



Evaluating The Influence of Work Rules and Procedures, on the Performance of Savings and Credit Cooperatives, Focusing on Wakiso District, Uganda

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Abstract

Savings and Credit Cooperatives (SACCOs) play an important role as financial service providers, giving a cross-section of the population a chance of accessing financial services. It is imperative to note that, the efficiency and effectiveness of these institutions are evaluated to improve areas of weaknesses. The purpose of this study was to investigate the influence of work rules and procedures on the performance of SACCOs. It specifically focused on the influence of work rules and procedures on profitability, customer satisfaction, and, the overall performance of SACCOs respectively, in Wakiso District. A quantitative correlational cross-sectional survey and ex post- facto design was used. Using questionnaires and interview guides, data was collected from 10 SACCOs and a sample of SACCO members, Board of directors, audit committee members, and members of staff. Documentary analysis was done to enrich the conceptualization of the problem and interpretation of data. Results revealed that work rules and procedures are not significant predictors of profitability, customer satisfaction, and overall performance of SACCOs in Wakiso District. Work rules and procedures, however, should be emphasized in the SACCOs because they bolster a strong sense of solidarity and commitment towards organizational goals. They are also used as behavioral measures to prevent undesirable organizational actions.

Keywords: Work rules and procedures, profitability, customer satisfaction, the performance of SACCOs and Savings and Credit Cooperatives (SACCOs).

INTRODUCTION

Savings and Credit Cooperatives (SACCOs) are member-based institutions that intermediate savings into loans and are usually small independent financial institutions. They play an important role of financial service providers, giving a cross-section of the population a chance of accessing financial services. Although SACCOs account for a small share of the total credit portfolios, they hold a significant position in the credit delivery system and cater for different geographical locations and demographic categories (Mckillop & Wilson 2015). Their wide network supplements the commercial banking networks in deepening financial intermediation among the adults. Demographically, SACCOs provide access to affordable finance, build capital, and recreate social dynamics among members and communities who have little access to mainstream financial services. If SACCOs are to achieve their objectives, provide access to affordable finance and react to market failures or extreme situations threatening the lives of ordinary citizens, so as to uplift the social-economic conditions of their members and the local community as (Borzaga & Galela, 2012; Munkner, 2013) observe, they have to register a good financial performance and ensure that, their members/customers continue to be satisfied with the services offered. They must not only have financial but also non-financial controls put in place to provide information to assist in control so that they are operated efficiently and make it possible for the satisfied active poor to continue accessing financial services.

However, in contrast to other financial institutions, the SACCOs sector in Uganda is not regulated by the Central Bank (Bank of Uganda). SACCOs are regulated through the Cooperative Societies Act, which is not sufficient for financial institutions. They are the only financial institutions that are collecting savings but are not prudentially regulated by the Bank of Uganda (AMFIU, 2005). It is just of recent when the Ministry of Trade Industry and Cooperatives, confirmed that Bank of Uganda would take over the supervision of only 19 big SACCOs including institutional SACCOs like Wazalendo belonging to Uganda Peoples Defence Force (UPDF) (Mugasha, 2018). It is also questionable whether the SACCOs sector, as it is today in Uganda characterized by many small standalone SACCOs (and only a few large and mature SACCOs) is viable and will be viable in the future and stay attractive to their traditional client base.

According to Mazzoral (2015), SACCOs also have key issues to address such as generic strategic challenges, governance and management weaknesses, which are due to weak regulatory and policy framework, human resource capacity constraints, worsened by high staff turnover, inadequate SACCOs' supervision, and monitoring, which create room for ineffective and inefficient operations. Therefore, it is necessary to review the work and performance of these institutions (SACCOs) at regular intervals to ensure that they operate profitably with loyal and satisfied customers. SACCOs must put in place not only financial controls but also non-financial controls to provide information to assist in control so that they are operated efficiently (Buwule, 2016). Among the non-financial controls that can be put in place to evaluate performance, especially in terms of profitability and customer satisfaction, are work rules and procedures.

In this study, work rules and procedures were operationalized as (SACCOs having well-defined actions that are acceptable and unacceptable, SACCOs should have procedures that they follow e.g. when members apply for loans, SACCOs having bye-laws and conforming to Cooperative regulations, superiors in SACCOs rewarding acceptable actions, etc). The performance of SACCOs was measured in terms of profitability and customer satisfaction. Profitability is the primary concern of business practitioners in all types of organizations since it has implications on the organization's health and ultimately its survival. Profitability measures the extent at which a business generates profits from the factors of production, labour, management and capital (Buwule, 2016). Profitability is the primary goal of all business ventures including

SACCOs. A business that is not profitable cannot survive in the long run. Profitability is the most important indicator of the success of a business (Buwule, 2016). Profitability analysis focuses on the relationship between revenues and expenses and the level of profits relative to the size of investment in the business (Obara, 2013).

Customer satisfaction is a function of the customers' expectations and perceived performance of the services rendered. With the increasing number of businesses and growing competition today, each company wants to be the customers' first choice. When a company gains customer satisfaction, profitability can be expected (Buwule & Nyonyintono, 2017). A satisfied customer as observed by Buwule (2016), is the need and demand for the survival and growth of any business. A customer is satisfied when a service performs better than expected. It is necessary not only in retaining the existing customers but also in attracting new customers. ©

The above discussion shows how indispensable profitability and customer satisfaction in SACCOs are. Studying factors that influence these aspects of performance, therefore, becomes imperative. Although several studies have been conducted to determine factors that predict profitability and customer satisfaction (e.g. Buwule,2016; Buwule & Nyonyintono,2017; Ganka,2010; Cull, Demigue & Morduch,2007; Chenhall & Brownwell,2011; & Nabaasa,2009)in Microfinance institutions (MFIs) using large and developed MFIs in various countries and economies, there are limited studies on the controls that determine performance in the context of member-based MFIs (the SACCOs), which are considered small firms in Uganda and which are not regulated by the Central Bank.

