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The competitive advantages of and critical success factors for financial cooperatives in Swaziland

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Abstract

A disappointingly large proportion of the citizens of developing countries remain excluded from services provided by formal financial enterprises. This segment of the market, often referred to as the bottom of the economic pyramid (BOP), is subjected to a host of barriers which prevent it from accessing traditional financial services. In society, money does not only represent material value, but it is also a social construct through which all members of societies express themselves. Hence these, often poor, members of developing societies consequently attain access to credit through alternative modes of financing – one of which is the financial cooperative. Financial cooperatives play a dual role in society; they provide an economic vehicle for individuals and also a platform for social interaction for its members, thereby building social capital within the society. The existence of social capital within a society increases the members' ability to solve communal problems. Unfortunately, an inadequate amount of research has been done to aid our understanding of this, and indeed other, alternative financing models. This paper seeks to begin to address this by investigating the competitive advantage and critical success factors of financial cooperatives in Swaziland.

To this end, a qualitative research with an exploratory approach was conducted, as this approach was found most appropriate to provide new insights on the key phenomena that was being investigated. Consequently, 24 in-depth interviews at five different levels of involvement with cooperatives in Swaziland were conducted. The interviews provided rich data which was analysed using content and frequency analysis.

This study found that successful financial service providers serving the market at the BOP provide a solution that has an appropriate balance between functional and social features. Financial cooperatives as a means of financial service was found to be suitably designed to meet the needs of the underserved financial service market. The Financial Services Acquisition Journey model was developed from the research findings. In graphic form, this model offers an integrated representation on how to ensure enhanced customer experience whilst providing financial services for the underserved financial services market.

Key Words

Financial Cooperatives

Alternate Financial Models

Critical Success Factors

Bottom of the Pyramid

Social Capital

Declaration

I declare that this project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Signed: ______________________________

Date: ______________________________

Dedication

I dedicate this work to the living God, who began a good work in me and saw it to completion.

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Contents

1. INTRODUCTION TO RESEARCH PROBLEM

1.1 Introduction

Providing services for the underserved rural communities has not been the focus of established financial enterprises (World Bank, 2012). Very few companies, including financial service providers, have ventured into this market, this has left a gap which is increasingly being serviced by new entities operating in a completely different way from established urban enterprises (Ismail, Kleyn, & Ansell, 2012). Kibuuka (2007) found that formal financial systems often do not entirely meet the needs of the population, and in many instances, alternate financial systems have arisen to take care of the gap that exists in the market. The recent financial crisis has further amplified the unsustainable nature of the formal financial systems currently in existence as people have lost trust in their ability to serve their needs (Azmi, 2011). Economists tend to agree that banks provide the best financial intermediation within any economy; where individuals, institutions and regions with surplus financial resources are connected with those with a deficit of the financial resource. This belief is mostly based on a lack of understanding of the nature, magnitude and the role of other less formal financial sectors which dominate most societies (Bouman, 1990). As money is understood not only as something that represents material value, but it is considered a social construct that reveals and constitutes choices, priorities and commitments; it is therefore important to understand what factors drive certain financial choices in any society (Ziv, 2010). For many years the financial cooperative movement has played the role of providing alternate financial services to the sectors of the population that otherwise would have little or no access to these services (Zeuli & Cropp, 1980). Kibuuka (2007) posits that although the services of the formal financial sector are currently designed to target middle to higher-income entities, these services are not always seen as relevant even within these sectors. The author postulates this as an explanation for the rise in the informal financial sector which includes *stokvels*, financial cooperatives, money lenders and burial societies (Kibuuka, 2007).

The International Cooperative Alliance (ICA), which is the apex organization founded in 1895 to coordinate the cooperative movement worldwide defines a cooperative as 'an autonomous associations of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly-owned democratically controlled-enterprise' (International Cooperative Alliance, 2014). Membership is voluntary because it is believed that true cooperation can only arise in an environment where there is mutual-help (Zeuli & Cropp, 1980).There are many different types of cooperatives, some are multi-purpose and others are single purpose. The most common types are Agricultural cooperatives and Financial Cooperatives; sometimes called Credit unions or Savings and Credit Cooperatives (SACCOs) (Zeuli & Cropp, 1980). The main aim of this study is to understand the key principles that support the success of financial cooperatives.

Financial cooperatives have a dual capacity in society in that they provide platforms for social interactions and are economic vehicles for communities, groups and individuals. Latest developments resulting from the financial crisis have shown that financial cooperatives are one of the fastest growing financial institutions in some locations due to their ability to adapt to any condition (Alexopoulos & Goglio, 2011). Financial cooperatives are often loosely organized entities which have some formal and informal characteristics. They are typically started informally when a group of people with a common bond (e.g. workplace, religion, location, community, profession) decide to save their money together for a commonly agreed purpose (Adekunle, 2011). The pool of savings is then used to provide financing to the members according to how much each member has saved, the amount to be borrowed is often a multiple of the members' current savings. The members of the cooperatives determine the policies of the cooperative such as the amount to be saved monthly, the interest to be charged on borrowings and the dividend sharing formula (Kibuuka, 2007). The operational policies may or may not be documented, and the cooperative relies heavily on the social ties that create trust among members (Morrow, Hansen, & Pearson, 2004). Financial cooperatives are common throughout the world, with 101 countries which have active financial cooperatives (World Council of Credit Unions, 2014). Although prevalent throughout the world, the scope of this study will be limited to financial cooperatives within Swaziland.

1.2 Cooperatives in Swaziland

1.2.1 General Overview

Swaziland is a landlocked developing country situated between South Africa and Mozambique, with a population of 1.2 million people. 63% of the population lives in rural Swaziland and have less access to resources, such as services and infrastructure. The sources and levels of income and level of financial inclusion, is much lower within these rural locations compared to those living in the urban areas. A recent survey found that 43.9% of the adult population use commercial bank products and 44.4 % have no access to any form of financial service product (Genesis, 2013).

The history of the Cooperative movement in Swaziland can be traced back to the early 1920s, the first of which were agricultural. Financial cooperative movement was born in the early 1970s when a handful of active agricultural cooperatives came together to form what was called Central Cooperative Union (CCU) (Mnisi, 2014). CCU was the farmers' cooperative apex body which gave birth to the first financial cooperatives with the intention of providing financial services to the farmers unions. However, the farmers' financial cooperatives were not too successful since farmers did not have regular income and could not consistently pay their dues to the cooperative. As awareness increased on financial cooperative movement, government employees started forming various financial cooperatives, with their professions as the common bond differentiator. This gave birth to the now very active teachers, nurses and correctional services financial cooperatives in the nation (Genesis, 2013).

1.2.2 The Role of Government

The first Cooperative Proclamation was passed in 1931, however the Department of Cooperatives was established much later in 1963 headed by the Registrar of Cooperatives. The 1931 Proclamation was revised in 1964 and was called the Cooperatives Society Proclamation, which was later evolved to an Act of Parliament, The Cooperatives Societies Act of 2003.

The financial cooperative movement in Swaziland is very strong and has the support of government through the Department of Cooperatives which is housed in the Ministry of Commerce, Industry and Trade. The Department is headed by the Commissioner of Cooperatives and is tasked with the following responsibilities according to the Act:

- Ensure the enforcement of the Act
- Assist in the creation of a conducive environment for cooperative growth, without affecting the right to grow as autonomous and self-reliant enterprises
- Provisionally and fully register and deregister cooperatives
- Handle Liquidations and dissolutions of all cooperatives (The Cooperatives Society Act, 2003)

In the period between 2009 to 2012 the country went through a period of financial difficulty following the recent global recession, which resulted in the country needing to strengthen controls to avoid a complete collapse of its financial systems. The informal financial services market was identified as a high risk concern and financial cooperatives in particular, because of their high penetration and asset growth rate in the country, were found to be a risk to the country's financial system. The Ministry of Finance, in a bid to put in place prudential requirements of solvency and stability, introduced the Financial Services Regulatory Act of 2010 which purports to regulate all non-banking financial institutions including financial cooperatives (Genesis, 2013). The Act has been received with mixed feelings by the cooperative movement and The Financial Services Regulator has not implemented some of the sections of the law with regards to control of the cooperatives because of the sensitivity and the resistance from the movement (Mnisi, 2014).

1.2.3 The Financial Cooperative Movement

The Financial Cooperative movement has grown significantly since its inception in the early 1970s. It enjoys membership from low-income earners, middle-income and the upper-income earning groups. The movement has a 4.46% population penetration rate, with 70 registered cooperatives holding assets in excess of E800 million (USD 80 million) (Genesis, 2013).

The apex body of the Swazi financial cooperatives movement; the Swaziland Association of Savings and Credit Cooperatives (SASCCO) was formed in 1988 and enjoys a membership of 39 out of the 70 registered financial cooperatives in the country. SASCCO is a member of the African Confederation of Cooperatives Savings and Credit Associations (ACCOSCA) which assisted to establish it in 1988. Although not an official affiliate, SASCCO enjoys a professional relationship with the World Council of Credit Unions (WOCCU), which is the world-wide apex body of financial cooperatives (Genesis, 2013).

1.3 Purpose of This Study

Although financial cooperatives are a well known form of financial management in developing countries, very little is known about the members perception of them. The aim of this paper is to evaluate critical success factors and the competitive advantages of the financial cooperative movement. This study will explore the reasons why people join the financial cooperative movement and how they are perceived to be different from other financial management tools available to them. This study will further ascertain what the key organisational drivers for financial cooperatives are and explore how applicable the seven principles of cooperatives espoused by International Cooperative movement are to the Swaziland financial cooperative movement (International Cooperative Alliance, 2014). The case of Swaziland will be used to get an understanding of how these principles are applied and how the principles assist the cooperatives to achieve their goals.

2. LITERATURE REVIEW

From the literature review, five main fields of theory or themes that feed into understanding the competitive advantages of and critical success factors for financial cooperatives were identified. These are;

- Alternate Financial Models,
- Bottom of the Pyramid Theory,
- Cooperative Theory
- Social Capital
- Competitive Advantages

These themes will be discussed in more detail below;

2.1 Alternate Financing Models

Poor citizens of developing countries experience financial exclusion to varying extents for a myriad of reasons. The extent of the limitations to access to traditional lines of credit in the developing world has proved so great a problem that whole industries built on alternative financing models have emerged in order to enable the financially excluded to run small businesses and interact with the informal economy. This section briefly surveys five of these institutions.

The recent financial crisis has challenged the previously unquestioned belief of the superiority of traditional financial service providers (Azmi, 2011). The culture of formal financial institutions which are only familiar with dealing with large instead of small economies; lends itself to high transaction costs which are not suitable for the typical 'penny' economy of rural communities.

Inadequate access to finance is a critical barrier to poverty reduction (Chidambaranathan, Premchander, & Raj, 2013). Although the information age has increased avenues in which consumers can get credit, this unfortunately is at times at an unjustifiable cost (Chidambaranathan *et al*, 2013). Micro financing can be delivered through many vehicles such as banks, non-bank financial companies, government subsidized bank loans, rotating savings and credit associations (ROSCAs) and financial cooperatives (Kibuuka, 2007). Studies have shown that financial cooperatives are one of the best models to provide financing to the people at the bottom of the pyramid, where other financial institutions have shied away (McKillop, 2005). For the consumer, affordable credit is becoming more and more difficult to acquire as the size of the consumer credit market increases. This growing rate of financial exclusion, where citizens do not have access to basic finance, presents an opportunity for them to look for financing outside of the traditional financing institutions (Ryder, 2009).

Financial systems in most developing countries are made up of a combination informal and formal services. These range from informal lending from relatives, friends, moneylenders who do not require a formal credit history from the lender, to ROSCAs, to solidarity groups, financial cooperatives to formal microfinance lending institutions (Brown, Garguilo, & Mehta, 2011). A brief discussion of each of these alternate forms of financing follows below.

2.1.1 Informal Lending

Most formal financial services do not meet the needs of the poor because of lack of collateral, unaffordable transaction costs and sporadic income patterns not suitable for repayments required by formal financial services (Brown *et al.*, 2011). However, the poor still need access to capital, hence alternative sources emerge. The most common informal lending source is friends and relatives. The mutual bond that exists between individuals, helps the lender to make proper judgement of the borrower's ability to pay and significantly reduces the amount of time and money spent on transaction related costs (Brown *et al.*, 2011). There are several advantages and disadvantages of using this type of informal financial service system. The advantages include the easy access to information about the credit worthiness of the borrower, the access to social sanctions that can be used on the borrower if they default on payment and easy access to the borrower thus reducing transaction costs. The disadvantages include the risk of loss of social capital if the transaction does not go as planned and the limited ability to use the social capital to acquire more capital from other available sources as the transaction only remains between the lender and the borrower, and cannot be extended beyond that (Brown *et al.*, 2011).

2.1.2 Rotational Savings and Credit Associations (ROSCAs)/*Stokvels*

Another form of informal financial service in use today is rotational savings and credit associations (ROSCAs) , locally known as *stokvels* (Kibuuka, 2007). Most people living at the bottom of the pyramid are unbanked even if they have some form of income generating activity. The main reason for not opening a bank account is that bank accounts require large opening fees and minimum balances which they cannot afford (Brown *et al.*, 2011). ROSCAs are therefore used as a secure form of saving money in the informal sector, instead of keeping it at home. Calomiris and Rajaraman (1998) define a ROSCA as a 'voluntary grouping of individuals who agree to contribute financially at each of a set of uniformly-spaced dates toward the creation of a fund, which will then be allocated in accordance with some prearranged principle to each member of the group in turn' (Calomiris & Rajaraman, 1998). ROSCA participants have periodic meetings where members contribute to the shared saving pool which is given to members on a rotational basis (Brown et al, 2011). ROSCAs provide access to capital which otherwise the members would not have through saving alone (Donoso, Altunbas, & Kara, 2011). The ROSCAs meeting provide a platform for the members to interact and strengthen their social bond, thus increasing social capital within the members (Brown *et al.*, 2011).

Literature suggests various reasons why people choose to participate in ROSCAs: i) financing the purchasing of durable goods; ii) to alleviate intra-house conflict where one member has difficulty in conforming to agreed saving plan; iii) to counter the effects of income uncertainty; iv) to save income that is acquired illegally or to evade taxes associated with traceable income (Donoso *et al.*, 2011).

Kibuuka (2007) and Donoso *et al.*, (2011) found that not only the poor participate in ROSCAs, but increasingly middle-income families are participating as well. This suggests that there are more reasons than inability to repay that have led to the formal financial systems being found to be inadequate to serve the needs of the market. ROSCAs resemble financial cooperatives in many ways, except that they are not bound by the cooperative principles and they are short-term, as members liquidate funds on a frequent basis (Kibuuka, 2007).

2.1.3 Solidarity Groups

Solidarity groups are weak-tie relationships, where individuals come together and agree to jointly repay a microfinance loan. These groups are typically composed of individuals who have been working together for a while, albeit in different businesses, and have built enough trust to take a loan jointly (Brown *et al.*, 2011). This type of access to finance is more attractive to small businesses who do not have the required collateral as individuals to access the microfinance loan, but rather use the power of the joint pool, which smoothes out erratic payment behaviour patterns of individuals, thus making each member more reliable. Trust, mutual understanding and peer pressure are key success factors in solidarity groups (Brown *et al.*, 2011). Solidarity groups do not only form to jointly access microfinance loans, but they also use the power of the network to increase business opportunities for each of the members. The goals of the loan are agreed and approved by the group and peer pressure assists to ensure that each member delivers against agreed objectives. If a member encounters any problem, the rest of the group has a moral obligation to assist the member, hence these schemes usually extend beyond borrowing money together but assist each other to get new markets for the health of each member's business (Brown *et al.*, 2011).

2.1.4 Financial Cooperatives

Financial cooperatives are financial institutions that are governed by the general principles of the cooperative movement; members with a common purpose, cooperate by putting their funds together and use the fund for the benefit of the members (Zeuli & Cropp, 1980). This form of financing started as an informal financing model in the 1800s and was later formalised (Dunn, 1988). Financial cooperatives often start as informal saving schemes, which sometimes mature to solidarity groups and further mature to financial cooperatives as the mutual understanding and trust increases amongst members (Brown *et al.*, 2011). However not all financial cooperatives start in this slow way. The existence of trust amongst people who have a financial service need, has seen some cooperatives starting at a much faster pace, with members entrusting a significant portion of their earnings to the cooperative (Alexopoulos & Goglio, 2011).

The potential for cooperatives to provide financial freedom to the people living at the bottom of the pyramid looks much more real than the opportunities currently provided by the other business models (Ryder, 2009). Financial Cooperatives are the focus of this research.

2.1.5 Microfinance Institutions (MFIs)

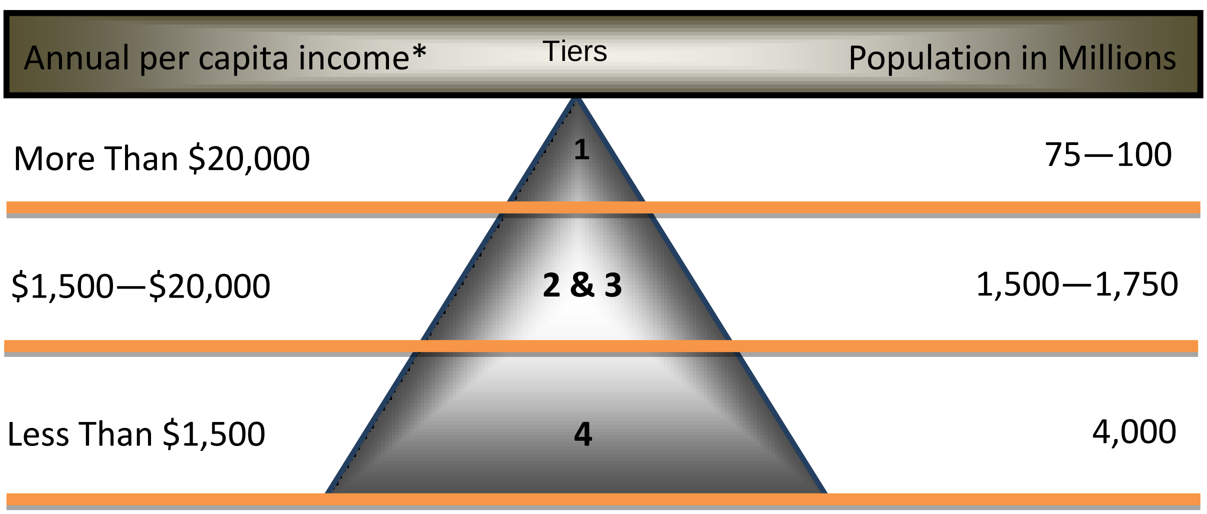
Microfinance institutions (MFIs) are formal financial institutions that were born to correct the failures of traditional financial institutions, such as banks, in meeting the needs of the poor. Grameen Bank is an example of an MFI, which was founded in 1983 and was structured as a typical MFI whose target market was the self-employed micro enterprises (Brown *et al*., 2011). There are a number of other MFIs that have been created to meet the needs of the poor, however a big gap still exists, as only 14% of market demand for microfinance is being met by the existing MFIs (Brown *et al*., 2011). Microfinance institutions often have standardised lending contracts which do not fit the needs of the poor as they need contractual flexibility because of the enterprises that they often engage in which do not have certainty of income because of seasonality and other factors, e.g. farming. MFI contracts often require immediate resumption of repayment because of the absence of collateral and the perceived risk that comes with lending to such a population (Pellegrina, 2011). Additionally the bureaucratic process associated with managing small borrowers accounts has led most MFIs to stray away from their mandate, and hence most MFIs end up serving the more established businesses which is against the MFI principles (Brown *et al*., 2011). The market therefore remains significantly under-served and hence the increased use of innovative ways of financing among the poor.

