# MAKERERE UNIVERSITY

## MAKERERE UNIVERSITY BUSINESS SCHOOL

**ASSESSING THE OPERATION PRACTICES OF DECENTRALISED ORGANIZATIONS: A CASE OF EXODUS SACCO**

**BY**

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**A RESEARCH REPORT SUBMITTTED TO MAKERERE UNIVERSITY BUSINESS SCHOOL (FACULTY OF GRADUATE STUDIES AND RESEARCH) IN PARTIAL FULFILLMENT FOR THE REQUIREMENT OF THE AWARD OF A DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF MAKERERE UNIVERSITY**

**PLAN B**

**NOVEMBER, 2023**

## DECLARATION

I hereby declare to the best of my knowledge that this report is my original work which has never been published and or submitted for any academic award in any institution of higher learning.

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## APPROVAL

This is to certify that this research report has been submitted for examination with our approval

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## DEDICATION

I dedicate this work to Allah, the Almighty whom by His grace made everything possible, to my beloved family, my supervisors and my friends for the support and firm foundation they gave me.

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## ABSTRACT

The purpose of the study was to examine the operation practices Decentralized Organizations using case study of Exodus SACCO . The study based on three objectives that to examine the operations practices of Exodus SACCO in Uganda, to examine the challenges of operations practices of Exodus SACCO in Uganda, to examine the strategies to improve the operations practices of Exodus SACCO in Uganda. The study was adopted using cross-sectional research design. This is because it indicates the state of variables at a single point in time in different areas of an organization, Mbonigaba, (2015). This was made possible with the use of quantitative and qualitative data collection methods. To validate this information, the findings were compared with other ideas in literature review.

The population study comprised 240 respondents who included 13 Exodus SACCO regional liaison staff, 182 district/divisional police commanders/managers, 4 Recovery officers and 2 human resource/administration officers and 39 staff Head office Exodus SACCO. The study considered a sample size of 148 according to Krejcie and Morgan (1970). The researcher used simple random sampling because it was very important to identify reliable sources of information.

According to the table 4.3 from total respondents it was revealed that that the Sacco operates on a cooperative basis and controlled by their members at a (Mean = 4.4298 with standard deviation of 0.75085. The Sacco encourage members to save regularly by offering various savings products at a (Mean = 4.2727 with standard deviation of 0.86603).

Exodus SACCO in Uganda faces both opportunities and challenges in its operations, as revealed by the survey findings. While the SACCO operates on a cooperative basis with member control, the survey identified key areas for improvement, including loan recovery, funding adequacy, member training and education, savings culture and technological enhancements. By strategically addressing these challenges through comprehensive strategies such as enhancing loan recovery processes. To enhance trust and transparency within the SACCO, it is recommended that Exodus SACCO strengthen its governance structure and ensure strict adherence to regulatory guidelines.

# CHAPTER ONE

# INTRODUCTION

## 1.1 Introduction

This chapter covers the background, problem statement, research objectives, research questions, purpose of the study, and significance of the study and scope of the study.

## 1.2 Background

Financial cooperatives, also known as savings and credit cooperative societies (SACCOS), play a significant role in providing financial services to underserved and economically disadvantaged populations. They operate with distinctive organizational frameworks and adhere to specific operating strategies that are crucial for their success (Martins *et al*., 2023). SACCOS are characterized by a democratic governance structure and a mandate to offer high-quality services determined by their members (Pavlovskaya *et al*, 2020). These institutions are seen as a feasible tool to fight global poverty and promote financial inclusion for social development, benefiting both low-income and middle-class individuals (Anakpo et al., 2023).

Member participation, governance structure, board of directors, and collective activities have been identified as essential factors that significantly impact the performance and operations of successful financial cooperatives (Eti Kusmiati et al., 2023). Active member involvement ensures better decision-making and alignment with the needs and preferences of the cooperative's members. Moreover, financial cooperatives foster a saving culture among low-income individuals, encouraging regular savings and providing access to credit for beneficial purposes (Zikalala, 2016). However, financial cooperatives, particularly those with decentralized operations, face operational challenges. For

instance, Exodus SACCO, established by the Uganda Police Forces in 2007 and it operates through a decentralized process with activities at various police stations, district, regional, and headquarters levels (Uganda Police Force, 2007). The SACCO's membership includes all serving police officers, their family members, and support staff located in various police stations across the country (Uganda Police Force, 2007). The primary aim of the SACCO is to provide its members with the opportunity to mobilize savings and access credit through a decentralized process that operates at police station, district, regional, and headquarters levels (Uganda Police Force, 2007). This decentralization may lead to difficulties in gathering comprehensive creditworthiness information for loan approvals (Uganda Police Force, 2007).

Another operational challenge arises in credit recovery. Exodus SACCO adopts a deduction system for loan installments from members' salaries, requiring coordination with the Uganda Police Force Human Resource and clearance by the Ministry of Public Services (Uganda Police Force, 2007). Delays or failure in obtaining necessary approvals can hinder loan recovery, leading to the accumulation of non-performing loans (Exodus SACCO Annual Report, 2021). These external bureaucratic processes can significantly impact the SACCO's operations and financial health.

Despite these challenges, financial cooperatives remain instrumental in promoting financial inclusion and empowering underserved communities (Nnyanja, 2017). By addressing operational practices and streamlining credit approval and recovery procedures, SACCOS like Exodus SACCO can enhance their effectiveness in providing financial services to their members. Additionally, by leveraging the principles of

institutional theory, financial cooperatives can adapt to external institutional pressures and enhance their services and offerings, further supporting their sustainable growth and impact on financial inclusion (Scott, 2008).

Regarding credit recovery, Exodus SACCO adopts a system of deducting loan installments every month at the time of salary payment (Uganda Police Force, 2007). However, this process involves coordination with the UPF's Human Resources and requires clearance by the Ministry of Public Services (Uganda Police Force, 2007). The SACCO assigns reservation codes for loan installment deductions, but these codes automatically expire within two months (Uganda Police Force, 2007). If the deduction codes are not approved by the Commissioner of Human Resources, it may result in delays or failure to recover the disbursed loans (Uganda police force, 2007). The involvement of external bureaucratic processes has led to the accumulation of a non-performing loans portfolio amounting to UGX 1.071 billion in 2021 (Exodus SACCO Annual Report, 2021).

The study was guided by Scientific Management Theory, also known as Taylorism, was developed by Frederick Winslow Taylor in the early 20th century Bell & Martin, (2012). This theory focuses on maximizing efficiency and productivity by analyzing and optimizing workflows, eliminating unnecessary tasks, and standardizing work processes. SACCOS, being a financial cooperative society, can apply these principles to their operations practices to enhance member satisfaction and streamline their services, Giannantonion & Hurley-Hanson, (2011). For instance, SACCOS can analyze the workflow of their loan disbursement process, identify bottlenecks, and optimize the steps

involved to minimize processing time and increase efficiency. By standardizing work processes, SACCOS can ensure consistency in service delivery across all branches, enhancing member experience. Additionally, SACCOS can implement performance metrics and benchmarks to monitor progress and identify areas for further improvement, (Wren, 2011).

## 1.3 Statement of the problem

Exodus SACCO is playing an important role of granting loans to members of the Uganda Police Force countrywide through the various police facilities. The Sacco is facing significant challenges in its operations practice that hinder its ability to effectively serve its members. According to a report by the Sacco's regulatory body, the Sacco Societies Regulatory Authority (SASRA), the organization has been experiencing a high level of non-performing loans, which stood at 12.6% as of December 31st, 2022, significantly higher than the industry average of 5.9% (SASRA, 2021). Additionally, the Sacco has been facing challenges in managing its liquidity, with a liquidity ratio of 27.8%, below the minimum requirement of 30% set by SASRA (SASRA, 2021).

Although the SACCO has set up mechanism of approving loans based on the members salary and contribution to the SACCO it has witnessed less savings due to the unwillingness for members to increase their savings which has affected the loanable funds and lack of internal control in respect to external loans from other financial institutions by the members through the decentralized operations, (Bagala, 2023, Exodus Sacco Annual Report, 2022). Further, the retired officers are eligible to join, but there is no effective mechanism of recovering the loans except relying on the good will and are

outside the supervision of the UPF's HR. Therefore, the study examined the current decentralized operation practices of exodus SACCO.

## 1.4 Purpose of the study

The purpose of the study was to examine the Operation Practices of Decentralized Organizations using Exodus Sacco as a Case study.

