the performance of a firm Ogilo, (2012).

A CrUns are financial institutions that are owned and controlled by its members and operated for the purposes of promoting thrift, providing credit at low interest rates and providing other financial services to its members. Parast & Fini (2010), indicate that in the pursuit of better operational performance and profitability, organizations are looking for strategies to improve their operational performance and boost their profitability.

Identifying and evaluating the determinant factors of an organization's financial performance is such an important topic that has drawn the attention of business executives as well as researchers in the world and Ethiopia as well. There are more and more empirical studies on determinants of operational performance of cooperatives in Addis Ababa that identify the major factor affecting financial performance. Factors affecting a firm's financial performance

are divided into two-part; firm-specific or internal factors and macroeconomic or external determinants (Al-Tamimi,2010). Additionally, Assfaw (2015), internal factors are individual characteristics that are stochastic variables that factor affecting the financial performance of firm's capital structure, size, growth, and liquidity are the primary determinants of a firm's financial performance. Commonly, profitability indicator has been used as a proxy of financial performance. Firm-specific factors are individual firm phenomena that affect the financial performance firm and these factors are mainly affected by internal decisions of management.

1.2 STATEMENTS OF THE PROBLEM

Financial performance is the main focus of firms running with a profit motive, and this is so because the vibrancy of firms depends on their financial success. With regard to co-operative unions in Addis Ababa, several factors have been cited as influencing their operational performance and these include industry and economy-wide factors such as market structure, industry concentration, cyclical output and inflation (Asare, 2015; Mohammed, 2015). Furthermore, the CUA (2015) has cited the problems of CrUns in Addis Ababa to include high loan delinquency rate and higher withdrawals by members which have affected the operating efficiency and other financial indicators of CrUns. Consequently, Mwiniyorbu (2018) has cautioned CrUns in Ghana to the effect that the massive collapse of banks in Ghana could visit the CrUns industry. According to Mwiniyorbu (2019), there is evidence of liquidity mismatch as deposits received for the short term are granted as medium-to-long-term loans. Furthermore, CrUns engage in risky diversification (into real estate and mortgage loans) which they do not have the required system and competency to manage (Sarfo, 2018).

Even though some studies (Asare, 2015; Mohammed, 2015; Mwiniyorbu, 2018; Sarfo, 2018) have targeted the assessment of the financial performance of CrUns in Ghana, there is a gap in terms of the firm-specific factors that determine the financial performance of CrUns. The prospects and challenges of CrUns in Ghana have been investigated in relation to performance (Mohammed, 2015); the evaluation of CrUns financial performance has also been assessed (Asare, 2015). Sey (2017) has further assessed the credit risk management of CrUns concerning performance, and Mantey (2016) investigated the determinants of operational performance of cooperatives in Addis Ababa.

Kifle, (2011), conducted a study on management of saving and credit cooperatives from the perspective of outreach and sustainability and he conclude that lack of awareness and poor saving culture, weak organizational arrangement and governance problems, policy and regulatory environment, weak institutional capacity, low capital base, lack of differentiated products, inappropriate loan security requirements are identified as the factors that affect the growth/outreach of cooperatives.

Zerfeshewa, (2010), conducted a study to identify the determinant factors for operational performance of cooperatives. Result of the study indicates that narrow alternate options in collateral requirement inhibits members to get loan as they require and it becomes the causes for excess accumulation of liquid asset. Less attention of cooperatives for training and promotion, poor external control in auditing, limited variety of financial products and unavailability of standard financial indicators to regulate and supervise cooperatives were contributing for poor operational performance.

As mentioned above, studies conducted in Ethiopia were focused on the management, operational performance, source of funds, socio-economic roles, credit risks, contribution, outreach and sustainability of cooperatives. To the best of knowledge of the researcher, studies on the determinant of the financial performance of credit and saving cooperatives were few in number and did not provide a great emphasis to their financial performance. And studies are limited specifically in the study area.

Hence, the lack of sufficient studies on the determinants of financial performance of cooperatives was the major force to conduct this study. Therefore, this study seeks to bridge this gap by investigating the determinants of internal control practice, cost of finance, core capital management, risk management, dividend policy and capitalization on operational performance of SACCS in Addis Ababa.

1.3 OBJECTIVES OF THE STUDY

1.3.1 GENERAL OBJECTIVE

The general objective of this study is to explore determinants of operational performance of Saving and Credit Cooperative Societies (SACCS) in Addis Ababa taking Nifas Silk Lafto Subcity as a study area.

1.3.2 SPECIFIC OBJECTIVE

The specific objectives of the study are: -

- To seek effects of cost of finance on operational performance of SACCS
- Influence of internal control practices on operational performance of SACCS
- Effects of risk management on operational performance of SACCS
- To assess the influence of core capital management on operational performance of SACCS
- Influence of dividend policy on operational performance of SACCS
- Influence of capitalization on operational performance of SACCS

1.4 RESEARCH QUESTIONS

The main research question is what are the major determinants of operational performance of SACCS in Addis Ababa taking Nifas Silk Lafto Sub City as a study area.

The specific research question are as follows

- Does cost of finance have an effect on operational performance of SACCS in Addis Ababa in case of Nifas Silk Lafto Sub City (AANSLSC)?
- Does internal control practice influence the operational performance of SACCS in AANSLSC?

- Does risk management have an effect on operational performance of SACCS in AANSLSC?
- Does core capital management influence the operational performance of SACCS in AANSLSC?
- Does dividend policy influence the operational performance of SACCS in AANSLSC?
- Does capitalization influence the operational performance of SACCS in AANSLSC?

1.5 SIGNIFICANCE OF THE STUDY

Besides contributing to the existing body of knowledge, this study will be beneficial to SACCS in AANSLSC as it would help them better understand the determining factors of their operational performance and thus be able to focus on improving these factors to ensure that their performance (operational performance) keeps improving.

Researchers and academicians in the field of finance, economics and the financial sector at large would find this study a useful guide for carrying out further studies in the area. Cooperative's members would also benefit from the study since it would provide them adequate information on what to do to sustain their various cooperatives and what to inquire from management during annual general meetings on the sustainability of their cooperatives.

1.6 SCOPE OF THE STUDY

This study is limited to saving and credit cooperatives in Addis Ababa, Nifas Silk Lafto sub city for the purpose of doing a research for academically year 2016/2024. The sub city is chosen as its convenience for the researcher to collect data easily.

1.7 LIMITATION OF THE STUDY

In determining the determinants of operational performance of SACCS in AANSLSC other factors may have been left out. Consideration was given only to operational performances, whereas, there could be non-financial performance indicators. Time was also anther main constraint in gathering and analyzing data.

1.8 ORGANIZATION OF THE STUDY

This research paper has five chapters; the first chapter includes background of the study, statement of the problem, research questions, objectives, significance, scope of the study, and limitation of the study. The second chapter is about review of related literature which is related to the study area and it gives a detail description of the study phenomenon by relating other scholar papers on the area. The third chapter is telling all about methodology of the study in which research approach and method, sources of data, sampling techniques and procedure, method of data collection and analysis and the likes were included. In the fourth chapter the collected data is analyzed, discussed and interpreted. And the last chapter contains summary of the findings, conclusion, recommendation, references and annex.

CHAPTER 2

LITERATURE REVIEW

2.1 INTRODUCTION

This chapter mainly emphasized on the theoretical and literature part of the study undertaken. On this chapter it tried to see the theoretical base for determinants of operational performance of SACCS in AANSLSC. Under this chapter definition and components of this topic will be discussed. On the later part of the chapter conceptual framework and related research done before by different scholars and their results in terms of the target purpose will be seen.

2.2 CONCEPTUAL LITERATURE REVIEW

2.2.1 THE CONCEPT OF FINANCIAL PERFORMANCE

Financial performances of cooperatives are measured in terms of its liquidity position, efficiency of its activities and its profitability. Financial performance is measured using ratios. Financial performance is assessed in terms of a firm's ability to achieve its financial objectives (Fatihudin & Mochklas, 2018). Several indicators are widely used in literature in assessing the financial performance of financial institutions (credit unions) and these variables include the "capital adequacy ratio, solvency, liquidity, efficiency, leverage and profitability." Financial performance is also defined in terms of a firm's ability to efficiently manage and control its resources to produce the desired monetary returns which are contained in reports such as the cash flow statement, profit and loss accounts, statement of changes in equity, and balance sheet. Crane (2016) proposed some key measures of financial performance of firms and these are discussed in brief.

Liquidity is defined as the firm's ability to meet its financial obligations in the short term without causing distraction in the normal flow of business operations. According to Ali and Bilal (2018) who distinguished between operational and structural liquidity, operational liquidity is defined in terms of the firm's cash flows while structural liquidity is assessed in

terms of the link between a firm's assets and liabilities. Liquidity challenges usually emanate from the firm's inability to translate its non-cash assets into liquid cash (Tailab, 2014). The two major indicators of liquidity of firms include current ratio and working capital. Both measures of liquidity emphasize the need for firms to hold liquid or cash resources to meet the financial obligations of the firm. Profitability is another major variable that defines the financial performance of a firm. Profitability measures the degree to which a business can generate profit from its business operations. Crane (2016) reported that the profitability of firms has a direct relationship with the degree of deployment of capital, management quality and labour through the assessment of the relationship between expenses and revenue of firms. The indicators that are used to measure the profitability of firms include the returns on equity (ROE) which measures the degree of returns to equity holders, returns on assets (ROA) which provides insights regarding how well a firm uses its assets to generate profit, and net operating profit (NOP) which emphasizes how firms generate short term profitability. Furthermore, Ali and Bojan (2018) in their study discussed the variables that are used as a proxy to assess financial performance to include "capital adequacy, asset quality, management capability, earnings strength, and liquidity."

Financial performance has been a pivotal point for all businesses whether it is for profit or non profit one. Consequently, it has been very crucial for managers to understand which factors exert influence on organization's performance in order for them to take appropriate action. However, defining, conceptualizing, and measuring performance have not been an easy task. Researchers among themselves have different opinions and definitions of performance, which remains to be a contentious issue among organizational researchers. Barney (1997) cited in (Peter, 2013).

Performance means both behaviors and results. Behaviors emulate from the performer and transforms performance from abstraction to action. Not just the instruments for results, behaviors are also outcomes in their own right – the product of mental and physical effort applied to tasks can be judged apart from results.

Njihia and Muturi (2016), it has also the primary concern of business practitioners in all types of organizations since financial performance has implication to organization's health and

ultimately to its survival. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Kaplan and Norton (1992) observed that it would be unfair to use market based methods like share prices to evaluate financial performance since they incorporate external market factors that are beyond the manager's control. Security prices would be applicable in measuring financial performance where the markets are efficient. The internal determinants of profitability are specific to the financial institution and emanate from the financial statements.

Financial performance may be measured in many various ways depending on the type of the organization and the needs of the users of the financial reports. Co-operative finance in developing countries tends to have a supply of funding that is more stable and less responsive to monetary policy and market rates. Co-operative finance also tends to offer comparatively lower fees than other types of commercial banks, which not only helps to increase access of the poor to credit, but also reduces the cost of remittance transfers, Schenk (2017).

2.2.2 OPERATIONAL PERFORMANCE OF CO-OPERATIVES

Operational performances of cooperatives are evaluated with the help of the information provided by the cooperatives together with the data collected.. With regard to marketing, most of the cooperatives lack in marketing practices so they are losing existing customers (attrition rate is very high) and they face challenges in acquiring new customers. The operational performance is one of the crucial components of the overall performance of cooperatives (Shu, 2011). Salem (2003) concur that the operational performance is the pillar of any organizational performance. O'Brien (2009) add that the operational performance is presentation of an organization against its set standards such as meeting quality standard, waste reduction, professional service, marketing and sales, productivity, cycle time, environmental responsibility and regulatory requirements. However, Kamau (2016) points out that organizational performance is the capability of an organization to fulfill its mission through governance, excellence and dedication to meeting its objectives. Furthermore, Kamua elaborates that effectiveness is an extent to which customers' needs are fulfilled, while he defined efficiency as a measure of how economically firms' resources are utilised. Kamau

(2016) in addition, points out that to accurately enhance accessibility and the evaluation of operational performance, the correct measurement networks need to be developed, and implemented in order to monitor and maintain the operational performance control.

According to Aini, Hafizah and Zuraini (2012), all organizations including co-operatives have to measure their performance. Moreover, the authors emphasize that past studies have revealed that performance measurement provided more informed decisions for the future strategies of organizations. In addition, it assists organizations in strategic planning, management and continuous improvement. However, Mangaleswaran and Alfred (2014) explain that co-operatives' operational performance is usually measured against standards or indicators of effectiveness and efficiency. Hwang et al. (2014) outline that evaluating appropriate performance provides a key role for an organizations success, For this reason, performance measurement has gained a tremendous amount of attention and because it has a significant influence on organizations. Hwang et al. (2014) further elaborate that a lack of proper performance measures results in failure to meet customer needs, causes the organization to have low competitiveness and incites low profit in the business. Furthermore, the authors emphasize that well extracted metrics can increase the chances for success by inspecting the entire process of the company's environment. Additionally, the results of the performance measurement deliver the company's competitive advantages through correcting the company's defects. Ababiya (2013) argues that performance measurement is a process for collecting and reporting information regarding the performance of an individual, group or organizations. Furthermore, it can involve looking at processes and strategies in place, as well as whether outcomes are in line with what was intended or should have been achieved. Keramidou (2013) notes that performance analysis is considered as the major factor driving the survival of an enterprise

Chibanda, Ortmann and Lyne (2009) define co-operatives' performance in terms of key performance indicators such as generating a net surplus, access to equity and debt capital. Kyazze (2010) highlights that the steady decline in the operational performance of co-operatives' has often been attributed to a variety of factors which may be classified into the internal and external causes of poor performance. Internal causes include negligence and theft of funds by co-operative representatives. He further outlines that there were instances where

employees, especially co-operative members, who misused assets such as vehicles and defrauded funds marked for paying suppliers for the delivered produce to satisfy personal interests. The results were the frustration of members who subsequently withdrew their participation. According to Kayzze (2010) there was inadequate membership oversight and management committee members schemed with employed staff to misuse funds. Moreover, this was compounded by members' ignorance of their rights and obligations in the management of their co-operatives. In addition, the causes that were external to the co-operative movement included wars and political instability that saw co-operatives lose assets such as vehicles, buildings and stocks of produce.

2.2.3 THE CONCEPTS OF COOPERATIVE

The cooperative form of business is widespread throughout the world. It is applied in most market economy countries and to an increasing amount in newly developing countries. Though cooperatives occurred in the former Eastern Bloc, they differed radically in both form and content from the international mainstream, as well as in the meaning intended here according to Zarnan, (2018), Cooperation is an age-old way of attaining a goal that is beyond the resources of an individual or when working together offers a more applied or favorable solution. The co-operative as a different form of company is already over a 150-years old. Its birth occurred at the time when the contemporary market economy was in its infancy and the need arose for an alternative structure than one based on the ownership of capital or in modern terminology, a company owned by its members and/or customer-owners. Despite this glorious background, cooperation remains surprisingly unfamiliar. It is also said–with the explanation of cooperation was weak in theory but strong in practice. These factors together mean that throughout its long history, cooperation has often suffered from an identity or image problem which includes poor recognition, prejudice, and misunderstandings of society. For this reason, it is relevant to briefly discuss what cooperation is really about theoretically, historically, and in practice.

According to Biset Amene & Yadessa (2018), the concept of human cooperation is not new. It was existing even before the formation of modern cooperatives with its own business principles which made it successful. There are quite considerable differences between

countries in structures, regulation, and their actual operating principles. However, irrespective of the market conditions in which they operate these cooperatives share a common origin and history in the establishment by the flannel weavers of Rochdale, The Rochdale society of equitable pioneers in 1844 was the first successful consumer cooperative business. Consumer cooperatives originated at a theatrical pace in the 1850s in Britain, the heartland of industrialization and modernization.

Ethiopia has introduced contemporary types of co-operatives in various areas of attempt after the majority of African countries where their co-operatives were established by the Western powers during their colonization period. The first consumer co-operative was established in Addis Ababa in 1945 and after decree No. 44 of 1960 modern or 'imported' co-operatives were officially introduced (ILO, 1975).

According to Mesganaw Kifelew (2015), this Cooperative Society Proclamation No.147/1998 create a strong forward and backward linkage between government and cooperative society that cooperatives have been used as instrument by the government to interfere in the economy and also the legal recognition of special privileges to cooperatives like government assistance, Income tax exemptions, priority claims, administrative ease like no business license, temporary certificate pushing cooperatives from the social objective model into investor-owned firms (partnership/company) that means the Cooperatives enter into market competition and profit-maximizing model. The government uses Cooperatives as a means to implement policies especially to fight inflation and to control the price and distribution of basic goods Channeling to consumers and the cooperative uses this government motives as a means of business advantage in the form of privileges to cooperatives like government assistance to get land, Income tax exemptions, priority claims, administrative ease like no business license, temporary certificate possible only cooperators are pushing cooperatives from cooperation and social objective model into the realm of investor-owned firms (partnership/company) competition and profit-maximizing model.

Cooperation is the way of life of Ethiopians and has a long year of experience as a tradition. This cooperation may be facilitated by cultural or religious organizations that make the population bring together. Working together for a common purpose in Ethiopia have a long-

standing history. These traditional cooperatives have also existed in Ethiopia for long period. These are:-

- **"Iqub"**, which is an association of individuals whom agreed to save mostly financial resources periodically, usually weekly or monthly, and distributing it to its members on a rotating basis.

- **"Jigie", "Debo" & "Wonfel"** these types of cooperatives mobilize labour resources in order to cope up with a seasonal labour requirements.

- **"Idir"** is also another form of traditional association which members contribute labour, resources in kind and periodical financial fee, for a provision of social and financial insurance for the members in the event of death of a family member, accident, and damage to property among others.

The first cooperative in Ethiopia was established in 1964 by employees of Ethiopian Airlines and the initiative of interested individual Ethiopians who have foreign countries exposure and peace-core workers of foreign citizens. During the same period, savings and credit cooperatives were established by employees of Ethiopian Road Authority and the Telecommunication Agency Dejene, (1993), cited in Zerfeshewa (2010).

2.2.4 FACTORS INFLUENCING FINANCIAL & OPERATIONAL PERFORMANCE OF SACCS

The financial success of an organization is deemed an essential concept since the competitiveness & the existence of any business is reliant on the capability of the organization to achieve sound financial returns on its business operations (Ali & Bilal, 2018). Ali and Bilal's study which focused on the determinants of financial performance of firms in Jordan, it was found that firm size, leverage, liquidity, revenue and profitability were significant factors that affect the firm's financial performance, which was measured as the ROA. While the study of Ali and Bilal (2018) discovered firm size and leverage to have an adverse effect on the financial performance of businesses, other variables such as profitability, liquidity and revenue resulted a positive effect on businesses financial performance. Furthermore, Yesmine and Bhuiyah (2015) study measured the financial performance of financial institutions in terms of ROA. Their study revealed that asset utilization, operational efficiency, credit risk, liquidity,

capital adequacy, and firm size determine the financial performance of firms with the emphasis that credit risk and liquidity offer negative influence while operational efficiency, asset utilization, capital adequacy and firms size offered positive influence. Nadia (2016) had also conducted a study on the strategies used by CrUns in Grenada to increase their profitability. This study lent support to the evidence already reported in the sense that Nadia (2016) reported a strong relationship between CrUns profitability and credit risk management, operational efficiency, advertising and promotion and portfolio growth and development.

According to Bojan and Ali (2018), financial institutions (both bank and non-bank) have similar factors that affect their financial performance. Based on this argument, Bojan and Ali (2018), based on the result of their investigation reported that the "capital adequacy ratio, asset quality, managerial quality, and liquidity" were significant factors that influence. Financial performance. The study further revealed that bank "size, deposits, business mix and diversification and operating efficiency" were also important determinants of the financial performance of firms. The results from prior literature have revealed that the measurement of financial performance and the factors that determine it can sometimes be interwoven. For example, Bojan and Ali (2018) used liquidity as an important factor that influences financial performance. Meanwhile, the study of Tailab (2014) and Crane (2016) all used liquidity as a measure of financial performance. This distinction in the use of the same variable(s) as a dependent variable at one time and as an independent variable at another time is not out of place since quantitative variables in business could have a bi-causal relationship (Lee & Kim, 2013). In this present study, financial performance was measured according to the measurement of

2.2.4.1 COST OF FINANCE

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

financing costs on their capital structure decisions in regard to their investing activities. However, this study did not exhaust all aspects of cost of finance which contributes to the financial performance of cooperative societies at large.

Sikuka (2010) examined comparative performance of selected agri-business companies and cooperatives in the Western Cape of South Africa. The relative financial performance of cooperatives to companies were compared across different financial ratios mainly, through profit margin, return on assets (R.O.A), return on equity (R.O.E), current ratio, debt to asset ratio, asset turnover ratio, asset growth, revenue growth and economic value added. The overall results confirmed that, companies had the strongest relative financial performance in most of the financial ratios mainly profit margin, ROE, current ratio, debt to asset ratio, asset turnover ratio, asset growth, revenue growth and economic value added and their relative financial performance were improved. In this study, the concept of transaction costs which are connected to the funds for acquiring assets was not clearly explained.

Wanjiru, (2013) sought to find out the factors influencing financial performance of cooperative societies in Mathira, Nyeri county. The study indicated that the knowledge of the cost of finance and how it is influenced by financial leverage is useful in making decisions aimed at enhancing organizational financial performance. It is also important in many other areas of decision making such as dividend decision, working capital decision and so on. A firm generally finances its projects by utilizing various sources of funds such as common stock, bonds, debentures, long and short term borrowings and retained earnings.

2.2.4.2 INTERNAL CONTROL PRACTICES

Chaddad, (2012) carried out a study on Advancing the theory of the cooperative organization: the cooperative as a true hybrid. The study suggested that cooperative societies like other organizations should have procedures and policies to track, manage and report its financial resources and transactions as indicated in the financial statements such as cash flow statements, budget sheets, accounting systems and operating ratios. Internal control systems have to be installed for the organization to

achieve their goals and objectives. These controls display seriousness about certain matters and are adopted largely to positively influence financial performance towards achievement of organizational goals. However, the success of systems in an organization requires full support of the top management. This has not been sufficiently explained in the study. Robson et al, (2012) did a descriptive study of the management auditing methods used by public sector organizations conducting audits of workplaces and found that effective application of internal control measures helps to protect the assets of the entity from being misappropriated. Cooperative societies aim to deliver services to the members and ensure that they are all satisfied. This can be enhanced by effective internal control systems which aid implementation of management policies meant for attainment of goals. Failure to detect errors and frauds committed in the books of accounts results in financial mismanagement leading to increased inaccuracy and lack of reliability in cooperative societies.

Lack of stable financial control systems in cooperative societies has deterred government efforts to develop efficient and effective input procurement and distribution systems that would have ensured timely delivery of adequate quantity and quality of farm inputs to farmers. The study fails to describe how financial information of cooperative organization is availed and explained to members.

2.2.4.3 RISK MANAGEMENT

Mikes and Kaplan, (2014) in their study „Towards a contingency; Theory of enterprise risk management, they noted that organizations are concerned with risk management practices of their organizations thus lay a great emphasis on this matter in order to balance between debt and equity for good financial performance. Cooperative societies are not an exception hence have to manage their risk exposure and conduct proper analysis to avoid losses and other financial problems.

Muriuki, (2014) however, asserted that most cooperative societies do not undertake proper risk analysis thus their returns are negatively affected and the members incur a lot of losses which makes them to remain in poverty. Credit risk management activities are influenced by the risk behavior of managers in cooperative organizations and if they

adopt appropriate strategies for risks mitigation, financial performance can be enhanced. The study lacks detailed statement on the risk policy that should guide the organization.

Mwangi, (2013) undertook a study on the effects of liquidity on performance of deposit taking micro financial institutions in Kenya. He asserted that organizations ought to have policies in place that determine the amount to borrow and the appropriate time to do the same based on the loaning laws and regulations. Financial institutions such as microfinance are mostly concerned with the ability of the cooperative societies to repay the amount borrowed with all terms and conditions adhered to. Therefore, they have to work hard to raise their credit ratings as well as improving the confidence of the creditors.

2.2.4.4 DIVIDEND POLICY

With the regulation of the cooperatives sector especially cooperatives operating FOSAs by cooperatives, dividend policy has to be developed to guide distribution of surpluses. The cooperatives Societies Act, 2008 Section 14(4)(d), 68 (2) (a), cooperatives are prohibited from declaring dividends if they have not met the liquidity provisions which stipulate that a cooperatives should at a minimum retain 15% of its savings Petit (2007) asserted that clientele effect is the tendency of a firm to attract the type of investor who like its dividend policy. Research show that retired individuals prefer current dividends to future capital gains hence they require a firm to pay out a higher percentage of its earnings. This is contrary to new investors who would prefer future capital gains to current dividends and argues that a firm that changes its dividend policy may lose some shareholders to other firms with a more appealing policy. They may in turn cause a temporary reduction in share price. However, empirical data was required to prove the assertion

2.2.4.5 CORE CAPITAL MANAGEMENT

Core capital is defined as completely paid up retained earnings, member's shares, grants and donations and disclosed reserves that cooperatives should expand unless

they are faced with liquidation. According to the cooperatives Regulations, 2010, establishing a core capital for deposit taking cooperatives will improve the efficiency and effectiveness of how cooperatives conduct their deposit taking business. The improved effectiveness will result into better productivity thus improved financial performance which is a key measure of productivity in monetary terms (cooperatives regulations, 2010).

2.2.4.6 CAPITALIZATION

Some compel their members to save and then lock-in their savings until it is their turn in the rotation to be paid or when they leave the organizations (Mutebi, 2007) and currently, most cooperatives are encouraging their members to reinvest their dividends. This will therefore assess whether capitalization issues such as capitalization of dividends/bonus deposits, floating of shares to public, increase of minimum contributions, and reinvestment of profits significantly influence performance of cooperatives in Siaya County, Kenya. In this regard, Porteous, Collins and Abrams (2010) assertion that supervision of cooperatives are ensuring that customers' savings are safeguarded especially when they are invested for income; and The Center for Financial Training (2010) argues that inefficiencies or frustrations by these entities can lead to a disincentive to save by capitalization among the citizens thereby affecting the levels of investments adversely and impacting financial performance negatively.

Further, Wright (2015) found that Kenya withholding tax is charged on the interest on savings leads to high operational costs to the cooperatives due to the extra volume of records that must be maintained. This it is not economical to operate a large number of small accounts. Proximity to of cooperatives services greatly increases the willingness to save an expanded network of cooperatives branches will encourage savings with formal institutions due to the reduction in the transactional costs of acquiring deposits. However the cooperatives must take the local conditions into account so as to maximize on deposit mobilization (Wright, 2015).

2.3 THEORY OF THE STUDY

2.3.1 COST OF CAPITAL THEORY:

Graham, (2001) developed cost of capital theory which describes the return required by the financial institutions and other organizations providing finance to corporate or individuals for the purpose of acquiring assets and ensuring continuation of other business operations. The cost of acquiring funds must be reflected in the capital structure used to finance the investments by the cooperative societies hence inclusion of the cost of equity and debt is necessary. Investments with positive net present values at the cost of capital are accepted because they earn more than the investors‟ required rate of return and will add to their wealth (Barbuta, 2009). The cost of capital therefore has a pivotal role to play in the financial management of cooperative societies through linkage between investment decisions and the finance decisions. They engage in other businesses in expectations of returns to expand their operations and serve members effectively. Cost of capital theory states that investments with potential for good returns are attractive to financiers such as banks who cooperative societies rely on for funds. This motivates them to make better decisions to guide establishments and management of investment projects with potential for sufficient returns (Pandey, 2009).

2.3.2 LIQUIDITY THEORY

Liquidity theory was crafted by Emery (2013) and the theory proposes that credit rationed companies use more trade credit than those with normal access to financial intermediaries. That is, the central point of this liquidity theory is that when there is a restricted monetary policy, the offer of trade credit can make up for the reduction of the credit offer from financial intermediaries. In accordance with this theory, large firms, presenting good liquidity or better access to capital markets can finance those constrained by the policy. Many approaches have tried to obtain empirical evidence to support this theory; for instance, Nielsen (2012) using small financial lending firms as a proxy for credit rationed companies found that in monetary contraction they react by borrowing more from their suppliers.

2.3.3 THEORY OF CO-OPERATIVE

To supplement the RBT and POT, the theory of co-operative developed by students of cooperation, particularly Emelianoff (1942) and Philips (1953), and further propounded by Helmberger and Hoos (1962) was applied. The theory was applied to explain the co-operative financial performance from a co-operative point of view. Historians have found evidence of cooperation between many groups of people in Europe, Middle East, America and Africa (Thomas & Hangula, 2011). According to Zimbelman (2007), early agriculture would have been impossible without reciprocal aid among farmers. The co-operative enterprise is conventionally held to be a non-profit institution guided by the principle of service at cost for the benefit of patrons (Helmberger & Hoos, 1962). However, unless the financial performance of co-operatives is healthy, it may be difficult for co-operative societies to sufficiently serve their members (Tekeste et al., 2014). Several reasons have been offered for why co-operatives might seek to maximise profits. By achieving this objective, a cooperative will maximize funds available for patronage refunds or internal financing growth and avoid hostility and retaliatory pricing by rival firms (Enke, 1945). The theory was applied to explain whether IPFCs in the study area are financially stable for long-term survival.

2.3.4 SOCIAL CAPITAL THEORY

Valentinov, (2004) asserted that through social capital theory, social capital reduces costs in organizations since trust and reputation among the members and managers reduces the requirements for unnecessary and expensive pre-cautionary measures. Therefore, management is able to make decisions that enhance organizational financial performance without many hindrances (Gabre-Madhin, 2001). Social capital theory suggest that social capital contributes immensely to the cooperation in cooperative societies which leads to effective operations and costs minimization thus plays a major role in determining the success or failure of an organization (Krause et al., 2007). Agricultural cooperative societies are designed to bring members together to take farm produce, to create and coordinate resources and to undertake other activities for the interests of the members. Therefore, individual member farmers running their farms on their own are joined together voluntarily as one entity for their mutual benefits,

participating in cooperative business as customers and owners and acting collectively (Lin, 2002).

2.4 EMPIRICAL LITERATURE

In case, some studies are conducted on a particular financial institution and others on panels of financial institutions. Hence many researchers have conducted a lot of studies on determinants of financial performance due to its significance for institutional survival. The study made across the cooperative institutions, non-financial institution studies, and also review of previous studies on different types of financial institutions in different countries shows that differentiating firm- specific factors and macroeconomic factors for the specific firms is very important to achieve its financial objective and institutional survival. There are plenty of variables that affect the financial performance of institutions. From the financial institutions, the recent studies of determinants of commercial banks' financial performance in Ethiopia Ayano (2016) by taking panel data of seven sample commercial banks out of eighteen commercial banks operating in the country over the period 2000-2014. In this study both bank-specific and macroeconomic determinants of commercial banks' financial performance were conducted; the internal factors used in this study include asset quality capital adequacy, liquidity management, earning ability, and bank size whereas, the external factor is the foreign exchange rate. Moreover, (ROA), (ROE) and (NIM) were used to measure the financial performance.

According to Sathyamoorthi et al (2016), the variables include interest expense percentage, net profit ratio, return on total assets, total assets turnover, sales to capital employed, fixed interest cover, interest on loans to interest on savings, current ratio, net book value per share, earnings per share are independent variables and return on capital employed is considered as a dependent variable. The approach used to estimate the parameters of the model is the analytical techniques used including descriptive statistics of financial aggregates and ratios, correlation, regression and common size analyses. The study revealed that the selected cooperatives had appreciable profitability potential which could be associated with effective utilization of resources, controlled spending on administrative and financial expenses, and effective control over credit. The findings of this study further revealed that the selected

cooperatives had a sound short term and long-term solvency positions supported by huge cash, and cash equivalent balances and very low external funds.

Another researcher Singh et al (2019), a study on the determinants of financial performance of U.S agricultural cooperatives indicated that there are certain internal as well as macroeconomic determinants that influence agricultural cooperatives' performance in a significant manner. The conducted research allowed them to investigate the possibility of the macro aspect of economic policy uncertainty. The results also suggest that economic policy uncertainty in the U.S. in recent years may have harmed the Agricultural cooperatives' financial performance. In the case of the internal factors, growth is found positively associated with performance, while Size indicates that small agricultural cooperatives usually earn higher rates of ROAs than large asset- rich cooperative firms. With respect to size, it could be hypothesized that small agricultural cooperatives, with a relatively small asset base, prefer to maintain higher liquidity and have a better market access ability than large firms.

Study by Ondieki (2011) on the effects of external financing on the performance of cooperative societies in Kisii district found out that performance of cooperative societies was influenced by poor governance, lack of transparency and weak information technology infrastructure. However, this study and other research works relating to the existing problem have not sufficiently addressed the issues associated with financial performance of agricultural cooperative societies. However, very few studies Dube & Ozkan (2019) and Sathyamoorthi et al., (2016), assessed financial performance of Agricultural cooperatives but when we see empirical studies on determinants of financial performance of consumer cooperative is difficult to get literature. Therefore, with this study, we try to address the gap and also analyzing the financial performance determinant factors influence performance of consumer cooperatives.

2.5 CONCEPTUAL FRAMEWORK

The theoretical and empirical literature reviews suggested that the financial performances of institutions are determined by Internal control practice, Cost of finance, Core capital management, Risk management, Dividend policy and Capitalization were independent variables and financial performance were dependent variables.

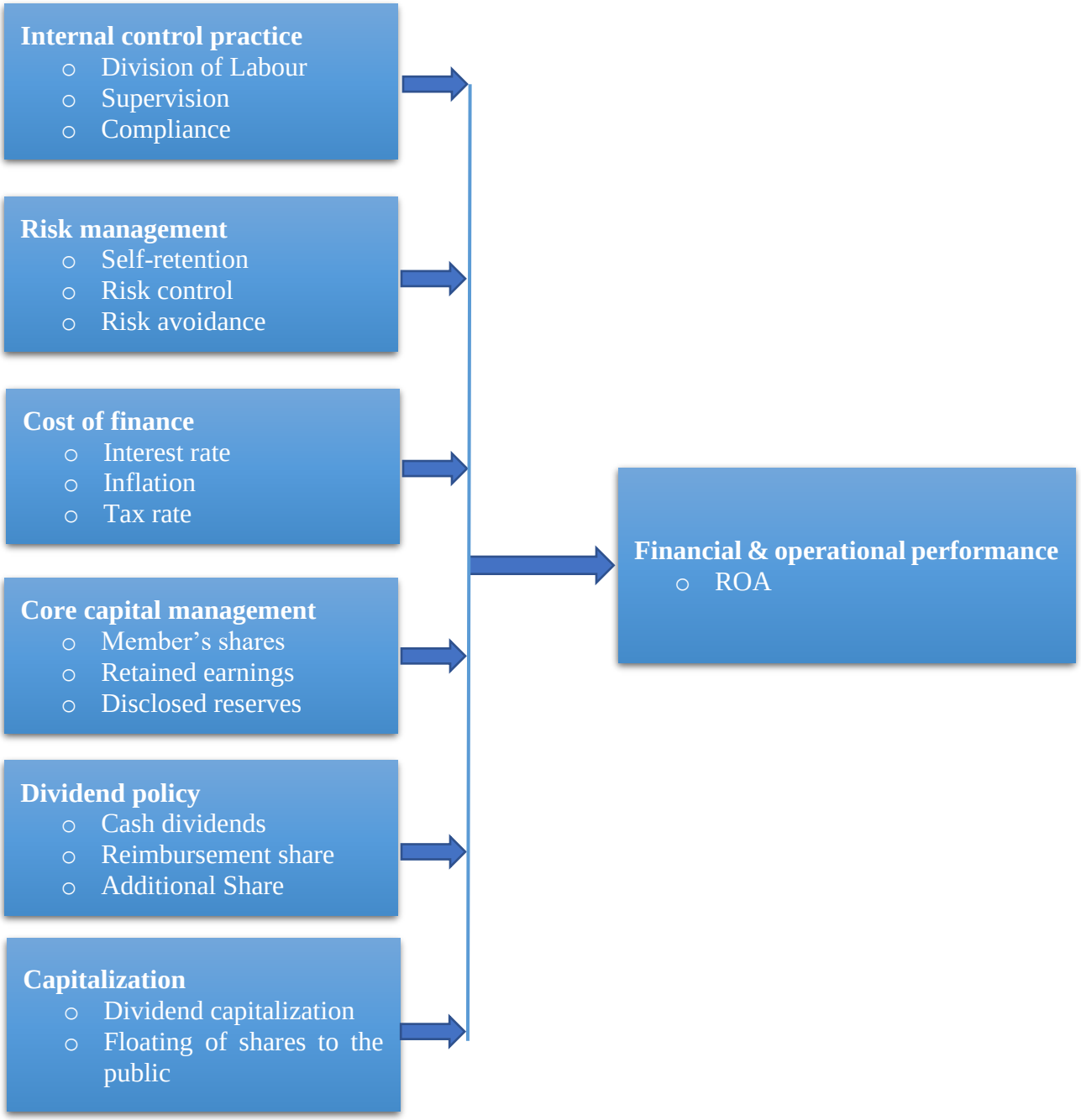

Figure 2.1 Conceptual framework Source: - by J. K. Kimetto, E.M. Kimani (2018)

CHAPTER 3

RESEARCH METHODOLOGY

3.1 RESEARCH DESIGN

In order to achieve the objectives stated above, the researcher used both descriptive and inferential research method. This is because descriptive researches describe and interpreted what is. It is concerned with conditions of relationship that exist; practices that prevail; beliefs, processes that are going on; effects that are felt, or trends that are developing. Description is often combined with comparison and contrast involving measurement, classifications, interpretations and evaluation (Sanchez, 1980). The nature and intention of this study is also describing and interpreting determinants of operational performance of SACCS in AANSLSC as a study area.

3.2 RESEARCH APPROACH

The researcher uses a mixed research approach in order to achieve the study's goal and answer the research questions. In this study individuals were contacted and questionnaires were distributed, and filled up and returned. with the determinants of operational performance of SACCS in Addis Ababa in case of Nifas Lilk Lafto Sub City. This method was chosen because it is an effective instrument for gathering data from a sample population in order to research the topic at hand.

3.3 DATA SOURCE & COLLECTION TECHNIQUES

Primary data were collected for the analysis. These primary data were collected through structured questioner, interview, and informal discussion. Convenient sampling methods is used to choose the sample as most of the SACCS in AANSLSC were small-scale cooperatives, their operations are not formal and more over their record keeping is manual.

3.4 DATA COLLECTION TOOLS

Data were acquired in quantitative formats from primary sources. Managers and team leaders were provided the primary data through questionnaires. The primary data is an item unique to the question investigated.

Rapid urban appraisal such as Rapid Appraisal (RA) is a qualitative appraisal methodology. It is a process of learning and acquiring relevant information in a limited period of time. RA is particularly useful in defining issues and generating insights, emphasizing learning from and with a community (Wilkins, 2004). Data gathering was based on sampling from a range of experiences and from people in the field. This information is then filtered through the perceptions of the researcher to provide rich detail and insight (Dunn, 1994) (cited by Wilkins, 2004). Rapid appraisal was made to differentiate data to be collected for the analysis, people used for interview, document to be reviewed, identify key informant and so on.

In-depth interview: - The researcher was made in-depth interview, while gathering information from different documents.

Questionnaires: - Questionnaires were prepared and distributed to selected respondents. This method assisted the researcher to have more detailed data and information about the subject under study.

3.5 POPULATION AND SAMPLING

3.5.1 TARGET POPULATION

According to Cooper and Schindler (2008), population is defined as the total collection of elements under study whereby references have to be made. The target population were managers and team leaders of SACCS in AANSLSC. The target populations from which the sample respondents were selected from the total number of individuals who were managing SACCS in AANSLSC. Total numbers of SACCS (respondents) in Nifas Silk Lafto Sub City were 227. The research used convenience sampling method where all the 145 active managers and team leaders of saving and credit cooperatives within Nifas Silk Lafto Sub City were considered.

3.5.2 SAMPLE SIZE

According to Cooper and Schindler (2008), sample size was described as a smaller set of elements from the larger population. Mugenda (2003) argued that the choice of sample size was governed by the confidence you need to have in your data, level of certainty, and the accuracy. You require for any estimates made in your sample, the type of analysis you are going to undertake and finally the size of the total population from which your sample is drawn.

The sample computation for the study was as follows. Using all population for data collection is difficult for one researcher with time limitation. So, it is difficult to use all population, and the researcher used formula developed by Yamane, 1967.