Further, previous studies (e.g. Christen, Rhyne, Vogel & Mckeen,1995; & Cull, Demigue & Morduch,2007), show that the level of significance of factors in affecting the performance of MFIs varies due to several underlying factors in a given country. Some of the factors apply to a set of MFIs, and some are not significant. Results in SACCOs (member-based MFIs and small firms) may be different. This study was therefore, designed to investigate the influence of work rules and procedures on the performance of SACCOs, in terms of profitability and customer satisfaction, focusing on Wakiso district in Uganda. Thus, the null hypotheses tested in the study were that:

Ho¹ There is no statistically significant influence of work rules and procedures on profitability of SACCOs in Wakiso district.

Ho²: There is no statistically significant influence of work rules and procedures on customer satisfaction in SACCOs in Wakiso district.

Ho³: There is no statistically significant influence of work rules and procedures on the overall performance of SACCOs in Wakiso district.

Moreover, studies and arguments on work rules and procedures have been beyond Uganda and in big firms, not SACCOs which are considered small organizations in this study.

THEORETICAL FRAMEWORK

The theory which guided this study is the theory of financial intermediation. This theory spells that savings and investments process revolves around intermediation between providers and users of financial capital in the rural & urban areas alike. This is due to the heterogeneity of individuals and firms in terms of financial requirements. Liberalization of financial markets allows financial deepening that reflects on the increasing use of financial intermediation by savers and investors and the monetization of the economy and allows an efficient flow of resources among people and institutions overtime (McKinnon, 1991).

The theory highlights the functions of financial intermediation, augmenting the economy in achieving a durable economic growth on the whole and impact of regulations on financial intermediation. It emphasizes the role of the Central Bank in regulation, supervision and control of financial intermediaries. Intermediaries have the following major functions: pooling of savings; custodial services and accounting; provision of liquidity for operations of the economy; risk sharing of loaning distributed through secured credit and guarantee schemes; and information sharing in order to reduce their transaction costs of financial intermediation and reduce the emergence of information asymmetric (Diamond, 1984; Gurley & Shaw, 1960). Financial intermediation exists because of market frictions and imperfections that prevent savers and inventors from direct optimal trading with each other and acts as a remedy to the market system. These include high transaction costs, methods of regulations and informational asymmetries that are considered as the most leading costs (Claus & Grimes, 2003).

The existence of asymmetrical information results into adverse selection, information monopoly, moral hazard and the principal-agent problem that leads to inefficient performance, thus, higher prices of accessing services. To mitigate such problems, financial intermediaries such as banks, MFIs and informal financial groups fill the gaps as principal –agents through credit screening and delegated monitoring of information gaps between ultimate savers and inventors. This is because they have a comparative informational advantage over ultimate savers and inventors. They screen through; rating agencies, securities, analysts, or auditors in information production due to economies of scale and scope which reduces the cost of informational asymmetries and its extent in the economy and monitor inventors on behalf of savers. This is their basic function that justifies the transaction costs they charge to parties. These participation costs are crucial in understanding the current activities of intermediaries and in particular their focus on risk management (Allen & Santomero, 1998). They also bridge the maturity mismatch between savers and investors; facilitate payment settlement and clearing systems. As a result, they engage in creating financial products/services whose worth to their clients is qualitative asset transformation activities of risk, term, scale, and more efficient allocation of resources or liquidity on a competitive market. For the sustainability of financial intermediation, safety and soundness, regulation has to be in place for intermediaries to act in the production of their monetary services (Cecchetti, 2012).[©]

The theory guides the assessment as to whether access to safe, easy and affordable finance is a pre-condition to enable economically and socially excluded adults to integrate better into the economy and protect themselves against economic shocks. Therefore, compliance with ICA principles underpins the Cooperative organization to put cooperative values into practice and provide a foundation for the SACCOs' financial intermediation effectiveness. SACCOs are: customized to the needs of a group of self-selecting, economically active individuals; democratically governed to meet needs of the majority while not disenfranchising the minority (Pareto optimality); collectively owned to achieve economies of scale and reduce start-up and on-going costs; collectively controlled by an informed membership and to minimize costs of external audit and supervision; patronized by its members to increase local business; autonomous to maintain focus on members' identification goals; voluntary to ensure responsiveness to the market; self-promotional to ensure the present-day membership; concerned with building quality of life in the community where they are located. Therefore, this theory serves as a SACCO and typically has tripartite characteristics, namely; financial institution; a cooperative, development finance and social enterprise. First, as a financial institution, a SACCO receives savings, offers loans, makes investments, offers payment services and other retail products, and by default it is exposed to problems of moral hazard and adverse selection. If not checked and mitigated, such issues could lead to ineffectiveness through an

increased default rate and agency cost (Aziakpono, 2013). Secondly, as a cooperative, a SACCO operates under values and principles including; democratic member control and multiple objectives of meeting socio-economic goals. Such a structure might have far-reaching ramifications on SACCOs' effectiveness evaluation and the governance structure. Lastly, as development finance institutions, SACCOs operate mostly where there is market failure due to high risk or cost (Aziakpono, 2013).[©]

