Assessment of Economic Factors Influencing Financial Performance of Cooperative Societies: A Case of Lamu County Government

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Abstract- The study's precise goal was to determine how technology affects cooperative societies' financial performance. For this investigation, a descriptive survey design was used. The 204 management committee members and delegates from the six active Co-operative Societies in the Lamu County Government were the study's target group. 71 delegates and committee members were randomly chosen as a sample. The main technique of data collection was distribution of questionnaires. The study found that majority of the respondents felt that the level of technology usage influenced financial performance of cooperative societies. 90% of the respondents indicated that level of technology usage influenced financial performance in cooperative societies. The study concluded that technology usage influenced financial performance of cooperative societies. The study recommended that the management to improve the level of technology to meet organization level of operation that will enhance financial performance of cooperative societies.

Key Words- Technology, Financial Performance, Co-operative Societies

INTRODUCTION
The Government of Kenya recognizes the co-operative movement as a critical player in pursuit of social and economic development (Ministry of Agriculture, Livestock, Fisheries and Co-operative, 2019). Kenyan cooperatives carry out a variety of operations throughout all of the nation's economic sectors. A number of sectors, including agriculture, industry, housing, SACCO Societies, and insurance, are actively served by formal cooperatives. The importance of cooperatives in social responsibility is highlighted in Kenya's Vision 2030.

The effective perception of cooperative social purpose is related to social performance in cooperative societies. This comprises the aspirations of the members, their concern for others, and the general wellbeing of the community. The main goal of social performance metrics is to make sure that the social objectives of cooperative societies are satisfied (Ntayi, Luganda, & Nkote-Nabeta, 2014). Members are expected to save money on a consistent basis, market their produce, and use cooperatives to buy inputs. Such commitments are primarily based on members' reciprocity and mutual trust. Hence, the ability of a cooperative to create and maintain trust, deliver top-notch service, and encourage social responsibility in its members is defined as cooperative performance (Ruben and Heras, 2012). For the time period ending in December 2018, the Deposit Taking SACCOs had a total membership of somewhat more than 4.97 million individual residents in addition to corporate or organizational members, per SASRA (2019). 4.78 million Members totaled (96.2% of total members were organic person members; institutional and corporate (non-natural) person members made up the remaining 3.8%).

Due to their emphasis on offering financial services to start-ups, East African nations have experienced rapid expansion of SACCOs, which has led to tremendous economic growth. SACCOs are well-known for giving their members access to credit, according to Mokua (2015). According to the researcher mentioned above, SACCOs' main contribution to economic development is their function as a direct link between urban and rural areas as well as between net savers and net borrowers. Studies show that co-operatives are more sustainable than other types of financial institutions because they increase growth rates and living standards. Economies in nations with a vibrant cooperative sector have grown quickly (Olweny & Shipho, 2011).

Every year, the Commissioner of Co-operatives must receive an audited financial report from every cooperative in Kenya. Each year, SACCOs are required to register their audited financial accounts and reports with the Commissioner of Cooperatives and SASRA, who will evaluate the performance of SACCOS.

The research aim to fill the knowledge gap on the elements based on changing technology influence the financial performance of cooperative societies in Lamu County Government.
STATEMENT OF THE PROBLEM
Cooperatives have a big impact on resource mobilization, agro processing, and marketing of agricultural goods. Cooperatives as a movement make a significant contribution to wealth growth, food security, and employment creation, which lower poverty. The need to encourage members to join cooperatives is vital despite the fact that developments in the cooperative sector have an impact on the growth of the country and the general welfare of the members (Hesbon, 2012).

There hasn't been much done to improve the socioeconomic welfare of the populace to entice people to join cooperatives, despite the fact that cooperatives are designed to help members meet their socioeconomic needs and goals by creating and managing independent, member-owned businesses that generate income and create jobs. Along with the creation of multi-purpose cooperatives, which are acknowledged as crucial institutions for promoting rural development and poverty alleviation, much work needs to be done to promote the channels for community participation in economic development so that participants can coordinate their efforts and reap economic benefits (Swaziland Government, 2012).

According to Njoroge (2011), cooperatives have had serious issues with strategic planning as a result of the consequences of financial restraints, unpredicted market trends, and the difficult operational environment. Despite this, other factors, such as member loyalty, have an impact on cooperative planning since competition makes it harder for people to join or start cooperatives.

Lamu County's success is hampered by numerous issues. Many of the cooperatives have had poor success story in the previous years. The use of technology contributed to this achievement. The study intended to assess these economic factors influencing the financial performance of co-operative societies in Lamu County Government and proposed viable answers and recommendations to address the issues preventing the excellent financial performance of the current cooperative society.

OBJECTIVES OF THE STUDY
To investigate the impact of technology on the financial success of cooperative societies in Lamu County.

