

Determinants Of Financial Performance Of Savings And Credits Cooperatives In Rwanda

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Abstract

The present study concerned "The determinants of financial performance of Savings and Credits Cooperatives in Rwanda. Case study of RWAMIKO SACCO (2016-2018)". The problem under study was the fact that most of SACCOs in Rwanda are experienced of weakness of financial performance and few studies took interest about that complex problematic. This study sorts to undertake the deep analysis of key determinants of financial performance of SACCOs in Rwanda.

The specific objectives were "To evaluate effectiveness and efficiency of financial performance of RWAMIKO Savings and Credits Cooperative, to assess the main determinants of financial performance of RWAMIKO Savings and Credits Cooperative and to analyze the partial correlation coefficients between financial performance and its determinants. To achieve those objectives, the primary data was collected from a sample of 17 employees of RWAMIKO SACCO using the questionnaires and interview as primary data, the secondary data focused on documentation and financial reports.

It was found that the majority of respondents agreed on the stated determinants of financial performance of SACCO where loan management, 100% of the respondents confirmed, membership size 88.2% of the respondents confirmed, human resources management of the organization 76.4% of the respondents agreed, working capital management 94.1% of the respondents and regulatory and supervisory framework 82.3% of the respondents agreed. The general average of agreement is 15 or 88.2% of the respondents. The regression analysis revealed that there are positive partial correlation coefficients between financial performance and its determinants.

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I. GENERAL INTRODUCTION

Background of the study

Financial performance management is a part of total performance management of an organization. Weldeghiorgis (2004) investigated that organization managers have started to understand that both financial and non-financial elements of performance must be measured in calculating performance. Weldeghiorgis (2004) revealed that calculations of financial performance are the means of support of Firms. Financial performance is the major factors of assessment of Firms. Al-Enizi et al. (2006) reported that the identification of the restrictions of conventional financial performance calculations has facilitated to numerous research programs which promoted the utilization of non financial performance calculations.

El-Enizi et al. (2006) observed consumer consent, transport and other "significant accomplishment aspects" as pattern of non financial performance measurements (NFPMs). Le Roux (2004) revealed that efficient administration of firms provide sound base that marks procedure which helps estimation of development of firms, activities such as transaction, client facilitation, expenditure, and supervision of workers. This may facilitate an organization to achieve financial performance. There are many events that require to be useful and which must facilitate attainment of goals such as redistribution of a turnover (assuming that the company is doing well) by means of a "Planning system flow chart" and refers to performance measurement points as „review of gap analyses" (Meyer and Rowan, 1991)

Nyoro and Ngugi (2007) view Financial performances represent the operation to carry out monetary actions. Generally, financial performance indicates measures to which economic goals being or has been achieved. Economic activities are course of action of measuring the outcome of an organization's guidelines and

action in fiscal shape. It is used to calculate organization's overall economic fitness over particular time period. The financial performance of the organizations can be calculated by its economic outcome and by its size of earnings. Risk and profitability are two main components which together decide the significance of organization. Financial conclusion which enlarges uncertainty will reduce the value of organization and on the other hand financial conclusions which boost up the profitability will enlarge value of the organization. Risk and profitability are two essential elements of business organization.

Savings and credit cooperatives (SACCOs) are association of people who have come together with common goals geared at improving their livelihood economically. They are an important part of the financial sector in providing savings, credit and insurance services to a large portion of the population (Microfinance house, 2006).

SACCOs first appeared in South Germany in 1846 when there was Agricultural crisis and drought in Europe (Birchall, 2004). The first modern SACCO was started in Germany around 1850. A quick review of developed world shows that not many big firms were born that big, most of them began as small medium enterprise. SACCOs in Africa have a role in transforming the continent considering that most entrepreneurs are in need of financial support. In Africa Ghana was the first county to start SACCO in 1952, ACCOSCA (2009).

The SACCOs mobilize funds from them and give them access to financial services like loans, savings facility, front office services which is otherwise inaccessible to them through the main banks that are either unaffordable or physically inaccessible. Rwanda like other developing countries has a great number of populations that leave under poverty line .statistical estimations state that only 30 percent of active population use financial services. Because of the ignorance people stay in that misery. In the national congress of 2009 Rwanda's leaders take initiative to implement in every administrative sector a microfinance institution in order to permit the population the access on credit easily and on other financial services in their respective area, it is in that case RWAMIKO SACCO has been created (RCA, 2016).

SACCOs are found in almost all sectors of the economy have been able to impact positively on the lives of people. In light of this, the existence and flourishing of SACCOS have not been able to perform well as compared to the other mainstream financial institutions like commercial banks. SACCOS are formed to serve the special needs of its members, but this has not been possible because of the various challenges that impacts on their financial performance. One of the justifications of the advancement of a financial institution is one that is profitable and has financial sustainability.

Performance of SACCOs is marked by inadequate capital management, poor asset quality, poor governance, poor profitability, poor liquidity and noncompliance. The government of Rwanda has made a significant initiative to support co-operative movements through legislation so as to achieve the millennium development goals and vision 2020 objectives of increasing financial inclusion and it was found that there has been no sufficient literature about how and to what extent the rate of loan repayment interest rates, membership enrolment and management of loan defaulters have affected the financial performance of savings and credit cooperative societies. It is in this framework the researcher intends to undertake the study of determinants of financial performance of RWAMIKO SACCO.

Objectives of the study

The general objective of the study was to assess the determinants influencing financial performance of savings and credit cooperative societies in Rwanda.

Specific objectives

1. To evaluate effectiveness and efficiency of financial performance of RWAMIKO Savings and Credits Cooperative.
2. To assess the main determinants of financial performance of RWAMIKO Savings and Credits Cooperative?
3. To analyze the partial correlation coefficients between financial performance of RWAMIKO SACCO and its determinants?

