

**ANALYSIS OF COOPERATIVE FINANCE ON PERFORMANCE OF AGRI-
COOPERATIVES IN BUJUMBURA MUNICIPALITY, BURUNDI**

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DECLARATION AND APPROVAL

This research project is my original work and has not been presented for a degree in any other university or for any other award.

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Approval by the Supervisor

I confirm that the work in this project was done by the candidate under my supervision.

Sign 

Date 16th October 2024

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DEDICATION

This research project is dedicated to my sister Annick Sezibera who has been a strong pillar in this journey.



ACKNOWLEDGEMENTS

I want to pass on my appreciation to my supervisor Dr. Martin Onsiro for his time, mentorship and scholarly criticism during the whole cycle. He addressed everything an understudy can request from a supervisor. Finally, I offer brilliance to all-powerful God for the endowment of life, intelligence and solidarity to finish this project.



ABSTRACT

The growth of small scale farmers, who are the majority in Africa, is considered one of the most important pillars of economic growth. Therefore, for African countries to realize substantial and meaningful economic growth, small scale farmers should be put into consideration. Agricooperatives have been identified and considered as a tool by which development of a given community is realized. For this to be realized, the performance of these agri-cooperatives is crucial. Cooperative finance is one of the aspects that greatly affect the output and the performance of these cooperatives. The purpose of the study was to analyze the influence of cooperative finance on performance of Agri-cooperatives in Bujumbura municipality, Burundi. The research was guided by three specific objectives that were formulated to guide the study which are to establish the influence of membership equity on performance of Agri-cooperatives in Bujumbura Municipality Burundi, to assess the influence of retained surplus equity on performance of Agricooperatives in Bujumbura Municipality Burundi and to examine the influence of debt financing equity on performance of Agri-cooperatives in Bujumbura Municipality Burundi. The study employed pecking order, Merton risk model; and Trade off theory that were considered important to the study. Target population of the study were all accountants and managers of Agri-cooperative societies in Bujumbura municipality. The study adopted descriptive research design involving all 76 respondents with questionnaires. The study undertook census whereby all the 76 respondents were involved in the study. Data was analyzed by use of descriptive statistics such as mean and standard deviation as well as by inferential statistics like regression and correlation. Analyzed data was presented through frequency tables and charts. Correlation analysis of the study indicated that there is a positive correlation between membership equity and the performance of agri-cooperative societies in Burundi ($r=0.808$, $p=0.000$). There was also a positive correlation between retained surplus equity and the performance of agri-cooperative societies in Burundi ($r=0.742$, $p=0.000$). Additionally, the study indicated that there is a positive correlation between lease financing equity and the performance of agri-cooperative societies in Burundi ($r=0.669$, $p=0.000$). A positive correlation between debt financing equity and the performance of agri-cooperative societies in Burundi was determined ($r=0.762$, $p=0.000$). The financing prototype or version that will be adopted by an organization hinges on the decision that will be made by the management of that organization, the geographical scope as well as the line of operations they engage in. Nevertheless, there is a need for the organization to ensure that ideal and optimal level of financing is considered so that an organizations are not completely financed by debt but a good debt and equity ratio.

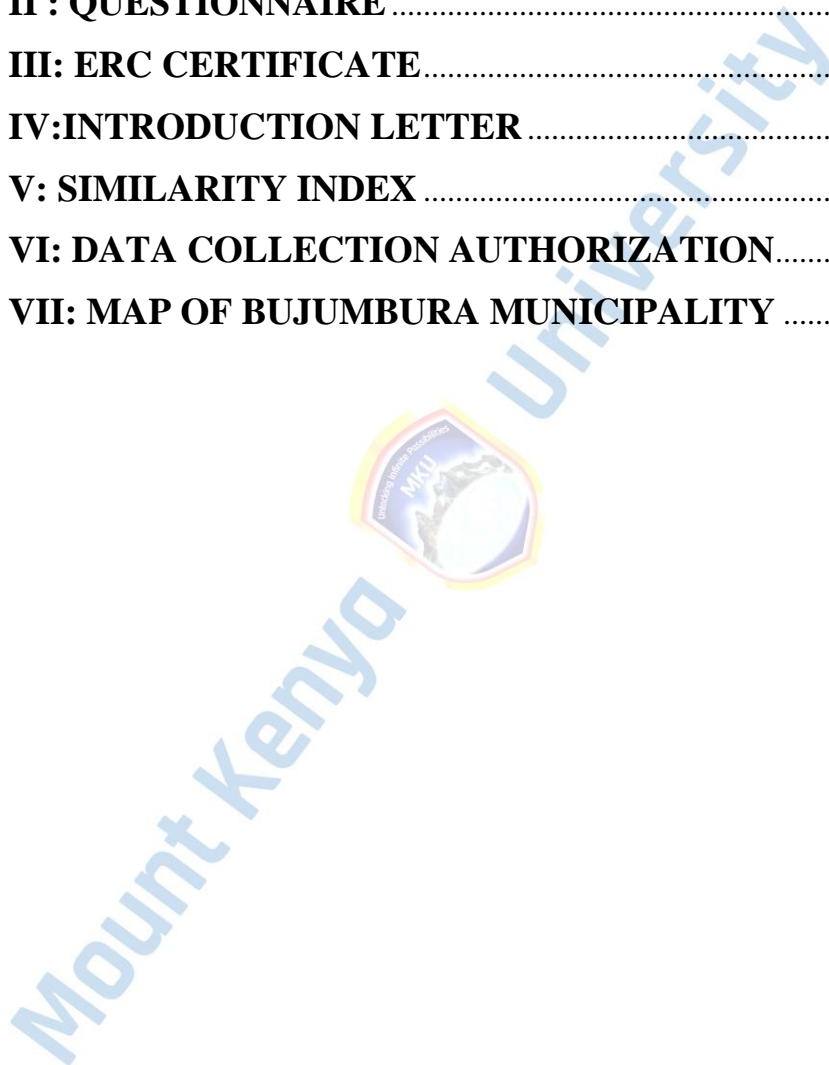
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LIST OF ABBREVIATIONS AND ACRONYMS

ICA	International Cooperative Alliance
IYC	International Year of Cooperatives
GDP	Gross Domestic Product
MINAGRI	Ministère de l'Agriculture
CCO	Commune Coopératives Officer
ROE	Return on Equity
ROA	Return on Assets
ROI	Return on Investment
SMEs	Small and Medium Enterprises
SACCOs	Savings and Credit Cooperative Societies
ISTEEBU	Burundi's Institute of Statistics and Economic Research
IFC	International Finance Corporation

CHAPTER ONE

INTRODUCTION

1.0: Introduction

This is the introductory chapter that put the research problem into perspective. The chapter starts by discussing the background of the study so that the researcher can explain the research journey to the readers, statement of problem, research questions, significance, scope of the study, limitations and delimitations of the study.

1.1: Background to the study

A cooperative society is defined as an association of people that is usually autonomous united willingly in order to achieve mutual social, cultural and economic requirements ambitions via collaborations and autonomous regulated institution (International Cooperative Alliance (ICA, 2010). Mwangi, 2010, in his study concurred that cooperative societies perform a fundamental and essential part in growth of economy and growth of individuals globally by enabling members achieve shared goals and also providing employment opportunities. According to Kumar & Gena, 2015 found out that there are several charges and interests that are borne by cooperative societies when they acquire funds that are required or necessary to run their operations. Therefore, there is a cost that is attached to capital like shares, debt and capital reserve that make up the cost of finance. Kasali, 2013 intimated that the productivity and performance of these cooperative societies is greatly associated with or related to the cost of finances. Therefore, the management of cooperative societies should take into consideration the costs that are related to the cost of finance since it will ultimately affect the performance. The performance of cooperatives will to a very large extent affect the of goods and services quality that they accord to their members.

Cooperatives have continued to provide numerous benefits and advantages to their members. First is the ability of Agri-cooperative societies to bring or to pool resources together and do something major as opposed to a situation where they would do that individually as resources are in most cases not enough. The second benefit is that members are able to benefit from efficiency and cost benefits especially on areas of production, purchasing as well as marketing of their products. Additionally, members of cooperative societies benefit from sharing responsibilities among them since they have different strengths among them that can be used to strengthen the cooperative societies. Moreover, members of cooperative societies can easily access credit facilities without stringent conditions that usually apply in other financial institutions. Ultimately, members are able to boost and enhance their returns thereby making cooperative societies crucial channels and engines of economic and community development.

1.1.1: Global Perspective of Cooperative Societies:

Agricultural cooperative societies have been identified as a major bastion or backbone of economic expansion of many states globally. This situation is even more pronounced in Africa where agriculture is a major sector in the economy. Farmers worldwide have faced numerous challenges which they have endeavored to solve or address through the formation of well-grounded and robust cooperative societies. According to Kumar et al., 2015, small and intermediate scale farmers represent a big percentage in the agricultural sector which is represented by 85% while 15% represent large scale farmers. Farmers both small and medium scale farmers have benefited immensely in the formation of these cooperative societies. They have therefore given farmers a voice when it comes to addressing their concerns, assisted farmers in boosting their income levels

through enhancing crops yields. Farmers have also benefited from low cost farm inputs that have in turn increased their profitability. In Bangladesh, Agriculture is one of the major sector of the economy and contributes approximately 35.47% of GDP and more than 64% job opportunities in Bangladesh. Agriculture therefore forms the backbone of the economy. The government enacted National cooperative policy which came into law in 2012 under. The policy has to a great extent addressed the issues that affected farmers and it has also enhanced marketing channels of their products (Siddique, 2015). Through these cooperatives, development has been realized among the farmers and this has led to wealth creation. However, the study intimated that some farmers are yet to enjoy the fruits of these cooperative movements due to the scarcity necessary resources e.g. credit facilities, reliable extension systems as well as functional marketing channels.

According to Chaddad et al. 2005, Agri-cooperative societies have continued to perform or play an important role economic development for a long time among independent farmers. Cooperatives societies were formed first as service providers to farmers and also to counterbalance and neutralize the influence of producers' business partners, safeguarding of market preferences or alternatives as well as minimizing business risks by way of pooling. Kristina Yngwe (2014) concurred that Sweden has experienced growth as well development of their economies due to strong Agri-cooperative societies.

1.1.2: Regional Perspective of Cooperative Societies

Agri-cooperatives in Africa has been identified as key driver of development. It has been accepted that they play a major in enhancing crop production especially in rural areas, ensure smooth distribution of agricultural commodities and also promoting permanent solutions to food

insufficiency. African governments have realized this and have passed laws that strengthen and address challenges that have been bedeviling this sector.

Agri-cooperative societies have been a key phenomenon in Nigeria have been significantly involved in alleviating poverty among members and also impacted positively on the welfare of members. (Odetola., et al., 2015). Farmers are not adequately or sufficiently catered for by formal financial institutions since the bureaucracy that is there and also massive costs that are associated with their products and services. Cooperative societies therefore have come in handy and are therefore option in these rural areas and to small scale farmers. It is therefore imperative for authorities to ensure that exceptional and superior strategies or blueprints are put in place so as to furnish a rostrum which serve farmers across the board in boosting their incomes hence benefiting more from agriculture.

In Tanzania cooperative societies are advanced or promoted cooperative development policy. The onus is always to ascertain whether the policies that have been put in place are sufficiently are addressing new challenges that continue to emerge (Rwekaza et al., 2020). Drafters of these policies both in government and private sector should always involve members of these societies in all stages so as to promote ownership and sustainability. This will make members feel that they have been consulted and therefore own the policies that have been drafted and implemented. It will also ensure that their input is incorporated in these policies.

Cooperative societies are supposed to advance fairness especially in how members acquire or obtain goods and services. Nevertheless, cooperative societies in Tanzania have not been able to efficiently and effectively to advance equality and fairness since there are several challenges that have continued to hinder their effectiveness including how they are run and managed.

According (Kimetto 2017), key in influencing the performance of agricultural cooperative societies. These factors include the cost of capital, operational controls procedures, process of identifying as well as prioritizing risks and social networks that determines the fiscal productivity of agricultural cooperative societies. Kimetto (2017) observed that there is a fundamental and positive nexus between the risk management and fiscal performance of agricultural societies and therefore managers should always observe these factors when deciding which source of financing they are going to adopt. In conclusion it was observed that with robust risk management processes, agricultural societies will be able to identify, avoid or mitigate risks that would otherwise jeopardize their performance, survival or sustainability. It is also imperative to ensure that effectual and adequate fiscal policies are put in place to continuously administer, guide and manage costs of capital.

