THE FACTORS INFLUENCING THE FINANCIAL SUSTAINABILITY OF SAVINGS AND CREDIT CO-OPERATIVE SOCIETIES IN TANZANIA

GODFREY JAPHET JACOB

A THESIS SUBMITTED IN FULFILMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF DOCTOR OF PHILOSOPHY IN BUSINESS MANAGEMENT (FINANCE)

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2023

CERTIFICATION

The undersigned certify that they have read and hereby recommend for acceptance by The Open University of Tanzania, a thesis entitled *"**Factors Influencing the Financial Sustainability of Savings and Credit Co-operative Societies in Tanzania".*** In fulfilment of the requirements for the award of Degree of Doctor of Philosophy (PhD) in Business Management (Finance) of the Open University of Tanzania.

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Prof. Joseph J. Maghali (PhD)

(Supervisor)

06/11/2023

…………………..……….

Date

……………………………….

Dr. Asha Katamba (PhD)

(Supervisor)

06/11/2023

…………………..……….

Date

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DECLARATION

I **Godfrey Japhet Jacob** declare that, the work presented in this thesis is original. It has never been presented to any othe University or Institution. Where other people's works have been used, references have been provided. It is in this regard that I declare this as originally mine. It is hereby presented in fulfilment of the requirement for the Degree of Doctor of Philosophy (PhD) in Business Management (Finance).

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Signature

06/11/2023

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Date

DEDICATION

By the grace and mercy of the Almighty God, I would like to dedicate this PhD thesis to my father, Japhet Jacob Luladuma, and my mother, Josephine Japhet Mathias, whose guidance and words of wisdom taught me to value education and implanted in me life-long love of learning and persistence. This work is also dedicated to my lovely wife, Suzana Israel Jacob, and our beloved children, Josephine, Sereya, and Catherine, for their steadfast love, support, persistence and tolerance including when I was busy, and they sometimes missed my love, but still, remained happy an unruffled.

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ABSTRACT

The study assessed the factors influencing the financial sustainability (FS) of SACCOS in Tanzania. Specifically, the study examined the influence of outreach, corporate governance, credit risk management and monetary motivation on the FS of SACCOS. Using multi-stage and random sampling, the study generated a sample of 100 SACCOS. The resultant data were subjected to descriptive, multiple, and panel data regression analyses. Moreover, the study applied the random effect regression model and Hausman test with the help of the Stata software to analyse the influence of outreach on the FS of SACCOS. Furthermore, the study applied the SPSS software and multiple regression to analyse the influence of corporate governance, credit risk management, and monetary motivation on the FS of SACCOS. Then the variables were confirmed using principal components and factor analysis. The study used OSS as a proxy of FS which was a dependent variable. It was discovered that SACCOS in the areas of the study are financially sustainable. Also, the study found significant effects of outreach, corporate governance, credit risk management and monetary motivation variables on the FS of SACCOS. As such, the study recommends that the Bank of Tanzania should formulate policies that promote outreach, corporate governance, credit risk and monetary motivation to further enhance the FS of SACCOS in Tanzania. Overall, the study contributes to Agency and Institutional Theories by integrating the four variables into one study and using SACCOS as semi-formal financial institutions operating using co-operative principles.

Keywords: SACCOS, Financial Sustainability, Outreach, Corporate Governance, Credit Risk Management, Monetary Motivation

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF ABBREVIATIONS AND ACRONYNMS

ACCOSCA	Africa Confederation of Co-operative Savings and Credit
AGP	Assets Growth Percentage
BoT	Bank of Tanzania
CAR	Capital Adequacy Ratio
CEO	Chief Executive Officer
CGP	Corporate Governance Practice
CPA	Certified Professional Accountant
CPB	Certified Professional Banking
CRM	Credit Risk Management
DER	Dept Equity Ratio
DRPS	Director of Research and Postgraduate Studies
DTMFI	Deposit-Taking Microfinance Institutions
FBM	Faculty of Business Management
FS	Financial Sustainability
FSS	Financial Self-Sufficiency
GDP	Gross Domestic Product
ICA	International Co-operative Alliance
KMO	Kaiser-Meyer-Olkin
LDR	Loan Deposit Ratio
MFI	Microfinance Institutions
NGO	Non-Governmental Organization
NIT	New Institutional Theory

NPL	Non-performing Loan
OECD	Organisation for Economic Co-operation and Development
OIC	Organization of Islamic Co-operation
OLS	Ordinary Least Squares Regression
OR	Outreach
OSS	Operational Self-Sufficiency
OUT	Open University of Tanzania
PhD	Doctor of Philosophy
ROA	Return on Asset
ROE	Return on Equity
ROSCA	Rotating Savings and Credit Association
SACCOS	Savings and Credit Co-operative Societies
SADC	Southern African Development Community
SCCULT	Saving and Credit Union League of Tanganyika Limited
SPSS	Statistical Package for the Social Sciences
STATA	Statistics and Data
TCDC	Tanzania Co-operative Development Commission
TZS	Tanzanian Shilling
URT	United Republic of Tanzania
US	United States
VICOBA	Village Community Bank
WOCCU	World Council of Credit Union

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 Chapter Overview

This chapter introduces and presents the background information of the study. In addition, it describes the research problem that inspired this study, the objectives and relevance and the scope of the study. Finally, it presents the structure of the thesis.

1.2 Background to the Study

Savings and Credit Co-operative Societies (SACCOS) are member-owned financial co-operatives that are democratically-controlled and operated by their members to maximise the economic benefits of its members through the provision of financial services at competitive and fair rates (URT, 2013; WOCCU, 2018). Globally, these SACCOS are treated as credit unions (Ndiege et al., 2014). As such, this study treats the words SACCOS and credit unions synonymously. Generally, SACCOS have emerged as a powerful tool for global socio-economic development and serve about 274 million members with cumulative savings of US $1.7 trillion from 85,400 institutions in 118 countries (WOCCU, 2018). The genesis of these credit unions can be traced to Germany in 1849, with the earliest prosperous credit unions having been launched in the 1850s and 1860s under the management of co-operative pioneer Hermann Schulze-Delitzsch (ICA, 2021). In the late 1970s, SACCOS from all over the world formed the World Council of Credit Unions (WOCCU), which serves as a leading voice for advocacy and governance on behalf of the SACCOS community at the global level.

In Africa, the first successful SACCOS was formed in 1955 in Ghana, with its mode adopted in other countries (Bwana & Mwakujonga, 2013). The rapid growth of SACCOS in Africa led to the formation of a regional federation of SACCOS, the African Confederation of Co-operative Society Savings and Credit Association (ACCOSSCA) in 1965 (Olando et al., 2012).

In Tanzania, SACCOS movement was initiated in the 1930s, with the formation of the first SACCOS in Moshi Town by the Ismailia Group in early 1938 (Bee, 2009). However, it was until the 1960s that the SACCOS started to grow in number before they were abolished in 1975 (Nyamsogoro, 2010). The current SACCOS were re-established in the 1990s, after the enactment of the Co-operative Societies Act in 1991 (Kwai & Urassa, 2015). Since the re-establishment of the co-operatives movement, SACCOS’ sub-sector in Tanzania has rapidly welled from 89 SACCOS with 15,225 members that managed to invest TZS 2.38 billion in 1990 to 6,178 SACCOS with 1,947,078 members that invested TZS 819 billion in 2019 (Ndiege et al., 2016); URT, 2020a). The number of SACCOS in 2023 was 2034 with 1,812,024 members invested TZS 1,663,055,025,446, where the amount of loan issued was TZS 1,276,768,620,709 (TCDC, 2023).

The soaring number of SACCOS led to the formation of national associations of SACCOS known as Saving and Credit Union League of Tanganyika Limited

(SCCULT) in 1992 with about 1,205 members. The SCCULT plays the lobbying and advocacy role in support of the Savings and Credit Co-operatives in Tanzania Mainland (Anania & Gikuri, 2015; Manyanda, 2018).

Moreover, *The Citizen* (2022) reported poor performance of SACCOS in Tanzania as BoT (2021) articulated that from 2020 to 2021, there was a decrease in the number of SACCOS from 3,129 to 2,541. Moreover, the number of clients dropped from 596,974 to 520,819. On the downside, the amount of unpaid loans increased from 422.7 to 436.4 billion Tanzanian Shillings (TZS). Also, the value of the savings and deposits declined from TZS 194.1 to 191.5 billion and TZS 46.5 to 42.5 billion, respectively. The value of shares increased from TZS 61.8 to 64.7 billion whereas the value of disbursed loans rose from TZS 772.2 to 897.3 billion. The drastic hike in unpaid loans signals the existence of unsustainable SACCOS in Tanzania.

Regardless, of these worrying numbers, SACCOS remain vital contributors to economic development accounting for 40 percent of Tanzania's GDP (Nyamsogoro, 2010; Magali, 2014; Manyanda, 2018), yet their sustainability has been questionable (Magali, 2013; Manyanda, 2018; TCDC, 2021), and hence a grave source of concern. Putra et al. (2021**)** contend that financial sustainability promotes the achievement of organisational goals. The financial sustainability (FS) of Microfinance Institutions (MFIs) is a necessary condition for serving the poor in the future (Nyamsogoro, 2010). Tehulu (2013) similarly argues that it is better not to have MFIs at all than to have unsustainable ones, hence underscoring the importance of sustainable MFIs. An MFI is financially sustainable when it can provide financial-related services to poor people in addition to generating necessary profit and continuing to operate without donor support (Rao, 2014; Bayai & Ikhide, 2016; Saad et al., 2018). Gashayie & Singh, (2015) argue that dealing with the determinants of Financial Sustainability also ensures the sustainability of these MFIs.

The studies assess factors affecting the financial sustainability of MFIs and SACCOS separately. Many of the studies tend to examine the factors affecting the unsustainability challenges in developing countries. The studies on outreach include Marwa (2015), Burki et al. (2018), Manyanda (2018), Abebe (2020), Wadi et al. (2022) and Khalaf et al., 2023). Some studies have focused on the influence of corporate governance (Aggarwal, 2013; Magali, 2014; OECD, 2015; Nalukenge et al., 2017; Ssekiziyivu, et al., 2018). However, most of the studies on MFI, for instance, Turyahebwa et al. (2022), Nawaz et al. (2021), Imran and Shafique (2022), Gadedjisso-Tossou et al. (2023), have examined how the corporate governance influences the performance of MFIs but not sustainability.

Some studies have concentrated on credit risk management (Kalui & Kiawa, 2015; Kalu et al., 2018; Murigi & Thuo, 2018; Illangakoon et al., 2022; Mutamimah et al.,2022). Again, most of these studies such as Mirembe (2021), Enoch et al. (2021), Annannab et al. (2022), and Ali et al. (2022), link the credit risk management with performance but not sustainability. Moreover, a variety of studies such as Ismail et al., 2021; Duguma, 2021; Ampofo & Mantey, 2021; and Kiros, 2023 assessed the determinants of loan repayment in MFIs. Furthermore, scanty studies such as Sarpong (2016), Ombongi (2017), Khan et al. (2018) Liliane and Emuron (2020) and

Felicien and Irechukwu (2021) had investigated how monetary motivation influenced the performance of MFIs but not sustainability.

In Tanzania, SACCOS face several daunting challenges that hinder their performance such as high competition, corruption, low integrity of staff and leaders, poor repayment of loans, poor leadership, poor performance and non-traceability (Kono & Takahashi, 2010; Haule & Magali, 2020; Pamuk et al., 2021; TCDC, 2022). The literature further suggests that no study had hitherto tied in their investigations outreach, corporate governance practices, credit risk management, and monetary motivation with the financial sustainability of SACCOS. This lacuna prompted the researcher to assess how the variables together influence the sustainability of SACCOS in Tanzania.

This study applied the Agency Theory initiated by Jensen and Meckling in 1976 in its examination of the determinants of the SACCOS financial sustainability. The theory states that when managers manage firms on behalf of their shareholders, a conflict of interest may arise particularly when managers diverge from the interests of the shareholders. The theory portrays the governance structure of SACCOS in Tanzania as one in which managers manage the operations of the SACCOS under the guidance of board members and on their behalf. Moreover, the Agency Theory concentrates on the variables, namely conflict of personal interest, organisational asymmetry information flow, motivation for agents, and risk aversion (Eisenhardt, 1989). Furthermore, the Agency Theory assumes that the principal-agent conflict of personal interests emanates from motive differences (Mwangi et al., 2015). After all, the respective interest of the managers and shareholders is to maximise the incentives and wealth, respectively (Bratton, 2012). In this regard, when SACCOS enforce the principles of corporate governance, the principal-agent conflict subsides, hence ensuring better performance of SACCOS. Similarly, sound credit risk management techniques and competitive incentive schemes (monetary motivation) that motivate the agents may overcome the risk aversion problem, hence increasing the profitability of the SACCOS.

Regardless of the disposition, the outreach tends to affect both the agent and principal and previous studies had hitherto not linked the Agency Theory and the outreach in their microfinance perspectives. Also, the literature reviewed did not link the Agency Theory with outreach and monetary motivation variables. Furthermore, previous studies did not analyse how the variables of outreach, corporate governance, credit risk management, and monetary motivation can be integrated into the Agency Theory. Several studies have linked variables of the Agency Theory and outreach, corporate governance, credit risk management, and efficiency as the main variables affecting the financial performance of MFIs (Mwangi, Nyachwaya, & Cheruyoit, 2015; Ikhide, 2016; Melkamu, 2016; Omwenga, 2017; and Muhanguzi, 2019). Previous studies have also focused more on the role of the agent. On the other hand, the current study focused on the role of the principal to fill the identified research gaps as espoused under the Agency Theory. The study applied the theory because of its resilience and capacity to explain how managers and the principals should behave (Panda & Leepsa, 2017).

Additionally, the study applied the New Institutional Theory (NIT) by Meyer (1977) and Meyer and Rowan (1977). The Institutional Theory explains how policies, rules, and regulations influence the performance of an organisation (Boehe & Cruz, 2013). In this regard, Haldar's (2015) study found that MFIs with good outreach, credit risk management, monetary motivation and corporate governance can be sustainable. However, Haldar (2015) did not assess how the institution influences the variables under study. Apparently, effective regulatory frameworks, cultural norms, and social expectations, also shape the outreach strategies of MFIs because they determine their goals, target populations, and the extent of the financial services they provide (Simo et al., 2022). Related studies such as Dib et al. (2014), Abdulai, Tewari (2017), Henock (2019), Mutua et al. (2020), Wadi et al. (2022) and Zainuddin et al. (2020) link the MFI outreach and sustainability but without explaining the role of the Institutional Theory in shaping the relationship between the two variables.

Nevertheless, Bruton et al. (2015) and Bitok et al. (2020) acknowledged the role that Institutional Theory plays in promoting credit management in MFIs but without necessarily assessing how credit risk management influences the sustainability of MFIs. Therefore, scanty studies have associated the Institutional Theory, credit risk management and SACCOS sustainability empirically.

1.3 Statement of the Research Problem

Even though SACCOS are main contributors to global socio-economic development, serving as they do about 274 million members with US $1.7 trillion in savings from

85,400 institutions in 118 countries (WOCCU, 2018), their sustainability remains largely questionable as many of them have collapsed (Manyanda, 2018; Haule & Magali, 2020; TCDC, 2022). Prior to 2010, most of the MFIs in Sub-Saharan Africa depended largely on donor funding to survive, which means that they were not financially sustainable (Hermes & Lensink, 2011). This donor funding has declined in recent years (TCDC, 2023), leaving many of these MFIs grasping for breath to ensure survival.

Bateman and Chang (2012) have emphasised that numerous MFIs lack financial sustainability despite the rise in the number of commercially oriented institutions following a series of microfinance failures reported in Ghana, India, Morocco, Nicaragua, Pakistan, and Zambia. Chikalipah (2017) further revealed that the enormous efforts by the MFIs in the past two decades notwithstanding, many MFIs in Sub-Saharan Africa underperform and struggle to survive. The collapse of Pride Zambia in 2009 and the failures of over 30 MFIs in 2013 in Ghana brought the issue of financial sustainability of the microfinance industry to the fore and broader public debate. In a similar vein, Jones et al. (2020) found half of the credit unions heading towards collapse following the disappearance of about one-third of credit unions since 2015, hence trimming the total down to 286 in the Republic of Ireland.

SACCOS in Tanzania does not guarantee financial sustainability (Nyamsogoro, 2010; Magali, 2014; Manyanda, 2018). For the last decade alone, Tanzania has experienced a high failure rate of the MFIs, particularly financial co-operatives that resulted in the deregistration of 2,554 (41%) non-functioning SACCOS out of 6,178 registered entities in 2020. The problem of the financial sustainability of SACCOS has affected both rural and urban SACCOS. Moreover, SACCOS in Tanzania have recorded at-risk outstanding loans to amount to a staggering TZS 542 billion (36%) out of TZS 1.5 trillion loans issued, which indicates a lack of a sound credit risk management mechanism. Other issues undermining the performance of SACCOS are related to the mismanagement and embezzlement of funds by management, which also signals poor corporate governance (URT, 2020a, 2020b).

The Citizen (2022) further reported that from 2020 to 2021, the BoT SACCOS declared a significant drop in the numbers of SACCOS, clients, value of savings and deposits coupled with rising outstanding loans, which are symptoms of the unsustainability of SACCOS in Tanzania. Also, Magali (2014) found that employees working in unsustainable rural SACCOS were paid only allowances. This situation indicates a lack of a competitive incentives scheme. Overall, lack of sound credit risk management mechanisms, poor corporate governance practices, and unfavourable monetary motivation for employees threaten the outreach of SACCOS and, hence, their financial sustainability.

1.4 Research Objectives

1.4.1 Main Objective

The main objective of the study was to assess the factors influencing the financial sustainability of SACCOS in Tanzania.

1.4.2 Specific Objectives

The specific objectives of the study were as follows:

i. To examine the influence of outreach on the financial sustainability of SACCOS in Tanzania;
ii. To assess the influence of corporate governance practices on the financial sustainability of SACCOS in Tanzania;
iii. To analyze the influence of credit risk management techniques on the financial sustainability of SACCOS in Tanzania; and
iv. To determine the influence of monetary motivation for employees on the financial sustainability of SACCOS in Tanzania.

1.5 Significance of the Study

The contribution of the study has both theoretical and practical significance for academicians, policy-makers, and practitioners in the microfinance sector. For academicians, the study adds to the existing body of knowledge on the financial sustainability of MFIs, particularly SACCOS in the context of Tanzania. Also, the study findings could serve as a stepping stone for other studies in microfinancing because the sustainability and performances of MFIs remain an emerging issue vital in supporting global socio-economic development, which attracted the interest of numerous researchers.

Moreover, the study findings could enable microfinance practitioners to understand key issues related to the financial sustainability of MFIs, specifically SACCOS. The study findings could also inform stakeholders about the technical assistance the MFIs, particularly the SACCOS network, require in establishing and developing institutional capacity towards viability, self-reliance and outreach.

The study findings could also serve as an information base for policy-makers seeking to address the broad development agenda for Vision 2025. In addition, it could inform some initiatives linked to SACCOs aimed to alleviate poverty through enhanced outreach in addition to ensuring MFIs particularly when SACCOS are viable, sustainable and growing.

In theoretical terms, the study contributes to the Agency Theory and Institutional Theory, particularly by explaining how the two theories integrate the variables of outreach, corporate governance, credit risk management and monetary motivation in overcoming challenges occasioning the unsustainability of SACCOS in Tanzania.

1.6 Scope of the Study

The study targeted the SACCOS located in the Arusha region. Based on URT (2020a) data, Arusha Region had the largest number of SACCOS (250) after Dar es Salaam Region (364). Since the focus of the current study was principally on SACCOS, other types of MFIs were largely outside the scope of the study. The information collected from SACCOS covered the period from 2016 to 2019. Its interest was in variables of outreach, corporate governance, credit risk management, and monetary motivation. These variables have scarcely been integrated with the sustainability of SACCOS since none of the empirical studies reviewed had hitherto integrated them in a single study. Nevertheless, scholars mention them as important variables that affect the performance of SACCOS. The study also applied both the Agency and Institutional Theories to explain how the variables under study influence the sustainability of SACCOS in Tanzania.

1.7. Organisation of the Study

This opening chapter has introduced and provided the background to the study in addition to spelling out the statement of the problem, objectives of the study, research questions, research hypotheses, contribution of the study, limitation of the study and its organisation of the study.

Chapter Two reviews the literature on the determinants of the financial sustainability of SACCOS. The literature review also explains Tanzania's microfinance system, outreach, corporate governance, credit risk management, monetary motivation, financial sustainability, history of SACCOS, and theoretical literature review. The chapter also delineates the Institutional Theory as it relates to and informs the study. Additionally, the chapter reviews empirical literature review particularly on determinants of SACCOS financial sustainability and conceptual framework before establishing the research gaps that the study set out to fill.

Chapter Three constitutes the methodology part of the current research and covers the research philosophy, research design, research strategy, area of the study, population, sampling design, types of data, study variables, measurement of independent and dependent variables, data analysis, model specification, data validity, and reliability and finally ethical issues and consideration.

Chapter Four presents and analyses the results and discusses the research findings on the factors that influence the financial sustainability of SACCOS in Tanzania. Of interest in the chapter is the discussion of the results of data analysis. In this respect, the chapter presents descriptive analysis and multiple regression results of the outreach, corporate governance, credit risk management, and monetary motivation on the financial sustainability of SACCOS in Tanzania. Also, it discusses the research results to accomplish the purpose of this study, which is on the factors influencing the financial sustainability of SACCOS in Tanzania. The chapter concludes with a discussion of multiple regression results to build on other previous scholars' methodologies.

Finally, Chapter Five presents a summary, conclusions, recommendations, and limitations of the study in addition to presenting suggestions for further research. It also presents the major policy interventions for improvements in the financial sustainability of the SACCOS, and the study's contribution to the existing body of knowledge on the sustainability of the financial capacity of SACCOS in Tanzania to academia, practitioners, policy-makers, and regulators. This final chapter also delineates the limitations of the study and makes recommendations for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Chapter Overview

This literature review chapter critically analyses empirical works on the financial sustainability of SACCOS to both situate the current literature in the established discourse on the topic and establish the research gaps that the study set out to fill. Firstly, this chapter defines all key terms and concepts. Then, it provides a comprehensive critical theoretical literature review on the Agency and Institutional Theories. Subsequently, it establishes the research gaps stemming from both the theoretical and empirical evaluations in a bid for the study to bridge these research gaps. Then, the chapter presents the conceptual framework developed to demonstrate the conceptual relationship between outreach, corporate governance, credit risk management, and monetary motivation, collectively, vis-à-vis the potential of SACCOS to be financially viable and sustainable.

2.2 Conceptual Definitions

This sub-section defines the concepts of outreach, corporate governance, credit risk management, monetary motivation, financial sustainability, and Savings and Credit Co-operative Societies.

2.2.1 Savings and Credit Co-operative Societies

SACCOS are members who own a financial co-operative society, which is democratically controlled and operated by its members to maximise the economic benefit of its members by providing them with financial services at competitive and fair rates (URT, 2013; WOCCU, 2018; TCDC, 2022). Similarly, this study defines SACCOS as a member-owned financial co-operative that is created and operated by members who share the profits generated. Since there is no significant variation in defining SACCOS, this study adopted the definition from the TCDC principally because the study analysed the SACCOS supervised by the TCDC.

2.2.2 Outreach

Abebe (2020) defines outreach from microfinance perspective as the ability of an MFI to enable financial and non-financial access to a large number of borrowers who otherwise would lack such access from conventional banking. Based on the financial viewpoint and economies of scale, the definition of outreach generally connotes two dimensions of depth and breadth of outreach. On their part, Rao and Fitamo (2014) linked the depth and width with major services of MFI such as credit provision, savings mobilisation, micro-insurance, money transfer, and payment services. Similarly, Abdulai and Tewari (2017) define outreach as the number of poor clients that MFI reach with their high-quality financial products and services tailored to meet their needs and aspirations. In a similar vein, Hermes et al. (2011) also contend that outreach seeks to provide credit to the poor with have no access to commercial banks to reduce poverty and help them set up their own income-generating ventures.

Furthermore, Bassem (2008) asserted that outreach comprises the number of female borrowers as the measure of outreach since the main clients of microfinance services are women. This assertion is particularly true in the context of Tanzania where most of the borrowers in MFIs, in this case SACCOS, happen to be women (TCDC, 2021). The study treated outreach as the ability of SACCOS to provide financial services and raise the number of members (Abebe, 2020).

2.2.3 Corporate Governance

Corporate governance is a process of directing and controlling an organisation involving a set of relationships between the organisation's management, its board, its shareholders, and its various stakeholders that provide the structure through which its objectives are set as well as the means for achieving those objectives and monitoring performance (OECD, 2015). Also, the Chartered Governance Institute (2020) relates corporate governance to the system of rules, practices, and processes directing and controlling a company. The current study adopted the OECD (2015) conceptualisation because it is a comprehensive and widely accepted definition among researchers in assessing the performance of the firms.

2.2.4 Credit risk management

Kalu et al. (2018) define credit risk management as systems, procedures and controls that a firm can institute to ensure the efficient collection of customer payments to minimise the non-payment risk. Moreover, credit risk management includes credit risk identification, appraisal, monitoring, assessment, and mitigation (Kalu et al., 2018). Furthermore, credit risk management refers to the identification, analysis, assessment, control, avoidance, minimisation, or elimination of unacceptable risks, according to Boateng (2020). An organisation may also apply risk assumption, risk avoidance, risk retention, risk transfer, or any other strategy or combination of strategies in the proper management of future events to manage and mitigate risk. This study adopted the definition by Boateng (2020) and Kalu et al. (2018) because it happened to be current at the time this study was being carried out and augurs well with the credit risk management variable of the current study.

2.2.5 Monetary Motivation

According to Lambrou et al. (2010), motivation explains how a personal effort is recognised and awarded. This attribute is vital in promoting the organisational objectives. After all, promotion does not only enhance the achievement of organisational objectives but also its sustainability. Monetary motivation is a monetary type of motivation (Stello, 2012) such as wages, attractive salaries, and different types of allowances. The variables covered in this study include competitive salary, staff allowances, health insurance, annual incentives and subsidised loans (Osike, 2017; Sarpong, 2016; Nguyen et al., 2021; Fadillah & Ismail, 2018; Frank-Miller et al., 2019).

2.2.6 Financial Sustainability

Financial sustainability is the ability of a corporation to generate revenue or obtain a return on an investment that is sufficient to pay off all of the company's expenses while earning a profit, according to Burki et al. (2018). Financial sustainability predicates whether a project is appropriate for financial investment and whether investing resources into the project could result in sufficient returns for investors. Financial sustainability also determines whether a project is viable for financial investment. The ability of a business to cover all its costs through the revenue that it creates on its own constitutes financial sustainability. In other words, a business does not rely on assistance from third parties or receive financial subventions (Kinde, 2012). Financial sustainability is the ability of MFI to continue providing financial services to individuals with low incomes while retaining a sufficient level of profitability. On the other hand, Bayai and Ikhide (2016) defined financial sustainability as the capacity of an organisation to cover its operational and financing costs from its income while expanding its services without donor support. This study adopted Burki et al.'s (2018) definition that financial sustainability refers to the capacity of microfinance institutions to continue operating for a long period without recourse to subsidies while achieving the set objectives.

2.3 Theoretical Literature Review

2.3.1 The Agency Theory

This study applied Jensen and Meckling's (1976) Theory of Agency. The main variables of the theory are conflict of personal interest, asymmetric organisational information flow, motivations for agents, and risk aversion (Jensen & Meckling, 1976). When shareholders engage a manager to operate a firm, they delegate direct control to remain with indirect control. Bratton (2012) expressed that managers always strive to maximise the incentives whereas the shareholders aim to maximise the wealth through enhanced profitability. The theory also suggests the existence of a conflict of interests when managers assume the responsibilities of a firm's management in support of the shareholders or simply principal-agent conflict (Eisenhardt, 1989).

The SACCOS governance structure allows members to elect board members to manage and then recruit managers on their behalf in a bid to separate ownership and control, hence raising the stakes in the principal-agent conflict of interests (Mataba & Haule, 2011). Panda and Leepsa (2017) affirmed that financial incentives induce employees to perform agency roles effectively and prevent the problems of conflict of interest and asymmetric information flow.

Failure to deal with the agency problem tends to jeopardise the sustainability of a firm (Muhanguzi, 2019). Violation of SACCOS rules and regulations by managers subjects them to the conflict-of-interest state (Mutiso, 2019). In this case, the manager can engage in malpractices, which might threaten outreach activities. Corruption can also erode SACCOS outreach activities (Mmari, 2019). Furthermore, corruption violates the principle of corporate governance variable and failure to adhere to corporate governance principle deters the sustainability of the SACCOS.

Lack of execution of the credit management practices tends to undermine the SACCOS sustainability (Kalu et al., 2018). Monetary motivation for agents also helps to solve the principal-agent problem (Besley & Ghatak, 2014). In this connection, managers can conceal information when they note that such an act can lead to personal gain as opposed to the better performance of SACCOS. Sometimes, the manager can even resist accepting the decisions, which seem to be of a calculated risk yet profitable to the SACCOS because of the risk aversion attribute.

The strength of the Agency Theory is its description of principal-agent relationships. As such, the theory provides a basis for improving corporate governance practices in organisations (Cuervo-Cazurra et al., 2019). In fact, the Agency Theory is vital since it plays a vital role in elucidating the managers' behaviour in MFIs (Laher & Proffitt, 2020). According to Bhagat and Bolton (2008), the Agency Theory is the prominent theory that determines the efficiency of the agent's role and the principal in addition to explaining well the variables articulating the relationship between the two parties. Implicitly, the Agency Theory covers well the variables of risk aversion, self-interest, information flow and bounded rationality. Moreover, the Agency Theory has helped to widely explain different organisational variables such as financing structures, innovation, compensation, board relationships, acquisition, marketing strategies and ownership (Rahman et al, 2019).

Weaknesses of the Agency Theory, according to Perrow (1986), scholars have attracted more weight regarding the agents' variables and not of principals. In the current study, the focus was more on the role of the principal in strengthening the financial sustainability of SACCOS in Tanzania. The study analyses the principal role in encouraging outreach, good governance, credit risk management and outreach to overcome the agent problem. One of the problems with Agency Theory is its inability to explain dynamisms in family businesses, and strategic and social entrepreneurship (Bendickson et al., 2016). Similarly, scholars challenge the theory for its bias towards developed economies with competitive stock markets and established corporate governance practices than in developing countries (Mihret et al., 2010). Moreover, some scholars have faulted the Agency Theory for failing to distinguish forces from various stakeholders affecting the organisations (Rahman et al, 2019). Apart from apparent weaknesses, the Agency Theory was deemed relevant due to the nature of the variables underpinning the current study. Also, the agent theory has explained well how outreach, corporate governance, and monetary motivation influence the sustainability of SACCOS in Tanzania.

Furthermore, the risk aversion challenge may be overwhelmed if the principal motivates the agent, according to Pepper and Gore (2012). Besley and Ghatak (2014) similarly contended that financial motivations fostered the proper implementation of the agency role and, thus, the agent's conflict of interest is minimised. Nonetheless, the study did not examine how the two variables were correlated. The current study has analysed the role of monetary motivation in enhancing the sustainability of SACCOS. Monetary motivation usually induces the agents to work diligently and thus, the agents foster the profitability and sustainability of the SACCOS. Muithya and Ombati (2019) through the review of the literature articulated that the poor performance of SACCOS in developing countries is linked with agency problems. However, the argument was not tested empirically to substantiate it.

The linkage of the corporate governance and performance of SACCOS was examined by Muhanguzi (2019) in Uganda; Omwenga (2017) and Mwangi et al. (2015) in Kenya; Huang et al. (2016) in China; and Melkamu (2016) in Ethiopia. The current study linked the Agency theory to mixed variables of corporate governance, outreach, credit risk management, and financial motivation. Kumburu et al. (2012) associated the poor loan repayment performance of SACCOS in the Kilimanjaro region in Tanzania with a conflict of interest in the Agency Theory. But, the study did not prove how the conflict of interest affected the repayment of loans.