Research methodology

The present study to be successful, various techniques and methods were used for the data collection and analysis. The techniques that were used in data collection include documentation, questionnaires and interview. In analyzing data, the techniques of historical, statistics, comparative were used to obtain qualitative and quantitative analysis. Furthermore there was the use of SPSS to analyze quantitative data.

II. EMPIRICAL STUDIES ON DETERMINANTS' OF FINANCIAL PERFORMANCE

Lagat, Mugo and Otuya, (2013) investigated the effect of credit risk management practices on lending portfolio among savings and credit cooperatives in Kenya. Results indicate a significant effect of the risk management practices; risk identification, risk analysis and risk monitoring on lending portfolio. However, risk

evaluation did not have a significant effect on the lending portfolio of the savings and credit cooperative societies. The researcher further identified that most Sacco's had adopted risk management practices as a means of managing their portfolio. The current study has made extension on the research by Lagat, Mugo and Otuya (2013) through investigating lending portfolio as an element of financial performance in SACCOs.

Ndonga, (2016) undertook a study on factors affecting financial performance of employees' savings and credit co-operative societies. The objectives were based on interest rates charged, attitude towards risk, amount of loan desired and the savings mobilized. The research showed a negative relationship between the interest rates and financial performance of SACCOs. It implies that increase in interests could have lowered the demand for loans. The ability of members to afford reduced thus affecting performance. Attitude towards risk, amount of loan desired and value of savings mobilized had a positive relationship with performance thus SACCOs were recommended to make effective improvements on those factors. Making reliable improvements in an organization requires an effective financial strategy to guide it. This was not captured in the study. The current study attempted to fill the gap by initiating financial strategy towards the financial performance based on employment management practices and membership size. These variables have a direct effect on the level of revenue that determines the financial performance of SACCOs.

A study by Osoro and Muturi (2015), on the Effects of liquidity-risk management practices on the financial performance of savings and credit co-operative societies in Kisii County, Kenya found that return on assets of SACCOs was highly influenced by Capital adequacy. However, asset quality and capital leverage did not affect savings mobilization. The current researcher sought to determine financial performance of SACCOs by assessing the frequency of supervision. Supervision aims at checking out whether the capital requirements are adhered to by the SACCOs. Adherence to minimum capital requirements encourages SACCOs to maintain adequate capital for effective financial performance.

Okwee (2011) did a study on corporate governance and financial performance of SACCOs in LangoSub-region. Findings showed a significant number of SACCOs had not complied well with corporate governance guidelines. Risk influence corporate governance at a small extent. The correlation between corporate governance and financial performance was strong and positive. Corporate governance ought to guide main issues in SACCOs such as expenditure management for better efficiency. This was not explained in the study. The outcomes from various expenses affect financial performance. Moreover, any expense costs should be efficient.

Koskei and Naibei (2017), did a study on the determinants of member loyalty among SACCOs. A survey of selected SACCO's in Kericho County, Kenya. They established that Sacco member's loyalty is determined by interest rates, mode of disbursement and variety of financial products. They suggested that there was a need of providing competitive interest rates and improving on efficiency in disbursements of funds. Customer loyalty is a key determinant to maintenance of membership size by Sacco. However, this has not been clarified in the study. Membership size may guarantee continued flow of revenue and that enhances financial performance.

Muriuki (2010), did a study on the factors affecting Sacco performance in Meru South district: a case of TharakaNithi Teachers Sacco. The research revealed that dividend payout ratio was influenced by profitability, growth opportunity, cash flow and size. Risk had a negative effect on the dividend payout ratio. However, the study did not clarify on the size. Size of an organization is majorly about the number of members. In that case, the membership size affected the performance that determined the dividend payout ratio. The current study established the influence of membership size on financial performance of SACCOs.

Onsase, Okioga, Okwena and Ondieki (2013) assessed the effects of performance management practices on provision of financial services by savings and credit cooperative societies. The study findings that efficiency and effectiveness influenced performance via appropriate performance management practices. They did explain how performance management affected the membership. The issue of concern to members is the management of their savings that can guarantee benefits such as easier access to loans. The current study shows that lack of or inappropriate performance management practices leads to inadequate financial performance of SACCOs.

A research study by Makena (2014), on rebranding strategy and performance of savings and credit co-operatives revealed that branding can have a positive effect on SACCO membership via enhanced membership retention, increase in membership and increases in shareholding and savings. Putting the results into perspective, it can be asserted that rebranding is a viable alternative for SACCOs seeking to project a new image and improve its market share. The research did not indicate how Sacco could optimize revenue through increased membership. The current study shows how SACCOs can be influenced to contribute more funds for increased common benefits.

Mumanyi (2014) assessed the challenges and opportunities facing SACCOs in the current devolved system of government of Kenya; A case study of Mombasa County. The study pointed out education as one of the major challenges facing SACCOs in Mombasa County. It did not explain the extent to which education to

members enhanced their stay and contribution in the SACCO. Education is an important ingredient that helps the members to invest the loans they acquire into viable business ventures. Membership size determines the level of organization revenue and performance.

Mutinda (2016), sought to establish the impact of prudential regulatory framework on financial performance of deposit taking SACCOs in Kenya. The study indicated that loan provisioning requirement, minimum liquidity, minimum investment requirement and minimum capital requirement influenced financial performance of SACCOs in Kenya at a large extent. These constructs were found to have a positive relationship with return on investment. However, the research study did not show how these requirements are adhered to through supervision. The frequency of supervision makes prudential regulatory framework on SACCOs Determinants of Financial Performance of Savings and Credit Cooperative Societies meaningful.

Otherwise, SACCOs may not follow them if not supervised frequently. The current study has stated that failure to operate within the regulation affects the performance. A research by Kioko (2010), on the impact of SASRA regulations on the financial performance of SACCOs in Kenya found that higher capital requirements, and increase in management efficiency impacted positively to SACCOs profitability in the post-capital regulation period. The study also revealed that capital regulation affects financial performance in SACCOs. SACCOs have to be supervised to ensure that the work within the regulations. The current study examined the effect of frequency of supervision on performance of SACCOs.

Porteous, Collins and Abrams (2010) undertook a study on prudential regulation of microfinance financial access initiative. They noted that there is need to maintain a high standing among all the financial intermediaries with regard to investment vehicles they can engage in. This has a great impact on financial performance of the organizations. Their study was on Microfinance while the current study is on SACCOs. Furthermore, they did not link prudential regulation to frequency of supervision of SACCOs.

Kabaiya, F. M. (2012), carried out a study on the relationship between corporate governance practices and financial performance of SACCOs. They indicated that SACCOs ought to satisfy the regulatory provisions to enhance better governance and financial performance. The study confirmed that SACCOs had systems of board committees to undertake functions assigned the boards of management. The research did not provide a detailed explanation on the effect of frequency of supervision.

Omolo (2015), carried out a research study on corporate governance best practices and performance by deposit taking savings and credit co-operative societies in Nairobi city county, Kenya. He used Ordinary Least Squares (OLS) regression to analyze data. The research findings showed that the relationship between the board size and corporate financial performance was strong and positive. The independence of the board influenced performance. The study concluded that SACCOs should have large board size composed of individuals outside the directors in order to improve and sustain good performance. The study dwelled so much on board size and did not go further to describe their core role. Corporate board is involved in major organization decisions that pertains employment. The current study has investigated the influence of employment management practices on performance of savings and credit co-operative societies. This is an important extension to the study by Omolo (2015).

Bwana and Mwakujonga (2013), investigated the issues in SACCO development in Kenya and Tanzania based on the historical and development perspectives. They found that performances of SACCOs in the two Countries were affected by lack of well-trained officials and proper administrative framework, bureaucracy and inability to raise vast financial resources. They recommended that policy makers and governments to come-up with policies and strategies that will support the growth of SACCOs. They did not provide a direct link between the employment management practices to performance of SACCOs. The issue of lack of well-trained officials belongs to employment management practices of SACCOs. It is their duty to employ officials that are well trained and retrain them. The current study examines the training of financial officials as an element of employment management practices and the effect it has on the performance of SACCOs in Nakuru town, Kenya.

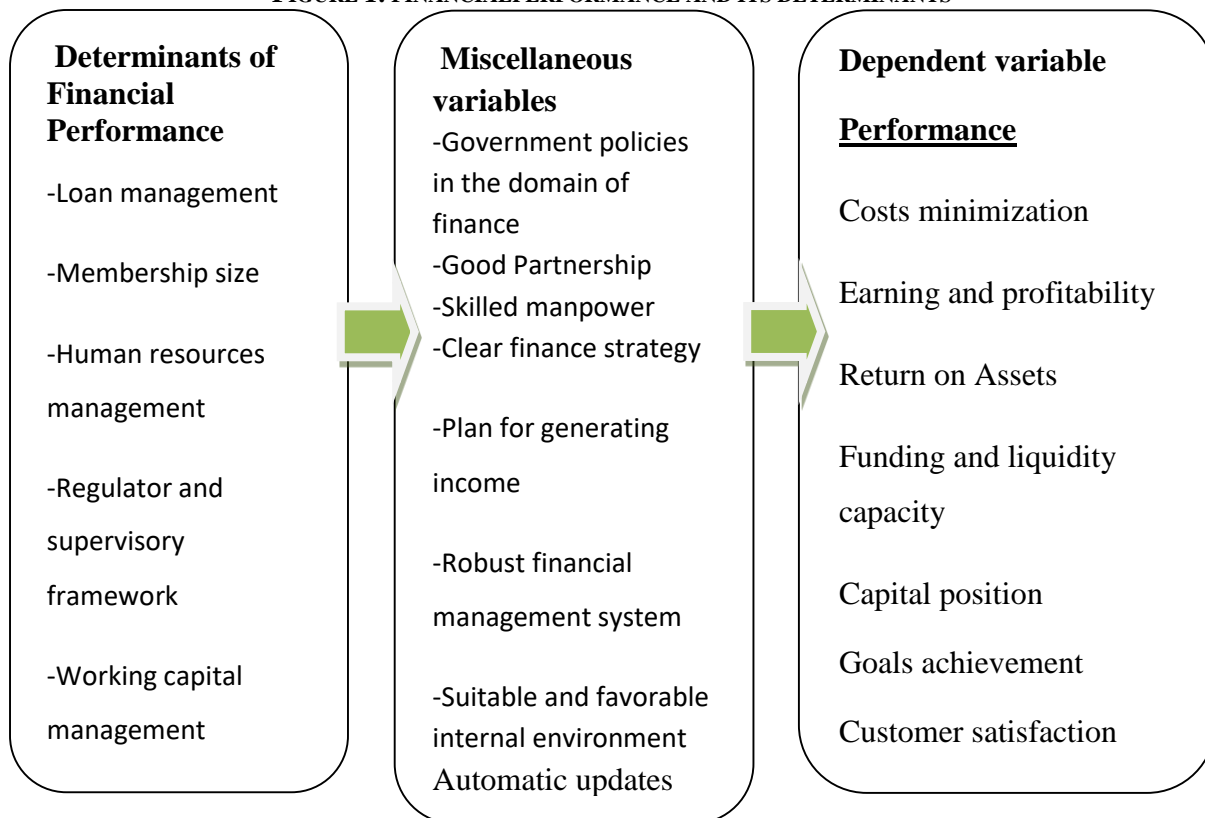
Davis (2006), wrote a paper entitled „Beyond human resource management in co-operatives“. He had investigated the issue of HRM in cooperatives through fieldwork. These cooperative organizations include major institutions such as; International Co-operative Alliance, Asian confederation of credit unions, and the British society for co-operative studies. He found that majority of cooperatives lagged behind in terms performances due to inadequate Personnel or HRM systems. in the majority of co-operatives