## 1.4 Objectives of the Study

i) To examine the operations practices of Exodus SACCO in Uganda

ii) To examine the challenges of operations practices of Exodus SACCO in Uganda

iii) To examine the strategies to improve the operations practices of Exodus SACCO in Uganda

## 1.5 Research Questions

i) What are the operations practices of Exodus SACCO in Uganda?

ii) What are the challenges of operations practices of Exodus SACCO in Uganda?

iii) What are the strategies to improve the operations practices of Exodus SACCO in Uganda?

## 1.6 Scope of the study

### 1.6.1 Subject scope

The study considered the operation practices of of Exodus SACCO in Uganda

### 1.6.2 Geographical scope

The geographical scope of the study was carried out in all divisional police headquarters.

### 1. 6.3 Time scope

The study covered period Jan, 2022 to March 2023

## 1. 7 Significance of the study

The study may play a pivotal role in advancing financial inclusion in Uganda. By improving the understanding of SACCO especially deposit taking regulations and operations; it encourages more individuals, especially those in underserved or rural areas, to participate in these cooperative institutions as members and depositors. This helps to expand access to financial services for previously excluded populations.

Understanding the regulatory landscape and mechanisms for compliance can assist SACCOs especially deposit taking in effectively managing risks. This includes mitigating financial, operational, and governance risks, which, in turn, helps protect the interests of members and depositors.

SACCOs often play a vital role in local economic development by providing loans and financial support to members for various economic activities. This study will help SACCOs especially deposit taking operates more efficiently and sustainably, contributing to the growth of local economies and job creation.

The study's findings could inform government policy decisions related to the cooperative sector. It can guide policymakers in crafting regulations that strike a balance between consumer protection, financial stability, and the growth of SACCOs especially deposit taking as important financial intermediaries.

The study could serve as a foundation for training and capacity-building programs for SACCO staff and management. This can lead to the development of a skilled workforce

within SACCOs, enhancing their ability to provide high-quality financial services to members.

As SACCOs become more regulated and transparent, they can attract more investors and funding. This increased investor confidence can lead to greater capital infusion into SACCOs, enabling them to expand their services and reach.

The study's insights empower local communities to actively engage with and support their SACCOs, fostering a sense of ownership and participation in local economic development.

The study may contribute to financial literacy efforts by providing accessible information on the role of regulations in financial institutions. This will lead to a more informed and financially literate population in Uganda, which is essential for making sound financial decisions.

The study could bring a better understanding of regulations that can encourage healthy competition among SACCOs especially deposit taking. Competition can drive innovation in financial products and services, benefiting consumers with more choices and improved services.

# CHAPTER TWO

# LITERATURE REVIEW

## 2.1 Introduction

This section covers the institutional theory, the operation practices, challenges and strategies to improve the operations of the financial cooperatives

## 2.2 Institutional theory

The study was guided by two theories that Scientific Management Theory, also known as Taylorism, was developed by Frederick Winslow Taylor in the early 20th century Bell & Martin, (2012). This theory focuses on maximizing efficiency and productivity by analyzing and optimizing workflows, eliminating unnecessary tasks, and standardizing work processes. SACCOS, being a financial cooperative society, can apply these principles to their operations practices to enhance member satisfaction and streamline their services, Giannantonion & Hurley-Hanson, (2011). For instance, SACCOS can analyze the workflow of their loan disbursement process, identify bottlenecks, and optimize the steps involved to minimize processing time and increase efficiency. By standardizing work processes, SACCOS can ensure consistency in service delivery across all branches, enhancing member experience. Additionally, SACCOS can implement performance metrics and benchmarks to monitor progress and identify areas for further improvement, (Wren, 2011).

The institutional theory of organization, also known as the neo-institutional theory, was introduced by sociologist John W. Meyer in 1977. It has since become one of the most widely accepted and influential theories in organizational studies (Theis 1998). According to this theory, organizations are shaped by various social and cultural factors,

including norms, values, beliefs, and practices that are shared among individuals and groups within a particular institutional environment. Within this framework, organizations are seen as social entities that are embedded in larger social structures and subject to various forms of influence and control. The theory focuses on enduring the fundamental aspects of these organizations, particularly how certain structures, like laws, customs, and practices, become authoritative standards for social behavior (Scott, 2004). One significant aspect highlighted by institutional theory is "institutional isomorphism," as coined by DiMaggio and Powell in 1983. This concept refers to the similarity in structures and processes within the organizational field. They identified three types of isomorphic forces: mimetic, coercive, and normative factors.

According to Scott (2014), mimetic forces drive organizations to imitate or mimic the systems, structures, or operations of other organizations, especially in situations of ambiguity where the best practices are uncertain. This can lead to the adoption of certain practices even if their performance advantages are not empirically proven. For instance, organizations may adopt managerial approaches that lack empirical support, simply because they are seen as innovative and legitimate, (Ragsdale and Theis 1998).

Peters (2000) argues that coercive forces, on the other hand, result from external pressures applied by governmental, regulatory, or other organizations, compelling organizations to adopt certain structures or systems. These pressures are often linked to legal requirements, health and safety laws, and other regulations. Coercive forces underscore the impact of political factors on organizational transformation, (Breslow, 2015).

Breslow, (2015) further argue that normative forces are driven by professional norms and groups, dictating the appropriate practices and procedures for organizations. These norms are communicated through professional education, training, and certification processes recognized by professional groups. Organizations are expected to adhere to these norms to maintain legitimacy and credibility within their professional spheres.

Institutional theory also evaluates an institution's condition based on four criteria: autonomy, flexibility, complexity, and coherence. These criteria help understand the level of institutionalization within an organization and how it affects its members and environment. For Savings and Credit Cooperative Societies (SACCOS), these mimetic, coercive, and normative forces play a significant role in shaping their operations and performance, Stone, (2005). The ability to manage and adapt to these pressures is essential for SACCOS to survive and meet the expectations of their members. Failure to do so may result in internal and external issues hindering their effectiveness and relevance. Therefore, understanding and navigating these institutional aspects are crucial for the success of SACCOS and similar organizations, (Gaitho, 2010).

## 2.3 Credit operations practices

An organization that operates a collaboratively owned and democratically managed business is known as a co-operative. It is a voluntary group of independent people with comparable economic, social, and cultural goals. (Cooperative Alliance, 2012). Co-operatives are unique since their membership owns and manages them, claim Ferri *et al.*, (2014). According to Sabatini *et al.*, (2014), cooperatives also foster community through this dual identity of ownership and membership, in addition to creating interpersonal relationships, lowering information asymmetry and agency problems, and eliminating

these challenges. In order to enhance the social fabric that unites the community, cooperatives work to promote the members' overall socioeconomic well-being (Hossein, 2017).

Studies highlight the importance of implementing better service delivery methods, diversifying financial goods, bolstering collateral systems, and setting reasonable financial conditions for members. The prevalence of several informal savings strategies that can be found all over the world, corroborate the widely held belief that people living in poverty have a substantial capacity for saving. Even while very few individuals will ever require credit, almost everyone will need to save money at some point in their lives.

According to Gisemba, (2010), the Savings and Credit Cooperative Societies (SACCOS) are type of financial cooperatives that are administered, and managed by their members, who have a shared bond. Financial cooperatives are based on cooperative principles like openness, democracy, and accountability and serve its members, (Kleanthous *et al.,* 2018). The primary goal is to offer financial services to a particular demographic group that is defined by a shared set of membership standards. Since they are independent organization run by their members, who also serve as their owners and customers, the members are in charge of their management, expansion, and profitability, (Coad and Glyptis, 2014). The cooperatives that offer housing microfinance, savings, and credit have indicated that they support community development based on the ideals of the solidarity economy (Kratzer *et al.,* 2017). Grubbauer and Escobar (2021) contend that they offer financial services that encourage community ownership of property and regional production, distribution, and consumption patterns based on needs (Daz-Muoz *et al.,* 2019).

According to Caracciolo *et al.,* (2017), this is founded on the values of solidarity, equity, collective self-governance, respect for cultural variety, and preserving the environment. According to these principles, the cooperative disburses loans, gathers savings, provides insurance, and distributes remittances. The cooperative, however, gives financing for productive or commercial activities and incorporates them into initiatives aimed at assisting individual households while also boosting the local economy, in contrast to profit-driven financial institutions.

## 2.4 Challenges of operations mechanisms

The biggest challenge for these financial organizations is their low capital base, which makes it harder for them to be effective financial intermediaries for their members or clients. The insufficient capital base and capacity constraints frequently force most financial organizations to offer a relatively narrow variety of products, making them unattractive to a significant portion of the rural population (CRDB Microfinance, 2015). The quality of their loan portfolios, which is a crucial measure of the capability of lending institutions, appears to be another critical issue that is compromising the existence of many SACCOS.