1.1.3: Local Perspective of Cooperative Societies

Agriculture in Burundi forms the backbone of the economy especially in rural areas and therefore agricultural cooperative societies are part and parcel of state policies on agriculture (Develtere et al., 2007). The number of agri-cooperative societies have continued to grow exponentially for the last 50 years. There were 16 agricultural societies in 1950s which grew to 21 agri-cooperative societies in 1970s. However, the number decreased to 15 agricultural societies at the end of 1980s due to gross mismanagement. There were concerted efforts that saw a number of cooperative societies being revived especially between 1990s and 2000 and the number has risen to around 690 in 1998 ILO (MINAGRI, 2012; Develtere et al., 2007). Consequently, GPV01/ (Jeune Afrique, 2016) indicated the number of cooperative societies have continued to grow and the number had risen to approximately 1,500 cooperative societies in 2013 with a combined membership of around 63,126.

1.2: Statement of the Problem

Agri-cooperative societies take a crucial part in resources mobilization, refining and publicizing of agricultural outputs. Due to the numerous benefits that have been identified, governments and other sectors are therefore concerned in the performance of Agri-cooperative societies. However, their performance and productivity has not been up to scratch and this has in effect affected their service delivery to their members. According to a report that was released by the Commune Cooperatives Officer (CCO), it is clear that seven of the nineteen cooperatives in Bujumbura province are not operational or are in dire financial condition and this has negatively affected their operations. (CCO, 2020). Cooperative societies have been going through difficult times trying to adapt and conform to the fact that the economy has been liberalized and little has changed in the recent past. ISTEERU (2021) indicated that the financial performance of cooperative societies has not been adequate, acceptable and ultimately not presented sufficient benefits to the members. According to (IFC, 2022) due to consistence of political wars the Agri-cooperatives have acutely been influenced by research and development. They have witnessed destruction or dilapidation of infrastructure, the funding of donors having been withdrawn and depletion of human resources. Recently, the agricultural industry has gone through a steady regain, but the entire ability is still slow. The agricultural research and development share expenses is Only 0.1% of Gross Domestic Product of agriculture in 2022, with the key expenses of investment financed by external funders. Due to this challenges, most of these Agri-cooperative societies in Bujumbura municipality and indeed in Burundi as a whole have faced difficulties due to insufficient financial resources combined with low produce due to climate change has affected and limited their effectiveness in terms of rendering of services to its members (CCO, 2020). The potential of Agri-cooperatives has been affected negatively by inadequate financial resources. Therefore, this study was undertaken

to examine how cooperative finance affects the performance of cooperative societies in Bujumbura municipality. Additionally, there are a few surveys that have been done on the influence of cooperative finance on performance of agri-cooperatives in Burundi hence the need for the study.

1.3: Objectives Of The Study

1.3.1: Purpose Of The Study

The main objective was to analyze the influence of cooperative finance on performance of Agricooperatives in Bujumbura municipality, Burundi.

1.3.2: Specific objectives

- i. To establish the influence of membership equity on performance of Agri-cooperatives in Bujumbura Municipality Burundi
- ii. To assess the influence of retained surplus equity on performance of Agri-cooperatives in Bujumbura Municipality Burundi
- iii. To examine the influence of debt financing equity on performance of Agri-cooperatives in Bujumbura Municipality Burundi
- iv. To find out the influence lease financing on performance of Agri-cooperatives in Bujumbura Municipality Burundi.

1.4: Research Questions

- i. Does membership equity have influence on performance of Agri-cooperatives in Bujumbura Municipality Burundi?
- ii. To what extent does retained surplus equity have on performance of Agri-cooperatives in Bujumbura Municipality Burundi?

- iii. Does debt financing equity influence performance of Agri-cooperatives in Bujumbura Municipality Burundi? iv. Does lease financing equity has influence performance of Agri-cooperatives in Bujumbura Municipality Burundi?

1.5: Significance of the Study

1.5.1 Management of Agri-cooperatives.

The study results may be useful for managers who are involved in daily operations and management of manage Agri-cooperatives both within and without Bujumbura on how cooperative finances affect performance and productivity these entities.

1.5.2 Ministry Of Industry And Cooperative Development

The government of Burundi through the ministry that is concerned with administration of cooperative societies can apply the study outcomes in establishing policies that will enable the Agri-cooperative societies competitive both at the local level as well as the international arena.

1.5.3 Researchers.

Researchers and scholars from different fields may find this study useful because the study will endeavor to promote and advance to the body of knowledge in the finance sector.

1.6: Scope of the study.

The study was conducted in Bujumbura in Burundi. Bujumbura is the biggest city in Burundi and also economic capital of Burundi. The main objective was to analyze the influence of cooperative finance on performance of Agri-cooperatives in Bujumbura municipality. The study specifically established the influence of membership equity on performance of Agri-cooperatives, to assess the influence of retained surplus equity on performance of Agri-cooperatives and to examine the influence of debt financing equity on performance of Agri-cooperatives in Bujumbura Municipality Burundi. The study was conducted within 2 months that is 8 weeks from April 2024 to May 2024. The study period was between 2018-2022. The researcher employed two research assistants who helped in making sure that the programme for the study was adhered to the letter to avoid any delays. Any deviation from the programme was immediately addressed

1.7. Limitations of the study.

Some participants were not comfortable in responding to questionnaire or providing data freely due to the fear of the data that they are going to provide would be used for other purposes. However, the investigator reassured them that the data would be solely applied for learning purposes. Respondents were afraid that their identities may be disclosed and thereby jeopardizing their position or employee status. Some respondents would cite lack of time to fill the questionnaires and therefore this would affect the timetable that has been planned for this research. Also due to lack of sufficient time, some respondents forwarded questionnaires that were not properly filled but they were guided to fill all the questionnaires.

1.8: Delimitations of the study.

Participants were reassured that their identity would not be disclosed to a third party. This made them feel comfortable and therefore ready to provide information as required for this study. The researcher made prior arrangements with respondents so as to reduce the amount of time that is required to undertake the study. This enabled the researcher to extract as much information as possible hence provide sufficient information.

1.9: Assumption of the Study

The study assumed that the respondents selected to participate in this study would respond to the questions with due diligence, honesty and sincerity and that their responses would be used to infer conclusion of this study.



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1.10: Operational definition of key terms

Agricultural cooperative societies: these are institutions created by the farmers via bringing together their revenues to assist them in achieving profits and gains that otherwise could not have been achieved by a single person

Cost of finance: Finance cost refers to the totality or aggregate charges that are connected and linked with securing and soliciting funds that are needed or required to take up operations of an organizations.

Cost Reduction: Fiscal procedures that are developed and adopted by an organization to make sure operations are carried out at lower costs in order to maximize return on investments.

Membership equity: Refer to initial and additional money that is put in by the members to run the business.

Retained surplus equity: this is cumulative net earnings or profits of an organization after accounting for dividends payments to its shareholders.

Debt financing equity: It involves borrowing money from lenders usually paid back with interest to facilitate operations of the business.

Return on Asset (ROA): This is a ratio that is applied to ascertain the profitability of an organization relative to its assets. It indicates how well the organization is using what it owns for example machinery, vehicles, and properties among others. Rising ROA shows improving efficiency while decreasing efficiency indicates falling efficiency.

Return on Equity (ROE): It is an assessment of organizational financial performance, which is ascertained by sharing of net revenue by equity of shareholder. It is therefore a gauge of how an organization's profitability and how efficiently that profit is generated.



CHAPTER TWO

LITERATURE REVIEW

2.0: Introduction

Chapter two will deeply analyze theoretical framework and how theories used in this study will underpin the study. The chapter will also discuss the empirical studies that are related to the current study and analyzing the gaps that the study will fill; that is related to influence of cooperative finance on performance of Agri-cooperatives in Bujumbura municipality, Burundi. Theories that are related to the study have been discussed and important abstractions derived from the theories. Conceptual framework and ideas related to the financial performance determinants of Agricooperative societies. Lastly, critique of existing literature on cooperative finance performance, gaps of the study, and summarize the literature.

2.1: Theoretical Review

Pecking order theory, Merton Risk Model and Trade off theory are the main theories that were discussed.

2.2.1: Pecking Order Theory

The business environment today is fluid and very competitive hence the managers of business entities have become increasingly cautious on sources of financing for their operations and expansion as well as how to manage their capital structure. According to (Jahanzeb et al., 2013) capital structure of a business entity is very vital and requires an aspect of decision-making tactic,

which is an art in order to effectively deal with difficult and complex challenges. Additionally, decision-making is a procedure that is cognitive in nature in order to choose an alternative from numerous options that are available. These scenarios encourage business administrators to focus and work on how to leverage and maximize on the total value of the business entity. Pecking order theory has been put forward as one of the main theories discusses ways in which capital structure can be effectively managed by the business.

Donaldson initially brought about Pecking Order Theory (POT) in late 1961. However, it was later modified and improved in 1984 Myers and Majluf. Pecking Order Theory concurs that management in any given organization should follow a particular hierarchy in choosing the suitable sources of finances for the organization the organization they are working on. Managers according to this theory are supposed to choose funding internally through retained earnings over funding externally. Pecking order theory brings forth ideas on how financial decisions in a firm are made. Therefore, when internal sources are not sufficient, then the firm will look for the debt to finance their operations. Ultimately, it is only on extremely situations when the firm will result to new equity finance. The assumption of the pecking order theory is that a highly gaining business is highly probable to fund their operations through money collected within that might eventually reduce the debt ratio level. (Nakamura & Nakamura, 2015) observed that organization consider using financial resources that are internally generated or sourced since they are devoid of transaction costs. Additionally, issuing new bonds usually depict an optimistic option about an organization while issuing stocks on the other hand depicts a gloomy and negative picture of the organization. According to Akerlof (1970), external sources of financing are considered expensive

to procure because external investors think about moral endangerment as well as the probability of failing of the normal business entity. In their survey on the influence of funding options on the fiscal productivity of non-financial firms, Omollo, Muturi & Wanjare (2018) underscored the importance and the applicability of pecking order theory whereby they concurred in their conclusion that plowback ratio produces a positive influence on return on assets (ROA) while general stock ratio has a insignificant influence on return on asset. This therefore indicates that business administrators should consider using retained earnings first ahead of other sources of financing that might be available to the business.

According to (Proença et al., 2014) small enterprises under which agri-cooperatives fall usually prefer to a very large extent internal financing compared to sources of financing externally. They therefore like to fund their operations using finances from internal sources compared to external sources. However, if funds from internal sources are not enough or sufficient, then companies like short-term debts compared to long-term credits according to Proenca et al (2014).

According to Shyam-Sunder, L., & Myers, S. C. (1999) intimated that pecking order theory can correctly approximate the influence profits in the fiscal performance of a business entity and therefore had a robust support for pecking order theory while the weakness on pecking order theory were documented by Frank and Goyal (2003). There are some elements that have been identified in pecking order theory for example organizations opt to use funds that have been generated internally and use them as retained earnings rather than debt or looking for externally sourced financing. To a certain degree, debt is considered expensive than equity by business entities and therefore not good for business activities. However, some scholars have held a different view whereby they have argued that big corporations often prefer debts to finance big projects and

activities as opposed to smaller firms prefer funds that are generated internally since they consider debt as expensive (Goyal & Frank, 2003).

It is important to note that there are some criticisms that have been highlighted forward by various scholars including Adedeji (1998) who concurred that the idea that a business entity will only go for external funding due to insufficiency of internal funding is questionable. It overlooks other theories as well as other considerations such as institutional factors that may influence business entity's choice of financing for example interest rates levels, relationship between the lender and the borrower and government policies. Sometimes the decision by a business entity to reinvest its profit especially in large projects depends on the capability of program to produce and generate finance from external sources (Cull and Xu, 2005). In conclusion Cull and Xu (2005) notes that investment is a bumpy and uneven journey where both external and internal source of funding are required to finance available, feasible and profitable exploits. Furthermore, it was proclaimed that in some instances government policies or interventions by means of monetary policy may reduce the cost of borrowing especially during recession hence reducing the cost of borrowing. This will encourage business entities to use debt before internal sources of funding.

(Myers & Majluf, 1984) expounds and supports this theory in his study whereby he concurs that organization will address their investment and financing requirement in relational manner whereby they prefer inside funding first, then outside credit and finally outside equity.

