

MAKERERE



UNIVERSITY

**ASSESSING OF FINANCIAL SUSTAINABILITY: A CASE OF
MASAKA MICROFINANCE AND DEVELOPMENT COOPERATIVE
TRUST LIMITED (MAMIDECOT)**

BY

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**A RESEARCH REPORT SUBMITTED TO MAKERERE UNIVERSITY
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PLAN B

DECLARATION

I declare that this report has not been submitted to any other institution for any award, where it is indebted to the work of others, due acknowledgment has been made.

Signature.....*Lubega*.....Date.....*04 MAR 2021*.....

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APPROVAL

The report has been submitted for examination with our approval as University Supervisors.

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DEDICATION

I dedicate this work to my family for the over whelming support, advise and encouragement accorded to me.

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ABSTRACT

The study sought out to examine financial sustainability at Masaka Microfinance and Development Cooperative Trust Ltd. This study examined the level of financial sustainability, the challenges that affect financial sustainability, and to suggest strategies to counterbalance the challenges of improving financial sustainability at MAMIDECOT.

The study adopted a cross-sectional research and quantitative design. Sixty three questionnaires were distributed out and only forty six were returned accounting for 73% response rate. The data were input and analysed using Statistical package for social scientists (SPSS 23). Descriptive statistics such as; frequencies, mean and standard deviations were generated to answer the questions of the study. In addition validity and reliability were carried to test for the research instrument and all values were above 0.7.

The findings indicate that the level of financial sustainability in terms of operational sufficiency was average while financial sufficiency was low. For MAMIDECOT to realize a more desirable position of financial sustainability, the entity has to work on the challenges of inadequate capital to comfortably run its operations, non-payment of loans by our clients, clients who obtain loans higher than the amount that they are able to repay, and failure to have clear set guidelines to guide selection of credit worthy clients. Despite these challenges, MAMIDECOT should continue to improve financial sustainability by use of qualified personnel to run the cooperative activities, adopt modern and up to date technology in the SACCO operations, ensure that the personnel are under close supervision by management, diversify its line of business in order to spread its risk, and attract more clients by advancing to them loans at lower rates.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

The financial sustainability of microfinance institutions (MFIs) is crucial for the continual existence of the microfinance industry. As a result, emphasis has been placed on the financial sustainability of MFIs over the past few years (Awaworyi Churchill, 2020). Achieving sustainability is paramount for Savings and Credit Cooperatives (SACCOs) as it enables the institution to cover its costs in a timely manner and explore business opportunities to foster future growth.

Globally, MFIs endeavor to remain financially sustainable (Lensink, Mersland, Vu, and Zamore, 2018). In sub-Saharan Africa (SSA) MFIs have been employing different types of financing, including multilateral grants and loans, deposits (micro-savings) and commercial loans (Chikalipah, 2019). East Africa is the least developed region in terms of social economic development (Kinde, 2012). The various governments of the East African countries have tried to intervene through the delivery of microfinance services as one of the policy instruments to leverage the economy. For sustainable economies, the MFIs themselves should be financially sustainable (Hartarska, 2014).

However, since inception, MFIs have been struggling to serve a significant size of the underprivileged population, while at the same time remain financially sustainable (Lensink *et al.*, 2018). The main challenge facing the MFI sector is how to finance its services without undermining financial sustainability (Awaworyi, 2018). In recent years, there has been increased internal and external pressure for MFIs to decrease dependence on subsidized or grant funding (Nyaga, 2012). A considerable number of research studies have been conducted to ascertain the various challenges that impede the financial sustainability of financial cooperatives. The cost of serving clients at the base of the pyramid with smaller loans lengthens the time it takes an MFI to break even.

According to the Microfinance Barometer 2019, African MFIs had low quality portfolio (13.6% PAR > 30 days in 2017) and high costs per borrower. For instance, Said, Annuar and Hamdan (2019) found a number of challenges affecting financial sustainability including members not paying the loan on time due to various reasons tend to affect the liquidity of the SACCOS; the high-interest rate on loans from banks; Lacked good instructions leads to loopholes for misuse of the fund; lack of proper regulation and weak governance; and lack of

qualified personnel in financial aspects contributing to failures, as financial issues are not conducted professionally.

Microfinance institutions in Uganda are always often faced with high operating costs to provide financial services to the people. As more microfinance institutions grow and become formal financial institutions, each Microfinance Institution has a unique profile and operational structure that determines which types of controls are appropriate to increase financial sustainability (Rahman and Mazlan, 2014). Therefore, with the low saving levels and high demand for loans, debt capital is inevitable to MFIs. However, debt has been pronounced as a double-edged sword because it can magnify either the firm's potential gains or its potential losses (Hou, 2019).

Leon (2011) suggests that if firms need to be financially sustainable then they have to be keen on the pillars of financial sustainability; financial and strategic planning, income diversification sound administration and finance and own income generation. Duguma and Han (2018) investigated the potential effect of deposit mobilization on the financial sustainability of rural savings and credit cooperatives (RUSACCOs) in Ethiopia and found that deposit mobilization is the most stable and affordable funding source that ensures their financial sustainability. Sustainable rural financial institutions can fill the gap left by other financial institutions in the provision of financial services to the remote rural areas.

Masaka Microfinance and Development Cooperative Trust Limited (MAMIDECOT) is local financial institution operating in the greater Masaka region that was established in 1999 through the assistance of United Nations Development Programme (UNDP) in coordination with the Government of Uganda (GoU). It began as a financial cooperative organization to voluntarily unite people in order to meet their common economic, social, and cultural needs. It provides a mechanism for its members to save and borrow at affordable interest rates and meet their socio-economic needs. MAMIDECOT focuses on providing quality financial and social services to members. MAMIDECOT envisions being a sustainable financial institution with transformed and prosperous members who are marginalized women and youths. At its inception, MAMIDECOT began with 34 members with a net equity of UGX 6.4 million and two employees. The institution has grown steadily to 27,000 members. Of MAMIDECOT's 27,000 members, approximately 20,000 are involved in the agricultural value-chain. As such, the SACCO offers affordable loan products along the entire value chain. The overall working

capital has grown to UGX 16 billion while the loan portfolio has grown to UGX 12 billion. The share capital holding stands at UGX 7.5 billion.

The MFI liquidity analysis from the MIX market (2018) showed that 46% of MFIs would have no trouble covering a full year worth of operations using the existing reserves, 35% would be able to cover at least six months, while 19% would manage two months. The prevalence of low levels of financial sustainability among SACCOs country wide is similar to the situation in MAMIDECOT. This is evident from the annual report (2017) which showed that despite the fact the SACCO intended to open up a new branch each year and outreach centres, they have not been able to go through with their target of at least 20% growth per annum.