The theoretical gap regarding the Agency Theory arises because the studies reviewed did not integrate the Agency Theory alongside the four variables as in the current study, namely outreach, corporate governance, credit risk management and monetary motivation. Many of the studies such as Muhanguzi (2019), Omwenga (2017), Mwangi et al. (2015), Huang et al. (2016), and Melkamu (2016) correlated the Agency Theory in articulating how corporate governance influenced the performance of the SACCOS. Also, Panda and Leepsa (2017), Perrow (1986), Besley and Ghatak (2014) relate the Agency Theory to the performance of the SACCOS. Specifically, these studies assessed the role of monetary motivation on the performance of a firm but not sustainability. Previous scholars who applied the Agency Theory concentrated on the agency side (Perrow, 1986). This study concentrated on both the agent and principal. In the current study, credit risk management belongs more to the agent as opposed to the principal sides, with the variables of corporate governance and monetary motivation amenable to both sides. The study has also integrated outreach and credit risk management, which have been ignored under the Agency Theory.

2.3.2 The New Institutional Theory

The New Institutional Theory (NIT) by Meyer (1977) and Meyer and Rowan (1977) states that policies, rules, and regulations influence organisational behaviour. This theory influences the organisation's transparency, accountability and performance (Boehe & Cruz, 2013). Even though Haldar (2015) claimed that MFI credit risk management, monetary motivation and corporate governance are integrated into the institutional economic theory, no studies have been conducted to substantiate such a proposition.

The Institutional Theory emphasises the influence of the broader institutional environment on organisational behaviour. In MFIs, institutional variables such as regulatory frameworks, cultural norms, and social expectations, shape the outreach strategies of MFIs determining their goals, target populations and the extent of financial services they provide (Simo et al., 2022).

Better institutional strategies promote MFIs replicating successful models and, hence, attract many people. The Institutional Theory allows practitioners to gain insights into the factors that shape the design and implementation of MFIs (Covin & Miller, 2014). This understanding helps to identify barriers to outreach, inform policy interventions and guide the development of effective strategies to promote performance and expand financial inclusion for marginalised populations. Studies such as Dib et al. (2014), Abdulai and Tewari (2017), Henock (2019), Mutua et al. (2020), Wadi et al. (2022) and Zainuddin et al. (2020) link MFI outreach and sustainability without explaining the role of Institutional Theory in shaping the relationship between the two variables.

The Institutional Theory also provides valuable insights into the role of institutions in shaping credit risk management practices within MFIs. Credit risk management also aids MFIs in setting strategies for assessing and mitigating the risk of loan defaults (Bruton et al., 2015). The SACCOS institutional norms mitigate the risk of loan default by applying standardised methodologies for loan evaluation, collateral requirements, risk assessment tools and provisioning practices (Bitok et al., 2020). Bruton et al. (2015) used the Institutional Theory to link the financial service and entrepreneurship and not how credit risk management influenced the MFIs. Moreover, Bitok et al. (2020) connected the portfolio quality and MFIs financial sustainability and not how credit risk management affected the sustainability of MFIs. Therefore, the empirical studies which associate Institutional Theory, credit risk management and SACCOS sustainability are missing. Haldar (2015) asserted that credit risk management, monetary motivation and corporate governance are the MFI variables integrated into Institutional Theory. Yet, no empirical test had been conducted to substantiate this proposition. As a result, this study applies the Institutional Theory to prove this assertion. Mohamed (2017) affirmed that many scholars apply Institutional Theory in assessing MFI diverse MFI variables. However, the theory has the following flaws: It does not explicitly distinguish the informal and formal institutions (Geels, 2010). Mohamed (2017) also charged that the theory was stationary and failed to explain well the social variables. Moreover, it does not delineate how humans can foster organisational change (Cai & Mehari, 2015).

Based on the nature of the current study, the Agency Theory has made the foundation of the study compared to Institutional Theory. With reference to both Agency and Institutional Theories the current study proposed that, outreach, corporate governance practices, credit risk management techniques and monetary motivation for employees as the factors affect financial sustainability of MFIs. Hence this study proposed the following hypotheses:

i. H_{01}: Outreach have a positive and significant effect on the financial sustainability of SACCOS in Tanzania.
ii. H_{02}: Corporate governance practices have a positive and significant effect on the financial sustainability of SACCOS in Tanzania.
iii. H_{03}: Credit risk management techniques have a positive and significant effect on the financial sustainability of SACCOS in Tanzania.
iv. H_{04}: Monetary motivation for employees have a positive and significant effect on the financial sustainability of SACCOS in Tanzania.

2.4 Empirical Literature Review

An empirical review was done basing on the four research specific objectives. After the empirical literature review on each specific objective, the null hypothesis (H_0)

was stated. The null hypothesis (H_0) assumes that samples really come from the populations. Therefore, this section reviews empirical studies to assess the influence of outreach, corporate governance practices, credit risk management techniques, and monetary motivation for employees to present the gaps in the current study.

2.4.1 Studies on Financial Sustainability of MFIs Done Globally

2.4.1.1 Outreach and Financial Sustainability

The scarcity of published research effect that outreach has on the financial viability of organisations, particularly financial co-operatives such as SACCOS. The literature revealed a significant number of studies such as Quayes (2015), Cull et al. (2015), Chikalipah (2020), and Blanco-Oliver and Irimia-Diéguez (2021) have established a connection between outreach and financial performance without necessarily focusing on sustainability.

Abdulai and Tewari (2017) focused on the trade-off between outreach and sustainability of MFIs in SSA and focused on multiple MFIs and not SACCOS. Quayes (2012) and Zainuddin et al. (2020) analysed the association between depth of outreach and sustainability of numerous MFIs in multiple countries and, hence, the conclusion cannot be generalised for SACCOS. Dib et al. (2014) analysed how outreach influenced the Albanian credit union. Since Albania has a different country context that could not tally with the socio-economic and political realities prevailing in Tanzania, the study findings could not be applied without qualification, hence the need for a particularised study responsive to the needs of the East African nation under review.

Henock (2019) and Wadi et al. (2023) assessed the influence of FS on outreach, which is a reverse relationship to the current study. Sebhatu (2012) examined the factors affecting both the outreach and FS of SACCOS. Yet, factors such as poor awareness, the culture of saving, poor organisational governance and ineffective regulatory and policy framework were rather too general. Mutua et al. (2020) analysed the relationship between outreach and the FS of the licensed DTMFIs in Kenya; however, the study did not specify how SACCOS was used among the MFI. The study also concentrated on licensed MFIs contrary to the current study, which used licensed and non-licensed MFIs. Khalaf et al. (2023) combined the influence of outreach on social performance and financial performance.

Illustrating the studies which stipulate variables, Mutua et al. (2020) investigated the relationship between financial outreach and the financial sustainability of deposit-taking microfinance institutions in the county of Nairobi in Kenya. To establish the nature of the connection that exists between financial outreach and financial viability, 13 licensed deposit-taking microfinance institutions (DTMF) constituted a population. Because there were few people in the target population, the study applied the census approach. For both operational and financial self-sufficiency, the study created a static Panel linear regression model with a fixed effect.

The data gathered from secondary sources were drawn from audited financial statements provided by the Central Bank of Kenya. After employing an inferential analysis method with the help of the STATA statistics programme, the study utilised descriptive statistics tools such as the mean and standard deviations. A number of diagnostic procedures, including normality, multicollinearity, heteroscedasticity, serial correlation, stationarity and the Hausman test were carried out. According to the study findings, the number of active customers (the breadth of outreach) had a statistically significant relationship, whereas the average loan size (the depth of outreach) had an insignificant relationship and the age of the firm (the experience of the institution) had an insignificant relationship when it came to the FS of the DTMFIs in Nairobi county, Kenya. The study found the effect of CRM (portfolio at risk) and breadth of outreach (number of active clients) on the relationship between financial outreach and financial sustainability to be positive. On the other hand, the effect of portfolio at risk, experience of institution (age), and depth of outreach (average loan size) were found to be negative. In addition, loan loss provision coverage had a positive interaction with the number of active clients, age, and average loan size on the relationship between financial outreach and the financial sustainability of DTMFIs in Nairobi County, Kenya. However, the study was done in multiple MFIs that could not validate the generalisability of SACCOS generally and in Tanzania specifically.

Yitayaw (2020) assessed the relationship between the profitability and sustainability of SACCOS in Eastern Ethiopia. a balanced panel data from 33 SACCOS from 2017 to 2019. The study used a quantitative and explanatory design. During the study period, the study used secondary data sources, particularly audited financial statements from SACCOS, which principally served as the primary means of gathering information. The research found that SACCOs in eastern Ethiopia were profitable; however, they were not financially viable in the long run. The findings of the random effect model indicate that the gross loan-to-asset ratio, yield on the gross loan portfolio, and managerial and operational efficiency, all had a statistically significant positive effect on the FS of SACCOS. The average loan size has a statistically significant effect that is negative. In a similar vein, the gross loan-to-asset ratio, management efficiency and average loan size all have favourable effects that are statistically significant and contribute to the profitability of SACCOS in Eastern Ethiopia. Also, the percentage of female borrowers and the number of active borrowers had a statistically significant but negative impact on the profitability of the SACCOS in the research area. The study concentrated on the influence of profitability on sustainability and not outreach on FS of SACCOS.

Credit unions worldwide face a variety of challenges. Credit unions in Scotland faced the sustainability criteria challenge set by the regulator, inadequate responsiveness to technological matters and stiff competition (Harrison et al., 2018). Mia et al. (2022) revealed that the FS of MFIs was influenced globally by outreach and efficiency. The study further revealed that wage, operational costs and turnover of staff reduced the MFIs efficiency and, hence, sustainability. The study recognised the role of female board members in promoting the efficiency and financial sustainability of MFIs. However, all these studies covered only a single variable of outreach and not multiple variables like in the current study.

Henock (2019) found that SACCOS in Ethiopia were financially sustainable. The study assessed the influence of FS on outreach, which is the reverse of the current study that assessed the influence of outreach on financial sustainability. The FS was measured by operational efficiency, ROA, DER, deposit mobilisation and donation. The study involved 46 SACCOS and regression was applied in data analysis. Yitayaw (2021) found that the leverage ratio, operational efficiency, number of active borrowers, efficiency of operation and size positively and, significantly, influence the financial sustainability of SACCOS in Ethiopia. However, the findings indicated that credit provision and mobilization of savings did not affect financial sustainability of SACCOS. However, contrary to the current study, Yitayaw (2021) analysed the influence of financial sustainability on outreach.

Mutiso (2019) established that the factors affecting the financial sustainability of SACCOS in Kenya were stiff competition from other financial services providers, capital insufficiency, weak management of liquidity and poor governance. Githaiga (2022) reported diversification of revenue positively and significantly influenced the financial sustainability of MFIs in Kenya. Nonetheless, the study concentrated on the factors affecting financial sustainability and not the influence of outreach on financial sustainability. Dib et al. (2014) used the variables of the average loan size, ratio of operating expenses cost per loan, dependency ratio, retained earnings to total capital ratio and the donated capital to measure financial sustainability of credit unions in Albania. The findings further indicated that the credit unions attained financial sustainability. Nonetheless, the study was done in a different context from that obtaining in the environment in which the current study was conducted. Contrary to the current study which concentrated on various types of SACCOS, Dib et al. (2014) concentrated on agricultural co-operatives.

Kleanthous et al. (2019) found low membership participation to threaten governance in credit unions and, hence endangering their sustainability in Cyprus. However, the study assessed the linkage between sustainability and accountability and not outreach and sustainability. Mushonga (2018) established that size, return of assets, average savings and capital adequacy ratio influenced South African cooperative financial institutions' sustainability; however, age did not influence it. The analysis of data involved Data Envelopment Analysis and unbalanced panel data. However, all three studies focused on the influence of efficiency on sustainability and not on the influence of outreach on financial sustainability.

Ibrahim et al. (2018) disclosed that the operational experience and charged interest rate influenced the financial performance of MFIs in the Organisation of Islamic Co-operation (OIC) countries. However, Islamic MFIs have different modes of operations and, hence, the results can not be generalised for SACCOS. Abebe (2020) found that in a competitive market environment, there exists a positive relationship between the depth of outreach and the measure of financial performance (namely OSS) in India. The findings indicate that social and financial performance of MFIs was moderated by the level of market competition. However, the study associated the level of competition with performance and not the influence of outreach on the sustainability of MFIs.

In this study, financial sustainability was measured using OSS, which is a ratio of operating revenue and operating costs, loan loss provision and financing costs. The study used interest rate, assets value, years of operation, types of financial services, number of active borrowers, the number of active women borrowers, value of the outstanding loan portfolio, value of shares, deposits, and savings, the number of potential members in the area of operation and amount of loan disbursed as outreach variables. These are a diverse range of indicators that previous scholars have used.

Several studies such as Kinde (2012), Tehulu (2013), and Burki et al. (2018) have emphasised the effect of social outreach on the performance of MFI because it plays a primary goal of the microfinance industry. The study by Sadiq and Burki (2018) has confirmed that outreach variables such as financing charges, size of loans, the age of the firm, the size of the firm, and the proportion of female borrowers significantly explained the financial sustainability of MFIs working in Pakistan. According to Kinde (2012), the depth of outreach and breadth of outreach significantly affect the financial sustainability of MFIs and SACCOS, respectively.

On the other hand, Tehulu (2013) pointed out that management inefficiency, size of company, leverage, portfolio at risk, breadth of outreach, loan intensity, and deposit mobilisation are important determinants of the financial sustainability of MFIs in East Africa. These studies treated outreach as the main factor affecting financial sustainability whereas the role the corporate governance mechanism and credit risk management practices played in enhancing the performance of MFIs. The empirical literature review proposed the hypothesis:

H_{01}: Outreach have a positive and significant effect on the financial sustainability of SACCOS in Tanzania.

2.4.1.2 Corporate Governance and Financial Sustainability

Ssekiziyivu et al. (2018) asserted that corporate governance practices have proven to be the basic mechanisms that affect the success and continuity of MFIs in Uganda. However, the study focused on corporate governance practices and not on financial sustainability. OECD (2015) provided the values of corporate governance, which significantly affected the performance of firms, and these include respect for the rights of shareholders, equitable treatment of all stakeholders, compliance with the law, responsibilities of the board, transparency and disclosure.

According to Keyes (2014), governance best practices positively impact company's performance and long-term viability. Nalukenge et al. (2017) contended that corporate governance mechanisms improve internal controls over financial reporting, hence fostering the performance of the firm. The variables of corporate governance mechanisms include an effective board in terms of its independence, role performance, chief executive officer duality, and financial expertise of the board. Also, the study showed no board independence and CEO duality emerged to be insignificant predictors of internal controls over financial reporting. However, the board role performance and financial expertise were significant predictors of internal controls over financial reporting in MFIs. On the other hand, Aggarwal (2013) found a positive and significant effect of variables of corporate governance on corporate financial performance in India. These studies, however, concentrated on the MFIs rather than SACCOS, which differ in terms of how they were formed and governed.

Towo (2022) revealed that the financial performance of SACCOS in Tanzania was negatively and significantly influenced by the financial leverage whereas the board meetings positively and significantly moderated the financial leverage and financial performance. However, the study concentrated on financial performance and not sustainability.

Ussif and Ertuğrul (2020) in their descriptive analysis demonstrated that improper policies and regulations negatively influenced the sustainability of MFIs in Ghana. Other challenges, which hampered the sustainability of MFIs included poor risk management, technology and inadequate government support. However, the study assessed the influence of regulation on financial sustainability and not the influence of corporate governance. Ochingo (2018) unveiled that adequacy of capital, quality of assets, liquidity and efficiency of operation positively and significantly influenced the financial performance of Kenyan SACCOS. One of the studies focused on performance and sustainability.

Susilawati et al. (2018) indicated that internal governance influenced the financial performance of the credit union in Indonesia. The study found non-influence of external governance on financial performance. Nonetheless, the study concentrated on financial performance and not sustainability. Vitello (2022) reported that the Canadian Credit unions were sustainable, which enabled them to finance environmental conservation activities. They also disbursed loans to support other social issues. Notwithstanding, the study concentrated only on finance practices. Ndiege et al. (2014) by using the panel data from 2004 to 2011 and panel data regression analysis revealed that external funding threatens the sustainability of the SACCOS in Tanzania. However, the study concentrated on financial linkage on sustainability.

Kolloju and Meoli (2022) maintained that membership size influenced the sustainability of MFIs in Africa, Latin America and Asia. The major concentration was on efficiency and not sustainability. Said et al. (2019) revealed that having responsible staff members, reviewing financial guidelines, regularly, training members and staff, employees and management co-operation and depending only on members' contributions influenced the sustainability of the Islamic SACCOS in Tanzania. However, the study was conducted only on four Islamic SACCOS and used descriptive and thematic analysis, which made it difficult to test the hypotheses aimed at confirming the relationship between independent and dependent variables.
Using descriptive and linear regression analysis, the study found that the factors that influenced the financial sustainability of MFIs in Zanzibar Island were huge administrative expenses, return on assets, returns on equity, deposit mobilization, loan portfolio and number of active borrowers. The study used 50 MFIs from SACCOS, VICOBA and ROSCAs and multiple regression analysis. The study analysed the determinants of financial sustainability and not specifically the influence of corporate governance on sustainability. However, the results could not be generalised to SACCOS since it used multiple MFIs. Also, Sulimany et al. (2021) revealed the association between corporate governance and financial sustainability of food companies in Saudi Arabia. Board size and share price served as a proxy for

corporate governance and return on assets (ROA). The study used the OLS regression model and 12 food companies. Yet, the study was not done in MFIs.

Munir et al. (2019) using structural equation modelling and 425 companies listed on the Australian stock exchange found that corporate governance positively determined corporate sustainability. The study further indicated that corporate governance promoted financial performance. The financial sustainability was measured using ROA, return on equity (ROE), firm size, cash flow, and conducive management system environment. Measures of corporate governance were the CEO duality, board size, number of board directors, number of board meetings, audit committee meeting attendance percentage, independent audit committee directors' percentage, compensation committee meeting attendance percentage, and independent directors' percentage in compensation committee. Yet, the nature of the operation of non-MFI firms differs from those of SACCOS.

In this regard, Uchenna et al. (2020) established that only the board size, which served as a proxy for corporate governance, could influence the financial sustainability of microfinance banks in Nigeria, implying that the influence of gender diversity and board independence was largely insignificant. The financial sustainability was measured by ROA and OSS. Towards this end, the study applied fixed effect panel regression analysis and 60 microfinance banks. The current study focused on the SACCOS and not on the microfinance banks whose mandate might exclude the very poor. Chenuos et al. (2014), using 42 MFIs, panel data analysis and ROA as a measure of financial sustainability, found that board size, CEO gender, duality of CEO, and composition of the board positively and significantly affected the financial sustainability of MFIs in Kenya. However, the study used multiple MFIs which cannot be generalised for SACCOS elsewhere without qualification.

Bakker et al. (2014) established that boards positively influence the MFI sustainability while regulations negatively influence the MFIs' sustainability. The study used Hierarchical multiple regression analysis, 230,000 clients and 97 MFIs located in 35 developing countries of Asia, Africa, Latin America and Eastern Europe. Independent sub-variables were firms owned by shareholders versus those owned by non-profit organizations. Variables of the board members were women, insiders, financiers and non-affiliated outsiders, being rated and regulated. The financial sustainability variables were ROA, OSS and FSS whereas the outreach variables were average loan balance per borrower, number of active borrowers, percentage of loans in rural areas and women borrowers. Again, the results from multiple MFIs cannot be generalised for SACCOS because of the differing operating environment.

Iqbal et al. (2019) found that corporate governance influenced positively the financial performance (profitability) of MFIs in 18 Asian countries. The study used panel data and multiple regression analysis. The financial performance was measured by ROE, ROA and OSS. Sub-independent variables were size of board; diversity of board in terms of financial expertise, gender, residency, CEO duality, female CEO, and type of shareholding ownership. However, the study concentrated on financial performance and not sustainability. Gupta and Mirchandani (2020) found the co-operatives to have a lower size of loans but a higher number of female borrowers. In this case, they had achieved the outreach purpose as opposed to the formal MFIs. Nonetheless, the study focused on performance and not sustainability.

Bassem (2009) revealed that managers' performance-based compensation did not influence MFIs performance. The study further established that trade-offs between MFIs sustainability and outreach depended on the large size of the board, large proportion of unaffiliated directors and high percentage of female board members. However, since the study had been conducted on multiple MFIs, the findings could not be generalised for SACCOS. On their part, Mersland and Strøm (2009) found that an internal board auditor, local directors and female CEO enhanced the performance of MFIs; the CEO duality increased the number of credit clients. Group lending increases outreach; but the type of MFI and bank regulation did not influence the outreach and financial performance of MFIs. However, the research had concentrated on the MFIs' performance and not sustainability.

Urgessa and Ababa (2021) using the fixed effect regression model, 25 MFIs and ROA as a measure of financial performance established that the financial performance of MFIs in Ethiopia was determined by the size of members, educational level of board members and annual remuneration. However, the influence of CEO's experience was not significant. The study was centred on on MFIs performance and not sustainability.

Rasel (2021) found that for MFIs in Southern Asia, the board of directors' characteristics and board size negatively influenced their performance and outreach.

Whereas the variable of board gender diversity was not significant, the board's independence positively influenced their performance and outreach. Also, the CEO duality insignificantly influenced financial performance and outreach. Similarly, ownership type had no significant influence on the financial performance but the influence was negative for MFI co-operatives. Furthermore, external audit quality positively influenced financial performance and sustainability. The capital structure was measured using the debt-to-equity ratio, which indicated a negative influence on their performance and sustainability. ROA and OSS measured the Financial Performance. The study applied the OLS regression model and used data from 947 MFIs. The countries under study were Bangladesh, India, Pakistan, Sri Lanka and Afghanistan. However, the findings may not be generalised to Tanzania's SACCOS because they operate in different socio-economic and political contexts.

The corporate governance variables covered in the current study are accountability among the board members of the SACCOS, timely and accurate board information disclosure, and strong qualified professional members with diverse backgrounds and gender balance among among board members. Other variables include members' opportunity to participate in decision-making, the board respect for the rule of law, a clear flow of information and the vision and knowledge of a board chairperson. Moreover, this study applied a multiple number of variables compared to the empirical studies reviewed thus far. The review of the literature indicates that most of the studies assessed the influence of corporate governance on performance and focused on multiple MFIs and were not done specifically on SACCOS.

Nthaga's (2017) study noted that since the 2008 financial crisis, global attention had been drawn to co-operatives, owing to their resilience and ability to flourish during tough economic conditions in the Southern African country of Botswana. The potential of co-operatives as a catalyst for sustainable development is of particular interest to that country, where the economy is heavily reliant on a single commodity trade but with a potential for greater participation of the citizens in the socio-economic development of the country. The growing participation of co-operatives, particularly savings and credit co-operatives, has proved to be a channel for increasing access to finance for the traditionally unbanked, a reduction in poverty levels, and continued socio-economic development across the African continent. However, only 26 percent of co-operatives are profitable, while 30 percent operate at a loss or break even. This necessitates an empirical investigation into the performance (profitability and sustainability) of SACCOS in Botswana (Nthaga, 2017). Literature also presents various views regarding the determinants of profitability of SACCOS, which include the selection of a skilled management committee, clear articulation of and compliance with a credit policy, the presence of a savings culture in the area of operation, sound corporate governance, credit default rates, membership numbers and members' level of financial literacy.

Nthaga's (2017) study also ascertained the key determinants of the profitability and sustainability of SACCOS in Botswana and the extent to which these factors influence the SACCOS' operational self-sufficiency. The study population comprised 39 SACCOS drawn from eight regions across the Southern African countries. The independent variables chosen were ROA, deposit mobilisation, current ratio, capital structure, and membership size. Panel data analysis for financial data collected over 10 years (2005 to 2015) for all registered SACCOS was used. The study revealed that return on the assets and capital structure were significantly and positively related to OSS, which was generally consistent with extant literature. The size and liquidity were found to be statistically insignificant determinants of OSS. A finding unique to this study, and contrary to the literature was the negative relationship observed between deposit mobilisation and OSS.

Subsequently, Nthaga's (2017) study recommended that members of SACCOS as well as regulators should ensure that their management provided a clear investment strategy that factored in revenue diversification. Additionally, the Ministry of Investment, Trade and Industry in Botswana should also channel resources into enforcing support policies and legislature for SACCOs, such as the Co-operative Transformation Strategy, to enable these entities to thrive. Unlike this study, informative as it is, the current study was conducted in Tanzania where the economic environment differs significantly from the one obtained in Botswana much as both countries belong to the Southern African Development Community (SADC). Also, the current study included more variables such as monetary motivation to test its implication on the financial sustainability of SACCOS. The results of the empirical literature review proposed the following hypothesis:

H_{02}: Corporate governance practices have a positive and significant effect on the financial sustainability of SACCOS in Tanzania.

2.4.1.3 Credit Risk Management and Financial Sustainability

Kalui and Kiawa (2015) and Kalu et al. (2018) applied credit risk management to assess its effect on the financial performance of MFIs in Kenya and Uganda, respectively. The studies determined whether credit risk identification, appraisal, monitoring, assessment, and mitigation techniques affect the financial performance of MFIs in a particular country. Data used in these studies were collected from credit managers and officers. Kalui and Kiawa's (2015) study found that the variables of credit risk management positively affected the financial sustainability of MFIs in Kenya. Kalu et al.'s 2018) study revealed that credit risk identification and appraisal have a strong positive relationship whereas credit risk monitoring and mitigation had a moderately significant positive effect on the financial performance of MFIs in Uganda. However, both studies were conducted in multiple MFIs and not only on SACCOS. Also, these studies focused on financial performance and not sustainability.

Kaupelyte and McCarthy (2006) in their study found credit unions in Ireland to have developed risk management standards, which enabled them to compete with commercial banks. In stark contrast, the study noted, that credit unions in Lithuania had developed risk management practices that restricted them from competing with commercial banks and, hence, the resultant negative influence on their profitability. The findings from that study imply that the modality of credit risk management in a specific country could determine the performance and sustainability of MFIs. Nonetheless, the study assessed the credit risk management practices in place and did not necessarily assess the relationship between credit risk management and sustainability.

On their part, Siyanbola and Adebayo (2021) found that the sustainability of banks in Nigeria was influenced positively by credit risk management (CRM), Non-performing Loan (NPL), and Assets Growth Percentage (AGP) and Loan Deposit Ratio (LDR) proxied CRM whereas capital adequacy ratio proxied the financial sustainability. However, since the commercial banks were heavily regulated, they were deemed to encompass the effective credit risk management than the semi-formal MFIs such as SACCOS.

In developing countries generally, Addo and Twum's (2013) study found that the borrowers' risk tied to the experience of business, loan proceeds use, maturity of the loan, and profit maximisation influenced positively the sustainability of MFIs in developing countries. Nonetheless, the findings of that study could not be generalised in SACCOS to Tanzania due to its unique operational environment since even among developing countries, as other empirical studies have demonstrated, differences are huge.

In Kenya, Kanake (2014) found that the financial sustainability of MFIs in that East African country was positively influenced by credit risk management. Also, in Kenya, Kombo et al. (2011) found that the strategies of risk mitigation, transferring and avoidance enhanced the MFIs' financial sustainability in Kenya. Korir (2014) revealed that cost per loan asset, default rate and bad debt costs as credit risk management indicators negatively influenced MFIs performance in Kenya. Results from the multiple regression method revealed that insurance, collateralization, guarantors, and shareholding were credit risk management strategies used to improve the performance of Harambee SACCOS in Kenya. These studies in Kenya focused on multiple MFIs and variables and focused on both sustainability and performance. The current study concentrated on the influence of credit risk management on the sustainability of SACCOS in Tanzania. Moreover, two of these studies had been done on multiple MFIs, hence limiting their generalisability specifically to SACCOS in Tanzania.

Kalu et al. (2018) established that credit risk identification and appraisal positively influenced the MFIs' financial performance in Uganda. The results show the credit risk monitoring and mitigation moderated positively and significantly the CRM and financial performance. Regression analysis indicated that the control of risk positively and significantly correlated with the financial sustainability of SACCOS in Uganda. However, the study did not cover comprehensively the variables of the credit risk management influence regarding the sustainability of SACCOS. Similarly, Wandibba (2019) examined how credit risk management influenced the SACCOS' sustainability in Uganda. However, the study concentrated on risk management and not credit risk management.

Through a panel data regression analysis, Akomeah et al. (2020) found that the credit risk management measured by Capital Adequacy Ratio (CAR), Non-Performing Loans (NLP) and profitability of rural banks proxied by ROE in Ghana were positively and significantly related. Nsiah's (2017) findings from regression analysis indicated a significant and negative influence on the NPL and ROA of the Credit Unions in Ghana. Al Zaidanin and Zaidanin (2021) revealed that the cost-income ratio and non-performing loans ratio, for example, the proxy of CRM significantly and negatively influenced the profitability of commercial banks in the United Arab Emirates. Hasanudin et al. (2021) found a significant and positive influence of credit risk management on MFI performance in Indonesia. Similarly, in Tanzania, Magali (2013) found a negative and significant influence of credit risk management measured by non-performing loans (NPL) on the profitability of the country's SACCOS measured by ROA and ROE. Nonetheless, all of the three studies focus on profitability and performance and not on sustainability. Illangakoon et al. (2022) demonstrated that risk management positively and significantly influenced MFIs sustainability in Sri Lanka. The study applied multiple regression analysis on data obtained from 376 MFI women borrowers. However, the study did not specify indicators of credit risk management and financial sustainability.

From the literature reviewed, it appears most of the studies on the influence of credit risk management concentrate on the financial performance tend to concentrate on commercial banks whereas those on MFIs tend to focus on the performance and not necessarily on their sustainability. Also, many of these studies concentrated on multiple MFIs, hence making their results not generalisable to SACCOS. Implicitly, there is a dearth of studies assessing the influence of credit risk management on the sustainability of SACCOS. The variables covered in this study are techniques for appraising risks, risk identification, risk monitoring, risk assessment, risk mitigation and risk control. Based on the results of the empirical literature review, the following hypothesis is presented:

H_{03}: Credit risk management techniques have a positive and significant effect on the financial sustainability of SACCOS in Tanzania.

2.4.1.4 Financial Motivation and Financial Sustainability

Most of the studies on the influence of motivation variables on the performance of SACCOS reviewed were conducted in Kenya. Lumumba (2012) found that the front office staff of SACCOS society in Kenya were motivated by fringe benefits, job promotion, career development, and working in a team. The study's regression analysis established that the job design rewards and career opportunities positively and significantly influenced the retention of SACCOS' staff in Nairobi, Kenya. Also using regression analysis, Onyango and Omillo (2020) established that employee training, recognition, and benefits influenced the performance of SACCOS in Kisumu, Kenya. In addition, Osike (2017) found that productivity among SACCOS employees in Kenya was influenced positively by salary compensation. These results correspond to that of Jacob and Magali (2021) who revealed that monetary incentives had motivated SACCOS workers to fulfil their responsibilities without having to deal with the agency's concerns of conflict of interest, risk aversion, and personal gain by concealing SACCOS information.

Furthermore, Annitah and Mose (2021) found that employee recognition and social welfare benefits influenced the performance of deposit-taking employees of SACCOS in Nairobi Kenya. Njora and Ndegwa (2020) in their study found job design, employee rewards and career opportunities to influence the retention and motivation of SACCOS employees in Kenya. Also, in Kenya, Njagi (2020) reported that fringe benefits significantly and positively influenced the performance of SACCOS in the country. Apparently, most of the studies have examined the association between motivation and financial performance but not sustainability. In fact, most of these studies targeted non-monetary as opposed to monetary motivation.

In Northern Ireland, Ward and Mckillop (2011) found that altruism motivated credit union volunteers to continue working. Their study focused on only one variable of non-monetary motivation. On their part, Troisi and Nese (2012) in their study asserted that balancing job satisfaction and profit maximisation motives was vital for the sustainability of credit unions in Italy. Employees' integration of knowledge, training and recognition influenced positively the performance of the commercial banks in Pakistan (Khan et al., 2018). The absence of staff motivation plans deteriorated the performance of credit unions in Cameroon (Benyela, 2018). Both of these latter studies focused on the general role of motivation and not the role of monetary motivation on the sustainability of SACCOS.

In Rwanda, Liliane and Lydia (2020) associated the profitability of Umwalimu SACCOS in Rwanda with employee motivation. However, the study did not focus on monetary motivation. Still on the same MFI, Felicien and Irechukwu (2021) revealed a positive correlation between training, job security and satisfaction of employees, and the performance of Rwandan Umwalimu SACCOS. These two studies generalised the influence of motivation on the performance of the credit union and not the role of monetary motivation on sustainability.

According to Sarpong (2016), most (86.7%) of Ghana's Eco-bank employees were motivated by housing and car loans, competitive salaries, promotion and other fringe benefits. In Tanzania, Laury (2019) established that the performance of the CRDB bank in Dar es Salaam - Mlimani City branch employees was positively determined by financial rewards, compensation benefits and recognition. In Uganda, Ruth (2013) likewise found that fringe benefits, bonuses, promotion and equal treatment promoted positively the performance of the Ugandan Centenary Bank. However, these three studies were conducted on commercial banks, largely with more formalised motivation strategies than SACCOS.

Generally, the literature reviewed further indicates that most of the studies on the influence of motivation variables such as Lumumba (2012), Onyango and Omillo (2020), Osike (2017), Annitah and Mose (2021), Njora and Ndegwa (2020) and Njagi (2020) on performance of SACCOS were conducted in Kenya but had largely focused on SACCOS performance and not sustainability. Moreover, studies conducted outside Tanzania, for instance, by Liliane and Lydia (2020), Felicien and Irechukwu (2021), Sarpong (2016) and Khan et al. (2018) also link financial motivation and performance of SACCOS and not on financial sustainability. Moreover, most of these studies focus on non-financial motivation without targeting the financial motivation variables. As such, the current study applied monetary motivation variables such as attractive salary, annual incentives, subsidised loans, health insurance, extra duty and overtime, housing allowance and transport expenses. This study proposed the hypothesis:

H_{04}: Monetary motivation for employees have a positive and significant effect on the financial sustainability of SACCOS in Tanzania.

2.4.2 Previous Studies on Financial Sustainability Done in Tanzania

In Tanzania, Magali (2014) assessed the influence of SACCOS variables on the profitability of SACCOS in Dodoma, Morogoro, and Kilimanjaro regions using 37 rural-based SACCOS and regression analysis. The study linked the age of the SACCOS, the education level of the board’s chairman, the education level of the manager, audit frequency, and non-performing loans with the performance of SACCOS. Applying ROA as the proxy of the financial performance of SACCOS, the study assessed descriptively the sustainability of SACCOS before recommending that rural-based SACCOS in Tanzania were unsustainable.

Marwa (2015) used regression analysis to determine the effect of income diversification, quality of governance, quality of management, capital availability, and members' cooperative education on the sustainability of SACCOS using data collected from 103 SACCOS in Tanzania. These have emerged as the primary drivers of SACCOS sustainability in Tanzania. However, the study had focused on only large urban and occupational SACCOS with the audited financial statements. As such, different categories of SACCOS were not fully reflected because the rural, non-occupational and unaudited SACCOS were overlooked. Similarly, the credit risk, corporate governance and monetary motivation variables were also ignored in the analysis.

Nyamsogoro (2010) assessed the effect of outreach and efficiency on the financial sustainability of rural MFIs using quantitative data collected from 98 MFIs in Tanzania. The study assessed the following variables: Capital structure, interest rates charged, lending methodologies, cost per borrower, type of microfinance product, MFI size, number of borrowers, and the yield on the gross loan portfolio. Other variables affecting the financial sustainability of rural MFIs in Tanzania included the level of the portfolio at risk, liquidity level, staff productivity, and age of MFIs. Financial Self-Sufficiency served as a proxy for financial sustainability. The study also applied the regression analysis. However, the study included informal MFIs in the analysis, hence making it difficult to make a general conclusion. Also, the study used FSS to measure the financial sustainability working on the assumption that MFIs in Tanzania had reached the maturity stage, but with the perception failing to stick particularly for SACCOS still languishing at the start-up or growth stage. Nevertheless, the study did not integrate the credit risk management, corporate governance, and monetary motivation variables.

Manyanda (2018), who evaluated the determinants of the financial sustainability of rural community SACCOS in Tanzania, used the management of loan and institutional strengths to describe variables determining the financial sustainability of rural-based SACCOS in Tanzania. The study also used OSS as a proxy for financial sustainability. Data were collected from 74 rural community-based SACCOS found in Pwani, Morogoro, and Tanga regions of Tanzania. Applying regression analysis, the study findings found the determinants of the financial sustainability of rural community SACCOS in Tanzania to include loan interest rate, loan evaluation process, loan disbursement, loan recovery, and loan default control. Other determinants were identified as the educational level of staff and management, membership size, outreach, and age of SACCOS. However, the study only focused on rural community-based SACCOS. As such, the resulting assessment of the financial sustainability of SACCOS excluded urban and non-community SACCOS. Moreover, the study did not consider the influence of credit risk management, corporate governance, and monetary motivation variables on the sustainability of SACCOS in Tanzania.

Said, Annuar and Hamdan (2019) assessed the financial sustainability of the Islamic Savings Credit Co-operative Society and the factor(s) affecting their financial sustainability in the context of Tanzania. The study used data generated from audited financial reports of four SACCOS for the 2010 – 2014 period. The respondents were management team members of their respective SACCOS. The study found that the Islamic SACCOS in Tanzania were not financially sustainable. Additionally, having responsible staff members, regular review of financial guidelines, education for members, co-operation among employees and management and staff training emerged to be significant contributory factors to SACCOS' financial sustainability. Moreover, the study found that depending on the singular source of income, for example, member charges and fees undermined these SACCOS' attempts to be financially sound and sustainable. One of the major weaknesses of the study was its use of only two registered Islamic SACCOS, hence limiting the prospect of generalising the results to all of the Islamic SACCOS. The current study, on the other hand, used data from SACCOS drawn from both urban and rural areas, hence making the results representative of the SACCOS in Tanzania.

2.5 Synthesis and Research Gap

Many studies carried out in Tanzania on sustainability have focused on the variables of outreach and sustainability. Specifically, many of these scholars focused on the variables of membership size, loan disbursed and repaid, competition and loan interest rate in addition to the studies mostly using regression analysis (Manyanda, 2018); structure of capital, charged interest rate, lending type, size of MFIs, borrowers' number, gross loan portfolio, risky portfolio, liquidity level, employee productivity and operational efficiency using panel data regression analysis return on assets, deposit mobilisation, technical efficiency, loan size, and cost for every loan (Nyamsogoro, 2010); Marwa & Aziakpono, 2015). Many of the studies applied descriptive and linear regression analysis. Said et al. (2019) revealed that having responsible personnel, reviewing financial guidelines regularly, staff development, enhanced employee and management co-operation, and dependence only on members' contributions influenced the sustainability of the Islamic SACCOS in Tanzania. However, none of the studies applied all four crucial variables collectively in a singular study.

Another group of scholars targeted outreach in itself or in combination with other variables, for instance, outreach and corporate governance (Magali, 2014); outreach and competition (Manyanda, 2018); outreach, risk management and efficiency (Nyamsogoro, 2010), outreach and competition (Marwa & Aziakpono, 2015); corporate governance (Said et al, 2019); Outreach (Masanyiwa et al., 2022); financial leverage (Towo, 2022). Yet, no comprehensive study appeared to have integrated outreach, corporate governance practices, credit risk management techniques, and monetary motivation with issues relating to the financial sustainability of SACCOS in Tanzania. These lacunae motivated the conducting of this study. Also, most of the studies carried out outside Tanzania link the outreach and financial sustainability of multiple MFIs without necessarily focusing on SACCOS (Mia et al., 2022; Abebe, 2020; Burki et al., 2018).

Regarding empirical studies on corporate governance and MFIs, their findings may not be generalised to the context of Tanzania primarily because of environmental differences with many studies having been conducted on multiple MFIs (Gupta & Mirchandani, 2020; Bassem, 2009; Urgessa and Ababa, 2021; Rasel, 2021; Uchenna et al., 2020) rather than focus on SACCOS. The other group of studies on credit risk management focused on performance and not necessarily sustainability (Kaupelyte & McCarthy, 2006; Kalu et al., 2018; Addo & Twum, 2013; Kanake, 2014; Kalui and Kiawa, 2015).

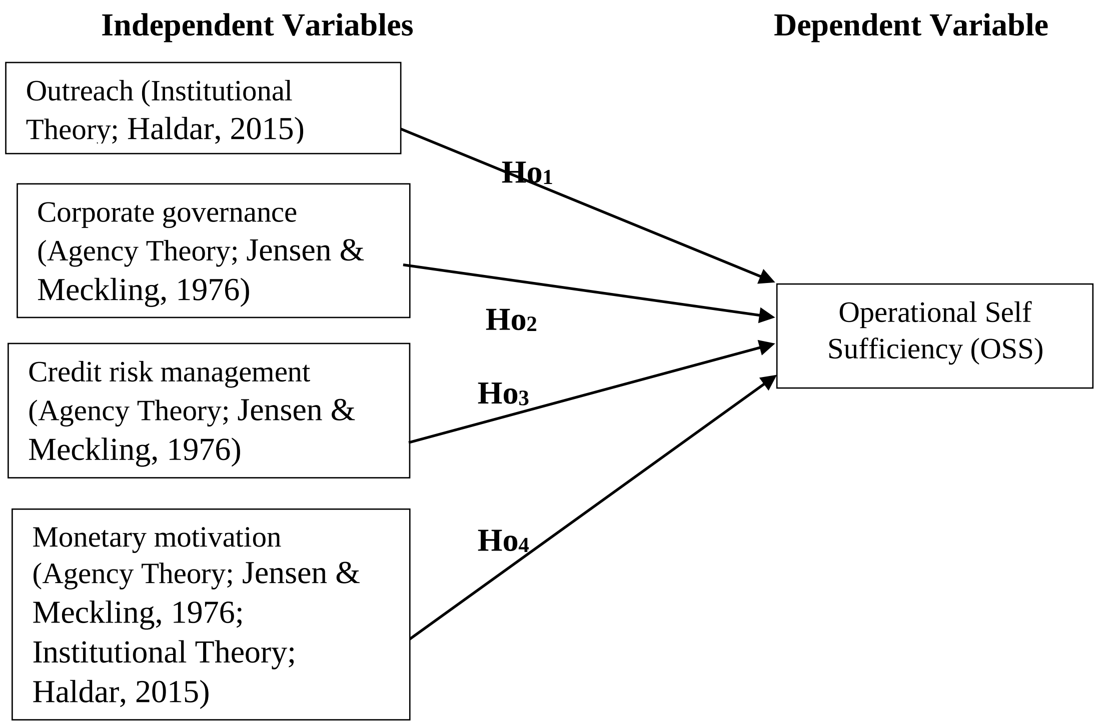
Furthermore, most of the studies on the influence of motivation variables reviewed such as Lumumba (2012), Onyango and Omillo (2020), Osike (2017), Annitah and Mose (2021), Njora and Ndegwa (2020) and Njagi (2020) on the performance of SACCOS had concentrated on the SACCOS performance and not sustainability. Studies such as Liliane and Lydia (2020), Felicien and Irechukwu (2021), Sarpong

(2016) and Khan et al. (2018) also linked the financial motivation and performance of SACCOS but not financial sustainability. Additionally, most of the studies reviewed tended to focus on non-financial motivation but without dealing with multiple financial motivation variables. Implicitly, there is a dearth of studies assessing the influence of monetary motivation on the sustainability of SACCOS.

2.6 Conceptual Framework

A conceptual framework demonstrates the relationship between independent and dependent variables (Thomas & Tee, 2022). In this study, independent variables comprise indicators of outreach, corporate governance, credit risk management, and monetary motivation whereas the dependent variable refers to the indicator of financial sustainability, which is OSS, as Figure 2.1 illustrates:

Figure 2.1: Conceptual Framework of the Study



Source: Developed from empirical literature review (2023)

2.6.1 Outreach

The concept of outreach is still widely used in microfinance studies as a measure of the performance of the MFIs. Various studies have signalled the existence of a trade-off between outreach and the financial sustainability of MFIs (Burki et al., 2018). This study used some of the outreach indicators that Nyamsogoro (2010); Kinde (2012); Tehulu (2013); Burki, et al. (2018); Manyanda (2018) and Abebe (2020) used, which are loan interest rate, the value of assets, average loan size, number of years of operation, varieties of financial services, membership size, women's participation, outstanding loan portfolio, deposit mobilisation, and percentage of population served. The sub-variables of the four variables are outlined thusly.

2.6.2 Corporate Governance

This study adopted corporate governance indicators, that is, the accountability of the board, transparency of the board, the participation of members, composition of the board, compliance with the law, engagement of stakeholders, and the quality of management that previous studies (Mukhibad et al. 2022; Mia et al., 2022; Iqbal et al. 2019; Manyanda, 2018, Atiase et al., 2019; Kleanthous et al., 2019; Ochingo, 2018) had used.

2.6.3 Credit Risk Management

This study used indicators of credit risk management as applied by Kalui and Kiawa (2015) and Kaluet al. (2018), which are credit risk identification, credit risk monitoring, credit risk assessment, credit risk appraisal, credit risk mitigation, and credit risk control.

2.6.4 Monetary Motivation

The conceptual framework presented in Figure 2.1 indicates that the monetary motivations comprised competitive salary, staff allowances, health insurance, annual incentives and subsidised loans (Osike, 2017; Sarpong, 2016; Nguyen et al., 2021; Fadillah & Ismail, 2018; Frank-Miller et al., 2019). In this regard, competitive salary and annual incentives satiate the employees' basic essential needs whereas subsidised loans enable prior purchases and, hence, motivate the employees. Both health insurance and staff allowance can motivate employees. Such financial motivations reduce the agency problem and make SACCOS employee perform their responsibility effectively (Besley & Ghatak, 2014).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Chapter Overview

This chapter describes the research procedures for conducting this study. Specifically, it presents the research philosophy, and research design adopted to examine the determinants of financial sustainability of SACCOS, area of study, population and sample size, source of data, data analysis and presentation. This chapter also specifies the multiple regression models and measurement of variables. Next, it explains the data analysis methods used to analyse the panel data and the assumptions of the regression model. It also describes the data validity and reliability and research ethical considerations.

3.2 Research Philosophy

A research philosophy refers to a system of beliefs and assumptions regarding the development of research knowledge (Saunders et al., 2019). It constitutes the foundation of research that includes the choice of research strategy, formulation of the problem, data collection, processing and analysis (Easterby-Smith et al., 2008). This study embraces positivism, which seeks facts or causes of social or business phenomena, with little regard for an individual's subjective state. In these types of studies, research results are generally observable and quantifiable. Positivism depends on quantifiable observations that lead to statistical analyses and hypotheses testing. It is the procedure of applying the scientific method to study social reality (Saunders et al., 2019).

The study mainly assessed the factors affecting the financial sustainability of SACCOS in Tanzania. It used a quantitative research methodological approach to determine the extent to which outreach, corporate governance practices, credit risk management techniques and monetary motivation for employees contribute to the financial sustainability of SACCOS in Tanzania. Also, the study used regression to examine the fundamental relationship between determinant variables and the financial sustainability of SACCOS in Tanzania.

The choice of a philosophical view for this study is based on there being a genuine problem of the financial sustainability of SACCOS in Tanzania as supported by various studies and reports as in this study. Also, the factors that affect the financial sustainability of SACCOS are related to human behaviours and positivists view that studies on human behaviours should be conducted similarly to studies in natural science (Mohajan, 2018). The positivist paradigm was appropriate for this study since it demands large data samples to test hypotheses. The use of a large data set produces more representative and accurate results, thus creating greater certainty and credibility for the research and its conclusions. The justification for utilising positivism stems from the research objectives and hypotheses of this study. Thus, the researcher applied a quantitative methodological approach to test theories by developing hypotheses. The positivist approach can successfully assess the determinants of the financial sustainability of MFIs and SACCOS in Tanzania by Nyamsogoro (2010) and Manyanda (2018), respectively.

3.3 Research Design

The research design refers to the overall strategy which the researcher integrates the different research variables in a comprehensible and rational way to answer the research problem (Kumar, 2011). Research design reflects the research problem, data collecting, analysis and reporting procedures. In this regard, Saunders et al. (2019), research design spells out guidelines and procedures for the study to ensure that the information and evidence collected could respond to the research questions. Hence, a research design is a blueprint that guides a researcher to achieve the study's objectives (Dewasiri et al, 2018).

The current study adopted an explanatory research design because the study attempted to examine and analyse the relationship among hypothesised variables using multiple regression model in data analysis. Moreover, the explanatory research design was suitable for examination to test the empirical relationship between outreach, corporate governance practices, credit risk management techniques, and monetary motivation for employees and the financial sustainability of SACCOS. The design also helps to address the research problem by explaining what exists at present concerning variables of interest and highlights a characteristic behaviour on one variable because of another variable. Explanatory studies help to collect information on relationships. The explanatory research design is simplified and is less costly than designs such as experiments and simulations (Saunders et al., 2019). For the widespread usage of explanatory design in most studies, the explanatory research design was also applied by Nyamsogoro, (2010) and Marwa and Aziakpono (2015), who studied the sustainability of SACCOS in Tanzania.

3.4 Research Approach

A research approach refers to the plan and procedure for the study that spreads the steps from comprehensive assumptions to detailed methods of data collection, analysis, and interpretation. This study applied the deductive research approach since it presents an opportunity to test the hypotheses. As such, the study tested the hypotheses extracted from specific objectives on factors influencing the financial sustainability of SACCOS.

3.5 Area of the Study

This study was conducted in the Arusha region of Tanzania. Arusha region is located in the northern zone, which is home to a large number of SACCOS. It was second only to Dar es Salaam in terms of the large number of SACCOS in Tanzania (TCDC, 2021). According to URT (2020a), the number of SACCOS in Dar es Salaam and Arusha in 2020, where the data collection was conducted, were 364 and 250, respectively. Unlike other large regions in the country, SACCOS in Arusha spread almost equally in both urban and rural areas. The large number of SACCOS necessitates the condition for the availability of the units for study. Similarly, the study area was selected due to the presence of a high failure rate noted on SACCOS caused deregistration of 118 (47.2 percent) SACCOS in 2020 (URT 2020b). Failure and deregistration of SACCOS motivated the researcher to assess the determinants of the financial sustainability of SACCOS in the region. The study covered the 2016 – 2019 period. The study was relevant to the period under which the microfinance sector experienced great growth, a challenging and competitive environment which resulted in the introduction of a new Microfinance Act in 2018.

3.6 Population

The population is a comprehensive set of elements, persons, objects or cases that possess some mutual characteristics from which a sample is taken by sampling criteria established by the researcher (Saunders, 2019). The study's population target was 132 active SACCOS registered and licensed by TCDC that were in operation between 2016 and 2019 (URT, 2020a) (appendix attached). TCDC is the licensing institution of SACCOS in Tanzania and, hence, serves as an authoritative source for information related to SACCOS.

3.7 Sampling Design and Technique

Saunders et al. (2019) defined a sampling design as a plan and method essential in selecting a sample from a given population. This study used a simple random sampling technique during the collection of data. Denscombe (2010) defined simple random sampling as a sample drawn by a procedure in which every possible sample of a given size has an equal chance of being selected from the population. Saunders et al. (2019) declared that random numbers allow the researcher to select the sample without bias. The sample thus selected can be said to be representative of the targeted population. So, the researcher of this study chose to use the said method because it does not influence the selection of a sample unit and therefore, the sample selected minimised biases. The study adopted a random sampling used by Sebhatu (2011) who used a simplified table of sampling. The current study listed the names of all the active SACCOS in Arusha where 132 SACCOS were recorded. The list was obtained from the TCDC, the licensing and supervisory institution of SACCOS in Tanzania. These formed the population of the research from which 100 SACCOS were selected to form a sample size. The researcher assigned numbers to all active SACCOS in Arusha serially from 1 to 132 following an alphabetic order of their names. The serial numbers were written on a piece of paper and folded. The 132 folded pieces of paper were placed in a box. The researcher randomly picked a piece of paper at a time until 100 pieces of paper were picked from the box. The serial numbers that appeared on the 100 pieces of paper picked randomly were matched to select the sample size of the 100 SACCOS in this study.

3.8. Sample Size

The sample size refers to the number of units that were chosen from the population from which data were gathered. Creswell (2012) asserted that the sample size is the appropriate number of individuals or items that the researcher selects from the population and subjects for data collection through the use of the appropriate sampling methods and designs. However, the sample size can be demarcated as the designated or final sample size. The designated sample size is the number of sample units selected for data collection whereas the final sample size is the number of sample units for which data were collected. The final sample size may be much smaller than the designated sample size if there is substantial nonresponse, disqualification, or both. In the context of this research study, the formula by Yamane (1967) was employed to determine the sample size:

The formula is written as: $n = \frac{N}{1+Ne^2}$

Where: n is the sample size to be determined; N is the population size = 132, and e is the confidence level at 5 percent level.

Therefore, the sample size obtained was 99.2481 ≈ 100. As such, a sample size of 100 SACCOS was drawn from a population of 132 SACCOS in the study area. The sample constituted 75.75 percent of the total population. Leaders from five SACCOS refused to participate in the research study, citing unspecified reasons. Therefore, the final sample size used in data collection was 95 SACCOS which represented 71.97 percent of the targeted population.

Table 3.1: Sampling and Sample Size Distribution

Population	Sampling frame	Sample size	Final sample size
132 SACCOS	132 SACCOS	100 SACCOS	95 SACCOS

Source: Field Data (2023)

This research study applied multiple regression and panel data regression analysis to analyse data. As such, the sample the study used conformed to this method. The study applied the strata-based panel data regression model to analyse the influence of outreach on the financial sustainability of SACCOS. According to Hair et al. (2018), a study that applies multiple regression analysis methods must utilise an appropriate enough sample size for it to produce strong statistical power for the generalisation of the results and it should allow execution of analysis if the cases are 50 or above. The stated argument was one of the many critical reasons for this research study to obtain an appropriate sample size. The final sample size used in the data collection of this research study was 95 SACCOS, which represented 71.97 percent of the targeted population. The sample size used was larger than Bullen's (2014) suggestion of a sample accounting for 10 percent of the study population deemed to be acceptable for data analysis. In other words, the sample size was more than sufficient to represent SACCOS in the study area. Most significantly, a large sample size was more representative of the population.

3.9 Data Source and Collection Procedure

Data collection is a systematic approach to collecting and measuring information from a variety of sources to derive a complete and accurate picture of an area of interest (Saunders et al., 2019). Data collection enables a researcher to answer relevant questions, evaluate results, and predict future probabilities and trends. After all, the main type of data collected was both primary and secondary data. The data collected was quantitative. Primary data was collected using a questionnaire whereas secondary data came from published and unpublished documents from SACCOS and the TCDC. Secondary data were extracted from audited financial reports and documents uploaded onto the websites whereas the unpublished reports were available at the TCDC office.

The primary data for this study were collected from SACCOS in Arusha region of Tanzania using questionnaires that were distributed to only one leader from each SACCOS. The number of SCCOS in which the data was collected was 95 where leaders considered were the Board Chairpersons, General Managers, Finance Managers and Credit Managers. The questionnaire was categorised into the following sections: General information, variables related to financial sustainability, outreach, corporate governance, credit risk management and monetary motivation, which helped to analyse their effects on the financial sustainability of SACCOS in Tanzania. Before administering the questionnaire, the researcher explained to the respondents the purpose of the study and requested consent from respective SACCOS leaders to participate in the research. The researcher assured the respondents that the information collected would be confidential and used only for the intended academic purpose and would, therefore, not be disclosed to unintended persons.

The structured questionnaire consisted of closed-ended questions. The outreach variables included in the questionnaire were loan interest rate, SACCOS size, average loan size, SACCOS age, microfinance products, membership size, participation of women, gross loan portfolio, deposit mobilisation, population served, and portfolio at risk. Variables of corporate governance were accountability of the board, transparency of the board, participation of members, composition of the board, compliance with the law, engagement of stakeholders and quality of management. The credit risk management variables used in this study were credit risk identification, monitoring, assessment, appraisal, mitigation and control. The monetary motivation variables were competitive salary, transport allowance, housing allowance, health insurance, annual incentives, subsidized loans, extra duty and overtime allowance and transport allowance.

The quantitative data availability was actuated by Section 55 of the Co-operative Societies Act number 6 of 2013 in Tanzania, which requires all the co-operatives societies such as SACCOS to keep proper accounts and other records in relation to the statement of accounts in a form, which conforms to the best accounting standards and submit copy of audited income statement, and the statement of financial position to TCDC at least once in a year. Data on the dependent variable and some information required for independent variables such as the number of clients and women clients, assets, loan portfolios, and savings were collected using secondary data, mainly from the SACCOS' financial statements between 2016 - 2019 years (Appendix I). The data were collected from SACCOS' published information, files, reports and through survey.

The data collection method using both primary and secondary information were chosen depending on the nature of the research study and the advantages of the sources of information. The methods provide accurate and updated information, specific to the needs of the researcher, fewer resource requirements as an unobtrusive measure, the feasibility of both longitudinal and international comparative studies, generate new insights and much clearer categorisation to avoid confusion (Saunders et al., 2019).

3.10 Measurements of the Study Variables

The multiple regression model in this study helped to explain the relationship between financial sustainability, which is the dependent variable and elements of outreach, corporate governance, credit risk management and monetary motivation which are independent variables. The dependent variable, which is the SACCOS' financial sustainability was measured by operational self-sufficiency (OSS). The OSS measure for financial sustainability is popular and has been applied in numerous recent studies as indicated in Table 3.2. OSS is given by the formula below:

$$\text{Operational Self Sufficiency} = \frac{\text{Operating Revenue}}{\text{Operating Cost} + \text{Loan Loss Provision} + \text{Financing Cost}}$$

OSS was recorded in ratio scale (percentages), whereby

OSS < 100 percent is unsustainable; 100 percent < OSS < 110 percent is operationally sustainable, OSS = 100 percent is at break even and OSS > 110 percent is financial sustainability. The formula has been applied by Burki et al. (2018), Abebe (2020) and Manyanda (2018).

The sub-variables for each independent variable are as follows: Outreach (loan interest rate, SACCOS size, average loan size, SACCOS age, microfinance products, membership size, participation of women, gross loan portfolio, deposit mobilization, population served, and portfolio at risk); corporate governance (accountability of the board, transparency of the board, participation of members, composition of the board, compliance with the law, engagement of stakeholders and quality of management); credit risk management (credit risk identification, monitoring, assessment, appraisal, mitigation and control); and monetary motivation (competitive salary, transport allowance, housing allowance, health insurance, annual incentives, subsidised loans, extra duty and overtime allowance and transport allowance). Proxies of outreach variables which are numeric were measured using the ratio scale as Table 3.2 illustrates.

Ordinal variables such as proxies of corporate governance, credit risk management and monetary motivation were measured using the five Likert scales which are 5 = strongly agree, 4 = agree, 3 = neither agree nor disagree, 2 = disagree, 1 = strongly disagree.

Table 3.2: Measurement of Outreach Variables

S/N	**Variables**	**Measurement**
1.	Loan interest rate	The rate of interest charged on outstanding loan.
2.	SACCOS Size	The value of SACCOS' assets.
3.	Average loan size	A ratio of outstanding loan portfolio over the number of active borrowers.
4.	SACCOS Age	Years since the SACCOS was established to when the evaluation was considered.
5.	Microfinance products	Types of financial services offered by the SACCOS.
6.	Membership size	Number of members who have an outstanding loan balance with the SACCOS.
7.	Participation of women	Percentage of female members served by the SACCOS.
8.	Gross loan portfolio	Total outstanding loan portfolio.
9.	Deposit mobilization	Amount of funds collected from members making up the capital of the SACCOS.
10	Population served	Number of active borrowers of the SACCOS over the number of potential members.
11	Portfolio at Risk	A ratio of loan portfolio overdue over the amount of loan disbursed.

Source: Empirical Literature Review (2023)

3.11 Data Analysis

Data analysis is a process of transforming information interpretatively to draw conclusions and make decisions (Denscombe, 2010). Data analysis depends on its structure and scope (Cooper & Schindler, 2014). In this study, descriptive and panel data inferential statistics analysis helped to analyse data. Fixed and random effect regression model facilitated the analysis of the effect of the outreach on financial sustainability while Ordinary Least Square regression model helped to analyse the influence of corporate governance, credit risk management and monetary motivation on the financial sustainability of the SACCOS. The STATA software (version 13) was used to analyse the influence of outreach on the financial sustainability of SACCOS while SPSS software (version 21) was used to enter and analyse data for the influence of corporate governance, credit risk management and monetary motivation on the financial sustainability of the SACCOS.

3.12 Regression Analysis

The panel data regression model assessed how outreach variables influenced the financial sustainability of SACCOS in Tanzania. Specifically, the fixed and random effect was used to test for statistical significance of outreach on the financial sustainability of SACCOS while the ordinary multiple regression models were used to test the influence of corporate governance, credit risk management, and monetary motivation on SACCOS' financial sustainability. More findings on the analysis are presented in the result chapter.

3.12.1 Influence of Outreach on OSS

The Haussmann tests were conducted to decide between the fixed-effects model and the random-effects model for the outreach variables (details of the test results are presented in Chapter 4). The following linear regression model was used to estimate the effects of outreach on OSS:

$$Y= b_0+b_1x_1+b_2x_2+b_3x_3+b_4x_4+b_5x_5+b_6x_6+b_7x_7+b_8x_8+b_9x_9+b_{10}x_{10}+b_{11}x_{11}+\mu$$

Whereas: Y = operational self-sufficiency; b_0 = intercept; b_n = beta coefficient of x_n variable; μ = error term; values of n = 1 – 11; X_1 = loan interest rate; X_2 = SACCOS size; X_3 = average loan size; X_4 = SACCOS age; X_5 = microfinance products; X_6 = membership size; X_7 = participation of women; X_8 = outstanding loan portfolio; X_9 = deposit mobilization; X_{10} = population served; and X_{11} = portfolio at risk.

Through the use of principal component analysis, only the variables of assets, outstanding loans, savings and deposits, women borrowers, loan disbursed, SACCOS years, financial services and members conformed to the model. As such, the three variables which did not conform to the model (microfinance products, deposit mobilization and portfolio at risk were dropped. More findings are presented in Chapter Four.

The researcher applied the Haussmann test to determine whether to use the random versus the fixed-effects model in estimating the relationship between the outreach variables and OSS. The Wooldridge test for autocorrelation in panel data shows that

F (1, 92) = 11.194; Prob> F = 0.2012, the data approves that the regression model did not exhibit autocorrelation. Test of multicollinearity shows that Mean VIF 1.32, which indicated no multicollinearity in the model. Breusch-Pagan/Cook-Weisberg test for heteroscedasticity expressed that Prob > chi2 = 0.435. This state signals heteroscedasticity in the model. More details on the testing of assumptions are presented in Chapter Four.

3. 12.2 Influence of Corporate Governance and OSS

The second specific objective of the study examine the effect of corporate governance on the financial sustainability of SACCOS in Tanzania. Thus, the following linear regression model was used to estimate the effects of corporate governance on OSS:

$Y= b_0+b_1x_1+b_2x_2+b_3x_3+b_4x_4+b_5x_5+b_6x_6+b_7x_7+\mu$

Whereas: Y = operational self-sufficiency; b_0 = intercept; b_n = beta coefficient of x_n variable; μ = error term; values of n = 1 – 7; X_1 = accountability of the board; X_2 = transparency of the board; X_3 = participation of member; X_4 = composition of the board; X_5 = compliance with law; X_6 = engagement of stakeholders; and X_7 = quality of management. The Principal Axis Factoring was carried out to confirm the indicators of the model and the results are presented in Chapter Four.

