

Research Article

Empirical Study on Strategic Management Practices and Financial Performance of SACCOs in a Local Government Context-Uganda

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Abstract

Despite the pronounced roles strategy formulation, implementation and monitoring and evaluation have on financial performance of organizations, SACCOs in Fort Portal Tourism City (FPTC) are still battling with choices between long-term and short term strategies. Again even when SACCOs have been proved to contribute significantly to financial inclusion and financial empowerment of the rural masses, SACCOs in Uganda still face several unhealthy financial performance challenges indicated by low levels of return on assets, liquidity, and high portfolio at risk levels. This study was conducted to examine the relationship between Strategic Management Practices and Financial Performance of SACCOs in FPTC. A cross-sectional research design which was quantitative in nature was adopted to investigate the phenomena under consideration. Using a multi-stage sampling 100 respondents were chosen from different employee categories i.e Tellers, Loans Officers, Marketing Officers, Human Resource Managers, Credit Managers and Directors where data was collected using Self-administered questionnaires. Apparently from the respondent profiles males were the majority, with age ranging between 25 and 35, with work experience between 4-6 years having first degrees. Both descriptive and inferential analysis techniques were used to analyze data. The study findings reveal that strategic management practices have a positive and statistically significant relationship with financial performance of the SACCOs in FPTC. By implication SACCOs are advised to; 1) envision strategy formulation as resilience-building process which they should always use as basis for preparing for the future, having to use constituents of their environment as a basis for choice of action/strategy, 2) put measures in place to ensure that initially identified and agreed upon plans and strategies are operational, ensuring that daily activities and tasks have the potential to draw the organization closer to fulfillment of set goals and objectives, 3) understand that setting a strategy is as important as putting in place mechanisms to ensure that a given strategy is achieving what it was intended to achieve. This means that they should institute sufficient control mechanisms as part of their strategy evaluation process, leveraging the power of feedback. Managers should always aim at having in place managerial monitoring tools that enable concurrent assessment of chosen strategies and development of related corrective actions that benefit from assessment of market opportunities, threats and internal strengths and weaknesses.

Keywords

Strategic Management, Practice, SACCOs, Strategic Management Practices, Financial Performance, Local Government

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1. Introduction

The origin of Savings and Credit Co-operatives (SACCOs) is traced first from agricultural crisis in Europe specifically Germany in 1846 sparked by the motive to cater for the financial needs of peasants and artisans (Agricultural Credit Cooperatives) overpowered by indebtedness [1]. Since then their roles have however broadened beyond covering financial needs of the vulnerable groups to becoming a major rural development financing strategy [2]. Ordinarily, SACCOs are small and independent member-based institutions capitalizing on collecting member savings and turning them into loans. They are voluntary saving associations that exist by encouraging their members assumedly the economically active poor to save regularly as a basis for not only obtaining credit but also for enabling members to get to the financial positions that they could not achieve independently or alone [3].

As seen here SACCOs' role or operation scope is more of intermediating member savings into credit (loans). With this happening its very much likely to turn around the saving culture of the low income people who largely rely on not only informal but also insecure ways of saving, mobilizing their members to save in SACCOs. Earning members' trust is very much key in this saving practice but since they are themselves members already, they see the SACCO as their own and this makes it possible to trustingly save. Moreover it is always possible for SACCOs to tailor their loan terms and conditions to their clients' needs quite unfound in other financial service institutions in Tiers 1, 2 and 3.

We cannot run away from the fact that in Africa the SACCOs idea picked momentum not only as a catalyst for economic empowerment of the poor and the vulnerable (economic empowering strategy), but also as a financial inclusion mechanism. Reportedly and on a positive note SACCOs have over time increased people's chances for accessing affordable credit and other financial services [4, 37]. Evidence has shown that as numbers of economically active people keep increasing in society, the existing formal institutions (commercial banks) continue to experience too much demand which is so much good for them, however, default-related risks have skyrocketed pushing commercial banks to demand collateral security as an operational efficiency mechanism.

This situation has over time kept majority of the poor outside of the financial services where only 14% of the population are part of the formal banking sector in Uganda and only 10 million possess bank accounts [5]. That indirectly tells that there has been unusual scarcity of financial services in most if not all rural Uganda, or even a situation of people having no information on financial institutions/services. Most of the rural populations do not qualify for most credit options available in commercial banks or even other microfinance deposit taking institutions perhaps because they do not have property that they can use as collateral. No one knows what

would have happened if there were no SACCOs. There is nothing equivalent to rural access to finance needs as SACCOs do.

For a low-income country like Uganda, this is very much vital for economic development especially when the rural needs for finance are met. No doubt SACCOs form a formidable base to lifting the rural poor out of economic poverty since their services are not only appropriate but also affordable especially to the rural market (individuals and organisations). These views point to the possible efficiency advantage that SACCOs may have over other financial institutions, for example the borrower characteristics that are not attractive to others banks, and advancing credit to them on lucrative terms [1].

As researchers we appreciate, by and large, the government of Uganda's effort to establishment of Programme for Financial Inclusion In Rural Areas (PROFIRA) though it still remains debatable as to whether the Rural Finance Service Programmes have achieved to the expected scale remember since inception Rural Finance Service Programmes in the country were intended to build the capacity of SACCOs. Could it be originating from the fact of limited SACCO operations and products that many Ugandans are still unbanked? There is however much to be happy about since majority of people in Fort Portal City have found their way into SACCOs for financial services access and this has accelerated the financial empowerment of the most economically active poor and other most vulnerable groups largely composed of youth and women, and indeed helping them to achieve financial stability.

Despite their contribution to financial inclusion and financial empowerment of the rural masses, SACCOs in Uganda have recently met several unhealthy financial performance challenges indicated by low levels of return on assets, liquidity, and high portfolio at risk levels [6]. As authors we are left with many unanswered questions, is it a regulation question or internal management practices? Of course the SACCOs sector regulation is done by Uganda Microfinance Regulatory Authority (UMRA) which licenses, regulates and supervises all Tier 4 financial institutions in which SACCOs belong. UMRA through its laws, policies, rules and regulations has done a lot in terms of addressing the competence and governance challenges among SACCOs in Uganda. UMRA is more committed to seeing SACCOs attain sound and sustainable capacity to competitively thrive as non-banking financial institutions which is one of the private sector growth strategies by the government of Uganda. This development orientation owes origin largely from the launching of the Rural Savings Promotion and Enhancement of Enterprise Development (Rural SPEED) program in 2004 which provided grant funding to banking and non-banking financial institutions

including village-level SACCOs also. Relatedly a lot can be discussed regarding the Uganda Parliament approved loans meant to strengthen rural financial services, and these are perhaps outcome benefits of the 2006's Ugandan government initiated rural financial service strategy whose prime mandate was to establish SACCOs in every sub-county in order to improve rural population's access to financial services (see "tier IV bill" for more on its legal framework).

However, despite all this SACCO related interventions made by the Government and other development partners, SACCOs in Uganda are still constrained in terms of strategic orientation. There is a lot desired in terms of addressing the competence and governance challenges among SACCOs in Uganda. A case in point is the accusation of lack of clear long-term strategies and an inclination to short-term objectives that undermine their sustainability [7]. The fact is that poor management that lead to loss of funds in any SACCO not only undermines members' commitment but also lead to some members abandoning such SACCOs or even to develop switching behavior from one SACCO to another which may eventually harm the sustainability and growth objectives of the SACCOs in question.

At the edge of popularization of microfinance as a popular development model for Uganda in 1990s to well fight poverty, it became so much imperative for SACCOs to adopt modern financial management practices and indeed for them to achieve their goal of increasing access to affordable financial resources (credit) and economically empowering the poor, their financial health in terms of financial performance is critical [8]. They are obliged to adapt to the best practices and formulate strategies that would enable them match their opportunities in their operating spaces [9]. This argument matches with the contingency theory that guided this study. The theory overriding assumption is that context or environment should guide managerial decision making and execution. It's based on a strong belief that since an organization is an open system; it should rely on environment to survive [10]. The theory guides managers of SACCOs to make strategic plans that are context or environment-based. Scanning the environment should precede the selection and adoption of strategic choices simply because different business environments have varying conditions which necessitate use of context-informed approaches;- a radical call for critical discernment of the environment and SACCO financial performance in a particular situation [11]. Indeed alignment of strategy with environment is what Walter and his colleagues [12] call strategic management (strategic management practices) which this paper assumes as a major predictor of performance.