The central idea in this theory is that SACCOs focus on risk management. They reduce informational asymmetries and monitor investors on behalf of savers, and bridge the maturity mismatch between savers and investors. They engage in creating financial products/services whose worth to clients is the qualitative asset transformation activities of a more efficient allocation of resources or liquidity in a competitive market. Although for the sustainability of financial intermediation, safety and soundness, regulation has to be in place for intermediaries to act in the production of their monetary services, SACCO, as earlier reported are not supervised and regulated by Bank of Uganda.[©]

However, compliance with ICA principles underpins any cooperative organization including a SACCO to put cooperative values into practice and provide a foundation for the SACCOs' financial intermediation effectiveness. For example, SACCOs are collectively controlled by an informed membership to minimize costs of external supervision and patronized by its members to increase local business. Further, as reported in this section, the theory serves as a SACCO with tripartite characteristics (financial institution; Cooperative and development finance, and social enterprise). A SACCO operates undervalues and principles and where there is market failure due to high risk or cost. We can therefore, use this theory to describe, explain, and predict performance in these institutions (the SACCOs).[©]

LITERATURE REVIEW

Savings and Credit Cooperatives in Uganda

The study took place in Wakiso district in Central Uganda, focusing on both urban and rural SACCOs. Savings and credit cooperatives are member-based Microfinance Institutions (MFIs) that intermediate savings into loans. Only members can use the services of SACCOs, as the Ugandan law prohibits SACCOs to take savings or lend out money to the public (Markus & Schmidt, 2011). Objectives of SACCOs include; creating a source of funds from which members in need can take productive loans with low but market-based interest rates; educating members concerning how to save and wise use of savings; providing services to members including financial counseling to enable them to solve their financial problems and risk management services to ensure the safety of their savings and loans and provide other related services, e.g. money transfer, payment services and insurance (Buwule, Senyonjo & Kyeyune, 2017).

In contrast to other financial institutions, the SACCOs sector in Uganda is not regulated by the Bank of Uganda (BoU) (AMFIU, 2005). They are regulated through the Cooperative Societies Act which is not sufficient for financial institutions. Furthermore, it is questionable whether the SACCO sector, characterized by many small stand-alone SACCOs (and only a few large and mature SACCOs), will be viable in the future. Although SACCOs account for a small share of the total credit portfolio, they hold a significant position in the credit delivery system and cater for different geographic categories (Mckillop & Wilson, 2015). Their wide network supplements the commercial banking networks in deepening financial intermediaries among the adults. SACCOs empower households/ individuals to participate in decision making, contribute towards the growth process and ensures these individuals against vulnerabilities (Getachew, 2016).

There are various types of SACCOs in Uganda depending on the common bond or membership profile and according to the products extended to members. Generally, there are three broad categories of SACCOs that depend on the common bond such as: residential / community-based, worker/ employee-based and occupation/activity-based SACCOs.©

Forming SACCO ideas may vary from one country or society to another. But for Uganda's case, experience shows that SACCOs are being formed by various individuals, who pool their resources together and also by promoters such as the Government of Uganda (GoU), Development partners, NGOs, religious organizations, politicians, commercial and service institutions (Nuwagaba,2012). For example, the government of Uganda has subsidized the founding of new SACCOs all over the country. Newly established SACCOs can apply for a start-up grant from the government-owned apex –institution, Microfinance Support Centre (MSC). This centre also gives out interest-free loans to the SACCOs or other subsidized loans. In addition to grants and loans, SACCOs can also receive operational support from the government. Based on the 2015 WOCCU statistical report, Uganda had a network of about 1997 SACCOs, with 1,325,517 membership; USD163,178,721 in the loan portfolio and USD 136,570,652 in total assets with 7.2% penetration (WOCCU,2016). This shows how strong and important the movement of SACCOs in Uganda is in assessing the performance of these institutions periodically to address areas of weaknesses. ©

Performance of Business Firms

The performance of SACCOs in this study is measured in terms of profitability and customer satisfaction. Profitability is the business's ability to generate earnings as compared to its expenses/costs incurred. A firm can generate net income consistently. It is the number of profits received relative to the amount invested, often measured by a rate of return on investment. It answers the question of whether one is making enough money for the efforts and allows the strengths and weaknesses to be identified (Nabbasa, 2009; Pandey, 1996; and Buwule, 2016). Profitability is the primary goal of all business ventures. Without profitability, the business will not survive in the long run. A business that is not profitable cannot survive. Conversely, a highly profitable business can reward its owners with a large return on investment (Buwule, 2016). In this study, profitability is measured in terms of revenue generated by SACCOs over costs incurred, increased revenue generated, and reduction in costs among others. ©

The performance of SACCOs is further measured in terms of customer satisfaction. Customer satisfaction is the measure of how products and services supplied by a company meet or surpass customer expectations. If SACCOs match customers' expectations or are above their expectations, then, customer satisfaction prevails, but if customers perceive SACCOs' services as below their expectations, then there is dissatisfaction (Buwule,2016). Customer is a key aspect of a business. One of the factors that can help to increase sales is customer loyalty (Wilson, Zeithaml, Bitner & Gremler, 2008). Building customer relationships means delivering superior value over competitors to the target customers and higher levels of quality lead to higher levels of customer satisfaction (Kotler & Keller, 2009). With the increasing number of businesses and growing competition today, each company wants to be the customers' first choice and every company should work hard to win the hearts of customers by satisfying them. Each company needs to carry out continuous research regarding the various factors that influence customer satisfaction (Buwule, 2016). The above discussion on customer satisfaction does not only indicate the importance of customers in the business environment, but also the importance of satisfying them. In this study, customer satisfaction is measured in terms of member ownership of SACCO activities, participation in SACCO activities, consensus decision making and visible benefits to members among others.