$n = \frac{N}{1+N\,(e)^2}$ Where N= number of total population

n = sample

e =level of precision (5%)

$$n = \frac{227}{1 + 227\,(0.05)^2} = 145$$

3.6 HYPOTHESIS

Hypothesis is a proposed explanation about the relationship between variables made on the basis of incomplete evidence as a basis for further examination. Directional hypothesizes are established based on the study objectives, earlier literature and existing theories.

Internal Control is process implemented by an organization in order to provide rational assurance concerning the attainment of its objectives. A study by Karagiorgos et al., (2009), on the contribution of Internal Auditing to Management showed that poor performances of organizations cooperative societies included, are associated with ineffective financial control practices which causes financial mismanagement. As a result, they find themselves with inadequate funds to acquire and avail major farm inputs for production at the appropriate time and at the right prices to the members.

H1 : There is a positive and significant relationship between internal control and performance

Cost of Finance is the price that organizations have to pays in order to acquire funding for their business operations and assets. Odetola et al., 2015 noted that appropriate decisions made on the cooperative capital funds assists in minimization of long-term average cost of finance. The cooperatives raise funds by issuing shares, borrowing loans and retaining earnings and also largely depend on borrowing from external financing agencies. The study did not elaborate on the fact that value of issued shares are subject to changes in economic conditions and is likely to affect organizational cost of borrowing.

H2 : There is a positive and significant relationship between cost of finance and performance

Core Capital Management is the least amount of capital that a SACCS (thrift bank) must have hold in order to be acceptable to fulfil with governing authority regulations. This measure was established as a precaution with which to keep SACCS members against unanticipated losses. McGuigan, Kretlow and Moyer (2009), in their book of Contemporary Corporate Finance, they assert that successful firms generate net operating profits after taxes. Thus, a firm's growth opportunities and replacement requirements, identified through capital budgeting and financial planning determine the amount that should be invested in operating capital. Subtracting the investment in operating capital from net operating profits after taxes results in free cash flows, which is the amount of cash flow available for distribution to investors after paying expenses and taxes and making the necessary investments in operating capital which boosts core capital.

H3 : There is a positive and significant relationship between core capital management and performance

Risk Management is the organized process of assessing, mitigating & identifying uncertainties which may affect an institution. It includes:-

- analyzing risks' likelihood & impact,
- developing strategies to curtail damage, &

- monitoring measures' effectiveness.

According to PwC's Global Risk Survey, organizations that embrace strategic risk management are five times more likely to deliver stakeholder confidence and better business outcomes and two times more likely to expect faster revenue growth.

A study by Ondieki (2011) sought to find out the effects of external financing on the performance of Cooperative societies in Kisii District. He found out that poor governance, lack of transparency and weak Information technology infrastructure influenced risk management thus financial performance of cooperative societies. Organizations utilize credit risk management practices to mitigate risks as a basis for objective credit risk appraisal by relying on the discretion and ability of portfolio managers for effective credit risk management practices (Chirwa, 1997). Borrowing from external sources alone did not cover the issue of financial performance of cooperative societies in regard to risk management.

H4 : There is a positive and significant relationship between risk management and performance

Dividend Policy is how a SACCS will allocate their profits to its members. This policy details specifics about payouts including frequently, time, and amount to be distributed. A study done by Michaely (1995) showed that the existence of positive excess returns on the firms after the initiation of dividends. Ghosh and Sirmans (2006) noted that companies paying high dividends attract investors, suppliers, customers, employees and hosts of other stakeholders. In addition, Kent et al (2005) stated that dividend policies are the measurement for the division of earnings between payments to stockholders and reinvestments in the firm. Dividend policies act as a yard stick that firms formulate and use as means of sharing their earnings between distributing to their members & the retained earnings. The main aim of dividends in a firm is shareholder's wealth maximization, to increase the value of the firm and to signal to stakeholders that the firm's finances are sound.

H5 : There is a positive and significant relationship between dividend policy and performance

Capitalization is the amount of capital required by SACCS. This capital can be attained by mobilizing savings from members, floating share to the public, raise members contribution, encouraging reinvestment of dividends and bonus and other means.

Mutebi (2007) asserted that many studies have shown that savings is one of the most crucial financial needs of cooperatives since it provides seed capital which is an indication of their usual lack of access to formal institutional credit. Thus, with an improved financial system, cooperatives savings is boosted which is vital for their expansion and growth. In Kenya especially, cooperatives are important agents of job creation and official policy that provides impetus for savings cannot be overemphasized. Some cooperatives compel their members to save and then lock-in their savings until it is their turn in the rotation to be paid or when they leave the organizations (Mutebi, 2007).

H6 : There is a positive and significant relationship between capitalization and performance

3.7 METHODS OF DATA ANALYSIS

Referring to Zikmund et al. (2010), data analysis is the use of rationality to recognize the data that has been collected with the goal of establishing consistent patterns & sum up the pertinent details disclosed in the investigation. To determine the pattern shown in the data gathered regarding the chosen variables data analysis were directed by the objectives of the study & the measurement of the data gathered.

The data collected were organized, edited, coded and inserted into Statistical Package for Social Sciences (SPSS) software. Data collected through, questioners and discussions (the quantitative part) were analyzed in quantitative manner using simple statistical tools such as percentage, ratio and tables. Multiple linier regression models were also used to determine the effect of each variables presumed to be affecting the operational performance of saving & credit cooperatives societies. The inferential statistical tests were conducted at 95% level of confidence. Then finally, the researcher tried to create some linkage between the qualitative and quantitative analysis. This study used multiple linier regression models with comparative analysis.

3.8 METHODS OF DATA PRESENTATION

Some of the qualitative analysis were presented in maps, picture and figures. Whereas the quantitative analysis were presented in different graphs, charts and tables depends on the nature and characteristics of the analysis such as with mean and standard deviation (STD). Then the researcher tried to make the presentation of both qualitative and quantitative analysis to have strong relation and create clear picture of the general situation of the study.

3.9 VALIDITY AND RELIABILITY

Validity Test: since validity of a research study is a conceptual and scientific soundness, the test focused on eliminating or minimizing the effect of extraneous influences, variables and explanations that might detract the accuracy of the ultimate findings. After the researcher has constructed the questionnaire, pre-testing was done with persons who have knowledge of the area by allowing them to read it. This was done to ensure that the questionnaire was clear to respondents and can be completed in useful way (Adam et al., 2007), then, the instrument was evaluated by academic advisor prior to the data collection so as to maintain its validity and to increase the accuracy and usefulness of the findings in which it allows greater confidences of the study.

Reliability refers to the stability of the measurement used to study the relationships between variables (Ghauri & Gronhaug, 2010). The questions in the questionnaire were designed taking into consideration the issues related to the problem and goals of the study and theories on the subject. The reliability of the study was conducted by using Cronbach's Alpha. Reliability refers to the consistent of measurements throughout the entire finding of the study and it is a determination of obtaining the same results within the sample respondents. Therefore, the reliability checks for internal consistency of variables were done on questionnaire using Cronbach Alpha coefficient before distributing the entire sample population.

A comprehensive measurement must fulfill the tests of validity and reliability; validity is the most critical criterion that indicates the degree to which an instrument measures what it is supposed to measure (Kothari, 1984). To ensure this, the study's advisor has evaluated and

verified the instrument's content appropriateness and the measurement's scale; peers also have commented.

3.10 ETHICAL CONSIDERATIONS

Ethical considerations were examined by the researcher. Respondents have the option of participating or not participating in the survey, and the survey enumerator were informed them of the poll's aim as well as the confidentiality of their responses. The objective and importance of the study, as well as confidentiality, were state in the introduction section of the questionnaire for this purpose. Respondents were advised that they had complete freedom to fill out the questionnaires or withdraw from the study at any time, with no negative consequences, and that their participation or non-participation would not hurt them. Structured questionnaires were given to obtain primary data. To shield their responses from predisposition, only generic information was in the paragraph of the questionnaire. Respondents' confidentiality was maintained, and their identities will not be revealed. Finally, by recognizing every reference used all research findings were not be concealed and are free of plagiarism. Furthermore, the study was conducted in an open-minded manner, with attitudes expressed as they are. Nothing was changed or modified.

3.11 DESCRIPTIVE STATISTICS

Descriptive analysis means, distribution, and variance were applied to investigate the extent of determinants of operational performance of saving and credit cooperatives societies in AANSLSC and every respective attribute and to summarize the essential findings from the sample. The descriptive statistical results were presented using tables, charts, frequency distributions and percentages to research the information. This was achieved through summary statistics, which incorporates the mean values and percentages which were computed for every variable during this study. The data collected through questionnaire was analyzed by Statistical Package for Social Sciences (SPSS)

3.12 MULTIPLE REGRESSION MODELS

Multiple regression analysis was used to examine determinants of operational performance of saving and credit cooperatives societies in AANSLSC. Since the study had six experimental variables to research how independent variables are associated with the dependent variable, how each experimental variable influences the dependent variable and how much each variable influences it, regression model used. For this study the independent variables are Internal control practice, Cost of finance, Core capital management, Risk management, Dividend policy and Capitalization whereas the dependent variable is operational performance.

The general equation of regression of Y on X was:

Operational performance = f (six independent variable) + error term

$Y = \alpha + \beta x + e$

This means, operational performance = Functions of (Internal control practice, Cost of finance, Core capital management, Risk management, Dividend policy and Capitalization) + error term

Therefore, the precise model for this study was

$Y = \alpha + \beta 1x1 + \beta 2x2 + \beta 3x3 + \beta 4x4 + \beta 5x5 + \beta 6x6 + e$

Where : Y : denotes the dependent variable (operational performance)

α : denotes the worth of intercept

β : is that the coefficient of the explanatory x variable

X : is experimental independent variable

e : denotes the error term (residual value) = unpredictable or unknown factors of dependent variables

CHAPTER 4

DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS

4.1 INTRODUCTION

The data acquired through questionnaire is presented, analyzed, and interpreted in this chapter. The data was analyzed using descriptive and inferential statistical approaches, depending on the type of data collected. The general characteristics of the respondents, such as gender, educational qualification, and work experience in the SACCS, were analyzed using frequency and percentage. Mean, standard deviation, Pearson correlation coefficient, and multiple linear regressions approaches were also calculated. This study used to investigate determinants of operational performance of SACCS in AANSLSC.

4.2 RESPONSE RATE

According to Bacon (2014), response rate is defined as the extent to which the final set of questionnaires collected from respondents is calculated against the number of questionnaires received back from respondents interviewed in the study. For this study, sample size was 145 respondents. From this sample size 140 fully filled questionnaires were received back from respondents representing a response rate of 96.55%.

Table 4.1 : Response Rate

No.	Respondents' category	Frequency	Percentage
1	Responded	140	96.55%
2	Did not responded	5	3.45%
	Total	**145**	**100%**

(Source : SPSS output researcher survey data, 2023)

4.3 RESPONDENTS PROFILE

The demographic characteristics of the respondents were described here. To achieve it, questions were asked to capture these responses. Frequencies, percentage and distribution table were employed to summarize the demographic characteristics of the respondents.

4.4 GENERAL INFORMATION OF THE RESPONDENTS

This section profiles the respondents in respect to gender, age, marital states, level of education and work experience of the respondents. The items in the research instruments used in the study informed profiling of the respondents.

4.4.1 GENDER OF RESPONDENTS

Table 4.2 Genders of the respondent

Genders of the respondent					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	male	77	55.0	55.0	55.0
	female	63	45.0	45.0	100.0
	Total	**140**	**100.0**	**100.0**	

(Source : Survey SPSS output 2024)

The data sought on whether respondents were males or females. The study found it important to analyze gender distribution of the respondent so as to compare the level of participation in managers and team leaders of SACCS in AANSLSC. The study did consider any of the gender in the selection of respondents asked to indicate their gender. From the finding of the study males made the majority of the respondents at 77 (55.0 %) and the females at 63 (45 %) as shown the above table. This indicates the majority of the respondents were males.

4.4.2 AGE OF THE RESPONDENT

From the given Appendix: 1-a figure respondent asked to indicate their age group in years. This done to understand the age distribution of the respondents since an individual's age was consideration in the selection of respondents in this study. Age groups classified into five categories: - Regarding to respondent age category in year majority 45 (32.1%) of respondents

were at age of 30-35 years old, similarly the second highest number 35 (25 %) of respondents were at the age of 25-30 year-olds. In other hand, the third ranked participated respondents are 35-40 years old which are 28(20%), above 40 years old were 21(15%) and finally the remaining respondents are below 25 years which is 11(7.9%). This confirms that 80 (57.14%) of respondents were youths between the age of 25-35 years. About the age, distribution of the respondent majority of them found at young and youth age.

4.4.3 EDUCATION LEVEL OF RESPONDENTS

From the Appendix: 1-b figure the respondents asked to indicate their highest level of education. Respondent's level of education considered important in this study in respect to responding to the research instruments as well understanding determinants of operational performance of cooperatives. The study sought to establish the educational level of respondents from the findings of the respondents 53 (37.9%) are Bachelor degree followed by masters 35(25%) whereas certificate holders are 19 (13.6%) as shown in the table above. Finally, 15 (10.6%) of the respondents are undergraduate and 18 (12.9%) are above masters. From this majority of the respondents were educated and have knowledge of determinants of operational performance of SACCS.

4.4.4 MARTIAL STATES OF RESPONDENTS

Table 4.3 Martial states of respondents

Martial states of the respondents					
		Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid	Single	50	35.7	35.7	35.7
	Married	70	50.0	50.0	85.7
	Divorce	20	14.3	14.3	100.0
	Total	**140**	**100.0**	**100.0**	

(Source : Survey SPSS output 2024)

From the given figure above respondent were asked to indicate their martial states. This done to understand the martial states of the respondents since an individual's martial states was consideration in the selection of respondents in this study. From the total respondents conceded

50% of the respondents are married where as 35.7% of the given respondents are single and finally the remaining 14.3% of the respondents were divorce.