As per MIX Market Financial Performance Report (2017), MAMIDECOT has an operating self-sufficiency (OSS) value of 70% and a financial self-sufficiency (FSS) value of 50% which are below the recommended 100% for full operational self-sufficiency and financial self-sufficiency; an indicator of subsidy dependence. Moreover, as far as researchers are aware, financial sustainability has been scarcely investigated. It is against this background that the researcher is encouraged to carry out an investigation on financial sustainability of Masaka Microfinance and Development Cooperative Trust Ltd.

1.2 Statement of the problem

Although MAMIDECOT has availed better and easier to reach financial services to the communities where it operates, still has low levels of OSS (70%) and FSS (50%) below the recommended 100% that could be stemming from non-payment of loans by its clients, failure to expand the number and quality of clients, low adaptation to modern technology, high cost of doing business and high dependence on borrowings from other financial institutions. This study is thus intended to examine financial sustainability of MAMIDECOT SACCO in Masaka District.

1.3 Purpose of the Study

The study sought to examine financial sustainability at Masaka Microfinance and Development Cooperative Trust Ltd.

1.4 Objectives of the study

- i. To examine the level of financial sustainability at Masaka Microfinance and Development Cooperative Trust Ltd.

- ii. To examine the challenges faced in achieving financial sustainability at Masaka Microfinance and Development Cooperative Trust Ltd.
- iii. To suggest strategies for improving financial sustainability at Masaka Microfinance and Development Cooperative Trust Ltd.

1.5 Research Questions

- i. What is the level of financial sustainability at Masaka Microfinance and Development Cooperative Trust Ltd?
- ii. What challenges are faced in achieving financial sustainability at Masaka Microfinance and Development Cooperative Trust Ltd?
- iii. What are the strategies for improving financial sustainability at Masaka Microfinance and Development Cooperative Trust Ltd?

1.6 Scope of the Study

1.6.1 Subject scope

The study focused on financial sustainability, challenges and strategies of improving financial sustainability.

1.6.2 Geographical Scope

The study was carried out at Masaka Microfinance and Development Cooperative Trust Limited in Masaka Municipality in Masaka district.

1.6.3 Time scope

The study was carried out between July 2019 and September 2020.

1.7 Significance of the study

- i. The study findings would provide insight and information to policy makers regarding to financial sustainability practices by proposing strategies for improving financial sustainability of SACCOs.
- ii. The study findings would add to the existing body of knowledge on achieving financial sustainability through availing more background information.
- iii. The study findings would help other stakeholders in recommending the way forward for SACCOs to improve financial sustainability.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on reviewing the existing literature in line with the financial sustainability, challenges in achieving financial sustainability and strategies for improving financial sustainability.

2.2 Financial Sustainability

Financial sustainability refers to the ability of a microfinance institution (MFI) to cover all of its costs through interest and other income paid by its clients (Consultative group, 2012). It refers to the smooth operation of organizations with necessary profitability while maintaining adequate liquidity in order to overcome bankruptcy and be able to cover existent costs and all costs incurred as the firm grows and expands its operations Sebhatu (2011). So, MFIs are financially sustainable if they can pay their total costs using their operating income and remain with a surplus. In addition, Ayayi and Sene (2010) defined financial sustainability as a capacity of the institution to pay all its incurred costs using its revenue, then remain with a surplus to add up to its growth. Nyamsogoro (2010) determines the financial sustainability of an organization in terms of operational sustainability and financial sustainability/financial self-sufficiency (FSS). According to Kinde (2012) the two levels of Financial Sustainability that one could observe in assessing microfinance institution performance are operational self-sustainability (OSS) and financial self-sustainability (FSS).

2.2.1 Operational self-sufficiency

Operational self-sufficiency indicates the ability of MFIs to cover its operational costs using its operational revenue. Operational Self-Sufficiency indicates whether enough revenue has been earned to cover the MFI's direct costs, excluding the cost of capital but including actual financing costs (Nyamsogoro, 2010).

2.2.2 Financial self-sufficiency

Financial self-sufficiency occurs when MFIs can cover both costs; financing cost as well as operating expenses. Financial self-sufficiency on the other hand portrays the actual financial health of MFIs. Thus, FSS includes the cost of capital (adjusted) apart from the components in OSS. He also indicated that measuring financial sustainability requires that MFIs maintain

good financial accounts and follow recognized accounting practices that provide full transparency for income, expenses, loan recovery, and potential losses.

2.2.3 Factors affecting financial sustainability

Marwa and Aziakpono (2015) study estimated profitability and financial sustainability of SACCOs in Tanzania using 98 samples. Findings show that not all SACCOs in Tanzania are financially and operationally sustainable as the results show that 61 per cent of sample SACCOs is operationally viable and only 51 per cent of the sample appeared to be operationally and financially feasible. Said, Anuar and Hamdan (2019) assessed the financial sustainability of Islamic Saving Credit Corporative Society (SACCOs) and the factor(s) affecting their financial sustainability in the Tanzanian context. They found that the MFIs in Tanzania are not financially sustainable. Additionally, having responsible staff members, regular review of financial guidelines, education to members, cooperation between employees and management and staff training are found to be highly contributing factors towards SACCOs's financial sustainability. Moreover, the findings reveal that depending on the single source of income, i.e., charges on members contributed much in these SACCOs's not being financially sustainable.

More efficient financial institutions tend to incur relatively lower expenditure and to generate higher revenue per unit. In other words, efficiency affects sustainability positively through two channels: cost reduction and revenue increase (Nyamsogoro, 2010). SACCOs with high-leverage ratios are relatively less sustainable because of the increased cost of capital and the likelihood of *ex post* moral hazard (Kinde, 2012; Bogan, 2012; Nyamsogoro, 2010). Age has been mentioned as an important factor because of the accrued incremental learning through trial and error in business, overhead costs, learning curve and relationship building.