RESEARCH QUESTIONS
How much does technology affect Lamu County's cooperative societies' ability to make money?

LITERATURE REVIEW
Technology and performance of Co-operative
A company can fulfill its goals with the help of information technology, but it may also pose a threat to the company's survival. Technology adoption is necessary for a cooperative society to invent new goods and services as well as operational procedures for comfort and effectiveness. While operational efficiency conserves resources, operational convenience encourages member loyalty for cooperative societies. To improve the effectiveness and efficiency of their operations, advanced technologies are crucial for all organizations, including cooperatives. Cooperatives must have access to and make available to their members user-friendly technologies, such as those used in agriculture. For instance, in the creation of machineries, the modification of animal and plant species, the processing of crops, and industrial technologies. Further advances require the use of communication technology, which includes tools like mobile phones, the internet, mass and social media, as well as automated services like computerized systems for prompt services. Technology aids in enhancing output and quality, streamlining distribution, and lowering manufacturing costs. Automation reduces service delivery time and human error in SACCOS and cooperative banks.

IT innovations in recent years have had a tremendous economic impact. In recent decades, traditional forms of business have undergone significant change due to the growth of the internet and its commercialization. The entire economy has transformed as a result of the internet's explosive expansion over the past ten years. Companies have made significant investments in IT, mostly to automate internal processes like payroll accounting, finance, and manufacturing.

By adopting information technology, particularly the internet and electronic finance, banking institutions have undergone an evolution. World Council of Credit Unions (WOCCU, 2014) claims that ICT is a fundamental infrastructure that may significantly improve the performance of various business sectors. Cooperative Societies are therefore required to use ICT to strategically position their organizations to profit from a global economy that is becoming more information-driven.

THE THEORIES OF STRATEGY
The theories of strategy served as the study's foundation (Child, John, David, Stephen, 2005). According to the ideas, a cooperative strategy is an effort by an organization to achieve its goals by working cooperatively with like-
minded institutions and not in competition with them. The same goes as to people who bring their resources together to gain an advantage. Henry (2008) gave and explored a similar example to show how a strategy's goal is to help a business gain a sustained competitive advantage. He derives that clearly analyzes the organizational resources, both internal and external. This shows the importance of an organization's administrative capabilities and the source of its resources (Henry, 2008).

In order to meet an organization’s goal using the best leadership strategies and practices, strategic management theory is essential. In order to get a competitive advantage in this, the strategy should be created in the best way possible to capitalize on the organization’s resources and match its needs, both internally and externally. In this instance, external influences are crucial and should be taken into account in cooperative administration to ensure its longevity. No organization's strategy can be created or implemented by a single person. Mintzberg presented 5Ps strategy which implies some level of member involvement in the creation and maintenance of the strategy.

The theory of strategic management is critical for any organization when creating their internal and external analysis. In the internal environment, resources, competencies, goods, human resources, and culture are extremely important. Management should take into account external environmental issues including competition, demand and supply, and substitutes, all of which make up the threat to the institution. Therefore, this study looks at the theory of strategic management and how it affects cooperative organizations and their performances.

CONCEPTUAL FRAMEWORK

The study took into account the technological factor when doing the conceptual framework and studied issues that have impact on financial performance of cooperative societies in Lamu county. The independent variable was technology usage while co-operative performance was the dependent variable.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>TECHNOLOGY</td>
<td>CO-OPERATIVE PERFORMANCE</td>
</tr>
<tr>
<td>Accuracy and reliability</td>
<td>Income Growth</td>
</tr>
<tr>
<td>Automated</td>
<td>Management capacity</td>
</tr>
<tr>
<td></td>
<td>Level of participation</td>
</tr>
</tbody>
</table>

![Figure 1: Conceptual Framework](image)

RESEARCH METHODOLOGY

Research Design

A descriptive design allows researchers to gather significant amounts of detailed data of a population under investigation. Therefore, this paper used descriptive design to get the same detailed results to support its findings.

Target Population

Any active cooperative societies in Lamu County that are registered with the Ministry of Co-operative Development were the focus of the research's management committee/delegates. The first step of the investigation was involving compiling the total number of cooperatives in the area of study. Then, only current cooperatives were taken into account.

The goal of sampling is to identify a representative sample that will allow the researcher to learn more about the complete population (Mugenda, 2003). Selecting respondents from each Co-operative Society in accordance with the proportion of each that is calculated using the total population as the denominator was done using a simple random sample approach. The table 1 below shows a sample frame that indicates a total population of 204. Using the formula provided by Nassiimuma (2000), the sample size was determined, as shown in table 1 below:

\[
 n = \frac{N \times C^2}{N + e^2}
\]

Where: 
- \( n \) is the sample size
- \( N \) is the target population i.e. 204
- \( C \) is the coefficient of variation i.e. 0.21
- \( e \) is the margin of error i.e. 0.02

Calculating the sample,

\[
 n = \frac{204 \times 0.21^2}{204 + 0.02^2}
\]

n = 71
A sample size of 71 respondents results from the use of the above formula. Stratified Proportional allocation was used to calculate various strata.