In general, from the information given majority of the respondents are married as result the will highly contributed to determinants of operational performance of SACCS in AANSLSC.

4.4.5 WORK EXPERIENCE OF RESPONDENTS

From the Appendix: 1-c figure the study sought to establish that the work experience of respondents. From the findings of the respondents below 1 year are 9 (6.4%) and those respondents who have 1-3 years of work experience are 27(19.3%) followed by those 3-5 years of experience of 36(25.7%). From the given table above respondents with 5-7 years of work experience were 42(30%) and above 7 years 26 (18.6%) as shown the above table. So from the work experience of respondents, we can concluded that 30% of the major respondents have 5-7 years of work experience and have basic knowledge on determinants of operational performance of SACCS. in AANSLSC.

4.5 DESCRIPTIVE STATISTICAL ANALYSIS

4.5.1 DESCRIPTIVE STATISTICS OF INTERNAL CONTROL PRACTICE

This section presents the analysis of internal control practice obtained from the results. Interpretation of the data and findings in the following discussion produced the mean score and standard deviation (STD) of the responses of respondents on determinants of operational performance of SACCS in AANSLSC.

Rating or Likert items measuring technique using Strongly Agree (SA), Agree (A), Neutral (N), Disagree (DA) and Strongly Disagree (SD) used to rate the exhibited internal control practice. The analysis of the internal control practice was investigated by using means and STD from the results. The results of the means were interpreted based on: 1-1.49 = Very Low; 1.5-2.49 = Low; 2.5-3.49 = Moderate; 3.5-4.49 = High; 4.5-5.0 = Very high.

Table 4.4 Descriptive Statistics of internal control practice

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Clear division of labour existence in saving and credit cooperatives affects its performance.	140	1.00	5.00	3.8786	1.04205
Appropriate supervision of junior's works is done by senior members	140	1.00	5.00	4.1500	1.06565
Well-developed chart of accounts determine performance.	140	1.00	5.00	3.7357	1.11633
Compliance levels links to the performance.	140	1.00	5.00	3.9071	1.02414
Internal control leads to accountability among cooperative managers	140	1.00	5.00	3.9857	1.01063
Valid N (listwise)	140				
Aggregate mean and STD				3.93142	1.0315684

Source: - SPSS output survey data 2024

The results presented in Table 4.4 indicate that the sample mean for individual responses ranged between 3.7357 and 4.1500. These values of sample mean generally tends to 3.93142 on the Likert scale used in this study and thus translates to agreement amongst respondent in respect to the activities implied by the statements. Similarly, the sample STD for the different responses ranged between 1.01063 and 1.11633 demonstrating that the responses were fairly close together around the sample mean as the variability was narrow. Furthermore, the aggregate scores for sample mean and sample STD for internal control practice were 3.93142 and 1.0315684 respectively.

According to the given table above majority of the respondents stated that appropriate supervision of junior's works done by senior members influences its performance having a highest means of and 4.1500 and STD of 1.06565, Internal control leads to accountability among cooperative managers having a highest means of 3.9857 and STD of 1.01063 and compliance levels links to the performance having a highest means of and 3.9071 and STD of 1.02414 respectively.

On the other hand, respondents stated that clear division of labour existence in the cooperative affects its performance having a means of and 3.8786 and STD 1.04205 and well-developed

chart of accounts determine performance having means of 3.7357 and STD of 1.11633 respectively.

In general, internal control practice of the respondents were highly in determinants of operational performance of SACCS in AANSLSC having aggregate scores for sample mean and sample standard deviation of 3.93142 and 1.0315684 respectively

4.5.2 DESCRIPTIVE STATICS OF COST OF FINANCE

This section presents the analysis of Cost of finance obtained from the results. Interpretation of the data and findings in the following discussion produced the mean score and standard deviation of the responses of respondents on determinants of operational performance of SACCS in AANSLSC. Rating or Likert items measuring technique using Strongly Agree (SA), Agree (A), Neutral (N), Disagree (DA) and Strongly Disagree (SD) used to rate the exhibited Cost of finance. The analysis of the cost of finance was investigated by using means and standard deviations from the results. The results of the means were interpreted based on: 1-1.49 = Very Low; 1.5-2.49 = Low; 2.5-3.49 = Moderate; 3.5-4.49 = High; 4.5-5.0 = Very high.

Table 4.5 Descriptive Statistics of Cost of finance

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Level of interest rates influence costs of finance thus affects performance of cooperative	140	1.00	5.00	3.7429	1.14660
Performance of cooperative is influenced by inflation rates.	140	1.00	5.00	3.8000	1.11368
Tax rates increases financing costs thus determining trends in the performance from one time to another.	140	1.00	5.00	4.1714	1.00318
Transaction costs incurred by cooperatives affect their performance.	140	1.00	5.00	3.8500	.95905
Large cooperatives have economies of scales and advantage in regard to costs of obtaining funds.	140	1.00	5.00	4.0786	1.00408
Costs of finance are determined by competition in financial institutions and this affects performance of cooperative	140	1.00	5.00	3.5071	1.07621
Valid N (listwise)	140				
Aggregate mean and STD				3.85833	1.056712

Source: - SPSS output survey data 2024

The results presented in Table 4.5 indicate that the sample mean for individual responses ranged between 3.5071 and 4.1714. These values of sample mean generally tends to 3.85833 on the Likert scale used in this study and thus translates to agreement amongst respondent in respect to the activities implied by the statements. Similarly, the sample STD for the different responses ranged between .95905 and 1.14660 demonstrating that the responses were fairly close together around the sample mean as the variability was narrow. Furthermore, the aggregate scores for sample mean and sample STD for Cost of finance were 3.85833 and 1.056712 respectively.

According to the given table above majority of the respondents stated that Tax rates increases financing costs thus determining trends in the performance from one time to another having a highest means of and 4.1714 and STD of 1.00318, Large cooperative have economies of scales and advantage in regard to costs of obtaining funds having a second highest means of 4.0786and STD of 1.00408 and Transaction costs incurred by cooperatives affect their performance having a means of and 3.8500 and STD of .95905 respectively

On the other hand, respondents stated that Performance of cooperative is influenced by inflation rates having a means of and 3.8000 and STD 1.11368, Level of interest rates influence costs of finance thus affects performance of cooperative having means of 3.7429 and STD of 1.14660 and Costs of finance are determined by competition in financial institutions and this affects performance of cooperative having means of 3.7429 and STD of 1.146824 respectively.

In general Cost of finance of the respondents were highly determinants of operational performance of SACCS in AANSLSC having aggregate scores for sample mean and sample standard deviation of 3.85833 and 1.056712 respectively

4.5.3 DESCRIPTIVE STATICS OF CORE CAPITAL MANAGEMENT

This section presents the analysis of core capital management obtained from the results. Interpretation of the data and findings in the following discussion produced the mean score and standard deviation of the responses of respondents on determinants of operational performance of SACCS in AANSLSC. Rating or Likert items measuring technique using

Strongly Agree (SA), Agree (A), Neutral (N), Disagree (DA) and Strongly Disagree (SD) used to rate the exhibited core capital management. The analysis of the core capital management was investigated by using means and STD from the results. The results of the means were interpreted based on: 1-1.49 = Very Low; 1.5-2.49 = Low; 2.5-3.49 = Moderate; 3.5-4.49 = High; 4.5-5.0 = Very high.

Table 4.6 Descriptive Statistics of Core Capital Management

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Cooperatives has adequate share capital in form of members' shares	140	1.00	5.00	3.5500	.86769
Cooperatives has enough retained earnings	140	1.00	5.00	4.0286	1.00318
Cooperatives has adequate disclosed reserves	140	1.00	5.00	3.9071	1.09870
Cooperatives engages in savings mobilization from old & new members	140	1.00	5.00	3.8786	.91720
Cooperatives attracts grants and donations from investors	140	1.00	5.00	3.8429	.88368
Valid N (listwise)	140				
Aggregate mean and STD				3.84144	0.96752

(Source: - SPSS output survey data 2024)

According to the results presented in Table 4.6 indicate that the sample mean for individual responses ranged between 3.5500 and 4.0286. These values of sample mean generally tends to 3.84144 on the Likert scale used in this study and thus translates to agreement amongst respondent in respect to the activities implied by the statements. Similarly, the sample STD for the different responses ranged between .86769 and 1.109870 demonstrating that the responses were fairly close together around the sample mean as the variability was narrow. Furthermore, the aggregate scores for sample mean and sample STD for core capital management were 3.84144 and 0.96752 respectively.

According to the given table above majority of the respondents stated that Cooperatives has enough retained earnings having a highest means of 4.0286 and STD of 1.00318 Cooperatives has adequate disclosed reserves having a means of 3.9071 and STD of 1.09870 and Cooperatives engages in savings mobilization from old & new members having a means of and 3.8786 and STD of .91720 respectively

On the other hand, respondents stated that cooperatives attract grants and donations from investors having a means of and 3.8429 and STD .88368, and cooperatives has adequate share capital inform of members' shares having means of 3.5500 and STD of 0.86769 respectively.

In general core capital management of the respondents were highly determinants of operational performance of SACCS in AANSLSC having aggregate scores for sample mean and sample standard deviation of 3.84144 and 0.96752 respectively

4.5.4 DESCRIPTIVE STATICS OF RISK MANAGEMENT

This section presents the analysis of Risk management obtained from the results. Interpretation of the data and findings in the following discussion produced the mean score and STD of the responses of respondents on determinants of operational performance of SACCS in AANSLSC. Rating or Likert items measuring technique using Strongly Agree (SA), Agree (A), Neutral (N), Disagree (DA) and Strongly Disagree (SD) used to rate the exhibited risk management. The analysis of the Risk Management was investigated by using means and STD from the results. The results of the means were interpreted based on: 1-1.49 = Very Low; 1.5-2.49 = Low; 2.5-3.49 = Moderate; 3.5-4.49 = High; 4.5-5.0 = Very high.

Table 4.7 Descriptive Statistics of Risk Management

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Self-retention costs influence organizational performance of Cooperatives	140	1.00	5.00	3.3857	1.16660
Effectiveness of risk control measures affects performance of Cooperatives	140	1.00	5.00	3.9929	.94066
Risk avoidance strategy has a direct link to the performance of Cooperatives	140	1.00	5.00	3.8786	1.01406
Segregation of risks enhances performance of Cooperatives	140	1.00	5.00	3.8786	1.13460
Proper risk management ensures security of cooperative data used to make decisions.	140	1.00	5.00	3.8643	.96119
Assets in portfolio reduce risks and contributes to good performance of Cooperatives	140	1.00	5.00	3.8429	.91566
Valid N (listwise)	140				
Aggregate mean and STD				3.8074	0.989638

Source: - SPSS output survey data 2024

According to the results presented in Table 4.7 indicate that the sample mean for individual responses ranged between 3.3857 and 3.9929. These values of sample mean generally tends to 3.8074 on the Likert scale used in this study and thus translates to agreement amongst respondent in respect to the activities implied by the statements. Similarly, the sample STD for the different responses ranged between .91566 and 1.16660 demonstrating that the responses were fairly close together around the sample mean as the variability was narrow. Furthermore, the aggregate scores for sample mean and sample STD for Risk management were 3.8074 and 0.989638 respectively.

According to the given table above majority of the respondents stated that effectiveness of risk control measures affects performance of SACCS having a highest means of 3.9929 and STD of .94066, Segregation of risks enhances performance of SACCS having a means of 3.8786 and STD of 1.13460 and Risks avoidance strategy has a direct link to the performance of SACCS having a means of and 3.8786 and STD of 1.01406 respectively

On the other hand, respondents stated that proper risk management ensures security of SACCS data used to make decisions having a means of 3.8643 and STD .96119, Assets in portfolio reduce risks and contributes to good performance of SACCS having a means of 3.8429 and STD .91566 and Self-retention costs influence organizational performance of SACCS having means of 3.3857 and STD of 1.16660 respectively.

In general Risk management of the respondents were highly determinants of operational performance of SACCS in AANSLSC having aggregate scores for sample mean and sample STD of 3.8074 and 0.989638 respectively

4.5.5 DESCRIPTIVE STATICS OF DIVIDEND POLICY

This section presents the analysis of dividend policy obtained from the results. Interpretation of the data and findings in the following discussion produced the mean score and standard deviation of the responses of respondents on determinants of operational performance of SACCS in AANSLSC. Rating or Likert items measuring technique using Strongly Agree (SA), Agree (A), Neutral (N), Disagree (DA) and Strongly Disagree (SD) used to rate the exhibited dividend policy. The analysis of the dividend policy was investigated by using means

and STD from the results. The results of the means were interpreted based on: 1-1.49 = Very Low; 1.5-2.49 = Low; 2.5-3.49 = Moderate; 3.5-4.49 = High; 4.5-5.0 = Very high.

Table 4.8 Descriptive Statistics of Dividend Policy

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Cooperative's consistently pays annual cash dividends	140	1.00	5.00	3.5643	1.23621
Cooperative's reimbursements share dividend as bonus share or additional shares instead of cash	140	1.00	5.00	3.6786	1.02675
Cooperatives engages members in share repurchase instead of paying out cash dividends	140	1.00	5.00	3.6286	1.05492
Cooperatives gives bonus deposits to members who capitalize their dividends	140	1.00	5.00	3.5857	1.10581
Cooperatives has good dividend payout ratio	140	1.00	5.00	3.7571	.98091
Valid N (listwise)	140				
Aggregate mean and STD				3.64286	1.06192

Source: - SPSS output survey data 2024

According to the results presented in Table 4.8 indicate that the sample mean for individual responses ranged between 3.5643 and 3.7571. These values of sample mean generally tends to 3.64286 on the Likert scale used in this study and thus translates to agreement amongst respondent in respect to the activities implied by the statements. Similarly, the sample STD for the different responses ranged between .98091 and 1.23621 demonstrating that the responses were fairly close together around the sample mean as the variability was narrow. Furthermore, the aggregate scores for sample mean and sample STD for dividend policy were 3.64286 and 1.06192 respectively.

