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## Managerial Competencies and Financial Performance of Savings and Credit Cooperative Societies in Dhading

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### Abstract

*This study investigates the relationship between managerial competencies and the financial performance of Savings and Credit Cooperative Societies (SACCOS) in the Dhading district, Nepal, motivated by rising concerns over poor management and closure of several cooperatives in the district. Adopting a cross-sectional survey design, data were collected from 37 board members and employees of six SACCOS through a structured Likert scale questionnaire assessing technical, conceptual, and interpersonal skills alongside financial performance. Spearman's rank correlation and ordinal regression analysis were employed to examine the influence of managerial competencies on financial outcomes. The findings reveal that SACCOS in the study area generally possess strong managerial skills and show relatively favorable financial performance. All three dimensions of managerial competencies exhibited strong, positive, and statistically significant correlations with financial performance. Regression analysis confirmed that including these competencies in the model substantially improved its explanatory power and overall fit. The study concludes that managerial competencies are crucial drivers of financial sustainability in SACCOS, highlighting the need for continued investment in skill development to strengthen cooperative governance and performance.*

**Keywords:** managerial competencies, financial performance, SACCOS, technical skills, conceptual skills, interpersonal skills

### Introduction

The cooperative sector plays a vital role in the Nepalese economy, with Savings and Credit Cooperative Societies (SACCOS) serving as autonomous, community-based financial institutions founded on principles of self-help and mutual benefit (Shrestha, 2010). SACCOS have enabled financial inclusion and employment creation, particularly in rural areas where access to traditional banking services is limited (Darrol, 2013). However, the performance of SACCOS in the Dhading district has been concerning, with high portfolio at risk and declining coverage ratios, leading to the loose public confidence.

Successful work performance is dependent on a range of managerial competencies, which encompass the necessary knowledge and abilities to effectively carry out job responsibilities (Karns, 1998; Henderson, 2000). It is looked at in terms of technical, conceptual and interpersonal skills. Knowledge of and expertise in a particular type of profession or activity are considered technical skills. An interpersonal skill is the understanding of and aptitude for interacting with people (Katz, 1955). Conceptual skills include the capacity to work with ideas, as opposed to technical skills, which deal with things, and human skills, which deal with people. Competencies are particularly crucial when managing a diverse workforce, requiring both internal and external management skills to coordinate local and international employees within an organization.

Organizational performance is a measure of an entity's ability to achieve its objectives, with financial performance serving as a key indicator of success (Dess & Shaw, 2001; Jackson, 2008). Studies have consistently highlighted the critical role of managerial competencies in driving organizational performance, with a lack of technical expertise and personality traits identified as major contributors to the high failure rate of new enterprises (Penrose, 1995). Conversely, higher levels of employee competency have been linked to increased innovation, productivity, and overall organizational longevity (Bresnahan et al., 2002; Gallie, 2011).

Conceptual skills, in particular, have emerged as a crucial strategic resource for organizations, with an estimated 81% of top companies in Europe and the US employing such skills (McKeen et al., 2006; Lee & Choi, 2003). Additionally, interpersonal skills, such as conflict resolution and effective communication, have been shown to significantly impact financial performance and revenue growth (Riggio & Lee, 2007; Humphrey, 2002).

Given the importance of managerial competencies in organizational success and the concerning performance of SACCOS in the Dhading district, this study aims to investigate the relationship between managerial competencies and the financial performance of SACCOS in Dhading, Nepal. The findings of this research provide valuable insights for cooperative management and contribute to the broader understanding of the role of managerial competencies in driving organizational performance.

## Research Methods

This study adopts a cross-sectional survey research design to examine the impact of managerial competencies on the financial performance of SACCOS in Nilkantha Municipality, Ward No. 3, Dhading. The population consists of board members and employees from six SACCOS, with a judgmental sampling technique used to select 37 respondents. Primary data were collected using a five-point Likert scale questionnaire (1 = strongly disagree, 5 = strongly agree) to assess managerial competencies (technical, conceptual, and interpersonal skills) and financial performance. Then after, inferential statistical tools i.e. Spearman's rank correlation rho and ordinal regression analysis have been used to derive the valid result of the study. Following ordinal regression model was developed to analyze the role of different factors that causes the land abandonment:

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

Where,

Y = Financial Performance of SACCOS,  $X_1$  = Technical Skill,  $X_2$  = Conceptual Skill,  $X_3$  = Interpersonal Skill,  $u_t$  = Random error term and  $\beta_1, \beta_2, \beta_3$  = Regression coefficients of  $X_1$  to  $X_3$  respectively.