Yes quite a number of SACCOs have continuously grown recently especially with the massive registration under parish development model and others registered under Emyooga meaning that there is some degree of competition calling for implementation of robust strategic management practices. As

SACCO markets become volatile better corporate changes need to be implemented diversifying to new products where possible that are specific to certain groups and leveraging the power of differentiation to well meet their customers' demands. It's a call to take an entrepreneurial direction that will take advantage of not only current customer needs but also future needs.

Even when strategic management practices have a big bearing on the kind of financial health an organization may claim to have, SACCOs in Fort Portal are reportedly lacking in strategy formulation, implementation, monitoring and evaluation [7]. Its possible also to link this strategic management gap with the kind of unhealthy financial performance experience among SACCOs evidently signaled by the high portfolio at risk levels and low levels of return on not only assets but also on liquidity [4, 37]. Strategic management practices in this study refer to organizational processes that deal with redefinition of the desired future, setting goals to achieve and aligning strategy to environmental needs [13]. They are intended to give the SACCOs an operational capability that benefit from internal and external factors. Specifically in this study they were measured by strategy formulation, implementation and monitoring and evaluation.

On the other hand financial performance refers to the extent to which SACCOs achieve their financial objective specifically as reflected through liquidity, capital adequacy and asset quality [4, 37]. Different studies have been conducted on the relationship between Strategic management practices and financial performance; for example a study by Scolastica and Mboya [14] report positive relationship between strategy formulation, implementation and monitoring and evaluation and financial performance. However other scholars elsewhere reportedly observed insignificant effects [15, 16]. Such mixed findings is an evidence that the discussion on these variables is still ongoing.

This study contributes to the existing body of knowledge on financial management by revealing the relationship between Strategic Management Practices and Financial Performance using contingency theory. The broader study implication is that effective strategy formulation, implementation and monitoring have positive repercussions on financial performance among SACCOs. Accordingly three-way-implications are eminent: 1) by integrating environmental variables in strategy formulation process firms gain more preparedness capability to exist better amidst turbulent environment; 2) as a firm operationalize and institutionalize its strategies everyone gets involved and attainment of goals becomes easy; 3) when a firm institute systematic strategy monitoring mechanisms to critically assess current level of strategy implementation, it gains potential to pro-actively develop corrective actions to keep on performance truck. In terms of organization, this paper starts with introduction, followed by literature review, methods, results, discussion, conclusion, implications, limitations and areas for future research.

2. Review of Literature

2.1. Strategy Formulation and Financial Performance

In line with the theory used in this study as explained above environmental dynamics remain sensitive in guiding the process of deciding on the strategic decision. Theresia and Ludwig, [17] argue that strategy formulation should start with evaluation of both internal and external environmental factors. It is a basis upon which goals and objectives should be set. It entails the establishment of the current situation of the organization and setting its expectations and the approaches (strategies) to get to its desired level [18]. This strategy formulation process must be experienced by every organization because it sets its probability possibility frontier for it to cautiously relook at constituents of their environment giving it an impetus to gauge and prepare for probable variations that may arise in future. It embeds within itself some degree of preparedness that would not be possible without going through such a process.

Strategy formulation is in some way a resilience-building process that not only builds but also enhances its ability to hold their ground in a dynamic and complex environment for not only short-run but also in the long run [19]. Previous studies have looked at strategy formulation and financial performance and confirmed a positive association [14]. However, Efendioglu & Karabulut [16] observed insignificant effects. Such disagreements guided our hypothesis development; thus:

H₁: There is a positive relationship between strategy formulation and financial performance of SACCOs in FPTC

2.2. Strategy Implementation and Financial Performance

Strategy implementation process entangles a series of activities that ensure that initially identified and agreed upon plans and strategies are operational [20]. The process deals with actualizing the strategies of the organization. Precisely this means execution of what has been planned largely reflected in daily activities and tasks usually intended to draw the organization closer to fulfillment of set goals and objectives. Organizations undergo this process differently but as part of best practice, Di Giulio & Vecchi, [21] prescribe that institutionalization of the strategy be given due attention. There is a lot more to learn from Neugebauer and colleagues, [22] in regard to institutionalization of strategy. They argue that other factors kept constant, the need to institutionalize the strategy permeates the daily decisions and actions in a manner consistent with the intended long term strategic wins. According to Lemarleni and his fellows, [23] this is part of operationalizing the strategy implementation throughout the organization, which can be accomplished through not only annual objectives, functional tactics, policies, resource al-

location but also in action plans. Practically the implementation is guided by annual action plans where long term objectives are translated into current targets. Annual objectives are here seen as a basis for allocating resources; providing a primary mechanism for not only evaluation of managers but also serving as a major instrument for progress monitoring as they strive to achieve long-term objectives [24]. A study by Mohamed and colleagues [25] tells us that there should be consistency between annual objectives and long-term objectives and that all this must be accompanied by commensurate rewards and sanctions. Another emphasized aspect is the allocation of resources to functional areas to enable timely production of business products and services [26]. In line with Gulati, Upadhyay and Mathur, [27] everyone in the organization should aim at achieving or realizing the fit between the internal and external variants and its strategy. Accordingly the structure, system, style of leadership, technology, human resource quality, reward systems and culture are some of the internal aspects that need to be synchronized as part of the strategy implementation (managing change) if the chosen strategy is to be appropriately put into action. It means that managers need to seriously consider these key components of the internal organization to be able to realize effective strategy implementation. Quite a number of studies have been conducted on strategy implementation and Financial Performance. Among them is Nuwagaba and colleagues [28] who basing on a sample of 160 state agencies reported significant effects. Onyegbula, Nwoye and Daniel, [29] also reported positive relationship between strategy implementation and Performance while basing of a sample of 342 selected staff members from Regulatory and Supervisory Agencies in Financial Services Sector in Nigeria. All this finding is different from Katuse and colleagues [30] who observed non-significant effects. On the basis of such conflicting results, we hypothesized thus;

H₂: There is a positive relationship between strategy implementation and Financial Performance of SACCOs in FPTC

2.3. Strategic Monitoring and Evaluation and Financial Performance

Setting a strategy is as important as putting in place managerial mechanisms to ensure understanding and determining if a given strategy is achieving what it was intended to achieve. Guerras-Mart ína and colleagues [31] refer to strategy evaluation as getting feedback which becomes as paramount as a process because of certain internal and external dynamics that may affect the outcome of plans that were put in place or even implemented. The strategy evaluation so to speak entails having in place control practices that make it possible to constantly assess, evaluate and deliver feedback regarding effectiveness of strategies [32]. Other strategic management scholars including Fatajo and Sawaneh, [33] find a big func-

tional significance of not only monitoring market opportunities and threats repetitively but also the internal strengths and weaknesses. Such managerial monitoring behavior allows for concurrent assessment of current strategies, assessing performance outcomes and development of pertinent corrective actions. More support to this claim can be traced in works by Wamsler and friends, [34] arguing that as external and internal environments change, the best prioritized, formulated and implemented strategies become obsolete.

A reference made on studies conducted so far in the area of strategic monitoring and evaluation and Financial Performance shows exciting outcomes. For example Sylvia, [35] reports positive correlation where effect of strategic evaluation on the financial performance reduces with increase in the strangeness of the government regulations imposed on the SMEs in South Sudan. Elsewhere also strategy monitoring practices were found to be positively related with project performance outcomes [36]. On account of significant context differences that may exist, researchers in this study could not generalize these findings for studies conducted on SMEs in Sudan and on tech start-ups in Ghana, thus forming a hypothesis below, to test the same relationship in a SACCO context in Uganda.