According to the given table above majority of the respondents stated that SACCS has good dividend payout ratio having a highest means of 3.7571 and STD of .98091, SACCS reimbursements share dividend as bonus share or additional shares instead of cash having a means of 3.6786 & STD of 1.02675 and SACCS engages members in share repurchase instead of paying out cash dividends having a means of 3.6286 and STD of 1.05492 respectively.

On the other hand, respondents stated that SACCS gives bonus deposits to members who capitalize their dividends having a means of 3.5857 and STD 1.10581, SACCS consistently pays annual cash dividends having means of 3.5643 and STD of 1.23621 respectively.

In general dividend policy of the respondents were highly determinants of operational performance of SACCS in AANSLSC having aggregate scores for sample mean and sample STD of 3.64286 and 1.06192 respectively

4.5.6 DESCRIPTIVE STATICS OF CAPITALIZATION

This section presents the analysis of capitalization obtained from the results. Interpretation of the data and findings in the following discussion produced the mean score and STD of the responses of respondents on determinants of operational performance of SACCS in AANSLSC. Rating or Likert items measuring technique using Strongly Agree (SA), Agree (A), Neutral (N), Disagree (DA) and Strongly Disagree (SD) used to rate the exhibited capitalization. The analysis of the capitalization was investigated by using means and STD from the results. The results of the means were interpreted based on: 1-1.49 = Very Low; 1.5-2.49 = Low; 2.5-3.49 = Moderate; 3.5-4.49 = High; 4.5-5.0 = Very high.

Table 4.9 Descriptive Statistics of Capitalization

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Cooperatives has a policy on capitalization of dividends	140	1.00	5.00	3.2143	1.26824
Cooperatives normally floats shares to members of the public	140	1.00	5.00	3.8143	1.07680
Cooperatives encourages members to raise minimum contributions	140	1.00	5.00	4.1071	.99420
Cooperatives engages in reinvestment of profits	140	1.00	5.00	3.9429	1.00911
Capitalization policies influence cooperatives performance	140	1.00	5.00	3.8214	1.04756
Cooperatives encourages members to engage in bonus deposits	140	1.00	5.00	4.1929	.95131
Valid N (listwise)	140				
Aggregate mean and STD				3.84882	0.9861327

Source: - SPSS output survey data 2024

According to the results presented in Table 4.9 indicate that the sample mean for individual responses ranged between 3.2143 and 4.1929. These values of sample mean generally tends to 3.84882 on the Likert scale used in this study and thus translates to agreement amongst respondent in respect to the activities implied by the statements. Similarly, the sample STD for the different responses ranged between .95131 and 1.26824 demonstrating that the responses were fairly close together around the sample mean as the variability was narrow. Furthermore, the aggregate scores for sample mean and sample STD for Capitalization were 3.84882 and 0.9861327 respectively.

According to the given table above majority of the respondents stated that SACCS encourages members to engage in bonus deposits having a highest means of 4.1929 and STD of .95131, SACCS encourages members to raise minimum contributions having a means of 4.1071 and STD of .99420 and SACCS engages in reinvestment of profits having a means of 3.9429 and STD of 1.00911 respectively

On the other hand, respondents stated that capitalization policies influence cooperatives performance having a means of 3.8214 and STD 1.04756, Cooperatives normally floats shares to members of the public having a means of 3.8143 and STD 1.07680, Cooperatives has a policy on capitalization of dividends having means of 3.2143 and STD of 1.26824 respectively.

In general capitalization of the respondents were highly determinants of operational performance of SACCS in AANSLSC having aggregate scores for sample mean and sample STD of 3.84882 and 0.9861327 respectively.

4.5.7 OPERATIONAL PERFORMANCE

This section presents the analysis of operational performance obtained from the results. Interpretation of the data and findings in the following discussion produced the mean score and standard deviation of the responses of respondents on determinants of operational performance of SACCS in AANSLSC. Rating or Liker items measuring technique using Strongly Agree (SA), Agree (A), Neutral (N), Disagree (DA) and Strongly Disagree (SD) used to rate the exhibited Operational performance. The analysis of the Operational performance

was investigated by using means and standard deviations from the results. The results of the means were interpreted based on: 1-1.49 = Very Low; 1.5-2.49 = Low; 2.5-3.49 = Moderate; 3.5-4.49 = High; 4.5-5.0 = Very high.

Table 4.10 Descriptive Statistics of Operational performance

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**Mean**	**Std. Deviation**
Trends in sales growth of cooperative states its performance.	140	1.00	5.00	3.8929	1.03671
Returns on investments determine influences financial growth of Cooperatives	140	1.00	5.00	3.8857	1.18191
The value of a cooperative is affected by the return on assets.	140	1.00	5.00	3.8571	1.05647
Operating efficiency reduces costs of equity and debt thus enhancing organizational performance of Cooperatives	140	1.00	5.00	3.6143	.97881
Appropriate risk management strategies lead to better performance of Cooperatives	140	1.00	5.00	3.9000	.85914
Valid N (listwise)	140				
Aggregate mean and STD				3.83000	0.923847

Source: - SPSS output survey data 2024

According to the results presented in Table 4.10 indicate that the sample mean for individual responses ranged between 3.6143 and 3.9000. These values of sample mean generally tends to 3.83000 on the Likert scale used in this study and thus translates to agreement amongst respondent in respect to the activities implied by the statements. Similarly, the sample STD for the different responses ranged between .85914 and 1.18191 demonstrating that the responses were fairly close together around the sample mean as the variability was narrow. Furthermore, the aggregate scores for sample mean and sample STD for operational performance were 3.83000 and 0.923847 respectively.

According to the given table above majority of the respondents stated that appropriate risk management strategies lead to better performance of cooperatives having a highest means of 3.900 and STD of .85914, Trends in sales growth of cooperative states its performance having a means of 3.88929 and STD of .1.03671 and Return on investments determine influences financial growth of SACCS having a means of and 3.8857 and STD of 1.18191 respectively.

On the other hand, respondents stated that the value of a SACCS is affected by the return on assets having a means of 3.8571 and STD 1.05647 And Operating efficiency reduces costs of equity and debt thus enhancing organizational performance of SACCS having means of 3.6143 and STD of .97881 respectively.

In general, items in the operational performance list for the respondents were highly determinants of operational performance of SACCS in AANSLSC having aggregate scores for sample mean and sample STD of 3.83 and 0.923847 respectively

4.6 CORRELATION ANALYSIS

In order to decide the relationship between independent variables of the study with operational performance of SACCS and to evaluate strength of this relationship, the Pearson Product Moment Correlation Coefficient was used. The Pearson product moment correlation coefficient is the most widely used method of measuring the degree of relationship between two variables (Kothari, 2004). This coefficient assumes that there is linear relationship between the two variables. Positive values of "r" indicate positive correlation between the two variables (i.e., changes in both variables take place in the statement direction), whereas negative values of 'r' indicate negative correlation i.e., changes in the two variables taking place in the opposite directions. A zero value of 'r' indicates that there is no association between the two variables. According to Bartz (2009) a correlation coefficient enables to quantify the strength of the linear relationship between variables. This coefficient is usually denoted by 'r' and can take only the value from -1 to +1. If r = +1 there is perfect positive relationship between variables.

As indicated in Appendix: 2-a the relationship among all the variables was found positively correlated by using Pearson's correlation coefficient. The correlation value r = .747** shows that there is a positively strong relationship between Internal control practice and operational performance, and the p-value showed that the relationship is significant.

Regarding to operational performance of SACCS and Cost of finance, r=.676** which shows a positively strong relationship between the two variables, and the p-value indicates that the relationship is significant. When coming to the relationship of operational performance of

SACCS with core capital management, the r=.839**showed a positively strong relationship between the two variables, also p-value shows that the relationship is significant.

The value of r=.837** for operational performance of cooperatives and risk management shows a positively strong relationship, and the p-value indicates a significant relationship between them. The result of correlation analysis shows that all study variables have positive and significant relationship with determinants of operational performance of SACCS in the study area.

Regarding to operational performance of SACCS and dividend policy r=.807**which shows a positively strong relationship between the two variables, and the p-value indicates that the relationship is significant. When coming to the relationship between operational performance of cooperatives with capitalization, the r=.844**showed a positively strong relationship between the two variables, also p-value shows that the relationship is significant

4.7 REGRESSION ANALYSIS

Multiple regression analysis studies the relationship between a dependent (response) variable and independent variable (predictors, repressors', IV's). In this study multiple regression analysis was used. Regression analysis is a statistical method that relates one dependent variable to a linear combination of one or more independent variables. Regression identifies how much each independent variable has an effect on dependent variable. Multiple regression analysis calculates multiple correlation coefficients and R-square (Kerlinger and Lee, 2000).

4.7.1 TESTING ASSUMPTIONS OF MULTIPLE REGRESSION MODEL

Before conducting multiple regression analysis the study assessed whether the collected data satisfied multiple regression model assumptions or not. According to Dhakal, (2018) any fit of a multiple regression model is valid, if and only if it should satisfy assumptions of linear relationship between data, data must not show Multicollinearity, Homoscedasticity, and the Residuals (errors) are approximately normally distributed. The tested assumptions are shown as follows:

Assumption 1 : Linearity Test

Linearity means the relationship between dependent and independent variables is to be linear. This relationship characterized by a straight line. Linearity allowed the researcher to predict the dependent variable based on one or more several independent variables. The assumption was checked through a scatter plot by looking at whether the two variables approximately form a straight line. As presented Appendix: 3-a there was linear relationship between dependent and each of independent variables in the study area.

Assumption 2 : Multicollinearity Test

Multicollinearity is the undesirable situation when one independent variable is a linear function of other independent variables or high correlations between the independent variables (Gelman, 2006). Andy (2006) suggests that a tolerance value less than 0.1 almost certainly indicates a serious collinearity problem. According to Liu, (2010) a VIF value greater than 10 is cause for concern. In this study the researcher was checked this assumption with tolerance and VIF statistics. As it can be observed from Appendix: 3-b taking in to account the Variance Inflation Factor not to exceed the allowable value (10) and Tolerance value greater than (0.1) for all independent variables. Therefore, multi-collinearity problem does not exist.

Assumption 3: Normality Test

Most statistical analysis works on the assumption and requirement of normality (Kline, 2016). Pallant (2011) explained normal distribution as it describes a symmetrical bell-shaped curve that portrays the greatest frequency of scores in the middle, with smaller frequencies towards the extremes. The normality test histogram is shown in Appendix: 3-c

Assumption 4 : Homoscedasticity Test

This is the assumption that the variation in the residuals (or amount of error in the model) is similar at each point across the model. In other words, the spread of the residuals should be fairly constant at each point of the predictor variables (or across the linear model). It can be getting an idea of this by looking at our original scatter plot but to properly test this, we need to ask SPSS to produce a special scatter plot for us that includes the whole model (and not just

the individual predictors). To test this assumption, we need to plot the standardized values our model would predict, against the standardized residuals obtained. As shown in Appendix: 3-d the spread of the residuals was fairly constant at each point of the predictor variables or our plot of standardized residuals vs standardized predicted values showed no obvious signs of funneling, suggesting the assumption of homoscedasticity has been met.

4.7.2 RESULT OF REGRESSION ANALYSIS

Multiple regression analysis calculates multiple correlation coefficients and R-square. The contribution of independent variables towards dependent variable is measured by Beta value and can be explained on bases of p or t values. From the study finding each point were presented below:

Table 4.12 Model Summaries

Model Summary[b]				
Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	.897[a]	.805	.797	.26119
a. Predictors: (Constant), Capitalization, Cost of finance, Dividend policy, Internal control practice, Core capital management, Risk management				
b. Dependent Variable: operational performance				

Source: Own survey, 2024

In Table 4.12 R value represents the correlation strength between dependent variable and independent variables of the study. The value 0.897 shows strong correlation between variables tested (dependent and independent variables). R-square is the coefficient of determination and measures the proportion of variance in dependent variable (operational performance) that is explained by independent variables (Capitalization, Cost of finance, Dividend policy, Internal control practice, core capital management, risk management) in operational performance of SACCS in AANSLSC.

Table 4.13 ANOVA

ANOVA[a]						
Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	37.561	6	6.260	91.765	.000[b]
	Residual	9.073	133	.068		
	Total	46.634	139			
a. Dependent Variable: operational performance						
b. Predictors: (Constant), Capitalization, Cost of finance, Dividend policy, Internal control practice, Core capital management, Risk management						

Source: Own survey, 2024

Table 4.13 shows whether the test carried out was statistically significant for the regression model used in the study using ANOVA and degree of variability. Since the sig = .000 which is less than 0.05, the model is good fit of the data tested i.e. the independent variables (Capitalization, Cost of finance, Dividend policy, Internal control practice, Core capital management, Risk management) statistically significant to predict the dependent variable (operational performance) at operational performance of SACCS in AANSLSC and The F calculated at 5% level of significance is 91.765 this shows that the overall model is significant.