Marangu, Lyria and Rukangu (2015), did a study on influence of human resource management practices in growth of SACCO societies in Meru County, Kenya. Results from findings showed that growth of SACCOs was affected by staffing, reward system, job design and performance management. For SACCOs to grow, they have to perform well. It was indicated that staffing influenced growth. However, they did not go into detail of staffing that is determined by the nature of employment management practices. The researcher established the association between the employment management practices and performance of SACCOs in Nakuru town, Kenya.

Conceptual frame work of the study

This conceptual framework was established to show determinants of financial performance of SACCOs in Rwanda. This relationship is illustrated through the following figure:

FIGURE 1: FINANCIAL PERFORMANCE AND ITS DETERMINANTS



Source: Researchers’ compilation, September, 2019

According to this research, the independent variables are loan management, membership size, human resources management, regulatory and supervisory framework and working capital management. Government policies in the domain of finance, good partnership, skilled manpower, Clear finance strategy and plan for generating income, robust financial management system, suitable and favorable internal environment are miscellaneous variables. The dependent variable is the “financial performance featured by Costs minimization, Capital position, Customer satisfaction, earning and profitability, return on assets, funding and liquidity capacity and goals achievement.

The analysis of the influence of the above determinants allows the researcher to formulate a mathematical model as follows:

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + E_i$$

Where

Y represents financial performance

X1 represents loan management

X2 represents Membership size

X3 represents Human resources management

X4 represents Regulator and supervisory framework

X5 represents Working capital management

E_i stands for Error term

The established regression model illustrates well the relationship between financial performance and its determinants mentioned above.

III. DATA ANALYSIS, INTERPRETATION AND PRESENTATION OF THE FINDINGS

Assessment of financial performance of RWAMIKO SACCO

The financial performance of RWAMIKO SACCO was assessed in using qualitative analysis and quantitative analysis in order to detect whether the Cooperative presents a high level of financial performance.

The researcher wanted to detect really the perception of respondents whether the institution presents a strong financial performance. Descriptive research use qualitative analysis through opinions of respondents to get necessary information that could help to test the relationship between variables of the study. The next table shows the perceptions of respondents about indicators of high financial performance of the cooperative.

TABLE 8: LEVEL OF AGREEMENT ON INDICATORS OF A HIGH LEVEL OF FINANCIAL PERFORMANCE OF RWAMIKO SACCO

Statement	Agreed		Disagreed		Neutral	
	F	%	F	%	F	%
Achievement of goal and objectives	15	88.2	0	0	2	11.8
Improved working capital management	13	76.4	3	17.6	1	5.9
Customer satisfaction and Services delivery	14	82.3	3	17.6	0	0
Earning and profitability	17	100	0	0	0	0
Expansion of Business and banking assets	13	76.4	1	5.9	3	17.6
Bank lending, funding and liquidity	16	94.1	1	5.9	0	0
Mean	14.6	86.2	1.3	7.8	1	5.8

Source: Primary data, October, 2019

The table above describes the opinions of respondents about indicators and measures of performance of RWAMIKO SACCO, whereas 88.2% of respondents agreed on achievement of goal and objectives ,76.4% of respondents agreed on Improved working capital management ,82.3% of respondents confirmed Customer satisfaction and Services delivery, 100% of respondents agreed on earning and profitability,76.4% of respondents confirmed expansion of Business and growth of banking assets, 94.1% of respondents agreed on funding, liquidity and bank lending are underlined to explain the appreciated level of financial performance of RWAMIKO SACCO. The mean value of agreements which is equal to 14.2 or 86.2% of the respondents on the above indicators revealed that RWAMIKO SACCO reports an excellent level of financial performance. This allowed the researcher to examine the determinants of financial performance of SACCOs in Rwanda. To test the relationship between two variables requires the partial assessment of each variable.

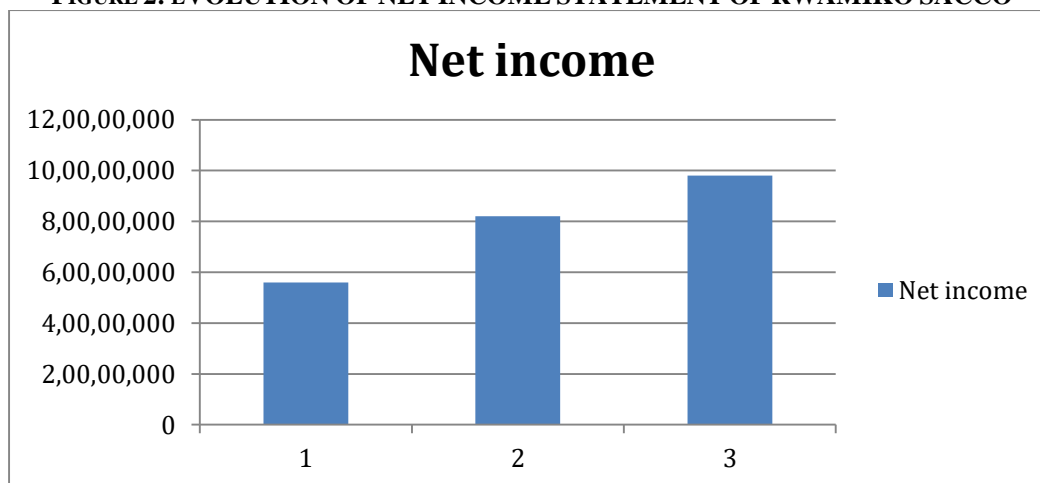
Financial performance using financial statement of RWAMIKO SACCO

In order to match respondents’ perception with reality, the researcher assessed financial performance on the basis of financial statements.