However, given that they strive to attract savings deposits from their members, many smaller SACCOS' growth trends appear unequal. The fundamental barrier to growth is the lack of savings (Distler and Schmidt, 2011). As a result, it becomes risky to fulfill members' expectations. Due to the difficulty in maintaining financial viability and the restrictions on the ability to compete with commercial banks and other microfinance organizations Otache *et al.* (2022).

According to Absanto and Aikaruwa (2013), the reasons for poor loan recovery performance include realism against aspiration, expected value versus dispersion, bookkeeping, borrower cash flow patterns, collecting technique, institutional scope or diversity of services provided, and interest rates. Most of the time, past-due loans are not directly collected by responsible recovery officers or the credit committee members. This might be the culmination of bureaucratic, lengthy, and hierarchical procedures involving loans arrangements deductions installment codes, starting with the recovery officer of the financial institutions consistency of procedures at the SACCO, Kimotho, and Mwasiaji (2019).

According to Branch and Baker (1998), where an organization's ownership is dispersed across several members, governance issues may develop. Due to the extensive dispersion of ownership, just a handful of elected members may truly fulfill the responsibilities of overseeing the operation while the members monitor their elected representatives to the executive board. According to Odera (2012), upon being elected, the board makes a number of pledges and may give supporters preferred loan treatment by avoiding the credit committee procedure. The typical borrower-dominated service structure combined with the fact that the norms for decision-making and control are not clearly established and upheld lead to governance issues. Members may become free-riders with little or no participation. These could be the result of excessive and unacceptable manipulation or a board-wide disregard for protocol. These shortcomings in corporate governance result in ineffective and inefficient service delivery, Mathuva, and Chong, (2018).

It is difficult to effectively monitor performance due to the lack of an appropriate Management Information System (MIS) and the management-board reporting structure

(Distler and Schmidt, 2011). Financial products and managerial structures are typically kept separate. They are unable to build strong institutional capabilities to support change towards anticipated futures because of their lack of leadership. All of these limit their ability to develop into a stronger organization that can satisfy the needs of their members. Poor record-keeping and accounting procedures include management members' predisposition to flout the requirements of the accounting system, such as keeping up-to-date records and generating timely, accurate, and thorough records, Kabui, (2011).

Initiatives in education and training place a greater emphasis on building the capability of the staff and members of the Board than on the other members. According to Levi and Litwin (1986), cooperative education helps people learn about economic processes, participate in a democratic system, and put ethical principles into practice. Lack of literacy, education, or training results in financial mismanagement through violations of regulations and policies, such as giving themselves unauthorized or excessive loans that they later fail to repay, Mathuva, and Chong, (2018).

Customers are more likely to engage with financial institutions that offer a comprehensive suite of services, as it simplifies their financial management and reduces the need to use multiple providers, Dias,, Silva, & Lund,,(2019). In general, financial institutions provide a narrow array of products and services, especially those with a low capital base that largely offer credit and savings services. Although loans are widely utilized by many members (customers), long-term housing loans, micro insurance, micro leasing, and pension benefits are not adapted to be provided, Otache, (2022).The difficulty of promptly accessing loans, saving money, and processing loan applications is impeding the effectiveness of service provisions in SACCOs indicating that the absence

of proper credit risk management practices in the rural SACCOS increased the value of NPL where in some SACCOS almost all loans were defaulted Magali and Qiong, (2014).

## 2.5 Strategies to improve operations practice

According to Olfield and Santomew (1997) a motivated employee is the one that will defend the course of his or her employer. Risk can never be managed without the employees, hence, Sacco's management should be ready and willing to properly remunerate and motivate the workforce. The motivation should not be limited to financial reward alone, but it should include an open acknowledgement of the employee who works very well in the reduction of the firms risk without compromising the business ethics. From economic point of view, risk should be prioritized using a simple scale of preference in handling them (risk). Although, all form of risk should be managed, but the impact of these risks on MFI business differs considerably, hence these risks should be analyzed and given their appropriate scale (Olabisi, 2008).

According to Korten (2009), when managers are empowered with resources, they are able to transform visions into objectives which are achievable in a short and measureable period of time. Therefore, managerial competence helps organizations to achieve the required performance by fulfilling their vision in the market. Most of the scholars define managerial competence differently but the key phrase in most definitions is the management of resources by a manager with the required skills

According Dreier, (2019) cross-disciplinary training and education programs Intensive education and training activities should be put in place to strengthen the institution's capabilities. Members, staff, and board members must be responsible leaders who are

committed to the organization if they are to serve it well. The abilities of the board of directors and the managerial team must be developed through specialized training. Providing continual opportunities for leaders and individuals to grow their skills and fostering platforms for experience sharing are both still essential, (Kolzow, 2018).

In addition, raising the necessary savings rate will help financial institutions thrive in the long run. Also, decide to invest some of the funds in profitable ventures, including creating commercial real estate for rent, serving as a supplier of farm inputs, and pursuing other investment goals in accordance with member preferences. Reliance on external funding sources such as banks, financial NGOs, philanthropists, and the government has to be minimized, (Mwangi, 2013).

Businesses could broaden their product offerings to please customers (members), for example, by providing the bulk of financial services provided by commercial banks and other financial institutions. They do not have enough innovative people to develop new financial services and products that meet the needs of their members. According to Auka and Mwangi (2013), the majority of customers were enticed to other financial institutions by their quick response times and extensive selection of loan or service alternatives. They have been purely concentrating on loan disbursement and saving mobilization for a very long time and haven't done anything innovative to develop any new financial products.

# CHAPTER THREE

# RESEARCH METHODOLOGY

## 3.1 Introduction

This section presents research design, the study population, sample size and technique, data sources, data collection instrument, validity and reliability, measurements of research variables, data processing and analysis, limitations and anticipated challenges.

## 3.2 Research design

A research design is the plan or framework used to conduct a research study. A cross-sectional study is a type of research design in which researchers collect data from many individuals at a single point in time. Therefore, the researcher adopted cross sectional study design because it enabled the researcher to collect data systematically with an accurate description once at a point in time (Sekaran, 2013). It also facilitated a large sample of coverage where every participant participated only once or in snapshot, which saves time (Creswell, 2014). The study was based on quantitative approach since quantitative approach was adopted to collect numeric data or data in form of figures.

## 3.3 Population of the study

The population for this study was 240 comprised 13 Exodus SACCO regional liaison staff, 182 district/divisional police commanders/managers, 4 Recovery officers and 2 human resource/administration officers and 39 staff Head office Exodus SACCO (Exodus SACCO Annual Report 2022)

## 3.4 Sample size and sampling techniques

The sample size of 148 was determined using Krejcie and Morgan (1970) table of sample determination. The study used simple random sampling to select the respondents to the questionnaire. The 240 was each assigned numbers and wrote on a piece of paper, folded and then selected without replacement till the sample size of 148 was attained.

## 3.5 Data sources

### Primary Data

This study used primary sources to analyze, present, and interpret results. These are sources where data was collected for the first time. In these sources, data is always new and fresh because it is collected direct from the respondents. . Primary data was used because it was relevant and helped to gather enough information for the study variables. These kind of sources included questionnaires, interviews and observation (Andrews, 2007).

## 3.6 Data collection instrument

Data from the field was obtained through the use of self-administered questionnaires following systematic and established academic procedures. The instrument was structured containing only close-ended questions which was gauged on a 5 Point Likert scale ranging from; 5-strongly agree, 4-agree, 3-Not sure, 2-disagree and 1-strongly disagree. The scale was selected to provide respondents with the extent to which they agreed with the different notions (Likert, 1961). On the other hand, the questionnaire instrument was adopted because it facilitated in obtaining data from a large sample, and it was the most appropriate tool for collecting quantitative data (Saunders, Lewis & amp; Thornhill, 2007).

## 3.7 Measurement of variables

Credit operations practices were measured and evaluated through several key performance indicators (KPIs), including credit risk mitigation measures, quality of services, and staff competence. To assess credit risk mitigation measures, the researcher looked at factors such as loan-to-value ratios, provisioning for bad debts, and collateral requirements. , the researcher also evaluated the quality of services provided by credit unions, including the range of financial products and services offered.