Table 4.14 Regression Coefficient

Coefficients[a]						
Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**T**	**Sig.**
		B	**Std. Error**	**Beta**		
1	(Constant)	1.084	.158		6.862	.000
	Internal control practice	.266	.068	.086	.979	.001
	Cost of finance	.202	.067	.232	3.035	.003
	Core capital management	.273	.075	.331	3.626	.000
	Risk management	.126	.106	.137	1.192	.000
	Dividend policy	.254	.076	.269	3.331	.001
	Capitalization	.211	.054	.342	3.887	.000
a. Dependent Variable: operational performance						

Source: Own survey, 2024

According to Kabir (2016) one of the approaches used to test a research hypothesis is p-value approach. In this approach, researchers compute the p-value on the basis of a test statistic and then compare it with the significance level (test size). If the p-value is smaller than the significance level, researches reject the null hypothesis. A p-value is considered as amount of risk that researchers have to take when rejecting the null hypothesis. This study used the test size of $\alpha = .05$ which is at 95% confidence level or 5% level significance. Pallent (2016) states

the general rule to reject Ho if $p < 0.05$ and accept Ho if $p \geq 0.05$. Table 4.14 above presents regression coefficient result. According to Dhakal (2018) unstandardized coefficients indicate how much the dependent variable varies with an independent variable when all other independent variables are held constant. The regression coefficient provides the expected change in the dependent variable for a one-unit increase in the independent variable. In order to measure the contribution of each independent variable on the dependent variable the study considers the following model specification by using unstandardized coefficient values.

Where: x1, x2, x3, x4, x5 and x6 are independent variables of the study (i.e. Capitalization, Cost of finance, Dividend policy, Internal control practice, Core capital management, Risk management) respectively. From the above regression equation, the researcher understands that keeping all other variables constant: For every one-unit increment on internal control practice, the percentage of operational performance of cooperatives increased by 26.6% in the study area. For every one-unit increment on Cost of finance, the percentage of operational performance of cooperatives increases by 20.2%. For every one-unit increment on Core capital management, the percentage of operational performance of cooperatives increases by 27.3%. For every one-unit increment on Risk management, the percentage of operational performance of cooperatives increases by 12.6%. For every one-unit increment on Dividend policy, the percentage of operational performance of cooperatives increases by 25.4%. For every one-unit increment on Capitalization, the percentage of operational performance of cooperatives increases by 21.1%. As it can be seen from the regression result, out of six independent variables, the effect of Core capital management is the most significant, followed by internal control practice, Dividend policy, Capitalization, Cost of finance and then Risk management.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 INTRODUCTION

The chapter presents a summary of the findings, conclusions and recommendations as per the research objective.

5.2 SUMMARY OF FINDINGS

The general objective was to investigate how are the determinants affected the operational performance of SACCS in AANSLSC. The respondents comprised of managers and team leaders of SACCS which formed a population of 145 respondents. The summary of the findings is presented as follows:

- The sample size of 145 questionnaires was distributed and 140 responses have correctly filled and returned which accounted 96.55% of response rate.
- Majority of the respondents 55% are males and the majority of this respondents 45(32.1%) were in the age range of 30-35 years.
- On the other hand, the majority of respondents 53(37.9%) were bachelor's degree holders and 30% of them have work experienced for 5-7 years
- The result of the aggregate mean of all internal control practice related statements were 3.93142 with standard deviation 1.03315684, which lies between the range of [3.5 - 4.49] and it felt high mean range section and internal control practice affect operational performance of SACCS in AANSLSC
- The result of the aggregate mean of all cost of finance related statements were 3.85833 with standard deviation 1.056712, which lies between the range of [3.5 - 4.49] and it

felt high mean range section and cost of finance affect operational performance of SACCS in AANSLSC

- The result of the aggregate mean of all core capital management related statements were 3.8786 with standard deviation .91720, which lies between the range of [3.5 - 4.49] and it felt high mean range section and core capital management affect operational performance of SACCS in AANSLSC.

- The result of the aggregate mean of all risk management related statements were 3.8074 with standard deviation 0.989638, which lies between the range of [3.5 - 4.49] and it felt high mean range section and Risk management affect operational performance of SACCS in AANSLSC.

- The result of the aggregate mean of all dividend policy related statements were 3.64286 with standard deviation 1.06192, which lies between the range of [3.5 - 4.49] and it felt high mean range section and dividend policy affect operational performance of SACCS in AANSLSC.

- The result of the aggregate mean of all capitalization related statements were 3.84882 with standard deviation 0.9861327, which lies between the range of [3.5 - 4.49] and it felt high mean range section and capitalization affect operational performance of SACCS in AANSLSC.

- The result of the aggregate mean of all operational performances related statements were 3.83 with standard deviation 0.923847, which lies between the range of [3.5 - 4.49] and it felt high mean range section and operational performances affect operational performance of SACCS in AANSLSC

- The correlation value r = .747** shows that there is a strong relationship between Internal control practice and operational performance, and the p-value showed that the relationship is significant. Regarding to determinants of operational performance of SACCS and cost of finance, r=.676** which shows a strong relationship between the two variables, and the p-value indicates that the relationship is significant. When coming to the relationship of determinants of operational performance of SACCS with

core capital management, the r=.839** showed a strong relationship between the two variables, also p-value shows that the relationship is significant.

- The value of r=.837** for operational performance of saving and credit cooperatives societies and risk management shows a positive and strong relationship, and the p-value indicates a significant relationship between them.

- The result of correlation analysis shows that all study variables have positive and significant relationship with operational performance of saving and credit cooperatives societies in the study area. Regarding to operational performance of cooperatives and dividend policy r=.807**which shows a positive and strong relationship between the two variables, and the p value indicates that the relationship is significant. When Coming to the relationship of operational performance of cooperatives with Capitalization, the r=.844**showed a positive and strong relationship between the two variables, also p-value shows that the relationship is significant

- For every one-unit increment on internal control practice, the percentage of operational performance increased by 26.6% in the study area. For every one-unit increment on cost of finance, the percentage of operational performance increases by 20.2%. For every one-unit increment on core capital management, the percentage of operational performance increases by 27.3%. For every one-unit increment on risk management, the percentage of operational performance increases by 12.6%. For every one-unit increment on dividend policy, the percentage of operational performance of cooperatives increases by 25.4%. For every one-unit increment on capitalization, the percentage of operational performance of cooperatives increases by 21.1%.

- As it can be seen from the regression result, out of six independent variables, the effect of core capital management is the most significant, followed by internal control practice, dividend policy, capitalization, cost of finance and then risk management.

5.3 CONCLUSION

The study aims to investigate determinants of operational performance of SACCS in AANSLSC. The study's specific objectives were to find out the effects of cost of finance, internal control practices, risk management, core capital management, dividend policy, and capitalization on operational performance of SACCS in AANSLSC. The study concluded that the inappropriate management of financing costs is detrimental to effective operational performance of SACCS in AANSLSC. This means that the insufficient volumes of services provided by these cooperatives were influenced by inadequate capital due to problems associated with costs of finance. Transaction costs and tax rates contribute to decrease in the net returns by the cooperatives in Addis Ababa thus remaining with little to cater for charges associated with the funds obtained from financial institutions and investment purposes. It was inferred that cooperative financial performance was affected by their internal control practices. Therefore, they sought to keenly formulate and implement general control mechanisms in regard to internal control and compliance its internal control. This is because the financial difficulties that hindered the progress of cooperative found to come partly from misuse of available funds without strict adherence to existing levels of compliance.

It was evident from the study that risk management affected operational performance of SACCS in AANSLSC. Lack of proper segregation and avoidance of risks meant ineffective risk management leading to big losses hence poor performance from cooperatives. The study acknowledged that the volume of capital is gained as a result of good working relationship among managers and members were important for good performance. Trust and reciprocity are important in that managers can put interests of the members thus working hard to improve financial performance.

Core capital management significantly influences operational performance of SACCS in AANSLSC by ensuring and adhere to core capital requirements as regulated by governing authority.

Dividend policy is a significant predictor of operational performance of SACCS in AANSLSC, since it helps in savings mobilizations by attracting new and retaining old customers. Capitalization as a new initiative to boost cooperatives share capital has a

significant bearing on saving and credit cooperatives societies in AANSLSC operational performance.

5.4 RECOMMENDATIONS

The SACCS in AANSLSC could formulate feasible loan security policies that limit loan delinquency ratios while at the same time attracting new customers so as to boost corporative share capital. The SACCS in AANSLSC advised to adhere to core capital management requirements as stipulated by governing authority as to avoid liquidation risks. SACCS in AANSLSC recommended to enact feasible dividend policies that guarantee consistent dividend payouts and encourage reinvestments so as to attract new and retain old customers. SACCS in AANSLSC should embrace viable capitalization initiatives as possible savings mobilization strategy meant to boost SACCS in AANSLSC share capital.

After the study findings, the researcher recommended that saving and credit cooperative could establish and implement financial policies to enable them to manage the costs of finance effectively. They should also establish internal control systems that will make control of various actions such as administrative expenditures much easier. It is furthermore recommended that SACCS in AANSLSC could fully engage all the members in the affairs of the organization. This means that nothing should be done without notifying and inviting members for critical discussions. This will increase the social capital thus good working relationship. SACCS in AANSLSC should moreover, formulate and implement appropriate risk management strategies to enable them manage risks, minimize losses and improve performance.

The researcher suggests that further studies should be carried out on role of capital structure on performance of SACCS in AANSLSC, determinants of financial sustainability, and determinants of operational performance of SACCS in AANSLSC.

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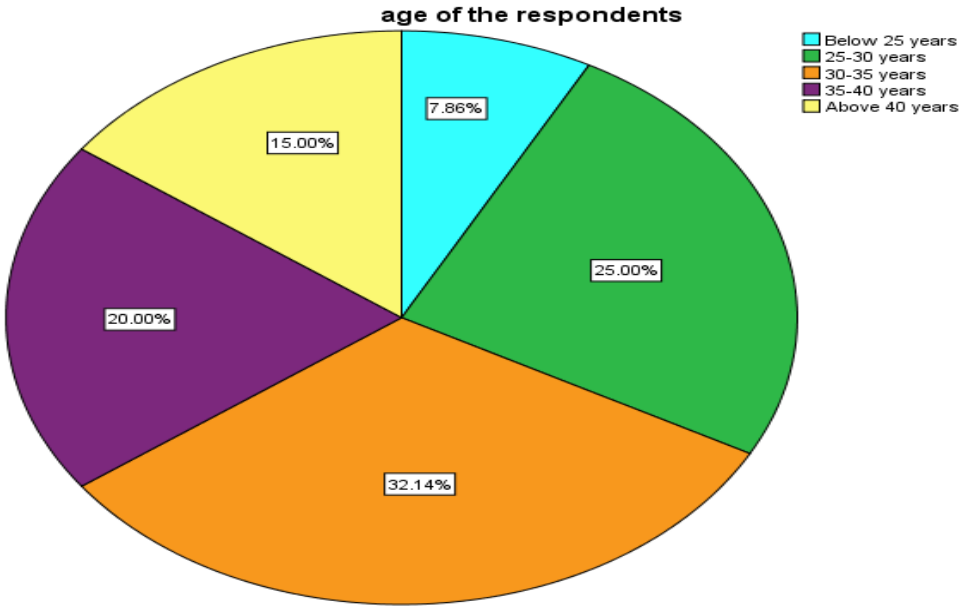
APPENDIX