The formula used is as follows:

\[ nx = \left( \frac{N}{N_x} \right) N \]

Where:
- \( nx \) = Population in a stratum
- \( N \) = Total number of Co-operative
- \( N_x \) = Total number of the sample size of strata \( x \)

Table 1: Determination of sample size

<table>
<thead>
<tr>
<th>Name of Co-Operative Type of Co-Operative</th>
<th>Target Population (Management Committee and Delegates)</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake Kenyatta farmers CS LTD Multi Purposes</td>
<td>Lake Kenyatta farmers CS LTD Multi Purposes 99 34</td>
<td></td>
</tr>
<tr>
<td>Hindi /Magogoni Farmers CS Ltd Multi Purposes</td>
<td>Hindi /Magogoni Farmers CS Ltd Multi Purposes 12 4</td>
<td></td>
</tr>
<tr>
<td>Lamu Teachers Sacco Ltd Urban Sacco</td>
<td>Lamu Teachers Sacco Ltd Urban Sacco 36 13</td>
<td></td>
</tr>
<tr>
<td>Mpeketoni Jua Kali Sacco LTD Rural Sacco</td>
<td>Mpeketoni Jua Kali Sacco LTD Rural Sacco 12 4</td>
<td></td>
</tr>
<tr>
<td>Lakwa Sacco LTD Rural Sacco</td>
<td>Lakwa Sacco LTD Rural Sacco 12 4</td>
<td></td>
</tr>
<tr>
<td>Lamu Women County Sacco Rural Sacco</td>
<td>Lamu Women County Sacco Rural Sacco 33 12</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>Total 204 71</td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher (2023)

DATA ANALYSIS AND PRESENTATION AND INTERPRETATION OF FINDINGS

Response rate
The researcher sampled a total of 71 respondents. The responded filled the questionnaires and returned them. This represents a percentage of 100%. The 100% response rate was deemed adequate and sufficient by the researcher for purposes of data analysis.

Influence of Technology in financial performance of Cooperative societies

Table 2: Whether level of usage of technology influences financial performance

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>64</td>
<td>90</td>
</tr>
<tr>
<td>No</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher (2023)

90% of the respondents indicated that level of technology usage Influences financial performance in cooperative societies in Lamu County Government while 10% of the respondents indicated that level of technology usage has no influence on the financial performance of Co-operative Societies. These shows that majority of the respondents said the level of technology usage has great influence in financial performance of cooperative societies in Lamu County Government.

Table 3: Whether accuracy and reliability of cooperative information is enhance by use of technology in Cooperatives Societies operation

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>65</td>
<td>91</td>
</tr>
<tr>
<td>No</td>
<td>6</td>
<td>9</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher (2023)
From table 9 above it showed that 91% of the respondents agreed that accuracy and reliability of cooperative information is enhanced by use of technology in cooperatives societies while 9% of the respondents did not agree. These showed that majority of the respondents indicated that accuracy and reliability of cooperative information is enhanced by use of technology in cooperatives societies hence has great influence in financial performance of cooperative societies in Lamu County Government.

SUMMARY OF FINDINGS

The overall objective of the study was to evaluate the variables that influenced the economic financial performance of cooperative societies in Lamu County government. To facilitate the study, a questionnaire was formulated and administered to various management committees and delegates of active cooperatives Societies in Lamu County Government.

Majority of respondents felt that the level of technology usage influenced financial performance of cooperative societies. 90% of the respondents agreed that level of technology usage influenced financial performance in cooperative societies while 10% of the respondents disagreed that level of technology usage had influenced the financial performance of Co-operative Societies. Regarding accuracy and reliability of cooperative information through use of technology 91% of the respondents indicated that accuracy and reliability of cooperative information was enhanced by use of technology in cooperatives societies while 9% of the respondents indicated that accuracy and reliability of cooperative information was not enhanced by use of technology in cooperatives societies. These showed that majority of the respondents indicated that accuracy and reliability of cooperative information is enhanced by use of technology in cooperatives societies’ hence great influence in financial performance of cooperative societies in Lamu County Government.

CONCLUSIONS

The study identified economic factor that influenced financial performance of cooperative societies in lamu county government. The study found that technology usage influenced financial performance of cooperative societies.

RECOMMENDATIONS

The researcher recommends that the management to improve the level of technology to meet organisation level of operation.

REFERENCES: