

Board Members Educational Levels and Financial Performance of Kyamuhunga Cooperative Societies, Bushenyi, Uganda

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ABSTRACT--- *This article establishes the correlation between Board members educational levels and financial performance of Kyamuhunga cooperative societies, Bushenyi , Uganda . The research study employed a descriptive research design which was both quantitative and qualitative in nature. A structured questionnaire and an interview schedule were utilised to garner data from the participants. Data were analyzed employing frequencies, percentages, means and item analysis, standard deviation, and Pearson linear correlation coefficient. The findings indicated that there was a positive relationship between board members educational levels and financial performance. It was also showed that board members educational levels contribute to the financial performance of cooperatives in Bushenyi district, western Uganda.. The study recommended that government should make constant supervision of the cooperative societies because the board members sometimes take advantage of the ignorance of the members and defraud. Cooperatives should have board members who have minimum educational level of Diploma for them to be able to easily grasp how things can be run in a financial cooperative organisation. Directors of cooperatives should often organise seminars to equip board managers with knowledge and skills for better management.*

Keywords--- Board Members Educational Levels, Financial Performance, cooperatives, Uganda

1. INTRODUCTION

Savings and credit cooperatives (SACCOs) are user-owned financial intermediaries with members who typically share a “common bond” based on geographic area, employer, community, or other affiliation and have equal voting rights (Corporate Governance And Performance (CGAP) report ,2005). SACCOs are increasingly gaining worldwide fame as important actors in the microfinance industry (Young, 2006). The World Council of Credit Unions (WOCCU, 2007) notes that 22 Sub Saharan African countries have a total of over 11,849 credit unions with assets of over United States Dollar (USD) 3 trillion.

A study conducted by the association of microfinance institutions of Uganda on the status of missing SACCOS and Micro-Finance Institutions (MFIs) from the 2005/2006 census of tier 4 institutions revealed that most SACCOs in western Uganda and particularly in Bushenyi district had collapsed due to: Misappropriation of funds by SACCO management which causes members to lose confidence in the institution and also default, Compromising of institutional policies and procedures by Board members, who over borrow and do not pay back. Other SACCOs are dormant due to high default by members and lack of funds to loan out. Such SACCOs temporarily halt operations as they recover the funds from defaulters. Kyamuhunga may not be an exception to this hence prompting a study to be carried out in this place.

SACCOs fall under the Uganda Cooperatives Act 1992, which governs all cooperatives and which charges the Ministry of Trade, Tourism and Industry (MTTI) with maintaining a registry of cooperatives and overseeing their functioning and stability (CGAP report, 2005). According to Kyazze (2010) SACCOs operate under a generic cooperative law, shared with other cooperatives such as growers, marketing and consumers and hence their unique needs as financial institutions go unattended.

Many SACCOs have fallen victim to poor management (CGAP report, 2005). Ssemwanga (2009) concurs with CGAP report (2005) adding that in the past, management of many SACCOs in Uganda was so poor that most of them collapsed. Vices like conflict of interests, over politicization were a common practice and a lot of members' savings were lost.

2. METHODS AND MATERIALS

2.1 Data Capturing.

Data utilised for the research study was obtained employing both primary and secondary sources. Primary data was reached at through questionnaires and interviews. The research study utilised a descriptive research design with both the interpretivism and positivism paradigms in order to describe the research situation and the sample characteristics. The research study chose a total of 385 participants (sample size) out of 10052 target population.

2.2 Research Instruments

A structured questionnaire was employed because it garners a lot of data in a short period of time (Amin 2005). Interviews were also employed to enable the researcher garner data that cannot be directly obtained using the questionnaires (Amin, 2005).

2.3 Sampling Techniques.

Simple random sampling was used to garner data for the researcher wished to give equal opportunities to the participants. Purposive sampling was also utilised so as to get important data from targeted people.

2.4 Validity and Reliability of the Research Instruments.

The validity of the instrument (structured questionnaire) was analysed using content validity Index by expert judges in education and financial performance. Besides, the validity of the interviews was arrived at by interviewing core participants to validate the questionnaires (Gibbs 2007). The reliability of the structured Questionnaire was realised by using cronbach's alpha coefficient formula. On the other hand; the reliability of the interviews was obtained through prolonged talks with the participants (Gibbs ,2007).

2.5 Data analysis

Using descriptive statistics and Pearson linear correlation coefficient; the researcher analysed the data for the study. While Qualitative data was analyzed by categorising the information into meaningful themes and sub- themes for flexible interpretation along a story format (Gibbs, 2007).

3. RESULTS AND DISCUSSION

3.1 Theoretical Framework

The study was anchored on agency theory. According to Wright (1999), agency theory explains the relationship between the Directors, such as members and agents. In this theory, members who are the owners or principals of the cooperatives, hire other people by electing the management board as their agent to do the work on their behalf (Yermack,2000).

In agency theory, the agent may succumb to self-interest, opportunistic behavior and falling short of the agreement between the interest of the Directors and the agent's pursuits. Although with such setbacks, agency theory was introduced basically as a separation of ownership and control (Bhimani, 2008).

3.2 Demographic Characteristics

From the findings it can be observed that majority of the respondents were male with 224(58.2%) respondents, their counterparts the females were 161(41.8%). This implied that the majority of the account holders in the cooperatives were males meaning that there is male domination among the cooperative societies in Bushenyi district, western Uganda.

From the findings, majority of the respondents who were in between 30-39years were 140(36.4%), this was followed by those who were between 40-49years who were 122(31.7%), those below 29years followed them with 91(23.6%) respondents, then the least group were those above 50 years of age who were 32(8.3%) participants. This implied that

majority of people were in between 30 to 39 years of age and it also suggested that it was the most productive age group which did alot of saving leading to development of members.

3.3 Respondents Educational levels

Results from Table 1 below indicated that most respondents had primary level of education and they were 139(36.1%), followed by those of secondary level who were 131(34.0%), the Diploma holders came third with 39(10.1%) respondents and those with degrees followed them with 37(9.6%) , the certificates holders followed them with 36(9.4%) respondents and finally the least group were those of others who were only 3(0.8%) and this were mainly postgraduate holders and masters holders. This implied that majority of cooperative members were less educated. And this could also mean that those who were highly educated preferred to have accounts with commercial banks other than with cooperative societies.

Table 1 : Respondents Educational Level

Items	Frequency	Percent	Valid Percent	Cumulative Percent
Valid PRIMARY	139	36.1	36.1	36.1
SECONDARY	131	34.0	34.0	70.1
CERTIFICATE	36	9.4	9.4	79.5
DIPLOMA	39	10.1	10.1	89.6
DEGREE	37	9.6	9.6	99.2
OTHERS	3	.8	.8	100.0
Total	385	100.0	100.0	

Source: primary data

3.4 Board Educational Level

Results from Table 2 below, indicated that the mean board educational level was 1.6255 which implied that members agreed that board educational level was an area of concern in the governance of the cooperatives. The findings specifically strongly agreed with the parameter that the board members have knowledge on the financial matters of the cooperatives which was with (mean=1.27) .The respondents also agreed to greater extent that the board members have knowledge on the financial decisions taken at the meeting, they offer technical advice on running and management of the cooperatives , that they understand their roles and duties and that board members have basic skills to effectively supervise the operations (mean= 1.59, mean=1.63, mean =1.63 and mean=1.69) respectively. However they slightly agreed that board members fully involve themselves in the affairs of the cooperatives (mean=1.94).

Table 2: Board Educational Level

Items	N	Mean	Std. Deviation
The board members have knowledge on the financial matters of the SACCO	385	1.27	.446
The board members understand their roles and duties	385	1.63	.826
The board members have knowledge on the financial decisions taken at the meeting	385	1.59	.508
The board members offer technical advice on the running and management of the SACCO	385	1.63	.514
The board members fully involve themselves in the affairs of the SACCO	385	1.94	.770
The board members have basic skills to effectively supervise the operations	385	1.69	.643
Board educational level	385	1.6255	.29702

Source: primary data

3.5 The relationship between Board Educational Level and financial performance

Results from Table 3 below indicated that there was a positive correlation between the board educational levels and financial performance. ($r=0.304^{**}$, $P\text{-value}<0.01$), this meant that board educational levels of the cooperatives contribute to the financial performance in a positive manner leading to development of cooperatives. This further implied that a board with highly educated board members will experience high financial performance. This agreed with hypothesis that there is a positive relationship between board Educational level and financial performance of cooperatives. And therefore the hypothesis was accepted.

Table 3: Board Educational Level and financial performance

		MBE	MFP
MBE	Pearson Correlation	1	.304**
	Sig. (2-tailed)		.000
	N	385	385
MFP	Pearson Correlation	.304**	1
	Sig. (2-tailed)	.000	
	N	385	385

** . Correlation is significant at the 0.01 level (2-tailed).

Source: primary data

These results concurred with the qualitative results which revealed that highly educated members help in understanding financial issues which leads to right decision making.

The chief accountant of Kyamuhunga cooperative society stated:

if the educational level of members is to a good standard level like Diploma and above... then it helps in understanding financial issues which leads to right decision making.

Further still the results agreed with findings of AMFIU report, 2007 that some SACCOs had illiterate committee members who lacked basic skills to effectively supervise operations and were defrauded by management who took advantage of their ignorance.

4. CONCLUSION AND RECOMMENDATIONS

There is a positive correlation between the board educational level and financial performance. A cooperative board with highly educated board members may experience high financial performance because it helps in understanding financial issues which leads to right decision making.

A board member needs to be fully equipped with management knowledge such as finance, accounting, marketing, information systems, legal issues and other related areas to the decision making process because supervising management decisions in an efficient manner may improve firm's performance.

Finally, it was also said that illiterate committee members who lack basic skills to effectively supervise operations may always be defrauded by managers who take advantage of their ignorance.

Cooperatives should have board members who have minimum educational level of Diploma for them to be able to easily grasp how things can be run in a cooperative organisation. Directors of cooperative societies should always organise seminars for members to acquire skills and knowledge required for better management of cooperatives.

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