Work Rules and Procedures

All businesses including SACCOs need to put mechanisms (controls or management control systems) in place to provide information about performance progress (Buwule, 2016). Controls are purely a means to an end, the end is the control. Control is the function that makes sure that actual work is done to fulfill the original intention, and controls are used to provide information to assist in determining the control action to be taken. Controls encompass all methods and procedures that direct employees towards achieving the organization's objectives (Drury, 2006). For Buwule (2016), the objectives of controls are: to motivate managers to exert a high level of effort to achieve the goals set by top management, determine fairly the rewards earned by managers for their efforts and skills and effectiveness of their decision making and provide the right incentives to managers to make decisions consistent with the goals set by top management. Drury, (2006), eloquently shows that there has been a shift from treating financial figures as the foundation for performance measurement and control, to treating them as one among a broader set of measures. He also underscored that in today's worldwide competitive environment, companies are competing in terms of service quality, service delivery, etc, and that there is a need to incorporate non-financial measures that provide information in evaluating the performance of an organization. Basing on Drury's submission, this study was interested in work rules and procedures, as (non-financial controls) and how they influence the performance of SACCOs in Wakiso district in Uganda.©

Work rules and procedures are a type of action control. They involve defining actions that are acceptable or unacceptable, observing the actions and rewarding acceptable or punishing unacceptable actions. Action controls that focus on preventing undesirable behaviors are the ideal form of control because they aim at preventing the behaviors from occurring (Buwule, 2016). SACCOs use the cooperative regulation and their bye-laws where these work rules and procedures are embedded and put in place many other guiding manuals on different aspects and staff codes of conduct. One of the problems, however, is whether members of the board of directors, as an important governing organ of the SACCOs are aware of all the work rules and procedures and can reward acceptable actions or punish the unacceptable actions. The second problem could be whether the members themselves know their rights, duties, responsibilities and obligations according to Cooperative bye-laws and Cooperative Regulation. Action controls apply to those situations where the actions themselves are the focus of control and are usable and effective only when managers know what actions are desirable (or undesirable) and can make sure that the desirable actions occur (or that the undesirable actions do not occur). Since SACCOs in Uganda are not regulated by the Central Bank, these work rules and procedures may be inadequate and ineffective; meaning that they may not prevent the undesirable actions from happening. Consequently, the performance of SACCOs may be affected.

Work Rules and Procedures and Performance of Business Firms

Several studies which confirm a relationship between non-financial management controls and a firm's performance exist (Drury, 2006; Merchant, 1984; and Stoner, 2001). Drury (2006) avers that firms use different non- financial management control mechanisms to cope with the problem of organizational control, classified under three approaches which are; the behavioral, personal/ social, and result/output controls which point at a business performance. Behavioral controls involve observing the actions of individuals such as their work conduct whether they conform with organizational ideals that determine efficiency and customer satisfaction. In the same vein, Merchant (1984), is in full support of Drury when he defines behavioral controls as measures preventing undesirable organizational actions. He also emphasizes that the use of

work rules and procedures are some of the behavioral controls that can be used in this regard. Simons (2000), eloquently indicates that controls such as work policy, rules and regulations, company code of conduct, work rules and procedures foster a strong sense of solidarity and commitment towards organizational goals. Also, Guthrie (1994) indicates that the effectiveness of the business unit is dependent on a match between work rules and procedures and firm performance in terms of strategic postures, customer satisfaction and manpower legislation. Dent (1990) and Simons (1990), in exploring the casual-link between work rules and procedures and business performance contemplate that in order to support business strategy.

Competitive advantage and superior performance, employee work ethics and procedures have to be regularly monitored. Langsfield-Smith (1997) and Miles and Snow (1978)'s further clarification, assert that non-financial management controls, are correlated to business performance and are specifically used to make better decisions for customer satisfaction in defender firms through emphasizing the rules of procedures.

However, studies and arguments on work rules and procedures and performance of firms have been done beyond Uganda and in big firms, not SACCOs in Uganda which are considered small organizations in this study. Further, these SACCOs are not supervised and regulated by the Central Bank and are grouped in tier four of microfinance categorization by Bank of Uganda. These SACCOs are familiar with best practices but most of them have average qualified management and staff (Nanyonjo and Nsubuga, 2004), who may not be aware of all the work rules and procedures and who may not be able to reward acceptable actions or punish unacceptable actions. They may not also be aware of the members' rights, duties, responsibilities and obligations. Further, as stipulated by some authors (e.g. Mazzorol, 2015), SACCOs have key issues to address such as generic strategic challenges, governance and management weaknesses due to weak regulatory and policy framework, human resource capacity constraints worsened by high staff turnover, inadequate SACCOs' supervision and monitoring, creating room for ineffective and inefficient operations. All these may reduce the performance of SACCOs in terms of profitability and customer satisfaction. This leaves a knowledge gap as far as the performance of SACCOs is concerned in Uganda which led to the testing of three null hypotheses, Ho¹: There is no statistically significant influence of work rules and procedures on profitability in SACCOs in Wakiso District. Ho²: There is no statistically significant influence of work rules and procedures on customer satisfaction in SACCOs in Wakiso district. Lastly Ho³: that there is no statistically significant influence of work rules and procedures on overall performance (profitability and customer satisfaction) of SACCOs in Wakiso district.

METHODOLOGY

Research Design

The research design is the arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in the procedure, and therefore, provides the glue that holds the research project together (Kothari, 2004). The study took a quantitative correlational cross-sectional survey and ex-post-facto design. It was quantitative because it was based on variables measured with numbers and was analyzed with statistical procedures. The correlational design was chosen because the problem in the study was identifying factors that influenced an outcome, that is, performance of SACCOs (Amin, 2005). The study was cross-sectional because it was conducted across participants at a point in time and was intended to pick only some representative sample elements of the cross-section of the population. The survey design helped in the collection of data from a large number of respondents. Surveys are also amenable to rapid statistical analysis and are comparatively easy

to administer and manage (Ahuja, 2005 & Shajahan, 2005). It was ex-post-facto since the researcher had no control over the study variables and only sought to report facts that were existing (Cooper & Schiridler, 2008). The design worked satisfactorily in all aspects.

Study Area and Population

The study targeted all the SACCOs in the fifteen sub-counties of Wakiso district. This is because the area had both operating urban and rural SACCOs. The areas were also easily accessible and few studies had been carried out in these areas specifically, targeting SACCOs. However, due to time, costs and other constraints, the researcher found it more convenient to carry out the study on part of the target population which was more accessible, which hence became his sampled population (one SACCO from each of the ten sub-counties). The sub-counties included: Kira Town Council, Kakiri sub-county, Matugga sub-county, Masulita sub-county, Entebbe Municipality, Gombe sub-county, Kasanje sub-county, Wakiso town council, Ssisa sub-county and Nsangi sub-county.Ⓜ

In regards to the respondents the study targeted in each SACCO, members/shareholders (10), board members (2), audit committee members (1), members of staff (2) and technical officials from Uganda Cooperative Alliance (UCA), Uganda Cooperative Savings and Credit Union (UCSCU) and Ministry of Trade and Industry (MoTI). At UCA, the field officer in charge of SACCOs in the central region and the General Secretary at the Head office was involved. At UCSCU, the Chief Executive officer (CEO) and 4 other field staff in the Central Region were involved. For MOTI staff, the District Cooperative Officer (DCO) Wakiso and his 3 members of staff, plus one Senior Cooperative Officer at the ministry's headquarters were involved. A total of 10 technical staff was thus targeted on account of their knowledge on the formation and operations of SACCOs. The members/shareholders were involved because they are the owners and they access the services of their SACCOs directly. The board members were involved because they are part of the important organs of the SACCOs who represent members and are involved in setting policies. Audit committee members were involved because they are directly elected by the members to verify the discrepancies in the SACCOs, to ensure that financial information is correctly reported as well as carrying out the function of internal auditors for their SACCOs. The staff of SACCOs was selected because they are involved in the day-to-day operations of the SACCOs and translate the mission, goals and objectives of these institutions into actions. The technical officers as earlier mentioned were involved because of their expert knowledge in the operations of Cooperatives in Uganda. Ⓜ

Sampling Techniques and procedures

According to information that was available at the office of the District Cooperative Officer (DCO) Wakiso district, in terms of numbers of SACCOs in each administrative unit, one SACCO out of all operating SACCOs in each of the ten sub-counties was randomly selected. This was done to ensure that each SACCO had equal chances of being selected. The target respondents were divided into categories using a stratified sampling technique to ease the collection of relevant data from each category most efficiently and effectively (American statistical Association, 1999). Thereafter, the researcher used a mixture of methods to select the required sample from each category as follows: Ⓜ

For members/shareholders, 10 respondents in this category per SACCO were initially selected using convenience and judgmental sampling method given the nature of their schedules and time which was available to carry out the study.

Then, a random sampling method was used to select 5 respondents out of the 10 per SACCO, basing on their membership numbers, in the membership register to ensure that all of them had

equal chances of being selected. Board members, audit committee members and staff using the available sampling frames at each SACCO were selected using the simple random sampling method. Simple random sampling as mentioned above is used in a situation where each respondent has an equal chance of being selected to participate in the study (Amin, 2005). Lastly, the technical officers were purposively selected on account of their knowledge concerning operation, supervision and management of SACCOs. ©

Sample Size

The unit of analysis in this study is a SACCO. One SACCO from a list of operating SACCOs was randomly selected from each of the selected ten sub-counties in Wakiso district, making a total of 10 SACCOs. For participants/respondents, the researchers used the Table developed by Krejcie & Morgan (1970), as cited in Gray & Airasian (2003) for determining the sample sizes. The Table suggests that for the 50 members, the 20 board members, the 10 audit committee members, the 20 members of staff of SACCOs and the 10 technical officers, the required minimum sample sizes were 44,19,10,19 and 10 respectively.