Income statement of RWAMIKO SACCO

Income statement comprises account trade and profit and loss account in the form of statements showing all results and expenses for the accounting period and measuring business performance net profit or net loss, researchers used secondary data to know the financial statement ,statement of RWAMIKO SACCO for the period 2016-2018 and the findings are as follows:

FIGURE 2: EVOLUTION OF NET INCOME STATEMENT OF RWAMIKO SACCO



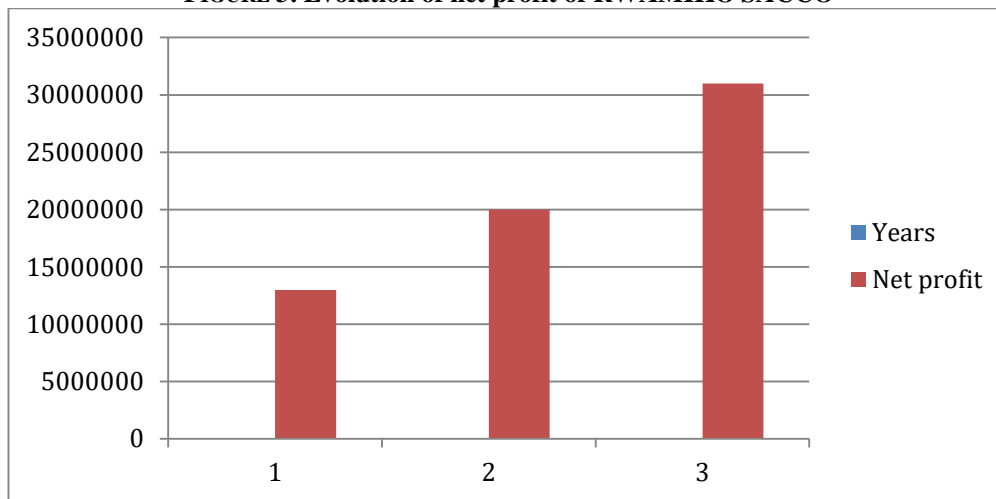
Source: Financial report RWAMIKO SACCO, 2016-2018

Based on the results found, the cooperative is reporting an excellent financial performance as measured by income progress of three years taken into account. A progressive increase from 2016-2018 is illustrated in the figure, the annual difference is an upward sloping curve. These results match well the qualitative analysis and quantitative analysis emphasizing on high financial performance. Financial analysis provides quantitative measures of performance of an organization. The net income of 3 years under analysis helped the researcher to analyze the determinants of financial performance of Savings and Credits cooperatives in Rwanda by taking a case study of RWAMIKO SACCO.

Profitability of RWAMIKO SACCO 2016-2018

Net earnings are a measure of the profitability of a venture after accounting for all costs. It is the actual profit without inclusion of working expense in the calculation of gross profit.

FIGURE 3: Evolution of net profit of RWAMIKO SACCO



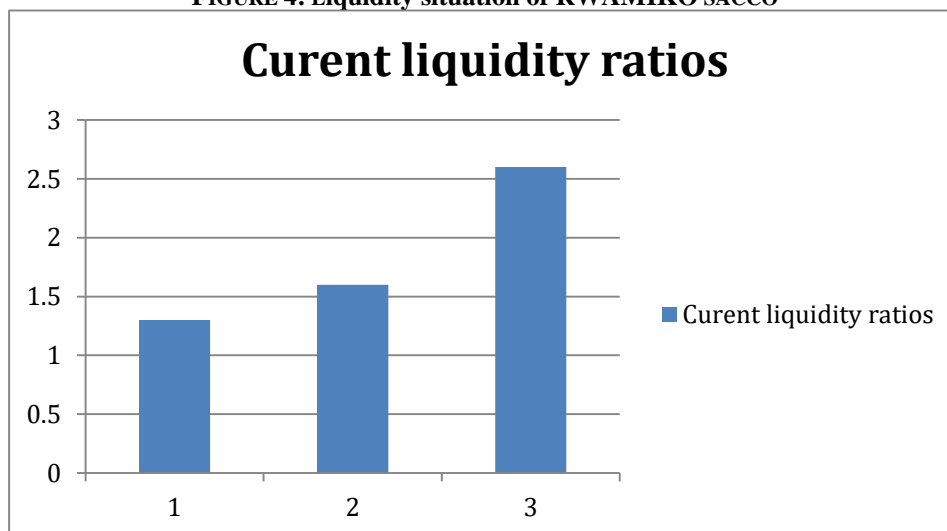
Source: Financial report RWAMIKO SACCO, 2016- 2018

This continuous increase of net profit is key support of suitable financial management where as expenses are maintained accordingly to income .It is a strong measure of financial performance and explains strengths of the institutions for working capital management and approaches of expanding services.

Liquidity situation of RWAMIKO SACCO

Liquidity ratios analyze the ability of a company to pay off its current liabilities or its financial obligations as they come due. The researcher was interested in analyzing the ability of cooperative to pay its debts and results are summarized in the figure below:

FIGURE 4: Liquidity situation of RWAMIKO SACCO



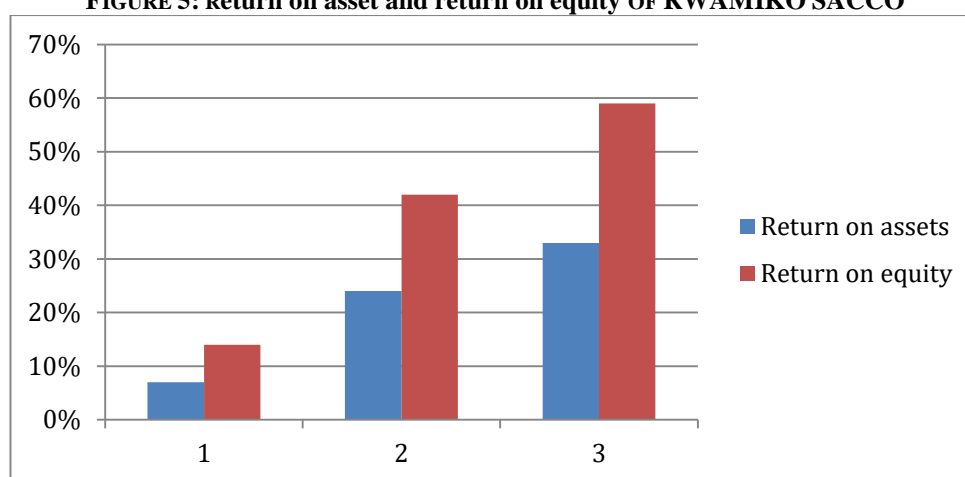
Source: Financial report RWAMIKO SACCO, 2016- 2018

As indicated above, the liquidity ratios for 2016, 2017 and 2018 present a consistent increase of variances. These are sufficient and necessary measures of financial performance of Savings and Credits Cooperative RWAMIKO SACCO. Financial position allows clearing its financial obligations since the current assets increase at a favorable rate.

Return on assets and Return on equity of RWAMIKO SACCO

The researcher was interested in analyzing return on assets and return on equity of three years as a quantitative indicator of financial performance of an institution and results are illustrated in the figure below:

FIGURE 5: Return on asset and return on equity OF RWAMIKO SACCO



Source: Financial report RWAMIKO SACCO, 2016- 2018

The above results revealed that there is a progressive return on assets within three years understudy and a parallel increase in the return on equity. The return on assets and return on equity are sufficient indicators of clear management of shares and deposits of clients and stakeholders. This could lead and explain working capital and capacity for extending outlets that are major measures of financial performance of Savings and credits cooperatives.

ASSESSMENT OF DETERMINANTS OF RWAMIKO SACCO

The main objective of this research was to assess the determinants of financial performance of SACCOs in Rwanda. The previous analysis revealed that RWAMIKO SACCO presents a high level of financial performance and this allowed the researcher to go on the main factors that are considered as basics of such status. The opinions and positions of respondents are summarized in the next table.

TABLE 9: DETERMINANTS OF FINANCIAL PERFORMANCE OF RWAMIKO SACCO

Statement	Agreed		Disagreed		Neutral	
	F	%	F	%	F	%
-Loan management	17	100	0	0	0	0
-Membership size	15	88.2	1	0.58	1	0.58
-Human resources management	13	76.4	3	17.64	0	0
-Working capital management	16	94.1	0	0	1	5.88
-Regulator and supervisory framework	14	82.3	3	17.64	0	0
Mean/ Average	15	88.2	1.4	7.172	0.4	1.292

Source: Primary data, October, 2019

The above table illustrates well the positions of respondents. Among 17 respondents the majority agreed on the stated determinants where loan management 100% of the respondents confirmed, membership size 88.2% of the respondents confirmed, human resources management of the organization 76.4% of the respondents agreed, working capital management 94.1% of the respondents and regulatory and supervisory framework 82.3% of the respondents agreed. The general average of agreement is 15 or 88.2% of the respondents. This led the researcher to confirm the mentioned factors to be the basic determinants of the financial determinants in saving and Credit Cooperatives in Rwanda.

LOAN MANAGEMENT AS DETERMINANT OF FINANCIAL PERFORMANCE OF RWAMIKO SACCO

Loan management is a common business requirement in today's competitive business age. Financial institutions that finance customers for different requirements (home loan, vehicle loan, business loan, personal loan etc.) can use loan management to design a loan and manage day to day operations related to it. Loan management can also be used by companies that deal in products which are generally expensive. These companies have to supplement the sale by offering suitable financing options to customers in order to make the sale. Not only companies can make a sale (for a value which was normally out of customer's reach) but also it can earn additional revenue in terms of finance charges, interests or penalties. Customer can always approach an external financing entity for loan however in-house financing option gives additional flexibility to companies. Companies that provide in-house financing can also sell loans to external financing entities in case they need cash.

Loan management facilitates loan refinancing where one or more loans can be grouped and refinanced in a single refinance contract. Companies can pay the refinancer as per the agreed payment schedule. The importance of credit management is vital to one's ability to pay the debt on time. It even becomes even more important when it comes to servicing more than one debt. The mix of debts would require different repayment strategies.

However, the strategies must be made keeping in mind the money you earn. Plus, with multiple debts, the definition of earning must change in order to ensure the repayment strategies sound practical. As 17 or 100% of the respondents confirmed the efficient loan management in RWAMIKO SACCO is a key determinant of efficient financial performance. The smooth repayment of loans ensures the credit history in good shape, helping to gain approval for future credit applications and financial performance.

MEMBERSHIP SIZE AS DETERMINANT OF FINANCIAL PERFORMANCE OF RWAMIKO SACCO

Membership size as confirmed by the majority of the respondents that is 88.2% , is a key determinant of financial performance of SACCOs in that framework it increases the capital volume needed to run the financial life of the organization. Membership size may guarantee continued flow of revenue and that enhances financial performance. The research revealed that dividend payout ratio was influenced by profitability, growth opportunity, cash flow and size. Membership size determines the level of organization revenue and performance.

Membership in SACCOs refers to shares that raise capital for operational and strategic reasons. Shares of public companies trade on regulated stock exchanges, where investors can place buy and sell orders. Shares are an integral part of the economy because they are a core component of most investment portfolios. Investors can own shares directly or indirectly through mutual funds. Household Net .A significant portion of household net worth is linked to the market value of stocks and mutual funds, and this creates a wealth effect. During bull markets, people feel wealthier and businesses feel more confident. They spend and invest, which benefits the overall economy in terms of increased employment, sales and corporate profits, Financial Planning and Investment.

Capital appreciation and dividend income are two reasons why shares are important to financial planning. A typical balanced investment portfolio contains stocks, bonds and cash. Conservative investors may favor bonds over stocks, while aggressive investors might favor stocks. Small individual shareholders holding a few hundred shares may not be able to influence companies. However, when these small investors join with mutual funds and other institutional shareholders, they can influence corporate boards and senior management to change strategic direction. Investors can influence corporate strategy by simply abandoning the shares of underperforming companies, thus driving share prices down and forcing the board to make the necessary changes. Healthy companies mean a healthy company, which benefits everybody.

RWAMIKO SACCO improved its financial performance from benefits of a great number of members simultaneously to their shares. Shares are often a source of regular income of SACCOs in Rwanda.

HUMAN RESOURCES MANAGEMENT AS DETERMINANT OF FINANCIAL PERFORMANCE OF RWAMIKO SACCO

Human resources management Debates about the importance of Human Resources Management occur daily in workplaces. Some employees regard Human Resource (HR) as the policing, traumatizing, systematizing arm of executive management. These employees see HR staff as gatekeepers, people who hold little interest in employee concerns. Such employees also see HR staff as supporting managers, not regular employees, sometimes attributing nefarious goals and motives to HR staff or even talking about why they hate HR.

Part of the problem is that HR has to balance the interests of five different stakeholders, so employees can feel their interests are ignored. A good HR department is critical to an employee-oriented, productive workplace in which employees are energized and engaged. HR monitors the culture. Some organizations say that HR owns the culture, but as in all other employee relations matters, we recommend that the ownership is

spread across all employees. HR owns the overall talent management processes. In conjunction with other managers, HR leads the way in management development, performance management, succession planning, career paths, and other aspects of talent management. HR can't do it alone and relies heavily on managers and executive staff to help plan and execute the strategies.

However, HR has to bring new ideas and effective practices into the organization. HR is responsible for the overall recruiting of a superior workforce. Once again, HR cannot do it alone but must provide support to hiring managers who are also responsible for recruiting a superior workforce. HR must provide leadership, training, scheduling assistance, a systematic hiring process, recruitment planning processes, interview expertise, selection monitoring, and more. HR recommends market-based salaries and develops an overall strategic compensation plan. HR provides guidance to managers as they determine the salary ranges within their organizations. HR researches, recommends and implements employee benefits programs that attract and retain your best employees. HR is also responsible for controlling costs and considering various options before recommending adoption.

HR is responsible for recommending and instituting strategies for people and the organization that further the attainment of the organization's strategic goals. If your organization is changing direction, developing new products, changing mission, vision, or goals, HR must lead the way with employee programs and processes. HR makes sure that workplace activities, events, celebrations, ceremonies, field trips, and team building opportunities are occurring. Other employees plan and implement the activities with or without HR's help, but the HR leader is generally responsible for monitoring the budget and providing committee oversight.

As agreed by the majority of respondents that is 76.4%, HR advocates for employees who have issues or conflict with management and coaches managers and executives who seek a more effective approach to working with particular employees. Not everyone loves each other but they need to develop effective working relationships with contributions and productivity. HR can help by knowing the players and taking on the necessary role of advocate, coach and/or mediator. The importance of HR is easily overlooked in the busy day-to-day in the workplace, but without contributions in each of these areas, the organization would be less successful.

WORKING CAPITAL MANAGEMENT AS DETERMINANT OF FINANCIAL PERFORMANCE OF RWAMIKO SACCO

Significance of working capital management on financial performance of SACCOs is the use as a matrix effectiveness, liquidity and overall health of an organization. It is a representation of cooperative's activities, debt management, inventory management, with enough liquidity, payment to their suppliers on time, which will also benefit starting a regular and smooth cash flows on time due to any kind of financial risks or uncertainty.

The ability of SACCOs to meet short-term commitments is a prerequisite towards long-term solvency plus commonly good indicator of counter-party's credit risk. Sufficient working capital management allows the business in order to cover its short-term commitments on time that might consist of payment for the salaries, operational expenses, buy of raw items and materials, etc. Efficiently maintaining a balanced ratio between current assets and current liabilities is called working capital management. Significance of Working capital management ensures that that the company has enough monetary liquidity to meet short-term debts. Structuring an effective working capital management is a great way to enhance the income. Ratio analysis and management of individual components of working capital are two primary importance of working capital management.

COMPLIANCE TO RULES AND REGULATIONS IN RWAMIKO SACCO

Compliance basically is adherence to set laws and regulations. This can be effectively achieved through the process of identifying and analysis in the rules governing the operations of the cooperative to create a robust rule book for the organization. Designing and implementing adequate controls in order to conduct business in accordance with the rule book and monitoring the effectiveness of the controls put in place. RWAMIKO SACCO as other SACCOs in Rwanda are experienced of regular external audits. BNR and RCA organize frequent audits and controls in order to have daily operations of the cooperatives. These auditors set recommendations and instructions to put in place. RWAMIKO SACCO assured to take effectively into consideration the given instructions and other recommendations. The study revealed that 82.3% of respondents confirmed that compliance to rules, regulations and laws defines the high level of financial performance in the cooperative.

REGRESSION ANALYSIS

After the detecting that there is an efficient financial management in RWAMIKO SACCO, and analyzing the related determinants the researcher creates the financial performance function as follows:

$$Y = B_0 + B_1x_1 + B_2x_2 + B_3x_3 + B_4x_4 + B_5x_5 + E_i$$

Where

Y represents financial performance

X1 represents loan management

X2 represents Membership size

X3 represents Human resources management

X4 represents Working capital management

X5 represents Regulator and supervisory framework

E_i stands for Error term

The above established regression model illustrates well the relationship between financial performance and its determinants as illustrated in the table below:

TABLE 10: SPSS REGRESSION ANALYSIS RESULTS

COEFFICIENTS^A

Model		Unstandardized Coefficients	Standardized Coefficients	95% Confidence Interval for B	
		B	Beta	Partial	Part correlation
	(Constant)	8.302			
	MEMBERSHIP	2.972	3.145	1.000	.762
	LOAN MGT	3.868	3.365	1.000	.860
	HUMAN RES.MGT	4.906	7.943	1.000	.871
	CAPITAL MGT	5.604	9.530	1.000	.896
	RULES& LAWS	1.943	2.095	1.000	.951

a. Dependent Variable: Y

The regression analysis about partial correlation coefficient between financial performance as dependent variable and its determinants as repressors or independent variables revealed that there is a strong positive correlation between variables. Membership size is correlated at 0.762, loan management is correlated at 0.860, human resource management is correlated at 0.871, working capital management at 0.896 and compliance to laws and regulations at 0.951.

IV. SUMMARY OF MAJOR FINDINGS AND CONCLUSION

Summary of major findings

The financial performance of RWAMIKO SACCO was assessed on the basis of qualitative analysis and quantitative analysis. The research revealed that 100% of the respondents agreed on high performance and no one confirmed the low financial performance. This helped consistently the researcher to detect really the perception of respondents whether the institution presents a strong financial performance. Descriptive research use qualitative analysis through opinions of respondents to get necessary information that could help to test the relationship between variables of the study.

Furthermore, the research describes the opinions of respondents about indicators and measures of performance of RWAMIKO SACCO, whereas 88.2% of respondents agreed on achievement of goal and objectives, 76.4% of respondents agreed on Improved working capital management, 82.3% of respondents confirmed Customer satisfaction and Services delivery, 100% of respondents agreed on earning and profitability, 76.4% of respondents confirmed expansion of Business and growth of banking assets, 94.1% of respondents agreed on funding, liquidity and bank lending are underlined to explain the appreciated level of financial performance of RWAMIKO SACCO. The mean value of agreements which is equal to 14.2 or 86.2% of the respondents on the above indicators revealed that RWAMIKO SACCO reports an excellent level of financial performance. This allowed the researcher to examine the determinants of financial performance in SACCOs in Rwanda and to find out the relationship between variables as requires the partial assessment of each variable.

Income statement comprises account trade and profit and loss account in the form of statements showing all results and expenses for the accounting period and measuring business performance net profit or net loss, researchers used secondary data to know the financial statement of RWAMIKO SACCO for the period 2016-2018.

Based on the results found, the cooperative is reporting an excellent financial performance as measured by income progress of three years taken into account. Financial analysis provides quantitative measures of

performance of an organization. The net income of 3 years under analysis helped the researcher to analyze the determinants of financial performance of Savings and Credits cooperatives in Rwanda by taking a case study of RWAMIKO SACCO.

This continuous increase of net profit is key support of suitable financial management where as expenses are maintained accordingly to income .It is a strong measure of financial performance and explains strengths of the institutions for working capital management and approaches of expanding services. These are sufficient and necessary measures of financial performance of Savings and Credits Cooperative RWAMIKO SACCO. Financial position allows clearing its financial obligations since the current assets increase at a favorable rate. The return on assets and return on equity are sufficient indicators of clear management of shares and deposits of clients and stakeholders. This could lead and explain working capital and capacity for extending outlets that are major measures of financial performance of Savings and credits cooperatives.

The researcher to achieve the main research objective based on the positions of respondents. Among 17 respondents the majority agreed on the stated determinants of financial performance of SACCO where loan management, 100% of the respondents confirmed, membership size 88.2% of the respondents confirmed, human resources management of the organization 76.4% of the respondents agreed, working capital management 94.1% of the respondents and regulatory and supervisory framework 82.3% of the respondents agreed. The general average of agreement is 15 or 88.2% of the respondents. This led the researcher to confirm the mentioned factors to be the basic determinants of the financial determinants in saving and Credit Cooperatives in Rwanda

CONCLUSION

From the findings, the study found that there is effective and efficient financial performance in RWAMIKO SACCO as one of UMURENGE SACCOs in Rwanda. Qualitative analysis based on perceptions and opinions of respondents. Quantitative analysis focused on financial statements of the Cooperative. It was found that the high level of financial performance is determined by large number of member shareholders, effective loan management, effective and smooth human resource management, efficient working capital management and compliance to rules, regulations and financial management instructions. The research objectives were achieved and research questions were answered.

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