Leite, Mendes and Sacramento (2018) found that small profit-oriented MFIs have a larger yield on the gross portfolio when compared with the not-for-profit ones and this is true because not-for-profit MFIs have alternative sources of financing their activities, whereas for-profit MFIs need a higher yield on the gross portfolio to maintain self-growth. For instance, large profit-oriented MFIs do not have a significant different yield when compared with not-for-profit ones, which shows that larger MFIs are more efficient with their expenses and also that they can distribute their fixed costs to a larger portfolio, with a similar risk (by not having a different portfolio at risk), allowing for smaller interest rates. Effective screening methods and rigid group collateral, including forcing the group to pay on behalf of the

borrowers, has shown a positive impact in reducing moral hazard and improving the repayment rate (Richman and Fred, 2010). Some studies have shown that the gender of borrowers is important. Women are generally believed to have a higher repayment rate than men because of their skills in budgeting and handling household cash D'Espallier *et al.*, (2009). However empirical studies from Ghana reported that men are less likely to default than women (Richman and Fred, 2010). Other factors, such as increased competition, group-based lending, high quality of staff members and board of directors, have also been documented to have a significant positive effect on financial sustainability (Aveh, 2013). Cost per loan portfolio has been reported to be an important factor: cost per loan portfolio greater than 20 per cent should be a matter of concern (Rai and Rai, 2012).

Mwangi (2015), Tehulu (2013) and Kinde (2012) studied the factors that affect financial sustainability of MFIs and found that breadth of outreach has a significant effect on their financial sustainability. Breadth of outreach looks at an increase in the number of borrowers hence suggesting that there is a positive relationship between breadth of outreach and financial sustainability. When the number of borrowers increases, the financial sustainability will increase. However, another study by Rahman and Mazlan (2014) advanced results that showed a negative but significant relationship between breath of outreach and financial sustainability. Rai (2012) applied multiple regression model to identify the factors that affect financial sustainability of microfinance institutions in India and Bangladesh for the period between 2005-2010 and found capital/ asset ratio, operating expenses/loan portfolio and portfolio at risk are the main factors which affect the sustainability of microfinance institutions. Another factor that was found to have an effect on the financial sustainability of MFIs is the depth of outreach of their services. The depth of outreach looks at the level of poverty of the clients served. Fajonyomi *et al.* (2012) found that there is a strong positive relationship between sustainability and depth of outreach when they studied MFIs in South Western Nigeria.

Hermes *et al.* (2010) studied the relationship between sustainability and outreach of MFIs and found that if the MFIs are efficient in their breadth and depth of outreach programmes and operations; they are in position to improve their level of financial sustainability. Outreach of microfinance institutions is important for their growth and for the reduction of poverty. When the MFIs reach a large number of poor clients, they achieve economies of scale and reduce their operating costs and losses. A large number of clients increases profitability and mostly keeps the rates of interest low.

Gisemba (2010) studied factors that affect financial sustainability and established that good credit risk management practices like use of collateral, borrower screening, risk analysis and establishing capacity are essential for minimising occurrences of default, losses, improving the MFI performance and thus creating financial sustainability. Another assertion on the same was made by Kibui and Moronge (2014) who observed that adequately managing credit risk in any financial institution is critical for their survival and growth.

Sabeza (2015) suggests that to lessen the collapse of financial institutions, efficient credit management systems ought to be put in place and followed methodically otherwise firms that could have been performing well can suddenly announce large losses due to credit exposures that might have turned sour hence encumbering the institution's financial sustainability.

Kimondo (2012) and Tehulu (2013) studied some key factors affecting financial sustainability of MFIs and found that the regulatory system plays an important role in influencing their financial sustainability. They also suggest that the rate of interest, liquidity levels and their leverage levels affect their financial sustainability.

2.3 Challenges in improving financial sustainability

A considerable number of research studies have been conducted to ascertain the various challenges that impede the financial sustainability of financial cooperatives. The cost of serving clients at the base of the pyramid with smaller loans lengthens the time it takes an MFI to break even. For instance, Said, Anuar and Hamdan (2019) found a number of challenges affecting financial sustainability including members not paying the loan on time due to various reasons tend to affect the liquidity of the SACCOS; the high-interest rate on loans from banks; Lacked good instructions leads to loopholes for misuse of the fund; lack of proper regulation and weak governance; and lack of qualified personnel in financial aspects contributing to failures, as financial issues are not conducted professionally. In addition, Mendoza and Vick (2010) highlighted information asymmetries for MFIs, which contribute to high screening and monitoring costs. This is often amplified by an unstable economic and political landscape as well as the presence of weak institutions in developing economies. Such a cocktail of risks increases the cost of capital. In addition, poor infrastructure (such as roads and telecommunications) in rural areas exacerbates the costs of operation for MFIs. As a result, MFIs rely on group lending methodologies to reduce the information asymmetry and foster social pressure to encourage client repayments.

The small transactions of the MFIs deny them the ability to enjoy economies of scale. They are in most cases left with the option of charging high interest rates which discourages clients from borrowing and consequently bears down on the financial sustainability of the institutions. Additionally, the cost of outreach on the cooperatives is very high as reaching out to the unbanked persons in remote and sparsely populated areas is mostly unprofitable. Henock (2018) found that SACCOs in Eastern Ethiopia extended small loans. Managing small loan increases operational costs. An increase in the average loan balance increases the operational self-sufficiency of SACCOs by reducing the PAR and the cost per borrower. Therefore, SACCOs should increase their loan size that they lend to borrowers in order to reduce cost per borrower in proportion to the amount they lend.

At times, microfinance institutions do not have sufficient funds to lend out to their clients. MFI managers at times may not know how to source the funds that they need to keep their businesses running. Without funds to lend out, MFIs are not in business and cannot be financially sustainable. According to Ndulu (2016), the regulatory environment in which the MFIs operate also has an effect on their financial sustainability. If the regulatory framework is weak and unclear, then financial cooperatives are most likely to move towards the direction of unsustainability because all their operations are unguided.

Another MFIs' cost driver is compliance with regulation. Cull, Demirgüç-Kunt and Morduch (2011) defined prudential and non-prudential regulation; the former concerning protection of the financial system as a whole (e.g. institution liquidity ratio) relating to client deposits, while the latter concerns rules governing the formation and operations of institutions, such as consumer protection, interest rate limits, tax and accounting issues. Cull *et al.* (2011) found evidence that compliance to prudential regulation specifically required costly specialist skilled personnel and, as a result, profit driven MFIs respond in curtailing outreach to clients that are costly to serve.

Use of out-dated and inefficient technology within financial cooperatives continues to contribute to their failure to achieve financial sustainability. Most of them have failed to adopt the use of Information Communication Technology systems which would be important in helping them to adopt to the ever changing business environment in which they operate and also facilitate their fast expansion (Muli, 2013). If financial cooperatives have to improve their profitability and overall performance, then they have to embrace modern banking technology systems (Ondiege, 2010).

2.4 Strategies for improving financial sustainability

One of the ways in which financial cooperatives can improve their level of financial sustainability is through improving the technology they use when doing their day to day operations. Up to date technology allows for better quality service delivery in a shorter period of time and also allows the MFIs to keep track of their activities much more easily.