2.2 Bottom of the Pyramid

2.2.1 Introduction

Prahalad & Hart (2002) used data from UN World Development Reports to develop the World Economic Pyramid which has the world population divided into four economic tiers as illustrated in Figure 1. Tier 4, depicts 60% of the world's population living within this economic tier and was coined as the Bottom of the Pyramid (BOP) tier. Subsequent to the inaugural article of this concept, much debate ensued over its accuracy, however consensus exists among scholars that a significant portion of the world's population lives at the bottom of the economic pyramid (Karnani, 2006).

The BOP concept was initially focussed on Multinational Companies (MNCs) making profits out of selling to the BOP and simultaneously eradicating poverty. The BOP theory has not been without opposition, being criticised for the percentage estimated for those at BOP, its focus on BOP as a market versus producers and its ambitious and simplistic view in eradicating arguably the world's largest problem; poverty (Karnani, 2006). Be that as it may, the BOP concept has created a basis for product and service providers (including financial service providers) to relook at how this significant portion of the world's population, which has been excluded from products and services, could be included.



*Based on purchasing power parity in U.S. $
Source: U.N. World Development Reports

Figure 1: World Economic Pyramid (Source: Prahalad & Hart, 2002).

2.2.2 The Commercial Infrastructure at BOP

The BOP concept suggests that there are potentially huge profits to be made by enterprises that dare to pursue the largely untapped purchasing power of the people living in this tier of the pyramid (Olsen & Boxenbaum, 2009). Enterprises that are successful in the BOP need to address four key elements for the consumers at this level: Creating buying power, shaping their aspirations, tailoring the offering to meet the local needs and improving access to the offering (Prahalad & Hart, 2002).

Prahalad & Hart (2002) developed the model that depicts the commercial infrastructure at BOP as shown in Figure 2 below. Clearly enterprises which aim to play in this market need a radical change in their operational models, addressing all four elements in-order to lift the economic activity of this market segment and in turn realise some return (Olsen & Boxenbaum, 2009). The BOP model is continually being challenged by scholars for appropriateness to address the social issues it aspires to, but provides a good basis to start the journey towards social inclusion for the poor (Karnani, 2006). Financial cooperatives are in themselves a unique financial business and understanding what drives their success could assist in enriching business assumptions about the BOP .

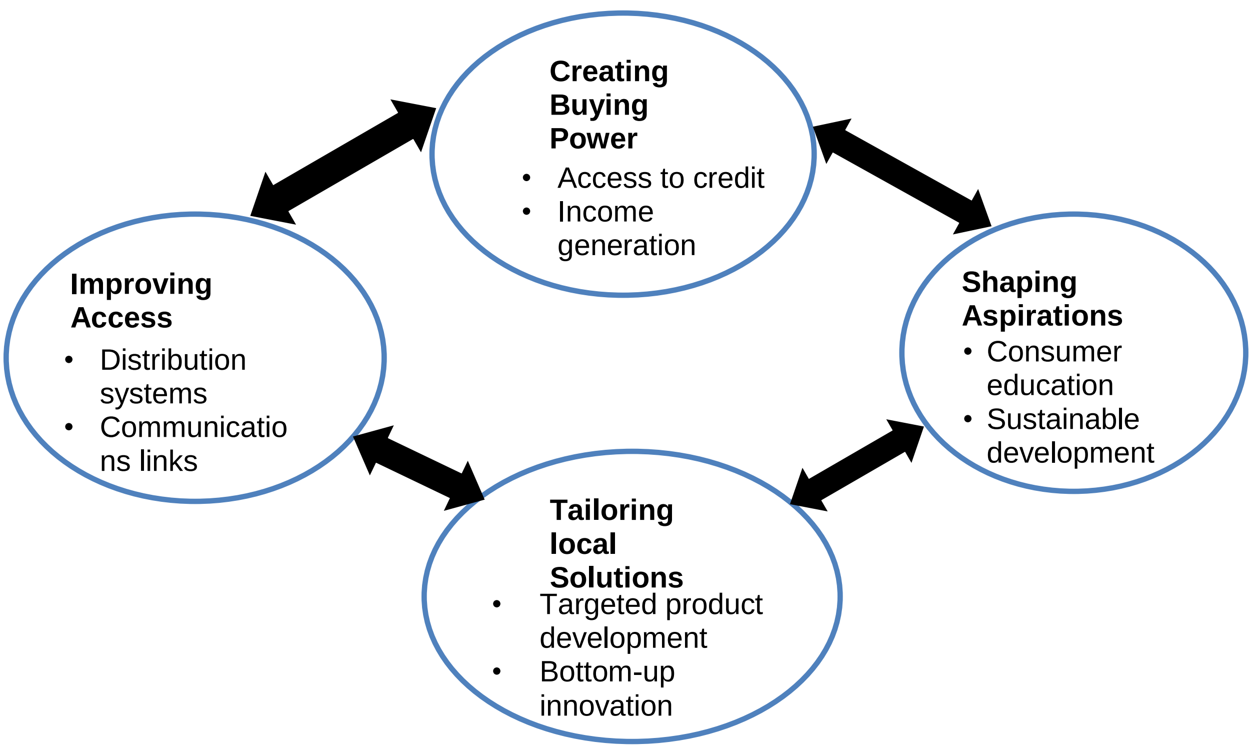


Figure 2: The Commercial Infrastructure at The Bottom of the Pyramid (Source: Prahalad & Hart, 2002)

2.2.3 Critical Success Factors at BOP

Established enterprises have failed to tap into the economically excluded market at the BOP because they have tended to use the same business strategies as those they employ in existing and more developed markets (Olsen & Boxenbaum, 2009). This has largely been due to the ease of predictability of risks in the established markets, however increased competition, due to saturation in these markets, demands that new market segments be developed in order for enterprises to experience any meaningful growth (William, Omar, & Ensor, 2011).

Operating successfully in BOP requires a radically new mindset (Ismail *et al*., 2012). The Indian microfinance industry learnt this the hard way, where loans were issued to BOP customers using the same models as those used for developed customers. This led to an erosion of the Indian micro-lenders institutions' bottom-line and other unintended social harms in the community such as suicide and community revolts (Calton, Werhane, Hartman, & Bevan, 2013). It is therefore important to find context-appropriate solutions for BOP in order to create meaningful and mutually-beneficial value for the people in this economic tier (Ismail *et al.,* 2012).

London & Hart (2004) emphasize the importance of 'social embeddeness' of the solution for BOP, whilst Gollakota, Gupta & Bork (2010) highlight the importance of looking at the value chain holistically when designing products and services for BOP. Rivera-Santos and Rufin (2010) agree with Brown *et al*., (2011) on the idea of trust being the cornerstone of business transactions in the low-income societies, which have little or no understanding of legally written contracts (Rivera-Santos & Rufin, 2010) . Mutual value creation is also a parameter that has been found by scholars to be at the centre of success in operations that aim to play at the BOP. For enterprises to be successful they should not have a narrow and short term approach to value creation, instead they should have the patience required to deliver long term value both to the enterprise and the societies in which they operate (Porter & Kramer, 2011).

2.3 Cooperative Theory

The cooperative movement was started in Europe in the 1800s as a response to social distress during the birth of the Industrial Revolution (Zeuli & Cropp, 1980). Prior to this, communities lived comfortably on subsistence farming, the changes in production practices which came with unfair distribution of wealth created unrest in the society which resulted in the poor deciding to pool their resources together to fight the resultant poverty that was rising (Zeuli & Cropp, 1980). The primary aim of these cooperatives was to look after the interest of its members and the societies which they lived in (Zeuli & Cropp, 1980). The basic philosophy underpinning the cooperative movement is that the collective efforts of a people with common interest, can achieve what is not possible if done individually (Nilsson, 1996). A set of principles were developed which provided a guide regarding the governance of these new entities (Zeuli & Cropp, 1980). These were initially twelve and were later consolidated to seven, however they have not changed in content. The core structure of cooperatives is that they are member-owned and member-controlled for the benefit of the members (Dunn, 1988). The board of directors who control the cooperative are elected using the member-controlled principle where one-member, one-vote is applied during the election process, regardless of the amount of capital members have invested in the cooperative, they have equal voting power (Dunn, 1988).

2.3.1 The Cooperative Enterprise

Traditional Microeconomics theory specifies only three types of economic agents: consumers, firms (entrepreneurs) and resource holders. This classification is limited in that it fails to recognise other critical decision making-units which determine the state of the economy such as governments, labour unions and cooperative associations (Helmberger & Hoos, 1962). The cooperative organisation could be viewed as a special type of a firm, with differences arising from the differing goals of these two types of enterprises. This therefore means a different form of organisation is required for the two types of enterprises to achieve their goals. A firm is an organisation whose goal is to make money now and in the future, and is ideally structured to minimize cost and optimise output (Goldratt, 2004). Whereas a cooperative enterprise on the other hand, whilst profit seeking, has social responsibilities to its members and the community in which it operates. It is member-focused not profit-focussed (Dunn, 1988).

Some scholars suggest that cooperatives should be viewed as a firm, as defined by organisation theory, others however are of the view that cooperatives do not fit to be described as firms, yet others have suggested that perhaps the definition of a firm needs to be extended to accommodate the special nature of cooperatives (Helmberger & Hoos, 1962).

Azmi (2011) posits that cooperatives play right at the heart of the biggest challenge of economics, whose aim is to control economic interactions such that all players accept the outcome at the end. This requires a delicate balance between setting the appropriate interest rates for members to get an acceptable return on their investment as well as affordable to members as they are the users of the cooperative finance. The cooperative model limits self-interest behaviour at the expense of others (Azmi, 2011). Thus the traditional definition of a firm, which is an organisation primarily motivated by profit-making, does not augur well with a cooperative enterprise (Helmberger & Hoos, 1962). Hahnel (2009) cautions that as cooperatives engage more and more in economic activity with other non-cooperative entities, they risk becoming socially irresponsible and increase their chances of not being economically just, which is against what they stand for (Hahnel, 2009).

Therefore considering the cooperative enterprise in-line with organisational theory, requires a better understanding of the enterprises decision-making processes particularly the extent to which management controls the enterprise, the goals of the cooperative, the extent to which the cooperative enterprise commands information in decision making and the performance consequences of the organisations (Helmberger & Hoos, 1962).

2.3.2 The Seven Principles of Cooperatives

The Cooperatives Principles were initially coined by the ambitious Rochdale Pioneers movement in the 1830s which was created to form a 'self-sustaining home colony of mutual interest' (Zeuli & Cropp, 1980). The principles have evolved overtime but the fundamental principles on which they are built have remained: the User-Owner principle, the User-Benefit principle and the User-Controlled principle (Zeuli & Cropp, 1980). The ICA has adopted Seven Principles as the key principles that should guide the cooperative movement (International Cooperative Alliance, 2014). These are:

1. Voluntary and Open Membership - membership of cooperative should be open to all that are interested in becoming members and are willing to accept responsibilities associated with membership, without gender, racial, social or political discrimination.

2. Democratic Member Control - cooperatives are democratic organisations, controlled by their members who actively participate in setting policies and making decisions. Members have equal voting rights.

3. Member Economic Participation - members contribute equally to and democratically control the capital of their cooperation.

4. Autonomy and Independence - cooperatives are autonomous self-help organisations, controlled by their members.

5. Education, Training and Information - cooperatives provide education and training to their members so that they can effectively contribute to the running of their cooperative.

6. Cooperation Among Cooperatives - cooperatives strengthen their movement by working together with other similar organisations.

7. Concern for Community - cooperatives work for the sustainable development of their communities, through policies approved by their members.

There is a growing interest and debate around the relevance of these principles to cooperative business and if indeed they should be applied entirely or merely used as a guide (Nilsson, 1996). As autonomous entities, the application of these principles depend largely on the understanding of the members as the governance of cooperatives is based on the User-Controlled principle (Dunn, 1988).

2.4 Social Capital

Bourdieu (1985) as quoted by Lee (2009) describes social capital as a form of capital that is created by the individuals' beliefs rather than a physical form of capital. It is made up of a network of relationships, which collectively create a valuable resource for the members in the network, which can be used to achieve outcomes both for the members and the wider society (Lee, 2009). The social identity theory suggests that when people belong to a certain group, their self esteem gets tied to its performance and hence voluntarily take personal accountability to ensure the group's success (Robbins & Judge, 2013). This phenomena invariably adds to the social capital of the group. Some scholars propose that cooperatives are social enterprises which have to perform in three levels: financial performance, socially effective and institutional legitimacy (Bagnoli & Megali, 2011). There is an increasing need to find strategies that benefit people within their societies as these have been found to be more sustainable than other development strategies (Majee & Hoyt, 2010). When people interact on a regular basis and trust each other, they are in a better position to solve communal problems more efficiently and thus facilitating community development (Majee & Hoyt, 2010). The values and principles that govern cooperatives make them uniquely positioned to build such trust (Majee & Hoyt, 2009).

Building trust and social capital is arguable more important in the quest to secure financial capital for the people living at the bottom of the pyramid, as alternative financial models available to them are strongly dependant on the existence of social capital (Brown *et al*., 2011). Eboh (2000) suggests that information asymmetry and transaction costs associated with collection and merging of information regarding a borrower are the main hindrances to financial inclusion by traditional financial services provider. The social network nature of community savings schemes overcome these challenges and provide inherent risk-reducing mechanisms which traditional financial services systems cannot because of the absence of social capital (Eboh, 2000).

2.4.1 Social Capital and Economic Capital

Brown *et al*., (2011) found that a relationship exists between social and economic capital. Social capital arises when trust exists within the society, this in turn encourages general cooperation in the acquisition of economic capital (Brown *et al.*, 2011). Further, figure 3 shows that a relationship exists between the level of trust and the strength of the network connection needed in order to access different types of financial capital (Brown *et al*., 2011). As the social capital and trust increases amongst individuals, this improves their chances of accessing different types of financial capital. Informal lending arrangements (amongst family and friends) are at the highest level of the social capital formation. As the network's closeness weakens, so does the social capital and trust, thereby reducing available financial capital vehicles. The less formal financial service institutions such as in rotating savings and credit associations (ROSCAs) and solidarity groups (individuals that come together to collectively guarantee a microfinance loan), depend on high levels of social capital and trust. Whereas in comparison, savings and credit cooperatives (SACCOs) and microfinance institutions (MFIs) modelled after the Grameen bank have weaker social ties amongst the members, however all these forms of access to finance in this model, depend on social capital and trust for their success, albeit at varying degrees. Financial cooperatives are most similar to SACCOs in this model, and the extent to which this model holds true for financial cooperatives in Swaziland is an objective of this study.

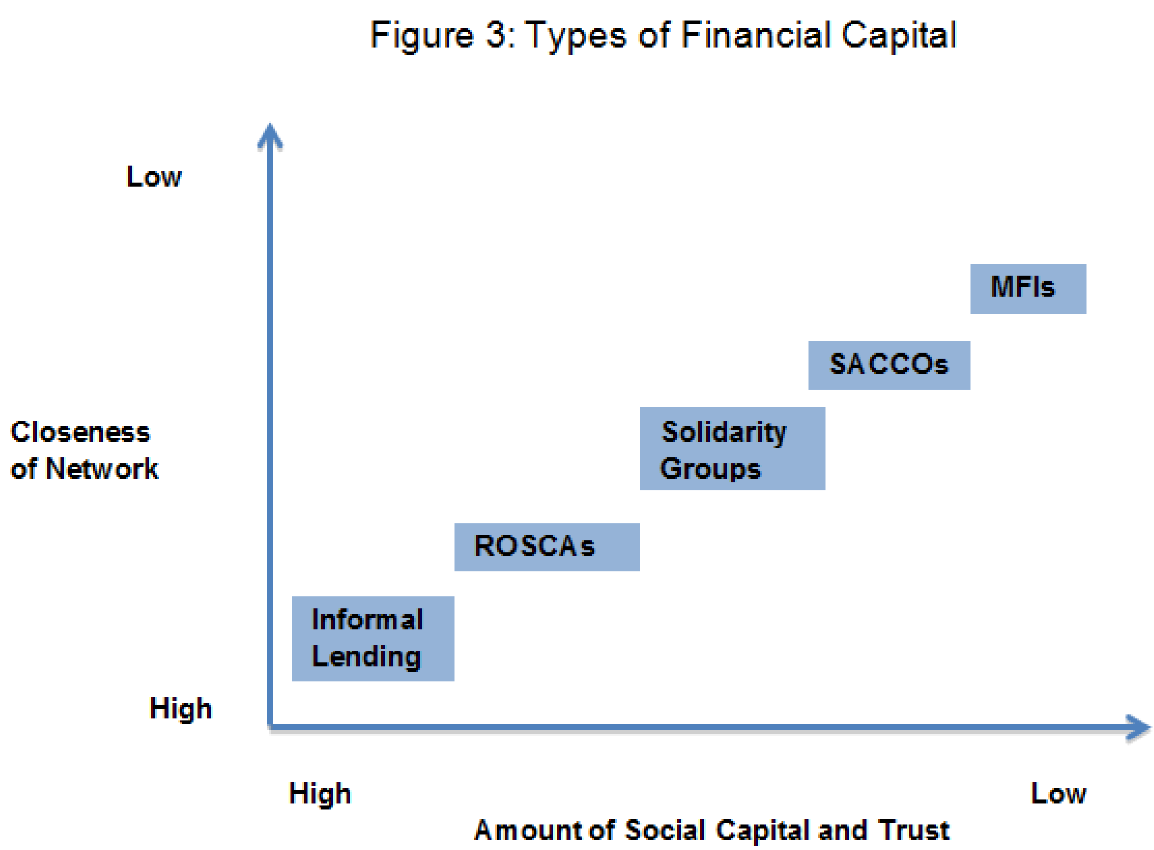


Figure 3: Relationship between different types of financial capital as they relate to social capital and trust (Source: Brown, Garguilo, & Mehta, 2011).

Ziv (2010) in a study of the cooperative movement in Israel found that the movement was very successful until it was subjected to the centralisation of the states banking system, where laws were put in place to govern all financial institutions in a centralised way (Ziv, 2010).This suggests a failure of the Israeli government to adequately accommodate all the critical aspects of success of the cooperative movement in the centralisation effort, although an effort was made as described in the study. The previously enjoyed success of the movement was underpinned by a social and public belief that 'credit is a public good that ought to be accessible to all, allocated fairly, and managed democratically' (Ziv, 2010). Cooperatives in many ways can be viewed as a social business which cannot be operated using a standard operating formula, as the social construct of each of these entities varies according to the needs of the members and the society in which they operate (Ziv, 2010).

This literature suggests a need to understand the unique role that social capital plays in building economic capital.

2.5 Competitive Advantage

Studies that analyse what drives performance in cooperatives have shown that significant growth performance cannot be attributable to decisions made at the sector level of the cooperative, instead significant performance differentiation is due to decisions made at individual cooperative level (Goddard, McKillop, & Wilson, 2008). Amat and Perramons research analysing key competitive factors that drive performance in high-growth cooperatives found that commitment to people is what differentiated them from high-growth mercantile companies (Amat & Perramon, 2011). Server & Capo (2011) seem to agree with the view by Lee (2009) that social networks help to achieve better outcomes for the community at large. Server & Capo suggest that that the communal nature of cooperatives gives them a competitive advantage (Server & Capo, 2011). An organisations corporate image, which is the social identity of the organisation, is important for determining its competitive positioning (Nguyen, 2006). Nguyen (2006) in his study of Perceived Image of Service Cooperatives found that for cooperative organisations to remain competitive they need to focus on the cooperatives values, the organisational culture, contact personnel and physical environment.

Von Mettenheim & Butzbach (2012) classify financial cooperatives under alternative banks, which are described as 'banks with long-term profit sustainability orientations, stakeholder models of governance and social or public mandates' (Von Mettenheim & Butzbach, 2012). This study found that confidence and trust, relational banking, shared wholesale operations and mechanisms to reduce transaction costs provide alternative banks with competitive advantages (Von Mettenheim & Butzbach, 2012). The formal financing institutions, banks in particular, have stigmatised and criticised alternative financing models mainly due to lack of understanding of the drivers of success and the significant role that this sector plays in the economy (Bouman, 1990). In a study of alternative banks in Europe, competitive advantages of alternative banks have kept them as key players in the financial market despite projections that they would disappear through privatisation or competition from perceived more efficient private banks (Von Mettenheim & Butzbach, 2012). As financial cooperatives are social entities, with a different construct depending on the society in which they exist, specific competitive advantages for the case of Swaziland will possibly be unique to Swaziland.

2.6 A Summary of the Literature Review

Financial exclusion represents a major challenge to economic and social policy in developing countries. Diminished access to finance hampers the economic prospects of vulnerable demographics in most societies. Socially, financial exclusion locks in and exacerbates existing inequality and can lead to severe forms of social isolation. Deepening our understanding of ways to combat this phenomenon can only improve the welfare of the millions mired in severe poverty.

Policymakers now agree that a majority of rural households depend on informal markets for daily financial needs (World Bank, 2012). However, there is an inadequate understanding of the underlying incentives and resultant borrowing and lending behaviour of the various actors in the market (Bouman, 1990). The accepted theories of economic textbooks may not be applicable to the penny economies of the rural poor and hence this study aims to ascertain the critical factors that have led to the success of one form of non-traditional financial service – financial cooperatives - with a view to inform financial policy makers.

Cooperative enterprises are economic agents whose organisational participants' behaviour and performance need to be better understood by scholars, practitioners and policy makers alike. These enterprises resemble some elements of a firm but differ in certain ways from a firm as defined in traditional organisation theory (Helmberger & Hoos, 1962). A deepening in our understanding of financial cooperatives will add to the existing body of knowledge on non-traditional financial service provision and in turn promote and enhance the much-needed debate on financial inclusion in developing countries in a variety of ways. A better understanding of the motivation of the people who choose to participate in financial cooperatives, as opposed to other informal sources of credit, could shed some insight into the relative merits of these different non-traditional financial institutions. Additionally the cooperation-based enforcement system, if understood, can be applied in more formal microfinance programs to improve their reach and effectiveness (Donoso, Altunbas, & Kara, 2011). Finally all this understanding could increase the welfare of developing societies, as it has been argued that general success of the world's economy does not rely on the few at the top of the economic pyramid, but by accommodating the economic aspirations of the billions at the bottom of the pyramid by increasing their purchasing power and ensuring that policies and funds are appropriately adjusted (Prahalad & Hart, 2002).

3. RESEARCH QUESTIONS

In order for this study to be effective in achieving its aims and objectives, a set of questions will be answered. The questions to be answered by the end of this paper are:

Research Quesion1:

Why do people join financial cooperatives?

Research Question 2:

What are financial cooperatives' competitive advantages when compared with other means of managing personal finance.

Research Question 3:

What are the major problem areas for financial cooperatives?

Research Question 4:

What are the principles that govern financial cooperatives in Swaziland?

To answer these questions, this research looked at twelve financial cooperatives in Swaziland, looking for similar or varying patterns, with an aim to formulate a conceptual framework for the potential success factors for such entities. The outcome will be used as a guide by financial cooperatives on what can drive and ensure their continued success.

4. RESEARCH METHODOLOGY

Business research is a powerful decision making tool that can assist practitioners to make informed decisions in order to remain competitive (Zikmund, Babin, Carr, & Griffin, 2012). A scientific approach should be followed in conducting business research for it to be credible. A scientific approach requires the researcher to be objective, systematic and rigorous in his approach, clearly using knowledge and evidence to reach conclusions about the phenomena under enquiry (Zikmund *et al*., 2012).

Saunders and Lewis (2012) propose that there are three main purposes of conducting a research projects: exploratory, descriptive and explanatory research.

Exploratory research is used when a researcher is looking for new insights in an area that is not currently understood clearly. This type of research usually includes gathering of qualitative data through the search of literature and interviewing experts in the field (Saunders & Lewis, 2012).

Descriptive research on the other hand is used when an accurate description of the situation is sought. This type of research typically answers the question what and involves the collection of measurable and quantifiable data (Saunders & Lewis, 2012). Merriam (2002) suggests that there are different types of qualitative research but all are characterised by a search for meaning and understanding of a particular phenomena (Merriam, 2002).

Explanatory research seeks to explain the reasons why a situation occurs and can use the mixed-method where both qualitative and quantitative data is collected to answer the research questions (Saunders & Lewis, 2012). Molina & Cameron (2009) argue that although the use of mixed-methods in business research provides a host of advantages, it has not been adequately studied. Creswell and Plano (2003) as quoted by Molina Azorin & Cameron (2010) attributes this to the complexity associated with the use of mix-method research which typically require significant resources to executed effectively (Molina Azorin & Cameron, 2010).

4.1 Research Design

To achieve the objectives of the study a qualitative exploratory approach was followed. Primary data was collected from the chosen population sample. This approach is particularly appropriate because the aims of the study seek to get new insights on the key phenomena that drive the financial cooperative movement. As reality has multiple views, through the qualitative exploratory approach, the researcher got an opportunity to interact with different experts in the financial cooperative field and understood the multiple views in the field (Robbins & Judge, 2013). They did not only provide the researcher with valuable new information but also enhanced her critical skills in scientific research which require that the researcher be open minded. Successful exploratory research enhances the researcher's ability to understand his/her natural view of the world and adequately balancing it with the multiple views that come through interactions with interview participants and hence come up with a credible conclusion to the research questions (Saunders & Lewis, 2012). Additionally this approach is suitable because of the limited frame that is available for the research project because exploratory research can be done within a short period of time (Saunders & Lewis, 2012).

4.2 Population

The research population was defined in five levels which reflect the structural hierarchy of financial cooperatives in Swaziland:

At the base level the population consisted of all members of the 70 financial cooperatives in operation in Swaziland (World Council of Credit Unions, 2014).

The next level of the population consisted of the Board members of the 70 financial cooperatives in operation in Swaziland.

The next level is the Swaziland Association of Savings and Credit Cooperatives (SASCCO) which is national apex body that coordinates all financial cooperatives in Swaziland. The office bearers of the SASCCO also formed part of the population.

The next level is the African Confederation of Cooperative Savings and Credit Associations (ACCOSCA) which is the continental apex body that coordinates all financial cooperatives in Africa. The office bearers of ACCOSCA formed part of the population.

At the highest level, office bearers of the World Council of Credit Unions (WCCU), which is the international umbrella body for all affiliated credit unions in the world, also formed part of the research population (World Council of Credit Unions, 2014).

4.3 Sampling

A purposive quota sample was taken from the population. This sampling method was preferred for this study because it provided for the researcher to make a personal judgment on the most appropriate sample composition to meet the needs of the research questions (Saunders & Lewis, 2012). Since this study is a qualitative study, where the researcher aimed to understand the phenomena of financial cooperatives from the participants' point of view, it was therefore important to purposively select a sample where the most learning could be found (Merriam, 2002).

A heterogeneous purposive sample across the five different stakeholder representatives of the financial cooperative movement was chosen in the following way:

- Twelve financial cooperative members from four financial cooperatives in operation in Swaziland. The four cooperatives were chosen from each of the four regions of the country, with one financial cooperative chosen per region. Hence three members of financial cooperative movement were chosen from each region, bringing the total members' sample to twelve.
- Subsequently eight financial cooperative board members were chosen as part of the sample. The board members were chosen from the already identified four financial cooperatives within the four regions. Two board members of each of the four cooperatives formed part of the sample.
- Two Board members from the SASCCO were also chosen to form part of the sample.
- One Board member from ACCOSCA was also chosen to form part of the sample
- One board member of the WCCU was also chosen as part of the sample.

The above heterogeneous sample cuts across all the levels of the financial cooperative movement and provided sufficient diversity to allow the researcher to analyse data collected for key themes that emerged as possible research findings (Saunders & Lewis, 2012). The total purposive sample size was twenty four (24) members of financial cooperatives with varying roles within the movement: this included twelve (12) members with no administrative responsibilities, eight board members operating within the financial cooperative movement in Swaziland, two (2) board members of the apex body of the movement in Swaziland, one (1) board member of the African apex body of the movement and one (1) board member from the worldwide apex body of the financial cooperative movement.

4.4 Unit of Analysis

The unit of analysis is the opinion of each representative of the five different stakeholder groups that have been chosen in the sample of research.

4.5 Interview Guideline

4.5.1 Development of Guideline

Different interview guidelines were developed for the five key stakeholder groups identified for this research: Financial Cooperative Members, Board members, SASCCO Board Members, ACCOSCA Board members and WOCCU Board Members. The guidelines consisted of two sections; A and B.

For the cooperative members; Section A initially comprised of 12 mostly open-ended questions which mainly looked for general information and sought to understand what the perceived benefits and the performance level of the cooperative from the member's perspective. An additional question was added after the pilot study to this group of respondents. Appendix 1a has the full list of the questions used.

For the board members; Section A comprised of 13 mostly open-ended questions, which also looked for general information and the benefits and challenges that the cooperative has from the board members perspective. Appendix 1b has the full list of the questions used for the board members.

Section A for the SASCCO Board members interview guideline consisted of 12 mainly open-ended questions which sought for some general information on financial cooperatives and the benefits and challenges that the financial cooperative movement has. Appendix 1c has the full list of the questions for the SASCCO board members.
The ACCOSCA and WOCCU Board members were interviewed using the same guideline, which consisted of 9 mainly open-ended questions in section A, which sought to understand the role of the affiliation bodies in the movement and the key successes and challenges of the financial cooperative movement. Appendix 1d has the full list of the questions for the ACCOSCA and WOCCU members.

Section B of all the guidelines was developed from the seven principles of cooperatives as discussed in section 2.3.2, where each question seeks to ascertain alignment of the financial cooperative processes to those defined by the seven principles of cooperatives (Zeuli & Cropp, 1980).

4.5.2 Pilot Study

A pilot study was conducted in-order to ensure that the interview process would work appropriately during the data collection phase of the research process. The interview guideline was piloted first with a purposive sample of three members of financial cooperatives, two board members of any financial cooperative and one SASCCO board member, to ensure that the guideline is suitable for use. During the pilot, the researcher found that several participants were not comfortable with being interviewed by the researcher because of her position as a public figure. It took several attempts to get some of the participants to comfortably walk into the researchers office to participate in the interview because they feared embarrassment or discussing their 'personal' issues with the researcher because of her political position. The researcher also found that even for some of the participants that did not resist being interviewed, they did not seem to be entirely at ease during the pilot interview process, hence some insights could have been lost due to the inherent tension that participants may have been undergoing. Zikmund (2012) states that it is important to observe the body language of the interviewee in order to get the overall sense of the data and uncover all insights.

The pilot provided great insights and resulted in the researcher choosing to use the services of a research assistant in order to mitigate against the intimidation that some participants may feel by being interviewed by her directly. The research assistant that was chosen, is an undergraduate student at Brown University who speaks both English and Siswati fluently. The pilot exercise was completed by the researcher together with the research assistant. The research assistant conducted the balance of the pilot interviews in the presence of the researcher until consistency in the interviewing process was reached. Three cooperative members and two board members were interviewed in total by the research assistant during the pilot. Following insights garnered from the pilot interviews, the interview guideline was adjusted with an additional question added for the cooperatives members' guideline, which sought to clarify what the differences are in services received from financial cooperatives and other financial service providers, from the member's view.

4.6 Data Collection Method

The data collection consisted of 22 face-to-face interviews and 2 interviews conducted via skype as these respondents were located outside of the country of study. In all instances, structured interviews were used to collect the data. This was the preferred method of data collection because it ensures consistency in the data collection as all participants are asked the same questions in a similar format and the respondents body language is observed to gain a deeper understanding of the issues and gain better insight (Saunders & Lewis, 2012). Each interview lasted for about an hour. Qualitative research gives the researcher a rich description of the phenomena that is being sought to be understood, it is therefore important to collect data in a manner that best captures context. Hence, after seeking permission from the participants, the interviews were recorded and handwritten notes simultaneously taken in-order to accurately record participants quotes which were used to support the findings of the research (Merriam, 2002). After each interview the data was transcribed. Electronic and hard copies of the interview record were securely stored.

At the beginning of the interview, each participant was requested to consent by signing the form in Appendix 1. The participants were then guided through the interview by the research assistant, using the questions in the interview guide which were designed to tease out the insights related to the four research questions central to this research. The interview guideline consisted of a set of open-ended questions which allowed participants flexibility to give meaning to their responses to the questions. The researcher sat in a few of the interviews with the research assistant, to ensure that the quality of the data collected remained rich and consistent.

4.7 Data Analysis

Qualitative Research has three main sources of data: interviews, observations and documents (Merriam, 2002). For this research the primary source of data was from the interviews with research participants.

4.7.1 Content Analysis

The data that was collected during the interview process was systematically analysed to uncover emerging themes. The manuscripts from the participants' interview were systematically analysed using a replicable valid method for making acceptable inferences (Mayring, 2000).

The process of analysis that was used was content analysis, which is a research method that uses a set of techniques to assist researcher to make valid inferences from text, by counting and sequencing particular words and phrases (Mayring, 2000). Content analysis of the data was conducted simultaneously as the data was being collected, which allowed the researcher to gather and test emerging themes during the interview process so as to enrich subsequent interviews. Unit of data in the form of key words or phrases were identified and coded as the content was being analysed (Merriam, 2002). This allowed for the data to be broken down into relevant themes.

Each response to the questions in the interview guideline was recorded and transcribed. Interview responses that were derived from similar interview guidelines, were analysed together. Each manuscript was codified into the different themes that emerged per question. Similar phrases were identified and grouped together in the codification process, to identify key constructs. The frequency of each construct was then counted and a rank ordered table developed for each question, with the construct appearing in descending order of frequency. The content analyses process took an average of an hour and a half per interview transcript.

Interview guidelines 1a and 1b which were used for the cooperative members and cooperatives board member, had Sections B which focussed on the cooperatives operations in relation to the seven principles of cooperatives espoused by the ICA. For this Section B, analysis involved developing a table of the cooperatives' performance against the ICA seven principles of cooperatives on a three scale performance grid. The researcher summarised the respondents answers into the best estimation of whether the respondent felt their cooperative either completely adhered, somewhat adhered or did not adhered at all to the principle in question.

4.7.2 Results of Analysis

The information obtained from the analysis was used to answer the research questions and to uncover key insights regarding the operation of financial cooperatives in Swaziland. The results also helped researcher identify possible areas of further research in this field of study.

4.8 Ethical Considerations

To ensure the research participants' protection, the Gordon Institute of Business Science's ethical standards was adhered to, the researcher applied for ethical clearance and was granted permission to proceed with the research as planned using the above mention research methodology. Participants were advised upfront of their right to confidentiality and that participation in the research was voluntary. The information obtained during the interviews will be treated as confidential and will only be used for purposes of the research study. Individual consent was sought from each participant before commencing the interview.

4.9 Limitations

Qualitative exploratory research methodology is limited as it gives general ideas about a research topic which cannot be depended on as definitive; a detailed research is required after the exposition of the issues from such a research (Saunders & Lewis, 2012). This particular research is limited by the following factors to comprehensively and accurately answer the research questions:

- Data was mainly collected from one country yet the cooperative movement is in operation in most countries in the world.
- The use of a research assistant may have limited the researchers understanding of the participants responses, as researcher did not sit in all the interviews and hence did not have an opportunity to observe the body language of all the participants. This may have reduced the richness of the data.
- Data collection was done through a purposive sample which may not adequately represent the entire population and results may not be validly generalised to the entire sample population (Saunders & Lewis, 2012).
- Participants responses are their opinions which may be biased and not accurately reflect the true picture regarding the financial cooperative in question.
- There may also be a researcher bias arising from the subjective nature of exploratory research, as it heavily relies on the researcher’s perspective (Merriam, 2002).

5. RESULTS

5.1 Introduction

Chapter five presents the results of the interviews conducted as outlined in chapter four. As previously stated in section 4.3, 24 interviews were in order to establish the views of the participants on the critical success factors and competitive advantages of financial cooperatives from all levels of the international cooperative community that are relevant to Swaziland (see section 4.2). Accordingly this chapter is divided into subsections that reflect the results from the research done to investigate the various hierarchies, ranging from regular cooperative members to representatives on the WOCCU. Key observations are noted and briefly discussed as and when they arise, however the bulk of the analysis and conclusions are left to chapter six "Discussion of the Results".

It is important to note that the preferred methodology was qualitative and exploratory research as this method best enabled the researcher to quantify responses for some mathematical representation whilst allowing respondents the adequate room to fully express themselves and describe their unique circumstances as and when the question required them to do so. In order to be able to parsimoniously derive the factors and competitive advantages of financial cooperatives relevant to Swaziland, data collection relied on interview data, which combined both qualitative and basic quantitative methodologies.

5.2 Results from Members of Financial Cooperatives

The 12 members of cooperatives were fairly diverse. The number of years they had been members of cooperatives ranged from as few as 3 years to as many as 22 as graphically shown in Figure 4. The mean was 12.75 years.

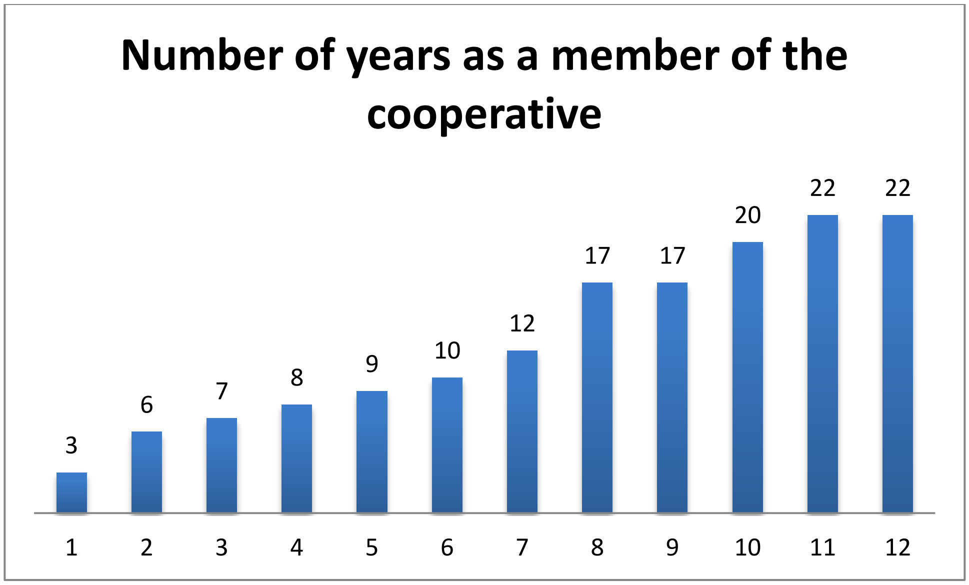


Figure 4: Cooperative members years in cooperative

All the cooperatives to a large extent were communities of individuals in similar occupations. This is evidenced by the responses to the third question where all the respondents' answers pointed to employment as the common bond of their cooperative. Some cooperatives have this as a hard-and-fast rule, for instance membership to the Simunye Cooperative is only available to employees of the Royal Swazi Sugar Cooperation. However, other cooperatives, like the Asikhutulisane Cooperative, are nominally open access cooperative but the overwhelming majority of those cooperatives' members either work for a single employer or are all members of the same profession – all members of the Asikhutulisane cooperative for instance are self-employed vendors working in and around the same area. Reasons for this will be examined more thoroughly in the proceeding section, however for now, it is sufficient to point out that there are a few obvious reasons why joining or forming a cooperative with one's professional peers makes sense. Chief amongst those reasons is probably the ease of keeping members accountable that comes about as a result of sharing a workspace.

To develop the rank ordered tables, the researcher looked at all the open ended answers, coded them into the different number of constructs that emerged from the data, recorded the frequency of each construct after which put the coded data into a rank ordered table as shown in Table 1. In some instances the frequencies are greater than the sample-size because respondents gave more than one response to a particular question, this phenomena is inherent in exploratory research using open ended questions.

5.2.1 Reasons for Belonging to a Cooperative

An inspection of the answers to question five, in the rank ordered Table 1, would appear to corroborate the insight gleaned from the responses to question three. Whilst recommendations from colleagues was not the primary reason the majority of the respondents joined their cooperative, targeted marketing and suggestions from relatives who were aware of the existence of this non-traditional financial institution for individuals in the respective respondents line of work, support the view that cooperatives' recruitment efforts are most successful when aimed at a single professional demographic. Some reasons stated by respondents on how they became members are ;

- 'A friend told me to join. I saw that he was able to save. I joined because I could see the advantages and the investment potential. This makes it seem as though you have done it magically yet you simply thought about your future. Just like an ant that gathers during the summer, for the cold winters, this helps me to do that, as others look at me surviving during those trying times.'
- 'At that time we had a Mrs Agnes Dlamini and she was one of the pioneers of the idea. She highlighted the fact that we needed to save in order build houses for our families. As a low earner, one couldn't even think that that was a possibility. At a bank they would not give you a loan because they regarded you as a high risk.'
- 'I was influenced by one of my colleagues to attend one of the meetings. The urge to join was ignited the day I came back from the meeting. I had asked for an application form to join the cooperative during the meeting.'

Table 1: How respondents became members of the cooperative

Ranking	How respondents became members of cooperative	Frequency
1	The cooperative successfully marketed itself to me	5
2	A relative told me about the cooperative	4
3	A colleague told me about the cooperative	2
3	I am a cofounder	2

The question that followed sought to interrogate the appeal of cooperatives to their members. Unsurprisingly, the majority of the responses merely confirmed that the members of these cooperatives opted into these organisations, for the same reason anyone would join any other financial institution – to save money. Some respondents' passionately expressed their reasons for joining as;

- 'I wanted to save because I couldn't save yet I had a few coins. So, I wanted to save and borrow.'
- 'I realized the importance of saving and making my money 'grow'. The more I kept my money, the more I could purchase things in bulk.'
- 'When it was advertised to us, it was communicated that people come together and form relationships. They are able to have the same ideas and collaborate on certain projects.'
- 'First of all, it is the ability to save money at affordable rates. You find that minimum savings are conducive to the member. When I first started here, the minimum that one could save was E20 and it has now increased to E200 per month.'

Table 2: Members reasons for joining cooperative

Ranking	**Response**	**Frequency**
1	To save	9
2	To feel a part of a community	2
2	To improve my life	2
4	To keep my loan requests confidential	1

5.2.2 Reasons Why Members Prefer Cooperatives to Other Forms of Managing Finances

The following two questions were more comparative than the previous one, requiring respondents to contextualize their decision to join a cooperative within the framework of alternatives, in the form of both cooperatives and alternative financial institutions. Three salient points, as depicted in tables 3 and 4, immediately jump at you when considering these responses. The first is the importance of the sense of community engendered within cooperatives that most other financial institutions cannot create to a similar extent. This is especially true for large, nationwide banks that cannot afford to spend too much time considering the welfare of their poorest clients because it simply would not be in their economic interest to do so. The second observation worth mentioning here is the added value to the otherwise financially excluded that comes from the flexibility of small cooperatives. Specifically, their size and model enables them to offer low interest rate loans and low minimum savings requirements. Finally we note that the trust small cooperatives engender between members and management is a significant comparative advantage cooperatives have over banks. Respondents maintained that a mistrust of banks and bankers, who represent a lifestyle far removed from their own, was the primary reason they opted for cooperatives over traditional financing institutions. Such mistrust could be the result of any number of factors. Consider, for instance, the great deal of paperwork required to set up even the most basic accounts. An inability to fully understand the, sometimes, complicated legal jargon contained in those contracts might lead one to believe the banks had reason to hide what you were actually signing up for. Respondents expressed their preference of financial cooperatives over other alternatives as;

- 'It is way better than using a bank. At a bank, when I deposit money, there are bank charges, and when I withdraw money, again there are bank charges. At least at the cooperative I know my income. I can check how much money I have without being charged a fee.'
- 'As a member, when you request a loan, you are not asked as many details as required by a bank. As a member they know that this is your home and this is enough for them to assist you. I am also happy that indeed the cooperative belongs to you, the members. And, if there is something that makes you unhappy, as members you can voice out your concerns. '
- 'I choose to be here because I feel like a part owner of it. A bank is not mine. When one gets charged interest, it belongs to the bank or that particular organization yet here, it is mine and I have a right to criticize the operations of the cooperative. When the bank charges me or takes some of my money, I cannot ask them a lot of questions. Here, when I feel inconvenienced in some way, I can also voice out some of those concerns.'
- 'At the end of the year I get dividends. The bank cannot give me dividends because they do not know me. I also have an interest in what happens in this place as I have part ownership in it. When I come into the cooperative's offices I look around and take note of how they are running the day to day operations.'

- 'There is a spirit of togetherness. We, the members, can meet and discuss problems unrelated to the cooperative.'
- 'I also benefit from being able to come together as members. I mean we are able to come together and share ideas, run away from shylocks out there, manage to move from point a to point b and we help empower each other as black people. The sense of community is incredibly important to me.'

Table 3: Benefits of being a member

Ranking	Response	Frequency
1	Ease of saving and borrowing	4
2	The feeling of togetherness	2
2	It allows me to purchase goods in cash	2
2	It improves my overall livelihood	2
5	Affordable loan repayments	1
5	Quick assistance	1

Table 4: Why respondents opt for cooperatives over other alternatives

Ranking	Response	Frequency
1	Mistrust of or scepticism about banks	4
2	The option to save small amounts of money	2
2	The feeling of ownership and control over your savings	2
2	Low interest rate loans	2
5	The option of borrowing against one's savings	1
5	No bank charges	1
5	Prohibition on withdrawing one's savings	1

5.2.3 What Makes Cooperatives Successful - Members' Views

Respondents were then asked whether or not they believed their cooperative was a success or failure. Tables 5 and 6 combined give the total sample-size responses, as respondents that believed that their cooperatives were successful were grouped in table 5 and the balance who believed their cooperative were not so successful were grouped in table 6. Ten of the twelve interviewees said they believed their cooperative was successful and the reasons they offered in support of that belief are shown in Table 5. Some of the reasons advanced by respondents for believing their cooperative is successful are;

- 'Yes, the future of the cooperative looks very promising. Every year we see an increase in membership.'
- 'Yes, because I have gained so much from it. I was able to purchase some cows for *Lobola* and a car for myself. Even before I could do all these things, I was a part time student and would occasionally request financial assistance from the cooperative. It has been very helpful to me.'
- 'It is successful. It has improved the lives of members. The members are now rich. I am driving a car, it is parked right outside. I have a tractor and a home all because of this cooperative.'
- 'Yes. It fosters a spirit of togetherness amongst the women. We are able to teach each other many things related to life-skills.'

Table 5: Why the cooperative been successful - members' view

Ranking	**Response**	**Frequency**
1	Increasing membership	9
2	Acquisition of assets like land, cars, cows etc	2
2	Financial statements point at success	2
4	Personal advancement due to membership in the cooperative	1

5.2.4 Potential Problem Areas with Cooperatives

In this section, the research showed three areas that came out as potential problem areas for cooperatives: the reasons that members gave for the lack of success for their cooperatives, reasons that would cause them to withdraw membership and the challenges that are being faced by their cooperatives.

Interestingly both respondents who believed their cooperative was failing claimed it was due to the failure to pay dividends in a timely fashion. Failure to provide this critical service turned out to be one of the key reasons why members could potentially leave their cooperative. The “mismanagement” and “cessation of current services” ranked high on the list of reasons that would lead members to leave their cooperatives, as shown in table 7. These were also the broader statements of the problem identified by the two respondents who believed their cooperative was failing them. Specifically some of the reasons advanced by a respondent that would cause him to withdraw their membership from the cooperative were expressed as;

- 'If they would say that we are no longer getting dividends. It would also depend upon the reasons that they would give us regarding why we are not able to benefit from dividends anymore. Secondly, if we were not given performance updates regarding how the cooperative is advancing, I would request my money immediately. I want a report that is transparent and can easily be followed. When I ask a question I want to be answered without someone shouting at me, because at the end of the day, this is my money.'

Table 6: Why the cooperative has not been successful - members' view

Ranking	**Response**	**Frequency**
1	An inability to pay back dividends	2

Table 7: Why members would withdraw their membership from their cooperative

Ranking	**Response**	**Frequency**
1	Corruption or mismanagement	5
2	Cessation of current services	3
3	Repeated failure to pay dividends	2
4	Political instability in Swaziland	1
4	Stagnation	1
4	Simply deciding to leave	1

This theme is revisited by responses to the question of what the primary challenges to the cooperatives are, as seen in table 8. Interestingly however, it appears that cooperatives strengths are also the sources of the institutions' weaknesses. The flexibility and quasi-informal nature of due enforcement make it really appealing to individuals who would otherwise be financially excluded, yet it frustrates due-paying members whose dividends are delayed due to late loan instalment payment. Respondents stated specific challenges faced by their cooperates as;

- 'Members sometimes take out all of their money from their bank accounts and don't leave anything behind for the SACCOs. This then creates a huge problem for the SACCO and these individuals are spoken to. You cannot just chase a member that does that. You need to educate them about the terrible thing that they are doing.'
- 'I think that a challenge that we face is that of electing the right people into the leadership positions of the cooperative. It happens that we elect people who do not have the know-how and are not able to see potential threats to the cooperative from afar.'
- 'Cash flow and defaulters; people take out loans and don't repay them. It is not the same as a bank where one can do a stop order. Here, we rely on people paying religiously.'

Table 8: Challenges faced by cooperatives - members' views

Ranking	Response	Frequency
1	Late loan instalment payment by members	4
2	External economic shocks	2
2	Leadership and management	2
4	Inefficient stop orders	1
4	Retrenchment	1
4	No system to monitor accounts	1
4	Burdensome government regulation	1

5.2.5 Principles that Govern Cooperatives

In this research there were two questions that sought to get members views on the principles that govern cooperatives, one open-ended question and a semi-closed question which sought to check alignment to the seven ICA principles. The open-ended question led to the following broad and generic responses to the question of principles that govern the cooperative (see table 9); suggesting that members are not actively engaged in the ideology of the cooperative but are more concerned with how those policies manifest themselves in terms of cooperative policy.

Table 9: Principles that guide the cooperative

Ranking	Response	Frequency
1	Adherence to our constitution	3
1	Transparency	3
3	Good leadership	2
3	Protection for your savings	2
5	Poverty alleviation	1
5	Discipline	1

Finally, respondents were asked a set of semi-closed questions that sought to get at how well their cooperatives performed with regards to ICA principles of successful cooperatives. These responses were then codified and compared to one another in order to assign one of three positions to the beliefs of that specific respondent. Specifically, the researcher sought to establish whether the member believed that his or her cooperative completely adhered to the principle, somewhat observed the principle or did not adhere to it at all. To some extent the diversity of responses reflect the diversity of the cooperatives that were investigated. For instance, access to membership in some cooperatives was contingent on having the same employer whereas in others it was merely association with an industry that was sufficient. That said, the cooperatives were sufficiently similar for this section of the questionnaire to not be entirely fruitless. The responses reflect, for instance, the lack of training and information members feel their cooperatives fail to provide. Equally, the respondents clearly were confident of their respective cooperative's independence from any external pressures as well as their own contribution to its strategic direction.

Table 10: Extent of adherence to ICA principles of cooperatives - members' view

Extent of adherence	**Principles of the International Cooperative Alliance**						
	Voluntary and open membership	Democratic Member Control	Member Economic Participation	Autonomy and Independence	Education Training and information	Cooperation amongst cooperatives	Concern for community
Completely	6	8	11	11	2	5	5
Somewhat	6	4	1	1	3	6	5
Not at all					7	1	2

5.3 Results from Cooperative Board Members

The researcher proceeded to ask various board members of the same cooperatives similar questions to those that were put to the cooperative members. Critically, board member responses brought an additional perspective to bear on the questions the research sought to investigate, but additionally, the responses allowed for comparison with regular member perspective.

Figure 5 shows the spread of number of years board members had been in their respective cooperatives; which ranged from two years to just over twenty-five years with a mean of 12.25 years, thus the respondents brought in a variety of perspectives to the responses to the interview questions.

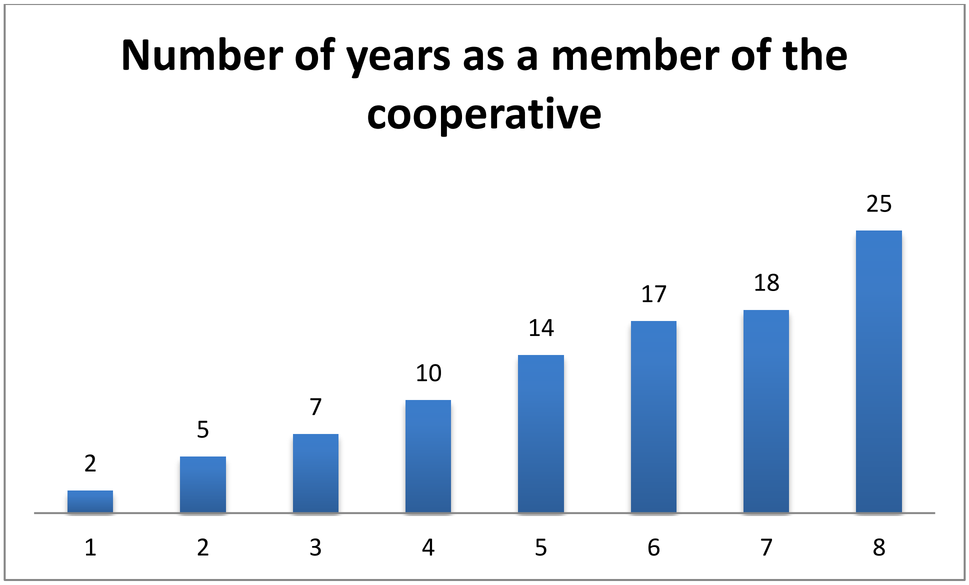


Figure 5: Board Members years in cooperative

Equally, the number of years the members served on the board was fairly diverse. Responses ranged from two to twenty years, with a mean of 9.25 years, as shown in Figure 6.

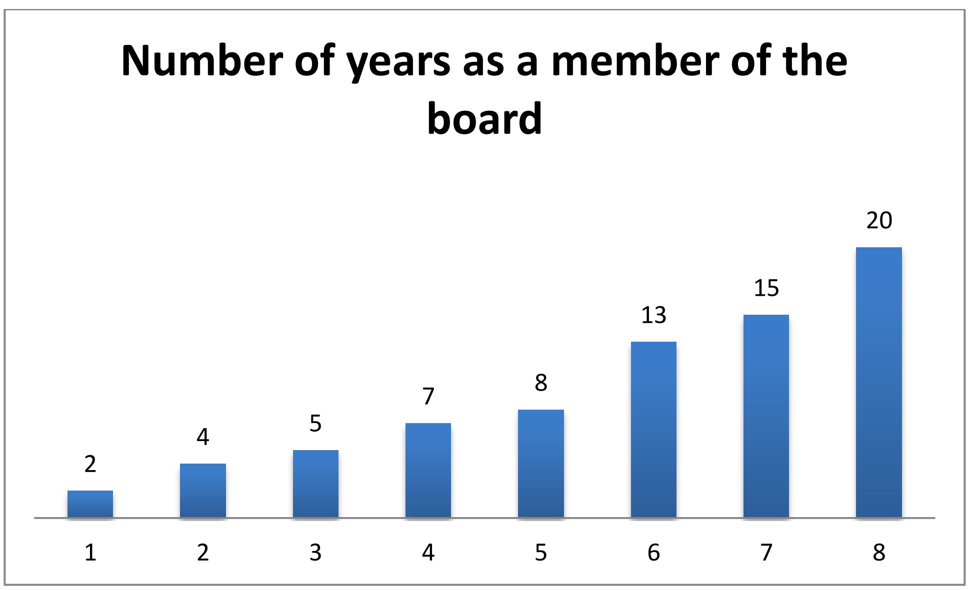


Figure 6: Number of years on the Board

5.3.1 Reasons for Belonging to a Cooperative Board

The majority of board respondents were nominated and elected on to the board at their cooperative's AGM due to their track record of high-level involvement with cooperative activities as regular members. Some board members were elected on to the board due to their work on the cooperative's secretariat, as table 11 demonstrates.

Table 11: Method of accession to the board

Ranking	Response	Frequency
1	Nomination at AGM	6
2	Due to work done in management	2

As cooperatives are member-controlled organisations, the board members of these cooperatives themselves need to first be members of the cooperatives before they can be nominated into the governance related position such as the board. When these board members were asked why they joined their cooperatives, their reasons were similar to those of ordinary members. Table 12 shows the reasons why board members joined the cooperative in the first place. Some expressed their reasons as follows:

- 'Firstly, I wanted a place I where I could save money and find different kinds of assistance. It needed to be a place where I could be assured that my needs would be met such as being able to build a home and be able to raise my kids.'
- 'I wanted to advance myself. I had seen other women advancing and getting money. I also wanted that. I wanted to save because when you have saved E2000 you can borrow up to E4000. You can borrow up to E75 000 for 22 months.'

Table 12: Board Members reasons for joining cooperative

Ranking	Response	Frequency
1	To save	3
2	Need for an institution that meets my needs to advance myself	2
3	Employment opportunities	1
3	Access to credit	1
3	Sense of belonging	1

5.3.2 Reasons Why Members Prefer Cooperatives to Other Forms of Managing Finances

Interestingly, the board members, in contrast to the general membership of cooperatives in Swaziland appeared to be a lot clearer on the services that made their cooperatives appealing to members. Tables 13 and 14 isolate these services in a way that is not incompatible with the general members responses, (see tables 3 and 4), however, a more concise narrative emerges from these two tables. The board members of the cooperatives believe that a combination of low interest rates and barriers to accessing traditional financial institutions, like distance and high entry costs, are primarily responsible for the appeal of cooperatives over traditional financial institutions. The following are examples of the reasons quoted by respondents

- 'Bank charges are quiet steep. When we withdraw money in an ATM there are high bank charges. I also think that we are offered better interest than in a bank.'
- 'Apart from saving and borrowing, if the cooperative makes profit, you also get dividends, besides that you can network, I know many members from other cooperatives.'
- 'Banks are not accessible. You will be surprised that many people open accounts for transaction not to save.'

Table 13: Key Benefits of being a member - board view

Ranking	Response	Frequency
1	Low interest rate loans	5
2	Financial management consultations	2
3	Dividends	1

Table 14: Why members opt for cooperative over alternatives - board view

Ranking	Response	Frequency
1	Inability to access banks	4
2	Openness to low income individuals	2
3	Vast number of available loan options	1
3	Sense of community	1

5.3.3 What Makes Cooperatives Successful

This sections looks at the views of the board members regarding the success or lack thereof of their respective cooperatives. Tables 15 and 16 combined give the total sample-size responses, as respondents that believed that their cooperatives were successful were grouped in table 15 and the balance who believed their cooperative were not so successful were grouped in table 16.The board members displayed a comparable degree of confidence in the success of their cooperatives as the general members, see table 15. One respondent expressed the specific reason for success of their cooperative as follows:

- 'It is more than successful. The cooperative has been growing. When you look at its net value, in 2010 it was worth something like E94 million and as we speak right now it is worth E119 million. What I can tell you is that the growth is as a result of our investments.'

Table 15: Why the cooperative has been successful - board members' view

Ranking	Response	Frequency
1	Financial and numerical growth	3
2	Great management	2
3	Development of robust charitable donation programme	1

5.3.4 Potentials Problem Areas with Cooperatives

Notably the reasons provided for why one might believe the cooperative had failed differed from those provided by the general membership. The board members who believed that their respective cooperatives had been unsuccessful put this belief down to factors external to the current management of the cooperative, see table 16. Specifically, they cited increases in government regulation and previous mismanagement as the primary reasons responsible for their cooperatives lack of success, whereas the general membership of the very same cooperatives appeared to be more discontent with the immediate concerns of dividends payout as seen in table 6. One board member expressed the reasons for failure in the following manner;

- 'In the past there were tangible things that we could point to such as the building you went to visit. Right now we are having problems with Financial Services Regulatory Agency and Swaziland Revenue Authority taxes. I don't know about these things but I know that they are reducing our savings.'

Table 16: Why the cooperative has been unsuccessful – board view

Ranking	Response	Frequency
1	Increased government regulation	1
1	Past mismanagement	1

The board members' views on what could cause members to leave aligned quite well with what the members themselves expressed as grounds for leaving the cooperative, see table 17. Some of the specific examples of the possible reasons for members to withdraw membership in the board members' views were expressed as follows;

- 'Changes are coming because of regulations...yet before we only had the commissioner of cooperatives, now Financial Services Regulatory Agency is in place; good thing, but we were not ready for it.'
- 'Nothing but retrenchment, termination of service within employer. That's one of the challenges that we have. But, I don't anticipate any resignations in mass at all.'
- 'Members would leave if they didn't get the service they are expecting from us. This would include their ability to save or perhaps if they wanted financial assistance and were unable to acquire loans. Basically I would say, dissatisfaction with our services.'

Table 17: Why members would withdraw their membership - board view

Ranking	**Response**	**Frequency**
1	Increased government regulations	3
2	Loss of their job	2
3	Corruption/mismanagement	1
3	Loss of sense of community	1
3	Cessation of current services	1

Board members expressed an array of challenges faced by the movement as seen in Table 18. Members' appetite for debt seems to be the main reason, as some members seem to use other micro-lending sources in addition to the cooperative to acquire credit. This presents a challenge to the cooperative as their low income levels, limits their ability to repay multiple loans or savings obligations, this results in an increase in delinquency rates within the cooperatives. Additionally, some members of the cooperatives are employed by a single employer and the cooperative has the ability to access their monthly instalments through the employer payroll system. This however is regulated and deductions at source cannot exceed a specified percentage which sometimes is below the required instalment for the individual member. This requires the member to set up individual process to pay the remaining balance directly to the cooperative, which is often challenging for over-indebted members. The introduction of the regulatory authority is seen as a challenge by some board members, yet others concede that this concern is not justified as they do not have enough information at the moment to know how it will affect the movement. This appears to be the normal inherent fear that comes with the introduction of change in any system. Some cooperatives have cash flow problems, which have resulted in inability to pay members dues. Board members also expressed some traces of corruption and lack of capacity to set appropriate policies within the movement as challenges that need to be overcome by the movement. This bucket list of challenges as articulated by the board members point mainly to the governance of the institution, ironically board members recognise these challenges but are not receptive to external help as proposed by the FRSA regulations. Some board members articulated the challenges as they see them in the following way:

- 'FSRA, anyway this is something that is new to us so we have just started dealing with them and are waiting to see how things will go. This is the first time we have a financial services regulator in the country, all along we did not have one. '
- 'Another thing that is an issue is that our members are civil servants. We have a challenge of the 33% statutory deduction. It stipulates that you cannot deduct more than 33% of a worker's salary. Yet we have people who also have debts with other micro-lenders. They are very willing to give people loans. Yet with us, one needs to save before they are allowed to receive a loan. These micro-lenders dangle the money they have and market themselves very well “borrow up to E150 000, apply today and get it tomorrow”.'
- '..we also need to safeguard in order to minimize risk, which means then that we need to look at the capability of each member to be able to pay back. Now most of our members are not high earners, because of salaries, even some have saved an excess of E60 000 or E70 000, he or she can't borrow the maximum amount of money, because of an inability to pay back.'

Table 18: Key Challenges faced by the cooperative movement

Ranking	Response	Frequency
1	Over-indebted members leading to loan delinquency	5
2	Statutory deduction policy which limits amount to be deducted at payment source	4
3	Increased government regulation	3
4	Cash flow management	2
5	Corruption of office bearers	1
5	Cooperative's underperformance	1
5	Ability to set appropriate lending policy	1

5.3.5 Principles that Govern Cooperatives

The board members' responses to questions about the principles that guide their cooperatives were as generic as the general members' responses, see table 19. However when asked about their cooperative's adherence to the ICA's principles of successful cooperatives, board members demonstrated a great deal of reflectiveness that provides a great source of insight into the strengths and shortcomings of Swazi cooperatives. Table 20 shows a summary of the board members' view on their cooperatives' adherence to the ICA principles.

Clearly the lack of communication and coordination among cooperatives is hampering the efficacy of these cooperatives at achieving their primary aims. For instance, one respondent remarked, "I wouldn't say we are affiliate to other cooperatives, but we do have that relationship because we are affiliated with SASCCO the mother-body of cooperatives in Swaziland." Yet another said "We know each other, and trust each other. We do not trust non-residents", which emphasizes the cooperatives silo approach in their operations. That said, the independence and high level of member control and participation in shaping the various cooperatives' policies explains to a great extent their appeal to financially excluded individuals in Swaziland. Some board members explained their cooperatives adherence to the ICA principles in decision making the following way;

- 'Decisions are first made by the executive, and then ratified by the board, some of them are only taken at board level, some of them get implemented. Some of them are influenced by the membership. We are guided by the by-laws and the cooperative act.'
- 'Members vote at AGM or at a special meeting. If there is anything that is being introduced in the cooperative, voting must take place in the AGM and majority rules.'
- 'We make these decisions during a meeting, we call Annual General Meeting. Every member votes and has the same voting power as anyone else, and is also eligible to be voted for.'

Board members of the various cooperatives speak in one voice regarding their scepticism of increased government regulation of the financial cooperative movement. There appears to be little understanding of the role of the newly introduced Financial Services Regulatory Agency and the board members expressed a clear lack of trust of this entity. Most board members volunteered this concern as additional information that the researcher should be aware of, outside of the prescribed questions in the interview guideline. Some of the members expressed this frustration specifically by saying;

- 'I think that is also worth mentioning that our cooperative has members that are not as educated as others. When we went to workshops, we didn't say anything. Our standard is not that of the others; pensioners and teachers. We joined cooperatives purely to advance ourselves. Now we are being told that the government wants to tax some of our dividends through this FSRA thing. We do not know what it is or where it is coming from especially because we, the members do not work for government. This is an issue indeed.'
- 'Right now we are fighting about FSRA and SRA.'

Table 19: Principles that guide the cooperatives - board view

Ranking	Response	Frequency
1	Adherence to our constitution	3
2	Transparency	2
3	Unity	1
3	Discipline	1
3	Community building	1

Table 20: Adherence to ICA principles - board view

Extent of adherence	Principles of the International Cooperative Alliance						
	Voluntary and open membership	Democratic Member Control	Member Economic Participation	Autonomy and Independence	Education Training and information	Cooperation amongst cooperatives	Concern for community
Completely	3	5	6	4	7	1	3
Somewhat	5	3	2	4	1	6	3
Not at all						1	2

5.4 Results from Swaziland Association of Savings and Credit Cooperatives (SASCCO) Board Members Data

Two board members of SASCCO were also interviewed in order to attain another perspective on the critical success factors and competitive advantages of cooperative movement in Swaziland. At the time of the data collection, a new SASCCO Board had just been put in place, and most of the board members did not have the depth of knowledge required to adequately respond to the open-ended questions in the interview guideline. Due to the size of the sample, two respondents, this, as well as the two subsequent sections, focus primarily on the qualitative aspects of the respondents' answers in the hope of adding an additional perspective to the central question of the research. Finally it is worth noting that the two respondents had been serving as board members for significantly different spans of time. One had only been recently elected, within the calendar year, whereas the other had been serving on the SASCCO board for over a decade.

5.4.1 Reasons for Belonging to a Cooperative

One respondent described SASCCO as essentially “The mother body of all financial cooperatives in Swaziland.” From the two respondents’ responses, SASCCO appeared to serve three core functions for its member cooperatives.

First, SASCCO helped monitor the accountability of financial cooperatives to both their members and the government. By setting industry-wide auditing standards and similar policies SASCCO maintains some regulatory oversight over otherwise largely informal financial institutions. Second, SASCCO aggregates the positions of all the financial cooperatives it represents in order to broker terms for cooperatives with other institutions, like the government, by leveraging additional negotiating power through collective bargaining. Finally SASCCO provides services to cooperatives that otherwise would be unable to pay for them, like training programmes for staffs, by aggregating demand and supplying those services at scale.

5.4.2 Reasons Why Members Prefer Cooperatives to Other Forms of Managing their Finances

The respondents argued that the second and third services listed in section 5.4.1 above are the primary means through which cooperatives benefit from their membership in SASCCO. The best illustration of this comes from one of the respondents who remarked “SASCCO is now an insurance broker for all the SACCOs in the country.” This combination of both negotiating power and service provision is an illustration of the ways through which non-traditional financial services have begun to offer services previously considered exclusively in the realm of traditional financial services.

When asked the question: Why do members opt to save their money with cooperatives as opposed to all other available alternatives?

Here the SASCCO members were unable to provide a unique insight. The responses they offered had been put forward in more details by the members and board members of the cooperatives already. The three they discussed were low-interest-rate loans, dividends and a sense of ownership and control over your financial future.

5.4.3 What Makes Cooperatives Successful

To the question: Would you consider the cooperative movement in Swaziland a success?

One board member answered “Yes our combined assets are now approaching a billion rand.” The macro perspective SASCCO board members offered here is invaluable in assessing the scale and reach of cooperatives in Swaziland. Respondents claim increase in membership is accelerating at an unprecedented pace and the establishment of a government agency specifically designed to monitor the activities of cooperatives in the country, the Financial Services Regulatory Agency, is evidence to that effect. Interestingly however, this stands somewhat in tension with a significant proportion of cooperative members who claim increased government regulation is a significant challenge faced by cooperatives in the country.

5.4.4 Potential Problem Areas with Cooperatives

When asked the question: Under what circumstances would SASCCO members withdraw their membership from SASCCO?

Respondents believed financial mismanagement would be the most likely cause of cooperative departure from SASCCO. In addition to this however, they noted that there exist some kind of collective action problem where some cooperatives could benefit from the work of SASCCO, for instance favorable legislation, without actually being due paying members. This creates an incentive to stay out of SASCCO, so as to avoid paying dues, as you benefit from the work that the cooperative mother-body does.

Whereas to the question: What is the key challenge the cooperative movement in Swaziland faces?

The two respondents noted a couple of general issues of no grand consequence, namely, technological deficiencies and substandard leadership. A novel insight gleaned from both respondents to this question however was the fact that currently there is no legislation in place that governs and regulates cooperatives in a transparent manner in Swaziland. Respondents recognised that the establishment of the regulatory agency certainly aids this yet the absence of clear rules the agency is tasked to enforce might contribute to the sense some respondents to this study expressed reservations about, namely, cumbersome bureaucracy stemming from what may appear to members of cooperatives as excessive government bureaucracy when in actual fact it may merely be unclear rules of enforcement.

5.4.5 Principles that Govern Cooperatives

When asked the open-ended question about the principles that govern cooperatives, the SASCCO board members responses were more pointed towards the ICA principles, as they understood at a macro level how cooperatives are expected to be governed. One board member additionally stated the following as key principles that guide the movement;

- 'It is openness. What keeps us united is the ideology of what we want to achieve as a collective.'

Unsurprisingly the SASCCO board members as the custodians of the movements' governance, viewed the general governance cooperative movement as adhering to most of the ICA principles of cooperatives, see Table 21. The sixth principle regarding cooperation amongst cooperatives, was not asked to the SASCCO board members as by virtue of affiliation to the SASCCO, cooperatives are fulfilling the sixth principle of affiliating and working with other cooperatives.

Table 21: Adherence to ICA principles - SASCCO Board Members' View

Extent of adherence	**Principles of the International Cooperative Alliance**						
	Voluntary and open membership	Democratic Member Control	Member Economic Participation	Autonomy and Independence	Education Training and information	Cooperation amongst cooperatives	Concern for community
Completely		2	2	2	2	2	1
Somewhat	2						1
Not at all							

5.5 Results from African Confederation of Cooperative Savings & Credit Association (ACCOSCA) and the World Council of Credit Unions (WOCCU)

In order to add additional perspectives to these questions, the researcher went on to question individuals who represented ACCOSCA and the WOCCU around similar issues to the ones discussed so far. Similar to section 5.4, due to the size of the sample, this section focuses primarily on the qualitative aspects of the respondents' answers.

5.5.1 Reasons for Belonging to a Cooperative

Both organisations perform somewhat similar functions at the continental and global level respectively. One respondent said fundamentally they are designed to "champion the credit union and cooperative financial institution model" continentally and worldwide. This involves advocating for appropriate legislative change, occasionally providing training and outreach programmes for cooperatives and maintaining good relations with the public, both private and state actors. The ACCOSCA representative specifically stated that

- 'We advocate for the interest of members at the national and continental level'

5.5.2 Reasons Why Members Prefer Cooperatives to Others Forms of Managing their Finances

When asked the question: Why do people all over Africa and the world choose to save money with cooperatives as opposed to the myriad of alternatives they have available to them?

Here both respondents gave three generally similar responses.

First, they stressed the importance of "higher rates on savings, low rates on loans and lower fees overall," in members decision making process. This is a huge comparative advantage cooperatives have over traditional financial institutions.

Second, both respondents discussed non-financial significant barriers to access to financial institutions. These include distance, mistrust and lack of a common bond.

Third, respondents mentioned the potential educational benefits members derive from membership in cooperatives and finally respondents mentioned the importance of the sense of ownership members have over their financial future. Specifically one respondent articulated the financial freedom benefit in the following way;

- 'Co-operatives create the opportunity for people to take responsibility for their own financial organisation.'

5.5.3 What Makes Cooperatives Successful

Both respondents pointed to the increase in membership world wide as evidence for the success of the cooperative movement worldwide. Critically, the inclusiveness, affordability, transparency and control that comes with cooperatives is largely responsible for this growth in the view of the two respondents. Respondents said

- 'The cooperative movement is successful evident by the continuous increase in membership in cooperative societies across the globe signifying the positive impact of cooperatives on individual's economic growth.'
- 'Financial inclusion for access has been broaden with the utilization of co-operative sector across Africa.'

5.5.4 Potential Problem Areas With Cooperatives

Together the two respondents provided seven reasons which are major challenges to the growth and continued success of the cooperative movement. Namely:

- Increasing regulatory burden
- Lack of technological innovation in the payment space
- Low levels of youth participation
- Competition from other non-traditional financial institutions
- Lack of sustainability of some small cooperatives arising from loan delinquency
- Inadequate female representation in leadership
- Generally poor leadership and governance

5.5.5 Principles that Govern Cooperatives

Unsurprisingly the ACCOSCA and WOCCU representatives pointed verbatim to the ICA principles that govern cooperatives. The open ended question and the semi-closed question on the principles yielded the same response, as these institutions guide their affiliates using this governance structure. Table 22 shows their responses on the three point scale.

Table 22: Adherence to ICA principles

Extent of adherence	**Principles of the International Cooperative Alliance**						
	Voluntary and open membership	Democratic Member Control	Member Economic Participation	Autonomy and Independence	Education Training and information	Cooperation amongst cooperatives	Concern for community
Completely	2	2	2	2	2	2	2
Somewhat							
Not at all							

6. DISCUSSION OF RESULTS

6.1 Introduction

The main purpose of this study was to understand the reasons why people in developing economies use financial cooperatives as an alternative means of managing finances. The study further explored the members' perceptions of financial cooperatives and sought to understand the various perspectives on how they work, as compared to other available options of financial management.

The data collected in this research was derived from 24 in-depth interviews with members of the financial cooperative movement at five different levels, thereby forming five sub-sample groups of the chosen population, as shown in figure 7.

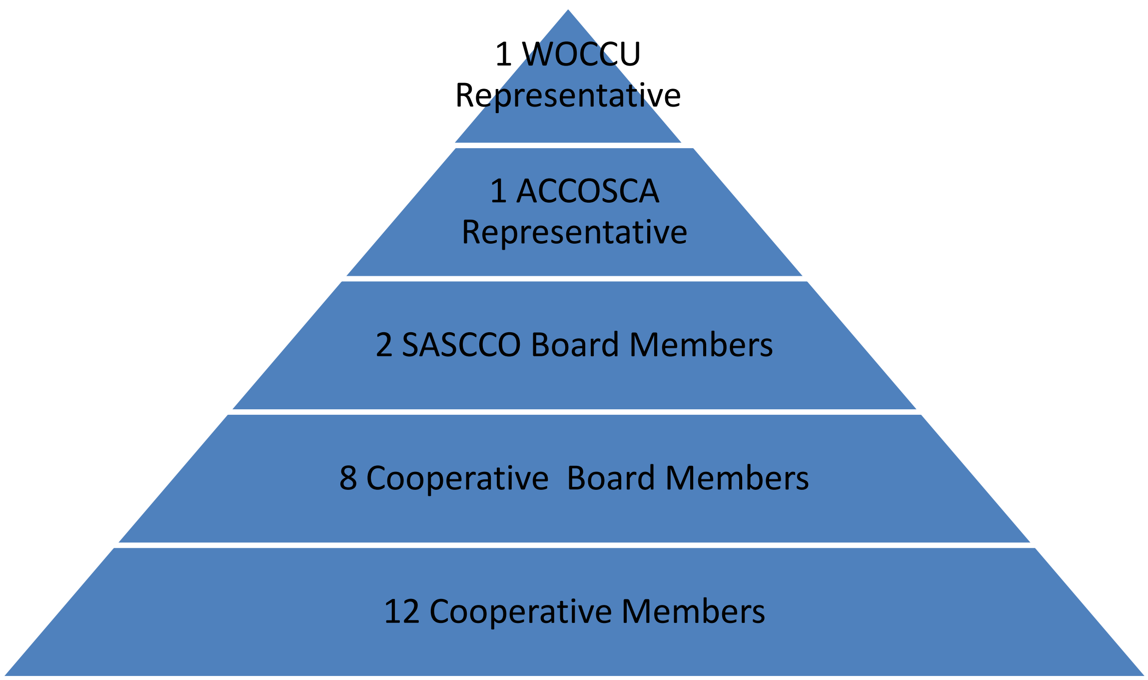


Figure 7: Hierarchy of the Population Sample

This chapter reviews the results in detail and connects the findings outlined in Chapter 5 with the literature that was discussed in Chapter 2. The research data was collected using detailed interview guidelines (see Appendix 1) whose questions were formulated from a detailed review of literature summarised in Chapter 2. The literature review also guided the formulation of the research questions in Chapter 3. This review of the results in combination with the literature, is then used to answer each of the research question within this chapter.

The results of the findings from the consolidated research data were presented in Chapter 5; a process of codifying was used to organise the data into relevant meaningful parts. This detailed analysis process allowed for the data to be refined, bringing to light insights that are further explored in this chapter. In this chapter the research questions as outlined in Chapter 3 are answered, by relating the insights from the data to the related literature where it is available. The perspectives of all five sub-sample groups are used to answer the four research questions.

6.2 Research Question 1

Why do people join financial cooperatives?

The perspectives of the bottom 2 sub-sample groups (members and board members) are used to answer this question as these groups are the most relevant to meaningfully give insights to this question. The 12 financial cooperative members that participated had been members of cooperatives for an average of 12.75 years, with individual periods ranging from 3 to 22 years.

6.2.1 Why people join financial cooperatives

Table 1 shows how members became members of cooperatives. Top among the reasons is the cooperatives marketing initiatives which seem to have captured most members interests in joining the cooperative. Interestingly cooperatives marketing initiatives are mostly conducted in their meetings, where members come together to discuss issues of interest and are encouraged to bring family, friends or colleagues to attend the meetings (Mnisi, 2014). During these meetings, testimonials from current members are made as a marketing technique to the meetings' attendants that are not yet members of the cooperative. This technique is very effective as most members from this research sample joined the cooperative as a result of the cooperative marketing itself. Unsurprisingly the next highest reason members joined is because relatives encouraged them to join. This study found that potential members rely on first hand evidence from people they trust regarding cooperatives' value before they can make the decision to join themselves. This notion is supported by London and Hart (2004) who stress that solutions for BOP need to be socially-embedded and further supported by Rivera-Santos and Rufin (2010) who posit that trust is the cornerstone of business transactions for low-income earners as they have little or no understanding of legally written contracts. Hence the reliance on social capital to make this financial service choice by members is effectively exploited by cooperatives in their marketing initiatives.

Table 2 shows that the main reason members join financial cooperatives is to save money as 9 of the 14 responses quoted this as a reason for joining the cooperative movement. Feeling a part of a community, or the need for having a sense of belonging and improving one's personal life were the next reasons that attracted members to the cooperative movement.

The board members mainly agreed with these reasons as the top reasons that emerged as their reasons for joining the cooperative movement, was to save and to meet personal advancement needs, shown in table 12. Table 23 below shows the top two reasons why the members and board members joined the cooperative movement.

Table 23: Top two reasons why members and board members belong to a cooperative

Ranking	**Members**	**Board Members**
1	To save	To save
2	To feel a part of a community	To meet my personal needs to advance

These findings appear consistent with the literature as Azmi (2011) questions the superiority and relevance of traditional financial services to meet the needs of the market. The results clearly show that users of this non-traditional form of financial service (financial cooperatives), find them relevant to meet their financial needs. Brown et al., (2011) state that only 14% of the micro-financing needs are currently being met by formal financing institutions. Formal financial institutions have failed to tap into the economically excluded market at BOP because they continue to use the same business strategies as those they use for the developed markets. This makes their product offering irrelevant to the needs of this market, and hence the market looks to other options to meet these needs (Olsen & Boxenbaum, 2009). Ismail *et al*., (2012) echo Olsen and Boxenbaum (2012) that context-appropriate financial solutions are needed in order to fill the gap left by the traditional financial institutions at the BOP.

Most people living at the BOP are unbanked even if they have some form of income, mainly because of the unaffordable transaction costs associated with using traditional banking methods (Brown *et al*., 2011). Clearly financial cooperatives give members an opportunity to save more of their income for their personal use in ways that are more suited to the individual member's needs – this is evidenced by the number of respondents who highlighted this as the main reason that they joined financial cooperatives.

6.2.2 Conclusion

The key factors that resulted in members joining cooperatives were successful marketing techniques by the cooperatives and referrals by relatives or friends. Potential members rely heavily on the trust that exists between them and members of cooperatives to make the financial decision to join cooperatives. This trust is the cornerstone of the relationship that continues to exist when members are part of a cooperative bringing about sustainable growth of the cooperative. Majee and Hoyt (2010) found that development strategies that benefit people within their societies are more sustainable because of the social capital that exists within the community members, which fosters cooperation. Referral to cooperatives by friends, family and colleagues with whom members have a known history makes financial cooperatives uniquely positioned to overcome obstacles because of the inherent relational nature of its members. This is supported by Nilsson (1996) who posits that the basic philosophy of cooperatives is that the collective efforts of people with a common interest, can achieve what is not possible if done individually.

From this research, we further find that the reason people join financial cooperatives is because financial cooperatives meet their financial services needs much better than traditional financial service providers. Financial cooperatives give members an opportunity to save and use their money in ways that better suit their needs. It appears that traditional financial service providers do not have appropriate offerings for people in developing economies to appropriately save and meet their personal development needs. Traditional financial service providers need to understand the needs of the market so that they can better penetrate this untapped market which is estimated at 60% of the world's population (Prahalad & Hart, 2002).

6.3 Research Question 2

What are financial cooperatives' competitive advantages when compared with other means of managing personal finance?

Perspectives of all five sub-sample groups are used to answer this question. The three questions asked to the participants that help to answer this research question are; firstly what benefits members get from cooperatives, secondly specifically why members opt to save their money in a cooperative as opposed to other alternatives and lastly why participants consider the cooperative movement a success. Engaging with members on these three questions generated a lot of energy and some key insights emerged on what makes cooperatives a more compelling option than traditional financial institutions.

Without exception all the sub-sample groups pointed out that the appeal of cooperatives to members include; low-interest lending rates offered by cooperatives, the existing mistrust between users and formal financial institutions and the sense of ownership enjoyed by participating members of cooperatives which they cannot enjoy with other forms of financing models. A variety of other themes emerged specific to the different subgroups, however, unsurprisingly similarity existed between the views of the members and board members of specific cooperatives.

6.3.1 Key Competitive Advantages

Table 24 shows the key benefits that members enjoy from the cooperative movement as expressed by the members and board members. For both these sub-groups, the financial product offering by financial cooperatives seems to meet their needs. Members can save their money regardless of the amount and the costs associated with using this service is at an acceptable rate to the users who do not always have an income and do not want their savings to be depleted by the charges associated with using traditional financial service offerings. Access to capital at affordable rates stood out as a benefit that members and board members alike highlighted as a key benefit. This finding is in-line with literature as Brown *et al*., (2011) state that most formal financial institutions do not meet the needs of the poor who lack collateral and confirms that the high transactions costs are a significant barrier to access. The members noted a variety of other benefits such as the feeling of togetherness, improved livelihood and the ability to purchase goods at affordable rates. This finding supports the findings of Chidambaranathan *et al*.,(2013) who found that inadequate access to finance is a critical barrier to poverty reduction. Interestingly, board members highlighted the provision of financial management skills to members as an important benefit, however members do not seem to realise this service to be as beneficial as the board members suggest it is.

Table 24: Key benefits of being a member of the financial cooperative movement

Ranking	Members	Board Members
1	Ease of saving and borrowing	Low interest-rate on loans
2	The feeling of togetherness/Improved livelihood/ ability to purchase goods in cash	Financial management consultation

SASCCO board members highlighted the ability to leverage additional negotiating power to influence policy makers and the provision of capacity building opportunities for members as a key benefit of being in the cooperative movement. This notion corroborates the view, put forth by a number of members, that togetherness is a key benefit of joining a cooperative. SASCCOs ability to aggregate the demands and supplying services at scale, of the entire cooperative movement is seen as beneficial to members.

6.3.2 Why Cooperatives over other alternatives

All the sample sub-groups pointed to an inappropriateness of the banks offerings to meet their needs as the main reason for members choosing cooperatives over traditional financial services such as banks. Table 25 shows the top 2 reasons by sub-sample group why people choose financial cooperatives over other available options. The data shows that traditional financial systems have significant financial and non-financial barriers to access for people living at the BOP. The financial barriers inherent within traditional financial institutions include; high interest rates on loans, high overall fee structures for the use of the services, and stipulated minimum income required to use service. This finding resonates with Bouman (1990) who questions the superiority of the traditional financial services sector over newly emerging forms of financing. He posits that the advantages of the formal sector is the ability to transact large sums of money over a larger geography which the informal emerging forms cannot because they lack the infrastructure and patient capital, as owners cannot wait for long periods to realise their return. However this advantage is superfluous if more than 60% of the world's population cannot access the formal financial service as they live at the BOP as espoused by Prahalad and Hart (2002).

The data also shows the existence of non-financial barriers for BOP to access traditional financial services. These include poor accessibility of service, lack of adequate involvement of users in product development, general mistrust and discrimination against low-income earners, lack of social capital between users and a lack of a common bond. The work of Alexopoulos and Goglio (2011) supports this finding as they contend that the existence of trust within the cooperative movement has contributed significantly to recent growth in this non-traditional form of financial service. On the other hand Rivera-Santos and Rufin (2011) and Brown *et al*., (2011) emphasize trust as the cornerstone for financial transactions for low-income earners. Hence the mistrust that users have of banks as found in this study, clearly limits the banks' ability to penetrate this market meaningfully. The financial cooperative model seems to have found a good fit with the needs of this market, because of the involvement level and the general respect that members feel through this involvement, bringing about the desired trust.

Interestingly Prahalad and Hart (2002) suggested that any enterprise that wants to succeed when servicing the needs of people living at BOP, must address four key elements: creating buying power, shaping aspirations, tailoring the offerings to meet the needs and improve access to the offering. From these results, financial cooperatives seem to meet all four of these aspects. The buying power of members is increased as they can accumulate savings and also have access to affordable credit. Secondly members' aspirations are shaped through the sense of belonging and collectiveness of the cooperatives. Some respondents even highlighted that their desire to acquire assets and develop themselves was driven by seeing others similar to them who had acquired these assets and improved their livelihood. Thirdly cooperatives tailor their offerings according to the members needs, as it is the members themselves that set the goals of the cooperative, which are purely driven by the memberships needs. Lastly, financial cooperatives operate where the membership is, hence access of service is guaranteed for members.

Whereas financial cooperatives meet the basic financial services needs of users, members also highlighted non-financial policies that meet their deeper needs. These include; policies that inculcate a saving culture among users by prohibiting them to withdraw savings at will, giving users a sense of belonging by allowing them a voice in the running of the organisations, the common bond which encourages the building of social capital within the cooperative. This social capital assists members to challenge each other to develop and improve their general livelihood.

Table 25: Why people opt for cooperatives over other available options

Ranking	**Members**	**Board Members**	**SASCCO Board**	**ACCOSCA & WOCCU**
1	Mistrust of banks	Banks inaccessible	Low-interest rate loans	Lower fees
2	Ability to save small amounts/ the feeling of ownership/low interest rates	Openness to low income individuals	Sense of ownership / dividend payout	Mistrust of banks/distance to banks/ existence of a common bond

6.3.3 Evidence that financial cooperative movement is successful

All five sample sub-groups believe that the cooperative movement is very successful as evidenced by the continued growth in membership and bottom-line. This growth has even attracted government attention, which has recently put in place a regulatory agency to monitor the movements' operation. This move by government was seen as a positive sign by the respondents from the international bodies, however, it was not as well received by the members at the local level as they see this as interference and an undesirable reduction of autonomy of the cooperative movement. The members additionally cited personal indicators such as increases in their individual asset base, and an increase in personal advancement opportunities as reasons to support the belief that the cooperative movement has been successful. This is in-line with the findings of Ryder (2009) who posits that financial cooperatives have a potential to provide financial freedom to people living at the bottom of the pyramid. The board members on the other hand pointed to more administrative signs of success which include; a belief that cooperatives are well managed and policies that promote social responsibility. An element of hubris is noted here as both groups attribute success to things that touch on their specific performance.

6.3.4 Conclusion

Financial inclusion of the low-income earners, low-fee structure for users, trust and user respect, user involvement in management issues, accessibility of service, a sense of ownership and the existence of a common purpose/bond sum to significant competitive advantages for financial cooperatives over other available options of managing financing. As money is a social construct that people use to express their worth, financial cooperatives affords people living at the BOP to feel acceptable members of the society as they can better express themselves materially through the services of this unique form of financial institution. The members of cooperatives who were interviewed in this research expressed a sense of measurable well-being which has resulted from their participation in financial cooperatives, including an increase in personal asset base and recognition from peers. These are similar to those found by Von Mettenheim and Butzbach (2012) as competitive advantages for alternative banks in Europe to be confidence and trust, relational banking, shared wholesale operations and mechanism which reduce agency and transaction costs however, they differ in that financial cooperatives offer additional advantages of access for the people living in rural environments with little or no infrastructure and the additional common bond advantage which gives financial cooperatives members a sense of self worth as they belong to a successful endeavour.

This study revealed that there are significant non-financial benefits that make cooperatives appealing to users; these include the sense of unity, trust and respect and sense of ownership. These relational benefits cannot be derived from participation in traditional financial service, and give a unique competitive advantage to the financial cooperative movement over traditional financial services providers. The social networking nature of cooperatives positions them to be more sustainable than traditional financing services because of the positive effects of social identity experienced by the members who cooperate together. Robbins and Judge (2013) propose that people's self esteem gets tied to the performance of a group in which they feel a sense of belonging to. Hence the members of a cooperative will be more inclined to ensure that they do everything in their power to ensure its success, which is a responsibility left only to the employees in traditional financial service providers. Furthermore, a person's status within a group determines how motivated he or she will be to contribute towards the success of a group, generally people who are perceived to have a higher status in a group will voice out their opinions more freely and contribute more towards shaping the goals of the group (Robbins & Judge, 2013). The democratic member-controlled nature of cooperatives, makes the distribution of status within the movement much more equitable among members and thus affirming individual members self-esteem, this then lands cooperatives to much more diverse performance shaping views than a traditional enterprise would enjoy. This was evident in the data as members assertively expressed their views as owners and 'managers' of their cooperatives.

6.4 Research Question 3

What are the major problem areas for financial cooperatives?

Perspectives of all five sub-sample groups are used to answer this question. The three questions asked to the participants that help to answer this research question are; firstly for those members that believed that their cooperative was not successful - why was the cooperative not been successful, secondly what would cause members to withdraw membership from the cooperative and lastly what specific challenges are being faced by the cooperative movement.

6.4.1 Why cooperatives are unsuccessful

The perspectives of the first two sub-sample groups (the members and board members) are used to analyse the reasons why some cooperatives are viewed as unsuccessful within the movement. These are the only sub-sample groups that had respondents that viewed cooperatives as unsuccessful. Table 26 shows the key reasons that members and board members attribute failure of their cooperatives to. The members felt that the most important sign of failure of a cooperative is when it fails to pay its members their dues. Financial cooperatives resemble *stokvels* in that some have a stipulated annual dividend payout policy, where the members are given a proportion of the profits the entity made during the year proportionate to their individual shares or asset value within the cooperative (Kibuuka, 2007). Failure to pay dividends can only happen if the cooperative is not properly managed resulting in insufficient funds at the time when payments to members are due. Mismanagement can be as a result of embezzlement of funds, or the board's lack of financial skills resulting in setting of inappropriate loan policies causing liquidity problems within the cooperative. This finding is in-line with the reason advanced by members for joining the cooperatives in the first place, see section 6.2.2. Members join cooperatives so that they can have access to finance when they need it to meet their personal needs, if this access is denied through lack of timely payment of expected dues, then the appeal of the cooperative to the member ceases to exist. Cooperatives therefore are deemed to be successful by members only if they meet the members' basic needs.

This view by the members somewhat supports the views expressed by board members, who felt that mismanagement by past board members has caused some cooperatives to be viewed as unsuccessful. Additionally board members expressed concern over the increased regulation by government, associated with increased tax requirements which would invariably reduce the members' savings. Interestingly Donoso *et al*., (2011) suggest that one of the reasons people participate in informal savings schemes is to evade taxes associated with traceable income. This is apparent in this research as the vehement resistance of the regulatory service by members is associated with the concern that increased taxation requirements will be levied against the cooperative movement by the regulatory agency.

Board members alike, felt that any aspect that touches on members' savings and decreasing their dues would render the cooperative unsuccessful.

Table 26: Why Cooperatives are unsuccessful

Ranking	Members	Board Members
1	Inability to pay back dividends	Increased government regulation
2		Mismanagement by the past board members

6.4.2 What would cause members to withdraw their membership from their cooperative

The views of members and board members were used to get the key reasons why members would withdraw their membership from their cooperative. The respondents from the national affiliate body - SASCCO, provided insights as to why cooperatives, not individual members, would choose to withdraw their affiliation from the local, regional or worldwide body. The generic list of reasons why members would withdraw membership as expressed by members and board members is somewhat similar even though priority or frequencies differ for the different sub-sample groups, see tables 7 and 17. The list includes evidence of corruption, the loss of a sense of community, failure to provide services which include dividend payments, increased regulation and members loss of income through job losses.

Table 27 shows the top two reasons believed by members and board members to be potential causes of membership withdrawal.

Table 27: Reasons members would withdraw their membership

Ranking	Members	Board members
1	Corruption or mismanagement	Increased government regulation
2	Cessation of current services	Loss of jobs

The members' top reason for withdrawal is mismanagement of the cooperative by office bearers followed by the cessation of currently enjoyed services. This is not a surprising match as mismanagement would obviously lead to the compromise of service delivery. As cooperatives are entities whose policies are developed by the entire membership, if office bearers change the policies without the consent of the members, member dissatisfaction would invariably lead to separation. Members define the specific services that they need the cooperative to deliver to them, this being one of the main appeals that cooperatives have over traditional financial service providers. If these services are withdrawn, then the cooperative would lose its appeal to the members and would lead to their withdrawal from it.

Board members on the other hand felt that the main reason that members would withdraw membership is because of an increase in government regulation which would reduce the cooperatives' autonomy. There is a clear lack of understanding and trust towards involvement of other players in the management of cooperatives, this is more apparent amongst the board members as they have the responsibility to explain to the membership the effect of the changes to the movement. As the data was gathered at a time when the new regulatory entity FSRA had been introduced but was clearly not yet understood by the office bearers, and therefore expressed it frequently as a reason that is threatening the viability of the movement. Board members also understand the members needs to self-regulate, hence if FSRA turns out to be an entity that takes that away from the members, they believe the movement will cease to exist as members would withdraw. The next reason that board members believe would cause members to withdraw membership is the loss of jobs. As many of the cooperatives' common bond is employment, when members cease to be in the employ of that particular entity, they lack the income and possibly the discipline to pay their monthly subscription hence they withdraw membership. This is a reason that is evident to the board members as the custodians of the governance of the entity and less so to the members as they do not have oversight of personal membership records. Evidently board members focused more on reasons that were frustrating their ability to make the members happy with their service as board members and they felt this was threatening the livelihood of their cooperatives, which unfortunately were not the real sore points as seen from the members' point of view. The board members need to look outside of themselves and focus more on the members' concerns in-order to ensure appropriate delivery of services.

The respondents from SASCCO focused on the possible reasons that would cause members to withdraw membership to the affiliate body as opposed to the individual cooperative. Again at the top of their list was mismanagement and inability to pay dividends by the mother body. SASCCO has indeed suffered member withdrawals due to poor decision making at the board level some ten years ago, which resulted in a bad investment decision causing the entity to lock-up member funds in an investment that could not yield the envisaged returns. This resulted in a stagnation of the movements desire to affiliate to the national body and effects of this poor management decision is still being felt by the national body to date. The SASCCO respondents also mentioned high subscription fees as a deterrent to members agreeing to having their cooperative to affiliate to the national body.

6.4.3 Challenges faced by the cooperative movement

The views of all 5 sub-samples groups are consolidated to get an overall understanding of what challenges the cooperative movement is facing. The recurring themes across all five sub-sample groups are poor management, loan delinquency, increased regulatory burden, lack of technology. Of interest are the different perspective that each sub-sample group expresses on a similar challenge. For example the members feel the burden of regulation has a potential to erode their savings and reduce their autonomy unjustly, whereas the board members feel inadequate consultation and lack of clarity on implementation of new regulation has created a mistrust of the regulating entity, FSRA, which otherwise is needed in their view, on the other hand the ACCOSCA and WOCCU concerns on regulation is the added bureaucracy and burdensome reporting requirements but welcomes the need to have the additional oversight. Caution is indeed needed in rolling out additional regulatory requirements on the movement as some geographies have experienced cooperative movement regression when regulatory controls were unilaterally added as was seen in the Israeli cooperative movement (Ziv, 2010).

The international bodies ACCOSCA and WOCCU presented some challenges that are hindering the movement to leap frog to the next level, which the local entities did not even mention, possibly because of their myopic and inward-looking view of the movement. These include the inclusion of youth and women in the leadership of these entities and the need for cooperatives to look at other competing entities that may hinder their growth and potentially take up their market share if they do not appropriately re-invent to meet the needs of the ever changing market environment. The use of technology is particularly seen as a potential advantage that the movement has not taken advantage of, which is creating significant challenges for its growth and competitiveness. This approach by the international bodies is in-line with literature as Gupta and Bork (2010) emphasized the importance of looking at the value chain holistically when designing sustainable services for those living BOP.

Table 28 shows the top two reasons forwarded by each of the subgroups as challenges faced by the cooperative movement.

Table 28: Top two challenges faced by the cooperative movement

Rank	Members	Board members	SASCCO	ACCOSCA & WOCCU
1	Late loan repayments	Loan delinquency	Substandard leadership	Increasing regulatory burden
2	Mismanagement	Statutory deduction policy	Technology deficiency	Lack of technology

Interestingly the top challenges listed by all five sub-sample groups are similar. The members and board members highlighted at the top of their list poor loan repayment as a key challenge. This is somehow supported by the views of the national and international affiliating bodies who look at the challenges at a macro level and perhaps are better placed to identify the root cause of the problems than the individual cooperatives. These affiliation bodies highlighted lack of technology to manage the payment processes within the movement. If this technology existed and was in-use, the delinquency rates experienced at the local level by the cooperatives would dramatically be reduced.

Poor management as a challenge is a theme that came across the first three sub-sample groups (members, board members and SASCCO). This is not a surprising challenge as cooperatives are managed by members who are voted in by membership, who often have little financial skills or know-how and are prone to make ill-informed investment decisions which invariably affect the cooperatives liquidity and hence reduce their effectiveness in providing financial services to the members. Zeuli and Cropp (1990) posit that the role of managing a cooperative as a very complex task, requiring individuals with a unique set of skills, able to balance the entity's economic as well as social obligations. Achieving this through a set of well meaning members who are voted into office without going through a detailed skill-based selection process is one of the main challenges faced by the cooperative movement.

6.4.4 Conclusion

The research shows that possible problem areas that may hinder the effectiveness of the cooperative movement include poor and inadequately inclusive management, inability to repay loans by the members, increased regulatory burden and the lack of supporting technology to manage the financial transactions at the cooperative level.

Alexopoloulos and Goglio (2011) postulate that the current post-crisis banking context, has presented a new set of challenges for the financial sector, which calls for the financial cooperatives to think deeper about its strategies and to have a renewed loyalty to its constitutive social principles. They suggest that overcoming these new emerging challenges, financial cooperatives need a well-chosen board of directors and management with solid appropriate training.

This research found that poor management manifests in several ways within the movement, the worst of which being blatant misappropriation of funds by the office bearers, which totally erodes trust within the cooperative and hinders its growth and progression within the financial management sector. This is supported by Alexopoulos and Goglio (2011) who found that trust was a key contributor to the growth of financial cooperatives as its existence resulted in members entrusting significant portions of their income to the cooperative movement. Other symptoms of poor management include the setting of inappropriate lending and investment policies, due to inadequate financial capacity within the office bearers which results in the cooperative being unable to meet the financial needs of the members because of resultant cash-flow problems. Members expect appropriate service delivery from their cooperative, poor management also affects the ability of the cooperative to offer services required by the membership.

Members also place a great deal of importance on the sense of community derived from belonging to the cooperative movement. If this is lost in anyway, the existence of the entity is threatened as this is one of the key differentiators that make financial cooperatives more appealing to members than other traditional financial service providers. This phenomena is confirmed by Bagnoli and Megali (2011) who posit that cooperatives are social enterprises whose success depends on their performance at three levels: financial performance, social effectiveness and institutionally legitimacy. The loss of that sense of community may arise because of poor management which fails to foster programs that promote togetherness within the cooperative, as supported by Majee and Hoyt (2010) who found that when people interact on a regular basis, they are in a better position to effectively solve communal problems. Other reasons could be the loss of common bond which may come through job losses or retrenchments for employer-based cooperatives, which then makes members to have differing priorities and may make it difficult to jointly define a common purpose, causing discourse within the membership. Zeuli and Cropp (1990) clearly define the differentiator of financial cooperatives from other financial institutions as member driven entities where members with a common purpose cooperate by putting funds together for the common good of the members. Therefore if the common bond is lost, the financial entity's existence is threatened. Dunn (1988) further emphasizes this point as he asserts that the success of a cooperative is dependent on the members believing in the mutuality of the benefit derived from acting together, because members unite and remain united only if they have mutual interests which remain beneficial to them.

Loan delinquency is affecting the cooperative movements success significantly. As cooperatives are member-owned entities which largely depend on funds from the members, which are collected and used by the very members when in need of access to finance. When members fail to pay back loans to the cooperative, they affect the liquidity of the cooperative and renders its functionality null and void as its primary objective is to meet the financial needs of its members. Cooperatives primarily depend on social capital to ensure that members meet their financial obligations to the cooperative, if this is weakened in anyway, it affects the ability for the cooperative to function effectively. Brown *et al*., (2011) found that one of the key disadvantages of using informal financial services which are dependent on social capital for their existence, is the risk of the loss of this social capital if members fail to meet the agreed upon financial obligations. This loss of social capital may result in other social ills which are not desirable within the community such as those experienced in India (suicides and community revolts) when the microfinance industry experienced a downturn due to poorly defined loan policies for the specific market (Carlton *et al*., 2013). Several factors lead to the weakening of social bond amongst members including poor governance by the cooperatives' leadership, geographic spread of the members within the community, appropriateness of the common-bond which binds the members of the cooperative. Hence loan delinquency is undesirable as it seriously hampers the continued existence of financial cooperatives.

The cooperative movement has remained significantly behind recent technological advancement initiatives. This was initially due to the movements needs to meet and emulate the aspiration of its members, who are often poorly educated and prefer to use systems that do not intimidate them. Additionally as these cooperatives are managed by the very members, who may not have adequate technical skills, they invariably will maintain more manual systems that they are familiar with to manage the transactions of the cooperatives. This presents a challenge for the movement as service delivery is slowed due to the lack of technology in this sector and other sectors may eat into the market share of the cooperative movement. Record keeping is a lot more laborious and prone to errors if technology is not applied appropriately, this reduces the effectiveness of the financial cooperatives. This challenge further reduces the movements' appeal to the younger generation which prefers technology driven systems, thereby reducing the reach of the movement within the society and endangers its lifespan as more and more members of the society become technologically aware and thereby exposed to many options for financial services. Chidambaranathan *et al.,* (2013) agrees with this finding as he states that the information age has increased avenues through which consumers can get credit, this therefore means financial cooperatives need to be aware of the competition from other financial service providers which threaten their continued existence.

6.5 Research Question 4

What are the principles that govern financial cooperatives in Swaziland?

This question is answered using insights from all five sub-sample groups. Two questions in particular were asked to the research participants that yielded rich data which is used to answer this main research question. All participants were asked an open ended question regarding the governance structure of their movement and a semi-closed question was also asked which sought to compare the governance of their cooperatives to those espoused by ICA as ideal for the management of cooperatives.

The perspectives of the members and board members on the principles that govern cooperatives revealed that the structure of cooperatives was somewhat aligned to the 7 principles that are espoused by ICA as the cornerstone for governing effective cooperative movement, however members clearly were not always aware of this set of principles as they focussed on what they as members, see as important guiding principles as set by themselves. Whereas as you move higher in the sub-sample hierarchy, the views of the board members of the national and international cooperative bodies, show a belief that all cooperatives are aligned to the 7 principles of cooperatives.

6.5.1 Generic principles that govern cooperatives

Table 29 shows the top 2 principles that members and board member felt were important for the smooth running of their cooperatives. Both these sub-sample groups were in complete alignment with what constitutes the key principles for the cooperatives governance. They placed an emphasis on adherence to their internally developed constitutions as the pillar of their institutions well being. The second important governance issue to both subgroups is transparency, as this is the only way members can have insight into the running of the institution, office bearers must openly communicate with members.

Other themes emerged, albeit less frequently, on general principles that govern cooperatives from these two sub-sample groups. These included general good leadership, discipline, unity and community development.

Table 29: Top 2 generic principles that guide cooperatives

Ranking	**Members**	**Board members**
1	Adherence to the cooperatives constitution	Adherence to the cooperatives constitution
2	Transparency	Transparency

6.5.2 Extent of adherence to the ICA principles of cooperatives

The 5 sub-sample groups were asked their views on how they perceive their cooperatives or the cooperative movement as a whole regarding adherence to the ideology of the seven ICA principles of cooperatives. There results showed a startling difference between the actual members and those with office bearing responsibilities, particularly at the national and international levels. This is not a surprising outcome, as those in office are more exposed to the ICA ideology compared to general members. Members do not seem concerned about the seven principles and in some instances were not aware of their specific existence, whereas the cooperative board members showed more knowledge in his regard even though they also placed emphasis on what they developed as guiding principles as opposed to what is handed down to them from affiliate bodies. Interestingly, these locally generated guiding principles however do not necessarily oppose the seven ICA principles, but only seem to place emphasis on some aspects more than others. This flexibility is seen within the individual cooperatives and across different ones, which is expected as different cooperatives, have different members who will have differing needs and priorities and therefore express these in the guiding principles. This finding supports Dunn (1988) who wrote some of the seminal work on cooperative theory, in his paper on basic cooperative principles and their relationship to certain practises, he articulates the core structure of cooperatives as member-owned, member-controlled for the benefit of members. Cooperatives are indeed member-focussed.

Table 30 shows the different subsample groups most frequent views on the extent of adherence of the cooperative movement to the seven principles, where the sample was at borderline between two opinions, the middle ground was chosen as the samples view. Two principles are completely adhered to by the movement in the view of all the respondents: democratic control and members economic participation. This is an interesting finding as it confirms what is important in the view of the members. Insights gleaned from the members reasons for joining revealed that members joined cooperatives to meet their personal and collective needs, and also for the recognition and ownership they feel as members of the entities. This is supported by this finding, as the key principles that are implemented completely by all cooperatives are those that touch on members active participation, where their voice is heard through their democratic involvement in the running of the institution and active participation in growing the enterprises' economic base. This gives members a sense of fulfilment. This finding is aligned with literature as Azmi (2011) found that cooperatives play right at the heart of the biggest challenge of economics, which aims to regulate economic interactions to the satisfaction of all stakeholders. In doing so, cooperatives limit self-interest behaviour at the expense of others.

From this data, autonomy and independence appears to be another principle that is regarded as critical to the existence of cooperatives. The board members sub-sample group is the only group that was on the borderline regarding complete adherence to it or somewhat adhering to it. This was mainly due to the recent introduction of FRSA which board members felt has a potential to reduce their autonomy even though they were not yet fully aware of what its role would be. Prior to this, they were confident that the principle of autonomy and independence is completely adhered to.

Voluntary and open membership, cooperation amongst cooperatives and community development seem to be less important in the movement at the moment as respondents felt their cooperatives only somewhat adhered to these and did not emphasize their importance in their detailed insights, they were mentioned as 'nice-to-have' but do not appear to be a focus area for the movement.

Table 30: Extent of Adherence to the 7 ICA principles –

ICA Principle	Members	Board Members	SASCCO	ACCOSCA & WOCCU
1. Voluntary & open membership	Somewhat adhere	Somewhat adhere	Completely adhere	Completely adhere
2. Democratic member control	Completely adhere	Completely adhere	Completely adhere	Completely adhere
3. Member economic participation	Completely adhere	Completely adhere	Completely adhere	Completely adhere
4. Autonomy & Independence	Completely adhere	Somewhat adhere	Completely adhere	Completely adhere
5. Education, Training & Information	Do not adhere	Completely adhere	Completely adhere	Completely adhere
6. Cooperation amongst cooperatives	Somewhat adhere	Somewhat adhere	Completely adhere	Completely adhere
7. Concern for community	Somewhat adhere	Somewhat adhere	Completely adhere	Completely adhere

6.5.3 Conclusion

Members highlighted non-financial benefits such as user involvement, a sense of ownership, trust and respect and a common purpose as key factors that make cooperatives uniquely appealing to them as opposed to other financial service providers. It is not surprising therefore to see that at the helm of the movement the key principles that govern cooperatives are the democratic control of cooperatives, member economic participation and autonomy and independence. This research found that within the cooperative movement, members define their own governing and economic policies in a democratic way.

The governance structure of cooperatives make them unique enterprises whose existence is squarely dependant on the appropriate implementation of policies that support the principles that meet the needs of the users. Democratic control is the fundamental principle which allows members to actively participate in the management of their cooperative, however this cannot be scientifically achieved in any group without some form of acceptable compromise amongst members, as pleasing everybody in any group is an elusive phenomena. However, cooperatives' strong reliance on social capital and trust, make them uniquely able to achieve more alignment within the cooperative as people tend to agree more if they trust each other. The work of Brown *et al.,* (2011) support this finding in that they found that a relationship exists between social and economic capital. Where there is social capital, general cooperation increases in dealing with economic issues.

The 7 principles espoused by ICA are not implemented rigidly within the cooperative movement in the context of the current study; only 3 of the 7 are applied consistently. The appropriateness of the other 4 which are not entirely implemented within financial cooperative needs to be investigated.

7. CONCLUSION

7.1 Introduction

In this chapter the Financial Services Acquisition Journey model is presented in terms of the findings and insights gleaned from research participants' responses as discussed in Chapters 5 and 6. Recommendations for financial service providers are presented based on these findings and lastly, recommendations for future research are also presented.

7.2 Synthesis of Results

This research combines the foundational literature that preceded it and integrates the findings with new knowledge and understanding uncovered through the interview process. Research participants were insightful in their responses which linked back to the four research questions of Chapter 3.

The research findings discussed in Chapter 6 are consistent with existing literature, however this research further contributes to the body of knowledge by exploring the paradox of persistent financial services exclusion for a vast market in need of financial services.

The first contribution relates to the reasons why people choose to join financial cooperatives as an alternative form of financing. Financial services are a basic need required by all people to live a decent life within their respective societies, however there are insufficient financial services products that meet the specific needs of most people, particularly those living at the bottom of the pyramid. The financially excluded therefore seek other alternatives which increasingly seem to meet their needs better than traditional financial service providers. Financial cooperatives, in particular, are more readily received by new users because they are marketed to them by people with whom potential users can relate to and have an established trust relationship. The existence of social capital between users and potential users, makes for a good platform for the growth of the financial cooperative movement, as new members join cooperatives primarily because of referrals by people with whom they have relationships; such as family members, friends and colleagues.

The second contribution of this study relates to the reason why this form of financial service provision has a particular competitive advantage over other forms of financing. Financial cooperatives provide both financial and non-financial advantages to users which makes them uniquely positioned to meet the deeper needs of the users. All human beings want to feel an acceptable member of the societies and access to financial services provides them an opportunity to express their worth within their communities and hence feel valuable. The financial advantages which financial cooperatives have over traditional financial services are; the inclusion of low-income earners into the financial service sector, the low-fee structure for users, accessibility of service and the flexibility of the offering which accommodates sporadic income patterns that users may have. Equally important, are the non-financial advantages that financial cooperatives have over traditional financial services, these include; the sense of belonging, general trust and respect for users, the sense of ownership and the existence of a uniting force or a common bond amongst members. These features are not prevalent in traditional financial services as they are typically more rigid, very risk averse and external shareholder-focussed which makes them have higher fee-structures as they endeavour to make acceptable returns for their shareholders. Additionally traditional financial service providers do not have the deep relational/social aspect built into their offerings, they only provide transactional services which are insufficient to meet the needs of the users, as we see in this study.

The third contribution of this study relates to features of the financial cooperative movement which may make them unsustainable in the financial services sector. Financial cooperatives are quasi-formal financial service systems which have structural loopholes which have a potential to hinder their continued effectiveness within the financial provision sector. These include; management capacity, ineffective systems to manage loan delinquency rates, insufficient use of technology and the risk of increased regulatory burden on the movement. As financial cooperatives are member-controlled entities that depend on the capabilities of their membership to govern their movement, appropriately required skills to govern cannot be guaranteed. Additionally, the existence of strong relationships amongst members, although mainly serves as a tool for members to hold each other accountable and responsible to ensure continued success of the movement, it can in some instances present a challenge when a member fails to meet their financial obligations as other members may want to protect the existing social capital and be reluctant to take decisive actions against a member who persistently defaults on payments. This results in prolonged loan delinquencies. As financial cooperatives are designed with members in mind, use of technology has been delayed as membership is not 'techno-savvy', this places the movement behind other financial service providers who have the benefit of increasing their efficiencies using technology. The growth of the movement continues to attract government focus and lends itself at risk of increased regulation which increases administrative costs and may eventually attract additional taxation.

The last contribution of this study relates to how financial cooperatives are governed and how their governance structure supports their success. The key governance principles of the movement are democratic-control, compulsory member economic participation and autonomy and independence. Success of the cooperatives depends on the equitable involvement of all its members in the running of the cooperative, this includes the requirement for members to ensure that they all have a financial stake within the cooperative so that they have genuine vested interest in its continued success. Autonomy and independence supports the effectiveness of the democratic control of the entity as no external influence will affect the will of the owners, and it also ensures that policies are entirely member-focussed as they are developed internally. This study found that the seven principles of cooperatives defined by the ICA as the ideal governance principles for cooperatives are not entirely implemented within the movement.

This study confirms existing literature in the field of financial cooperatives as an alternative means of financing, provision of services for the BOP, the value of social capital and appropriate principles to govern financial cooperatives. Further this study finds that the financially excluded need financial products that will meet both their financial and social needs. Additionally it found that financial cooperatives play right at the heart of a large financially excluded market by providing both functional and social benefits for users. However they need to overcome key uncompetitive challenges inherent within the movement, to maximally exploit the market at their disposal. Financial cooperatives arguably have a stronger lean towards the social benefits and are losing ground on the functionality benefits as they remain behind the technological advances of the financial service sector. Lastly this study questions the 'one-size fits all' approach to managing financial services, it emphasizes the need to be flexible in developing product offering and defining governance structures, with the user being at the centre of all those decisions.

7.3 Financial Services Acquisition Journey Model

A graphic representation of the financial services journey that users undergo when seeking these service, was developed using the findings as described in Chapter 6. The model is represented in Figure 8, it highlights the in-depth insights garnered from the twenty-four interview respondents. The Financial Services Acquisition Journey model highlights that in the process of seeking and using financial services, individuals attach a lot of emotional value to the experience, which has to be understood for service providers to be successful in meeting the needs of the users and breakthrough in this market. Successful service providers must provide a service which has both functional and social relevance to the users.

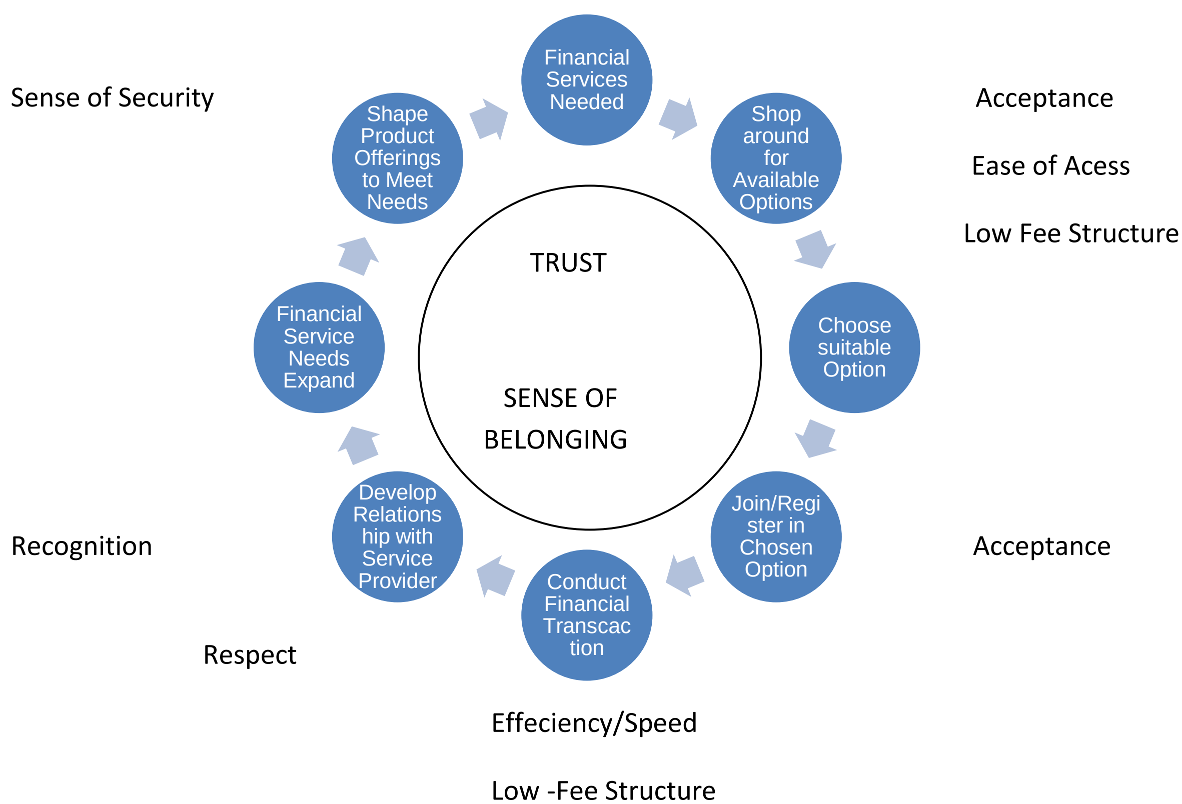


Figure 8: The Financial Services Acquisition Journey

This model demonstrates that at the heart of seeking and utilising financial services lies a deep set of emotions and values for users, particularly those living at the BOP. This model shows the key functional and social parameters that are required to make the client experience acceptable to users of financial services. At various points along the journey some values are more pronounced than others, however the sense of belonging and trust are values that are consistently important throughout the journey.

When a potential financial services client first identifies the need for the service, they begin the process of shopping around for options. Right from the onset, deep fears of rejection are carried by the currently financially excluded individual and invariably look forward to getting a solution that will accept them as they are. At this point, acceptance, accessibility and low-fee structure are the key determinants that the potential user looks for within the available options. This makes the referral by friends or relatives with whom a social capital already exists, the preferred method of seeking an appropriate service provider. Hence the marketing techniques used by financial cooperatives of user referrals are rightly placed to attract the client at this stage of the journey. The potential client then identifies the option suitable for their needs and begins the process of applying for the service, at this point the potential client's concern is to be accepted in this service of choice. This step generates a lot of tension and anxiety within the client as they feel their personal worth is being tested through the application process. Application processing speed is therefore an important feature needed by potential clients at this stage of their journey. When the client's application has been accepted, the client then moves on to now use the services of the financial services provider. At this point the client again looks for low-fee structure in order to maximise their wealth and also seeks for speed in processing the financial transaction so as to meet their personal need. After the initial use of the chosen financial service, the client then begins the process of building a lasting relationship with the service provider. This is done as the client seeks to further understand the service offering for additional use in the future, by so doing begins the process of evaluating their decision in choosing this service as a suitable service for them. At this stage of the journey, the most important value is that of recognition. The client needs to feel recognised as a valuable member/client, they need to feel respected as they seek clarification on issues and generally need to feel that their voice is being heard. The financial cooperatives model which ensures members democratically manage the affairs of the cooperative, meets this user need perfectly. After this stage, the client has developed some relationship with the provider and if relationship is positive, the user considers the provider for other financial service needs that they have. Security of the client's finances is key at this point as the user makes the decision to have a long term relationship with the service provider. The client further contributes towards shaping the product offering of the provider by attempting to align them to their unique needs. If an acceptable alignment is reached, a new financial service need arises and the client goes through the journey again.

This model demonstrates the important role non-financial factors play in the choice of a financial service provider by users. The interview respondents in this study expressed deep seated emotions associated with financial services, which have to be incorporated in the provision of financial services. Financial cooperatives have a good balance between financial and social features in their product offerings, making them particularly appealing to users when compared to other financial services available to users. This study shows that the financial cooperative model provides emotional value at the key touch points along the financial service acquisition journey, giving the user a satisfactory customer experience. However, to remain competitive financial cooperatives need to pay special attention to the functional aspects of their offering. The inadequate use of technology may slow down the institutions processing speed and if not addressed, may result in dissatisfied users. Lack of appropriate technology was indeed a weakness identified for the financial cooperatives movement. Additional the feature of security of funds is one that financial cooperatives needs to continually focus on, as the research results highlighted mismanagement of funds as a potential weakness for the movement.

7.4 Recommendations to Financial Service Providers

Financial service providers need to meet both functional and social needs of the users in their quest to provide financial services to the market, particularly to those living in the BOP. Financial service providers need to understand where the client is along the financial services acquisition journey and focus on the values that matter at that point, by providing the appropriate tools and motivators that meet the client's needs for that part of the journey. Financial cooperatives provide both functional and social benefits to users, this hybrid approach gives this form of financial service a competitive advantage over other forms of financial service providers. Financial service providers need to continually ensure an appropriate balance exists between these features, as one without the other will render them uncompetitive.

7.5 Recommendation For Future Research

This research has limitations and requires further work to be done to better understand both the critical success factors, and the processes emotive issues involved in the clients' experiences of the financial services. While there are many formal financial services operations under academic study, the non-traditional and less formal financial service movement, such as financial cooperatives has limited academic study. Consequently this study has been exploratory, so as to uncover insights that can be further studied. Future research may be useful to confirm the findings of this study. Suggested areas of further research are:

- This research was mainly based on financial cooperative movement in one country. Further research could be done to cover multiple countries with different cultural orientation to examine the effects of culture on the appeal of financial cooperatives
- The research was based on a purposive sample of twenty-four respondents because of time and resource constraints. Further research could be done with a broader sample size to better explore the issues.
- This research was largely qualitative and sought to reveal the competitive advantages of financial cooperatives, further research could be done to quantitatively test the extent to which these competitive advantages are responsible for the adoption of financial cooperatives as the financial service of choice by the financially excluded.

7.6 Conclusion

Financial exclusion for people living at the BOP remains an unresolved world-wide challenge. This underserved market-need needs to be better understood by service providers in order to provide appropriate solutions. Increased competition within the financial service sector means players need to identify new markets in order to sustain growth, making this underserved market a potential growth opportunity for financial service providers, which traditional financial service provider have failed to penetrate. This research project has attempted to understand the drivers that make alternate forms of financing, particularly financial cooperatives, more appealing to this underserved market. Various functional and non-functional factors were found to be important in the quest to provide financial services. Financial cooperatives have a unique set of financial and social of advantages which makes them successful in providing financial services to the people living at the BOP.

For the BOP sector, successful financial service providers provide a solution that has an appropriate balance between financial and social features. Financial cooperatives as a means of financial service is found to be suitably designed to meet the needs of the underserved financial service market. Presenting the results from this research in The Financial Services Acquisition Journey model offers a graphic and integrated representation on how to ensure enhanced customer experience whilst providing financial services for the underserved financial services market.

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9. APPENDICES

Appendix 1: Interview Guidelines

Dear Participant

Research Questionnaire

I am conducting a study on The Competitive Advantages and Critical Success Factors for Financial Cooperatives in Swaziland and would like to request your participation in this study. Our interview is expected to last for about an hour.

Your participation in this survey is entirely voluntary and you can withdraw at anytime without penalty. Of course, all information will be kept confidential.

The research is in partial fulfilment of my MBA studies with The Gordon Institute of Business Science. If you have any concerns, please contact me or my supervisor, our contact details are provided below:

Researcher : Jabulile Mashwama	Supervisor: Prof Margie Sutherland
Email: jabumashwama@gmail.com	Email: sutherlandm@gibs.co.za
Phone: +268 7606 2908	Phone: +27 11 771 4362

Signature of participant: ________________

Date:________________________________

Signature of researcher:________________

Date:________________________________

Appendix 1 a:

Questionnaire for Cooperative Members (with no administrative responsibility)

Section A

1. What is the name of your Cooperative? ______________________

2. How long have you been a member of this cooperative? ___________________

3. What is the cooperative's members common bond:
   a. Employer
   b. Community
   c. Profession
   d. Other (specify) ________________________

4. How many members does it have?
   a. Male? ___________
   b. Female? ___________
   c. Total? ___________

5. How did you become a member of this cooperative?
   ____

6. Why did you join this cooperative?
   ____

7. What are the benefits of being a member of this cooperative?
   ____
   ____
   ____

8. Why did you opt to save your money in a cooperative instead of using other available options?
   ____
   ____

9. Is your cooperative successful? Why?
   ____

10. What services do you get from your cooperative that you do not get from other financial services providers?

11. What would cause you to withdraw your membership from this cooperative?

12. What key challenges does your cooperative have?

13. What are the key principles that govern your cooperative movement?

Section B

14. I will now ask questions to evaluate your cooperative's principles in relation to the 7 principles of cooperatives as espoused by the International Cooperative Alliance.

a) Who is eligible to be a member of your cooperative?

b)How are decisions taken in your cooperative, members voting rights?

c)Who benefits from the proceeds of the cooperative?

d)The office bearers of the cooperative are accountable to who?

e)How are members informed about the activities and operations of the Cooperative?

f) Is your cooperative affiliated to other cooperatives or similar organisations?

g) Is your cooperative involved in community development activities?

Appendix 1 b:

Interview Guideline for Cooperative Board Members (at the Cooperative Level)

Section A

1. What is the name of your Cooperative? ____________________________________

2. How long have you been a member of this cooperative _________________________

3. How long have you been a board member of this cooperative? ___________________

4. What is the cooperative's members common bond:
   a. Employer
   b. Community
   c. Profession
   d. Other (specify) ________________________

5. How many members does it have?
   a. Male? ___________
   b. Female? ___________
   c. Total? ___________

6. How did you become a board member of this cooperative?

   ____

7. Why did you join this cooperative?

   ____

8. What are the benefits of being a member of this cooperative?

   ____

   ____

   ____

9. Why do members opt to save their money in a cooperative instead of using other available options?

   ____

   ____

10. Is your cooperative successful? Why?

11. What would cause members to withdraw their membership from this cooperative?

12. What key challenges does your cooperative have?

13. What are the key principles that govern your cooperative movement?

Section B

14. I will now ask questions to evaluate your cooperative's principles in relation to the 7 principles of cooperatives as espoused by the International Cooperative Alliance.

    a) Who is eligible to be a member of your cooperative?

    b) How are decisions taken in your cooperative, members voting rights?

    c) Who benefits from the proceeds of the cooperative?

    d) The office bearers of the cooperative are accountable to who?

    e) How are members informed about the activities and operations of the Cooperative?

    f) Is your cooperative affiliated to other cooperatives or similar organisations?

    g) Is your cooperative involved in community development activities?

Appendix 1 c:

Interview Guideline for the SASCCO Board Members

Section A

1. What is the name of the Cooperative you are member of? ______________________
2. How long have you been a member of this cooperative? ________________________
3. How long have you been a member of the SASCCO Board?______________________
4. What is SASCCO? _ ____
5. How many members does SASCCO have? ______________________
6. How did you become a SASCCO board member?
   ____
7. What are the benefits for the cooperatives of being a member of SASCCO?
   ____
   ____
   ____
8. Why do members opt to save their money in a cooperative instead of using other available options?
   ____
   ____
9. Is your cooperative movement successful? Why?
   ____
   ____
10. What would cause members to withdraw their membership from SASCCO?
    ____

11. What key challenges does the cooperative movement have?

____

____

12. What are the key principles that govern the cooperative movement?

____

Section B

13. I will now ask questions to evaluate the cooperative's principles in relation to 7 principles of cooperatives as espoused by the International Cooperative Alliance.

a) Who is eligible to be a member of the cooperatives?

____

b) How are decisions taken in the cooperatives, members voting rights?

____

c) Who benefits from the proceeds of the cooperatives?

____

d) The office bearers of the cooperatives are accountable to who?

____

e) How are members informed about the activities and operations of the Cooperative?

____

g) Are the cooperatives involved in community development activities?

____

Appendix 1 d:

Interview Guideline for ACCOSCA and WOCCU Board members

Section A

1. What is the your role in ACCOSCA / WOCCU? ______________________

2. How long have you been in this position? ___________________

3. How many members does ACCOSCA / WCCU have and from how many countries?
   a. No. of cooperatives ___________
   b. How many countries represented ___________

4. How do cooperatives become members of ACCOSCA / WOCCU?

   ____

5. What are the benefits for the cooperatives of being a member of ACCOSCA / WOCCU?

   ____

   ____

   ____

6. Why do members opt to save their money in a cooperative instead of using other available options?

   ____

   ____

7. Is cooperative movement successful? Why?

   ____

   ____

8. What key challenges does cooperative movement have?

   ____

   ____

9. What are the key principles that govern the cooperative movement?

   ____

Section B

10. How do the cooperatives governing principles compare to the 7 cooperative principles as espoused by the International Cooperative Alliance.

a) Who is eligible to be a member of the cooperatives?

___

b) How are decisions taken in by the cooperatives, members voting rights?

___

c) Who benefits from the proceeds of the cooperatives?

___

d) The office bearers of the cooperatives are accountable to who?

___

e) How are members informed about the activities and operations of the Cooperatives?

___

g) Are the cooperatives involved in community development activities?

___

Appendix 2: Consistency Matrix

TITLE: Competitive Advantage and Critical Success Factors for Financial Cooperatives in Swaziland

RESEARCH QUESTIONS	LITERATURE REVIEW	INTERVIEW QUESTION	DATA ANALYSIS
Research Question 1 Why do people join Financial Cooperatives	Majee & Hoyt (2010), Olsen & Boxenbaum (2009) Alexopopoulous & Goglio (2011), Kibuuka (2007)	7, 8	Frequency counts and Content Analysis
Research Question 2 What are financial cooperatives' competitive advantages when compared with other means of managing personal finance	Nguyen (2006), Chidambaranathan & Raj (2013), Adekunle (2011), Alexopopoulous & Goglio (2011)	8. 9. 10	Frequency Counts and Content Analysis
Research Question 3 What are the major problem areas for financial cooperatives	Brown *et al.*, (2011), Zeuli & Cropp (1980), Lee (2009), Alexopopoulous & Goglio (2011)	11, 12, 13	Frequency Counts and Content Analysis
Research Question 4 What are the principles that govern financial cooperatives in Swaziland	Zeuli & Cropp (1980), Nilson (1996), Dunn (1988)	7, 14, 15	Frequency Counts and Content Analysis