Challenges were measured through the capital base, governance, internal controls, and capacity building monitoring

The strategies were measured through loan disbursement and saving mobilization innovative people, cross-disciplinary training and education programs and good governance

## 3.8 Reliability and validity

The validity of the study is concerned with the extent to which the data collection instruments accurately measure what they intend to (Amin, 2005). In this study, expert judgment and content validity index (CVI) were used. After drafting the questionnaire, it was shared with academic supervisors and other experts who provided comments regarding the appropriateness and understandability of the items contained in the instrument. Based on their comments, the questionnaire was amended. CVI was used where the researcher distributed the questionnaires to specific people who were conversant about the subject, not necessarily those targeted by the study to express the

content validity. Based on the results obtained, the researcher computed CVI using the formula, K/N where; K is the number of items identified as valid and

N is the number of items under each construct. As a general rule, CVI should be 0.7 or better under to be considered valid (Creswell, 2014). The same threshold was applied to this particular study. Reliability was determined by pre-testing and Cronbach Alpha coefficient. Before the actual data collection, the researcher distributed between 10 and 15 to check for consistence in the responses. Depending on the results, the questions were rephrased. Cronbach Alpha coefficient also computed based on the field results. Nunnally and Bernstein (1994) indicate that results are regarded as reliable when the Cronbach alpha coefficient obtained under each construct and variable is at least 0.7. The same scale was used to determine the reliability of the questionnaire.

**Table: 3.8 Reliability and validity**

| Variable | Number of items | Reliability (Cronbach alpha) | Validity (Content Validity Index) |
|---|---|---|---|
| Operational Practices | 10 | 0.841 | 0.727 |
| Challenges of Operation Practices | 10 | 0.901 | 0.730 |
| Strategies to Improve the Operation Practices | 10 | 0.700 | 0.665 |

Reliability should be 0.7 (Creswell, 2014) and above and validity should be above 0.5

**Source: Primary Data (2023)**

The Cronbach Alpha of 0.700, 0.901 and 0.841 was obtained as in above table and demonstrated that the research instrument could produce reliable results.

## 3.9 Ethical considerations

With the field introductory letter issued by Faculty of Graduate Studies and Research of Makerere University Business and permission to conduct a study granted by the authorities of exodus SACCO, the researcher ensured privacy of information in such a

way that no unauthorized persons had access to the data that was collected. Further, the researcher gave assurance on respondents' privacy and allayed any ethical challenges which could have brought respondents' personal privacy into question.

Another issue of concern was anonymity. The researcher did not know who the participants were and did not link them to their data, thus the researcher withheld all the identity of the respondents. This was done by informing the respondents prior not to include personally identifying information such as names, phone numbers and email addresses. In addition, the respondents reserved the right to leave questions unanswered for which they did not wish to offer the requisite information (Burles & Bally, 2018).

On the issue of confidentiality, the researcher informed the respondent a head of time about the purpose of the study and how their responses would be treated to serve for academic purposes. Any data which was obtained but linked to private issues was handled with absolute confidence (Bryman & Bell, 2016). Furthermore, honesty was emphasized where the researcher assured the respondents of how their responses would be kept confidential and treated for the purpose of the study. The spirit of honesty in keeping time and responding to issues which were raised by the respondents was maintained without raising their expectations in anyway.

## 3.10 Data presentations

The researcher used Statistical Package for Social Sciences (SPSS v.25) to analyze data. All the data collected from the field was analyzed in order to enable the researcher to obtain clear understanding of the approaches used in the Likert scale. This was achieved following descriptive statistics for example percentages, frequencies, mean variation and standard deviation.

### 3.11 Anticipated limitations of the Study

i. The researcher used a cross-sectional research design which signifies that the study was not able to cater for the changes that may occur after the data collection exercise. This might have affected the reliability of the results contained in the report. In order to over this challenge the researcher employed a cross-sectional research design, which involved collecting data from a sufficiently large sample size of at a single point in time. While this design allowed for a snapshot of the current state of credit operations practices in Ugandan credit unions, it did not account for any changes or developments that may have occurred after the data collection period.

ii. Using close-ended questions might have limited the researcher from obtaining views and opinions from respondents leading to biasness that might have affected the results. To overcome such challenge the researcher adopted a concurrent triangulation approach, which involved combining multiple methods to enhance the validity and reliability of the findings. Specifically, the researcher conducted interviews with key informants, focus group discussions with credit union members, and observations of credit union operations.

# CHAPTER FOUR

# PRESENTATION AND INTERPRETATION OF RESULTS

## 4.0 Introduction

In this chapter, the results are presented and interpreted. Specifically, this chapter displays the demographic characteristic and descriptive statistics of the study variables. In this study, the analyses are guided by research objectives which are; to examine the operations practices of Exodus SACCO in Uganda, to examine the challenges of operations practices of Exodus SACCO in Uganda and to examine the strategies to improve the operations practices of Exodus SACCO in Uganda.

## 4.1 Response Rate

Out of 148 questionnaires distributed, 121 questionnaires were returned and giving rise to a response rate of 81.8% which is suitable to draw valid and reliable conclusions. According to Mugenda and Mugenda (2003), a 50% response rate is adequate, 61.7% good and above 70% rated is very good. This also concurs with Kothari (2004) assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good. This implies that; the response rate in this case of 81.8% was very good.

**Table 4.1: Showing Response Rate**

| **Targeted respondents** | **Attained respondents** | **Response rate** |
|---|---|---|
| 148 | 121 | 81.8% |

***Source: Primary Data (2023)***

## 4.2 Demographic Characteristics of respondents

This section presents information about the demographic characteristics of the respondents who took part in the study. The demographic characteristics analyzed

include; Gender, Education level, Age of respondent, working experience and position. The findings are indicated in table 4.2 below

**Table 4.2 Demographics characteristics of the respondents**

| Gender | Frequency | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|---|
| Male | 90 | 74.4 | 74.4 | 74.4 |
| Female | 31 | 25.6 | 25.6 | 100.0 |
| Total | 121 | 100.0 | 100.0 | |
| **Education level** | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Secondary | 5 | 4.1 | 4.1 | 4.1 |
| Diploma | 12 | 9.9 | 9.9 | 14.0 |
| Bachelors | 95 | 78.5 | 78.5 | 92.6 |
| Masters | 9 | 7.4 | 7.4 | 100.0 |
| Total | 121 | 100.0 | 100.0 | |
| **Age of respondent** | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| 20-29 years | 2 | 1.7 | 1.7 | 1.7 |
| 30-39 | 77 | 63.6 | 63.6 | 65.3 |
| 40-49 | 30 | 24.8 | 24.8 | 90.1 |
| 50 and above | 12 | 9.9 | 9.9 | 100.0 |
| Total | 121 | 100.0 | 100.0 | |
| **Work experience** | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Less than 10 years | 15 | 12.4 | 12.4 | 12.4 |
| 10-19 years | 75 | 62.0 | 62.0 | 74.4 |
| 20-29 years | 22 | 18.2 | 18.2 | 92.6 |
| Above 30 years | 9 | 7.4 | 7.4 | 100.0 |
| **Position** | **Frequency** | **Percent** | **Valid Percent** | **Cumulative Percent** |
| Liaison officer | 11 | 9.1 | 9.1 | 9.1 |
| Divisional police commander | 96 | 79.3 | 79.3 | 88.4 |
| Exodus SACCO head of department staff | 6 | 5.0 | 5.0 | 93.4 |
| Head office staff officer | 8 | 6.6 | 6.6 | 100.0 |
| Total | 121 | 100.0 | 100.0 | |

The findings shown in Table 4.2 indicate that the majority of the respondents are male 74.4% while the females 25.6% are the minority. This implies that males respondents dominated the study compared to their counterparts the females. This also indicates that

both female and male participated in running the operation practices of decentralized organization Exodus SACCO. This also implies that as regards Uganda Police Force, males are more than females.

The findings on education levels attained show that 78.5% have bachelor's degree, 9.9% have diploma, 4.1% have secondary, 9% had masters level. This would imply that the majority of respondents are knowledgeable and were capable of responding to questions relating to the operation practices of decentralized organizations Exodus SACCO. Most of the respondents had formal education and therefore their information on the research questions could be relied on for data analysis.

The findings in 4.2 shows that 63.6% respondents were aged between 30-39 years, those between 40-49 years were 24.8% respondents, those between 20-29years were 1.7% and finally 9.9% were above 50 years. The study findings show that majority of respondents were in the age of 30-39 year and they were in their youthful age. The findings mean that information was attained from people with sufficient and understanding memory.

Table 4.2 also indicate that 62% of the respondents possesses between 10-19 years of experience, followed by 18.2% who possesses between 20-29 years of experience, 12.4% possesses less than 10 years of experience and the least of 7.4% possesses above 30 years of experience. This implies that the majority of the respondents had vast experience which enabled them to promptly respond to the questionnaires and the researcher to obtain the reliable information pertaining the topic of the study.

The findings in Table 4.2 indicate that majority of 79.3% of the respondents were divisional police commanders, followed by 9.1% who were liaison officer, 6.6% of the

respondents were exodus SACCO Head office staff officer and 5.0% were exodus SACCO Head of department staff. This implied that most of the respondents who participated in the study were responsible and knowledgeable enough to provide relevant information pertaining the topic of the study.

## 4.3 Operations practices of Exodus SACCO in Uganda

The first objectives sought to assess the operations practices of Exodus SACCO and the interpretation of the finding is based on the mean scores and the standard deviations of the statements to the respondents who were selected based on their roles in the management of the institutions. The findings are indicated in the table 4.3 below;-

**Table 4.3: Operations practices of Exodus SACCO**

| Item | N | Min | Max | Mean | Std. Dev |
|---|---|---|---|---|---|
| The Sacco operates on a cooperative basis and controlled by their members | 121 | 1 | 5 | 4.4298 | 0.75085 |
| The Sacco encourage members to save regularly by offering various savings products | 121 | 1 | 5 | 4.2727 | 0.86603 |
| The Sacco provides loans to their members based on the established procedures | 121 | 1 | 5 | 4.4463 | 0.71822 |
| The Sacco often provide competitive interest rates to their members | 121 | 1 | 5 | 4.5852 | 0.69051 |
| The Sacco practices democratic governance structure electing Board of directors and committee members and Supervisory Committee members | 121 | 1 | 5 | 4.2562 | 0.74754 |
| The SACCO follows the regulations and guidelines in its operations | 121 | 1 | 5 | 4.0909 | 0.82664 |
| The SACCO always provides excellent customer service to their members | 121 | 1 | 5 | 3.3306 | 1.14301 |
| SACCO practices usually contribute to the cooperative goals | 121 | 1 | 5 | 3.6446 | 0.93861 |
| The SACCO sets priority to provide excellent customer service to their members | 121 | 1 | 5 | 3.6364 | 0.93986 |
| The Sacco provide clear and accurate information about financial products and services | 121 | 1 | 5 | 3.7438 | 0.89003 |
| GLOBAL MEAN | 121 | | | 4.04365 | |

***Source: Primary Data, 2023***

In regard to the operations practices of Exodus SACCO in Uganda, the response was as shown in table 4.3 above. Results show that the Sacco operates on a cooperative basis and controlled by their members at a (Mean = 4.4298 with standard deviation of 0.75085. The Sacco encourage members to save regularly by offering various savings products at a (Mean = 4.2727 with standard deviation of 0.86603), the Sacco provides loans to their members based on the established procedures at a (Mean= 4.4463 with standard deviation of 0.74754) This therefore implies that Exodus SACCO in Uganda operates as a member-oriented financial cooperative that emphasizes member control, savings promotion, and prudent lending practices at a (Global Mean=4.04365). These practices are generally aligned with the principles of financial cooperatives and SACCOs, which aim to serve the financial needs of their members while ensuring financial sustainability and responsible lending.

The respondents agreed that Exodus Sacco practices democratic governance structure electing Board of directors and committee members and Supervisory Committee members at a (Mean = 4.2562 with standard deviation of 0.74754), the SACCO follows the regulations and guidelines in its operations a (Mean= 4.0909 with standard deviation of 0.82664). However, as regards excellent customer service to their members with the mean of 3.3306 with standard deviation of 1.14301 responses, implies that there may be a need for the SACCO to improve on its delivery of services and good customer care to members to ensure transparency and members' involvement. Therefore, the SACCO should consider strengthening its adherence to good customer care and improvement of services to its members.

In regard the other issues of SACCO practices contributing to the cooperative goals at (Mean = 3.6446 with standard deviation of 0.93861 ) and the SACCO sets priority to provide excellent customer service to their members at a (Mean = 3.6364 with standard deviation of 0.93986), The Sacco provide clear and accurate information about financial products and services at a (Mean=3.7438 with standard deviation of 0.89003) respectively, this implies that Exodus SACCO in Uganda is moderately aligned with cooperative goals, places slight or minimal importance on customer service, and provision of clear and accurate information about financial products and services. However, there may be room for improvement in all of these areas to further enhance member satisfaction and the achievement of cooperative objectives. It's important for the SACCO to consider these findings and take steps to address any areas of concern or improvement in its practices.

## 4.4 Challenges of operations practices of Exodus SACCO in Uganda

The second objectives sought to assess the challenges of operations practices of Exodus SACCO and the interpretation of the findings is based on the mean scores and the standard deviations of the statements to the respondents who were selected based on their roles in the management of the institutions. The findings are indicated in the table 4.4 below:-

**Table 4.4 Challenges of operations practices of Exodus SACCO**

| | N | Min | Max | Mean | Std. Dev |
|---|---|---|---|---|---|
| The SACCO experience weakness in loan recovery challenges | 121 | 1 | 5 | 3.5124 | 1.24576 |
| The SACCO has inadequate funds to lend out to members | 121 | 1 | 5 | 3.7107 | 1.09877 |
| The SACCO has low capacity to manage large number of decentralize membership | 121 | 1 | 5 | 3.7521 | 1.12754 |
| The SACCO has inadequate effective and efficiency management information system | 121 | 1 | 5 | 4.0579 | 1.18531 |
| The SACCO Accounting system and record keeping are partially computerized and manual | 121 | 1 | 5 | 4.2975 | 1.00536 |
| Most of the members of the SACCO provide limited information regarding cooperative values and responsibilities | 121 | 1 | 5 | 3.7934 | 1.01585 |
| The SACCO experiences poor customer services to members | 121 | 1 | 5 | 3.7438 | 1.2351 |
| The SACCO faces inadequate training programs to members | 121 | 1 | 5 | 4.3223 | 1.03453 |
| The Sacco has limited range and low quality of products/services | 121 | 1 | 5 | 4.0826 | 1.28832 |
| The Sacco experiences poor savings culture | 121 | 1 | 5 | 4.438 | 0.9991 |
| GLOBAL MEAN | | | | 3.97107 | |

***Source: Primary Data (2023)***

In regard to the challenges of operations practices of Exodus SACCO in Uganda, response was as shown in table 8.0 above with global mean of (3.97107) indicating challenges requiring urgent intervention. Results showed that the SACCO experience weakness in loan recovery challenges at (Mean =3.5124 with standard deviation of 1.24576), the SACCO has inadequate funds to lend out to members at (Mean =3.7107 with standard deviation of 1.09877), The SACCO has low capacity to manage large number of decentralize membership at (Mean= 3.7521 with standard deviation of 1.12754). This therefore implied that Exodus SACCO in Uganda slightly faces

challenges related to loan recovery, fund availability for lending, and the capacity to manage a decentralized membership. These challenges may increase and have significant negative implications for the SACCO's financial sustainability and ability to meet the needs of its members.

However respondents agreed that the SACCO has inadequate effective and efficiency management information system at a (Mean = 4.0579 with standard deviation of 1.18531), the SACCO Accounting system and record keeping are partially computerized and manual at a (Mean= 4.2975 with standard deviation of 1.00536) indicating a serious problems and concern in terms of operational efficiency and effectiveness. Improving the MIS can enhance data management, decision-making, and operational efficiency and effectiveness. The SACCO may have a combination of both computerized and manual record-keeping processes. The use of technology in accounting and record keeping can improve accuracy and efficiency, but the presence of manual systems may also introduce room for error. Most of the members of the SACCO provide limited information regarding cooperative values and responsibilities at a (Mean=3.7934 with standard deviation of 1.01585), implies that the issue slightly exist, where there is a need to improve for the betterment of the decentralized organization.

In regard on the SACCO experiences poor customer services to members (Mean = 3.7934 with standard deviation of 1.2351) implies that the problem slightly exist and if not handled may affect the SACCO negatively. The SACCO faces inadequate training programs to members at a (Mean = 4.3223 with standard deviation of 1.03453), the Sacco has limited range and low quality of products/services at a (Mean= 4.0826 with standard deviation of 1.28832) and the Sacco experiences poor savings culture at (Mean=4.438

with standard deviation of 0.9991) respectively, this implies that members may have serious concerns or complaints related to the level of service they receive from the SACCO. Addressing issues related to customer service is essential to improve member satisfaction, retention and savings culture. Therefore, SACCO may need to enhance its training and education initiatives to empower members with the knowledge and skills needed to effectively participate in and benefit from the cooperative.

## 4.5 Strategies to improve the operations practices of Exodus SACCO in Uganda

The third objectives sought to assess the strategies to improve the operations practices of Exodus SACCO and the interpretation of the findings is based on the mean scores and the standard deviations of the statements to the respondents who were selected based on their roles in the management of the institutions. The findings are indicated in the table 4.5 below:-

**Table 4.5 Strategies to improve operation practices of Exodus SACCO**

| ITEMS | N | Min | Max | Mean | Std. Dev |
|---|---|---|---|---|---|
| The SACCO should directly be involved in managing the payroll | 121 | 1 | 5 | 3.314 | 1.13309 |
| The SACCO should mobilize other sources to adequately lend to members | 121 | 1 | 5 | 4.4628 | 0.78571 |
| The SACCO should build capacity to manage large number of decentralized membership | 121 | 3 | 5 | 4.5702 | 0.56016 |
| The SACCO should secure an effective and efficiency computerized and record keeping information system | 121 | 3 | 5 | 4.8099 | 0.43424 |
| The SACCO should manage its members payroll and reduces bureaucratic hierarchical practices | 121 | 1 | 5 | 4.0165 | 1.01639 |
| The SACCO should improve on the information regarding cooperative values and responsibilities to members | 121 | 3 | 5 | 4.4215 | 0.64229 |
| The SACCO should design appropriate training programs to members | 121 | 3 | 5 | 4.7603 | 0.46592 |
| The Sacco should upgrade technological infrastructure to streamline operations to improve customer services | 121 | 1 | 5 | 4.3471 | 0.79279 |
| The SACCO should design high quality and variety quality products/services to meet the members requirements | 121 | 3 | 5 | 4.6942 | 0.52983 |

| | | | | | |
|---|---|---|---|---|---|
| The SACCO should promote savings culture among its members | 121 | 2 | 5 | 4.7107 | 0.59775 |
| GLOBAL MEAN | 121 | | | 4.41072 | |

***Source: Primary Data (2023)***

In regard to the strategies to improve the operations practices of Exodus SACCO in Uganda, response was as shown in table 4.5 above with global mean of 4.41072 implying applicability and support of the strategies for the betterment and sustainability of the organization. Results indicate that the SACCO should mobilize other sources to adequately lend to members at (Mean = 4.4628 with standard deviation of 0.78571), the SACCO should build capacity to manage large number of decentralized membership at (Mean= 4.5702 with standard deviation of 0.56016). This therefore implied that there was strong support for the SACCO to explore strategies such as mobilizing additional funding sources and building capacity to manage a decentralized membership structure. However, the idea of directly managing payroll at a (Mean= 3.314 with standard deviation of 1.13309) received somewhat lower support and may require further consideration and evaluation

The respondents agreed that SACCO should secure an effective and efficiency computerized and record keeping information system at a (Mean = 4.8099 with standard deviation of 0.43424), the SACCO should manage its members payroll and reduces bureaucratic hierarchical practices at a (Mean=4.0165 with standard deviation of 1.01639), the SACCO should secure an effective and efficient computerized record-keeping information system, as indicated by a mean score of (4.8099 with standard deviation of 0.43424). While this score is relatively high, suggesting some level of support, the uncertainty may indicate that respondents have mixed opinions or varying levels of understanding regarding the importance of computerized record-keeping. Implementing

an efficient computerized system can improve data management and operational efficiency, but it may also require huge investment and training.

In regard the SACCO should improve on the information regarding cooperative values and responsibilities to members at a (Mean=4.4215 with standard deviation of 0.64229) and the SACCO should design appropriate training programs to members at a (Mean = 4.7603 with standard deviation of 0.46592), the Sacco should upgrade technological infrastructure to streamline operations to improve customer services at a (Mean= 4.3471 with standard deviation of 0.79279) and the SACCO should design high quality and variety quality products/services to meet the members requirements at (mean=4.6942 with standard deviation of 0.52983) and the SACCO should promote savings culture among its members at (Mean= 4.7107 with standard deviation of 0.59775) respectively, this implied that the SACCO should improve information regarding cooperative values and responsibilities to its members, as indicated by a mean score of (4.421). This suggested that there was consensus among respondents that enhancing members' understanding of cooperative principles and responsibilities was important for building a strong cooperative culture and that the SACCO should design appropriate training programs for its members, as indicated by a high mean score of 4.760 with standard deviation of 0.59775. This implied that there was a consensus among respondents that offering training programs could empower members with the knowledge and skills needed to effectively participate in and benefit from the cooperative

# CHAPTER FIVE

# DISCUSSION OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

## 5.1 Introduction

This chapter covers the detailed discussion of the findings guided by the objectives of the study; the chapter also covers the conclusions, recommendations, limitations and suggested areas for further research. These are presented below.

## 5.2 Discussion of Findings

### 5.2.1 Examining the operations practices of Exodus SACCO in Uganda

The findings indicate that Exodus SACCO operates on a cooperative basis and is controlled by its members. Practices democratic governance structure electing Board of directors and committee members and Supervisory Committee members, Scott (2004). This cooperative structure aligns with the core principles of SACCOs and is a positive aspect of their operations. The findings also indicate that Exodus SACCO often provide competitive interest rates to their members, follows the regulations and guidelines in its operations and provides loans to their members based on the established procedures all in line with cooperative principle. Therefore this means that the organization is owned and governed by its members, who have a say in how it is run and what policies are implemented. This could lead to more inclusive decision-making processes and a greater sense of ownership and accountability among members.

The survey results highlight areas where Exodus SACCO can improve its member services and education efforts. Peters (2010) supported that members may have concerns about the level of service they receive. Improving customer service is essential for member satisfaction and retention. Breslow, (2015) further revealed that Exodus SACCO

should improve its practices in contributing to the cooperative goals, providing clear and accurate information about financial products and services and setting priority to provide excellent customer service to their members .This shall improve its operational practices and sustainability in members interest, (Breslow,2015). Therefore Exodus SACCO needs to improve its customer service to address member concerns and retain their business. This includes investing in staff training to improve communication, problem-solving, and conflict resolution skills, as well as leveraging technology to enhance communication channels with members. Failure to improve customer service may result in member dissatisfaction, loss of business to competitors, and damage to the SACCO's reputation.

### 5.2.2 The challenges of operations practices of Exodus SACCO in Uganda

The results indicate that Exodus SACCO faces challenges related to loan recovery, with a mean score of 3.512. This challenge has significant implications for the SACCO's financial stability and sustainability. Loan recovery is essential because it ensures that funds lent out are returned to the SACCO, enabling it to continue providing loans to members and sustaining its operations. The survey highlights that Exodus SACCO has inadequate funds to lend to its members, with a mean score of 3.710. This challenge restricts the SACCO's ability to meet the loan demands of its members. Inadequate funds can lead to dissatisfaction among members who rely on the SACCO for financial support, (Hsu Ziedonis, 2013). The inadequacy of funds for lending to members implies that Exodus SACCO may not be able to meet the financial needs of its members, leading to potential dissatisfaction and loss of confidence in the organization. Therefore consequently, Exodus SACCO must prioritize strategies to increase its funding

capabilities and optimize its lending processes to ensure that it can adequately serve its members and remain financially stable basing on these same findings.

The survey results indicate that Exodus SACCO struggles with managing a large number of decentralized memberships, with a mean score of 3.752. This suggests that the SACCO may be experiencing difficulties in serving a growing and geographically dispersed membership base efficiently. The survey reveals that Exodus SACCO experiences a poor savings culture among its members, with a mean score of 4.438 leading to liquidity challenges. Encouraging members to save regularly is fundamental for their financial security, sustainability and the SACCO's stability. A weak savings culture can hinder the SACCO's ability to provide loans and financial services to members, (Njembue 2021).The findings indicates that Exodus SACCO faces challenges of inadequate training programs, limited range and low quality of products/services and poor customer services to members .The findings further revealed that Exodus SACCO Accounting system and record keeping are partially computerized and manual which can lead to slow operational processes ,inefficiency and errors. Therefore the SACCO can easily base on these findings to improve its management of decentralized memberships, enhance its savings mobilization strategies, expand its product offerings, improve customer service, fully computerize its accounting system and record keeping, and develop a more effective management information system

### 5.2.3 Strategies to improve the operations practices of Exodus SACCO in Uganda

The survey highlighted that the SACCO should improve information regarding cooperative values and responsibilities to its members. This suggests that there is consensus among respondents that enhancing members' understanding of cooperative

principles and responsibilities is important for building a strong cooperative. The survey further indicated that the SACCO should design appropriate training programs for its members as revealed by the mean score of 4.7603 with standard deviation of 0.46592 This implies that there is a consensus among respondents that offering training programs can empower members with the knowledge and skills needed to effectively participate in and benefit from the cooperative, (Gupta & Batra 2015). Therefore the SACCO should use these findings to improve information regarding cooperative values and responsibilities to its members, and design appropriate training programs for its members, is that the SACCO has an opportunity to strengthen its relationship with its members and promote greater engagement and loyalty