Proenca et al (2014) intimated that there are administrators that are in many cases avoid risks and tend to be careful hence opt external source of financing. These are the managers that are reluctant to take risks Zoppa and McMahon (2002), concurred that 75% of SMEs makes financial decisions with conformity to pecking order theory. There are a quite numerous supply- side and supply side

causes which dictate the reason business enterprise usually adopt or choose, sources of internal financing over sources of funding from outside and credit over equity. In his study, Stilitz and Weiss (1981) asserts that side of supply challenge exists if organization do not get the credit funding they need at rates of market interests, leading to underfunded. They expounded demand side explanation whereby business owners are reluctant to accept external financing since by doing so they will eventually lose control of their business. Cassar and Holmes (2003), the Pecking order theory are suitable and applicable to SMEs since most of them are owned and controlled by the owners and they would therefore be reluctant to dilute or relinquish their ownership. Similarly, people who have common interest for example own cooperative society's farmers and they would not be willing to take action that would dilute their control. The model is of great significance of this research since it provided in depth insight on the best sources of finances for an organization and the optimum procedures that can be put in place by any organization in accessing finances.

2.2.2: Merton Risk Model

Merton proposed this theory in (1974) and who held the assertion that business enterprises should clearly understand their capacity and potential to cover their fiscal responsibilities or commitments for instance settling of the prevailing debts. This model has been found useful especially to societies of cooperative that take loans to fund their core operations successfully and efficiently and loan guaranteeing to the members from institutions of finance (Boulleys et al., 2023).

Cooperative societies are therefore able to understand risks that their organizations are exposed to and consequently design and adopt correct and pertinent course of actions to avoid credit default scenarios that will have negative impact on their growth. Solvency is a critical feature of every enterprise including cooperative societies and the onus is on the management of these cooperative

societies to ensure that appropriate solvency levels are observed at all times by making sure that debts accrued as well as their maturity dates are distinctly analyzed (Bhamra et al., 2010).

According to (Aouini, & Abdennadher, 2022) when solvency is not properly observed, then default may set in. Additionally, all firms default situation has a drastic and adverse effect on the ability of a given firm in accessing credit facilities which ultimately affect its profitability and survival. Default is in many cases sparked by the inability of an organization to satisfy or adequately honour its debt servicing commitments or responsibilities.

It is therefore imperative for firms to institute necessary measures to avoid defaulting on their debt servicing responsibilities since default is regarded as a serious and negative event thereafter the firm discontinues to carry out its operations or activities as a feasible venture or enterprise hence huge fiscal losses to the investors. Merton model observes that when a firm default on its debt servicing commitments, its assets are less in comparison to its liabilities. Merton model takes an extremely easy and straightforward debt framework which surmises that aggregate value of assets of an organization follows a geometric Brownian motion. Business entities according to Merton, (1976) should work towards ensuring that risks are spread evenly in order to reduce or mitigate credit risks concerning assets as well as liabilities. In addition, Merton theory observed that a business entity can apply debt to asset ratio so as to determine the level of risk that the business is exposed to and avoid any credit default in future.

2.2.3: Trade-off theory

This model was in its infancy stage introduced by economists Franco Modigliani and Merton Miller in 1958. In 1973, Kraus and Litzenberger improved the theory whereby they proposed that the financing decisions of a business demands a bargain between the gains of tax and the

bankruptcy debt costs. In spite of the numerous and fundamental challenges that trade-off theory has faced over time, it is still regarded as one of the supreme and proponent theory of corporate capital framework (Ai, Frank, & Sanati, 2021).

Trade-off theory states that financing a business using debt has both benefits and costs and it is therefore imperative for the owners or managers of the business to analyze both the benefits and costs in order to make informed decisions. Benefits that accrue from financing with debts include tax breaks while costs involved in debt financing include bankruptcy costs. That is why business enterprises are financed by both debt and equity in order to optimize gains of this combination. Therefore, trade-off theory intimates that administrators of firms should evaluate and analyze both pros and cons accruing from credias a funding source in order to get an optimal capital structure by the use of interest charges (Mac & Brian, 2010). The benefits of financing a business enterprise will decrease if the level of debts in a business continue to rise. Therefore, the organization should look at the optimal mixture so as to leverage on both the benefits of financing through equity and debt (Al-Sakran, 2001).

Some shortcomings of the trade-off theory have been identified including overlooking and disregarding tax advantages and deductions that are not connected to debt which include investment tax benefits and also permissible expenses for example wear and tear allowances for heavy equipment, light vehicles among others (Serrasqueiro and Caetano, 2015). Trade-off theory appear to suggest or infer that if a firm would like to boost and augment its value then it should apply the gains interest tax advantages even in cases where the firm is not facing any imminent fiscal distress. Contemporary studies indicate that majority of profitable business entities are unwilling to make use of debt for their operations (Palacin-Sanchez, Ramirez-Herrera, & Pietro,

2013; Palacios, Carrillo & Guzman, 2016). This is due to the fact that business entities are in favour of applying retained earnings, membership equity as well as savings before deciding to borrow in order to prevent weakening their authority of their organizations (Javier et al., 2017). According to (Mac an Bhaird & Brian, 2011) trade-off theory profess that business administrators should deliberate the pros and cons that will emanate from using debt financing in order to actualize an optimal capital framework through interest charges. Modigliani and Miller (1963) asserts that this assists in reducing the tax obligation and this will result in lessening of funding rate in comparison to equity source of financing. As a consequence, in increment in the amount of debt that a firm has will bring about a decrease in the firm's capital cost of a given company up to such a time the firm is able to reach a leverage ratio that enhances or boosts its value. This scenario is linked to the certainty that complications and challenges of fiscal stress of a business entity escalate commensurately with the aggregate amount of debt, leading to an ideal and most advantageous capital composition that produces the highest feasible tax benefits that a business entity can attain (Abeywardhana, 2017).

Trade-off theory was reviewed in this research so as to bolster the explanatory variable of funding of credit Trade-off model establish a foundation necessary for comprehending the effect of debt on the fiscal productivity of agricultural cooperative societies. According to Modigliani and Miller (1963) existence of expenses that are connected to bankruptcy and interest on debt represent a benefit to the business entity since bankruptcy and debt related expenses represent a deductibility benefit that will eventually decrease the tax commitments of an organization. Consequently, tradeoff theory supports this study by rationalizing the existence of debt financing in capital framework of agricultural cooperative societies.

2.3 Empirical Literature

2.3.1 Debt financing and financial performance

According (Sana, Heman and Sara 2015) which examined impact of debt financing on financial performance of firms which was assessed as ROE, and panel data of 95 textile enterprises in Pakistan were used. They covered the financial year from 2002-2008. Empirical findings revealed a non-linear relationship between ROE and ratio of asset to debt. As the ratio rises, at the beginning ROE rises up to maximum credit level is arrived at, and after, it begins to decrease. The maximum ratio of debt to asset for Pakistan textile companies is approximated to be at 56%. The study also found that the company's growth in sales had significant and positive effect on ROE while the size of the firm did not have any significant effect on it.

Debt financing is the acquisition of funds through borrowing. Most Sacco's results into borrowing to finance their increased customer's demands thus increasing the leverage if not controlled. This study determined the effects of debt finance on financial performance measured ROE. The study investigated the effect of interest rate, loan tenure, debt/equity ratio, and interest coverage ratio on financial performance of savings and credit cooperative societies in Mara Sub-County, Tharaka Nithi County, Kenya. Causal research design and a target population of 10 Sacco's and census survey were used. Secondary data from the Sacco's financial statements for the last eight years used. Descriptive and inferential statistics were used with help of Statistical Package for Social Sciences (SPSS) and results presented in tables. A strong positive relationship of 0.984 between debt and ROE was revealed. A negative relationship existed between interest rate, loan tenure and ROE while a positive relationship was revealed between debt equity ratio and interest coverage ratio on ROE respectively. Interest rate, loan tenure and debt equity ratio had significant effect on

ROE at t-statistics of 3.474, -2.938, 9.217 and 8.728 respectively with their P-values 0.018, 0.032, 0.000 and 0.000 less than 0.05 respectively.

(Njagi et al., 2017) Did a study to determine if finance debt affected financial performance assessed in Return on Equity. The research analyzed the features like rate of interest, tenure of loan debt or equity ratio and interest coverage ratio on SACCOs financial performance in Tharaka Nithi County in Kenya. The design of the survey was causal research design and 10 SACCOs were a study population target. A census technique was employed for the study. SACCOs statements were utilized to obtain the past information. The survey used both inferential and descriptive statistics to scrutinize data and findings were displayed in tables. The study revealed a powerful significant link of 0.984 debt and ROE. However, an insignificant connection was found between rate of interest, credit tenure, and Return on Equity whereas there was a positive association between ratio of debt equity and ratio of interest coverage and ROE respectively since the P-values were <0.05 .

In Kenya, Karuma (2018) in his study that was conducted on manufacturing firms between 2013-2017 concluded that short-term debt indicated that there is a major and productive consequence to rate on asset while credit that is long term showed a buoyant and absolute connection to rate on asset. The study therefore advocated for the organizations that were researched to develop and implement measures that will endure short-term debt and measures that will enhance effectiveness and efficiency of long-term debt. The survey illustrates a gap that is contextual as it studied manufacturing firms in Kenya and this cannot be applied in Burundi.

In her study to review the impact of debts on the fiscal performance Naomi (2023) studied production firms that were in operational in Kenya. The research depended on secondary data to derive conclusions. The study adopted the view that manufacturing entities in Kenya have been to

a large extent relying on credit fund to their activities expansion and development. It acknowledged that there are different forms of debt financing that are available to manufacturing firms in Kenya such as debentures, loans as well as trade credits. The management and the administrators should look at all these options to determine which one is suitable for their firms. Therefore, the study concurred there is no one-size-fits-all answer to the kind of debt that a manufacturing firm should adopt. However, the study found out that there are several factors that determine fundamentally how debt financing will influence fiscal performance of manufacturing firms for example economic situation in a given country, degree of debt of a business entity as well as the capability of a firm to manage its debts. In conclusion the study notes that although credit funding has its advantages on the growth of a firm proper mix and optimum levels of debt should be observed and maintained by the firm. Important to note is the huge credit levels can have negative effects on the growth of a firm leading to agency challenges between the firm and debt holders. This because administrators of a given firm may give first priority to debt holders by paying their interest first and overlook the interest of the shareholders which could in many cases lead to low investments hence stunted growth of the firm as well as dismal fiscal performance.

Manyanga, Kanyepe, Chikazhe, & Manyanga, (2023) observed that small and medium enterprises (SMEs) continue to take a significant and critical function in both growth and development of both in emerging economies as well as developed economies around the world. Funding is important for these SMEs to carry out their mandate and contribute to the economic development in a meaningful manner. The research strived to determine the effect of source of funding debt on the fiscal performance of the SMEs in Zimbabwe. The research concentrated on three credit funding including long term loan, short term credit, and business loan. The research employed crosssectional survey design. 750 SMEs were applied in the research from which 210 small and

medium enterprises were sampled. The study used both secondary and primary data. Quantitative information was gathered through structured questionnaires that were distributed to the respondents of the survey. The findings indicated that credit financing has positive impact on the fiscal performance of SMEs in Zimbabwe. The study therefore underscores a potent association between debt financing and fiscal SMEs productivity. SMEs according to the study should consider financing their operations through short-term debt since they are considered cheaper compared to long-term credit facility. In conclusion, the management of the SMEs should however be cautious in the level of debts that can be properly maintained by their business so as to avoid having a lot of debts that can ultimately hurt their business.

In Kenya Adobo & Ogilo (2022) conducted a study to analyse the influence of funding debt on the listed firms on NSE on fiscal performance. The study used secondary data from the firms that were chosen for the study. 10 sampled production companies that were in operation were chosen. Descriptive research design was adopted by the research. Secondary data for a duration of 5 years that is between 2017 to 2021 were gathered and analyzed through regression and correlation analysis to determine the link between various variables of the survey. The study illustrated that there was a weak, negative as well as positive relationship between variables of the study according to the correlation review. Additionally, the outcomes inferred that any rise in credit will lead to reduce in fiscal performance of the production companies that are listed in NSE. This goes against the tradeoff theory that intimates that increase in debt financing will eventually lead to enhancement of fiscal performance of business enterprises. Moreover, it is in agreement with pecking order theory that prioritizes retained earnings over credit financing. The administrators of the manufacturing firms should design and implement policies and strategies of managing capital that are able sufficiently sustain accounts payable so as to boost return on assets.

2.3.2: Retained surplus and financial performance

Retained surplus is also referred to as retained earnings is a part or section of organization's profit that is usually segregated and kept by top leadership of an organization so that it can be ploughed back into the operations of the business. In this case, therefore it can be applied in settling debts that they may have been incurred by the business rather than being shared by shareholders of the company in terms of dividends and this leads to enhancement of the organization's performance. Retained earnings according to Mohamed (2010) are a crucial internal source of financing that is obtainable by the business entity at the lowest possible expenses.

Lokwang, Gichure , & Oteki, (2018) carried out a study to determine the impact brought about by retained earnings on organizational performance specifically on the retail sphere. Explanatory research approach was used to display the chain of events association. The target audience of 210 employees from four supermarkets were selected out of a sample size of 137 employees were sampled. Fundamental association was found to be present between retained earnings and the organizational performance. Additionally, the study found out that retained earnings assist in improving organizational performance through reinvestment. In conclusion the study suggested that it is imperative for business enterprise to consider prioritizing using retained earnings initially when boosting their stock.

Enterprises must put in consideration using retained earnings in funding their operations because it costs nothing as it does not incur any flotation costs. Retained earnings was found to have a positive association with the performance of an organization. Business enterprises that are undergoing sustained growth should apply retained earnings in order to attain wealth maximization of the shareholders so as to steer clear of weakening of earnings (Oganda, Museve, & Mogwambo,

2022). Chasan (2014) in his study concurred that disagreements concerning the percentage of earnings to be retained by the business sometimes arises between the shareholders and top managers. This is because shareholders would prefer more dividends and therefore less retained earnings while top managers would prefer less dividends and more retained earnings. This would therefore give the business adequate earnings for reinvestment.

2.3.3: Membership equity and financial performance

Income is a crucial and vital factor for operations of agri-cooperative societies. Availability or lack of it, affects the productivity of these entities either significantly or insignificantly. Membership equity is very important because it enables accumulation of resources that are required for the activities and operations of agri-cooperative societies. According to Kimberly and there exists two main types of financing and they include equity financing which is mainly from member's contributions and debt financing which is usually secured from loan facilities from banks and other financial institutions. Proper and adequate analysis must be done to determine which of the two types is effective to the organization since both of them have merits and demerits. Membership equity is the major source of financier for agri-cooperative societies.

(Ma et al., 2021) carried a study to determine the impact that is brought about by the membership on the of financial performance. The research delved on cooperative societies banana growing cooperatives in china. Data was collected from 626 farmers from various cooperatives in China. Questionnaires were employed in gathering information from the participants. The findings concurred that a significance connection between membership equity and of these cooperative societies financial performance. Additionally, cooperative societies should strive to improve their

membership equity since it will improve financial performance thereby ensuring sustainability and survival.

According to Verhofstadt & Maertens, (2014) membership equity significantly influence the performance of cooperative societies. This is according to the study that was done on 16 cooperative societies in Muhanga in Southern province in Rwanda. Primary information was gathered employing a structured questionnaire that were shared to the participants. The study found out there is a correlation between membership equity and the performance of cooperative societies in Rwanda. It is imperative for managers to ensure that there are adequate and reliable sources of income to ensure that there is improved support for the operations of agri-cooperative societies. Inadequate and unreliable membership equity will ultimately lead to poor services to the members and this will affect their performance negatively. Although Kenya is one of the leading countries that has huge cooperative movement, several challenges still hinder their performance, profitability, growth and sustainability.

Kipai, Gudda, & George (2022) carried out a study that was aimed at determining aspects that affect selected SACCOs financial performance in Narok County, Kenya. The study examined how membership size influenced how SACCOs in the county performed financially. Cross sectional survey was adopted as a study approach. A target population of 213 SACCOs that were registered in Narok county. A sample size of 17 SACCOs was selected and their financial statement studied. Purposive sampling procedure was applied whereby 17 SACCOs that were in operation in Narok were studied. The research applied secondary information that were obtained from verified and published documents of the SACCOs that had been selected. Data was examined by use of linear regression to investigate if financial performance regressed against explanatory variable which was membership size. The findings indicated that there is significant influence on the SACCOs

financial performance in Narok. In conclusion notes that although membership size did not significantly impact on the financial performance of SACCOs, the study recommends the SACCOs to enhance their membership size so as increase their savings which will eventually enhance the competitive advantage in a field that is facing stiff competition from various players including commercial banks, micro-finance and cooperative societies.

2.3.4: Lease Financing and financial performance

The conceptual framework as indicated in figure 2.1 presents explanatory variables that included debt financing, retained surplus, membership equity and lease financing while response variable was financial performance. The economic benefits that organization is going to enjoy can be attained through the organization's decision to lease in comparison to borrowing as well as acquiring the asset. One of the options that an organization can apply is leasing financing where an organization can obtain vital business tools instead of direct purchasing which would have the probability of jeopardizing the financial flow and accumulation of inventories of an organization. Leasing as an option of financing is becoming attractive funding apparatus for lease givers because it permits them to steer clear of normal credit risks as well as price risks that are usually involved in capital goods on to the lease holder (Kibuu, 2015). According to Muumbi, (2014) there is a constructive link between financing lease and return on investment. There is enhanced efficiency in the ability of a firm in its profitability that is influenced by lease financing. The study found out by applying lease financing, business enterprise can divert the financial resources from buying equipment to improving their working capital and other investments and this will eventually enhance their survival, sustainability and profitability. The fundamental problem that is facing

organizations today is how to find ways and means of how to finance their operations through means that are cheaper.

Owiro (2017) strived to determine how lease financing influences the fiscal performance of county government of Homa-bay in the republic of Kenya. The study observed that leasing has been accepted and applied significantly by both private as well as public organizations especially in the developed world. However, uptake of leasing in Africa in the lease market is still low accounting only for 0.08% through a notable and fundamental growth has been observed for the last five years. The study targeted population was 230 workers derived from various departments of the county including communication and movement of people and goods, public health, trade, water and sanitation as well as finance. A sum of 146 staff participated in the survey. The researcher used both primary and secondary data whereby primary data was collected via questionnaires that were distributed and collected after 3 days from the respondents. From the findings it was observed that organizations are going to benefit from having sufficient financial resources to finance their operations and expansion or growth activities. Additionally, the study revealed that cost of borrowing positively impacts on fiscal performance of public institutions. Moreover, lease financing was found to have a significant effect on the fiscal performance of the public institutions. In conclusion the research recommended that public institutions should use lease financing much more to finance their operations due to their minimal expense as it will create more value to the investors or the shareholders of these institutions.

Salam (2013) conducted a survey to find out the degree to which financing lease impacts the output of SMEs in Bangladesh. Lease financing according to the study was acknowledged as one of the

foundation and pillar of present day sources of financial resources and a domain of important corporate firm's decision around the world. Content analysis was applied in the study.

Primary information was gathered through questionnaires from SMEs owners that were operating in both Munshiganj and Kushtia in Bangladesh. A target population of 152 small and medium enterprises was selected for the study out of which a sample size of 53 small and medium enterprises was chosen which included 24 medium enterprises and 29 small enterprises. Secondary information was derived from studying 2012 annual reports of finance. From the findings the study concurred that there is a positive relationship between lease financing and the productivity of SMEs in Bangladesh. Regression review illustrated a sound association between Return on Assets and productivity of SMEs in Bangladesh. In conclusion the study recommends that SMEs should continuously use leasing financing to direct their operations due to the fact that it enhances output and productivity.

Umar & Aliyu (2016) concurred that business environment in Nigeria has become competitive and business are constantly looking at how they can finance their assets in comparatively affordable or discounted prices. The survey was carried out to analyze the impact of leasing source of financing on the liquidity of oil and gas corporations in Nigeria. Data was obtained from the gas and oil corporations annual financial reports that had adopted lease financing and listed Nigerian Stock Exchange (NSE) at the end of December 2004 and retained their listing until the end of December 2014. 10 companies were targeted population and was identified for the survey out of which 6 companies were sampled. The study results found that there is no fundamental effect on the liquidity of oil and oil corporations that can be attributed to lease financing. In recommendations, the corporations under study should enhance their liquidity so that they can afford to satisfy their current and present capital commitments.

Bappah , Ali, Wabida, & Hassan, (2024) examined if lease financing has any influence on the fiscal performance on the oil corporations in Nigeria. The study reviewed financial reports of 5 companies starting from January 2011 to December 2020. The target population of the study was 10 oil and gas corporations that were listed in Nigerian Stock exchange. A sample size of 5 corporations was determined. The results showed that lease financing had a negative effect on the fiscal performance which was determined by return on asset. Additionally, equity was found to have a constructive as well as positive impact on the fiscal performance of oil and gas corporations. The study in conclusion recommended that corporations should adopt equity as a preferred mode of financing since the findings indicate that it has a positive correlation with return on assets hence increase in amount of equity for the corporations could lead to a higher fiscal performance.

2.3.5: Financial performance

Financial performance is the capability of an organization or establishment to realize or achieve comprehensible and clear objectives within particular duration of time (Almanaseer, 2024). Consequently, analyzing the end result of pre-established objectives demonstrates whether an entity has improved its performance or not. Financial performance of an entity is reliant on the effectiveness of the management of the firm in managing as well as administering assets while making sure that acceptable degree of liquidity is maintained. Financial performance is important and vital in establishing the success of an organization. Financial performance is normally determined by analyzing firm's fiscal documents that furnish details and particulars of its assets, financial obligations, profits and expenses.

There are several metrics that can be used to determine financial performance of an entity including ROA as well as ROE that determine the firm's profitability and cost effectiveness in employing its

assets to generate profit. According to Paitandi (2014) there are six main groups of ratios that are used in determining financial performance of an entity including profitability, liquidity, solvency, coverage, productivity and lastly operational efficiency ratios and therefore managers should ensure they are observed at all times.

Shamsuddin (2015), observed that profitability ratios are most significant as well as dependable key performance indicators to determine the firm's financial performance.

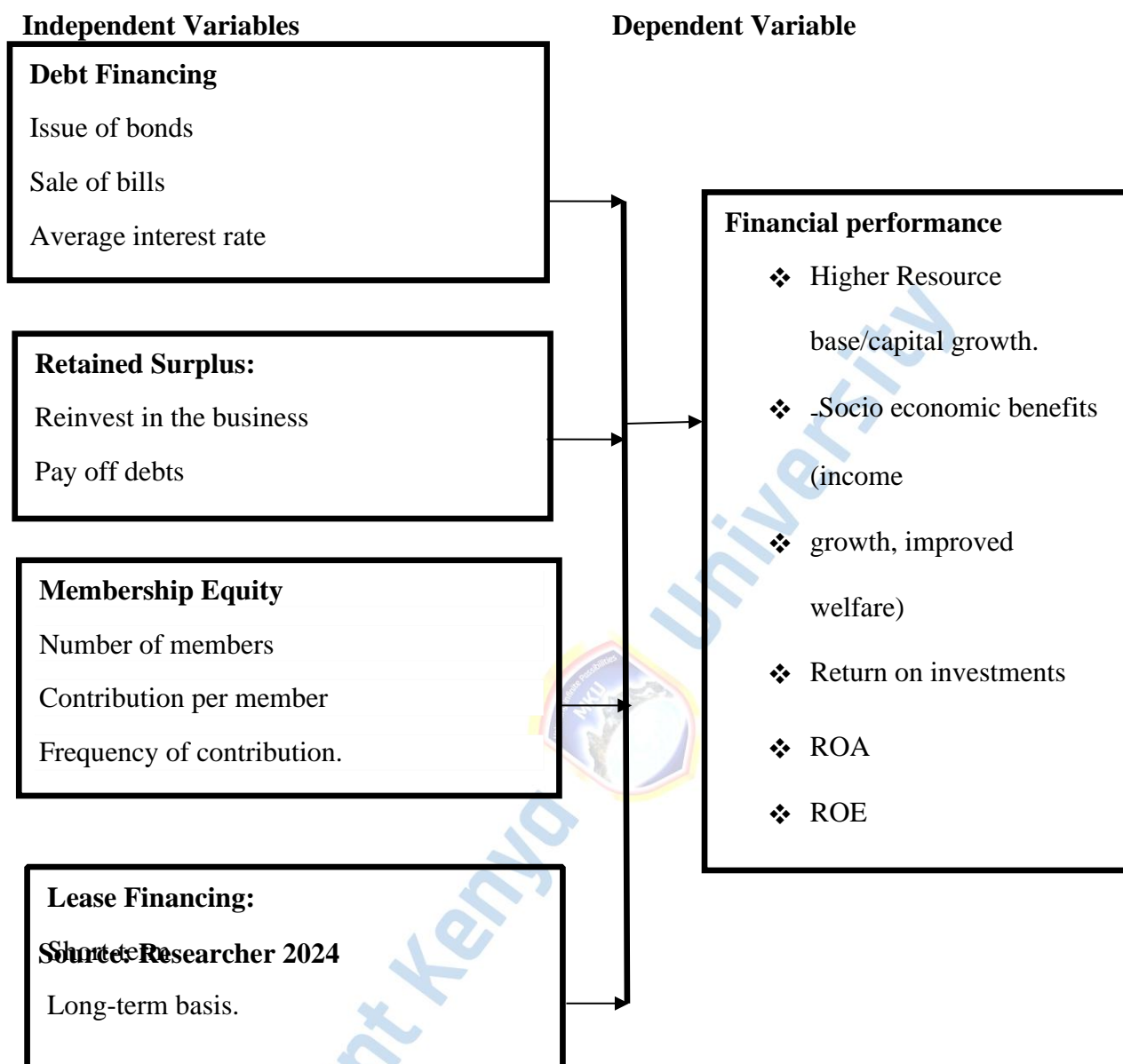
Important to note is that for return on equity to be considered as outstanding and remarkable it must be at least 30% while return on equity must produce at least 15% (Malik, Awais, & Khursheed, 2016). To determine ROA, divide the net earnings by entire assets and show the way productive a company is in connection to its entire assets. In relation to its total asset base, a business entity's return on equity shows that it is realizing profit out of its share holdings instead of just banking or hinging on business entity's asset to growth and development. For that reason, it is a good indicator that the business entity is yielding good results financially when both ROA and ROE are growing and flourishing. ROA and ROE produces perception and awareness about the firm's ability to produce gains out of its activities and assets. Moreover, the ratios enable shareholders in examining the financial performance of a firm as well furnishing insight about the firm's effectiveness in exploiting and capitalizing on financial master plans to boost its profitability (Berger and Bonaccorsi, 2006). Khrawish (2011) concurred that an indicator that is high in a firm shows that there is an element of effectiveness and efficiency in how the firm is managing its assets. However, a decline in ratios indicate that the company is relying highly on credit to fund its functions and effectuate its fiscal commitments.

However, there are some constraints that accrue from evaluation of financial performance through accounting ratios. In some instances, financial reports may not in all instances correctly represent a firm's authentic and verified financial position since accounting procedures may differ and to some extent may be subjected to machinations and cover-ups. In addition, market conditions may fluctuate or evolve for example economic slowdown or policy changes that can impact a firm's productivity hence making it complex, intricate and difficult to establish its fiscal performance exclusively on the basis of historical information.

2.4: Conceptual Framework

Figure 1: Conceptual Framework





Source; Researcher, 2024

2.5: Research gap

From the reviews that have been done by the researcher on the topic, it is clear that different researchers have carried out surveys on the analysis of financing on organizational performance.

Table 1: Research Gaps Breakdown

Author	Topic	Finding	Research Gap
Muumbi, (2014)	<i>The effect of lease financing on the financial performance of all firms listed in Nairobi stock exchange</i>	The study found that there is a significant and positive association between lease financing and the Return on Assets of the companies listed in Nairobi stock Exchange	The study was done in Nairobi and therefore it is important to carry a study in Bujumbura to determine if the findings could be generalized.
Kibuu, 2015	<i>The impact of lease financing on organization furnace performance listed in Nairobi securities exchange.</i>	The research found a significant and sound association between lease financing and the ROA of the firms listed in Nairobi stock Exchange	The study was done in Nairobi and therefore it is important to carry a study in Bujumbura to determine if the findings could be generalized.
Verhofstadt & Maertens, (2014)	<i>Cooperative membership and agricultural performance: Rwanda Evidence</i>	Membership equity was found to be crucial in determining the financial performance of cooperative societies in Rwanda	Study focused on cooperative societies in Rwanda.

Oganda, Museve, & Mogwambo, (2022)	<i>Funding of retained earnings analysis of listed production and related organizations: a dynamic panel approach</i>	The findings concluded that application of retained earnings will enhance the performance of a firm.	
Ma, Zheng, Yueji, & Qi, (2021)	<i>Cooperative membership impact on banana farmers financial performance in china : A heterogeneous analysis</i>	Membership equity has a significant effect on the financial performance of banana farmers in China.	The study was conducted in China and therefore the need to carry out a study in Burundi since the results cannot be generalized.
Lokwang, Gichure , & Oteki, (2018)	<i>Effect of retained profits on performance of supermarkets in Trans Nzoia county, Kenya</i>	retained earnings has a significant impact on organizational performance.	Research focused on retained earnings on the organizational performance of supermarkets in Kenya therefore the necessity to conduct the research and
			determine if the findings could be generalized.

<p>Owiro (2017)</p>	<p><i>Effect of lease financing on the financial performance of Homa-bay county government, Kenya</i></p>	<p>A sound link between leasing financing and the performance of public institutions was established. Institutions were encourage to enhance uptake of lease financing to boost their performance as well returns to the shareholders.</p>	<p>Research focused on establishing influence of retained earnings on the output of public institutions. The current study is being conducted on agricultural cooperative societies in Bujumbura in Burundi.</p>
<p>Salam (2013)</p>	<p><i>Effects of Lease Finance on Performance of SMEs in Bangladesh</i></p>	<p>Lease financing was found to have a positive influence on the performance of SMEs in Bangladesh.</p>	<p>The study was carried out in Bangladesh whereas the current study will be conducted in Bujumbura in Burundi. there is a necessity to conducted the survey to find out if the outcomes might be generalized. The study was executed in small medium enterprises in Bangladesh while the current research was carried out on</p>

			Agricultural cooperative societies in Bujumbura, Burundi. Therefore, the context of the two studies are different.
Umar & Aliyu (2016)	<i>Impact of Lease Financing on Liquidity of Nigerian Oil and Gas Companies</i>	The study found out that there is no relationship that is existing between lease financing and the liquidity of oil and gas corporations.	The study looked into the influence of lease funding on the liquidity. The current study is looking at the influence of lease financing on the financial performance. Furthermore, the study looked studied oil and gas corporations while the current study will look at the agricultural societies in Bujumbura, Burundi

2.6: Literature Recap

Although various research has been done on elements that influence financial performance in East Africa countries few studies have been done on this topic in Burundi. There exists a contextual gap in that studies done represented agri-cooperative societies in other countries and the findings could not automatically fit in Burundi.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0: Introduction

This segment details the process adopted in collection of data. Study design, target population, sample and procedures of sampling were additionally described. Additionally, tools of study, validity, instrument reliability, processes of collection and analysis of data.

3.1: Research design

Research design as stated by Cresswell (2013), is an extensive and exhaustive blue print that is chosen and adopted by the researcher by integrating different constituents of a research in a coherent and well-grounded approach with a view to effectively address areas of concern. The research embraced descriptive research approach since it was able to scrutinize and find out what, where and how of a certain phenomenon. Additionally, it enabled the study to combine or merge as well as synthesize data quantitatively and qualitatively data that was produced by the research.

3.2: Target population

Target population according to Alvi (2016), comprises a subdivision or subgroup of a wider population that is being studied and is distinguished by certain characteristics or criteria that are directly pertinent to the study. It comprises the entire classification that the researcher is going to concentrate on (Fowler, 2013). This view is supported by Mugenda & Mugenda (2012) who defined target population as the whole set of items that the researcher is going to focus on and derive the findings.

The research targeted population comprised of all the management and accountants working in agricultural societies of cooperative in Bujumbura municipality. The targeted study population for the study was 38 accountants and 38 managers from 38 agricultural cooperative societies in Bujumbura municipality. The study therefore used census where all the 76 respondents were given questionnaires. The population targeted was sourced from human resource records of the agricultural societies of the year 2022.

Table 2: Showing the study population and sample size

Item	Population size	Percentage
Managers	38	50
Accountants	38	50
Total	76	100

Source: Researcher 2024

3.3: Sample Size

Census survey was utilized by the researcher whereby absolute enumeration of the whole or entire target population was conducted. A total of 76 respondents that comprised of 38 accountants as well as 38 managers of 38 agricultural cooperative societies that were registered and operated in Bujumbura municipality were enumerated.

3.4: Sampling Procedures and Techniques

Sampling techniques is the procedure that is applied or used by a researcher in determining or identifying a sample size out of the entire population (Brase & Brase, 2016). Since the population was not big, the study adopted census population.

3.5: Data collection Instruments.

Data was collected from both primary and secondary sources. Questionnaires were used as the main tool for gathering primary data since according to Mugenda & Mugenda (2009), questionnaires are quicker method of gathering data in research compared to other instruments of collecting data. Structured questionnaires were used as a principal instrument for gathering primary data. Structured questionnaire was preferred by the researcher since is permitted or sanctioned consistency and conformity of responses by the respondents.

Questionnaires were used in collection of data from the respondents. To enhance effectiveness during the study, questionnaires were personally administered by the researcher with the assistance from research assistants so as to ensure that any issue or matter arising during the exercise is addressed immediately and conclusively.

Secondary data was collected from journals, reports and internet, which were in line with the study objectives and this method will be considered since its cheap and time saving.

3.6: Data collection procedure

Data was collected from both primary and secondary sources. The study strived to make sure that all ethical considerations were followed to the letter. Necessary approvals and permissions were obtained from Mount Kenya University. Researcher contracted two assistants for every commune

in Bujumbura province to enhance effectiveness as well as efficiency in data collection. Prior training and briefing were done to the research assistants including the appropriate mode of dressing and language to avoid conflicts and misunderstandings that may arise during data collection exercise.

A period of two weeks was set aside for data collection so as to give the respondents ample time to read, understand and answer the questions on the research instruments. The time for data collection took into consideration that some respondents may have prior engagements. There was also prior discussion between the research team and respondents in order to agree on the modalities that would be followed during the exercise. The time and the date for a particular respondent was discussed and agreed upon to ensure there is no delays.

The researcher collected the questionnaires that had been completed by the respondents. The research team verified that important details have entered and where anomalies have been detected prompt corrections are done if possible. Researcher personally coded the data and entered in SPSS in order to minimize mistakes during data analysis procedure.

3.7: Validity and Reliability

3.7.1: Validity of the research instrument

Mugenda & Mugenda, (2012), defined validity as a practice of determining research instrument's capability to measure what it predetermined to measure so as to have confidence as well as credence in the findings of the main survey. The validity of the questionnaire was forwarded to the supervisors at Mount Kenya University, experts in the field as well as my colleagues. Their responses were used in improving the questionnaire by removing ambiguous terms, spelling mistakes, grammatical errors as well as repetitive phrases.

Pilot study according to Viechtbauer, et al., (2015) is carried out before the main study in order to determine validity and reliability of the research instrument. The pilot test is crucial in addressing shortcomings that would negatively affect the outcome of the study (Eldridge et al., 2016). Pilot study was carried out prior to the main study. A limited number of the respondents were engaged who were ultimately excluded from the main study. Important to note that the number of respondents to be involved in the pilot study should be enough so as to enhance reliability of the findings. A general rule that is applied in deciding the sample size in pilot study is that the sample size should be between 10% and 20% of the main study. Therefore, going by this common rule of thumb, a sample size of 10 respondents was identified which was divided into two that is 5 accountants and 5 managers.

3.7.2: Reliability

Drost (2011), reliability is the degree to which results of assessments will give constant results when repeated by various individuals in distinct periods of time, under distinct circumstance, apparently with different tools which evaluate a skill or a construct. The research applied Cronbach's alpha coefficient to evaluate study tool consistency. According to George and Mallery (2011), the rule of thumb for Cronbach's Alpha values is that “ $\alpha > .9$ – Excellent, $\alpha > .8$ – Good, $\alpha > .7$ – Acceptable, $\alpha > .6$ – Questionable, $\alpha > .5$ – Poor, and $< .5$ – Unacceptable”. The results support findings of Johnson & Turner (2011) who indicated that a scale of 0.7 and above is a clear indication that the reliability is satisfactory.

3.8: Data processing, Analysis, and presentation

The study generated both qualitative and quantitative data from the respondents. SPSS was applied in analyzing the quantitative data from the respondents where descriptive and inferential statistics were derived

Descriptive and inferential statistics were applied to analyze data that was collected by the researcher. In descriptive statistics the data was evaluated through mean. Inferential data, associations was tested through correlation in addition to regression. The following multiple regression model below was used:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + X_4 + e$$

Y = Performance of Agri-cooperatives

X₁ = Membership equity

X₂ = Retained surplus equity

X₃ = Debt financing equity **X₄**

= Lease Financing equity **e** =

Error term

α = constant **β₁₋₃** = Co-

efficient of Variables

3.9: Ethical Considerations

During the research process, the study respondent's identities in the study were not disclosed so as to maintain the confidentiality and anonymity. The researcher also informed the respondents that no financial compensation or any other form of compensation that would be availed to them by the researcher. Respondents were also at liberty to withdrawal from the exercises at any point of the study without giving any reason for their actions.



CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.0: Introduction

This chapter discuss the data analysis as well as the analysis of the study. The questionnaire that as applied in the study was prudently evaluated in order to make sure that the gathered data was presented in terms of tables, percentages and graphs.

4.1: Response Rate

Fincham (2008) observed that response rate is assessed by dividing the whole number of appropriate respondents in the selected sample by the number of utilizable responses that were returned. It is crucial for investigators to make sure that coordinated as well as logical efforts are put in place to ensure allowed and acceptable return of questionnaire. The study sought to collected data from 76 respondents from cooperatives in Bujumbura. Consequently, the study did not achieve 100% response rate since there are some respondents who did not return or those who returned questionnaire that were not complete. Accordingly, out of the earmarked 76 respondents, 69 respondents provided sufficient data necessary for data analysis. Therefore, the study attained a response rate of 91% as indicated in Figure 4.1. Garg and Kothari (2014) observed that a response rate of more than 70% is acceptable to continue with data analysis.

Table 3: Response Rate

	Frequency	Percentage
Positive Response	69	91%

Non-Positive Response	7	9%
Total	76	100%

Source: Field survey 2024

4.2: Pilot Test Results

Arain, Campbell, Cooper, & Lancaster (2010) defined pilot test as a small suitability or practicality study that is planned to evaluate various facets of the procedures and techniques that are planned for the main and more comprehensive study. Pilot test was conducted to guarantee and corroborate that researchers have sufficient knowledge of the proposed methods. Essentially, pilot test is carried out to deter the occurrence of lethal defect or imperfection in a study that would in many cases would cost money and time (Polit & Beck, 2017). The researcher conducted pilot test on 8 respondents who were ruled out from participating in the main study. The pilot test was vital and important in demonstrating and analyzing reliability as well as validity of research instruments that were used in gathering the data. Furthermore, the pilot test was conducted one month prior to conducting the principal test in order to correct and improve the research instruments so as to boost effectiveness and success. Utmost safeguards and care were cultivated by ensuring that the pilot test was carried out by the researcher in order to guarantee that the issues raised by the respondents were authenticated and put into considerations.

4.2.1: Reliability Results.

Bordens & Abbott (2017) observed that reliability test is the procedure that is concerned with the capacity of a research tool to measure variables in a given study and provide similar results, computations and estimations under repeated circumstances. A general rule of the thumb for

Cronbach's Alpha values according to George and Mallery (2011) is “ $\alpha > 0.9$ – Magnificent, $\alpha > 0.8$ – Good, $\alpha > 0.7$ – Adequate, $\alpha > 0.6$ – Contentious, $\alpha > 0.5$ – Poor, and $\alpha < 0.5$ – Unacceptable”. Table 4.2 indicates the findings that were obtained from the test carried out to ascertain reliability of the data collecting tool from pilot study. The Cronbach Alpha scores obtained from the variables of the study are as follows: Debt Financing 0.721, Retained Surplus 0.897, Membership Equity 0.778, Lease Financing 0.814 and Financial performance 0.838.

Table 4: Summary of Cronbach's alpha Reliability Coefficient

Variables	Number of Items	Cronbach's Alpha	Remarks
Debt Financing	4	0.721	Accepted
Retained Earnings	5	0.897	Accepted
Membership Equity	5	0.778	Accepted
Lease Financing	4	0.814	Accepted
Financial performance	4	0.838	Accepted

Source: Field survey 2024

4.2.2: Summary of Research Instrument Validity

Validity is the measure of the degree in which the research instrument to measure what it was supposed, calculated or planned to measure (Bordens & Abbott, 2017).

Every researcher when formulating a study has an inherent objective of instituting a proper and accurate pretest reliability, inherent uniformity or dependability that will enhance the confidence of researchers that the measurements or scores are a true representation of what they were supposed to represent which in turn indicates validity of the research instrument (Price, et al., 2017). The study undertook face validity of the questionnaire whereby the input of my supervisor was sought after the designing of the questionnaire. Face validity was carried out to determine if the questionnaire is appropriate and has appropriate and pertinent components on the face of it. Consequently, the suggestions and recommendations from the supervisor were incorporated in ameliorating and enhancing the questionnaire.

4.3: Demographic Information

Demographic information of the respondents that participated in the study was examined and analyzed in this section. Several parameters were used in determining the demographic composition of the respondents. These parameters included gender, education levels and age of the respondents. Demographic information assists the researcher in gaining enhanced knowledge and also whether the features or traits of the entire population in order to assist the researcher in generalizing the findings of the whole population.

4.3.1: Gender Representation

Table 5: Gender of the Respondents

Gender	Frequency	Percent
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Male	39	57%
Female	30	43%
Total	69	100%

Source: Field survey 2024

Table 4.3 indicate findings on the gender representation of the respondents. As indicated, 57% of the respondents were male while 43% were female. From the findings both genders were fairly involved in the study.

4.3.2: Age of the respondents

From the respondents that were surveyed and study analyzed the age of the respondents was determined with the youngest respondent being in the category between 21-30 years and the

Table 6: Gender of the Respondents

Frequency	Percentage	
21-30 Years	22	32
31-40 Years	31	45
Above 40 Years	16	23
Total	69	100

Source: Field survey 2024

From the findings the study revealed that majority of the respondents were aged between the ages of 31-40 years which is represented by 45%. This was followed by the age group of 21-30 years which is represented by 32% and finally over 40 years which is represented by 23%. The various age categories are fairly represented in the study.

4.3.3: Academic Qualifications of the Respondents

The highest level of academic qualifications of the respondents was analyzed in this section whereby majority of the respondents represented by 49% had diploma level of qualification.

Moreover, 28% of the respondents had bachelor's degree while 17% of the respondents had secondary education level while 6% of the respondents has post graduate degree as indicated in table 4.5. From the analysis therefore, a majority of the respondents had a sufficient level of education and therefore able to understand and respond appropriately to the research questions.

Table 7: Education Level of the respondents

Highest level of education	Frequency	Percent
Secondary	12	17

Diploma	34	49
Bachelor	19	28
Post Graduate	4	6
Total	69	100

Source: Field survey 2024

4.3.4: Years of experience at workplace.

In the context of the period worked, the study found that most of the respondents that were surveyed had worked in their work stations between 6-10 years represented by 36%. This is followed by respondents who have worked 11 years and over which was represented by 31%. On the other hand, 22% of the respondents had worked in their workplace for a period between 1-5 years while 11% of the respondents had worked for less than one year in their respective work stations. The study can infer that the respondents had adequate knowledge that was vital in comprehending the operations of the cooperative societies especially in the realm of cooperative finance and organizational performance which was the topic of the study.

Table 8:Duration of time worked

Experience at the work place	Frequency	Percent
Less than 1 year	8	11%

1-5 Years	15	22%
6-10 Years	25	36%
11 Years and above	21	31%
Total	69	100%

Source: Field survey 2024

4.4: Descriptive Results

Descriptive results were conducted on all the variables that were used. The experimental variables were debt financing, retained surplus, membership equity and lease financing while response variable of the study was performance of cooperative societies.

4.4.1: Debt Financing and performance of agri-cooperatives

This section inquired about the degree to which lease financing equity influences the performance of agri-cooperative societies in Bujumbura in Burundi. The participants of the study were required to observe honesty and truthfulness when providing responses to the statements on the questionnaires. The average score and the SD of the responses were calculated as indicated in table 9.

Table 9: Debt Financing And Performance Of Agri-Cooperatives

Statements	N	Mean	SD
Debt financing equity is crucial to the performance of Agri-cooperative societies.	69	4.12	0.84
Debt equity ratio influences significantly the performance on agri-cooperative societies.	69	3.97	0.92
Interest Coverage Ratio significantly influences the performance on agri-cooperative societies.	69	3.68	0.77
Interest rates levels determine the costs of finance hence it influences the performance of Agri-cooperative societies.	69	4.02	0.95
Loan Tenure significantly impacts Financial Performance of agri-cooperative societies.	69	3.56	0.89

Source: Field Data 2024

The first statement was to find out whether debt financing equity is crucial to the performance of Agri-cooperative societies whereby majority concurred that debt financing influences the performance of agri-cooperative societies represented by an average score of 4.12 and a SD of 0.84. Additionally, debt equity ratio significantly influences the performance on agri-cooperative societies with an average of 3.97 and SD of 0.92. Interest Coverage Ratio significantly influences the performance on agri-cooperative societies was found to have a moderate impact with an average of 3.68 and SD 0.77. The statement on if level of interest rates affects costs of finance and

therefore affects performance of Agri-cooperative societies was found to have a strong mean score of 4.02 and SD of 0.95. Loan period significantly influence on fiscal Productivity of agricooperative societies with a mean score of 3.56 and SD of 0.89.

The study was consistent to that done by (Sana, Heman and Sara 2015) which examined impact of debt financing on financial performance of firms which was assessed as ROE, and panel data of 95 textile enterprises in Pakistan were used.

It was also consistent to that of (Njagi et al., 2017) Did a study to determine if debt finance affected financial performance measured in ROE. The research analyzed the features like rate of interest, tenure of loan debt or equity ratio and interest coverage ratio on SACCOs financial performance in Tharaka Nithi County in Kenya.

4.4.2: Retained Surplus and performance of Agri-cooperatives

This section inquired about the degree to which retained surplus equity influences the performance of agri-cooperative societies in Bujumbura in Burundi. The participants of the study were required to observe honesty and truthfulness when providing responses to the statements on the questionnaires. The average score and the SD of the responses were calculated as indicated in table 10.

Table 10: Retained Earnings And Performance Of Agri-Cooperatives

Statements	N	Mean	SD

Our cooperative societies keep retained surplus and is reinvested in the business.	69	3.78	1.12
The retained earnings have significantly enhanced the financial performance of our business.	69	3.84	0.76
Our cooperative society uses the retained earnings in operations of the business and this has minimized usage or raising of loans for future operations.	69	3.93	1.09
Our cooperative society prefers application of retained surplus since it is free of conditions and interest.	69	3.63	0.97
Our cooperative society uses retained earnings to pay off its debts.	69	2.82	0.11

Source: Field Data 2024

The first statement was to find out whether cooperative societies keep retained surplus and is reinvested in the business of agri-cooperative societies which was represented by an average score of 3.78 and a SD of 1.12. Most of the respondents that were surveyed intimated that retained earnings have significantly enhanced the financial performance of our business which was represented by a mean of 3.84 and SD of 0.76.

Cooperative society uses the retained earnings in operations of the business and this has minimized usage or raising of loans for future operations which was represented by an average of 3.93 and SD of 1.09. Cooperative society prefers application of retained surplus since it is free of conditions and interest was represented average of 3.63 and SD of 0.97. Cooperative society uses retained

earnings to pay off its debts which was represented by an average of 2.82 and a SD of 0.11. Majority of the respondents concurred that retained earnings significantly influences on the effectiveness of cooperative societies. It is imperative for cooperative societies to enhance their usage of retained earnings. Retained earnings in operations of the cooperative societies has minimized usage or raising of loans for future operations. This is in concurrence with Noor (2020) who intimated that retained earnings enable organization in lowering the cost of borrowing hence boosting their profitability and sustainability.

The findings are in agreement with Weygandt (2007) who observed that business entities that perform optimally exhibit high capital base that is mostly brought about by contributions from retained earnings. Additionally, the study observed that business entities are required to perform better since retained earnings assist business in reducing the scope and range of concerned stakeholders. In addition Bassey , Edom , & Aganyi (2015) observed in their study that future earnings capability of a company hinges on its retained earnings. Companies should therefore ensure a portion of their profits are set aside as retained earnings instead of distributing the whole amount to the shareholders which will enable them in having a competitive edge over their rivals in the market. Policies also should be put in place to ensure that high portion of the profit is set aside as retained earnings.

4.4.3: Membership Equity and performance of agri-cooperatives

This section inquired about the degree to which membership equity influences the performance of agri-cooperative societies in Bujumbura in Burundi. The participants of the study were required to

observe honesty and truthfulness when providing responses to the statements on the questionnaires. The average and the SD of the responses were calculated as indicated in table 10.

Table 11: Membership Equity And Performance Of Agri-Cooperatives

Statements	N	Mean	SD
Size of membership equity influences financial performance of our cooperative society.	69	3.78	0.87
Top management has devised strategies to increase membership equity.	69	3.34	0.73
There is a robust and direct relationship between return on assets and the deposits/savings	69	3.93	0.99

Source: Field Data 2024

The first statement was to find out whether Size of membership equity influences financial performance of our cooperative society had a mean of 3.78 and SD of 0.87. The statement on whether top management has devised strategies to increase membership equity had a mean 3.34 and standard deviation of 0.73. The statement on whether there is a robust and direct relationship between return on assets and the deposits/savings had a mean of 3.93 and SD of 0.99.

The study was consistent to that of Verhofstadt & Maertens, (2014) membership equity significantly influence the performance of cooperative societies. This is according to the study that was done on 16 cooperative societies in Muhanga in Southern province in Rwanda.

The study was similar to that of Ma, Zheng, Yueji, & Qi, (2021) who carried a study to determine the impact that is brought about by the membership on the performance of financial performance.

The study delved on cooperative societies banana growing cooperatives in china.

4.4.4: Lease Financing and performance of Agri-cooperatives

This section inquired about the degree to which lease financing equity influences the performance of agri-cooperative societies in Bujumbura in Burundi. The participants of the study were required to observe honesty and truthfulness when providing responses to the statements on the questionnaires. The average and the SD of the responses were calculated as indicated in table 11.

Table 12: Lease Financing And Performance Of Agri-Cooperatives

Statements	N	Mean	SD
Lease financing equity is crucial to the performance of Agricooperative societies.	69	3.97	0.78
The management of our cooperative society utilizes lease financing as a source of credit.	69	2.91	0.93
Lease financing, enables organizations to maintain adequate liquidity which is important for enhancing organizational performance.	69	3.76	0.85
Leasing financing has aided our organizational in enhancing organization productivity of our society.	69	3.73	1.02
Lease financing measures and requirements have been simplified making it easier for our society to procure a loan facility.	69	2.81	0.96

Source: Field Data 2024

The first statement was to find out whether lease financing equity is crucial to the performance of agri-cooperative societies whereby majority of the respondents agreed that lease financing influences the performance of agri-cooperative societies represented by an average of 3.97 and a SD of 0.78. The statement on whether the management of our cooperative society utilizes lease financing as a source of credit produced a moderate average score of 2.93 and SD of 0.93. This is an indication that leasing facilities have not been fully utilized by the management of the cooperative societies. Lease financing, enables organizations to maintain adequate liquidity which is important for enhancing organizational performance had an average score of 3.76 and a SD of 0.85. Leasing financing has aided our organization in enhancing organization productivity of our society had an average of 3.72 and a SD of 1.02. Lease financing measures and requirements have been simplified making it easier for our society to procure a credit facility had an average score of 2.81 and a SD of 0.96.

The study was similar to that of Owiro (2017) who strived to determine how lease financing influences the fiscal performance of county government of Homa-bay in the republic of Kenya. The study observed that leasing has been accepted and applied significantly by both private as well as public organizations especially in the developed world. And that of Muumbi, (2014) who found out there is a constructive association between lease financing and return on investment. There is enhanced efficiency in the ability of a firm in its profitability that is influenced by lease financing.

4.5 Inferential Results Presentation

4.5.1: Correlation Results for cooperative finance on performance of agri-cooperatives

The investigator carried out correlation analysis with the aim of determining whether there is any association or nexus between to observable variables as well as approximating the strength of the relationship. Therefore, correlation analysis indicates the direction as well as extent of the relationship between variables in a given study. Pearson correlation was used in ascertaining and establishing the robustness and the direction of the relationship. A positive (+) correlation coefficient shows that the two variables that have been used in the study have a positive relationship and also that the response variable increases with an increase with explanatory variables. A negative correlation coefficient (-) indicates that the variables have a negative relationship whereby an increase in response variable will lead to a decrease in explanatory variable. A zero (0) indicates that the two variables in the study do not have a relationship with each other. The bivariate analysis was conducted to determine if there is a relationship between explanatory variables (Debt Financing, Retained Surplus, membership equity and lease financing) and the performance of agri-cooperative societies in Bujumbura in Burundi.

Table 13: Pearson Moment Correlation Matrix

Variables	Test	Agricooperative Societies Performance	Debt Financing	Retained Surplus	Membership equity	Lease financing
	Pearson Correlation	1				

Agricooperative Societies Performance	Sig. (2-tailed)						
	Pearson Correlation	0.762**	1				
Debt Financing	Sig. (2-tailed)	.000	.000				
	Pearson Correlation	.742**	.349**	1			
Retained Surplus	Sig. (2-tailed)	.000	.000	.000			
	Pearson Correlation	.808**	.288**	.433**	1		
Membership equity	Sig. (2-tailed)	.000	.000	.000	.000		
	Pearson Correlation	.669**	.416**	.332**	.221**	1	
lease financing	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000
<hr/>							
N		69	69	69	69	69	
<hr/>							

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Field Data 2024

The findings from the correlation analysis indicate that there is a fairly strong relationship between independent variables and dependent variables as indicated in table 4.11. Debt financing exhibited

a positive and significant association with the Agri-cooperative Societies Performance in Bujumbura ($r=0.762$, $p=0.000$), Retained earnings were also found to have exhibited strong association with the agri-cooperative societies performance in Bujumbura ($r=0.742$, $p=0.000$), moreover, Membership equity indicated the strongest association with the agri-cooperative societies performance in Bujumbura ($r=0.808$, $p=0.000$) while lease financing indicated the weakest relationship with the agri-cooperative societies performance in Bujumbura ($r=0.669$, $p=0.000$). The four independent variables had a positive with the dependent variables although with varying degree of strength.

4.5.2: Regression analysis for cooperative finance on performance of agri-cooperatives

Regression analysis was performed in order to examine and find out the interrelationship that is existing between the variables of the study. Model summary, ANOVA table as well as regression coefficients were provided in table 4.12. The findings indicate that the performance of agrocooperative societies has a linear association as indicated by the R value of 0.778. R square as found to be 0.605 while adjusted R squared was found to be 0.569. The independent variables that is debt financing, retained surplus, membership equity and lease financing and dependent variable had a value correlation coefficient (R) of 0.778.

Furthermore, the findings showed that R square was greater than 0.5 indicating a fundamental association between independent and dependent variables.

R² model found out to be 0.569 or 56.9% indicates that 56.9% of the agri-cooperative societies were influenced by the independent variables. From the findings therefore, a robust relationship amidst explanatory variables and the performance of agri-cooperative societies in Bujumbura.

4.5.3 Regression Analysis for retained earnings and Performance agri- cooperative societies.

Table 14: Model Summary

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.778 ^a	.605	.569	.16231

a. Predictors: (Constant), retained earnings, debt financing, membership equity, lease financing

Source: Field Data

Model summary test results as shown in table 4 indicates that the cooperative finance statistically significantly and to a large extent predicted the performance of agro-cooperative societies in Bujumbura Municipality in Burundi, $F(1, 75) = 64.133, p < .05, R^2 = .605$. The significance value is 0.000 which is less than 0.05 thus the model is statistically significant in predicting how (membership performance, retained surplus, debt financing and lease financing.) will influence performance of agro-cooperative societies.

Table 15: ANOVA of the Regression of Membership equity financing

ANOVA ^a

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	25.529	1	25.529	64.133	.000 ^b
Residual	21.653	75	.288		
Total	47.182	76			

Table 15, shows F-test of the ANOVA findings on financial performance. As shown in Table 15, the Ftest of Analysis of Variance results financial performance with F=64.133 degrees of test of freedom, showing that the test was greatly significance, and hence, it was presumed that, a linear regression existed between independent and dependent variables. Table 15 also illustrates the ANOVA findings breakdown which shows that a positively significant correlation between the predictor variables and response variables. It is clearly a fact that the significanc value .000(PValue is 0.00), which is primarily <.005 and thus, the findings deduced that Analysis of Cooperative Finance On Performance of Agri-Cooperatives in Bujumbura Municipality, Burundi. Since, the p-value was less than 0.05 and less than 0.001, the model could significantly predict the effect of Cooperative Finance On Performance of Agri-Cooperatives in Bujumbura Municipality, Burundi on entire efficiency of cooperatives as indicated by the probability of .000.

4.5.4: Coefficient of Correlation

Table 16: Coefficient of Correlation

Coefficients ^a

Model	Unstandardized		Standardized	t	sig
	Coefficient		Coefficient		
	B	Std. Error	Beta		
Constant	2.362	.284		5.132	.001
Membership Equity X1	.510	.059	.398	2.350	.016
Retained Surplus X2	.740	.79	.477	9.446	.001
Debt Financing X3	.276	.56	.227	4.736	.000
Lease Financing X4	.288	.69	.236	3.666	.000

a. Dependent Variable: performance of agro-cooperative societies in Bujumbura

b. Predictors: (Constant), Membership equity X1, Retained earnings X2, Debt financing X3, Lease financing X4.

The following multiple regression model below was used:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + e$ where Y = Performance of Agri-cooperatives, X_1 = Membership equity; X_2 = Retained surplus equity; X_3 = Debt financing equity; X_4 = Lease Financing, e = Error term; α = constant; β_{1-4} = Co-efficient of Variables Performance of agrocooperative societies in Bujumbura $Y = 2.362 + 0.510 + .740 + .274 + .288$ membership equity financing.

The level of significance for the independent variables were as follows; membership equity (P=.001), retained surplus(P=0.016), debt financing(P=0.000), and lease financing (P=0.000).

Thus, when all predictors of the study were at constant, cooperative financial performance in Burundi was at 2.362, a rise in the membership equity unit leads to an increase of cooperative financial performance at .510 increase. An increase in a unit in retained surplus equity, will result to an 0.740 increase in a cooperative financial performance. Additionally, an increase in a unit of debt financing equity will lead to .276 increase in cooperative performance. Also, an increase in a unit of lease financing equity will result to an increase in cooperative financial performance. Due to p-values being positively significant because all variables were <0.05 , thus, the study concluded that there was a significance relationship between Cooperative Finance On Performance of AgriCooperatives in Bujumbura Municipality, Burundi.



CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.0: Introduction

This last chapter of the study incorporates a recapitulation of the findings as well as deductions that have been made from the study. Additionally, policy recommendations that are geared towards informing and advising diverse stakeholders that are entrusted with decision making responsibilities. Lastly, suggestions and proposals are made for the successive studies that can be carried out by various studies.

5.1: Summary of the findings

Despite the fact that the Burundian have put measures geared towards ensuring that cooperative societies run their operations effectively, mixed results in performance and profitability have been experienced whereby some cooperative societies have performed impressively while others have performed poorly. Consequently, the study was carried out to establish cooperative finance on performance of agri-cooperatives in Bujumbura municipality, Burundi.

5.1.1: Membership equity on performance of Agri-cooperatives

The correlation analysis of the study demonstrated a positive correlation between membership equity and the dependent variable which was performance of agri-cooperative societies in Burundi ($r=0.808$, $p=0.000$). The found out whether Size of membership equity influences financial performance of our cooperative society had a mean of 3.78 and SD of 0.87.

Top management has devised strategies to increase membership equity had a mean 3.34 and standard deviation of 0.73. There is a robust and direct relationship between return on assets and the deposits/savings had a mean of 3.93 and SD of 0.99.

5.1.2: Retained surplus equity on performance of Agri-cooperatives

The correlation analysis of the study demonstrated a positive correlation and strong association between retained surplus equity and the dependent variable which was performance of agrocooperative societies in Burundi ($r=0.742$, $p=0.000$). The study found out that cooperative societies keep retained surplus and is re-invested in the business of agri-cooperative societies which was represented by an average of 3.78 and a SD of 1.12. Most of the people that were surveyed concurred that retained earnings have significantly enhanced the financial performance of our business which was represented by a mean of 3.84 and SD of 0.76. Cooperative society uses the retained earnings in operations of the business and this has minimized usage or raising of loans for future operations which was represented by a mean of 3.93 and SD of 1.09. Cooperative society prefers application of retained surplus since it is free of conditions and interest was represented a mean of 3.63 and SD of 0.97. Cooperative society uses retained earnings to pay off its debts which was represented by a mean of 2.82 and a SD of 0.11. Most of the people that were surveyed concurred that retained earnings is hugely influential on the execution or fulfilment of the mandate cooperative societies. It is imperative for cooperative societies to enhance their usage of retained earnings. Retained earnings in operations of the cooperative societies has minimized usage or raising of loans for future operations. This is in concurrence with Noor (2020) who intimated that retained earnings enable organization in lowering the cost of borrowing hence boosting their profitability and sustainability.