Data Collection Methods and Instruments

Two types of data namely; primary and secondary data were collected. Primary data which were mainly quantitative was collected using self-administered questionnaires. The self-administered questionnaires were used on account of their quick turnaround in collecting data from large numbers of participants because they (respondents) needed some time to give their considered opinions given their busy schedules. Further, questionnaires were preferred because there was a need for consistency given a large number of respondents sample and are usually easier to analyze, especially when they are made of close-ended items. Qualitative data was obtained through open-ended questions in the questionnaire and was also collected by interviewing key informants using an interview guide. An interview helps to explore a topic in-depth and to reveal the reasons and motivations that made a person answer in a certain way. That is, it allows one to probe in-depth and clarify areas where ambiguity and misunderstanding may exist (Kakooza, 1997). The interview was structured because factual information was needed. However, as Kakooza (1997), points out, the critical variable in interviewing is the interviewer himself or herself, since his or her presence and behavior can serve to inhibit or facilitate response. Interviews were therefore carefully handled to ensure a high response.©

The principal researcher interviewed SACCOs selected officials as well as the technical officers. The interview guide was designed and administered to selected board members, audit committee members, members of staff of the SACCOs and the technical officers because of the valued information they had.

Research Assistants

The selection of research assistants who handled the self-administered questionnaires was also carefully done. An attempt was made to select research assistants who could understand the language of the local community. All of them knew "Luganda ", the local language used in Wakiso district. Three research assistants were selected and were briefed to ensure consistency in the collection of data. In addition, an attempt was made to take the selected research assistants through a series of preliminary interpretations and translation exercises regarding the questions they would ask in the field.©

Secondary Data

Internally, secondary data collection involved getting or consulting SACCOs' audited financial statements, annual reports, minutes and other documents, such as SACCOs' bye-laws, financial, and other operating policies. For external sources, the researchers used documents such as laws governing SACCOs in Uganda (especially the Cooperative Statute, 1991 and Cooperative Regulations, 1992), official national publications, international publications, textbooks and the internet among others.©

Validity

Kothari (2004) defines validity as the indication of the degree to which an instrument measures what it is supposed to measure. To ascertain the validity of the items in the instruments, the help of research experts was sought. They (experts) looked at the validity of questions because of the problem, objectives, hypotheses, conceptual framework and literature which were given to them. They also looked at and evaluated the clarity of instructions and wording of questions. The items in the instruments were each rated as very relevant, relevant, irrelevant or very irrelevant. Those that had been rated as irrelevant were separated from those which had been rated as relevant or very relevant. Then, Content Validity Ratios (CVRs) were computed. The Content Validity Index for the whole questionnaire was 0.89, which was greater than 0.7 as recommended by (Amin, 2005 and Sekaran, 2000). Hence, the instrument was considered valid for data collection.

Data processing and analysis

The raw data were cleaned, sorted and condensed into systematically comparable data. Data cleaning involved cross-examining of the instruments to check for correctness and completeness of the responses. Processing of data involved four main activities: Data editing, data categorization, data entry and data presentation.

An item analysis based on means and standard deviations was used to help show how respondents rated themselves on the independent and the dependent variables. Factor analysis was utilized for the reduction in the dimensionality of the independent variables. Correlation and regression analyses were used to determine the associative relationship and casual relationship respectively, consistent with the study objectives and hypotheses tested. Qualitative data that were collected through open-ended questions in the questionnaire, interviews and scrutiny of documents were categorized, summarized and analyzed along with the themes of the major variables. This was used to triangulate findings obtained through quantitative analysis (Balifajjo, Basheka & Oonyu, 2010) advice.

FINDINGS

The paper's findings are organized and presented according to the hypotheses stated in the introduction and literature review sections. In this study, the independent variables were the work rules and procedures, operationalized as managers and superiors in SACCOs knowing what actions are desirable and having the ability to make sure that the desirable actions occur, SACCOs having in place different guiding manuals (e.g. accounting and budget manuals) and SACCO having the established procedures that are followed (e.g. in giving loans), among others. The dependent variable was the performance of SACCOs measured in terms of profitability and customer satisfaction. Particularly, profitability was operationalized as increased revenue generated, reduction in costs, and increased profit margins among others. Then customer satisfaction was operationalized as ownership of SACCO activities, the loyalty of members, participation in SACCO activities, consensus decision making, and availability of visible benefits to members. ©

Descriptive Statistics Results

Table 1, gives the summary descriptive statistics results on work rules and procedures and SACCO performance in terms of profitability, customer satisfaction, as well as the overall performance of SACCOs (profitability and customer satisfaction).

Table 1: Summarized perception of respondents, regarding work rules and procedures, profitability, customer satisfaction and overall performance of SACCOs

Aspects	Mean	Standard deviation	t.value
Work rules and procedures	4.27***	0.527	8.102
Profitability	2.88***	0.629	4.575
Customer satisfaction	3.70***	0.548	6.752
Overall performance of SACCOs.	3.29***	0.462	7.113

***significant at 0.01;

Results in Table 1, indicate that the overall self-rating by respondents on all aspects of work rules and procedures was very high on a scale of 5, and at the significance critical level of 0.01 (mean =4.27, S.D =0.527, t= 8.102). Results suggest that the SACCOs in Wakiso district had work rules and procedures in place, and were possibly using them. Results further indicate that respondents rated themselves moderate on all aspects of profitability as revealed by the overall (mean=2.88, S.D=0.629, t=4.575) significant at 0.01 or 1% critical level. Results show that SACCOs in Wakiso district are possibly moderately profitable. Further, descriptive statistics results reveal that respondents rated themselves high overall on all aspects of customer satisfaction (mean=3.70, S.D=0.548, t=6.752), significant at 0.01 critical level. Suggesting that these aspects were in place and possibly customers were satisfied. Lastly, the overall rating on all aspects of the performance of SACCOs (combining profitability and customer satisfaction) was moderate (mean=3.29, S.D=0.462, t=7.113), significant at 0.01 critical level, suggesting that performance of SACCOs in Wakiso district in terms of profitability and customer satisfaction was rated moderate.

Correlation and Regression Results

Consistent with the research design, correlation and regression analyses were carried out in order to determine the associative relationship between the variables and whether the relationships were predictive or not. Results are presented below:

Table 2: Correlation between work rules and procedures and profitability, customer satisfaction and overall performance of SACCOs

		Profitability	Customer satisfaction	Overall performance of SACCOs
Work rules	Pearson correlation	-0.326**	0.086	-0.171
	N	86	86	86

**significant at 0.01

Results in Table 2, show that there is a weak negative associative relationship between work rules and procedures and profitability ($r = 0.326$), which was significant at 0.01 critical and overall performance of SACCOs ($r = 0.086$ and $r = -0.171$) respectively. The negative associative relationship between work rules and procedures and profitability meant that, if work rules and procedures increase in SACCOs, profitability reduces. Alternatively, the weak negative associative relationship meant that a slight increase in the application of the work rules and procedures, lead to a slight decrease in the profitability of level, while no association existed between work rules and procedures and both customer satisfaction SACCOs. To confirm whether the relationships were predictive or not, a regression analysis was run and results are presented in Table 3.

Table 3: Regression results of work rules and procedures and profitability

a) ANOVA Table

Model	Sum of square	df	Mean square	Fc	Ft	Interpretation
Regression	1.623	2	0.812	2.079	2.369	Not significant
Residual	31.614	81	0.390			
Total	33.237	83				

R = 0.221, Adjusted R square = 0.025

b) Coefficients

	Un standardized coefficients		Standardized coefficients	t	Interpretation
	B	Std error	Beta		
Constant	3.611	0.440		8.212	
Managers and superiors in SACCOs know what actions are desirable and have the ability to make sure the desirable actions occur	-0.166	0.081	-0.221	-2.039	significant
SACCOs have in place different guiding manuals	0.006	0.064	0.010	0.094	Not significant

Results in Table 3 (a) indicate that work rules and procedures aspects are not collectively explanatory variables of profitability of SACCOs in Wakiso district. The F computed (F_c) = 2.079 is less than F tabulated (F_t) ($f_{2, 82; 0.10} = 2.369$). This was also further supported by the regression value of 1.623 compared to the residual value of 31.614, suggesting that there are

other factors which very strongly predict profitability and not work rules and procedures. The hypotheses that works rules and procedures do not significantly influence the profitability of SACCOs in Wakiso district were confirmed. However, as indicated in Table 3 (b), the aspect of work rules and procedures of managers and superiors in SACCOs knowing what actions are desirable and have the ability to make sure the desirable actions occur was significant ($t = -2.039$). There is thus, a significant negative relationship between managers and superiors in SACCOs knowing what actions are desirable and have the ability to make sure they occur and profitability. This is possible because this comes with increased supervision which reduces profitability although a necessary aspect. The aspect of work rules and procedures of having in place different guiding manuals is not a significant predictor of profitability ($t = 0.094$). Guiding manuals are necessary factors (e.g. budget manual), but not sufficient to predict the profitability of these SACCOs.©

Table 4: Regression results of Work rules and Procedures and Customer Satisfaction

Model	Sum of square	df	Mean square	Fc	Ft	Interpretation
Regression	1.151	2	0.635	2.234	2.369	Not significant
Residual	24.373	81	0.284			
Total	25.524	83				

R = 0.229, Adjusted R square = 0.029

Results in Table 4, reveal that work rules and procedures are not collectively explanatory variables of customer satisfaction in SACCOs in Wakiso district because F computed (Fc) = 2.234 is less than F tabulated (Ft) ($f_2, 81; 0.10 = 2.369$). The study hypothesis that there is no statistically significant influence of work rules and procedures on customer satisfaction in SACCOs in Wakiso district was therefore, confirmed/accepted. ©

Table 5: Regression results of work rules and procedures and overall performance of SACCOs (profitability and customer satisfaction)

a) ANOVA Table

Model	Sum of square	df	Mean square	Fc	Ft	Interpretation
Regression	0.521	2	0.261	1.232	2.369	Not significant
Residual	17.138	81	0.212			
Total	17.659	83				

R = 0.172, Adjusted R square = 0.006

b) Coefficients

	Un standardized coefficients		Standardized coefficients	t	Interpretation
	B	Std error	Beta		
Constant	3.357	0.324		10.368	
Managers and superiors in SACCOs know what actions are desirable and have the ability to make sure the desirable actions occur	-0.063	0.060	-0.116	-1.057	Not significant
SACCOs have in place different guiding manuals	0.058	0.047	0.134	1.222	Not significant

The results in Table 5 (a) show that work rules and procedures are not explanatory variables of the overall performance of SACCOs in Wakiso district. The F computed (F_c) = 1.232 is less than F tabulated (F_t) ($f_2, 81; 0.10 = 2.369$). This is further confirmed by a regression value of 0.521 compared to the residual value of 17.138, suggesting that work rules and procedures are necessary factors but are not significant predictors of the overall performance of SACCOs in Wakiso district. Further, all the components of work rules and procedures as per Table 5 (b), of managers and superiors in SACCOs knowing what actions are desirable and having the ability to make sure that desirable actions occur and SACCOs having in place different guiding manuals are not significant predictors of the overall performance of SACCOs in Wakiso district as revealed by their t values of -1.057 and 1.222, respectively.

According to the study findings, there is no statistically significant influence of work rules and procedures on profitability, customer satisfaction and overall performance of SACCOs. Findings concur with Merchant (1984), who avers that the behavioral controls like the use of work rules and procedures are just measures preventing undesirable organizational actions. Findings have also proven the views of Langsfield (1997) and Miles & Snow (1978), who guide that non-financial controls, as correlates to business performance, are specifically used to make better decisions for customer satisfaction through emphasizing the rules and procedures. Findings further support Simon (1990), who points out that those behavioral controls such as work rules and procedures foster a strong sense of solidarity and commitment towards organizational goals but not necessarily influencing performance. This offers a good explanation for the insignificant relationship between work rules and procedures and the performance of the SACCOs. ©

Related also to the study findings, Guthrie (1994) indicates that the effectiveness of the business unit is dependent on a match between work rules and procedures and the firm's performance in terms of strategic postures. Finally, findings seem also to support Drury (2006), who argued that firms use different non-financial controls to cope with the problem of organizational control classified under behavioral, social and output controls, which point at customer satisfaction. He also notes that action control applies to those situations where the actions

themselves are the focus of controls and are usable and effective only when managers know what actions are desirable (or undesirable) and have the ability to make sure that the desirable actions occur (or that the undesirable actions do not occur).

However, compliance with ICA principles underpins a SACCO to put cooperative values into practice and provide a foundation for the SACCO's financial intermediation effectiveness (for example, SACCOs are collectively controlled by an informed membership to minimize costs of external supervision and patronized by its members to increase local business). The theory of financial intermediation serves as a SACCO with tripartite characteristics namely: financial institution, cooperative and development finance and social enterprises. In this case, as a financial institution a SACCO receives savings, offers loans and other related financial services and by default, it is exposed to problems of moral hazard and adverse selection. If such issues are not checked and mitigated they could lead to ineffectiveness through increased default rate and agency costs. As a cooperative a SACCO operates undervalues and principles.

Lastly, as development finance institutions, SACCOs mostly operate where there are market failures due to high risk or costs. In all the three tripartite characteristics (financial institution, a cooperate and development finance and social enterprise), a SACCO needs to put in place work rules and procedures for its effectiveness and good governance and consequently reduce on informational asymmetries and monitor investors on behalf of savers and bridge the maturity mismatch between savers and investors.

CONCLUSION AND RECOMMENDATIONS

The purpose of the study was to investigate the influence of work rules and procedures on the performance of SACCOs in Wakiso district. The study specifically focused on investigating the influence of work rules and procedures on profitability, customer satisfaction and overall performance of SACCOs respectively in Wakiso district.©

Work rules and procedures do not significantly influence profitability in SACCOs in Wakiso district. Further, managers and superiors in SACCOs knowing what actions are desirable and having the ability to ensure that the desirable actions occur, negatively influence profitability in SACCOs, while having different guiding manuals, although a necessary factor in behavioral controls is not significant to influence profitability in these institutions in Wakiso district.

Work rules and procedures are not influential factors of both customer satisfaction and the overall performance of SACCOs in Wakiso district. Managers and superiors knowing what actions are desirable and having in place different guiding manuals are necessary factors in behavioral controls but not sufficient to bolster customer satisfaction and overall performance of SACCOs in Wakiso district. Contextually, the study concludes that work rules and procedures are not sufficient in ensuring profitability, customer satisfaction and overall performance of SACCOs in Wakiso district. The study concludes also that findings are in conformity with the theory because the theory serves as a SACCO with tripartite characteristics (financial institution, cooperative and development finance and social enterprise) where the work rules and procedures are necessary factors.

Work rules and procedures should be emphasized in SACCOs in Wakiso district because they bolster a strong sense of solidarity and commitment towards organizational goals and consequently customer satisfaction. Though work rules and procedures are not sufficient to predict profitability, customer satisfaction and overall performance of SACCOs, are necessary factors because, they are used as behavioral measures to prevent undesirable organizational actions. Lastly, work rules and procedures should be properly implemented and adhered to in order to make better decisions for customer satisfaction not necessarily direct profitability

because the effectiveness of the business is dependent on a match between work rules and procedures and the firm's performance in terms of strategic postures.

Although the study makes contributions to the understanding of the influence of work rules and procedures on the performance of SACCOs, it has limitations and therefore findings should be used with caution to the extent of the following limitations. First, the study is a cross-sectional study that examined the performance of the SACCOs phenomenon at a point in time. This may not give a complete picture of the phenomenon studied and may limit some of the conclusions obtained. Secondly, there were few variables included in the model, although the performance of SACCOs can be measured by many other variables and is also influenced by not only work rules and procedures. Thirdly, the study is limited to member-owned microfinance institutions (the SACCOs), which in Uganda are not supervised by Bank of Uganda (BoU) and are not listed institutions probably with extra regulations, guidelines and procedures. Lastly, the nature of the sampling units under study cannot be generalized to a large population, as only 10 SACCOs out of over 80 SACCOs in the district were examined. Moreover, out of the over 100 districts in Uganda, only one district was considered. ©

Given the above limitations, the study opens up areas for further research. One, future studies should explore appropriate econometric methods that improve the understanding of the performance of SACCOs in Uganda. Secondly, more variables should be included in the model based on literature and be tested empirically to increase our understanding of the influence of non-financial controls on the performance of SACCOs. Other measures of performance of SACCOs should be extended to other types of MFIs and other organizations in Uganda and elsewhere. Fourthly and lastly, a large sample size could be used for more accurate findings and which are more generalizable on the whole country (Uganda).

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