3.12.3 Influence of Credit Risk Management and OSS

The third specific objective of the study examined the effect of credit risk management on the financial sustainability of SACCOS in Tanzania. Thus, the following linear regression model was used to estimate the effects of credit risk management on OSS:

$Y = b_0+b_1x_1+b_2x_2+b_3x_3+b_4x_4+b_5x_5+b_6x_6+\mu$

Whereas: Y = operational self-sufficiency; b_0 = intercept; b_n = beta coefficient of x_n variable; μ = error term; values of n = 1 – 6; X_1 = credit risk identification; X_2 = credit risk monitoring; X_3 = credit risk assessment; X_4 = credit risk appraisal; X_5 = credit risk mitigation; and X_6 = credit risk control. The factor analysis using the Principal Axis Factoring was carried out to confirm the sub-variables of the model and the results are presented in Chapter Four.

3.12.4 Influence of Monetary Motivation on OSS

The fourth specific objective of the study examined the effect of monetary motivation on the financial sustainability of SACCOS in Tanzania. Thus, the following linear regression model was used to estimate the effects of monetary motivation on OSS:

$Y = b_0+b_1x_1+b_2x_2+b_3x_3+b_4x_4+b_5x_5+b_6x_6+b_7x_7+\mu$

Whereas: Y = operational self-sufficiency; b_0 = intercept; b_n = beta coefficient of x_n variable; μ = error term; values of n = 1 – 7; X_1 = competitive salary; X_2 = housing allowance; X_3 = health insurance; X_4 = annual incentives ; X_5 = subsidized loans; X_6 = extra duty and overtime allowance X_7 = transport allowance. The factor analysis using the Principal Axis Factoring results in Chapter Four present the indicators which were conformed to the regression model.

3.13 Validity of Data

The researcher assured that the research instrument measured accurately and completely aspects of the variables under the research. The variables under this study were drawn from the theory to ensure the criterion validity. The researcher reviewed extensively the research tools used by previous researchers to ensure that the tools used in the study were compatible with those of previous scholars. Also, the researcher ensured that comments from supervisors and experts in SACCOS were incorporated into the improvement of the research tools. The instrument was piloted at 2 SACCOS located in the Arusha region before they were used for data collection. The results of the pilot study helped to remove and modify seemingly ambiguous and irrelevant questions.

3.14 Reliability

To ensure reliability, the questionnaire was translated from English to Kiswahili. Also, the timing of the data collection was important for minimizing data errors. To overcome this threat, the researcher of this study made appointments early in the morning or midday before the respondents were tired of the workload of the day as suggested by Kumar (2011). The researcher also pleaded with the respondents to give true data by seeking prior consent and assured them of the confidentiality of the data. Furthermore, Cronbach's Alpha (α) was used to measure the degree of reliability of the data collected. Quansah (2017) recommended that when the alpha coefficient is 0.7 and above, the variables used are reliable. The reliability findings from Table 3.5 show the research tool was reliable:

Table 3.3: Reliability Statistics

Group of variables	Number of variables	Cronbach Alpha
Background variables	14	0.754
Outreach variables	8	0.76
CRM variables	6	0.959
Corporate Governance variables	7	0.881
Monetary motivation variables	6	0.939
Average		0.8586

Source: Field Data (2023)

3.15 Ethical Considerations

The researcher ensured that the study followed all the research protocols. To begin with, the study ensured that supervisors approved the research proposal and the University authorities provided a requisite research clearance letter through the Director of Research and Postgraduate Studies (DRPS) of the Open University of Tanzania (OUT) before data collection in the filed could begin in earnest. Subsequently, the researcher submitted the clearance letter to the local authority to obtain further clearance in the field. During the field data collection, the researcher introduced himself and explained the purpose of the research. Moreover, the researchers sought the respondents' informed consent before collecting data from them. The researcher also assured the respondents anonymity and confidentiality of the information collected. Moreover, the researchers assured the respondents that the information collected was solely used for research purposes. The researcher also duly acknowledged all the works from the previous researchers by citing them accordingly both in-text and in the reference section in line with academic honesty principles. Furthermore, the researcher avoided falsification and the fabrication of data.

CHAPTER FOUR

RESULTS AND DISCUSSION OF FINDINGS

4.1 Chapter Overview

This chapter presents and analyses the results and discusses the research findings regarding factors influencing the financial sustainability of SACCOS in Tanzania. The data analysis used data collected in the course of this research. Data were collected from 95 SACCOS registered under the TCDC operating in Arusha region from 2016 - 2019. The data were analysed by using STATA software version 13 and SPSS version 20. The chapter also presents and analyses the statistical findings and results in accordance with the research objectives under the specified analytical framework. Also, this chapter examines the relationship between independent variables and dependent variables.

4.2 Descriptive Statistics on the Results

The following sections present the descriptive statistics of the study.

4.2.1 Socio-economic and Demographic Characteristics of the Respondents

Out of the surveyed respondents, 52.6 percent were males and 47.4 percent were females (see Table 4.1). Implicitly, employment in SACCOS has not been gender-biased as the number of females relative to male counterparts is more or less similar. Moreover, employment is basically determined by education or own individual qualifications and capacity in delivering services to the SACCOS customers. Magali and Jacob (2022) found that 52 percent of SACCOS clients of Morogoro and

Mvomero teachers' SACCOS were females. Hence, the percentage of male and female members does not differ much among SACCOS:

Table 4.1: Distribution of Respondents by Gender (N=95)

Variable		Frequency	Percent
Male		50	52.6
Female		45	47.4

Source: Field Data (2023)

Table 4.2 illustrates that the respondents were of diverse age groups from young to aged persons. Youth aged between 21 and 30 years old accounted for 18.9 percent of the respondents while only 8.4 percent of the respondents were aged 41 - 50 years. The leading age group (47.4%) was that of respondents aged 31 - 40 years. Overall, these results show that the majority (66.35) of the SACCOS were led by individuals aged below 41, who ought to be energetic and innovative with the ability to sustain the financial position of the SACCOS. The data further indicates that most of the SACCOS staff and leaders fell in the active working group and, hence, could contribute positively to the sustainability of SACCOS. Yet, there is a shortage of studies assessing how the age of SACCOS staff and management affect the sustainability of the SACCOS. In essence, many of the scholars relate the age of the MFI to its sustainability (Ibrahim et al., 2018).

Table 4.2: Distribution of the Respondents by Age (N=95)

Variable (Respondents' Age)		Frequency	Percentage
21-30 years		18	18.9
31-40 years		43	45.3
41-50 years		24	25.3
51-60 years		8	8.4
Above 60 years		2	2.1

Source: Field Data (2023)

Table 4.3 further shows that about 34.7 percent of the respondents surveyed had a bachelor's degree level of education and only 3.2 percent, had a master's degree level whereas 26.3 percent of the respondents had a secondary school level of education. Primary education level and certificate accounted for 3.2 percent and 5.3 percent, respectively. Out of the 95 respondents interviewed 27.4 percent had ordinary diplomas.

Table 4.3: Distribution of Respondents by Education Level (N=95)

Variable (Education Level)	Frequency	Percentage
Primary Education	3	3.2
Secondary Education	25	26.3
Certificate	5	5.3
Ordinary Diploma	26	27.4
Bachelor's Degree	33	34.7
Master's Degree	3	3.2

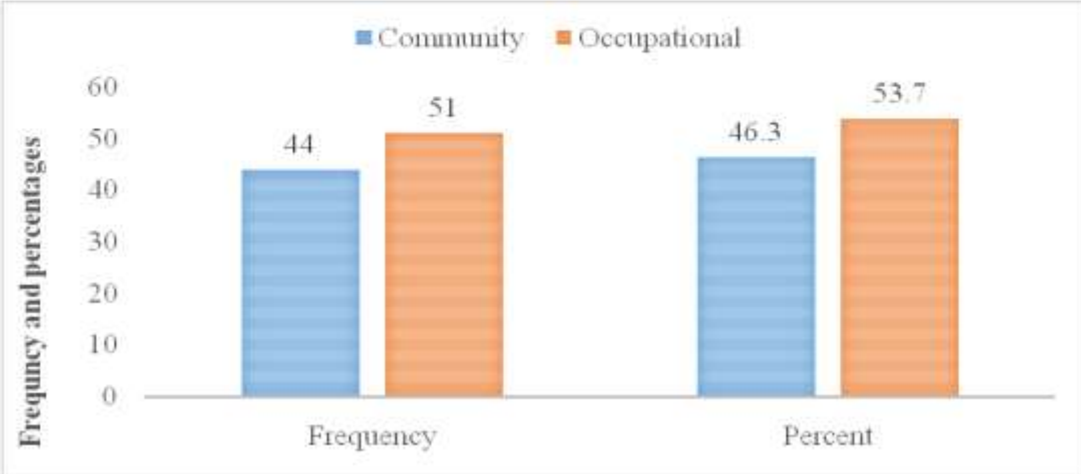
Source: Field Data (2023)

The results show that many of those who manage the SACCOS in the study area were learned people, implying that the financial sustainability of the SACCOs was highly expected from them based on the educational background. Although the age and gender of SACCOS leaders conform to Magali (2013), the results on education level contradict it. The current findings indicated that most of the SACCOS leaders were bachelor degree holders, maybe this is due to a massive influx of graduates in the labour market annually.

4.2.2 Categories of SACCOS in Study Area

SACCOS identified to be operating in the study area were of two types: community and occupational SACCOS. Community SACCOS are those run by the community and everybody in the community can be a member whereas occupational SACCOS are those SACCOS run by people tied to similar workplaces or work backgrounds. Descriptive statistics presented in Figure 4.1 shows that out of 95 interviewed SACCOS representatives, 46.3 percent were members of the community SACCOS whereas 53.7 percent belonged to the occupational SACCOS. Impliedly, occupational SACCOS were leading other categories of SACCOS in providing microfinance services in the study area. In other words, any intervention aimed to enhance the livelihoods of many people should consider improving the occupational SACCOS primarily because the occupational SACCOS had skilled staff and management compared to community SACCOS. Moreover, the occupational SACCOS accumulated adequate capital compared to community SACCOS due to assurance of income and hence increased deposits and shares. The two elements were pillars of the sustainability of the SACCOS. Masanyiwa et al. (2022) reported that deposit mobilization, loan portfolio and number of active borrowers positively determined the sustainability of SACCOS in Zanzibar, Tanzania.

Figure 4.1: Distribution of Respondents by Categories of SACCOS (N=95)

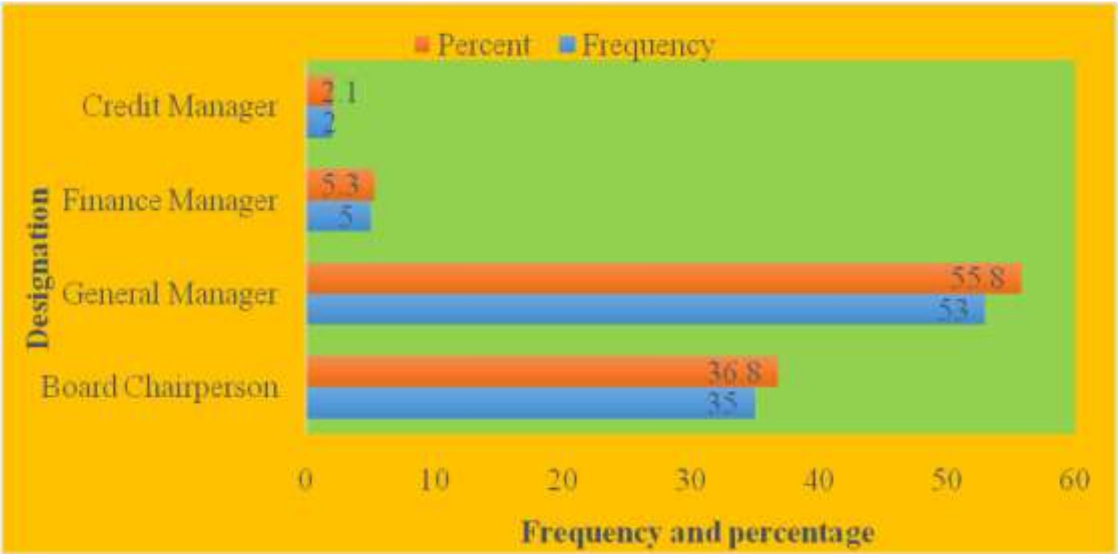


Source: Field Data (2023)

4.2.3 Respondents' Designation and Field of Expertise

The results of this study presented in Figure 4.2 indicate that the largest group accounted for 55.8 percent of the respondents interviewed were General Managers of the SACCOS whereas 2.1 percent were Credit Managers and 5.3 percent were Finance Managers. The second largest group of respondents comprised Board Chairpersons who accounted for 36.8 percent of the respondents interviewed. Impliedly, 92.6 percent of the respondents were highly ranked individuals in the operations of their respective SACCOS. In other words, the respondents had important positions within the SACCOS for implementing changes and make decisions that had a significant bearing on the financial sustainability of the SACCOs within the study area. These groups of respondents had adequate information regarding study variables of the study. Similarly, Addo and Twum (2013) found that the experience of MFI positively influenced the sustainability of MFIs. Figure 4.2 presents the results:

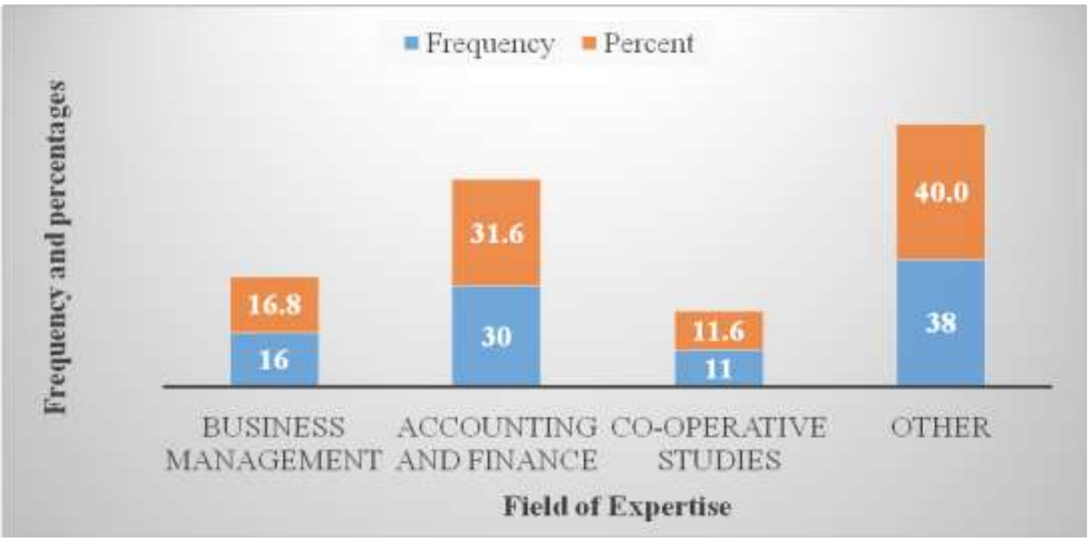
Figure 4.2: Distribution of Respondents by Designation (N=95)



Source: Field Data (2023)

Regarding the field of expertise of the respondents, being SACCOS leaders or managers was an important variable because this standing in the organisation determined a person's ability to execute duties effectively and efficiently. As Figure 4.3 illustrates, 40 percent of the respondents had unspecified areas of expertise whereas 11.6 percent were experts in Co-operative Studies, 16.8 percent in Business Management and 31.5 percent studied Accounting and Finance. Thus, many of the leaders who oversee the day-to-day operations of SACCOS in Tanzania had qualifications in fields other than Co-operative Studies. Impliedly, most of the leaders supervising processes of the SACCOS lacked the necessary background or specific credentials in co-operatives, which had a danger of undermining their effectiveness in handling businesses of SACCOS, which operated in a very complex and competitive environment. Such leaders would need additional knowledge to further enhance their competencies to guarantee SACCOS's success as illustrated in Figure 4.3.

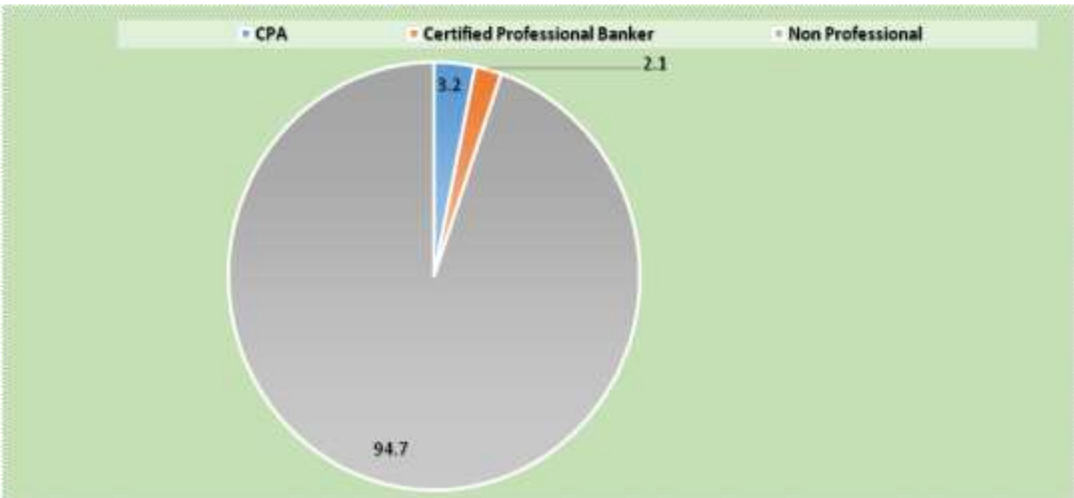
Figure 4.3: Distribution of Respondents by Field of Expertise (N=95)



Source: Field Data (2023)

Of the 95 SACCOS respondents in leadership in the study area (see Figure 4.4 below), 3.2 percent and 2.1 percent were those who possessed professional qualifications such as Certified Professional Accountant (CPA [T]) and Certified Professional Banking (CPB) whereas non-professionals accounted for 94.7 percent. Impliedly, the failure of most SACCOS in Tanzania was due to a lack of leaders who were professionally competent in their respective fields of study, among other reasons (Maghimbi, 2010). Figure 4.4 details results based on the respondents professional credentials:

Figure 4.4: Distribution of Respondents by Profession (N=95)



Source: Field Data (2023)

4.3 Descriptive Statistics

4.3.1 Findings on Operational Self-Sufficiency (OSS)

The OSS of SACCOS in this study was conceptualized as a ratio of operating revenue and sum of operating cost, loan loss provision and financing cost, whereby; OSS < 100 percent is unsustainable; 100 percent < OSS < 110 percent is operationally sustainable, OSS = 100 percent is at break even and OSS > 110 percent is financial sustainability (Burki et al., 2018; Abebe, 2020; and Manyanda, 2018). The SACCOS under the study area were financially sustainable as the descriptive statistics results in Table 4.4 show, whereas the mean was 125.8 percent.

Table 4.4: Descriptive Statistics Test for OSS

	N	Minimum	Maximum	Mean		Std. Deviation	Skewness	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Statistic	Std. Error
OSS	379	.00	20.05	1.2580	.08582	1.67081	6.963	.125

Source: Field Data (2023)

The result of the current study is contrary to that recorded by previous studies done in Tanzania by Magali (2014), Marwa (2015) and Manyanda 2018 which revealed that SACCOS in Tanzania are financially unsustainable. The main reason for the results of the current study is that data were collected from operating SACCOS after the deregistration of non-functioning and untraceable SACCOS. The findings imply that in order to improve the sustainability of SACCOS in Tanzania, close supervision is required. Furthermore, it is encouraged that only authorized and regularly monitored SACCOS are operational. This minimizes SACCOS to exercise malpractices such as embezzlement and poor governance.

4.3.2 Findings on Operational Research Variables

The financial sustainability of the SACCOS in this study had been conceptualised as the function of multiple factors: Outreach, corporate governance practices, credit risk management techniques, and monetary motivation for employees. For these factors, the study used indicators to measure them. Further analysis of the results presented in Table 4.4 indicates that the mean year of experience in the operation of SACCOs was 2.27 with a variance of 0.584, which indicated that there was not much variation in the mean experiences in the operations of the microfinance institutions among the respondents surveyed. The skewness of 1.242 signal that even though the years of experience variance was negligible, many of the respondents had veteran status in operations of the SACCOS, which happened to be an added advantage in fostering the financial sustainability of SACCOS (OSS). The results further show that the skewness and kurtosis of the descriptive variables are within the accepted ranges.

The variance indicates very few variations in the average loan disbursement to SACCOS members, implying that members got almost equal sums from the SACCOS. In other words, none of the members had a huge stake in the loans disbursed. However, many of them lie to the left side of the tail. Since the skewness value was not so large, the loan amounts disbursed were normally distributed.

Moreover, the average SACCOS years of operations respective mean, variance and skewness were 10.8; 53.253 and 1.301, respectively. The larger the variance value, the more significantly the SACCOS would differ in the number of years of operations. Such differences also had implications that translated into higher differences in financial sustainability. In fact, the positive skewness indicated that many of the SACCOS surveyed had been in operation for a long time.

The results also show that total monetary motivation and good governance mean and variance were 3.991; 3.9579 and 0.037; 0.26, respectively. Both had a negative skewness value. These means and variances were almost similar and there was less variation in the level of monetary motivation incentives that SACCOS employees received as well as for good corporate governance practised in all the SACCOS under review. The negative values of skewness imply that many of the SACCOS much skewed to the left-hand side in the sense that they minimally promoted monetary motivational incentives and good corporate governance. Implicitly, this was a recipe for low financial sustainability among SACCOS. Other variables are presented in Table 4.5:

Table 4. 5 Model Variables' Descriptive Statistics (N=95)

Variables	Min	Max	Mean	Variance	Skew	Kurt	StdEr
Years of experience	1	5	2.27	.584	1.242	0.211	.247
Employees in SACCOS	1	3	1.88	.167	-.856	7.445	.247
Number of board members	1	4	2.66	.290	-.897	2.456	.247
Average Loan Disbursed	6.44	9.33	8.0817	.284	-.443	6.547	.247
Average SACCOS years	.00	35.00	10.8000	53.253	1.275	2.051	.247
Total Good Governance	3.14	4.86	3.9910	.026	-.228	5.341	.247
Total CRM	3.00	4.00	3.9333	.052	-3.513	10.26	.247
Total Monetary Motivation	3.00	4.33	3.9579	.037	-3.225	10.23	.247
Total audit opinion	1.00	4.00	1.9105	.391	1.352	8.754	.247
Average Operating revenue	.00	191228337.50	13704899.78	617726217110628.50	3.209	7.290	.247
AVEFINCOSTS	102089.00	325684448.25	10710807.87	1411532290932468.00	2.009	7.009	.247
AVEFINTRT	3.00	37.50	15.14	29.24	1.905	5.454	.247
Average assets	14613294.50	39748731933.5	854452326.62	17093457500297673000	3.100	9.378	.247
Average SACCOS loans	.00	35.00	10.77	53.76	1.275	4.613	.247
Average Number of financial services	2.00	5.25	2.55	.28	1.262	4.798	.247
Average Number of active borrowers	.00	855.75	112.76	16694.07	2.960	9.514	.247
Average Number of women borrowers	.00	357.25	53.61	5067.19	2.456	6.097	.247
Average outstanding loans value	.00	5463407807.3	383574540.75	470391437434854460.	1.957	7.247	.247
Average share, savings and deposits	296.75	55623172056.8	910953442.35	32610410744534577000	2.560	9.454	.247
Average potential member in area	29.50	24000.00	1009.85	6757752.50	2.458	7.634	.247
Average outstanding loans written off	.00	264794810	2925827.22	737958956907247.40	2.733	8.576	.247
Average loan disbursed	.00	3322359559	261216200.15	189757074670402976	2.855	9.132	.247

Source: Field Data (2023)

Kurtosis and skewness are measures of normality (Velasco & Verma, 1998). Based on the skewness and kurtosis statistical tests, it was easy to establish reliable concentration values in the study frequency histograms of the variables for these may differ significantly from a normal distribution by observing their skewness and kurtosis coefficients. The assumption under normality was that, outliers did not exist under normal distributions that could provide mean concentrations with smaller standard deviations for a large number of cases (Velasco & Verma, 1998). The assumptions provide a framework to subject the data to further analysis in terms of inferential statistics.

4.4 Results From Inferential Statistics

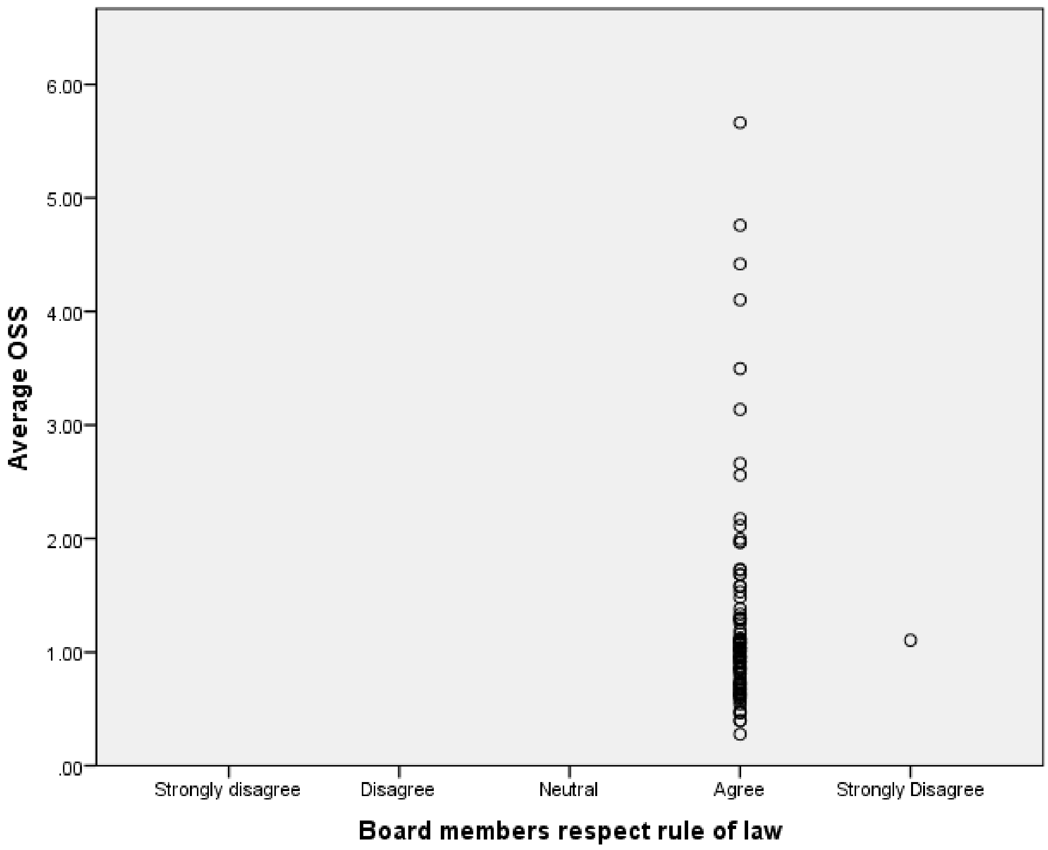
Inferential statistical analysis in this section is based on the specific objectives of the study. This section presents the results from inferential statistics whereby various analytical approaches have been used including multiple regression analysis, correlation, and others. The null hypotheses for the four objectives were then tested to reach an appropriate conclusion for each objective. The Haussmann test was applied for each objective to select a suitable model between random effects and fixed effects. Thereafter, findings from the structural equation modelling follow. The results are presented as follows.

4.4.1 Testing of Regression Assumptions

Normality tests were conducted, first, by determining the skewness and kurtosis of the variables distributions, followed by the Test for heteroscedasticity using Breusch-Pagan / Cook-Weisberg test according to Dong an Paul and Zhang (2009). Results were Chi-square (9) = 229.71; Prob > chi2 =0.432, which indicated the absence of heteroscedasticity.

Testing of linearity involved the Ramsey RESET test based on Wooldridge (2013) using the powers of the fitted values of OSS (see Figure 4.5) for panel data whose null hypothesis was: (H_0): model had no omitted variables. Then the F-statistic was determined and the results were that F (3, 360) = 4.80; and Prob > F = 0.1027 because it was insignificant. In other words, the functional form was correct and our model did not suffer from omitted variables, and the linearity assumption was confirmed.

Figure 4.5: Ramsey RESET Test



Source: Field Data (2023)

The test of all the econometric problems and model assumptions was conducted in all the regression models. For example, in model one test for influential factors, the study examined outliers whereby Cook's Distance was determined graphically to see whether the linearity assumption was also met. Mean Cook's Distance, 0.174, and Mean variables 3.5720, indicated that there were no outliers. In the last regression model, the same tests were conducted and results are presented in Table 4.5. There were no outliers in the three variables since D was less than the mean variables in all cases.

Table 4.6: Testing of Regression Assumptions

Variables	**Outliers test using Mean Cooks'D**	**Normality-using… Average Kolmogorov-Smirnov[a] (KS& Shapiro-Wilk (SW)**	**Linearity using**
Corporate Governance	D=0.19 Mean 3.96	KS-0.312 SW-0.167	One variable after another tested graphically and found conditions have met
Credit risk Management	D=0.07 Mean 3.73	KS-0.264 SW-0.914	Linearity assumptions have met
Monetary Motivation	D=0.17 Mean 3.572	KS-0.1350 SW-0.578	Linearity assumptions have met

Source: Field Data (2023)

Testing of Autocorrelation was conducted using the Wooldridge test (Wooldridge, 2013) for autocorrelation in panel data where the null hypothesis (Ho) was: H_0: No first-order autocorrelation for which the result were $F(1, 92) = 11.194$ and $Prob > F = 0.4012$, indicating that there was no autocorrelation.

Model Testing for Latent (unmeasured variables) in the factor analysis conducted on the corporate governance variables, testing of linearity with Ramsey RESET test using powers of the fitted values of OSS with H_o: model has no omitted variables, found that $F(3, 360) = 4.80$ with $Prob > F = 0.1027$, which indicated that the functional form was correct and the model did not suffer from omitted variables, hence confirming the linearity assumption. On the other hand, the heteroscedasticity testing was conducted by use of the White test for the regression analysis on Monetary Motivation. The resulting R-Square 0.792 was used to compute the chi-square using the number of observations (N=95), i.e. Chi-square =N*R-square= 0.792*95= 75.24.

From the analysis, the Chi-square was $X^2(95, 0.05) = 113.105$. These results show that the calculated value was less than the tabulated value, hence the presence of heteroscedasticity could not be confirmed. The autocorrelation was now tested by use of the Durbin-Watson statistics which were on the threshold of or above for which the comment of no autocorrelation problem had to be made. On the other hand, multicollinearity was tested by Mean VIF and Tolerance level. According to Wooldridge (2013), the mean VIF should be less than 5 whereas the tolerance level should be 0.2 and above. This was conducted and confirmed for all three models.

The normality tests conducted on the average financial services indicated in Table 4.6 show that the model did not suffer from non-normality. Further Shapiro-Wilk Test was performed. If the value of the Shapiro-Wilk Test was greater than 0.05, then the data was normal. If it had been below 0.05, the data significantly deviated from a normal distribution. However the values of the Shapiro-Wilk Test were greater than 0.05, hence normality was confirmed.

Table 4.7: Normality Tests of Average Financial Services

Model Variables	**Average Financial services**	**Kolmogorov-Smirnov[a]**			**Shapiro-Wilk**		
		Statistic	**Df**	**Sig.**	**Statistic**	**df**	**Sig.**
Average OSS	2.00	.252	36	.100	.744	36	.100
	2.25	.273	5	.200*	.862	5	.234
	2.50	.171	8	.200*	.905	8	.317
	2.75	.249	7	.200*	.874	7	.200
	3.00	.301	38	.100	.590	38	.100
Average-normality is specified							0.1502
* This is a lower bound of the true significance.							
a. Lilliefors Significance Correction							
c. Average OSS is constant when Average Financial services = 5.25. It has been omitted.							

Source: Field Data (2023)

The VIF tests and their reciprocals for independent variables were conducted after the transformation of Variables. Table 4.7 presents the results:

Table 4.8: Test for Multicollinearity Through VIF

Variable	VIF	1/F
Logasst	1.49	0.669823
Sacolnyrs	1.33	0.751964
Finservices	1.11	0.904432
Logoutloans	1.36	0.734047
Logshasadeps	1.41	0.710171
Logmembers	1.14	0.876101
Lnrate	1.02	0.977705
logactborrowers	1.01	0.989371
Mean VIF 1.32	No multicollinearity	

Source: Field Data, 2023

The results presented in Table 4.7 indicate that the model did not suffer from multicollinearity problems, hence the adoption of the fixed effects. The subsequent Tables 4.8 and 4 present results from the fixed effects regression model and the random effects regression model, respectively:

Table 4.9: Results from Fixed Effects Regression Model

Variable	Coef.	Std. Err.	Z	P>|z|	[95% Conf.	Interval]
Logasst	0.1703817	0.002453926	-1.76	0.045	-0.06703054	0.029812
Sacolnyrs	0.2932808	0.0819208	1.60	0.112	-0.04553552	0.013318
Finservices	0.2267172	0.003511395	1.47	0.014	-0.09163978	0.046375
Logoutloans	-0.16823	0.0107307	0.21	0.036	-0.01888194	0.023231
Logshasadeps	0.1033903	0.01515073	1.68	0.027	-0.01946612	0.040144
Logmembers	0.420886	0.0591184	0.26	0.789	-0.02718266	-0.03560
Lnrate	0.0093508	0.0745435	0.54	0.576	-0.0126354	0.016616
logactborrowers	0.2328911	0.00172579	1.09	0.019	-0.0024593	0.004329
Logloandisbure	0.3356711	0.007254	1.04	0.053	-0.001234	0.001236
Constant	0.1005428	0.047881	1.24	0.000	0.0613748	0.73012

Prob > chi-square= 0.0371- Chi-square significant, we adopt the fixed effect

Source: Field Data (2023)

Table 4.10: Results from Random Effects Regression Model

Variable	Coef.	Std. Err.	Z	P>|z|	[95% Conf.	Interval]
Logasst	0.0329411	0.1798881	0.18	0.855	-0.3196332	0.3855154
Sacolnyrs	-0.0221737	0.0140207	-1.58	0.114	-0.0496537	0.0053063
Finservices	-0.12855496	0.1607046	-0.80	0.424	-0.4435247	0.1864256
Logoutloans	0.0911178	0.0742128	1.23	0.220	-0.0543367	0.0236572
Logshasadeps	-0.0367558	0.0962152	-0.38	0.702	-0.6538309	0.1518226
Logmembers	-0.2875541	0.1868794	-1.54	0.124	-0.02718266	0.0787228
Lnrate	0.0185	0.0507661	1.15	0.606	-0.1257182	0.07332881
logactborrowers	0.3250558	0.0160458	1.70	0.249	-0.0129491	0.0499491
Logloandisbure	0.0262184	0.1908675	0.67	0.089	-00490376	0.6991492
Constant	1.311786	1.444226	0.91	0.364	-1.518845	4.1424181

Prob > chi-square= 0.2041 is insignificant, fixed effect is adopted

Source: Field Data (2023)

Testing of autocorrelation for panel data was done using the Wooldridge test whereby the H_0: no first-order autocorrelation. The findings indicate that F (1, 92) =11.194 with the Prob > F = 0.4012, which signals no autocorrelation in the data set. Model Testing for Latent (unmeasured variables) involved Factor Analysis-Good Governance Variables. The descriptive statistics and correlation analyses were then determined followed by KMO and Bartlett's Test before conducting the regression analysis. Analyses results (Table 4.11) show that the sample was adequate as the

KMO was 0.644 (The minimum level is 0.6); moreover, Bartlett's Test of Sphericity was significant at 0.000, meaning we could proceed with factor analysis.

Table 4.11: Hausman Test for Model Specifications

Variables	**Coefficients**		
	(b)	**(B)**	**(b-B)**
	FE	**RE**	**Difference**
Logasst	-0.186185	0 .0339193	-0.2201043
Sacolnyrs	-0.294267	-0.1285506	-0.0972027
Finservices	-0.2257533	-0.1285506	-0.0972027
Logoutloans	0.0215821	0.0918478	-0.0702657
Logshasadeps	0.1036468	-0.0371422	0.140789
Logmembers	0.4252511	-0.2874161	0.7126672
logloandis~d	0.0201296	-0.0270364	0.047166
Lnrate |	0.0093832	0.0183541	-0.0089709
logactbrrw~s	-0.0161033	0.0724234	-0.0885263
logwomnbor~s	0.2429131	0.2787809	-0.0358678

Prob > chi-squared= 0.0116, then the fixed effect model is specified (Value ***P*** Value 0.000 less than 0.05 then receive H1 which ***mean*** must be used is fixed effect from the random effect)

Source: Field Data (2023)

Table 4.12: KMO and Bartlett's Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.644
Bartlett's Test of Sphericity	Approx. Chi-Square	159.752
	Df	6
	Sig.	.000

Source: Field Data (2023)

Table 4.11 presents the model the researcher used for specifications before proceeding with the interpretation of variables. Also, the study tests the variables of heteroscedasticity, multicollinearity and autocorrelation. As such, the following sections present findings for the specific objectives and hypotheses based on the regression models used to estimate the relationships among the variables and the financial sustainability of SACCOS.

4.5 Factors Influencing Financial Sustainability of SACCOS in Tanzania

4.5.1 Influence of outreach on the FS of SACCOS in Tanzania

Outreach (OR) indicators, which were conceptualised to include loan interest rates, SACCOS Size, average loan size, SACCOS age, microfinance products (services), membership size, participation of women, outstanding loan portfolio, deposit mobilization, population served, and portfolio at risk. Then OSS of the SACCOS was regressed on the OR using the multiple regression analytical approach (see Table 4.12). Findings revealed that OR significantly influences the OSS of the SACCOS. Of all the outreach variables specified, four significantly influenced the OSS of the SACCOS whereas the rest were non-significant. Correlation analysis coefficient (R) value 0.826 indicated a high positive significant relationship between OSS and OR variables (p=0.0041) with adjusted constant of determination of about 0.705 which indicated that 70.5 percent of the variance in OSS was due to the effects of OR whereas the remaining 29.5 percent of the variations in OSS emanated from other factors unspecified in the regression model. Significant F statistic (27.383**) indicated that there was model fit between the dependent and independent variables and, hence, correctly identified. From these findings, some of the OR variables influenced OSS negatively whereas others exerted positive influence. The amount of outstanding loan significantly ($p=0.0423$) reduced OSS by 22.1 percent (better coefficients) as the average amount of loan disbursed correspondingly reduced OSS by 35.5 percent. Impliedly, any increase in the amount of either loan disbursed or the amount of an outstanding loan would have the consequence on the financial sustainability of the particular SACCO between 22.1 and 35.5 percent. This suggests for capitalising in reducing the two for increased sustainability. Even though amount of outstanding loans and loan disbursed reduce OSS, an increase in the unit value of assets and amount of savings and deposits was shown to significantly increase the OSS by 41.3 percent and 10.8 percent respectively ($p=0.024$; $p=0.0034$). In other words, the increase in the unit value of the assets by SACCOS and amount of money saved could make the SACCOS financially sustainable. Thus, any attempt to enhance the sustainability of microfinance institutions such as SACCOS have to consider improving the assets and savings value while reducing the value of the outstanding loans and that of loan disbursed.

Table 4.13: Multiple Regression Analysis Results on the Effect of OR on the OSS

Model variables	Coefficients[a]						
	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.888	0.1299		4.468	0.0041**		
Average Log Assets	0.799	.348	.413	2.292	0.024*	.293	3.408
Average Log outstanding loans	0.168	.090	-.221	1.856	0.04238*	.674	1.484
Average Log savings and deposits	0.093	.102	.108	.912	0.0034**	.679	1.472
Average Log Women Borrowers	0.481	.244	.236	1.969	0.073NS	.662	1.511
Average Log active borrowers	0.327	.153	.147	1.543	0.052NS	.662	1.028
Average Loan Disbursed	0.619	.290	-.355	2.132	0.036*	.344	2.905
Average SACCOS years	0.013	.016	-.101	-.819	0.415NS	.630	1.589
Average Financial services	0.134	.182	-.077	-.737	0.463NS	.878	1.139
Average Log members	0.254	.196	.144	1.297	0.068NS	.774	1.292
a. Dependent Variable: Average OSS							
R= 0.826; R-square=0.781; Adjusted R-square= 0.705; F statistic= 27.383**							

Predictors: (Constant), Average Log members (X_1), Average SACCOS years (X_2), Average Financial services(X_3), Average Log outstanding loans(X_4), Average Log savings and deposits(X_5), Average Log Women Borrowers (X_6), Average Log active borrowers(X_7), Average Loan Disbursed(X_8), Average Log Assets(X_9)

*=significant at $p<0.05$; **=significant at $p<0.01$; NS=Not significant

Source: Field Data (2023)

The null hypothesis (H_{01}) tested was: Outreach have a positive and significant effect on the financial sustainability of SACCOS in Tanzania. Outreach was one of the factors thought of affecting the financial sustainability of SACCOS in the country. The effect of outreach was estimated using multiple regression analyses. The assumption was that improvement in the sustainability of the SACCOS resulted from strengthening the outreach variable, thus confirming a positive relationship between the dependent and independent variables. The outreach variable was represented by the following indicator variables: SACCOS age, microfinance products (services), membership size, participation of women, outstanding loan portfolio, deposit mobilisation, population served, and portfolio at risk while financial sustainability of the SACCOS was represented by the SACCOS operational self-sufficiency (OSS). From the multiple regression analysis, it emerged that outreach had a significant influence on the OSS of the SACCOS and the two had positive relationships, hence acceptance of the null hypothesis to the effect that outreach significantly influenced the FS of the SACCOS in Tanzania.

The results further revealed that an increase in average financial services, SACCOS years, loan disbursed, and average outstanding loans negatively impacted the FS of the SACCOS, with only the outstanding loans and the average loan disbursed causing a significant negative impact of about 22.1 percent to 35.5 percent reduction in the operation self-sufficiency of the SACCOS financially. Thus, to improve financial sustainability the SACCOS management should strive to reduce outreach variable indicators whose impact was negative and increase the variables whose impact is positive to the OSS such as average assets, savings and deposits, women borrowers, active borrowers, and the number of members. Among those with positive impact high attention should be paid to improving the amount of assets, savings, and deposits as they have shown significant positive impacts on the financial sustainability of between 10.8 percent to 41.3 percent (p=0.0041; p=0.024). This implied that OSS can be improved by strengthening outreach variables indicating that the role outreach played in the performance of MFI is very critical to be appreciated. This study finding concurs with Kinde (2012), Tehulu (2013), and Eticha and Abebe (2020) who found that social outreach affects the performance of MFI because of the primary role it plays within the microfinance industry. The findings also concurred with those of Sadiq and Burki’s (2018) found in the study they conducted in Pakistan. Specifically, Sadiq and Burki (2018) found that outreach variables such as financing charges, size of loans, the age of the firm, size of the firm, and proportion of female borrowers significantly influence the financial sustainability of MFIs. Likewise, the study by Kinde (2012), and both conducted studies in Ethiopia revealed the same effects of the outreach variables on the financial sustainability of MFIs that OR significantly affected the financial sustainability of MFIs. Boateng et al. (2015) contrary to this study found that an increase in financial services positively influences outreach. The current study associated the increase in financial services with an increase in operation costs and, hence, the limited outreach.

This study's findings also concur with the study by Nyamsogoro (2010). Regarding the assessment of the effect of outreach and efficiency on the financial sustainability of rural MFIs in Tanzania, the study found that FS was significantly influenced by outreach variables (capital structure, interest rates charged, lending methodologies, cost per borrower, type of microfinance product, MFI size, number of borrowers, the yield on the gross loan portfolio, level of the portfolio at risk, liquidity level, staff productivity, and age of MFIs).

4.5.2 Influence of Corporate Governance on FS of SACCOS in Tanzania

Financial sustainability was conceptualised to be influenced by various factors among them was the corporate governance practice (CGP) whose indicators included a number of variables factors (Table 4.13). The significant F-statistic indicated that there was a model-fit between financial sustainability and the corporate governance practice (F=25.783, p=0.000). Impliedly, model variables were well specified. The correlation coefficient (R=0.825) indicated that financial sustainability was positively and highly correlated with the corporate governance practice variables indicating that the variables strongly influenced the financial sustainability of the SACCOS. The continual determination indicated by adjusted R-Square (0.714) suggests that of all the variations in the financial sustainability of the SACCOS about 71.4 percent of the variations stem from the specified corporate governance practices. In other words, corporate governance practices strongly impacted the financial sustainability.

Corporate governance practice variables included accountability among SACCOS board members, the board consists of strong qualified and professional members with diverse backgrounds, board members respect the rule of law, SACCOS had members with diverse genders, members participate in decision making, and the board is visionary and knowledgeable. This study's findings indicated that of all the six corporate governance practice variables only three were significantly related and significantly influencing financial sustainability ($p<0.05$). These included accountability among board members of SACCOS, the board consists of strong qualified and professional members with diverse backgrounds and board members respect the rule of law. All of these three variables were positively related to financial sustainability, indicating that with accountable board members who were professionally qualified and capable of observing the rule of law, there was a high possibility of raising the OSS of the SACCOS.

Table 4.14: Influence of Corporate Governance Practices on OSS

Model	Coefficients					Collinearity statistics	
	Unstandardised		Standardized	t-value	Sig.	Tolerance	VIF
	Beta	Std. Error	Beta				
(Constant)	8.573	0.104		1.318	.000		
Accountability among the board members of SACCOS.	1.689	0.324	.324	1.276	.005	.167	1.979
Board consists of strong qualified and professional members with diverse backgrounds.	1.534	2.479	0.294	0.619	.001	.048	2.960
SACCOS has members with diverse genders.	4.030	3.069	.654	1.313	.193	.019	1.651
Members participate in decision Making.	.607	.812	.212	.747	.457	.133	1.496
Board members respect rule of law.	.185	1.559	.020	0.119	.004	.364	2.746
The Board is visionary and knowledgeable.	-3.061	2.436	-.676	-1.256	.212	.037	1.816

R**=0.825; R-square=0.8051; adjusted R-square= 0.714; F=25.783, p=0.000**

Source: Field Data (2023)

For the beta coefficients, the results show that accountable board members can lead to a significant increase in sustainability by 32 percent; and professional board members can lead to a significant increase in sustainability by 29 percent. Similarly, when board members observed the rule of law they helped to enhance the sustainability increase significantly by two percent. Impliedly, any intervention geared at ensuring the sustainability of the SACCOS should consider developing the board members' professionalism, building the capacity of board members to observe the rule of law in their leadership and, finally, putting more emphasis on accountability issues.

The objective null hypothesis (H_{02}) tested was: corporate governance practices have a positive and significant effect on the financial sustainability of SACCOS in Tanzania. Estimations through regression analysis yielded the results presented above. The results further revealed that corporate governance practice had significant influence on the FS. Hence the results accept the hypothesis. In this regard, improving the corporate governance practices could result in the increased financial sustainability of the SACCOS in Tanzania and vice-versa. The corporate governance practice indicator, which has been found to exert a positive impact on financial sustainability includes accountability among board members of SACCOS; board consists of strong qualified and professional members with diverse backgrounds; SACCOS had members with diverse genders; members participate in decision making; and board members respect rule of law. Among these variables, accountability between board members of SACCOS, board comprising strong qualified and professional members with diverse backgrounds, and board members respecting the rule of law had been significant ($p<0.01$) whereas the SACCOS with members of diverse genders and members participated in decision-making were insignificant at $p<0.05$ level of significance. Implicitly, any increase in efforts aimed to improve the corporate governance practice factor, could in turn increase the FS of the SACCOS specifically those whose influence is positive and significant. The negative and significant impact of the board is the visionary and knowledgeable deviation from the expected sign that could emanate from the attitude of respondents on the trait itself or rather a noise in the model. Improvements in the vision and knowledge of the board are important in boosting the financial sustainability of SACCOS in Tanzania.

The positive correlation coefficient indicated that financial sustainability positively and highly correlated with the corporate governance practice indicators, which strongly influenced the financial sustainability of the SACCOS. Also, variances in the financial sustainability of SACCOS significantly emanated from the corporate governance practice indicators for about 71.4 percent. Beta coefficients revealed that accountable board members can lead to a sustainability increase significantly by 32 percent as professional board members led to significant increase in sustainability by 29 percent. Similarly, the board members' observation of the rule of law enhances the sustainability increase significantly by two percent. Any intervention geared at ensuring the sustainability of the SACCOS ought to consider developing the board members' professionalism, building the capacity of board members to observe the rule of law in their leadership and finally putting more emphasis on accountability issues.

These findings are in line with Mukhibad et al. (2022) who found that corporate governance practices have mechanisms that affect the success and continuity of MFIs. Likewise, a report by Mia et al. (2022) found that corporate governance values such as respect for the rights of shareholders, the equitable treatment of all stakeholders, compliance with the law, responsibilities of the board, transparency, and disclosure significantly affect the performance of firms. Thus, governance best practices could positively impact every company's performance and long-term viability (Towo, 2022). Because the best governance practices can build a strong qualified board of directors and evaluate performance (Sulimany et al., 2021). As such, boards should comprise knowledgeable directors with relevant expertise, qualifications and competency coupled with strong ethics and integrity. Similarly, Kleanthous et al. (2019) found that functional corporate governance mechanisms lead to improvements in the internal control over financial reporting which in turn promotes the performance of the firm.

These corporate governance mechanisms include an effective board in terms of independence, role performance, chief executive officer duality, and the board's financial expertise. Hence, board role performance and financial expertise influence significantly internal controls over financial reporting in MFIs. Also, a study by Iqbal et al. (2019) on the impact of corporate governance on financial performance in India found that CGP had a significant effect on the financial performance of the MFI. This study's findings are also in line with Magali (2014) whose study assessed the influence of corporate governance on the efficiency and sustainability of the rural SACCOS in Dodoma, Morogoro, and Kilimanjaro regions, Tanzania. Magali (2014) found that the age of the SACCOS, education level of the board's chairperson, education level of the manager, audit frequency, and non-performing loan were significantly related to the sustainability of SACCOS. The study found that performance differences among the SACCOS was the function of differences in sufficient experiences in doing microfinance business, the existence of proper credit risk mitigation techniques, and adherence to corporate governance principles. Thus, SACCOS in Morogoro performed better than the rest due to the same factors specifically corporate governance practices. Similarly, a study by Marwa (2015) on the effect of efficiency on the sustainability of SACCOS in Tanzania found that quality of governance, quality of management, capital availability, and members' co-operative education were the critical factors that influenced the performance across the SACCOS' sector in Tanzania.

4.5.3 Influence of Risk Management on FS of SACCOS in Tanzania

As one of its objectives, the study examined the influence of risk management techniques on the financial sustainability of SACCOS. The risk management techniques the SACCOS' management adopted were one of the factors conceptualised to have an influence on the FS of the SACCOS. Among the risk management techniques include; SACCOS has a strong system to control risk, SACCOS has a sound mechanism to mitigate risk, SACCOS has a strong method to identify risk, and SACCOS has a strong system to control risk and many others. The analyses involved factor analysis followed by regression analyses. Regression analysis findings have revealed that there was a model fit between the dependent and independent variables (F=24.655, p=0.000), implying that risk management technique variables adopted by the SACCOS management are correctly specified variables. The correlation coefficient (R=0.968) indicated a strong positive relationship between financial sustainability and the SACCOS risk management techniques adopted. The adjusted R-square (Adj. R-square= 0.797) indicated that 79.7 percent of the variance in the financial sustainability of the SACCOS were contributed by the risk management techniques adopted. In other words, if an intervention is required to improve FS, it means improving credit risk management techniques.

The results in Table 4.14 indicate that of the four independent model variables, three were significant. These included SACCOS having a strong method to identify risk, SACCOS having sound mechanism to monitor risk, and SACCOS having a strong system to control risk ($p<0.05$). Improvements in identifying risks could raise the OSS by 17 percent whereas unit improvements in the mechanisms of monitoring risks translated into an increase in the OSS by 10.5 percent as improvement in having a strong risk control system is associated with increase in the OSS of the SACCOS by 35 percent. This implies that these variables are important to be observed by the SACCOS management and any SACCOS development stakeholder.

Table 4.15: Regression Results for Credit Risk Management Influence on OSS of SACCOS

Model variables		Unstd Coeff		Std Coeff	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	1.004	0.118		.585	.000		
	SACCOS has a strong method to identify risk.	.602	.264	.170	.907	.007	.307	1.26
	SACCOS has sound mechanism to monitor risk.	.400	.270	.105	-.519	.003	.263	1.80
	SACCOS has sound mechanism to mitigate risk.	0.704	.036	.264	1.073	.286	.278	1.62
	SACCOS has a strong system to control risk.	0.842	.270	.300	1.482	.042	.263	1.80
	a. Dependent Variable: Average OSS							
	F			**Sig.**				
	24.655			0.000^b				
	R			**R^2**	**Adj. R square**			
	0.968^a			0.858	0.797			

Source: Field Data (2023)

The hypothesis tested (H_{03}) was ‘credit risk management techniques have a positive and significant effect on the financial sustainability of SACCOS in Tanzania’. Regression analysis estimations findings presented in section 4.6 revealed a significant effect imposed by credit risk management techniques on the financial sustainability of the SACCOS, hence the rejection of the null hypothesis and acceptance of the alternative hypothesis that credit risk management techniques positively influence the financial sustainability of the SACCOS. Risk management techniques adopted by SACCOS' management was one of the factors conceptualised to have an influence on the financial sustainability of the SACCOS.

Among the risk management techniques indicator variables included in the regression model equation are SACCOS had a strong system to control risk, SACCOS had a sound mechanism to mitigate risk, SACCOS had a strong method to identify risk, and SACCOS had a strong system to control risk and many others. All the variables positively impacted the financial sustainability of SACCOS. However, only two variables, the SACCOS has a strong method to identify risk and SACCOS has a sound mechanism to monitor risk were significant ($p<0.05$) whereas the other two i.e., SACCOS had a sound mechanism to mitigate risk, and SACCOS had a strong system to control risk were not significant at $p<0.05$ significance level.

These findings implied that efforts in improving the factor variables would raise the FS of the SACCOS. Regression analysis findings revealed that credit risk management techniques had a strong positive relationship with the FS ($R=0.968$). This implied that improvement in risk management techniques by the firm leads to improvement in the financial sustainability of the SACCOS. Much (79.7%) of the variances in the OSS of the SACCOS were attributable to credit risk management techniques adopted. Hence, any intervention aimed at increasing financial sustainability should consider improving the risk management techniques because of the significant impact of credit risk management techniques on the OSS of SACCOS

($p<0.05$). OSS can be increased by 17 to 35 percent if there would be improvements in credit risk management techniques. As a result, credit risk management techniques indicators can be critically important in the OSS of the SACCOS. The findings in the current study are in line with Kalui and Kiawa (2015) in Kenya and Kalu et al. (2018) in Uganda whose studies established that credit risk management techniques had significant effect on the financial performance of MFIs. Their studies determined whether credit risk identification, appraisal, monitoring, assessment, and mitigation techniques affected the financial performance of MFIs in a particular country. The findings revealed that credit risk management techniques positively affected the financial sustainability of MFIs with strong relationships between the dependent and independent variables.

4.5.4 Influence of Monetary Motivation on FS of SACCOS in Tanzania

The influence of monetary motivation for employees on the financial sustainability of SACCOS was one of the conceptualised variables that were examined whereby monetary motivation was hypothesised to have no significant influence on financial sustainability. The analytical framework involved, descriptive analysis, Principal Axis Factoring followed by regression analysis were conducted. Descriptive statistic findings shown in Table 4.15 indicate that the mean values of monetary motivation variables employed by the management for the SACCOS employee did not have many differences as the means range between 3.94 and 3.98 with standard deviations between 0.202 and 0.205 for all the 95 observations.

Table 4.16: Descriptive Statistics Results for Monetary Motivation (N=95)

Variable	Mean	Std. Deviation
Attractive salary motivates employee to work hard	3.98	.205
Subsidized loans promote SACCOS employee to work hard	3.96	.202
Extra duty and overtime promote SACCOS employee to work hard	3.96	.202
Housing allowance promotes SACCOS employee to work hard	3.94	.245

Source: Field Data (2023)

Table 4.17: Regression Analysis Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.855[a]	.817	.792	.15081	2.0961

Source: Field Data (2023)

Model summary findings indicate that the monetary motivation adopted by management had a strong positive relationship with the financial sustainability of the SACCOS (R=0.855) and that 79.2 percent of the variances in OSS are explained by the monetary motivation variables that managers or board members give to the SACCOS employees. Impliedly, motivated employees were more likely to provide services to SACCOS clients, which ensures the sustainability of the SACCOS financially. The opposite of which threatens clients who are members seeking to save and get credits from the institutions which in turn affect the financial status of the SACCOS.

Table 4.18: Regression Analyses Findings for Monetary Motivation

Regression Coefficients[a]								
Model		Unstd Coefficients		Std Coeff	T	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.863	.122		.605	.000		
	Attractive salary motivates employee to work hard.	.674	.069	.369	1.728	.001	.295	1.129
	Annual incentives encourage employees of SACCOS towards work productivity.	.638	.172	.171	.826	.001	.208	1.805
	Subsidized loans promote SACCOS employees to increase productivity.	3.025	.151	.657	3.180	.002	.209	1.789
	Overtime promotes SACCOS employees to increase productivity.	.969	.172	.210	1.254	.213	.317	1.157
	Transport expenses promotes SACCOS employees to increase productivity.	.936	.134	.225	1.341	.183	.345	1.157
a. Dependent Variable: Average OSS								

Source: Field Data (2023)

Findings shown in Table 4.17 indicate that monetary factors had a significant influence on the OSS of the SACCOS, hence the rejection of the null hypothesis that there were no significant relationships between OSS and monetary motivation at a five percent significant level. These findings indicate that of all the five monetary motivation factors, only three were significant at $p<0.05$ significance level. These factors included attractive salary motivates employee to work hard, which had shown that provision of an attractive salary led to significant improvement in OSS by 36.9 percent increase whereas the provision of annual incentives designed to encourage SACCOS employees to work productivity significantly led to an increase in OSS by 17.1 percent. The provision of subsidised loans aimed to promote SACCOS employees to boost productivity contributed to 65.7 percent significant increase in the financial sustainability of the SACCOS overtime promotes SACCOS employees to raise productivity and transport costs push SACCOS employees to hike productivity.

The null hypothesis tested for determining the influence of monetary motivation for employees (MME) H_{04} was: Monetary motivation for employees has a positive and significant effect on the financial sustainability of SACCOS in Tanzania. Estimation by regression analyses gave the results presented and described in section 4.5.4.1 above. Descriptive statistics findings on the mean and standard deviation values revealed monetary motivation variables employed by the management for the SACCOS employee did not have much differences as the means range between 3.94 and 3.98 with respective standard deviations of between 0.202 and 0.205 for all the 95 observations. However, the inferential statistical analysis from the multiple regression analysis revealed that monetary motivation for employees had strong positive significant relationships with the FS of the SACCOS, and that 79.2 percent of the variances in the financial sustainability were associated with the influence of MME practices adopted by the management. Indicator variables for the MME included attractive salary motivates employees to work hard; annual incentives encourage employees of SACCOS towards work productivity; subsidised loans promote SACCOS employees to increase productivity; overtime promotes SACCOS employees to boost productivity and transport expenses promoting SACCOS employees to raise productivity. Among these variables, the first three variables significantly influenced the OSS ($p<0.01$) whereas the last two were not significant at $p<0.05$ level of significance. Findings revealed that all the variables contributed to the positive impact on the OSS of the SACCOS. Impliedly, the factor is critical in the development and OSS of the SACCOS in Tanzania.

These findings make us accept the hypothesis that there was a positive influence of the independent variables on the dependent variable. Thus, improving the MME could increase OSS by 17.5 to 65 percent. In essence, highly motivated employees were more likely to provide services to SACCOS clients than otherwise. In other words, attractive salary motivates employees, annual incentives for encouraging employees towards work productivity, and provision of subsidised loans significantly raised financial sustainability and, hence, there was a need for improving these variables.

The study findings on the influence of monetary motivation for employees on financial sustainability agreed with what was reported in the study by Jacob and Magali (2021), who discovered that monetary incentives pushed SACCOS staff to carry out their duties without having to cope with the agency's worries about conflict of interest, risk aversion, and personal gain by concealing SACCOS information. Osike (2017) and Sarpong (2016) revealed that payments of financial incentives to employees greatly increased the profitability of the SACCOS. Felicien and

Irechukwu (2021) revealed a positive correlation between training, job security and satisfaction of employees, and performance of Rwandan Umwalimu SACCOS. Majority (86.7%) of the Ghanaian Eco-bank employees were motivated by housing and car loans, competitive salaries, promotion, and other fringe benefits (Sarpong, 2016). Laury (2019) established that the performance of CRDB Bank Mlimani City branch in Dar es Salaam employees was positively determined by financial rewards, compensation benefits, and recognition. Sarpong (2016), Nguyen et al. (2021) and Frank-Miller et al. (2019) affirmed that employees were motivated by housing and subsidised loans, health insurance, and annual incentives.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Chapter Overview

This chapter presents a summary, conclusion, and recommendations of the study. It presents the major policy interventions for improvements in the financial sustainability of the SACCOS, and study contribution to the body of knowledge on the sustainability of the financial capacity of SACCOS in Tanzania. Specifically, the chapter presents the summary of the study, conclusions, and implications of the study as well as the limitations of the study, recommendations, and suggestions for further research.

5.2 Findings on Factors Influencing FS of SACCOS

The major purpose of this study was to assess the factors influencing the financial sustainability of SACCOS in Tanzania. The specific research objectives for this study were to examine the influence of outreach on the financial sustainability of SACCOS, corporate governance practices on the financial sustainability of SACCOS, credit risk management techniques on the financial sustainability of SACCOS in Tanzania and monetary motivation for employees on the financial sustainability of SACCOS in Tanzania.

Analysis of the explanatory variables explained the influence of the financial sustainability of SACCOS in Tanzania, and several findings in relation to the study's specific objectives and research hypotheses also emerged. Factors influencing

SACCOS financial sustainability were estimated under the four specific objectives of the study as hypothesised under each objective. The analysis specified ranged from outreach, corporate governance practices, credit risk management techniques and the monetary motivation for employees. Each factor was comprised of more than two variables that were tested against OSS. Findings revealed that for all the factors at least two to three variables significantly related to the financial sustainability of the SACCOS.

5.2.1 Effect of Outreach Variables on FS of SACCOS in Tanzania

The first objective was to determine the effect of outreach on the financial sustainability of SACCOS in Tanzania. The results of this objective are based on the inferential statistical analyses through multiple linear regression with regression coefficients indicating that outreach indicators such as the value of assets owned by the SACCOS, and the amount of savings and deposits significantly increased the OSS ($P<0.05$). This implies that improvements in the savings and deposits, and the quantity of assets by the SACCOS will lead to its increased financial sustainability. However, the increase in the average outstanding loans and amount of loan disbursements could lead to reduced financial sustainability. The variations in the OSS due to outreach indicators were estimated to 70.5 percent indicating that this is an influential factor in financial sustainability.

5.2.2 Effect of Corporate Governance on FS of SACCOS in Tanzania

The influence of corporate governance practices on financial sustainability was one of the four objectives of this study. Findings revealed that corporate governance practices were strongly related to the financial sustainability and positively and significantly influenced the financial sustainability of SACCOS. All the variables had a positive influence on the financial sustainability such that a unit increase in the variables increases financial sustainability by two percent to 32.4 percent. Findings also revealed that, of all the variances in the financial sustainability of SACCOS in Tanzania, 71.4 percent emanated from corporate governance practices adopted by SACCOS' management. Even though accountability among the board members of the SACCOS, board consisted of strong qualified and professional members with diverse backgrounds, and respect of the rule of law by SACCOS Board members significantly influenced financial sustainability, the rest were not. These three variables were the most influential corporate governance practices among factors that affected the OSS of SACCOS. For improved financial sustainability of SACCOS in Tanzania, there is a need for improvements in the accountability, qualification and professionalism, and respect of the rule of law by managers.

5.2.3 Effect of Credit Risk Management on FS of SACCOS in Tanzania

The study also investigated the influence of risk management techniques on the financial sustainability of SACCOS. Risk management techniques variables that were tested on the financial sustainability of SACCOS through multiple regression analysis included SACCOS had a strong system to control risk, SACCOS had a sound mechanism to mitigate risk, SACCOS had a strong method to identify risk and SACCOS had a strong system to control risk and many others. Study findings revealed a high and positive correlation between the factor variables and OSS (R=0.968). These variables were significantly responsible for 79.7 percent of the variances in the financial sustainability of SACCOS in Tanzania and, hence, very influential risk management techniques to be considered by managers of the SACCOS by boosting their efforts strategically for improving their credit risk management techniques. Also, having reliable methods of identifying risks, improving mechanism of monitoring risks, and having a strong risk control mechanism increased the OSS of SACCOS by 10.5 percent to 35 percent. As such, they are critical factors in ensuring that financial sustainability were met.

5.2.4 Effect of Monetary Motivation on FS of SACCOS in Tanzania

The study also assessed the influence of employee monetary motivation on the financial sustainability of SACCOS in Tanzania. It considered variable indicators such as; attractive salary motivates employee to work hard, annual incentives encourage employees of SACCOS towards work productivity, subsidised loans promote SACCOS employees to increase productivity, overtime promotes SACCOS employees to increase productivity, and transport allowance promotes SACCOS employees to increase productivity. Findings from the regression analysis indicated that all the variables were positively related to the financial sustainability. Of the five indicators, the first three significantly influenced the OSS ($p<0.01$), and 79.2 percent of the variances in OSS of SACCOS in Tanzania were due to the monetary motivation for employees' indicators. Moreover, findings revealed that unit improvements in the monetary motivation for employees contributed to an increase in the OSS by 17.1 percent to 65.7 percent. Impliedly, monetary motivation for employees' variables was a very important and influential factor in OSS of the

SACCOS. Hence, there was a need for interventions aimed at improving financial sustainability.

5.3 Conclusion

Findings on the first objective validated the respective hypothesis from regression analysis to the effect that, outreach has a significant influence on the financial sustainability of SACCOS, and that it positively correlated with financial sustainability causing variations in the financial sustainability of about 70.5 percent. As such, outreach is a critical factor in planning for improving the sustainability of the financial status of SACCOS, to be self-sustaining needed to be considered by making sure that outreach indicators were favoured for increased sustainability.

Examining the influence of corporate governance practices on financial sustainability emerged as the second specific objective. Regression analysis estimation revealed that, the corporate governance practices variable was strongly and positively related to financial sustainability and that it significantly influenced OSS of SACCOS whereas its indicators significantly contributed to more than 30 percent of the improvements in SACCOS financial sustainability. Also, 71.4 percent of the variances in OSS resulted from corporate governance practices. As such. corporate governance practices constituted one of the critical factors that any SACCOS that needs to prosper had to take into consideration in planning any intervention. Variable indicators for corporate governance practices like accountability among the board members of SACCOS, the board consists of strong qualified and professional members with diverse backgrounds, and respect for the rule of law by SACCOS board members significantly influenced OSS ($p<0.05$). Improving OSS required investing in improving these variables in favour of the improvements in the SACCOS financial sustainability.

Examination of the influence of risk management techniques on the financial sustainability of SACCOS covered the third specific objective of this study. Regression analysis estimation revealed that 79.5 percent of the variances was in the financial sustainability of SACCOS. This factor also positively correlated with OSS and indicated strong relationships whereby the influence of risk management techniques on financial sustainability was statistically significant ($p<0.05$). The risk management techniques showed a positive impact that SACCOS had a strong system to control risk, SACCOS had a sound mechanism to mitigate risk, SACCOS had a strong method to identify risk, and SACCOS had a strong system to control risk and many others. These aspects significantly contributed to the increase in OSS from 10.5 percent to 35 percent. Hence, risk management techniques adopted by the management of SACCOS were critical in developing and sustaining SACCOS financially. These aspects could also be used by any stakeholder when making viable interventions by improving the conditions in favour of the variable factors contributing to an increase in financial sustainability.

The final objective of the study examined the influence of monetary motivation for employees on the financial sustainability of SACCOS. The variable indicators of this objective included attractive salary motivates employee to work hard, annual incentives encourage employees of SACCOS towards work productivity, subsidised loans to promote SACCOS employees to increase productivity, overtime to promote SACCOS employees to increase productivity, and transport expenses promotes SACCOS employees to increase productivity. Regression analysis estimation revealed that all the monetary motivations for employees' indicators were positively and strongly related to the OSS. The influence of monetary motivation for employees was statistically significant ($p<0.01$) causing 79.2 percent of the variances in the financial sustainability of SACCOS in Tanzania whereas the monetary motivation for employees contributed to an increase in the OSS for about 17.1 to 65.7 percent. Hence, monetary motivation for employees was a critical factor in the OSS of the SACCOS in Tanzania, which must be considered in interventions aimed at enhancing the financial sustainability of SACCOS. Also, the OSS ratio was 125.5 percent which indicated that SACCOS in Tanzania were financially sustainable.

5.4 Recommendations

This section presents recommendations based on the findings and conclusions of the study based on specific objectives of the study on the factors influencing the financial sustainability of SACCOS in Tanzania.

5.4.1 Policy Implications

In terms of policy implication, there was room for policies to help improve the operation self-sufficiency of the SACCOS through creating favourable enhancing policies for outreach, corporate governance principles, credit risk management techniques, and monetary motivation for employees' indicators to increase positive impacts on the financial sustainability of the SACCOS in Tanzania. This aspect can be done concurrently by offering training opportunities to the board members, training to co-operative members, and helping SACCOS to increase the volume of savings and assets. Additionally, policies should be set in a way that no SACCOS can be established if its economic base does not support employing employees with attractive salaries and giving annual monetary incentives for employees to work hard, subsidise loans to employees aimed to increase the workers' productivity of the SACCOS. Policies for building the capacity of the SACCOS to identify, monitor, mitigate, and build strong risk control mechanisms should be enacted for improved financial sustainability of the SACCOS. Similarly, policies should allow any board member or management personnel in the SACCOS to have a certain level of education in relevant aspects related to cooperatives.

Financial sustainability of the SACCOS in Tanzania is critical to the equitable development of the people in Tanzania because finance plays a critical role in growth and development at all levels of development, i.e., national, regional and enterprises, and household levels as studies have indicated that more than ninety percent of Tanzanians were excluded from the mainstream banking system. Thus, to fill the existing financing gap, policy on SACCOS' financial sustainability should be in place to go hand-in-hand with the current growing number of the SACCOS and other MFI within the country so that they meet the economic needs of their members while operating sustainably. Given the risky conditions in which SACCOS operate, such a rising number of SACCOS in the country could result in either a booming economic country growth, individual members' economic welfare and livelihood improvements, or a road to micro-financial downturn due to poor sustainability.

Hence, it is necessary to enact such policies that would inculcate the culture that could build a cornerstone for financial sustainability that would lead to SACCOS operating in a self-sufficient manner in order to tape the benefits of the establishment of SACCOS for the SME of entrepreneurs' economic performance. In this regard, the SACCOS' industry stakeholders could have concrete information on such factors and their influence on the SACCOS sustainability to cater for the interest of the high-growing saving and credit cooperative industry within Tanzania. In this regard, the institutional approach for the MFI sustainability should seek to create sustainable financial intermediation for the poor while ensuring that sustainable microfinance would provide lasting services for the poor to deepen the financial system.

5.4.2 Practical Implications

These findings could be useful to various SACCOS stakeholders including SACCOS members, managements of the co-operatives, researchers, and academicians while getting hold of what is relevant. In this respect, SACCOS' managers and board members could apply the knowledge generated by this study to make concerted efforts geared at improving the financial sustainability of their organisations.

Another practical implication is that the savings and co-operative societies benefiting from financial sustainability for their financial capital growth could accelerate the lending capacity of SACCOS to its members whereas SACCOS' members would benefit by increasing their economic activities and consequently improve their capacities to repay the loaned money from these MFIs. However, the failure to attain financial sustainability of the services offered by SACCOS to its members would not last longer than otherwise.

The practical implications also extend to all professional people in the field of finance and academics who would, probably, translate these findings into ways of making meaningful social changes and improvements, specifically, in the livelihoods of small and medium entrepreneurs participating in SACCOS services. For example, microfinance institutions personnel would apply management techniques that positively impact the OSS of SACCOS whereas control risks in credits for improved sustainability. On the other hand, academicians would use the findings to extend knowledge among students on how to improve the financial sustainability of their organisations while making use of the findings. Furthermore, academicians and researchers could use the findings to compare and contrast with findings by other scholars who have undertaken or might undertake similar studies in their fields for improving theories and knowledge in microfinance approaches to sustainable financial statuses while mitigating the unpleasant side effects emanating from not their organizations but not being financially sustainable by making important adjustments such as adjusting the prescribed SACCOS microfinance institutions management options geared at decreasing the profound effects and risks associated with the mismanagement of the SACCOS in Tanzania. Moreover, these findings would be of practical importance to the Bank of Tanzania, which would possibly use the findings in ramifying some laws and regulations that could guide the sustainable operations of the SACCOS financially and result in positive impacts on the livelihood of SACCOS participants bringing about equitable development within the society where people of all gender will be engaging and benefiting from the savings and co-operative societies. Thus, enhancing knowledge around financial sustainability practically would the problem of financial sustainability in the SACCOS industry by making use of the possible positive and negative outcomes of the factors influencing FSS in a way that could lead to improvements in the financial sustainability of the MFI studied in this study.

5.4.3 Theoretical Implications or Contributions

Contribution to the Agency Theory

SACCOS play a significant role in mitigating credit market failure by providing financial services to the poor and low-income earners within societies. Despite being an important service to the poor, SACCOS are associated with high transactional costs, relatively high risk, and a low rate of return. These challenges are governed by empirical theories that shed light on how sustainable they can be run. This study then contributes to the current debates on the financial sustainability of SACCOS in Tanzania by examining factors that influence the sustainable financial performance of microfinance institutions. Understanding the financial sustainability of the financial institutions is important because it is a necessary condition for them as institutions towards institutional longevity and everlasting services to the poor. Therefore, sustainability could be an important barometer for various stakeholders including; researchers, policymakers, regulators, and others who played important roles in guiding the microfinance industry to move towards the desired direction. As far as the theoretical contribution is concerned, this study contributes to our better understanding of some factors influencing the financial sustainability of SACCOS in

Tanzania. The study also explored some of the variables which were not been considered in depth in previous studies relating to the financial sustainability of microfinance institutions, specifically savings and credit co-operative societies by linking with the Agency Theory. Hence, this could help further develop our better understanding of the mechanisms by which outreach, corporate governance practices, credit risk management techniques, and monetary motivation for employees' impact on OSS, which is the key to theoretical contribution to Agency Theory. In this respect, the findings from this study emphasised testing the relationships between factors' indicator variables on the general financial sustainability of SACCOS to be self-sufficient financially.

The model relationship between the dependent and independent variables in this study confirms the theoretical expectation that highly efficient firms are sustainable financially and sustainable SACCOS could have a higher score of finance due to cost savings and a higher level of profits in their operations (Khan et al., 2017; and Nyamsogoro, 2019). Thus, deposit mobilisation, management activities, professionalism, and motivating packages by SACCOS may have a long-term favourable link with SACCOS financial sustainability scores. This owes to theoretical expectations that high deposit mobilisation would lead to lower cost of capital and hence a high level of financial sustainability.

The previous studies did not integrate the Agency Theory with the four variables under study, i.e., outreach, corporate governance, credit risk management, and monetary motivation and this was the major contribution of this study. Most of the studies such as; Muhanguzi (2019), Omwenga (2017), Mwangi et al. (2015), Huang et al. (2016), and Melkamu (2016) correlate the Agency Theory on how corporate governance influenced the performance of the SACCOS. Studies by Panda and Leepsa (2017), Perrow (1986), Besley and Ghatak (2014) relate the Agency Theory to the performance of the SACCOS and they specifically assess the role of monetary motivation on the performance of the firm and not sustainability. Previous scholars had concentrated on the agent side (Perrow, 1986). This study concentrated both on the agent and principle sides. Regardless of the variables of the outreach, credit risk management lies more on the agent side, the variables of corporate governance and monetary motivation are inclined to both sides. The study also has integrated outreach and credit risk management, which have been ignored in the Agency Theory by the previous scholars.

Contribution to the Institutional Theory

This study contributes to the Institutional Theory by assessing how outreach, corporate governance, credit risk management, and monetary operations influence the sustainability of the MFIs. This outreach is the extension of the MFI financial services to the poor. The findings indicated that the increase in deposits, savings, and assets also increased the sustainability of SACCOS whereas the number of outstanding loans reduced it. Impliedly, the SACCOS are responsible for designing the rules and norms that strengthen the SACCOS functions. They also need to increase deposits, savings, and assets and reduce the number of outstanding loans. To the author’s knowledge, this is the first study to integrate the outreach and Institutional Theory in MFIs. Hence, the study suggests that outreach of SACCOS may be fostered by effective institutions within SACCOS. Effective institutions could foster the provision of financial services such as microcredit, savings and deposits, microinsurance, and remittances and by doing so would increase the outreach. Moreover, the effective institutions would prevent poor management practices and, hence, would reduce the non-performing loans that threatened the outreach of the SACCOS.

Furthermore, the study also contributes to the Institutional Theory by confirming how corporate governance influenced the sustainability of the SACCOS. However, the previous studies targeted multiple MFIs and the assessment of SACCOS performance factors. Therefore, this study proved that applying the Institutional Theory to corporate governance influences the performance of MFI and sustainability. The theory also signifies that the Institutional Theory explains how credit risk management in SACCOS affects their sustainability. Most of the previous studies had examined the role of Institutional Theory on the performance of MFIs and not sustainability. Moreover, most of the studies were done in MFIs with varying norms, rules, and structures.

On the variable of monetary motivation, the study contributes to the Institutional Theory by providing a mechanism for fostering SACCOS operations. In this regard, the study findings affirm that the application of the Institutional Theory does not only overcome the agency problem but also makes proper functions of the SACCOS institutions. In addition, this study contributes to the agency and institutional theories by examining how the two theories promote the sustainability of the

SACCOS. The study's major contribution has to do with integrating the institutional and agency theories into variables of outreach, corporate governance, credit risk management, and monetary motivation.

5.4.5 Study Limitations and Direction for Future Studies

The following sections comprise the limitations of the study, which inform the reader to interpret the findings with care. Also, the section recommends future studies to overcome the limitations of the study.

5.4.5.1 Limitations of the Study

The limitations of the study can be categorised into three broad concepts: Topic Fcoverage, methodological limitations, and financial capacity (Mofuga, 2020). In the case of topic coverage, this research study assessed only the effect of OR, CGP, CRM, and monetary motivation on the FS of SACCOS in Tanzania. The scope of the study was limited to SACCOS in Tanzania registered by the Tanzania Co-operatives Development Commission and operating in Arusha, Arumeru, Karatu, Ngorongoro, Monduli, and Longido districts of Arusha Region. Thus, the findings of this study are limited to SACCOS operating in only one region, namely Arusha in Tanzania. Therefore, there is a need to measure the financial sustainability of SACCOS in other regions of Tanzania.

Most of the SACCOS’ websites neither publish historical financial data nor are they willing to provide published information when requested. The researcher had to use the information from respondents and audited accounts reserved in the office of the Regional Assistant Registrar of Cooperatives in Arusha.

The data obtained were also captured in Excel and then analysed with the help of SPSS Version 21 and STATA Version 13. The process of data collection consumed more time and resulted in the use of more resources to collect and capture data. Resource constraints prolonged the data collection stage unnecessarily. This process did not reduce the integrity of the data, as the data was tested for validity and reliability and all tests showed the data was reliable.

In carrying out this study, the researcher encountered time and financial limitations and these made the researcher conduct the study in only one region with 132 SACCOS. As such, the study may not be generalised to all regions in Tanzania.

The researcher also was motivated to ordinary multiple regression analysis as the major data analysis technique. Possibly more advanced data analysis techniques such as; hierarchical regression analysis and structural equation modelling could produce more reliable results. Also, the researcher did not include the intermediate variables such as control, intervening, or moderating variables. These could show the direction of the influence among the independent and dependent variables.

The use of only quantitative design is one of the limitations because it restricts the deep explanations of the phenomena. The qualitative research could explain well why a number of financial services had a negative influence on outreach.

5.4.5.2 Direction for Future Studies

Future studies are recommended to overcome the limitations of the study. The study recommends that future studies should cover more regions and SACCOS both in and outside Tanzania. Moreover, the study may be conducted in other types of MFIs such as VICOBA, Microfinance banks, NGO MFIs, informal MFIs, and commercial banks. Comparative studies might also be conducted to assess if there are significant differences in variables among formal, semi-formal and formal MFIs. Also, the intermediate variables (control, mediation and moderation) are recommended for future studies. Future studies might also adopt mixed method designs and include a multiple range of the variables.

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APPENDIXES

APPENDIX 1: QUESTIONNAIRE

Dear Respondent,

My name is **Godfrey Japhet Jacob**, a candidate for the Degree of Doctor of Philosophy (PhD) in Business Management in the research stage at the Open University of Tanzania. This questionnaire is aimed to collect data to establish the factors influencing the financial sustainability of SACCOS in Tanzania. I am requesting your participation in the accomplishment of this research by responding to this research questionnaire. All your responses that you will offer, will be kept confidential and be used solely for this research. No specific personal information will be made available to but the researcher only. Your valuable response will be highly appreciated.

A. RESPONDENT PARTICULARS:

1. Designation: Board Chairperson [ ]; Board Member [ ]; General Manager [ ]; Finance Manager [ ]; Credit Manager [ ]; Other [ ] Specify ________________

2. Gender: Male [ ]; Female [ ].

3. Age: 21 – 30 years [ ]; 31 – 40 years [ ]; 41 – 50 years [ ]; 51 – 60 years [ ]; Above 60 years [ ].

4. Years of experience: Less than 2 years [ ]; 2 – 5 years [ ]; 5 – 10 years [ ]; 10 – 15 years [ ]; Greater than 15 years [ ].

5. Highest Education Qualification: Primary Education [ ]; Ordinary Secondary Education [ ]; Advanced Secondary Education [ ]; Certificate [ ]; Diploma [ ];

Bachelor Degree or equivalent [ ]; Master Degree or equivalent [ ]; Ph.D [ ];

Other [ ].

6. Field of expertise (Specialization): General Business [ ]; Accounting [ ]; Banking and Finance [ ]; Economics [ ]; Engineering [ ]; Other [ ] Specify ____________________________________

B. SACCOS' INFORMATION:

7. Name of the SACCOS: ____

8. What the year your SACCOS was officially registered by the government authorities: ___________

9. Location of your SACCOS: District_____________Region _________________

Please read the following statements and tick (√) once in each box provided to indicate your appropriate answer:

10. Your SACCOS serving members situated: Rural [ ]; Urban [ ]; Both Rural and Urban [ ].

11. What is the category of your SACCOS: Community [ ]; Occupational [ ]; Other [ ].

12. Number of members when your SACCOS established: 1 – 50 members [ ]; 51 – 100 members [ ]; More than 100 members [ ].

13. Current number of members in your SACCOS: 1 – 50 members [ ]; 51 – 100 members [ ]; More than 100 members [ ].

14. Number of employees in your SACCOS: No employee [ ]; 1 – 5 employees [ ]; More than 5 employees [ ].

15. Type of audit opinion recommended by external auditor to your SACCOS within the current four years.

S/No	**Type of Opinion**	**2016**	**2017**	**2018**	**2019**
1.	Unqualified opinion (clean audit report)				
2.	Qualified opinion (qualified audit report)				
3.	Disclaimer of opinion (disclaimer audit report)				
4.	Adverse opinion (adverse audit report)				

C. INFORMATION DETERMINING STATUS OF FINANCIAL SUSTAINABILITY OF SACCOS:

Please give the following SACCOS' information using the data for the appropriate years in the table below aimed to determine the level of financial sustainability of your SACCOS.

S/No	**Item**	**2016**	**2017**	**2018**	**2019**
1.	Operating Revenue				
2.	Operating Cost				
3.	Loan Loss Provision				
4.	Financing Cost				

D.OUTREACH INFORMATION:

Please give the following SACCOS information using the data for the appropriate years.

S/No.	Information on Outreach Variables	2016	2017	2018	2019
1.	How much was the interest rate (percent) charged on a loan per year?				
2.	How much were the SACCOS' assets value?				
3.	How many years the SACCOS have been providing loans to its members?				
4.	How many types of financial services (loans, servings, deposits, and insurance) did you offer?				
5.	What was the number of members who are active borrowers?				
6.	What was the number of women who are active borrowers?				
7.	How much was the value of the outstanding loan portfolio?				
8.	How much was the value of shares, deposits, and savings?				
9.	What was the number of potential members in the area of operation?				
1(	What was the amount of loan disbursed?				

E. CORPORATE GOVERNANCE INFORMATION:

Please read the following statements and tick **(√)** once in each statement to indicate the extent to which you agree with the statement by ticking one of the five options. 5= Strongly agree, 4= Agree, 3= Neither Agree or Disagree, 2= Disagree, 1= Strongly disagree

S/No	**Statement on Good Governance Variables**	**5 SA**	**4 A**	**3 N**	**2 D**	**1 SD**
1	There are clear lines of accountability among the board members of the SACCOS.					
1	The board discloses on time and accurately material matters regarding the operation of the SACCOS.					
1	The board consists of strong qualified and professional members with diverse backgrounds.					
1	The board consists of members with diverse gender					
1	The members have the opportunity to participate in decision-making concerning fundamental changes of the SACCOS.					
1	The board respects the rule of law and supports effective supervision and enforcement.					
1	There is a clear flow of information amongst staff, customers, and board members that smooths the decision-making process.					
1	The board chairperson is visionary and knowledgeable.					

F. CREDIT RISK MANAGEMENT INFORMATION

Please read the following statements and tick **(√)** once in each statement to indicate the extent to which you agree with the statement by ticking one of the five options.

5= Strongly Agree, 4= Agree, 3= Neither Agree or Disagree, 2= Disagree, 1= Strongly Disagree.

S/No	**Statement on Credit Risks Management Variables**	**5** **SA**	**4** **A**	**3** **N**	**2** **D**	**1** **SD**
1	The SACCOS has a high level of techniques for appraising risks facing portfolios.					
2	The SACCOS has built a strong methodology to identify various risks facing portfolios.					
2	The SACCOS has in place a sound mechanism to monitor risks facing portfolios.					
2	The SACCOS has clear tools to assess various risks facing portfolios.					
2	The SACCOS has in place a sound mechanism to mitigate the portfolio at risk.					
2	The SACCOS has in place strong system of controlling the risk-facing portfolios.					

G. MONETARY MOTIVATION INFORMATION

Please read the following statements and tick **(√)** once in each statement to indicate the extent to which you agree with the statement by ticking one of the five options.

5= Strongly Agree, 4= Agree, 3= Neither Agree or Disagree, 2= Disagree, 1= Strongly Disagree.

S/No	Statement on Monetary Motivation Variables	5 SA	4 A	3 N	2 D	1 SD
2	Attractive Salary motivates employees to work hard.					
2	Annual incentives encourage employees of the SACCOS towards work productivity.					
2	Subsidized loans increase employee loyalty towards SACCOS.					
2	Employees consider Health insurance as a monetary incentive.					
2	Employees prefer Extra duty and Overtime as a monetary incentive.					
3	Employees prefer housing allowance as a monetary incentive.					
3	Transport expenses are a kind of monetary incentive preferred by employees.					

THANK YOU FOR YOUR COOPERATION

APPENDIX 2: LIST OF ACTIVE SACCOS IN ARUSHA REGION AS BY 31 DECEMBER 2020

S/NO	NAME OF SACCOS	LOCATION (DISTRICT)
1	AAIDRO SACCOS LTD	ARUSHA
2	UVUMILIVU SACCOS LTD	ARUSHA
3	MOUNT MERU SACCOS LTD	ARUSHA
4	AICC SACCOS LTD	ARUSHA
5	OLBALBAL SACCOS LTD	ARUSHA
6	KIMANDOLU LUTHERAN GROUP SACCOS LTD	ARUSHA
7	K.K. SECURITY SACCOS LTD	ARUSHA
8	ARUSHA TAU SACCOS LTD	ARUSHA
9	KANONO SACCOS LTD	ARUSHA
10	MWANGAZA WOMEN SACCOS LTD	ARUSHA
11	MWEGAZI SACCOS LTD	ARUSHA
12	ARUSHA TEACHERS SACCOS LTD	ARUSHA
13	AUWSA SACCOS LTD	ARUSHA
14	BURKA STAFF SACCOS LTD	ARUSHA
15	BRAEBURN STAFF SACCOS LTD	ARUSHA
16	TUNYANYUANE SACCOS LTD	ARUSHA
17	MWASHITA ARUSHA SACCOS LTD	ARUSHA
18	WARRIOR SECURITY SACCOS LTD	ARUSHA
19	VETA OLJORO SACCOS LTD	ARUSHA
20	TAHA SACCOS LTD	ARUSHA
21	BLESSINGS SACCOS LTD	ARUSHA
22	UMANKUWA SACCOS LTD	ARUSHA
23	UWAO SACCOS LTD	ARUSHA
24	NAVIDA SACCOS LTD	ARUSHA
25	UMAE SACCOS LTD	ARUSHA
26	ARUMA SACCOS LTD	ARUSHA
27	ARUSHA TBL SACCOS LTD	ARUSHA
28	UMAHAKA SACCOS LTD	ARUSHA
29	ARUSHA SBL SACCOS LTD	ARUSHA
30	ARUSHA WOMEN IN ACTION SACCOS	ARUSHA
31	MACHINGA ARUSHA SACCOS LTD	ARUSHA
32	A - TEAM SACCOS LTD	ARUSHA
33	ARUSHA BOT EMPLOYES SACCOS LTD	ARUSHA
34	TUMAINI SACCOS LTD	ARUSHA
35	ARUSHA CITY STAFF SACCOS	ARUSHA
36	ARUSHA KURUGENZI SACCOS LTD	ARUSHA

S/NO	NAME OF SACCOS	LOCATION (DISTRICT)
37	BANANA SACCOS LTD	ARUSHA
38	E.L.C.T HQ STAFF SACCOS LTD	ARUSHA
39	JAM MAONO SACCOS LTD	ARUSHA
40	ARUSHA CUTTINGS SACCOS LTD	ARUSHA
41	HIFADHI SACCOS LTD	ARUSHA
42	TEMDO SACCOS LTD	ARUSHA
43	IAA SACCOS LTD	ARUSHA
44	ARUSHA WOMEN IN BUSINESS SACCOS LTD	ARUSHA
45	NANE NANE WOMEN SACCOS LTD	ARUSHA
46	ARUSHA CLUB SACCOS LTD	ARUSHA
47	UMATAMA SACCOS LTD	ARUSHA
48	ARUSHA SOKO KUU SACCOS LTD	ARUSHA
49	UDEA SACCOS LTD	ARUSHA
50	ST. JOHN NJIRO SACCOS LTD	ARUSHA
51	SUNFLAG SACCOS LTD	ARUSHA
52	TAWIRI SACCOS LTD	ARUSHA
53	CAMARTEC SACCOS	ARUSHA
54	SHALOM SACCOS LTD	ARUSHA
55	KOROKONI SACCOS LTD	ARUSHA
56	BALIMI SACCOS LTD	ARUSHA
57	PALLOTI SACCOS LTD	ARUSHA
58	TCCIA SACCOS LTD	ARUSHA
59	ANSA SACCOS LTD	ARUSHA
60	ARUSHA LMC STAFF SACCOS LTD	ARUSHA
61	UTALII SACCOS LTD	ARUSHA
62	DEVINE SACCOS LTD.	ARUSHA
63	ACU STAFF SACCOS LTD	ARUSHA
64	ENYOITO SACCOS LTD.	ARUSHA
65	ARUSHA TECHNICAL COLLEGE SACCOS LTD	ARUSHA
66	TASO NORTHERN ZONE SACCOS LTD	ARUSHA
67	UWAPA SACCOS LTD	ARUSHA
68	MMH STAFF SACCOS LTS	ARUSHA
69	NAROK FRIENDS SACCOS LTD	ARUSHA
70	KINGDOM SACCOS LTD	ARUSHA
71	ASILIA LODGES SACCOS LTD	ARUSHA
72	TANZANIA TOUR GUIDE SACCOS LTD	ARUSHA
73	BARAA SACCOS LTD	ARUSHA
74	FRIENDS CORNER SACCOS LTD	ARUSHA
75	NEW VISION (2015) SACCOS LTD	ARUSHA

S/NO	NAME OF SACCOS	LOCATION (DISTRICT)
76	TPRI SACCOS LTD	ARUMERU
77	FRIEDKIN SACCOS LTD	ARUMERU
78	WAKULIMA OLOKII SACCOS LTD	ARUMERU
79	TWIGA CLUB SACCOS LTD	ARUMERU
80	PETU SACCOS LTD	ARUMERU
81	MRINGA SACCOS LTD	ARUMERU
82	SOS SACCOS LTD	ARUMERU
83	ARUMERU TEACHERS SACCOS LTD	ARUMERU
84	NEW HOPE SACCOS LTD	KARATU
85	KAMBI YA SIMBA SACCOS LTD	KARATU
86	KARATU DISTRICT TEACHERS SACCOS LTD	KARATU
87	KARATU DISTRICT COUNCIL WORKERS SACCOS LTD	KARATU
88	KIBAONI SACCOS LTD	KARATU
89	GETAMOCK SACCOS LTD	KARATU
90	KARATU PRIVATE SECTOR SACCOS LTD	KARATU
91	THE MANOR SACCOS LTD	KARATU
92	MOYO HILL SACCOS LTD	KARATU
93	ARUSHA NOAH SACCOS LTD	KARATU
94	KANSAY SACCOS LTD	KARATU
95	ENDAMARARIEK SACCOS LTD	KARATU
96	TUMAINI FIELD FARMERS SCHOOL SACCOS LTD	KARATU
97	MAJENGO SACCOS LTD	KARATU
98	AYALABE SACCOS LTD	KARATU
99	K.K.K.T MBULUMBULU SACCOS LTD	KARATU
100	KIPOK SACCOS LTD	LONGIDO
101	YAAMA SACCOS LTD	LONGIDO
102	MARORONI SACCOS LTD	ARUMERU
103	KING’ORI SACCOS LTD	ARUMERU
104	KILIFLORA SACCOS LTD	ARUMERU
105	SHIWARA SACCOS LTD	ARUMERU
106	MBOMAPO SACCOS LTD	ARUMERU
107	FIDES SACCOS LTD.	ARUMERU
108	UOA AMANI SACCOS LTD	ARUMERU
109	KIKATITI SACCOS LTD.	ARUMERU
110	NELSON MANDELA SACCOS LTD	ARUMERU
111	HUMOCO SACCOS LTD	ARUMERU
112	DEKKER KILL SACCOS LTD	ARUMERU
113	MAKIBA SACCOS LTD	ARUMERU
114	RIKJZWAAN SACCOS LTD	ARUMERU

S/NO	NAME OF SACCOS	LOCATION (DISTRICT)
115	UWATA ARUSHA SACCOS LTD	ARUMERU
116	KUSURE SACCOS LTD	ARUMERU
117	MALEU SACCOS LTD	ARUMERU
118	ENDELEVU SACCOS LTD.	ARUMERU
119	MANAPA SACCOS LTD	MONDULI
120	MTC SACCOS LTD	MONDULI
121	MLIMANI/NGARASH SACCOS LTD	MONDULI
122	MVIWABU SACCOS LTD	MONDULI
123	KOMOLONIK SACCOS LTD	MONDULI
124	MRALIPA SACCOS LTD	MONDULI
125	LOIRIEN SACCOS LTD	NGORONGORO
126	SERENA SACCOS LTD	NGORONGORO
127	SOPA WORKERS SACCOS LTD	NGORONGORO
128	BUTEMINE SACCOS LTD	NGORONGORO
129	WASSO MAKAO SACCOS LTD	NGORONGORO
130	KIMELOK SACCOS LTD	NGORONGORO
131	SEREGE SACCOS LTD	NGORONGORO
132	ILANYUAK YOUTH SACCOS LTD	NGORONGORO

APPENDIX 3: CLEARANCE LETTER

THE OPEN UNIVERSITY OF TANZANIA

DIRECTORATE OF POSTGRADUATE STUDIES

P.O. Box 23409
Dar es Salaam, Tanzania
http://www.openuniversity.ac.tz

Tel: 255-22-2668992/2668445 ext.2101
Fax: 255-22-2668759
E-mail: dpgs@out.ac.tz

Our Ref: PG2017997253 **14th December 2020**

Assistant Registrar,

Arusha Regional Cooperative Office,

P.O.Box 3050,

ARUSHA.

RE: RESEARCH CLEARANCE

The Open University of Tanzania was established by an Act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No.55 in the official Gazette. The Act was however replaced by the Open University of Tanzania Charter of 2005, which became operational on 1st January 2007.In line with the Charter, the Open University of Tanzania mission is to generate and apply knowledge through research.

To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you **Mr. JACOB, Godfrey Japhet, Reg No: PG2017997253** pursuing **Doctor of Philosophy (PhD).** We here by grant this clearance to conduct a research titled **"The Factors Influencing Financial Sustainability of Savings and Credit Cooperative Societies (SACCOS) in Tanzania"**. He will collect his data from the **SACCOS in Arusha region** as of **21st December 2020** to **15th March 2021.**

In case you need any further information, kindly do not hesitate to contact the **Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O.Box 23409, Dar es Salaam, Tel: 022-2-2668820.**

We thank you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours,

THE OPEN UNIVERSITY OF TANZANIA

Prof. Magreth Bushesha
DIRECTOR OF POSTGRADUATE STUDIES.

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The Influence of Entrepreneurship Orientation on Loan Repayment: Evidence from Morogoro and Mvomero Teachers Savings and Credits Cooperative Societies (SACCOS) Ltd.

Joseph Magali* & Godfrey Japhet Jacob†

Abstract

This study assessed how entrepreneurship orientation influenced the loan repayment performance of the teachers from Morogoro and Mvomero SACCOS. It specifically looked at how innovation, proactiveness, risk-taking, competitive aggressiveness and autonomy influenced loan repayment performance. The study applied descriptive and explanatory designs and systematic sampling to select 96 borrowers for the survey. The data were collected using a questionnaire while the analysis was done using descriptive and regression analysis. The findings from the regression analysis indicate that competitive aggressiveness and autonomy positively and significantly influenced the loan repayment performance while innovation influenced the loan repayment performance negatively. The study also revealed that proactiveness and risk-taking did not influence loan repayment. It recommends the government to initiate the policies which will enforce the entrepreneurship training for SACCOS clients.

* Faculty of Business Management, The Open University of Tanzania, Dar es Salaam, Tanzania; joseph.magali@out.ac.tz
† The Centre for Agricultural Mechanization and Rural Technology, Arusha, Tanzania; godfrey.jacob@camartec.go.tz

Keywords: Entrepreneurship orientation, Loan repayment in SACCOS, Teachers, Tanzania

1. Introduction

SACCOS are Savings and Credits Cooperative Societies that offer financial and non-financial services to their clients. They specifically offer insurance, deposits, remittance, and training services. SACCOS serve the majority of Tanzanians who are excluded from formal financial services both in the rural and urban area (URT, 2017). In September 2021, there were 2,541 active SACCOS in Tanzania (Tanzania Cooperatives Development Commission-TCDC, 2021).

Miller (1983) was the first scholar to introduce the concept of Entrepreneurship Orientation (EO) by claiming that an organisation that is entrepreneurially oriented is characterised by innovation, risk-taking, and proactiveness. Later scholars such as Lumpkin & Dess (1996) recommended autonomy and competitive aggressiveness as the two additional variables of entrepreneurship orientation. Wennberg et al. (2011) contended that entrepreneurship orientation refers to the practices and procedures used to identify and exploit opportunities. Gürol & Atsan (2006) asserted that entrepreneurs can be explained also by tolerance, the need for achievement, and locus of control.

EO improves the growth of firms (Bhardwarj et al., 2011). Hence, EO is the strategy to achieve and sustain a firm's purpose, vision, competitive advantage, and decision-making (Mason, et al., 2015). Entrepreneurship overcomes the unemployment difficulties by offering new job opportunities (Gürol & Atsan, 2006). Rodrigueza (2015) argued that the entrepreneurship culture promotes the social and economic development of any nation.

Entrepreneurship is an important contributor to economic growth in developing countries. For instance, in Ghana the small and business entrepreneurial ventures contributed to 70% of the Gross Domestic Product (GDP) in 2014 (Darko & Koranteng, 2015). In Tanzania, private entrepreneurs contribute to approximately a third of GDP (Isaga & Musabila, 2017).

In developing countries, MFIs play an essential role by providing capital to finance entrepreneurial activities. By doing this, both entrepreneurship and MFIs facilitate strongly economic growth, wealth, job creation, innovations as well as poverty eradication (Akingunola, et al., 2013).

The literature has revealed various factors that affect loan repayment such as demographic factors (borrowers' age, education, gender experience, marital status, and income) (Mwaka, 2017; Yeboah & Oduro, 2018; Jote, 2018). The studies have also examined repayment period, size, activity, type and purpose, diversification, and lending methods as loan-related factors that influence the loan repayment performance (Ssebuwufu, 2014; Murthy & Mariadas, 2017; Garomsa, 2017).

Other factors include borrowers' distance (Maio et al., 2015), training (Haile, 2015), firm and leaders' characteristics (Mukono, 2015), the interest rate and grace period (Katula & Kiriinya 2018), application costs (Salifua, et al. 2018), borrowers' characteristics and repayment procedures (Maigua, 2017). The influence of loan monitoring and appraisal on repayment was examined by Chinduri (2016), Katula & Kiriinya (2018), and Adu et al. (2019). Gebremedhin (2010) and Kohansal & Mansoori (2012). Haldar & Stiglitz (2016) analysed the role of valuation of collateral while Haule & Magali (2020) assessed the role of integrity on loan repayment for SACCOS' clients in Tanzania.

Studies on the influence of EO on firm performance have been done in different sectors such as in ICT-related businesses (Kaujan, 2019), mobile money business (Nyello et al., 2018), construction firms (Okangi, 2019) hospitality industry (Njoroge et al., 2020) and Small and Medium Enterprises (SMEs) (Kapaya et al. 2018). The studies which correlated EO and the performance of SACCOS and other micro-finance institutions (MFIs) include Homaid et al. (2019), Senathiraja (2020) and Beltrame et al. (2022). However, none of the studies linked the EO and loan repayment performance. Therefore, there is a paucity of data on the studies which correlate entrepreneurship orientation and loan repayment.

Innovation is the ability to devise new ways of doing things (Ki-yabo & Isaga, 2020). Hence, through innovation, the SACCOS borrowers design mechanisms that promote the effective use of the loans. Proactiveness is the ability to design strategies for overcoming the threat of poor outcomes before its manifestation (Sahban et al., 2014). This strategy is used by SACCOS borrowers to get prepared to repay their loans during difficult situations. Borrowers' awareness of risk management is vital for promoting timely loan repayment. Moreover, while the ability of borrowers to compete in the market facilitates the generation of adequate income for loan repayment; the autonomy assists borrowers to have a full decision-making mandate in their investments.

Loan repayment is linked with EO because loan repayment involves borrowers' innovation, proactiveness, risk-taking, competitive aggressiveness and autonomy. EO makes the borrowers initiate the new business, execute the business efficiently and be effective in managing risk. EO also enables entrepreneurs to be independent and design mechanisms to compete with others in the market (Sahban et al., 2014). Previous studies have not linked the loan repayment with these variables and the authors hypothesize that this situation has accelerated the loan default in SACCOS. Thus authors were motivated to assess how EO influenced the loan repayment for clients of Morogoro & Mvomero Teachers SACCOS; which is located in the Morogoro region in Tanzania.

The authors have linked the entrepreneurship orientation variables and loan repayment because scholars uncovered that the loan repayment is a challenge for SACCOS in Tanzania (Haule & Magali, 2020). TCDC (2020) further reported that the SACCOS intractability and loan repayment problem has forced the Minister responsible for cooperatives to deregister about 40% of SACCOS in 2020. The loan repayment challenge has also caused the confiscation of Kibaigwa Financial Services and Credit Cooperative Society (KIFISACCO) which had unpaid loans of TZS 762.5 million (equivalent to $610,000) (Karumuna & Akyoo, 2011). Magali (2018) further revealed a poor repayment of loans for SACCOS located in the Morogoro and Dodoma regions where the outstanding loans ranged from 19% to 99.5%. The problem of loan repayment in Tanzania has been confirmed by Gotifridi & Magali (2021), Pamuk et al., (2021) and Kevela & Magali (2022).

The data from Morogoro & Mvomero Teachers SACCOS indicate that in December 2021, loans worth TZS 239,119,181($103,509.42) were bad loans. Kihwele & Gwahula (2015) asserted that low entrepreneurship orientation is the reason for poor repayment of loans in SACCOS. However, they did not analyse how the entrepreneurship orientation affected the loan repayment. Hence, this study assessed how entrepreneurial orientation influenced loan repayment performance for borrowers of Morogoro & Mvomero teachers SACCOS. Specifically, this study assessed how the entrepreneurship orientation variables of innovation, pro activeness, risk-taking, competitive aggressiveness and autonomy influenced the loan repayment for borrowers of Morogoro & Mvomero teachers' SACCOS.

1.1. Entrepreneurship orientation, Resource-Based Theory of Entrepreneurship (RBTE) and loan repayment

According to Simpeh (2011), economic, psychological, sociological, anthropological, opportunity-based, and resource-based entrepreneurship theories elucidate the variables of entrepreneurship orientation. Therefore, the authors perceived that the resource-based view theory articulates well the role of entrepreneurship orientation in the repayment of loans for SACCOS clients. Thus the authors applied this theory to delineate the role of entrepreneurship orientation on loan repayment. The resource-based view was initiated by Barney (1991) who argued that resources and capabilities can be used to promote the firm's sustainable competitive advantage. The resources were classified into tangible and intangible. However, for the creation of sustainable competitive advantage, the resources should be valuable, rare, inimitable, and non-substitutable.

Alvarez & Busenitz (2001) propounded that resource access is a panacea for opportunity exploitation and growth. They termed this phenomenon the Resource-Based theory of entrepreneurship. Davis & DeWitt (2021) argued that the Resource-Based View (RBV) theory explains better how productive resources result in profitable firms. Therefore, RBTE aligns RBV and entrepreneurship concepts. Alvareza & Busenitz (2001) asserted that the Entrepreneurship Resource-Based View theory (ERBV) is drawn from RBV theory because it explicates how entrepreneurship skills may be used to exploit resources and opportunities. Therefore, ERBV theory articulates how resources are used to create heterogeneous outputs and exploit new market opportunities. Covin & Lumpkin (2011) advocated that firm dynamic resource configuration enhances their proper exploitation. The availability of resources and opportunities dictates the possibility of achievement for an entrepreneur (Mwange, 2018).

Financial resources are important components of entrepreneurship because they promote an entrepreneur's growth (Mishra & Zachary, 2015). Wigren (2009) contended that the availability of financial resources encourages entrepreneurship in developing countries. Financial resources in terms of capital facilities promote the selling of goods and services to earn profits (Boutillier & Uzunidis, 2014). Dickens (2019) declared that financial services offered by SACCOS were important resources that promoted clients' enterprise growth and entrepreneurship spirit in Uganda. The entrepreneurial orientation of the Micro-finance Institutions (MFI) and clients facilitates the management of financial resources such as loans, savings, deposits and insurance premiums (Bernard et al., 2010). Hence the individual entrepreneurial orientation attributes promote the timely repayment of the loans as well.

After the entrepreneur has created the business opportunities, he finds the capital to enable the execution of such opportunities (Cuervo, et al., 2007). Therefore, when the SACCOS performs the role of the capital provision in the form of loans, cultivates the execution of entrepreneurship opportunities. Ness & Seifert (2016) recommended that apart from assessing the borrower's collateral; entrepreneurial characteristics should be considered by the financial institutions when issuing credits. Machira (2017) by using RBV theory assessed the importance of financial, physical, and human resources on the SACCOS performance. Despite their study revealing that the repayment for loans for SACCOS was high, the study did not analyse how the entrepreneur orientation affected loan repayment. Sagwa & Kembu (2016) by using RBV theory exposed competitive strategies as an important resource that promoted the SACCOS performance in Nairobi, Kenya. Mwangi (2015) linked RBV and the performance of SACCOS arguing that deploying resources enhanced the maximum return. However, the study did not consider entrepreneurship orientation as an important resource which promoted the SACCOS performance.

Chelangat & Namusonge (2018) and Njoroge et al. (2019) considered strategies and customer management relationships as resources that guided SACCOS' savings mobilisation, growth and performance in Nairobi and Manyara counts (Kenya). Nkaabu & Moguche (2020) considered a dynamic capability as a resource that promoted the Kenyan Matatu SACCOS. Therefore, this study treated entrepreneurial orientation as an important resource that promotes loan repayment and for this case, ERBV theory was applied

1.2. Credit Risk Theory, entrepreneurship orientation and Loan repayment

Robert Merton established the Credit Theory in 1974. The theory primarily aimed to assess the credit risk of companies' assets under sale (call option). The credit risk explains the reasons for the credit default risks. The theory states that the default of the credit occurs when the assets are not traded as anticipated (Folajimi & Dare, 2020). Therefore, the application of the credit risk theory in SACCOS prevents insolvency (Nyambere, 2013). The literature indicates the studies do not correlate the credit risk theory, loan repayment and entrepreneurship orientation. Kahuthu (2016) linked the credit risk theory with credit risk management practices and growth of wealth for Kenyan SACCOS while Maina et al., (2020) aligned it with SACCOS' sustainability. Simotwo et al., (2018) blended the credit risk theory with the profitability of SACCOS. The authors of the current study associated the credit risk theory with entrepreneur orientation variables because they perceived that the application of innovation, proactiveness, risk-taking, competitive aggressiveness and autonomy may reduce the loan default risk for SACCOS' clients. Since the entrepreneurship orientation recommends new strategies for handling issues, the study integrated the credit risk theory and entrepreneurship orientation to elucidate the role the entrepreneurship orientation in promoting loan repayment.

1.3. The role of entrepreneurship orientation on firm performance

The literature divulges the studies that assess the influence of entrepreneurship orientation on performance that are conducted in different sectors. For instance, Utomo et al. (2019) through Structural Equation Modelling (SEM) and 100 respondents found that the competence of ICT-related businesses in Indonesia was influenced by entrepreneurship orientation. Nyello et al. (2018) exhibited that entrepreneurial orientation completely mediated the Customer-to-Business of mobile money micro-business sales in Tanzania. Al Mamun et al. (2017) found that the entrepreneurial orientation contributed largely to autonomy for 800 low-income Malaysian households. The variables that followed in order were proactiveness, creativity, innovativeness, and risk-taking abilities.

Arshi (2016) unveiled that innovativeness, autonomy, competitive aggressiveness, proactiveness, and risk-taking positively influenced business performance in Oman. The study applied 404 corporate firms and SEM. Okangi (2019) found that risk-taking and innovativeness positively and significantly affected the profitability and growth of the construction firms in Tanzania. The study used the regression analysis and the sample size of 132 firms. Also, the control variables of firm size, location, and firm activities were integrated into the study. Njoroge et al. (2020) through SEM revealed that the hospitality industry in Tanzania applied proactiveness, risk-taking, innovativeness, and competition to improve their performance. Kiyabo & Isaga (2019) revealed that the earnings of the welding companies in Tanzania were positively and significantly influenced by Entrepreneurship Orientation.

The studies on Small and Medium Enterprises (SMEs) include Musthofa et al. (2017) who used 153 respondents and SEM. Their study revealed that the performance of SMEs in the Kudus Regency in Indonesia was influenced positively and significantly by innovation and risk-taking while the influence of the proactiveness was not significant. Stanslaus et al. (2017) ascertained that there existed scanty studies which analyse the influence of moderating factors of EO on the performance of SMEs in Tanzania and that was a motive for their study. Mason et al. (2015) revealed that innovative and risk-taking attitudes, autonomy, aggressiveness, and competitive vigour positively and significantly influenced

SMEs' performance in Italy. Kapaya et al. (2018) revealed that innovation, aggressiveness, and proactiveness influenced the SMEs' performance positively and significantly while autonomy negatively affected the SMEs' performance in Tanzania. Their findings further indicated that risk-taking was integrated into the aggressiveness dimension. Mbhele (2011) claimed that innovative practices and apprehending the new opportunities were key attributes of SME entrepreneurial ventures.

1.4. The influence of entrepreneurship orientation on SACCOS Performance

The EO studies in the Micro-Finance Institutions (MFIs) include Mwangi & Wanjau (2013) who reported that training the youth SACCOS clients in business management-related skills promoted entrepreneurship growth in Kenya. However, the study examined factors influencing the performance of SACCOS and not the influence of entrepreneurship on loan repayment. Ronoh et al. (2018) reported that entrepreneurship skills were one of the factors that enhanced the performance of deposit-taking SACCOS in Kenya. Nonetheless, the study examined how business management training influenced the financial performance of SACCOS. Homaid et al. (2019) affirmed that both entrepreneurial orientation and learning orientation positively and significantly influenced the MFIs performance in Yemen. Nonetheless, they did not examine how the entrepreneurship orientation affected the loan repayment performance in MFIs. But it analysed generally how entrepreneurship nurtured micro-finance institutions. Senathiraja (2020) unveiled that in Sri Lanka, mentoring entrepreneurs facilitated a long relationship with MFIs. Similarly, the study did not link entrepreneurship orientation and loan repayment. Therefore, literature to the best of our knowledge indicates that none of the studies has assessed how entrepreneurship orientation influences loan repayment in MFIs such as SACCOS.

2. Methodology

2.1. Population, sampling procedures, sample size and response rate

This study applied the explanatory design to assess the influence of entrepreneurship orientation on loan repayment performance of the Morogoro & Mvomero teachers SACCOS borrowers. The total number of SACCOS clients in 2020 was 1,160 while the total borrowers were only 639. The sample size for this study was calculated by considering 15% of the population, who were 96 borrowers. The borrowers were selected using the systematic sampling technique where every 7th borrower in the list was selected. The data were collected using a questionnaire where except for demographics, the EO variables were classified on the 5-Likert scales: 1 strongly disagree, 2-disagree, 3-neutral, 4-agree, and 5-strongly agree. The analysis was done using descriptive and OLS multiple regression analysis. However, only 75 borrowers returned the questionnaire which was a 78% response rate. Bullen (2014) contended that a sample of 10% of the population is acceptable for data analysis. Hair et al. (2018) further asserted that 50 respondents allow the execution of a regression analysis.

2.2. Data collection methods and consideration of the research ethical issues

Survey technique was applied in data collection. The ethical consideration of consent seeking, confidentiality, anonymity, avoidance of data fabrication, falsification, and plagiarism were considered. The collected data were screened to check the consistency of the information, missing variables and existence of the outliers. The questionnaire was pre-tested on 10 respondents before administering to a large number of respondents.

2.3. Validity and reliability of the research instrument

The validity of the variables in the questionnaire was confirmed through previous studies. The reliability of the research tools was tested using Cronbach alpha statistics. The coefficient of the Cronbach alpha for background and entrepreneurial orientation variables were 0.787 and 0.766; respectively signifying that the data were reliable.

2.4. Data analysis

The data were analysed by using descriptive statistics and regression analysis. The regression model was written as follows:

$$\mathbf{y_i = B_0 + B_1x_{i1} + B_2x_{i2} + B_3x_{i3} + B_4x_{i4} + B_5x_{i5} + E}$$

Where;
yi = dependent variable – Loan repayment performance
xi1 = Innovation, xi2 = Proactiveness, xi3 = Risk-taking, xi4 = Competitive aggressiveness, xi5 = Autonomy, B0 = y-intercept, and E = Error term, B1-B5 = coefficients of independent variables

2.5. Testing the Regression Model Assumptions

2.5.a. Normality Assumption

The value of the Shapiro-Wilk test from SPSS was 0.992 which was greater than 0.05 and Kolmogorov-Smirnov's coefficient was 0.833, which was not significant. Therefore, based on Ifham (2019), the data of the regression model were normally distributed.

2.5.b. Multicollinearity

Marcoulides & Raykov (2018) declared that if the value of Variance Inflation Factor (VIF) in the regression model is less than 0.5 and the mean tolerance value is not less than 0.2, the regression model does not confirm the existence of a multicollinearity problem. The mean VIF in Table 4 is 1.5764 while the mean tolerance level is 0.645. Hence, the multiple regression model does not reveal the presence of multicollinearity.

2.5.c. Autocorrelation

When using SPSS, the existence of autocorrelation in the multiple regression model is usually assessed by observing the value of the Durbin Watson which should be 2 or more (Gujarat & Porter, 2010). The value of Durbin Watson in Table 4 was 1.899, which was approximate 2. Hence, the model does not face the autocorrelation problem.

2.5.d. Heteroscedasticity

Gujarat & Porter (2010) postulated that when using SPSS, the presence of heteroscedasticity may be tested by using the White test's formula, NxR2, where N = sample size R2 = Adjusted R square. This is also termed as calculated Chi-Square. Therefore, the calculated chi-square value was 75*0.502=37.65 while the value of the tabulated Chi-Square was 47.21. Because the chi-square tabulated was higher than the one calculated, the model does not signify the presence of heteroscedasticity.

3. Results & Discussion

3.1. Demographic information: Sex

The findings from Table 1 indicate that the composition of males and females did not differ much. The findings display that both females and males borrowed from SACCOS and invested in social and economic activities. Hence, SACCOS played a vital role to empower women economically. However, this study does not conclude that females were more entrepreneurial oriented than males, as this can be proved by future studies. Despite Reta (2011) found that sex did not affect the loan repayment performance of credits and savings institutions in Addis Ababa, Ethiopia; Muthoni (2016) uncovered that Kenyan female SACCOS clients had high loan repayment rates than males. Goktan & Gupta (2015) revealed that males portrayed the individual entrepreneurship orientation more than females in Turkey, Hong Kong, India, and United States. Notwithstanding, Yadav & Unni (2016) declared that studies that articulate the importance of entrepreneurship orientation to females alone were missing.

3.2. Marital status

The data shows that the majority (73.3%) were married, followed by single and divorced or separated. The data indicates that married clients were tempted to borrow loans to finance family needs compared to clients of another marital status (Magali & Haule, 2020). However, this does not indicate that they are necessarily entrepreneurial oriented. Peter & Munyithya (2015) uncovered that entrepreneurial success in Kenya was influenced positively and significantly by marital status (being married). Kang et al. (2021) articulated that the link between marital status and gender influence on SME's context has not been explored adequately.

3.3. Education level

Results from Table 1 show that majority of clients possessed certificate level education. The diploma and degree levels are also presented. Training in entrepreneurship-related courses induces the clients to invest the loan profitably. Nonetheless, this study did not analyse the influence of the level of education on loan repayment or entrepreneurship orientation. However, the possession of the certificate level enables the clients to grasp basic concepts of entrepreneurship during training. This promotes the viable use of borrowed loans. Gerba (2017) found that education level positively and significantly influenced the loan repayment performance of MFIs in Ethiopia. Cho & Lee (2018) revealed that the business performance of the Korean firms was neither influenced by entrepreneurial orientation nor entrepreneurship education. Contrary, Yang (2020) asserted that entrepreneurship education predicted the entrepreneurial orientation and self-efficacy of the Korean and Chinese students. The same results were uncovered by Peter & Munyithya (2015).

3.4. Loan activity

Table 1: Demographic Variables

Sex	Frequency	Percent
Males	36	48.0
Females	39	52.0
Marital Status		
Single	16	21.3
Married	55	73.3
Divorced or Separated	4	5.3
Education Level		
Certificate	38	50.7
Diploma	26	34.7
Degree and above	11	14.7
Loan Activity		
Agriculture	11	14.7
Livestock Keeping	6	8.0
Business	27	36.0
Education	29	38.7
House building/Maintenance	2	2.7

The findings from Table 1 indicate that majority of the clients borrowed for business investment and financing of education expenses. The findings moreover, illustrate that some clients invested loans in agriculture, livestock keeping, and house building. Investing loans in non-cash-generating activities posed a threat of default. This may happen for education, house building and maintenance loans. Magali (2013) revealed that loan activity did not influence the loan default of SACCOS in Tanzania. Beltrame et al. (2022) disclosed that access to bank financing for Austrian and Italian SMEs was facilitated by the borrower's autonomy, proactiveness, and competitive aggressiveness attributes.

4. Quantitative Descriptive variables

Table 2: Descriptive statistics for quantitative data

Variables	N	Minimum	Maximum	Mean		Variance
	Statistic	Statistic	Statistic	Statistic	Std/ Error	Statistic
Age of Borrower	72	23	61	39.4.	1.022	78.302
Experience in borrowing	75	1	34	7.56	.675	34.142
Number of dependents	75	0	15	4.72	.319	7.610
Amount of Loan Borrowed	75	200000	15000000	2126893.3	3.229E5	7.820E12
Amount of Loan Repayment	75	100000	10000000	1252173.12	2.072E5	3.221E12
Total Innovation	75	1.33	5.00	3.6467	.09213	.637
Total Proactiveness	75	1.50	4.17	3.5289	.06235	.292
Total Risk Taking	75	1.75	5.00	3.5100	.07833	.460
Total Competitive Agressiveness	75	1.67	5.00	3.7867	.09897	.735
Total Autonomy	75	1.00	5.00	3.9200	.11733	1.033

4.1. Age

The findings indicate that the minimum age was 23 while the maximum age was 61 and the mean age was 39. The findings show that the majority of the borrowers belonged to the active working age groups. The youths were preparing for their future lives. Therefore, they were more aggressive to execute profitable investments. Garomsa (2017) reported that age affected positively the loan repayment performance in Ethiopia. Peter & Munyithya (2015) confirmed that age positively and significantly determined an entrepreneur's success in Kenya. Madlala (2018) uncovered that the spirit of entrepreneurship orientation dominated more in youths than elders.

4.2. Experience in borrowing

The data shows that the minimum experience was 1 year and the maximum was 34 years, with a mean of 7 years (Table 2). The information indicates borrowers with diverse experiences borrowed loans from SACCOS. The findings further indicate that the borrowers with less experience in profitable loan usage learned from experienced colleagues and hence invested loan profitability. Gerba (2017) reported that the borrowers' experience positively influenced the loan repayment performance in Ethiopia. Darmanto & Bukirom (2021) divulged that the experience of the entrepreneurs positively and significantly influenced the social entrepreneurship performance of Indonesian entrepreneurs. Madlala (2018) disclosed that work experience did not significantly influence the entrepreneurship orientation for commerce and engineering professionals in South Africa.

4.3. Number of dependants

The information from Table 2 indicates that the minimum number of dependents was 0 while the maximum number was 15. Jote (2018) articulated that family size negatively influenced the loan repayment performance in Ethiopia. Therefore, borrowers with many dependents are prone to loan default. Hence they are required to have strong risk mitigation strategies. Shakeel et al., (2020) avowed that family size, access to financing, cultural and political environment deprived women's entrepreneurship efforts in Pakistan.

4.4. Amount of loan borrowed versus repaid

The data shows that the minimum and maximum amount of loan borrowed were Tanzanian Shillings (TZS) 200,000 and 15 million respectively with a mean of TZS 2,126,893 (1 USD=2309.99). The data further indicate that the minimum and maximum amount of the loan repaid were TZS 100,000 and 10 million respectively with a mean of TZS 1,252,173. The amount of loan borrowed and repaid depended on the type of loan activity such as education expenditure, agriculture, livestock keeping, business, house building, and maintenance. Magali (2013) found that loan size negatively influenced loan repayment performance in Tanzania. According to Mohammadi (2021), borrowing significantly and committing large resources to ventures in hesitant environments portrays the entrepreneurs' risk-taking attributes.

4.5. Average scores on the 5 ranges of Likert scales

The results from Table 3. show that the average scores for the 5-ranges Likert scales for the influence of innovation, proactiveness, risk-taking, competitive aggressiveness and autonomy on loan repayment performance were 3.6467, 3.5289, 3.5100, 3.7867 and 3.9200 respectively. The findings indicate that the borrowers agreed that the five dimensions of the entrepreneurship orientation promoted the loan repayment in SACCOS.

5. Descriptive analysis of Entrepreneurship Orientation variables

Table 2 presents the results of the descriptive statistics of the entrepreneurship orientation variables and their influence on loan repayment.

5.1. Innovation

The majority of the SACCOS borrowers agreed that they can endure the challenges to promote good results of the loans, addressed the challenges that could hinder repayment of loans and used the available information to promote the repayment of their loans. However, only 58.2% of the clients borrowed the loans for income-generating purposes. The findings indicate that the borrowers who borrowed a loan for non-income-generating activities were nearly 50%. The findings further indicate that only 46.7% of borrowers invested the loan in diversified activities. Spending a loan on non-income generating activities poses a threat of loan default. Moreover, investing a loan in a single activity poses a threat of default if the loan generating activity became unsuccessful. Kapaya et al. (2018) revealed that innovation influenced the SMEs' performance positively and significantly in Tanzania while Phan (2019) exposed that innovation did not significantly influence the firm performance in Vietnam.

5.2. Proactiveness

Proactiveness is the act of taking necessary measures to promote loan repayment in advance. The findings from Table 2 confirm that the majority of the borrowers were proactive since the scores for each variable were 83.5% and above. The proactiveness was measured by doing a thorough analysis before investing, using listening and communication skills to promote the loan repayment, seeking experts and peer advice, enduring challenges and ability to switch to alternatives immediately. Musthofa et al. (2017) found that the influence of the proactiveness variable on SME performance was not significant in Indonesia. Arshi (2016) found proactiveness positively influenced business performance in Oman.

5.3. Risk-taking

The majority of the borrowers agreed that they usually do a simple risk analysis before investing in a loan as manifested by 78.7% of them. However, only 58.7% of the borrowers agreed that they can borrow loans quickly when viable opportunities arise. The findings indicate that nearly half of the borrowers were prone to losing the opportunities because of their slow decision making attitudes. The findings further show that only 34.7% of borrowers usually borrowed a loan and made an investment decision on the spot without consulting others. This tendency has the advantage of making a profit from a lucrative opportunity because the entrepreneur becomes a champion of a particular income-generating activity. Another mitigating measure taken by the borrowers was the preparation to recover the loans by using other means.

Table 3: Descriptive analysis of Entrepreneurship Orientation variables

Innovation Variables	**Frequency**	**Percent**
I borrowed a loan for income generating purpose	44	58.6
I endured the challenges to promote good results from the loans	59	78.7
I Invested a loan for diversified production activities	35	46.7
I addressed the challenges that could hinder the repayment of loans	58	77.3
I used the available information to promote the repayment of the loan	67	89.4
Proactiveness Variables		
I do a thorough analysis to invest loans profitably	66	88
My listening and communications skills promote the loan repayment	67	89.3
I seek the experts' advice to promote the repayment of the loan	63	84
When I face a challenge I can endure it to enable me to repay the loan	64	85.3
I do not panic during trouble but quickly switch to an alternative solution	67	89.3
Risk-taking variables		
I borrow the loans quickly when I get a viable opportunity	44	58.7
I usually borrow a loan and make investment decisions on the spot, without consulting others	26	34.7
I usually do a simple risk analysis before investing in a loan	59	78.7
I have already prepared to recover the loan I using other means	61	81.3
Competitive aggressiveness Variables		
I can absorb the challenges of my competitors rather than trying to avoid them	62	82.6
I can increase the quality of my products to capture more potential buyers	42	56
I can offer the good customer care services to increase sales and retain customers of my products	44	58.7
Autonomy Variables		
I can carry out my decisions independently	58	57.3
Traditions and norms of the surrounding community do not hinder the repayment of loans	23	30.7
Governement orders and directions do not hinder the repayment of loans	16	21.3

Arshi (2016) found that risk-taking positively influenced business performance. Okangi (2019) revealed that risk-taking positively and significantly affected the profitability and growth of the construction firms in Tanzania. Mbhele (2011) proposed that the new ventures should be financed by equity and not debt because of the risk facing the new venture. However, the propensity of taking risks differs from one individual to another (Universität Basel, 2017).

5.4. Competitive aggressiveness

The competitive aggressiveness sub-variables under analysis were absorbing challenges from competitors without avoiding them, increasing the quality of their products to capture more potential buyers and offering good customer care services to increase sales and retain customers. The findings indicate that the majority (82.6%) of the borrowers agreed that they usually absorb challenges from competitors and did not avoid them. However, only 56% and 58.3% agreed to produce/sell the quality product and offer the desirable customer services to the buyers who bought their products respectively. Mason et al. (2015) revealed that competitive energy influenced positively SMEs performance in Italy. Despite Wainaina (2017) uncovered that the competitive aggressiveness facilitated the growth of MFIs in Kenya, the study did not analyse how it influenced the loan repayment.

5.5. Autonomy

The findings from Table 4 indicate the responses to the autonomy variable. The findings display that only 57.3% confirmed that they made their decisions independently. The findings indicate that approximately half of the borrowers were not independent and this acted as a barrier to the implementation of entrepreneurial decisions. The results from Table 3 show that 60.3% and 78.3% of borrowers reported that traditions and norms of the surrounding community and Government orders and directions hindered the repayment of loans. It implies that the two variables interfered with the autonomy of the borrowers. However, a deep analysis of how these variables hinged that the loan repayment is reserved for Future studies. Mason et al. (2015) revealed that autonomy positively and significantly influenced SME performance in Italy.

Kapaya et al. (2018) revealed that autonomy negatively affected SME performance in Tanzania.

6. Regression analysis

The OLS regression model analysed the relationship between entrepreneurship orientation and loan repayment. The model summary is presented in Table 4. The data shows that the adjusted R-square was 0.502, indicating that entrepreneurship orientation explained the loan repayment in SACCOS by 50.2%. The F value was 13.655, which was greater than 2.5 (Kissell & Poserina, 2017) and the significant level was desirable. The findings indicate that innovation negatively influenced loan repayment performance. The results suggest that there was a poor repayment in SACCOS because the borrowers lacked innovative entrepreneurship attitudes. The findings are in contrast with previous studies such as Arshi (2016), and Kapaya et al. (2018) who found the positive influence of innovation on SMEs performance.

Table 4: Results from mutiple regression analysis

Variable(s)	Coefficient (s)	Torelance	VIF
Innovation	-0.252**	0.566	1.766
Proactiveness	0.063	0.803	1.246
Risk Taking	0.178	0.626	1.597
Competitive Aggressiveness	0.515*	0.664	1.506
Autonomy	0.305*	0.566	1.767
Ajusted R-Square	0.502		
F-Statistics	13.655		
Durbin Watson	1.899		
Std. Error of the Estimate	0.30453		

* *Significant at 1% level; **significant at 5% level*

The findings further indicate that competitive aggressiveness and autonomy positively and significantly influence the loan repayment performance. The findings imply that the repayment of loans were higher for SACCOS borrowers who possessed the aforementioned entrepreneurship orientation characteristics. The findings correlate with Mason et al. (2015) who found that the two variables positively and significantly influenced SMEs' performance in Italy. However, Kapayaet al. (2018) manifested that in Tanzania, autonomy influenced negatively and significantly the SMEs' performance while competitive aggressiveness influenced the SME performance positively. The findings further show that the proactiveness and risk-taking variables did not influence the loan repayment performance indicating that the borrowers were not proactive and risk-takers enough at the level that would promote the loan's repayment. The findings contradict Al Mamun et al. (2017) who found that risk-taking positively influenced income earning in Malaysia. However, Musthofaet al., (2017) found that risk-taking entrepreneurial significantly and positively influenced the business performance in Indonesia.

7. Conclusion

By using the descriptive analysis borrowers agreed that innovation, proactiveness, risk-taking, competitive aggressiveness and autonomy contributed to the loan repayment performance. The findings from the regression analysis indicate that competitive aggressiveness and autonomy positively and significantly influenced the loan repayment performance while innovation negatively and significantly influenced the loan repayment performance. However, proactiveness and risk-taking did not influence the loan repayment for borrowers of Morogoro & Mvomero teachers SACCOS. This study recommends that the government should initiate policies which enforce entrepreneurship training for SACCOS clients. This is essential for imparting to the clients the skills of proactiveness, competitive aggressiveness, autonomy, and risk-taking. The imparted skill will promote the loan repayment performance for SACCOS clients. Ounza (2015) and Ruathdel (2019) recommended that the Kenyan

Bodaboda SACCOS borrowers should be offered a short course in entrepreneurship to enable timely repayment of their loans.

The study contributes to the Entrepreneurship Resource-Based View and Credit Risk theory by ascertaining that entrepreneurship orientation is a vital resource for promoting loan repayment in SACCOS. Previous studies examined how integrity, demographic and loan and SACCOS related factors influenced loan repayment performance. However, they did not consider the contribution of the entrepreneurship orientation variables on loan repayment. However, this study faced some limitations, which include a small sample size and coverage, and the application of the descriptive and regression analysis which is quantitative. Therefore, future studies may consider broadening the sample size, coverage and use mixed-method designs and advanced data analysis methodologies such as Structural Equation Modelling (SEM).

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Monetary Staff Motivation, Agency Roles and The Performance of Arusha Road KKKT Savings and Credits Society

***Godfrey Jacob Japhet*[1], *Joseph Magali*[2]**

[1]*PhD student at the Open University of Tanzania*
[2]*Senior Lecturer at the Faculty of Business Management, The Open University of Tanzania*
Corresponding author: joseph.magali@out.ac.tz

Abstract

The impact of monetary motivation on the execution of agency responsibilities and, ultimately, the performance of the Arusha Road KKKT Savings and Credit Cooperative Societies (SACCOS) in Dodoma City, Tanzania, was investigated in this research. The information from the two board members and four SACCOS workers was gathered using the in-depth interview data collection tool. Data was analyzed using manual content analysis. As revealed, the SACCOS employed competitive salaries, allowances, bonuses, and subsidized loans to motivate its employees. It was further revealed that monetary incentives had motivated SACCOS workers to fulfil their responsibilities without having to deal with the agency's concerns of conflict of interest, risk aversion, and personal gain by concealing SACCOS information. The study recommends that employees' motivating policies and strategies be properly formulated and implemented to intensify SACCOS' performance.

Keywords: Staff motivation, Agency roles, the performance of SACCOS, Tanzania

1. Introduction

Motivation is the process of inducing an increase in human effort in order to achieve organizational goals (Lambrou, et al., 2010). As a result, the primary goal of motivation is to aid in the achievement of organizational objectives. Motivation is usually associated with improved job performance, which can be assessed in terms of increased productivity, profitability, or task completion (Ndege, 2015). When a desire to complete a task arises from an internal purpose, it is referred to as intrinsic motivation, and when it arises from external pressure, it is referred to as external motivation (Nwankwo et al., 2018). According to Stello (2012), monetary incentives are those that involve monetary payment, unlike non-monetary motivations. Salary, earnings, and various types of allowances such as accommodation, transportation, extra duty, and shift allowances are all examples of monetary motivation. Career achievement, recognition, personal growth, influence, and responsibility are elements of non-monetary motivation. The terms financial and monetary motivation were used interchangeably in this study.

Various scholars (Troisi and Nese, 2012; Ibrahim and Brobbey, 2015; Liliane and Lydia, 2020 and Felicien and Irechukwu, 2021) assessed the influence of monetary motivation on the performance of SACCOS and other related microfinance institutions (MFIs) such as credits unions. However, these studies did not explore the influence of competitive salaries, staff allowances, annual incentives, and subsidized loans on SACCOS performance. Furthermore, the investigations found a link between monetary motivation and agency roles. According to the literature, the majority of studies on the influence of monetary and non-monetary motivation on performance have been conducted in commercial banks rather than semi-formal financial organizations like SACCOS (Sarpong, 2016; Benyela, 2018; Khan et al., 2018; Laury, 2019). However, because commercial banks have ample capital and structured procedures, the authors believe they are unable to portray the actual conditions in SACCOS. SACCOS mobilize savings and provide borrowing opportunities to members (Absanto & Aikaruwa, 2013). They also serve the majority of the rural and urban dwellers who are excluded from formal financial services (Nigusie, 2015). SACCOS are globally termed as credit unions (Donal et al., 2015). Therefore, the terms SACCOS and credit unions are synonymously used in this study.

Tanzania Cooperatives Development Commission (TCDC) has registered a total of 5,918 cooperatives in 2020. TCDC further reports that in 2020 the Minister responsible for cooperatives deregistered 2,554 SACCOS, owing to being non-functional or untraceable. Magumula and Ndiege (2019) reported corruption, fraud cases and misuse of SACCOS' funds in Tanzania, a situation that reflected the existence of agency problems and the low integrity of SACCOS' leaders.

Akenten et al. (2019) argued that the challenges of credits union in Ghana included; managerial problems, competition from other financial service providers, poor by-laws enforcement, loans default and poor loans recovery methods. The challenges portrayed the existence of agency problems and lack of staff motivation (Muithya & Ombati, 2019). SACCOS or credits unions in developed countries reported fewer problems related to agency roles and staff motivation. For instance, Donal et al., (2015) uncovered the demands of the regulatory framework, capital inadequacy, the decline of members, and imbalance between economic and social objectives as the major challenges that restrained credit unions globally.

Kanisa la Kiinjili la Kilutheri Tanzania (KKKT) or Evangelical Lutheran Church in Tanzania (ELCT) Arusha road SACCOS was established in February 2004 and bears the registration number DOR 619. The SACCOS was established to promote the economic welfare of church congregants. The SACCOS initially had 89 members (37 males, 51 females) and 1 group and kicked off with a capital of Tanzanian Shillings (TZS) 1,701,320 (USD 738.8). However, as of February 2020, the SACCOS had 612 members (280 males, 310 females and 22 groups), a capital base of TZS, 616,049,724 (USD 267,522.03), shares TZS 463,110,000 (USD 201,107.35), savings TZS 188,503,324 (USD 81,858.31) and deposits TZS 917,150,000 (USD 398,276.01). In May 2020, the SACCOS issued cumulative loans of 12 billion TZS

(USD 5,199,126.55) and had registered an after-tax profit of TZS 26,328,172 (USD 11,406.96) and TZS 56,594,919 (USD 24,520.35) in 2017 and 2018 respectively. The SACCOS is among the 60 licensed SACCOS in Tanzania and operates without requiring external capital. The SACCOS was branded as the best in the Dodoma region and one of the best performing SACCOS in Tanzania (Arusha KKKT SACCOS, 2020; TCDC, 2020).

Dodoma City and region had a total of 20 and 47 SACCOS respectively (TCDC, 2020). The sources of income for the people living in the city were agriculture, animal husbandry, petty businesses such as wholesale and retail shops, carpentry, food vendors, small and medium industries, consultancy, construction, industrial, craft and forests works, tourism, hotels, and permanent and wage employment (URT, 2020). A complete shift of Tanzania's capital from Dar es Salaam to Dodoma led to an increase in business activities in the City and hence compelled the Arusha KKKT SACCOS to expand its services as well. Arusha KKKT SACCOS was purposely selected for the study owing to its outstanding performance in the Dodoma region. As a result, the authors were enthused to link the SACCOS' performance to monetary motivation and how personnel execute agency responsibilities.

Magali (2014) revealed that 46% of the rural SACCOS in the Dodoma and Morogoro regions were non-sustainable. The majority of employees in these SACCOS were not paid monthly salaries although they received allowances. However, no study was conducted to ascertain how monetary motivations influenced the SACCOS' performance in Tanzania.

Belghitar and Clark (2015) found that higher managers' cash compensation provides the opportunity for risk diversification and reduces agency costs. Similarly, Mukaminega and Emuron (2020) revealed that the payment of financial incentives to employees greatly increased the profitability of Umwalimu SACCO in Rwanda. However, only salary increase was considered in the analysis and other forms of financial motivations such as allowances, incentives and subsidized loans were beyond the scope of the study.

Nyaga (2017) confirmed that the growth of Kenyan SACCOS was attributed largely to staff's morale and motivation. Wanjihia (2016) found that only 8.7%, 2.9% and 2.8% of the employees of Kenya Bankers SACCO Society (KBSS) were satisfied with salary, annual bonus and compensation package respectively, signifying that most of the employee dissatisfaction with monetary motivations. Houensou and Senou (2019) found that MFIs productivity in Benin largely relied on the provision of non-financial in comparison to financial incentives. The authors suggested that financial incentives should be distributed based on the MFIs' overall performance. They did admit, however, that financial incentives hampered outreach. Furthermore, their research focused on bonuses rather than other financial-based incentives like allowances and subsidized loans.

Most microfinance organizations, according to De Leeuw (2017), employed financial incentives to motivate their personnel and promote improved performance. Employees were motivated by financial incentives to fulfill their agency roles efficiently and avoid conflicts of interest and asymmetric information flow (Panda & Leepsa, 2017). Despite the fact that the types of motivators were not specified, Iqbal et al. (2013) stated that motivation determined the level of commitment for banking employees in Pakistan, and Akhter (2018) stated that employee motivation influenced more than 22% of the performance of financial institutions in Bangladesh.

2.2 The Literature Review

2.2.1 Agency theory and SACCOS performance

Jensen and Meckling proposed the agency theory in 1976 and articulated that conflict of interests might arise when managers run firms on shareholders' behalf. This occurs because the managers' and shareholders' interests are to maximize incentives and wealth, respectively (Bratton, 2012). According to Eisenhardt (1989), when shareholders trust the management to run the company, they relinquish direct control and so allow the agency problem to flourish. The prevalence of conflict of interest, asymmetric information flow, and risk aversion among managers are thus the factors of the agency theory.

The firm's viability is jeopardized by poor handling of the agency problems. Because of the conflict of interest, the management violates the company's rules and bylaws for personal advantage. The asymmetric information flow permits the firm's manager to keep information hidden that could improve the organization's success. Furthermore, risk aversion prevents the organization from earning revenue or profit as a result of the manager's decision to accept calculated risks. Many scholars, according to Perrow (1986), have focused on the problems caused by the agents rather than the principals.

The firm's viability is jeopardized by poor handling of agency problems. Because of the conflict of interest, the management violates the company's rules and bylaws for their own personal gain. The asymmetric information flow permits the firm's manager to retain information that could improve organizational success. Furthermore, risk aversion prevents the organization from earning revenue or profit as a result of the manager's decision to accept calculated risks. Many scholars, according to Perrow (1986), have focused on the problems caused by the agents rather than the principals.

Several scholars (Huang et al., 2016 ; Mwangi et al., 2015 ; Melkamu, 2016 ; Omwenga, 2017, and Muhanguzi, 2019) used the agency theory to analyze the influence of corporate governance practices on the financial performance of SACCOS in Kenya however, they did not analyze the link between good governance variables and the agency theory. Although Kumburu et al. (2012) assessed the link between the agency theory and SACCOS performance in Kilimanjaro region, they however did not examine how the variables of the agency theory influenced borrowing of loans from external sources and SACCOS' performance.

According to Omollo and Ronga (2016), SACCOS in Kenya adhered to the agency theory because members elected board members and employees to run the SACCOS. However, the relationship between the variables of the agency theory and compliance were beyond the scope of the study. According to Olando et al. (2013), stewardship and agency responsibilities were critical for the growth of SACCOS in Kenya. Nonetheless, the study made no mention of how the factors of the agency hypothesis aided SACCOS expansion.

Despite the fact that no analysis was conducted to support the claim, Nkuru (2015) claimed that agency theory was associated with incentive, interest, and risk. The problem of conflict of interest between agents and the principle in SACCOS, according to Kenani and Bett (2018), is generated by the separation of ownership and control. The amount to which these variables influenced SACCOS' performance, however, was not investigated. We looked at how financial motivation affects the employees' agency role and performance at Arusha KKKT Arusha road SACCOS in this study.

2.2.2 The role of Monetary and non-monetary motivation on the performance of banks and microfinance institutions (MFIs)

Troisi and Nese (2012) avowed that the Italian credits union workers failed to balance their job satisfaction and shareholders' profit maximization motive. The study revealed that the workers' motivation was lower when the maximization of the profit was prioritized. The study recommended a balance between employee's motivation and profit maximization.

Because of inadequate human resource management abilities, most credit unions in Cameroon did not have a staff incentive plan, according to Benyela (2018). The financial motive and performance of Rwandan Umwalimu SACCOS in terms of profitability and liquidity correlation were recognized by Liliane and Lydia (2020). Promotion, recognition, wage increment, and training were the variables examined in the study. However, the study only looked at the monetary motivation component of salary, ignoring the factors of staff allowances, annual incentives, and subsidized loans. Similarly, Felicien and Irechukwu (2021) discovered a link between employee satisfaction, security, and training and the performance of Umwalimu SACCOS. Again, the study did not examine the impact of monetary motivation on SACCOS' performance in depth. The factors under investigation were also not linked to the agency theory.

The majority of studies on the impact of monetary and non-monetary motivation on performance were conducted in the banking sector. According to Sarpong (2016), attractive salary, automobile and housing loans, promotion, and fringe benefits motivated 86.7 percent of Eco bank employees in Ghana. Commercial banks, on the other hand, are financially sound and formalized financial institutions that cannot be compared to SACCOS, which are semi-formal MFIs with limited capital. The study did not look into how financial motivation and the role of the bank's staff influenced the bank's performance. According to Nduro (2012), financial motivation was a driver for improving staff performance at the ATGT Ghanaian commercial bank. Employee motivation, according to Ibrahim and Brobbey (2015), improved efficiency, increased individual goal achievement, increased overall satisfaction, and strengthened bonds among financial institution employees in Ghana. Laury (2019) concurred that recognition, remuneration advantages, and other financial awards had a favourable impact on the performance of Mlimani City CRDB bank employees. Despite this, the influence of agency roles on bank's performance in Tanzania was beyond the scope of the study.

Ruth (2013) revealed that centenary banks in Uganda used bonuses payment, fringe benefits provision, cultivating a sense of responsibility, equal treatment and promotion as employees' motivators. Nevertheless, the author found that employee involvement in decision-making processes, remuneration, training, and employees' rotation were significantly lacking. Khan et al. (2018) explored the link between performance and Pakistan banking employee's motivation and motivational variables included; knowledge integration, experience recognition and training. However, the influence o financial motivation on bank performance was beyond the study's scope.

2.2.3 The conceptual framework

The conceptual framework in Figure 2.1 indicates that the financial motivations consisted of an attractive salary, staff allowances and subsidized loans. Competitive salary encouraged the employee to work hard because income was sufficient to meet basic needs. The competitive salary was complemented by staff allowances which included extra duty, communication and emergence financial assistance and annual incentives (Stello, 2012). Moreover, subsidized loans led to increased SACCOS' staff motivation and overall performance (Belghitar & Clark, 2015; Mukaminega & Emuron, 2020). This means that they were free from performing duties that conflicted with their interests and were able to manage and diversify risks for the benefit of the SACCOS. Therefore, financial motivations and better implementation of the agency roles promoted the performance of SACCOS in terms of profitability.

Figure 2.1: The Conceptual Framework

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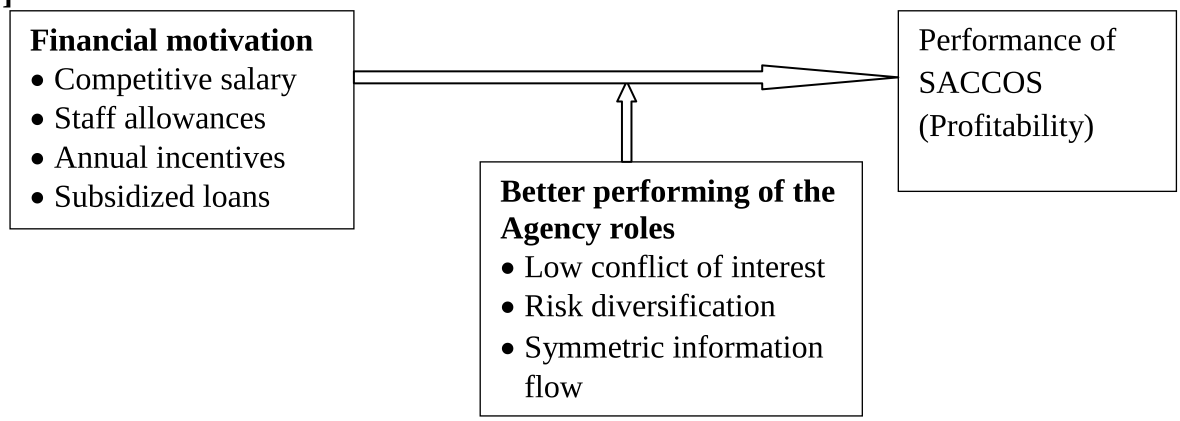

3. Methodology

This study used an in-depth interview technique to obtain data that informed this study. The chairman of the board, chairperson of the credit committee, manager, one cashier and one guard participated were interviewed. The management committee which comprises of 7 members and 2 members were considered for an interview. Moreover, 4 SACCOS' staff were selected for participation in the interviewee from the list of 12 staff and the composition of the population is as shown on Table 3.1 below. The members recruited represented the category of responders who had sufficient knowledge about the SACCOS. The qualitative data was collected using a checklist and the researchers conducted a saturation test and determined that the number of respondents was sufficient for obtaining the required data

(Fofana et al., 2020). Data were analyzed using manual content analysis. The information gathered was divided into three themes: types of financial motivation offered by SACCOS, variables of the agency theory that influence staff motivation, and SACCOS performance statistics. Because the number of respondents was small, a manual contents analysis was used. As a result, the amount of data gathered was not enormous (Kasperiuniene, et al., 2020).

Table 3.1: Population and sample distribution

Category	Total numbers	Gender	Interviewed number
Management committee	**7**	2 females, 5 males	2 (1 male, 1 female)
Manager	1	1 male	1
Cashiers	3	Females	1
Watchman	4	Males	1
Attendants	1	Female	1

4. Results and Discussion

4.1 Forms of monetary motivation

The respondents reported receiving competitive salaries, allowances, incentives and subsidized loans as forms of monetary motivations. The study assessed the link between monetary motivation and the performance of Arusha road KKKT SACCOS.

4.1.1 Salary

Basic salary which meets the monthly staff expenditure is vital for employee motivation (Liliane & Lydia, 2020). An attractive wage encourages employees to focus on their work rather than on how they may supplement their income to cover basic expenses. Inadequate pay, on the other hand, makes employees disgruntled. As a result, paying a suitable salary to an employee boosts job performance (Nagaraju & Pooja, 2017). The manager of the Arusha Road KKKT SACCOS responded that the employees were contented with their pay. "We are satisfied with our income because the SACCOS provide us a minimum wage of over 400,000 TZS for lower cadre employees and over one million TZS for managers." We are motivated by this amount of pay." Furthermore, the SACCOS provides us with an annual wage increase based on the profitability of the SACCOS each year. In 2019, for example, each employee received a 10% yearly wage increase.

SACCOS employees were also motivated by their jobs, according to the chairman of the SACCOS, because they were paid a salary that was higher than the government's suggested basic salary." *We offer our employees a greater compensation than the government recommends, which keeps them motivated all the time."* Sarpong (2016) similarly found that attractive salaries motivated Eco bank employees in Ghana. Furthermore, Liliane and Lydia (2020) concluded that employee salary increment promoted the performance of Umwalimu

SACCOS in Rwanda. Magali (2014) revealed that the motivation of some rural SACCOS' staff in Morogoro, Kilimanjaro and Dodoma regions in Tanzania was low owing to low salaries, while others were not paid at all and catalyzed the poor performance of the SACCOS, especially in Morogoro and Dodoma regions.

4.1.2 Allowances

The amount of money awarded to a member of staff who has completed a specific assignment is known as an allowance. The sum is sometimes paid on a regular basis to enable the payee to meet specific demands or expenses (Parsa, 2017). As a result, allowance payment is critical since it not only covers budgeted expenses but also allows employees to use the remaining funds to meet their fundamental necessities before receiving their monthly income. Leaders and employees of the SACCOS confirmed that they were granted various allowances by the SACCOS. According to the chairman of the SACCOS, *"At the end of each month, we pay all staff loan appraisal allowances. Extra duty allowances, meeting allowances, and training attendance allowances are also paid. Allowance payments have promoted employee retention in our SACCOS".*

The manager of the SACCOS stated, "I can fulfill my fundamental necessities because I am satisfied with my employment and numerous payments." This is why I've been with SACCOS for over ten years." "We are paid a monthly communication allowance ranging from 5,000 to 50,000 TZS based on the staff's job responsibilities and seniority," the manager continued. " Furthermore, in the event of the death of a SACCOS employee or a blood relation, the SACCOS provides us a contribution of 1 million and 500,000 TZS, respectively. There is also an emergency fund set aside to address social concerns, with employees receiving TZS 200,000 in the event of childbirth or wedding ceremony. *The SACCOS further contributes half of the health insurance and social security scheme charges which is equivalent to 3% and 10% of our salaries respectively".* In Indonesia, Astiti et al. (2018) discovered that professional allowances increased teachers' motivation and job performance positively, but that hardship allowance had no effect on student-teacher performance in Gambia.

4.1.3 Staff Incentives

The chairman of the SACCOS stated, *"At the conclusion of each year, after calculating the earnings in two ways, we provide incentives to the employees. To begin with, we pay them dividends from their loans in the same way as we do for other SACCOS members. Second, as an incentive, we pay the SACCOS employees an amount determined by the board. In 2019, for example, each employee received a TZS 200,000 incentive and 250,000 TZS honoraria." "We pay personnel sitting allowances when they attend meetings, seminars, and workshops," the SACCOS chairman added. " The housing allowance, is however not paid to employees; rather, it is included in the total monthly income. Furthermore, while there is no transportation allowance, there is a facility for official duties."* Houensou and Senou (2019) revealed that non-financial incentives improved the performance of MFIs. However, no detailed analysis was carried out to depict how financial incentives influenced MFIs' performance. The fringe benefits and bonuses payment also motivated the Eco and centenary bank employees in Ghana and Uganda respectively (Sarpong, 2016; Ruth, 2013).

3.1.4 Staff subsidized loans

Subsidized loans to employees enhanced their incentive by lowering their loan interest rates. The administration of the Arusha Road KKKT SACCOS indicated that its employees will be given subsidized loans. The chairman of the SACCOS responded. *"Instead of the 15% offered to other borrowers, we have given our employees a 10% plot loan interest rate." The loans for plots ranged from TZS 3 to TZS 9 million. As a result, our employees paid a lower price for the plot than other SACCOS members."* According to Sarpong (2016), Eco bank workers in Ghana were motivated with vehicle and house loans. Employees were additionally motivated by the issuing of off-the-book (OTB) or informal loans, according to Hunt and Hayward (2018), because it helped them solve their unanticipated financial challenges. The purpose of issuing OTB loans was to retain qualified employees and loyal customers.

4.2 The relationship between Agency role and staff financial motivation

The study further explored how financial motivation boosted SACCOS employees' performance while avoiding issues like conflict of interest, risk aversion, and asymmetric information flow and as revealed by one attendant; *"We are encouraged to work even longer than the specified work schedule because we have a sense of belonging to the SSACOS, of course, we benefit from the SACCOS by receiving annual dividends, salaries, and allowances." "We do not hesitate in taking risks that may improve the SACCOS' performance,"* the manager added.

The chairman of the SACCOS revealed that; "*There is no risk in trusting our employees, and financial motivation is one of the risk mitigation measures. We allow staff to attend various seminars and compensate them for their attendance*." The attractive reward scheme for the manager, according to Boshkoska (2014), can be employed as one of the ways to mitigate agency problems. Paying a manager, a share of the profit earned could motivate them to work hard. Financial motivations, according to Besley and Ghatak (2014), promote the execution of agent roles and lower the extent of conflict of interests.

The cashier stated that "*We have a cash counting equipment that detects counterfeit notes, therefore the chance of receiving fake money is lowered." We have specified the permissible faults in counting money; otherwise, we are liable for paying the deficits. However, because we are very dedicated to our work, this does not always transpire. When a loss occurs, however, we accept responsibility and reimburse the lost amount. We are willing to take the risk because the financial gain we receive from the SACCOS outweighs the predicted loss."* In regard to agency risk reduction, the manager shared; *"We are very vigilant in loan appraisal and we make sure that every borrower fulfils all loans conditions. We issue loans to borrowers three times their deposits* (Interview field data, Dodoma May 2020). Francis-Sandy (2016) also found that the credits union in the Caribbean did not face agency challenges because of common bonds.

The chairman of the SACCOS also shared that, *“"Members have assigned leadership to the management committee and employees. The management committee is in charge of overseeing policies, rules, and daily operations. There are three types of committees: supervision, board, and loan. Under the direction of the chairman of the Board or a Board member on duty, the manager is the secretary of the Board and is responsible for carrying out SACCOS internal managerial functions. Three yearly general meetings are held, during which members discuss and deliberate on various matters. The lending committee approves all loans except emergence loans, which are approved by the board member on duty and the SACCOS manager. There has never been a situation where the manager and a board member on duty granted loans in a way that violates by-laws. We trust our staff and treat them like family. They work hard to achieve the SACCOS' objectives because we financially motivate them."* Boshkoska (2014) asserted that internal control plays a vital role in reducing the agency problem.

According to the information provided by the SACCOS chairperson, employees worked hard because they were trusted and motivated, which prohibited them from engaging in activities that were not in their best interests. The evidence also indicated that the SACCOS was managed using an agency method. The agency method allowed the SACCOS to entrust the operation of the SACCOS to its board of directors and employees on behalf of its shareholders. Because the elected board members were able to run the SACCOS, the operation of the SACCOS was streamlined. The study's findings confirmed that the board members and SACCOS personnel carried out their duties thoroughly and professionally, resulting in the SACCOS's good performance.

Concerning information flow, the manager shared that; “*The chairman of the board, manager, other board members, and SACCOS' personnel have an excellent flow of information." When necessary, information is provided orally and via cell phone. The head of the SACCOS is in charge of formal communication, such as signing official documents and contracts"*. The manager further adds that; *“There have been no instances where we have withheld information for personal gain, and I do not believe that there is any reason for withholding information because we believe that transparency is a cornerstone of SACCOS' performance." Furthermore, this is not conceivable because while the SACCOS chairman is absent, the board member on duty manages the organization. Furthermore, while we are fully benefited by the SACCOS, we do not see the rationale of withholding information for personal advantage."*
According to the conclusions of the respondents, information flow was symmetrical, and there were no instances where employees withheld information for personal gain. The level of employee motivation and the availability of a proper information flow mechanism within the SACCOS, however, cultivated this. Effective information benefits the firm and stakeholders, according to Omar and Rahman (2019). Because a smooth flow of information not only improves a company's transparency, but it also aids in business monitoring.

5. Conclusion

The results of the in-depth interview revealed that there was a link between financial motivation and SACCOS workers' adoption of agency tasks. Financial motivations encouraged SACCOS personnel to work without having to deal with agency difficulties such as conflict of interest, risk aversion, and withholding SACCOS information for personal gain, according to the findings. The research also found that SACCOS employees worked hard since they were compensated with a salary, allowances, bonuses, and loan interest that was subsidized.

6. Recommendations

SACCOS employees in Tanzania should be motivated to enhance their performance, according to current study findings. policymakers should create policies that encourage SACCOS workers to be more motivated. This will help to alleviate the agency difficulty while also boosting SACCOS performance. SACCOS' financial motive, implementation of agency responsibilities, and performance are all linked in this study, which adds to the agency theory. Previous research has related the agency theory to formal financial institutions but hasn't looked into how the variables of agency roles are linked to financial incentives and SACCOS performance, as was the case in the current study. The findings of this study show that semi-formal institutions like SACCOS can lessen or prevent agency difficulties by prioritizing employee motivation. However, because the research is qualitative, it is limited in its ability to test theories. As a result, mixed design studies are suggested for future research.

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