The survey indicated that the SACCO should upgrade its technological infrastructure to streamline operations and improve customer services, as indicated by a mean score of 4.3471 with a standard deviation of 0.79279. This suggests recognition among respondents that technology can play a role in enhancing operational efficiency, effectiveness and member service quality. It further supported that the SACCO should design high-quality and varied products/services to meet members' requirements, as indicated by a high mean score of 4.6942 with standard deviation of 0.52983. This implies that respondents believe that diversifying and improving the quality of offerings can better meet the financial needs and preferences of members, (Zahra & Garvis, 2000). Therefore the SACCO should use the same findings to upgrade its technological infrastructure and diversify its product offerings is that the SACCO has an opportunity to enhance its operational efficiency, improve customer service, and increase member satisfaction

## 5.3 Conclusion

Exodus SACCO in Uganda faces both opportunities and challenges in its operations, as revealed by the survey findings. While the SACCO operates on a cooperative basis with member control, the survey identifies key areas for improvement, including loan recovery, funding adequacy, member training and education, savings culture and technological enhancements. By strategically addressing these challenges through comprehensive strategies such as enhancing loan recovery processes, mobilizing additional funding sources, promoting a savings culture, and upgrading technological infrastructure, Exodus SACCO can further empower its members, ensure financial sustainability, and fulfill its mission of providing valuable financial services to its membership to improve their welfare. A commitment to transparency, strong governance, and continuous member engagement through sensitization and training will be crucial in achieving these objectives and fostering a thriving cooperative community.

## 5.4 Recommendations

Exodus Sacco should provide financial education and literacy programs for its members to empower them to make informed financial decisions and adopt good saving habits. The programs could cover topics such as budgeting, saving, investing, and managing debt. By equipping members with the knowledge and skills to manage their finances effectively, they will be more likely to save money and avoid unnecessary expenses.

Automated Savings Plans:

Exodus Sacco could introduce an automatic mobile app for additional savings plan over and above the minimum that allows members to set aside a portion of their income automatically. Members could choose a percentage of their general income earned or a

fixed amount to be transferred to their savings account each month. This approach helps members develop a habit of saving consistently without having to think about it every time.

Exodus Sacco could offer high-interest savings accounts to incentivize members to save more. By offering competitive interest rates, members will be motivated to save more and keep their savings in the account for longer periods. Additionally, the Sacco could offer bonuses for members who maintain a certain balance in their savings account or those who save regularly.

Exodus Sacco could introduce goal-based savings accounts that allow members to save towards specific goals such as buying a house, paying for education, or retirement. This approach helps members stay focused on their financial objectives and encourages them to save more purposefully. The Sacco could also offer advice and guidance on how to achieve these financial goals.

Exodus Sacco could leverage mobile banking services to make savings more accessible and convenient for its members. Members could use their mobile phones to deposit money into their savings accounts, check balances, and transfer funds between accounts. This convenience will encourage members to save more often and stay up-to-date with their financial transactions.

Exodus Sacco could collaborate with members, Uganda police top management and ministry of public service to introduce a compulsory payroll fixed deduction scheme to all members to save a portion of their salary directly from the source and only to be accessed upon retirement, dismissal and upon death. This approach simplifies the savings

process and makes it easier for members to save a consistent amount each month. Employers could also match a portion of the employees' contributions to encourage higher savings rates.

Exodus Sacco could introduce prize-linked savings accounts that offer rewards to members who save regularly or reach certain savings milestones. For example, the Sacco could offer a cash prize to the member who saves the most money in a year or runs a savings streak for several months. This gamification approach can motivate members to save more and create a sense of excitement around savings.

Exodus Sacco could launch Police officers and civilian staff' spouses' savings programs targeting children, wives and dependents of police officers and civilian staff. These programs aim to instill a savings culture early in life and promote financial responsibility among young and adults. The Sacco could offer special savings accounts with attractive interest rates, educational resources, and interactive tools to engage young and old savers.

Exodus Sacco could establish emergency funds linked to members monthly contributions to assist members facing unexpected expenses or financial hardships. Members could access these funds in case of job loss, medical emergencies, or natural disasters. By providing this safety net, members will feel more confident in their ability to weather financial shocks and may be less inclined to withdraw their savings for non-essential purposes.

Exodus Sacco could introduce referral programs that reward members for inviting friends, police officers spouses, children and dependents to join the Sacco. The program could offer incentives such as cash bonuses or increased interest rates for successful

referrals. This approach not only grows the membership but also encourages existing members to save more and promote the Sacco on all round and within their networks.

Exodus should discuss with top police management to handle and manage police pay roll to improve on prompt savings deductions and loan recovery to minimize the non performing loans and boast up the savings portfolio

To enhance trust and transparency within the SACCO, it is recommended that Exodus SACCO strengthen its governance structure and ensure strict adherence to regulatory guidelines. This includes conducting regular elections for board members and supervisory committee members to ensure democratic representation. Moreover, the SACCO should institute clear and robust governance policies and procedures, fostering a culture of accountability and adherence to cooperative principles.

Exodus SACCO should prioritize the development and implementation of effective loan recovery strategies. This involves conducting thorough credit assessments before disbursing loans, setting clear and reasonable repayment terms, and establishing efficient debt collection mechanisms. Regular monitoring and follow-ups with borrowers, along with financial literacy programs to educate members on responsible borrowing and repayment, can significantly reduce loan default rates.

To address the challenge of inadequate funds for lending, Exodus SACCO should diversify its funding sources. This can be achieved by actively diversifying its products , services and incomes generating streams, seeking partnerships with other financial institutions, exploring grant opportunities, and considering external financing options. By expanding its capital base, the SACCO can increase its lending capacity and better meet the financial needs of its members and sustainability

Exodus SACCO should design and implement tailored member education and training programs. These programs should cover cooperative values and principles, financial literacy, savings culture, and responsible financial management. By investing in the financial education of its members, the SACCO can empower them to make informed decisions, improve their financial well-being, and actively participate in the cooperative.

The SACCO should prioritize upgrading its technological infrastructure by implementing a modern, efficient and effective computerized record-keeping system and digital banking services. Investing in technology can streamline operations, reduce administrative costs, enhance data accuracy, and improve the overall member satisfaction. Adequate training for both staff and members in using these technologies is essential to maximize their benefits, confidence and satisfaction.

## 5.5 Study limitations

One of the primary limitations of this study is the potential for sample bias and representativeness. The survey responses were collected from a specific subset of SACCO members who voluntarily participated. This sample may not fully represent the entire membership base of Exodus SACCO, as those who chose to respond may have unique characteristics, perception or experiences. Consequently, the findings may not accurately reflect the perspectives and opinions of all SACCO members, potentially leading to biased results**.**

The study relied on self-reported data from survey respondents. This introduces the possibility of response bias, where participants may provide socially desirable answers or overstate or understate their experiences and opinions. Additionally, members who have had particularly positive or negative experiences with the SACCO may have been more motivated to participate, potentially skewing the results in one direction or another. While efforts were made to maintain anonymity and encourage honest responses, response bias remains a potential limitation.

The study was conducted through a survey instrument, which has limitations in terms of depth and scope of information gathered. Surveys provide valuable quantitative data but may not capture the nuances, context, or qualitative insights that could be obtained through in-depth interviews or focus group discussions. As a result, the study may lack a comprehensive understanding of the intricacies of Exodus SACCO's operations and challenges, limiting the depth of analysis.

## 5.6 Areas for further research

One area that warrants further research is the long-term impact of member education programs conducted by Exodus SACCO. While this study highlights the need for educational initiatives on cooperative values, financial literacy, and responsible financial management, it would be valuable to conduct longitudinal research to assess how these programs influence member behavior and financial outcomes over time. Researchers could explore whether increased financial knowledge and cooperative awareness lead to improved savings habits, reduced loan default rates, or greater member engagement in the SACCO's governance. Such research can provide valuable insights into the effectiveness of educational interventions and inform the design of future programs.

Understanding the factors influencing member satisfaction and retention within Exodus SACCO is another virgin area for further investigation. Researchers could delve deeper into member experiences and perceptions to identify specific elements that contribute to high satisfaction levels and long-term membership. This research might involve qualitative interviews or surveys exploring the reasons behind members' decisions to remain active in the SACCO or discontinue their membership. Insights gained from such research could guide the SACCO in implementing targeted strategies to enhance member retention and overall satisfaction, ultimately contributing to the SACCO's sustainability and growth.

Given the strong support for upgrading technological infrastructure, further research could assess the actual impact of such upgrades on the SACCO's operational efficiency and member service quality. Researchers can evaluate how the implementation of a

computerized record-keeping system and digital banking services affects transaction processing times, error rates, and member access to services.