H₃: There is a positive relationship between Strategic Monitoring and Evaluation and Financial Performance of SACCOs in FPTC

3. Methods

A cross-sectional research design which was quantitative in nature was adopted [38]. By design, data was collected at one point in time considering the time and financial resource constraints. A total of 15 Savings and Credit Co-operatives (SACCOs) were considered from the existing 100 using multi-stage sampling where in the first stage, cluster sampling helped in selecting SACCOs in Central, West and East Divisions of Fort Portal City, and later probability proportional sampling at a second stage where selection of the suitable sample size from the cluster depended on the total number of SACCOS in each Cluster/Division [39]. At the third stage, convenience sampling was used to conveniently select respondents by picking all staff that were present at every SACCO office at the time of survey serving in different roles either as tellers, loans officers, marketing officers, human

resource managers, credit managers or directors making a total of 100 respondents. Self-administered questionnaires were used anchored on a five point Likert scale where 1 represented 'Strongly disagree' and 5 stood for 'Strongly agree'.

The operationalization and measurement of Strategic Management Practices was done following appropriate guidelines and principles [11, 17, 27, 31]. Accordingly strategy formulation looked at external and internal analysis, where strategy implementation looked at institutionalization and operationalization and finally strategy monitoring and evaluation which looked at standard practices, feedback and corrective measures. On the other hand measurement of financial performance considered asset quality, earnings and liquidity [4, 37]. Both nominal and ordinal scales were used where nominal scale was specifically used for gender and age group whereas ordinal scale helped to measure numerical values largely invoking usage of likert statements aligned to the five-point likert scale in accordance with the study objectives where 5 stood for Strongly Agree and 1 stood for Strongly Disagree [40]. Efforts were made to test the goodness of the instruments used largely focusing on construct and content validities. Apparently, the reliability co-efficient of the items in the instrument fell in acceptable range [41], indicating the internal stability and consistency of the questionnaire used. The study used both descriptive and inferential analytical techniques to data range [42]. In terms of defining the regression model, the following was done;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

where; Y = Financial Performance, X₁ = Strategy formulation, X₂ = Strategy implementation, X₃ = Strategic monitoring and evaluation, and β_1 , β_2 , & β_3 = Beta coefficients for the independent variables, ε = Error term

4. Results

4.1. Respondents' Profile

Table 1 below reveals the frequency distribution of respondents in terms of gender, age, education, current position and job tenure.

Table 1. Respondents' Profile.

		Frequency	Percent	Valid Percent
Respondent's gender	Male	52	52.0	52.0
	Female	48	48.0	48.0
	Total	100	100.0	100.0

		Frequency	Percent	Valid Percent
<i>Respondent's age</i>	Below 25	5	5.0	5.0
	26-35	49	49.0	49.0
	36-45	33	33.0	33.0
	Above 46	13	13.0	13.0
	<i>Total</i>	100	100.0	100.0
<i>Highest level of education</i>	O' level	1	1.0	1.0
	A' level	35	35.0	35.0
	University Degree	57	57.0	57.0
	Masters	6	6.0	6.0
	Others	1	1.0	1.0
	<i>Total</i>	100	100.0	100.0
<i>Current position in the SACCO</i>	Manager	38	38.0	38.0
	Cashier	13	13.0	13.0
	Loans Officer	15	15.0	15.0
	Accountant	34	34.0	34.0
	<i>Total</i>	100	100.0	100.0
<i>Work experience</i>	Below 3 years	29	29.0	29.0
	4-6 years	40	40.0	40.0
	7-9 years	24	24.0	24.0
	10 and above years	7	7.0	7.0
	<i>Total</i>	100	100.0	100.0

The study findings [Table 1] show that out of the 100 respondents, 52 (52%) were males and 48 (48%) were females suggesting that the study was gender inclusive.

In terms of age, the study findings show that majority of the respondents (49%) were between 26 and 35 years of age, while 33% were between 36 and 45 years of age, 13% of the respondents were above 46 and 5% were below 25 years of age. This implies that there was a fair representation across all age groups.

In terms of education background, 57% of the respondents had completed a first degree, while 35% had completed advanced level of education, 6% had completed a master's degree, and only 1% had completed diploma level. This indicates that the surveyed respondents had the literacy levels to articulately respond on the asked questions.

On the basis of the positions held by the respondents, 38%

of the respondents were managers, while 34% were accountants, 15% were loans officers, and 13% were cashiers which show rich insights from diverse categories of employees working in surveyed SACCOs.

In terms of job experience, 40% of the respondents had between 4-6 years of experience, 29% had only below 3 years, 24% had between 7-9 years and only 7% had over 10 years of experience, hence majority of the respondents had adequate experience and therefore had enough knowledge about the area under study.

4.2. Descriptive Results

As portrayed in Table 2 below, majority of respondents agreed to questions regarding strategy formulation in SACCOs in Fort Portal.

Table 2. Descriptive statistics on the views of respondents regarding strategy formulation.

Statements	SA		A		UD		SD		D		mean	Std. dev
	F	%	F	%	F	%	F	%	F	%		
The SACCO establishes long-term objectives (periods greater than one year)	76	76	14	14	10	10	00	00	00	00	3.77	0.69
There is a process of identifying external threats and opportunities	74	74	00	00	26	26	00	00	00	00	3.6	0.28
The SACCO continuously reviews internal processes and activities to identify weaknesses and strengths	76	76	24	24	00	00	00	00	00	00	3.57	0.54
Identification of primary and secondary stakeholders influences the SACCO's responses	87	87	00	00	13	13	00	00	00	00	3.77	0.74
Stakeholders are involved in formulation of strategy for the Sacco	76	76	00	00	00	00	24	24	00	00	3.61	0.82
There is participation by all stakeholders in formulating plans and strategies	55	55	45	45	00	00	00	00	00	00	3.71	0.91

As reported in table (Table 2), respondents were asked about the strategic formulation practice. Accordingly SACCOs in Fort Portal City establish long-term objectives (periods greater than one year) [Mean, 3.7]. They undergo a process of identifying external threats and opportunities [Mean,

3.6], continuously review internal processes and activities to identify weaknesses and strengths [Mean, 3.5]. Study findings also reveal that stakeholders of SACCOs in the studied area are regularly invited to participate in strategic formulation process [Mean, 3.6; 3.7].

Table 3. Descriptive statistics on the views of respondents regarding strategy implementation.

Statements	SA		A		UD		SD		D		mean	Std. dev
	F	%	F	%	F	%	F	%	F	%		
Adequate resources are allocated to implement strategies and plans	93	93	7	7	0	0	00	00	00	00	4.46	.701
There is sufficient support from management and the board to implement strategy	91	91	0	00	9	9	00	00	00	00	4.85	.856
Resource allocation is matched with the SACCO's objectives	76	76	9	9	7	7	8	8	00	00	4.20	.804
Stakeholders are sensitive to wastage when using of available resources	85	85	7	7	8	8	00	00	00	00	4.74	.839
Stakeholders' skills are matched with their responsibilities	82	82	7	7	11	11	0	0	00	00	4.11	.896
The SACCO's systems are aligned with objectives, strategies and plans of the SACCO	83	83	13	13	4	4	00	00	00	00	4.51	.835

The descriptive results as portrayed in (Table 3), reveal that adequate resources are allocated to implement strategies

and plans among SACCOs in Fort Portal [Mean, 4.7]. It was found out also that top management and the boards of

SACCO support strategy implementation among surveyed SACCOs [Mean, 4.8] by allocating sufficient resources to achieve SACCO's objectives [Mean, 4.2], besides being sensitive to resource wastage [Mean, 4.7]. Another interesting finding is the ability of SACCOs to match stakeholders'

skills with their responsibilities [Mean, 4.1] and aligning the SACCO's systems with objectives, strategies and plans [Mean, 4.5].

Table 4. Descriptive statistics on the views of respondents regarding strategy monitoring and evaluation of SACCOs in Fort Portal City.

Statements	SA		A		UD		SD		D		mean	Std. dev
	F	%	F	%	F	%	F	%	F	%		
There is a well-developed monitoring system	80	80	13	13	7	7	00	00	00	00	3.77	0.57
There is a clear communication of the expected level of execution of activities amongst stakeholders	87	87	13	13	0	0	00	00	00	00	3.9	0.85
Target deriving from the objectives of the SACCO are mutually developed	82	82	10	18	00	00	00	00	00	00	3.73	0.96
Actual level of execution of activities is monitored continuously	75	75	25	25	0	0	00	00	00	00	3.87	0.63
Comparison amongst actual and expected level of execution of activities is undertaken continuously	85	85	15	15	0	0	0	0	00	00	3.65	0.79
Stakeholders are continuously appraised on their level of execution of activities	78	78	22	22	0	0	00	00	00	00	3.78	0.75

The study attempt to collect views of respondents regarding strategy monitoring and evaluation of SACCOs in Fort Portal City revealed that they have a well-developed strategic monitoring system [Mean, 4.7], have clear communication of the expected level of execution of activities [Mean, 4.9] and develop performance targets mutually [Mean, 4.7]. Among others it was found out that these SACCOs continuously monitor execution of activities [Mean, 4.8], continuously compare actual and expected level of execution of activities [Mean, 4.7] and regularly carry out appraisals on levels of activity implementation.

4.3. Inferential Analysis

Bivariate level

4.3.1. Testing Hypothesis 1

The study findings as indicated in the Correlation Analysis table 5 reveals a positive and statistically significant relationship between strategy formulation and financial performance ($r=0.620$, $P<.001$). It therefore reveals evidence on the extent to which strategy formulation in terms of giving special attention to external and internal forces can have on the financial health of an organization. Managers must at all times consider the constituents of their operating environment as they plan and prepare for their future direction. The results

here communicate the significance of preparedness in due course of strategy formulation.

Table 5. Pearson Correlation Analysis on Strategy Formulation and Financial Performance.

	Strategy formulation	Financial performance
1 Strategy Formulation	1.00	
2 Financial Performance	0.620	1.00

**. Correlation is significant at the 0.05 level (2-tailed).

4.3.2. Testing Hypothesis 2

Table 6 results indicate a positive and statistically significant effect of strategy implementation on financial performance among surveyed SACCOs in Fort Portal City ($r=0.830$, $P<.001$). This finding implies that for firms to have improved financial performance, they must ensure execution of what has been planned and gauge or even evaluate the extent to which what has been realized links to fulfillment of set goals and objectives.

Table 6. Pearson Correlation Analysis on Strategy Implementation and Financial Performance.

		Strategy Implementation	Financial performance
1	Strategy Implementation	1.00	
2	Financial Performance	0.830	1.00

**. Correlation is significant at the 0.05 level (2-tailed).

4.3.3. Testing Hypothesis 3

The analysis results as shown in Table 7 above show that strategy monitoring and evaluation positively and significantly relate with financial performance of SACCOS in Fort Portal City ($r=0.574$, $P<.001$). It is an indication that managerial efforts made towards understanding and determining if

a given strategy is achieving what it was intended to achieve, payoff in great measure. Managers are reminded by this finding that they should strive to ensure having in place control practices that make it possible to constantly assess, evaluate and deliver feedback regarding effectiveness of strategies.

Table 7. Correlation Analysis on Strategy Monitoring and Evaluation and Financial Performance.

		Strategy Monitoring and Evaluation	Financial performance
1	Strategy Monitoring and Evaluation	1.00	
2	Financial Performance	0.574	1.00

**. Correlation is significant at the 0.05 level (2-tailed).

Multivariate level

Table 8. Multiple Linear Regression Analysis.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.169 ^a	.029	.008	.149	.029	1.417	1	48	.240

a. Predictors: (Constant), strategic management practices

b. Dependent variable: Financial performance

After conducting regression analysis, using the regression model ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$), the results show that strategic management practices accounted for 29% of variance in the financial performance of the SACCOS, ($R^2 = 0.29$, $\Delta R^2 = 0.29$, $F(1, 48) = 0.240$, $P < .001$). In line with the descriptive statistics above, these findings show that SACCOS with good strategic management practices are likely to have better liquidity, capital adequacy and asset quality resulting into better financial performance. The implication of 29% of var-

iance in the financial performance is that managers should always consider other precedents of financial performance beyond strategic management considerations.

5. Discussion

The respondents' profile as indicated above shows that males were the majority, exhibiting age range between 25 and

35. Again the majority of surveyed respondents were accountants who had between 4-6 years of work experience and in possession of a first degree. Multiple regression results in this study reveal that strategic management practices are positively and significantly related with financial performance of SACCOs in FPTC. This reported finding is not an isolated case especially when compared with previous studies that reported similar effects [14, 19]. Our study presents context differences especially where previous studies that investigated same relationship established similar effects, for example Scolastica and his friend [14] surveyed listed Commercial Banks in Kenya and Tawse and his colleague [19] studied Cooperation Projects with Start-ups in U.S.A. This study uniquely confirms positive relationship between strategic management practices and financial performance of SACCOs in FPTC.

This study hinges on contingency theory premised on the assumption that context or environment should guide managerial decision making and execution. The theory assumption agrees with the findings observed in this study for many reasons; 1) managers who perceive an organization as an open system, invest much on understanding their operating environment to survive [10]; 2) They believe in formulating performance objectives and strategies that are context or environment-based. This indirectly means that selection and adoption of strategic choices is preceded with understanding internal and external conditions. It signals to SACCOs in FPTC to use context-informed approaches which are a call for critical discernment of the environment as a lever to their financial health.

6. Conclusion and Implication

This study is a proof that strategic management practices are positively and significantly related with financial performance of SACCOs in FPTC. Specifically the empirical evidence is three-way focused: 1) strategy formulation and financial performance of SACCOs in FPTC have statistical relationship ($r=0.620$, $P<.001$); 2) strategy implementation and financial performance among surveyed SACCOs have positive relationship ($r=0.830$, $P<.001$); and 3) strategy monitoring and evaluation positively and significantly relate with financial performance of SACCOs in FPTC ($r=0.574$, $P<.001$).

In consideration of these empirical evidence it is implied that managers of SACCOs must; 1) envision strategy formulation as resilience-building process that not only builds but also enhances SACCOs ability to hold their ground in a dynamic and complex environment for both short-run and long run [19]. Since strategy formulation sets an impetus for them to gauge and prepare for probable variations that may arise in future, they should cautiously relook at constituents of their environment as a basis for choice of action/strategy, 2) have measures in place to ensure that initially identified and agreed upon plans and strategies are operational [20]. Efforts must be made to

ensure that daily activities and tasks have the potential to draw the organization closer to fulfillment of set goals and objectives [22]. This is a practical description of institutionalization of the strategy where daily decisions and actions are consistently aligned with the intended long term strategic wins: annual objectives must be a basis for resource allocation which also provides a mechanism for not only evaluation of managers but also serving as a major instrument for progress monitoring as they strive to achieve long-term objectives [24], 3) understand that setting a strategy is as important as putting in place mechanisms to ensure that a given strategy is achieving what it was intended to achieve. The finding alerts managers of SACCOs to institute sufficient control practices as part of their strategy evaluation process, where the importance of feedback cannot be underestimated [31]. They should adopt a managerial monitoring culture that allows for not only concurrent assessment of current strategies but also assessment of performance outcomes and development of related corrective actions, achieved through monitoring market opportunities, threats and internal strengths and weaknesses [33].

7. Limitations and Areas for Future Research

Even when this study contributes to the existing body of knowledge focusing on Sacco's financial performance, it uses strategic management practices as the only predictor which may not be the case naturally. The fact is that financial performance of SACCOs is affected by many factors beyond the study prediction. This very limitation leaves a ground for future researchers to investigate other predictors of financial performance of SACCOs or other contexts. The other observation which presents itself as a limitation is the fact that cross-sectional design was used, leading to collecting data on financial performance of SACCOs at a point in time. We invite future researchers to investigate financial performance of SACCOs using approaches that permit collecting evidence over time by adopting long-tudinal design.

Abbreviations

SACCOs	Savings and Credit Co-operatives
Rural	Rural Savings Promotion and Enhancement
SPEED	of Enterprise Development
PROFIRA	Programme for Financial Inclusion In Rural Areas
UMRA	Uganda Microfinance Regulatory Authority
FPTC	Fort Portal Tourism City

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Conflicts of Interest

The authors declare no conflicts of interest.

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