5.1.3: Debt financing equity on performance of Agri-cooperatives

The correlation analysis of the study demonstrated a positive correlation amid debt financing equity and the performance of agri-cooperative societies in Burundi ($r=0.762$, $p=0.000$). The study found out that debt financing equity is crucial to the performance of Agri-cooperative societies whereby most of the people that were surveyed concurred that debt financing influences the performance of agri-cooperative societies represented by an average of 4.12 and a SD of 0.84. Additionally, debt equity ratio was discovered to have a consequential and notable impact on the performance on agri-cooperative societies with a mean of 3.97 and SD of 0.92. Interest Coverage Ratio was discovered to contribute moderately on the ability of agri-cooperative societies to effectively discharge their mandate and was found to have a moderate impact with a mean of 3.68 and SD 0.77. Lending rates significantly impacts on the finance costs and therefore influences the performance of Agri-cooperative societies was found to have a strong mean score of 4.02 and SD of 0.95. The loan period was found to significantly influence on fiscal performance of agri-cooperative societies with a mean score of 3.56 and SD of 0.89.

5.1.3: Lease financing equity on performance of Agri-cooperatives

The correlation analysis indicated a positive correlation between lease financing equity and the performance of agri-cooperative societies in Burundi ($r=0.669$, $p=0.000$). The study found out that lease financing equity is crucial to the performance of agri-cooperative societies whereby most of the people that were surveyed concurred that lease financing influences the performance of agri-cooperative societies represented by an average of 3.97 and a SD of 0.78.

The management of cooperative society utilizes lease financing as a source of credit produced a moderate average score of 2.93 and SD of 0.93.

This is an intimation that leasing facilities have not been fully utilized by the management of the cooperative societies. Lease financing was found to enable organizations to maintain adequate liquidity which is important for enhancing organizational performance had an average score of 3.76 and a SD of 0.85. Leasing financing was found to have aided our cooperative societies in enhancing organization productivity of our society had an average of 3.72 and a SD of 1.02. Lease financing measures and requirements have been simplified making it easier for our society to procure a loan facility had an average score of 2.81 and a SD of 0.96.

5.2: Conclusion

In conclusion the study found out the financing structure of an organization is in agreement with the Pecking Order Theory that was used in this study. This is because Pecking Order Theory retained earnings are desired and opted for by the organizations instead of debt. The financing prototype or version that will be adopted by an organization hinges on the decision that will be made by the management of that organization, the geographical scope as well as the line of operations they engage in. Nevertheless, there is a need for the organization to ensure that ideal and optimal level of financing is considered so that an organizations are not completely financed by debt but a good debt and equity ratio. The study concluded that all the financing prototypes that have been adopted by the agri-cooperative societies in Bujumbura had a positive correlation with the performance although the strength of correlation varied from one financing option to another.

Additionally, it is imperative for an organization that is working towards enhancing its performance to consider that certain sources of financing for example debt financing and leasing financing can be traded or swapped in order to regulate the degree of liability in the organization

5.3: Recommendations and Contributions of the Study

Firstly, the findings indicated that debt equity ratio is crucial in determining the profitability and the performance of cooperative societies. In the same vain, the study found out that an increase in debt equity will negatively affect the performance of Agricultural Co-operative Societies in Bujumbura in Burundi. The study therefore recommends that managers and administrators of Agricultural Co-operative Societies in Bujumbura should be keen on having a proper mix between debt and equity so as to enhance their performance. Agricultural Co-operative Societies in Bujumbura should refrain and abstain from depending and banking on debts since increase in debt may lead to enhanced financial risks, fiscal distress and ultimately dismal fiscal performance. Efforts should be put in place by the administrators of the Agricultural Co-operative Societies to enhance their performance by designing and implementing fiscal strategies that are in line with wealth maximization of the shareholders.

The study recommends that central Bank of Burundi and the Burundian government should ease leasing business so as to make it more friendly ultimately encouraging more organizations to use lease financing hence boosting their fiscal performance.

Agricultural Co-operative Societies in Bujumbura should put measure in place to ensure that all their earnings are not paid as dividends to the shareholders but retain some for expansion purposes. Therefore, an optimal and acceptable mix should be maintained between dividends to the shareholders and amount to be set aside in order to boost profitability as well as increasing the wealth of the shareholders.

5.4: Suggestions for further research

The researcher recommends that additional studies should be conducted on cooperative finance on performance of agri-cooperatives in other provinces in Burundi for example Gitega province which is the political capital of Burundi. Additionally, further studies should be conducted on the influence of capital composition on the performance of agricultural cooperative societies in Burundi.



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APPENDICES

APPENDIX I: CONSENT FORM

Dear Participant,

I invite you to participate in a research study entitled **analyzing influence of cooperative finance on performance of agri-cooperatives in Bujumbura municipality, Burundi**. I am a post graduate student currently enrolled in the Master of Business Administration (MBA) at Mount Kenya University and am in the process of writing my research project.

I request you to honest as possible when answering the questions on the research instrument. Your responses are going to valuable and important to the study. Moreover, any response that you will provide will be treated with paramount and maximum confidentiality and discreetness.

Any additional information or clarification that you may require concerning this exercise do not hesitate to get in touch with *BUTOYI LEANDRE Avenue, Rugamba N°05 Bujumbura and Dr. Martin Onsiro Ronald P.O. Box 342-01000 Thika*. Any ethical issue that may arise should be directed to the Chairman, Mount Kenya University, Ethical Review Committee, P.O Box 34201000, Thika.

APPENDIX II : QUESTIONNAIRE

Dear Sir/Madam,

Dear respondent, am conducting a research study on analyzing influence of cooperative finance on performance of agri-cooperatives in Bujumbura municipality, Burundi. This questionnaire designed and expected to gather information that is vital as well as facilitate me conclude my studies successfully. You have therefore been chosen to participate in this study as a respondent on the basis that you are a manager or accountant in agri-cooperatives in Bujumbura municipality, Burundi. The information that you will provide will be important and highly valuable.

Additionally, it will be regarded with highest level of confidentiality.

Section A: Background of The Respondent

Please tick your personal information in the gaps below

1. a) Bio-data

Gender

Male Female

b) Age 21-30 21 -30 31-40 Above 40

c) How long have you worked in cooperative societies

	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>
Below 1 year	<input type="checkbox"/>
1-5 Years	
6-10 Years	
Over 10n years	

2. How long have you worked in your current Agri-cooperative society

Below 1 year	<input type="checkbox"/>
1-5 Years	<input type="checkbox"/>
	<input type="checkbox"/>
6-10 Years	<input type="checkbox"/>
Over 10n years	

3. Highest education level

	<input type="checkbox"/>		<input type="checkbox"/>
Primary	<input type="checkbox"/>	Degree level	<input type="checkbox"/>
Secondary level	<input type="checkbox"/>	Post Graduate	

Diploma Level

Section B: Sacco Activities

Debt Financing

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Debt financing equity is crucial to the performance of Agri-cooperative societies.					
Debt equity ratio influences significantly the performance on agri-cooperative societies					
Interest Coverage Ratio significantly influences the performance on agri-cooperative societies.					
Interest rates levels determine the costs of finance hence it influences the performance of Agri-cooperative societies.					

Loan Tenure significantly impacts Financial Performance of agri-cooperative societies.					
--	--	--	--	--	--

Generally, to what degree do you think that debt financing affect financial performance in your organization? Never []

Slight Extent []

Average Extent []

Great Extent []

Considerable Extent []

I have no idea []

Retained Surplus

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Our cooperative societies keep retained surplus and is re-invested in the business.					

The retained earnings have significantly enhanced the financial performance of our business.					
Our cooperative society uses the retained earnings in operations of the business and this has minimized usage or raising of loans for future operations.					
Our cooperative society prefers application of retained surplus since it is free of conditions and interest.					
Our cooperative society uses retained earnings to pay off its debts.					

Generally, to what degree do you think that retained surplus affect financial performance in your organization? Never []

Slight Extent []

Average Extent []

Great Extent []

Considerable Extent []

I have no idea []

Membership Equity

Statements	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Size of membership equity influences financial performance of our cooperative society.					
Top management has devised strategies to increase membership equity.					
There is a robust and direct relationship between return on assets and the deposits/savings					

Generally, to what degree do you think that membership equity affect financial performance in your organization? Never []

Slight Extent []

Average Extent []

Great Extent []

Considerable Extent []

I have no idea []

APPENDIX III: ERC CERTIFICATE



Mount Kenya University

REF: MKU/ISERC/3997
TO: BUTOYI LEANDRE

Date: 30 July 2024

REG: MBA/2016/57826

Dear Sir/Madam,

RE: ANALYSIS OF COOPERATIVE FINANCE ON PERFORMANCE OF AGRICOOOPERATIVES IN BUJUMBURA MUNICIPALITY, BURUNDI

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **2937**. The approval period is **30/07/2024 - 29/07/2025**.

This approval is subject to compliance with the following requirements;

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification.
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to comply with any additional requirements from the relevant authorities in the country where this study will be conducted

Yours sincerely,



MOUNT KENYA UNIVERSITY
ETHICS REVIEW COMMITTEE
P. O. Box 342 - 01000,
THIKA

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Cell: +254 709 153 000 | +254 709 153 200
Email: info@mku.ac.ke, Web: www.mku.ac.ke
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APPENDIX IV:INTRODUCTION LETTER



DIRECTORATE OF GRADUATE STUDIES

MBA/2016/57826

31st July, 2024

To Whom It May Concern

Dear Sir/Madam,

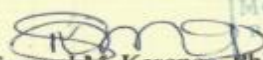
RE: BUTOYI LEANDRE - REGISTRATION NO. MBA/2016/57826

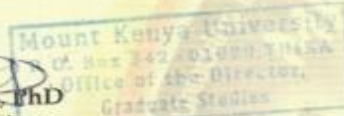
The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**.

The title of the research is "**Analysis of Cooperative Finance on Performance of Agri-Cooperatives in Bujumbura Municipality, Burundi.**" It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **August, 2024 and October, 2024.**

Any assistance accorded to the student will be highly appreciated.

Thank you.


Dr. Samuel M. Karenga, PhD
Director, Graduate Studies
Enc.



APPENDIX V: SIMILARITY INDEX



Leandre Butoyi

ANALYSIS OF COOPERATIVE FINANCE ON PERFORMANCE OF AGRI-COOPERATIVES IN BUJUMBURA MUNICIPALITY, BURU...

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APPENDIX VI: DATA COLLECTION AUTHORIZATION

 REPUBLIQUE DU BURUNDI
MINISTRE DE L'INTERIEUR,
DU DEVELOPPEMENT COMMUNAUTAIRE
ET DE LA SECURITE PUBLIQUE


La Mairie est à votre service

A Monsieur Léandre BUTOYI
à
Buiumbura

Objet: Votre demande de permis de recherche

Monsieur,


Nous avons le plaisir de vous confirmer notre accord pour votre demande de permis de recherche dans les coopératives agricoles se trouvant dans la municipalité de Bujumbura-mairie pour votre projet de recherche de fin d'études du Maîtrise sur l'Université Mount Kenya dont le sujet est : « *Analyse du finance de coopérative sur la performance des coopératives agricoles dans la municipalité de Bujumbura, Burundi* » comme mentionné dans votre lettre de demande.

En effet Monsieur Léandre BUTOYI, cette autorisation vous permet de réaliser la recherche dans ces coopératives.

Nous accusons réception de votre formulaire de consentements que vous avez préparé et votre recherche a une durée de trois mois

Dans cette attente, nous vous prions d'agréer, Monsieur, nos respectueuses salutations.

Fait à Bujumbura, le 13/08/2024
POUR LE MAIRE DE LA VILLE DE BUJUMBURA


P.O. N. N. N. Gabriel

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APPENDIX VII: MAP OF BUJUMBURA MUNICIPALITY