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## APPENDICES

## APPENDIX 1: QUESTIONNAIRE FOR RESPONDENTS

### MAKERERE UNIVERSITY BUSINESS SCHOOL

### GRADUATE RESEARCH CENTRE

**Dear Sir/Madam**

I am **Nsadha Kasim** a student of Master of Business Administration, Makerere University Business School. As part of my master's degree, I am conducting a study on ***Assessing the Operation Practices of Decentralized Organization, A Case of Exodus Sacco***. You have been selected to be one of the respondents in this study. Therefore, I kindly request you to fill out this questionnaire. The information provided will be treated with strict confidentiality and shall not be used for any other purpose except for academic purposes. Participation in this study is voluntary.

Thank you very much for your cooperation.

Respondents' background information ***(please tick your most correct choice).***

***Section One: Characteristics of the Respondents***

1. Gender

| **Gender** | **Male** | **Female** |
|---|---|---|
| **Tick** | | |

**2. Education level**

| **Educational Level** | **Secondary level** | **Diploma** | **Bachelors** | **Masters** |
|---|---|---|---|---|
| **Tick** | | | | |

**3. Age of Respondent**

| **Age** | **20-29 years** | **30-39** | **40-49** | **50 and above** |
|---|---|---|---|---|
| **Tick** | | | | |

**5. How long have you been working with Uganda Police Force?**

| **Period worked** | **Less than 10 years** | **10-19 years** | **20-29years** | **Above 30 years** |
|---|---|---|---|---|
| **Tick** | | | | |

| Rank | Liaison Officer | Divisional Police Commanders | Exodus SACCO Head of departments staff | Exodus SACCO Head Office Staff: officer |
|---|---|---|---|---|
| Tick | | | | |

**SECTION B:**

Please, indicate by ticking in the appropriate box the extent to which you agree or disagree the most suitable response operation practices of decentralized organization, A case of Exodus SACCO that are rated as 1. Strongly disagree (SD),2. Disagree (D) 3. Not sure (NS) 4. Agree (A) 5. Strongly Agree (SA)

| | **Operational Practices** | | | | | |
|---|---|---|---|---|---|---|
| | | **SD** | **D** | **NS** | **A** | **SA** |
| 1 | The Sacco operates on a cooperative basis and controlled by their members | 1 | 2 | 3 | 4 | 5 |
| 2 | The Sacco encourage members to save regularly by offering various savings products | 1 | 2 | 3 | 4 | 5 |
| 3 | The Sacco provides loans to their members based on the established procedures | 1 | 2 | 3 | 4 | 5 |
| 4 | The Sacco often provide competitive interest rates to their members | 1 | 2 | 3 | 4 | 5 |
| 5 | The Sacco practices democratic governance structure electing Board of directors and committee members and Supervisory Committee members | 1 | 2 | 3 | 4 | 5 |
| 6 | The SACCO follows the regulations and guidelines in its operations | 1 | 2 | 3 | 4 | 5 |
| 7 | The SACCO always provides excellent customer service to their members | 1 | 2 | 3 | 4 | 5 |
| 8 | SACCO practices usually contribute to the cooperative goals | 1 | 2 | 3 | 4 | 5 |
| 9. | The SACCO sets priority to provide excellent customer service to their members | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 10. | The Sacco provide clear and accurate information about financial products and services | 1 | 2 | 3 | 4 | 5 |

**SECTION C: Challenges of Operation Practices of Exodus SACCO**

| | **Challenges of Operation Practices** | | | | | |
|---|---|---|---|---|---|---|
| | | **SD** | **D** | **NS** | **A** | **SA** |
| 1. | The SACCO experience weakness in loan recovery challenges | 1 | 2 | 3 | 4 | 5 |
| 2. | The SACCO has inadequate funds to lend out to members | 1 | 2 | 3 | 4 | 5 |
| 3. | The SACCO has low capacity to manage large number of decentralize membership | 1 | 2 | 3 | 4 | 5 |
| 4. | The SACCO has inadequate effective and efficiency management information system | 1 | 2 | 3 | 4 | 5 |
| 5. | The SACCO Accounting system and record keeping are partially computerized and manual | 1 | 2 | 3 | 4 | 5 |
| 6. | Most of the members of the SACCO provide limited information regarding cooperative values and responsibilities | 1 | 2 | 3 | 4 | 5 |
| 7 | The SACCO experiences poor customer services to members | 1 | 2 | 3 | 4 | 5 |
| 8. | The SACCO faces inadequate training programs to members | 1 | 2 | 3 | 4 | 5 |
| 9. | The Sacco has limited range and low quality of products/services | 1 | 2 | 3 | 4 | 5 |
| 10 | The Sacco experiences poor savings culture | 1 | 2 | 3 | 4 | 5 |

**SECTION D**

**The following statements are about the strategies to improve the operation practices of Exodus SACCO in Uganda tick your best option.**

| | **Strategies to Improve the Operation Practices** | **Rating** | | | | |
|---|---|---|---|---|---|---|
| | | **SD** | **D** | **NS** | **A** | **SA** |
| 1. | The SACCO should directly be involved in managing the payroll | 1 | 2 | 3 | 4 | 5 |
| 2. | The SACCO should mobilize other sources to adequately lend to members | 1 | 2 | 3 | 4 | 5 |
| 3. | The SACCO should build capacity to manage large number of decentralized membership | 1 | 2 | 3 | 4 | 5 |

| | | | | | | |
|---|---|---|---|---|---|---|
| 4 | The SACCO should secure an effective and efficiency computerized and record keeping information system | 1 | 2 | 3 | 4 | 5 |
| 5. | The SACCO should manage its members payroll and reduces bureaucratic hierarchical practices | 1 | 2 | 3 | 4 | 5 |
| 6. | The SACCO should improve on the information regarding cooperative values and responsibilities to members | 1 | 2 | 3 | 4 | 5 |
| 7. | The SACCO should design appropriate training programs to members | 1 | 2 | 3 | 4 | 5 |
| 8. | The Sacco should upgrade technological infrastructure to streamline operations to improve customer services | 1 | 2 | 3 | 4 | 5 |
| 9 | The SACCO should design high quality and variety quality products/services to meet the members requirements | 1 | 2 | 3 | 4 | 5 |
| 10 | The SACCO should promote savings culture among its members | 1 | 2 | 3 | 4 | 5 |

**Thank you!!!!!!!!!!!!!!!!!!**

## Appendix iii Acceptance Letter

**EXODUS SAVINGS AND CREDIT COOPERATIVE SOCIETY LTD**

**P. O. BOX 7055, Kampala – Uganda**

Date: September 29,2023

Mr. Nsadha Kasim,

Makerere University Business School,

Faculty of Graduate Studies and Research,

Kampala.

Dear Mr. Nsadha Kasim

**PERMISSION TO CARRY OUT STUDY**

Reference is made to your request for permission to collect data on the research topic ASSESSING THE OPERATION PRACTICES OF DECENTRALISED ORGANIZATIONS: A CASE OF EXODUS SACCO

We have accepted your request to carry out this study at the Exodus SACCO. However, you will be bound to keep in utmost confidentiality all information you will come across during your research and can only divulge it for academic purposes.

The credit, Recovery, Administration department and liaison officers in their respective regions will coordinate and help you obtain the required data and information necessary to answer your research objectives

At the end of your study, you will be expected to avail a copy of dissertation so as to add knowledge to the organization

If you have any queries, please, feel free to contact the office of Chief Executive Officer for assistance

We wish you good luck with your study

Yours sincerely,

**SP ASHABA OSBERT**

CEO

**EXODUS SACCO**

**Appendix iii: Introductory Letter from MUBS**


# MAKERERE UNIVERSITY BUSINESS SCHOOL

Plot 21A, New Portbell Road, P. O. Box 1337, Kampala - Uganda
General Line: +256-414-338120; Fax: +256-414-505921

Faculty of Graduate Studies & Research


**September 29, 2023**

**TO WHOM IT MAY CONCERN**

Dear Sir/Madam,

**RE: MR. NSADHA KASIM – MBA – REG. NO. 2021/HD10/22832U**

The above named is a student of Makerere University Business School pursuing studies leading to the award of a **Master of Business Administration (MBAD)** of Makerere University.

He has completed the course work component and is currently carrying out research on the topic

**"Assessing the Operation Practices of Decentralised Organizations: A Case of Exodus Sacco."**

Any assistance rendered to him will be highly appreciated.

Yours faithfully,

Harriet G. Nakayenga Balamaga
**Assistant Director, Faculty Registrar**

Makerere University Business School • Faculty of Graduate Studies And Research •
29 SEP 2023