Given the importance of financial cooperatives in supporting the growth of the informal sector that drives most developing economies and their role in overall poverty alleviation through availing capital, it is important that they are well governed and regulated. Proper regulation that would foster sustainability will require that all stakeholders in the financial cooperatives are included and consulted in the day to day operations of cooperatives. Good regulation can offer limits on what is acceptable and unacceptable in order to create MFIs that are sustainable all through (Muganga, 2010).

Leon (2011) suggests that if firms need to be financially sustainable then they have to be keen on the pillars of financial sustainability; financial and strategic planning, income diversification sound administration and finance and own income generation. Financial and strategic planning looks at having concrete working plans that can drive the MFI towards their goals and objectives. Income diversification entails other income generating ventures rather than the mainstream source of income for the MFI. A sustainable MFI should have various sources of income such that they do not feel a big negative impact when one of their sources of finance is disturbed. The pillar of sound administration and finance emphasizes that MFI managers should be in position to put their resources in the most efficient and transparent way. Own income generation encourages MFI operators to devise means of generating their own unrestricted income and not to be dependent on income from other sources. If a financial cooperative adopts the four pillars of financial sustainability, then they are in a better position to fight poor financial performance and build financial sustainability in their operations. Bitok (2019) examined determinants of Microfinance Institutions' Financial Sustainability from MFIs in Kenya and encouraged that MFIs to engage in the prudent use of financial leverage so that they enhance their overall profitability and financial sustainability in the long-run. Besides, managers should develop loan appraisal and monitoring mechanisms to minimize the danger of default rates as well as improve the quality of their portfolio. Furthermore, Bitok (2019) recommended that management of MFIs needs to monitor the social ties and have local knowledge of targeted clients as it has the potential to determine repayments thereby minimizing the costs incurred in recovering loans.

Good corporate governance was highlighted in the Banana Skins report as a challenge facing MFIs in 2011 (Lascelles and Mendelson, 2011). In that respect, Mersland (2011) suggested that MFIs ought to set up governance systems to mitigate agency costs, stemming from multiple stakeholders. These agency costs may be horizontal in nature, i.e. their relationships with customers and donors; hence different from the typical need to align managers' interests with firm owners'. In considering the board composition and diversity for enriched perspective in decision making, Mersland (2011) agrees with Mori (2010), and advocated that MFIs should consider a broader stakeholder-based approach to governance. Mori (2010) further identified six types of stakeholders sitting on MFIs' boards as clients, employees, government, donors, creditors and owners. This approach is based on the Stakeholder Theory, which "posits that an organization is a social construction made of interaction of various stakeholders" (Mori, 2010, p. 53). This definition aligns with the double-bottom line MFIs seek to deliver, and reflects the multitude of constituencies that contribute to the MFIs' operation. Governance, through its various mechanisms does have an impact on both outreach and financial performance of the MFI.

Duguma and Han (2018) investigated the potential effect of deposit mobilization on the financial sustainability of rural savings and credit cooperatives (RUSACCOs) in Ethiopia and found that deposit mobilization is the most stable and affordable funding source that ensures their financial sustainability. Sustainable rural financial institutions can fill the gap left by other financial institutions in the provision of financial services to the remote rural areas. Financially sustainable RUSACCOs work for the sustainable development of communities in which they work and reside while focusing on member needs. Duguma and Han (2018) recommended that rural savings and credit cooperatives (RUSACCOs) should focus on deposit mobilization, specifically on demand deposit (voluntary savings), to ensure their sustainability so that many farmers can use their services to save from their seasonal incomes. Furthermore, we recommend that there is a need for rural savings and credit cooperatives (RUSACCOs) to keep their interest rate spread narrower to attract more loanable funds and encourage the demand for loans, which would help the institution achieve operational self-sufficiency.

Chikalipah (2017) suggested that MFIs' ability to generate higher net income from their credit portfolio is the critical factor for achieving financial sustainability. The implication of these findings is that MFIs should implement robust pre-loan screening systems, which can

assess the creditworthiness of borrowers. This would undoubtedly contribute to reducing the loan default rates among MFIs operating in the region.

Henock (2018) found that return on asset, operational efficiency, debt equity ratio, donation, and deposit mobilization are statistically significant predictor variables in determining the financial self sufficiency of SACCOs. The main objective of a SACCO is not merely accumulating savings of members. They should provide at least short term credit to their members. The savings of members should be lent to other member borrowers who can invest the loan into any productive sector. Therefore, SACCOs should give education and training to members on credit utilization and management in order to increase loan demand and deposit mobilization.

Ndanyenbah (2017) recommended that MFIs should be affiliated at the beginning to strong financial institutions (conventional banks) for mentoring and when they are strategically groomed in the long run, can then be allowed to have autonomy of operation. That is regulated MFIs should begin to establish track records with the conventional banks in their respective countries as soon as possible in order to gain experience to be able to independent efficient operations in the long run. MFIs should also blend their financial services with nonfinancial services like enterprise development training, health education, basic financial literacy education, micro-insurance policies to adequately safe guide the beneficiaries towards self-financial sustainability. Ndanyenbah (2017) suggested that having appropriate interest rate above that of the conventional banks and flexible terms of repayment, exclusive products for the poor, institutional control systems, good risk management systems, human resource and client's capacity building and group lending.

Said, Annuar and Hamdan (2019) found that having responsible staff members, regular review of financial guidelines, education to members' cooperation between employees and management and staff training are primary factors that contribute in the process of attaining SACCO's financial sustainability.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter consists of the tools that were used to conduct the study. It includes the research design, study population, sample size, sampling design and procedure, research instrument, validity and reliability of the instrument, data processing, and analysis.

3.2 Research design

This study adopted a cross sectional survey in nature. This study also used descriptive and analytical research design. Quantitative data was considered in this study to examine financial sustainability aspects, challenges and strategies of improving financial sustainability.

3.3 Study Population

The population of study comprised of 72 members of staff at the five branches of MAMIDECOT (MAMIDECOT Annual Report, 2018).

3.4 Sample size and sampling techniques

Given the study population of 72 members of staff, the sample size of 63 was determined using Krejcie and Morgan (1970) sampling table. Simple random sampling was used to select the respondents. Numbers were assigned to the population on a piece of paper, folded and picked one after the other without replacement till the sample size of 63 was reached.

3.5 Data sources

The study used primary data. Raw data relating to financial sustainability, the challenges related to achieving financial sustainability and possible strategies to enhance financial sustainability was sourced directly from the respondents.

3.6 Data collection instrument

The study used a questionnaire to obtain background information, level of sustainability, challenges related to improving financial sustainability and strategies of improving financial sustainability. The questionnaire was anchored on a five-point Likert-type scale ranging from 5 (strongly agree) to 1 (strongly disagree).

3.7 Validity and Reliability of the Research Instrument

The research instrument was pre-tested to establish its validity and reliability. Content validity was determined by giving the instruments to ten (10) experts in the field of financial sustainability. This content validity index (CVI) was obtained by dividing the proportion of items declared as valid by the total numbers of items and all values were above 0.70 (Amin, 2005), implying that research instrument was valid. Furthermore, reliability of the research instrument was examined using Cronbach's alpha coefficient (Cronbach, 1951). As recommended by Hair *et al.* (2014), the research instrument should be reliable if reliability results are above 0.70. The results are shown in table 3.1.

Table 3.1: Reliability of the instrument

Variable	Anchor	Cronbach Alpha
Level of financial sustainability	5 Point	0.876
Challenges of financial sustainability	5 Point	0.892
Strategies for financial sustainability	5 Point	0.846

Source: Primary data

3.8 Ethical consideration

In order to increase the confidentiality of respondents, the researcher obtained a letter of introduction from the Faculty of Graduate Studies and Research authorizing to collect data. This letter was presented to the different branches. In addition, the researcher informed the respondents of their voluntary participation in the study. The selected participants were informed of their freedom to either participate or reject. Moreover, to maintain confidentiality, the questionnaire instrument did not have space for name or telephone number. Finally, the participants were assured that all information obtained would be strictly used for academic purposes.

3.9 Measurement of variables

The study variables were measured as follows:

Financial sustainability measurement was based on operational and financial self-sustainability. According to Bogan (2009), FSS is defined as having an operational sustainability level of 110% or more. OSS signifies the efficiency of an organization in relation to its operating expenses. Operational self-sufficiency determines the extent to which operating income covers operating expenses, (Conning (1999; Cull *et al* 2007).

The challenges of financial sustainability were measured based on; members not paying the loan on time Said, *et al* (2019), information asymmetries for MFIs (Mendoza and Vick (2010)) and the regulatory environment Ndulu (2016)).

Strategies of financial sustainability were measured based on; governance systems (Mersland (2011), deposit mobilisation (Duguna and Han (2018) and strategic planning (Leon (2011) based on the Likert scale.

3.10 Data processing and analysis

After collecting questionnaires from the respondents, they were compiled, sorted, and edited to have the required quality, accuracy and completeness. The collected data was entered in the computer and then analysed using Statistical Package for Social Scientists (SPSS version 23.0), a computer package used for analysis. The data was analysed using frequencies and descriptive statistics to answer the research questions. Frequency tables were generated to explain the background information of the respondents and descriptive statistics were used to measure the level of financial self-sustainability, the challenges faced in achieving financial self-sustainability and the strategies for improving financial self-sustainability.

CHAPTER FOUR

PRESENTATION, ANALYSIS, AND INTERPRETATION OF FINDINGS

4.1 Introduction

This chapter analyses and interprets the study findings arising from the field data collected from respondents on financial sustainability, challenges and strategies of improving financial sustainability. The first section presents background information about the respondents.

4.2 Demographic characteristics of respondents

This presents finding about the demographic characteristics of the population under study. Gender of respondents, age, and designation in the SACCO, level of education and length of service of the respondents are the segments included in the demographic characteristics shown in table 4.1 below.

Table 4.1. Descriptive statistics of the respondents

Gender	Frequency	Percent	Valid Percent	Cum. Percent
Male	21	45.7	45.7	45.7
Female	25	54.3	54.3	100.0
Age bracket				
21-30	23	50.0	50.0	50.0
31-40	19	41.3	41.3	91.3
41-50	4	8.7	8.7	100
Designation				
Board Member	6	13.0	13.0	13.0
Shareholder	5	10.9	10.9	23.9
Manager	5	10.9	10.9	34.8
Administrator	10	21.7	21.7	56.5
Supervisor	10	21.7	21.7	78.3
Field Operative	7	15.2	15.2	93.5
Others	3	6.5	6.5	100.0
Level of education				
Ordinary	3	6.5	6.5	6.5

Level				
Advanced Level	1	2.2	2.2	8.7
Diploma	2	4.3	4.3	13.0
Degree	40	87.0	87.0	100
Length of service				
3 and Below	9	19.6	19.6	19.6
4 – 10	37	80.4	80.4	100.0

Source: Primary data

The results in table 4.1 show that majority of the respondents were female (54.3%) while the male respondents were 45.7%. This shows that females take up a bigger percentage of the employees at MAMIDECOT. However, since the gap between the genders is not big, it demonstrates that there is no gender discrimination in MAMIDECOT and that both female and male employees actively participate in the organization activities.

The majority of the respondents were between the age of 21 and 30 years (50%), followed by the age group from 31 to 40 years (41.35% of the population) whereas the rest of the respondents were from 41 to 50 years (8.7%). The statistics indicate that the employees of MAMIDECOT are mature enough to carry out operations that could lead MAMIDECOT to financial sustainability.

The designation of SACCO employees was established to determine the number of people involved in each section of the SACCO operations.

The level of education of the respondents was established so as to find out the level of competence of the employees in regards to financial sustainability of financial cooperatives and revealed that majority of the respondents (87%) attained a Bachelor's Degree as their highest level of education. Since majority of the respondents attained a given level of education, it shows that they are knowledgeable enough to keep the SACCO at desirable levels of financial sustainability.

The length of service was established to determine how well the MAMIDECOT employees understand the nature of their business. The results show that most of the employees (80.4%) have worked for MAMIDECOT for over 4 years. This means that they are well conversant

with the operations of the SACCO and can comfortably work towards achieving SACCO financial sustainability.

4.3 Sustainability

The first research objective was related to examining the financial sustainability in Masaka Microfinance and Development Cooperative Trust Ltd. Respondents were requested to provide information regarding their perception of the level of financial sustainability in MAMIDECOT and the study findings are tabulated as below.

4.3.1 Operational Self Sufficiency

The study examined sustainability of MAMIDECOT by examining the level of operational self-sufficiency and the results are shown in table 4.2 below.

Table 4.2 Operational Self Sufficiency

Items	N	Min.	Max.	Mean	Std. Dev.
Our capital base is ample to withstand its operations	46	2.00	5.00	3.370	1.271
We always have adequate income to cover the day today operating costs	46	1.00	5.00	3.239	1.196
We serve sufficient number of borrowers to achieve economies of scale	46	1.00	4.00	3.100	.989
Our current assets are sufficient to cover our current liabilities	46	1.00	5.00	3.042	1.173
Our deposits to borrower ratio is relatively well balanced	46	1.00	5.00	3.022	1.145
We are assured of continuity of operations	46	1.00	5.00	3.010	1.282
We recover disbursed loans within the planned time period	46	2.00	5.00	3.000	.894
Our transaction costs are manageable for the operations	46	1.00	5.00	2.826	1.141
We generate a high level of interest income from our borrowers	46	1.00	4.00	2.783	.987
Our transaction costs per borrower are reasonably low	46	1.00	4.00	2.630	1.142
We write off loans easily with no effect on our operations	46	1.00	4.00	2.610	.881
Overall global mean	46	1.00	5.00	2.957	.536

Source: Primary data

The findings in table 4.2 reveal that respondents over all in terms of operations sufficiency were average with a mean score of 2.957. In addition, the following statements above the global mean were as follows; capital base is ample to withstand its operations (Mean=3.370), adequate income to cover the day today operating costs (Mean=3.239), sufficient number of

borrowers to achieve economies of scale (Mean=3.100), current assets are sufficient to cover our current liabilities (Mean=3.042), deposits to borrower ratio is relatively well balanced (Mean=3.022), assured of continuity of operations (Mean=3.010), and recover disbursed loans within the planned time period (Mean=3.000). The findings also reveal that certain aspects of operational sufficiency tended towards disagreement and these included transaction costs are manageable for the operations (Mean=2.826), generate a high level of interest income from our borrowers (Mean=2.783), transaction costs per borrower are reasonably low (Mean=2.630), and write off loans easily with no effect on our operations (Mean=2.610). From the analysis, the respondents show that the level of operational sufficiency is average with following the aspects of operational sufficiency like capital base is ample to withstand its operations, adequate income to cover the day today operating costs, sufficient number of borrowers to achieve economies of scale, current assets are sufficient to cover our current liabilities, deposits to borrower ratio is relatively well balanced, assured of continuity of operations, and recover disbursed loans within the planned time period.

4.3.2 Financial Self Sufficiency

The study examined sustainability of MAMIDECOT by examining the level of financial self-sufficiency and the results are shown in table 4.3 below.

Table 4.3. Financial Self Sufficiency

Items	N	Min.	Max.	Mean	Std. Dev.
We can comfortably cater for the cost of our funds	46	2.00	4.00	2.870	.749
We are able to increase our revenues and incomes whenever the need arises	46	1.00	5.00	2.783	1.114
We can operate without subsidies	46	1.00	5.00	2.717	1.068
We are usually able to meet our ever increasing financial demands	46	1.00	4.00	2.652	1.100
Our financial services are priced to fully cover the cost	46	1.00	5.00	2.587	.933
We can reduce our expenses whenever we need to	46	1.00	5.00	2.478	1.188
Overall global mean	46	1.00	5.00	2.681	.545

Source: Primary data

The findings in table 4.3 reveal that majority of the respondents disagreed that MAMIDECOT can comfortably cater for the cost of its funds as shown by the mean score of 2.870. The respondents also disagreed that the SACCO is able to increase their revenues and incomes whenever the need arises as shown by mean scores of 2.783. The respondents disagreed that MAMIDECOT can survive without subsidies support as shown with the mean score of 2.717. It was disagreed (Mean= 2.652) that MAMIDECOT is in position to meet its ever increasing financial demands and it was also disagreed (Mean =2.587) by the respondents that the financial services offered by MAMIDECOT are priced in such a way that the income obtained from them can cover the cost of offering them and that we can reduce our expenses whenever we need to (Mean=2.478). The analysis shows that respondents indicate that the level of financial sufficiency was low with the following aspects like MAMIDECOT can comfortably cater for the cost of its funds, increasing their revenues and incomes whenever the need arises, and MAMIDECOT surviving without subsidies support.

Based on the analysis from tables 4.2 and 4.3, the findings show that the financial sustainability in terms of operational sufficiency is average while financial sufficiency is low. This implies that financial sustainability still needs more attention at MAMIDECOT for further improvement.

4.4 Challenges faced in improving financial sustainability.

To achieve the second objective of the study, the researcher adopted several statements depicting challenges that often affect financial sustainability. The respondents were therefore required to indicate the extent to which they agreed/disagreed with the statements. Table 4.4 below consists of a summary of the findings.

Table 4.4: Challenges of financial sustainability

Items	N	Min.	Max.	Mean	Std. Dev.
We have inadequate capital to comfortably run the operations	46	3.00	5.00	4.370	.679
The non-payment of loans by our clients is high	46	4.00	5.00	4.261	.444
Our clients obtain loans that are higher than what they are able to pay	46	3.00	5.00	4.239	.639

The set guidelines for selecting credit worthy clients are inadequate.	46	3.00	5.00	4.239	.673
Management does not focus on financial sustainability	46	3.00	5.00	4.196	.582
Our interest rates are high to attracting more clients	46	3.00	5.00	4.130	.542
Overall global mean	46	1.00	5.00	4.237	.248

Source: Primary data

The findings in table 4.4 show that the overall global mean for the challenges to improve financial sustainability was Mean = 4.237 implying that respondents agreed several challenges do existed. The findings indicate that inadequate capital to comfortably run its operations (Mean=4.370), non-payment of loans by our clients (Mean=4.261), our clients obtain loans that are higher than what they are able to pay (Mean=4.239), and we does not have clear set guidelines to guide the selection of credit worthy clients (Mean=4.239) were the main challenges above the global mean of 4.237. Although all the respondents agreed that challenges do exist, the following challenges were found to be below the global mean of 4.237, our management does not focus on financial sustainability (Mean=4.196) and our interest rates are high to attracting more clients (Mean= 4.130). The analysis show that the following challenges need to be attended to improve financial sustainability were inadequate capital to comfortably run its operations, non-payment of loans by our clients, our clients obtain loans that are higher than what they are able to pay, and we does not have clear set guidelines to guide the selection of credit worthy clients. However, the challenges of failure by management to focus on financial sustainability and high interest rates that cannot attract more clients scored below the average.

4.5 Strategies for improving financial sustainability

The third objective of the study was to identify strategies that can improve the level of financial sustainability at MAMIDECOT. With the help of a questionnaire, respondents were required to indicate the extent to which they agreed/disagreed with statements relating to the strategies to improve financial sustainability. Table 4.5 below summarizes the findings as regards the strategies to improve financial sustainability;

Table 4.5. Strategies for improving financial sustainability

Items	N	Min.	Max.	Mean	Std. Dev.
Management should ensure that its operations are run by qualified personnel	46	4.00	5.00	4.641	.473
Management should appropriate technology in its operations	46	4.00	5.00	4.619	.493
Management should supervise operational activities	46	4.00	5.00	4.544	.504
Management should diversify its line of business to spread its risk	46	3.00	5.00	4.534	.546
Management should attract more clients using lower rates on loans	46	4.00	5.00	4.457	.514
Management should prepare adequate financial and non-financial information	46	3.00	5.00	4.435	.583
Management should widen the scope of financial services	46	4.00	5.00	4.434	.501
Management should develop concrete finance plans	46	4.00	5.00	4.391	.493
Management should ensure that loans are secured with sufficient collateral	46	2.00	5.00	4.348	.604
Management should improve on the standards of screening credit worthy loan applicants	46	1.00	5.00	4.304	.726
Overall global mean	46	1.00	5.00	4.451	.329

Source: Primary data

The findings in table 4.5 indicate that the respondents generally agreed that the following strategies can help to improve financial sustainability. For instance, the respondents agreed that management should ensure that its operations are run by qualified personnel (Mean = 4.641), that management should adapt up to date technology in its operations (Mean= 4.619), that management should supervise operational activities (Mean = 4.544), that management should diversify its line of business in order to spread its risk (Mean=4.534), that management should work at attracting more clients by advancing to them loans at lower rates (Mean=4.457), that management should prepare adequate financial and non-financial information (Mean=4.435), that management should widen the scope of financial services it

advances to its clients to widen income flows (Mean =4.434), that management should develop concrete finance plans on a periodic basis (Mean=4.391), that management should ensure that loans are secured with sufficient collateral that can be disposed of at a value greater than the principal loan amount (Mean = 4.348), and that management should adopt improve on the standards and guidelines for selecting qualifying and credit worthy loan applicants (Mean = 4.304). Furthermore, the findings in table 4.5, shows that the overall global mean for strategies to improve financial sustainability was Mean =4.451. Therefore, from the above findings, it shows that if those strategies are put in place at MAMIDECOT, financial sustainability can be solved since the majority of the respondents agreed that the use of qualified personnel to run the cooperative activities, adaptation of modern and up to date technology in the SACCO (MAMIDECOT) operations, ensure that the personnel are under close supervision by management, diversification of its line of business in order to spread its risk, and attraction of more clients by advancing to them loans at lower rates.

CHAPTER FIVE

DISCUSSION, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the discussion, conclusion and recommendations of the study based on the findings. The study focused on examining the financial sustainability of MAMIDECOT, examining the challenges faced in improving financial sustainability and recommending of strategies that can be adopted by MAMIDECOT in order to achieve financial sustainability.

5.2 Discussion of study findings

5.2.1 Financial sustainability

The study findings reveal that the level of operational sufficiency at MAMIDECOT was average with following aspects such as capital base is ample to withstand its operations, adequate income to cover the day today operating costs, sufficient number of borrowers to achieve economies of scale, current assets are sufficient to cover current liabilities, deposits to borrower ratio is relatively well balanced, assured of continuity of operations, and recover disbursed loans within the planned time period. These findings are consistent with Bowman (2011) who posited that financial sustainability relates to the ability of financial institutions to ensure continuity as they carry out their operations. In the same vein, Marwa and Aziakpono (2015) study estimated profitability and financial sustainability of SACCOs in Tanzania using 98 samples. Findings show that not all SACCOS in Tanzania are financially and operationally sustainable as the results show that 61 per cent of sample SACCOS is operationally viable and only 51 per cent of the sample appeared to be operationally and financially feasible. In addition, Said, Annuar and Hamdan (2019) assessed the financial sustainability of Islamic Saving Credit Corporative Society (SACCOS) and the factor(s) affecting their financial sustainability in the Tanzanian context. They found that the IMFIs in Tanzania are not financially sustainable.

The findings showed that the level of financial sufficiency was low with the following aspects like MAMIDECOT cannot comfortably; cater for the cost of its funds, increase their revenues and incomes whenever the need arises, and MAMIDECOT survive without subsidies support. This finding concurs with Pylypiv and Chakravarty (2015) who considered financial self-sufficiency as a way of securing the future beyond subsidies and donations as an essential ingredient for their success

Furthermore, Nyamasogoro (2010) revealed that if a financial institution's adjusted income is greater than its adjusted cost, then the institution is said to be financially self-sufficient.

Moreover, Rahman and Mazlan (2014) established that for SACCOs and other financial institutions to be financially sustainable, they have to be able to cover all their costs from their own generated income from operations without depending on external support or subsidy.

5.2.2 Challenges faced in improving financial sustainability

The study findings indicated that the challenges that affect non achievement of financial sustainability at MAMIDECOT existed and were inadequate capital to comfortably run its operations, non-payment of loans by our clients, clients obtaining loans higher than the amount that they are able to repay, and failure to have clear set guidelines to guide selection of credit worthy clients. This finding is consistent with a study conducted by Said, Annuar and Hamdan (2019) who found a number of challenges affecting financial sustainability including members not paying the loan on time due to various reasons tend to affect the liquidity of the SACCOS; the high-interest rate on loans from banks; Lacked good instructions leads to loopholes for misuse of the fund; lack of proper regulation and weak governance; and lack of qualified personnel in financial aspects contributing to failures, as financial issues are not conducted professionally. Also, Gisemba (2010) which revealed that if financial entities do not adopt good credit risk management practices like having clear guidelines on how to choose clients, then they are very unlikely to achieve financial sustainability. In addition, studies by Kibui and Moronge (2014), Sabeza (2015) and Fooladi (2006) found that it was important for financial institutions to adjust their credit risk management practices according to prevailing conditions. This was because good credit management practices would ensure that clients were chosen carefully and as such could be able to repay their loans as scheduled and hence achieve desirable levels of financial sustainability.

5.2.3 Strategies for improving financial sustainability

The study findings revealed that the most effective strategies for improving financial sustainability were use of qualified personnel to run the cooperative activities, adaptation of modern and up to date technology in the SACCO (MAMIDECOT) operations, ensuring that the personnel are under close supervision by management, diversification of its line of business in order to spread its risk, and attraction of more clients by advancing to them loans

at lower rates. The findings are in agreement with findings by Said, Annuar and Hamdan (2019) found that having responsible staff members, regular review of financial guidelines, education to members' cooperation between employees and management and staff training are primary factors that contribute in the process of attaining SACCO's financial sustainability. Further, Fernando (2006) suggested that better levels of technology improves service delivery, lowers operational costs and improves efficiency and thus affords financial cooperatives better chances at financial sustainability. Additionally, Mukama et al. (2005) and Muganga (2010) also suggested that proper governance, use of qualified personnel and supervision of SACCO operations are key in fostering financial sustainability as they help the institutions to operate within the acceptable terms. Furthermore, Chikalipah (2017) suggested that MFIs' ability to generate higher net income from their credit portfolio is the critical factor for achieving financial sustainability. The implication of these findings is that MFIs should implement robust pre-loan screening systems, which can assess the creditworthiness of borrowers. This would undoubtedly contribute to reducing the loan default rates among MFIs operating in the region.

5.3 Conclusion

The study makes a number of conclusions based on the findings. It can be concluded that at MAMIDECOT, financial sustainability in terms of operational self-sufficiency was average while financial self-sufficiency was low.

The study revealed that MAMIDECOT had challenges of non- payment of loans by its clients, high interest rates on its loans and inadequate capital to comfortably run its operations. The study also revealed that strategies of screening creditworthy clients, lowering interest rates on loans and diversification of its line of business would help to improve its financial sustainability.

5.4 Recommendations

From the study findings and conclusions, the following were recommended.

- Management should ensure that its operations are run by qualified personnel through continuous staff training and review of financial guidelines.
- Management should adopt appropriate technology in their day to day operations. Up to date technology allows for better quality service delivery in a shorter period of time and also allows the MFIs to keep track of their activities much more easily.

- Management should also supervise its operational activities through various mechanisms of governance that have an impact on both outreach and financial performance of the MFI.

5.5 Limitations of the study

- The data that was used in this study was collected using one method which is a structured questionnaire. Using a structured questionnaire prefixes the respondents' opinions and also limits their scope of responses.
- MAMIDECOT as a financial entity may have felt intruded when requested to fill in the questionnaire regarding their financial sustainability. The feeling of intrusion could have made the employees hesitant to offer some information that is relevant to the study.
- The study took on a cross-sectional research design which can only give an understanding of the study area for only the period of study yet circumstances surrounding the study area may change with time.

5.6 Suggested areas for further research

- The study findings suggest various study themes that can be studied in relation to financial sustainability of financial cooperatives. First, the respondents can be broadened beyond one financial cooperative so that the researcher can make better conclusions on the topic under study. Further studies can be conducted on the determinants of financial sustainability in financial cooperatives and also studies can be conducted on financial sustainability in other financial institutions like commercial banks.

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APPENDIX : Questionnaire instrument

MAKERERE UNIVERSITY BUSINESS SCHOOL

Dear Respondent,

I am a student of Makerere University pursuing a Master’s Degree in Business Administration. I am conducting a study on the topic “**EXAMINING THE FINANCIAL SUSTAINABILITY OF FINANCIAL COOPERATIVES: A CASE OF MASAKA MICROFINANCE AND DEVELOPMENT COOPERATIVE TRUST LIMITED (MAMIDECOT)**”. I kindly request you to spare some time and fill this questionnaire. The purpose of this study is entirely for academic purposes, and thus all the information given will be treated with confidentiality. Thank you very much.

SECTION A: General information

1. Gender

Male Female

2. Age bracket of Respondent

20-30 years 31- 40 years 41-50 years Above 50 years

3. Designation in SACCO

Board Member Shareholder Manager
 Administrator Supervisor Field Operative

Others (Specify).....

4. Level of education

Ordinary level Advanced Level Diploma
 Degree Masters Professional Qualification

5. Length of Service

3 and below 4-10 Above 10

SECTION B: FINANCIAL SUSTAINABILITY

Please respond to the statements below by circling or ticking the most appropriate number that corresponds to your level of agreement with the statement about the financial sustainability

Strongly disagree	Disagree	Undecided	Agree	Strongly Agree
1	2	3	4	5

No	Operational Self Sufficiency	Scores				
1	Our capital base is ample to withstand its operations	1	2	3	4	5
2	We always have adequate income to cover the day to day operating costs	1	2	3	4	5
3	We serve sufficient number of borrowers to achieve economies of scale	1	2	3	4	5
4	Our current assets are sufficient to cover our current liabilities	1	2	3	4	5

5	Our deposits to borrower ratio is relatively well balanced	1	2	3	4	5
6	We are assured of continuity of operations	1	2	3	4	5
7	We recover disbursed loans within the planned time period	1	2	3	4	5
8	Our transaction costs are manageable for the operations	1	2	3	4	5
9	We generate a high level of interest income from our borrowers	1	2	3	4	5
10	Our transaction costs per borrower are reasonably low.	1	2	3	4	5
11	We write off loans easily with no effect on our operations.	1	2	3	4	5
No	Financial Self Sufficiency	Scores				
1	We can comfortably cater for the cost of funds	1	2	3	4	5
2	We are able to increase our revenues and incomes whenever the need arises					
3	We can operate without subsidies	1	2	3	4	5
4	We are usually able to meet our ever increasing financial demands	1	2	3	4	5
5	Our financial services are priced to fully cover the cost	1	2	3	4	5
6	We can reduce our expenses whenever we need to	1	2	3	4	5
No	Challenges of Financial Sustainability	Scores				
1	We have inadequate capital to comfortably run the operations	1	2	3	4	5
2	The non-payment of loans by our clients is high	1	2	3	4	5
3	Our clients obtain loans that are higher than what they are able to pay	1	2	3	4	5
4	The set guidelines for selecting credit worthy clients are inadequate	1	2	3	4	5
5	Management does not focus on financial sustainability	1	2	3	4	5
6	Our interest rates are high to attracting more clients	1	2	3	4	5
No	Strategies for Improving Sustainable Financing	Scores				
1	Management should ensure that its operations are run by qualified personnel	1	2	3	4	5
2	Management should adopt appropriate technology in its operations	1	2	3	4	5
3	Management should supervise operational activities	1	2	3	4	5
4	Management should diversify its line of business to spread its risk	1	2	3	4	5
5	Management should attract more clients using lower rates on loans	1	2	3	4	5
6	Management should prepare adequate financial and non-financial information	1	2	3	4	5
7	Management should widen the scope of financial services	1	2	3	4	5
8	Management should develop concrete finance plans	1	2	3	4	5
9	Management should ensure that loans are secured with sufficient collateral	1	2	3	4	5
10	Management should improve on the standards of screening credit worthy loan applicants	1	2	3	4	5

End of Questionnaire