Appendix: 1-a

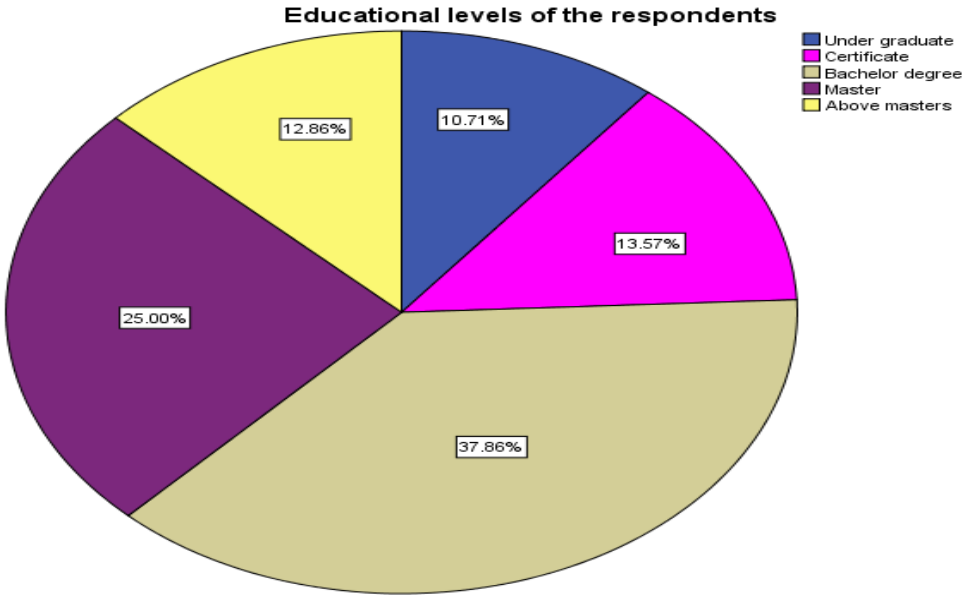
Age of the respondents



Source: - Survey SPSS output 2024

Appendix: 1-b

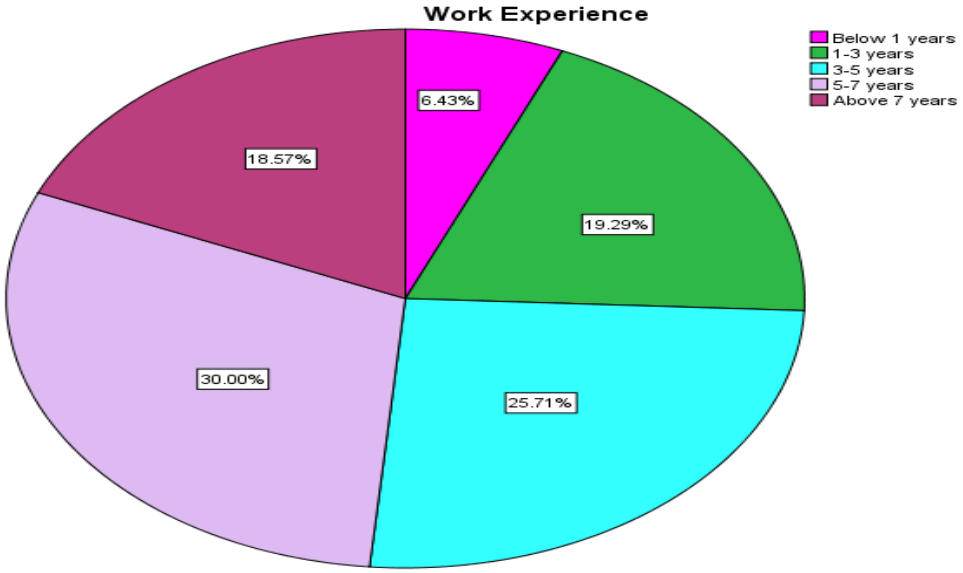
Educational levels of the respondents



Source: -Survey SPSS output 2024

Appendix: 1-c

Work Experience of respondents



Source: -Survey SPSS output 2024

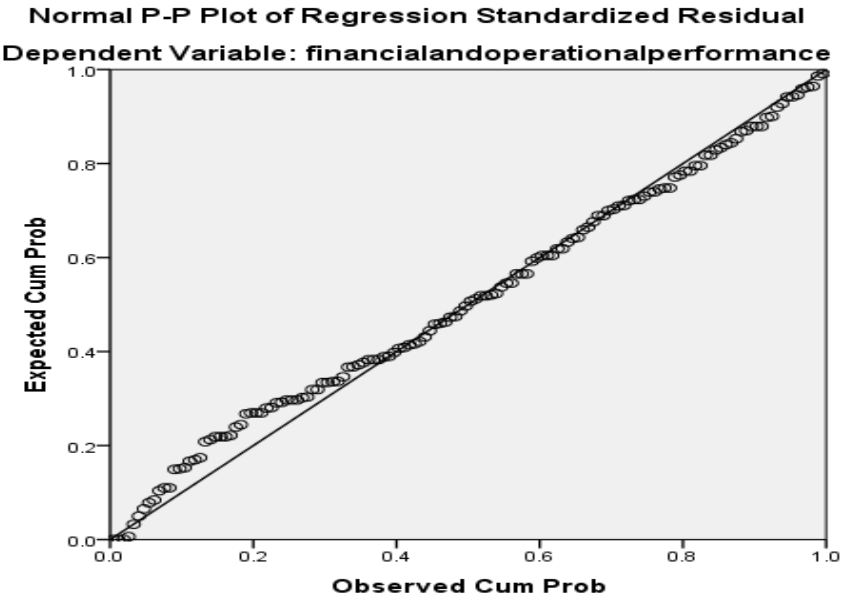
Appendix: 2-a

Correlation's analysis result								
		Internal control practice	**Cost of finance**	**Core capital management**	**Risk management**	**Dividend policy**	**Capitalization**	**Financial operational performance**
Internal control practice	Pearson Correlation	1	.826**	.807**	.867**	.793**	.742**	.747**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	140	140	140	140	140	140	140
Cost of finance	Pearson Correlation	.826**	1	.809**	.798**	.776**	.736**	.676**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	140	140	140	140	140	140	140
Core capital management	Pearson Correlation	.807**	.809**	1	.851**	.809**	.856**	.839**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	140	140	140	140	140	140	140
Risk management	Pearson Correlation	.867**	.798**	.851**	1	.864**	.869**	.837**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	140	140	140	140	140	140	140
Dividend policy	Pearson Correlation	.793**	.776**	.809**	.864**	1	.771**	.807**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	140	140	140	140	140	140	140
Capitalization	Pearson Correlation	.742**	.736**	.856**	.869**	.771**	1	.844**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	140	140	140	140	140	140	140
Operational performance	Pearson Correlation	.747**	.676**	.839**	.837**	.807**	.844**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	140	140	140	140	140	140	140

**. Correlation is significant at the 0.01 level (2-tailed).
Source: - SPSS output survey data 2024

Appendix: 3-a

Linearity test



Source: Own survey, 2024

Appendix: 3-b

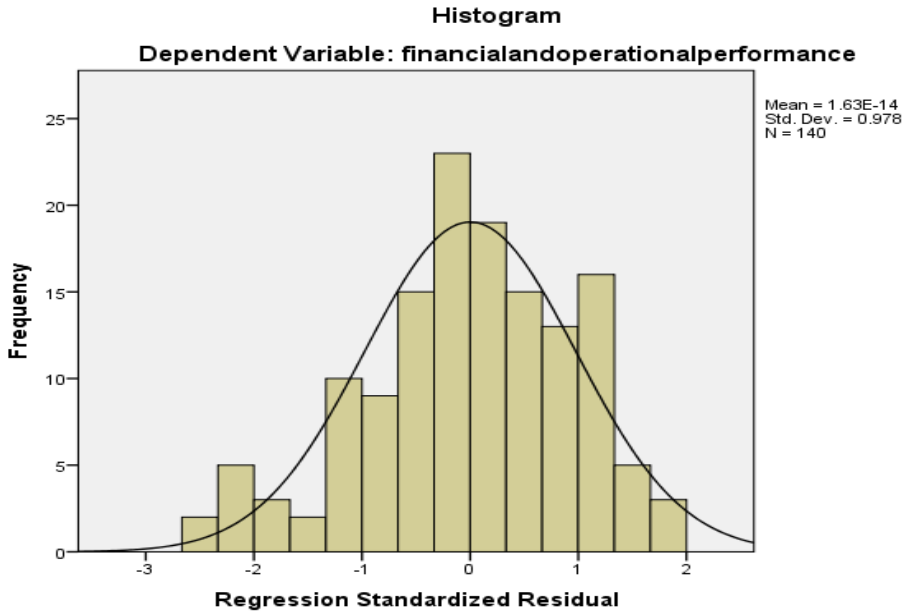
Multicollinearity Test

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.084	.158		6.862	.000		
	Internal Control Practice	.066	.068	.086	.979	.329	.190	5.253
	Cost Of Finance	-.202	.067	-.232	-3.035	.003	.251	3.991
	Core Capital Management	.273	.075	.331	3.626	.000	.176	5.695
	Risk Management	.126	.106	.137	1.192	.235	.111	9.020
	Dividend Policy	.254	.076	.269	3.331	.001	.224	4.460
	Capitalization	.211	.054	.342	3.887	.000	.189	5.283
a. Dependent Variable: Operational Performance								

Source: Own survey, 2024

Appendix: 3-c

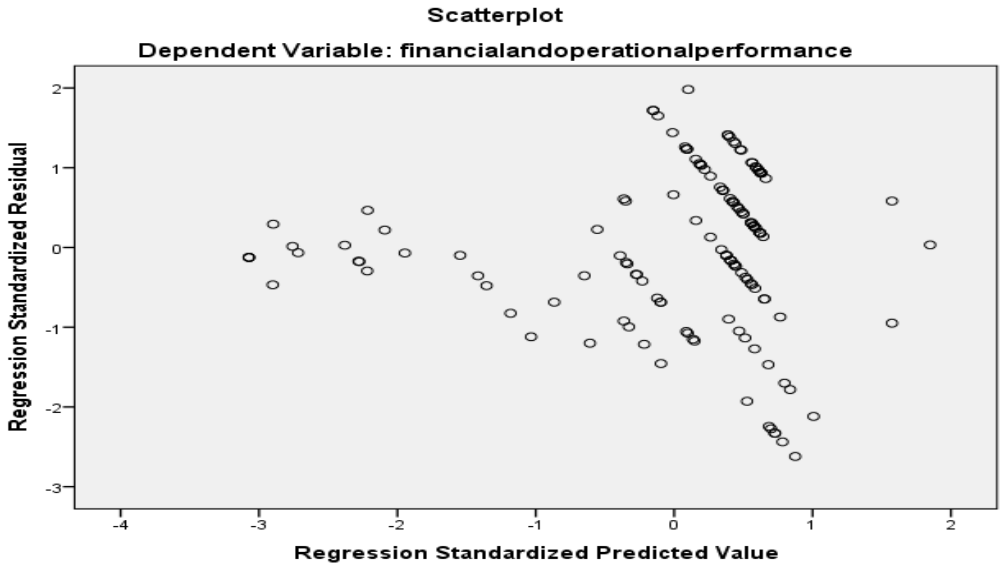
Normality test



Source: Own survey, 2024

Appendix: 3-d

Homoscedasticity Test



Source: Own survey, 2024

QUESTIONER

SECTION I: - BACKGROUND INFORMATION.

1. Gender
   - ☐ Male ☐ Female
2. Age
   - ☐ Below 25 years
   - ☐ 25- 30 years
   - ☐ 30- 35 years
   - ☐ 35- 40 years
   - ☐ Above 40 years.
3. Qualification
   - ☐ Undergraduate
   - ☐ Certificate
   - ☐ Bachelor degree
   - ☐ Master
   - ☐ Above master
4. How many years you have worked in operational performance of cooperatives industry?
   - ☐ Below 1 years
   - ☐ 1-3 years
   - ☐ 3-5 years
   - ☐ 5-7 years
   - ☐ Above 7 years
5. Marital status
   - ☐ Single
   - ☐ Married
   - ☐ Divorce

SECTION II CLOSED TYPE QUESTIONS.

Please show the extent of your perception on the determinants of operational performance of SACCS in AANSLSC. Please use (√) symbol to indicate in the Rating or Liker items measuring technique using:

- Strongly Agree (SA),
- Agree (A),
- Neutral (N),
- Disagree (DA) and
- Strongly Disagree (SDA).

Kindly tick in the spaces provided for the answer that best represents your view.

1. INTERNAL CONTROL PRACTICE

No	Internal control practice	SD	DA	N	A	SA
1	Clear division of labour existence in saving and credit cooperatives affects its performance affects its performance.	☐	☐	☐	☐	☐
2	Appropriate supervision of junior's works is done by senior members	☐	☐	☐	☐	☐
3	Well-developed chart of accounts determine performance.	☐	☐	☐	☐	☐
4	Compliance levels links to the performance.	☐	☐	☐	☐	☐
5	Internal control leads to accountability among cooperative managers	☐	☐	☐	☐	☐

2. COST OF FINANCE

No	Cost of finance	SD	DA	N	A	SA
1	Level of interest rates influence costs of finance thus affects performance of cooperative	☐	☐	☐	☐	☐
2	Performance of cooperative is influenced by inflation rates.	☐	☐	☐	☐	☐
3	Tax rates increases financing costs thus determining trends in the performance from one time to another time to another.	☐	☐	☐	☐	☐
4	Transaction costs incurred by cooperatives affect their performance.	☐	☐	☐	☐	☐
5	Large cooperative have economies of scales and advantage in regard to costs of obtaining funds.	☐	☐	☐	☐	☐
6	Costs of finance are determined by competition in financial institutions and this affects performance	☐	☐	☐	☐	☐

3. CORE CAPITAL MANAGEMENT

No	Core capital management	SD	DA	N	A	SA
1	Cooperatives has adequate share capital inform of members' shares	☐	☐	☐	☐	☐
2	Cooperatives has enough retained earnings	☐	☐	☐	☐	☐
3	Cooperatives has adequate disclosed reserves	☐	☐	☐	☐	☐
4	Cooperatives engages in savings mobilization from old & new members	☐	☐	☐	☐	☐
5	Cooperatives attracts grants and donations from investors	☐	☐	☐	☐	☐

4. RISK MANAGEMENT

No	Risk Management	SD	DA	N	A	SA
1	Self-retention costs influence organizational performance of Cooperatives	☐	☐	☐	☐	☐
2	Effectiveness of risk control measures affects performance of Cooperatives	☐	☐	☐	☐	☐
3	Risks avoidance strategy has a direct link to the performance of Cooperatives	☐	☐	☐	☐	☐
4	Segregation of risks enhances performance of Cooperatives	☐	☐	☐	☐	☐
5	Proper risk management ensures security of cooperative data used to make decisions.	☐	☐	☐	☐	☐
6	Assets in portfolio reduce risks and contributes to good performance of Cooperatives	☐	☐	☐	☐	☐

5. DIVIDEND POLICY

No	Dividend Policy	SD	DA	N	A	SA
1	Cooperatives consistently pays annual cash dividends	☐	☐	☐	☐	☐
2	Cooperatives reimbursements share dividend as bonus share or	☐	☐	☐	☐	☐
3	additional shares instead of cash	☐	☐	☐	☐	☐
4	Cooperatives engages members in share repurchase instead of paying out cash dividends	☐	☐	☐	☐	☐
5	Cooperatives gives bonus deposits to members who capitalize their	☐	☐	☐	☐	☐

6. CAPITALIZATION

No	Capitalization	SD	DA	N	A	SA
1	Cooperatives has a policy on capitalization of dividends	☐	☐	☐	☐	☐
2	Cooperatives normally floats shares to members of the public	☐	☐	☐	☐	☐
3	Cooperatives encourages members to raise minimum contributions	☐	☐	☐	☐	☐
4	Cooperatives engages in reinvestment of profits	☐	☐	☐	☐	☐
5	Capitalization policies influence Cooperatives performance	☐	☐	☐	☐	☐
6	Cooperatives encourages members to engage in bonus deposits	☐	☐	☐	☐	☐

7. OPERATIONAL PERFORMANCE

No	Operational Performance	SD	DA	N	A	SA
1	Trends in sales growth of cooperative states its performance.	☐	☐	☐	☐	☐
2	Returns on investments determine influences financial growth of Cooperatives	☐	☐	☐	☐	☐
3	The value of a cooperative is affected by the return on assets.	☐	☐	☐	☐	☐
4	Operating efficiency reduces costs of equity and debt thus enhancing	☐	☐	☐	☐	☐
5	organizational performance of Cooperatives	☐	☐	☐	☐	☐