## Result Analysis and Discussion

### Descriptive Analysis

Table 1 presents the descriptive statistics for managerial competencies and financial performance of SACCOS in the Dhading district. The results indicate relatively high average levels of technical skills (TS), conceptual skills (CS), and interpersonal skills (IPS), suggesting a strong perception of managerial competencies among respondents. Similarly, financial performance (FP) was rated favourably. Low standard deviations and variances across variables imply consistency in responses, reflecting a general agreement on the current managerial and financial conditions of the SACCOS.

**Table 1**

*Managerial Competencies and Financial Performance of SACCOS*

	N	Minimum	Maximum	Mean	Std. Deviation	Variance
TS	37	1.16	5.00	3.9630	1.00253	1.005
CS	37	1.09	5.00	4.0491	1.03510	1.071
IPS	37	1.14	5.00	3.5714	1.15568	1.336
FP	37	1.00	5.00	3.9722	1.08680	1.181

Valid N	37
(list wise)	

### Correlational Analysis

Table 2 reveals strong and statistically significant positive relationships between each managerial competency dimension and financial performance. Specifically, financial performance is positively correlated with TS, CS, and IPS, indicating that higher levels of these competencies are associated with better financial outcomes. These findings emphasize the importance of managerial capabilities in driving SACCOS performance.

**Table 2**

#### *Relationship Analysis*

			TC	CS	IPS	FP
Spearman's rho	TC	Correlation Coefficient	--			
		Sig. (2-tailed)	.			
		N	37			
	CS	Correlation Coefficient	.796**	--		
		Sig. (2-tailed)	.000	.		
		N	37	37		
	IPS	Correlation Coefficient	.772**	.683**	--	
		Sig. (2-tailed)	.000	.000	.	
		N	37	37	37	
	FP	Correlation Coefficient	.723**	.621**	.789**	--
		Sig. (2-tailed)	.000	.000	.000	.
		N	37	37	37	37
Note. Correlation is significant at the 0.01 level (2-tailed).						

### Regression Analysis

Table 3 shows a significant reduction in -2 Log Likelihood when predictors are included, indicating an improved model fit. The Chi-Square value is statistically significant, confirming that managerial competencies collectively contribute to explaining variations in financial performance.

**Table 3**

#### *Model Fitting Information*

Model	-2 Log Likelihood	Chi-Square	df	Sig.
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Intercept Only	183.811			
Final	131.930	51.880	3	.000

Table 4 shows that the model fits the data well, with both Pearson and Deviance tests yielding non-significant results, suggesting no discrepancy between observed and expected values.

**Table 4**

*Goodness of Fit*

	Chi-Square	df	Sig.
Pearson	329.715	522	1.000
Deviance	131.930	522	1.000

Table 5 further supports the model's explanatory power, with Cox & Snell and Nagelkerke values indicating a substantial proportion of variance explained, while McFadden's index confirms a moderate yet acceptable model strength. Overall, the regression results validate the predictive influence of managerial competencies on financial performance in the SACCOS context.

**Table 5**

*Pseudo R-square*

Cox and Snell	.763
Nagelkerke	.768
McFadden	.282

## Discussion

The findings of this study reinforce the significant role that managerial competency specifically technical, conceptual, and interpersonal skills play in shaping the financial performance of Savings and Credit Cooperative Societies (SACCOS) in the Dhading district. These results are consistent with earlier research emphasizing the importance of competencies in organizational success. For instance, Penrose (1995) identified lack of technical expertise and weak personality traits as key contributors to enterprise failure, a pattern reflected in the closure of over 20 SACCOS in Dhading, as reported by the Micro Finance Support Centre (2018). Our study supports this claim, as strong technical skills were positively associated with better financial outcomes.

Similarly, the observed relevance of conceptual skills aligns with findings by McKeen et al. (2006) and Lee & Choi (2003), who argued that conceptual thinking is a strategic resource leveraged by leading organizations globally. The positive relationship between conceptual competencies and financial performance in SACCOS suggests that the ability to work with ideas, plan strategically, and adapt to changing environment is equally critical for cooperative success in a rural Nepali context. This suggests that SACCOS are not merely grassroots financial institutions but require strategic foresight and planning skills at the management level.

Moreover, interpersonal skills were also found to significantly correlate with financial performance, which echoes the works of Riggio and Lee (2007) and Humphrey (2002), who highlighted the financial benefits of strong communication and conflict resolution skills. In line with their findings, this study demonstrates that the human dimension of management building trust, engaging with members, and resolving internal conflicts is vital for organizational harmony and sustainability within the cooperative model.

The overall findings also reflect broader trends observed by Bresnahan et al. (2002) and Gallie (2011), who noted that higher competency levels are associated with innovation and organizational longevity. While our study did not directly measure innovation, the strong link between competencies and financial performance implies that SACCOS with better-skilled managers may be more adaptable and sustainable in the long term.

In contrast to earlier concerns raised by Darrol (2013) about the limited reach of financial services in rural Nepal, the current findings suggest that where SACCOS are managed by competent leaders, they can serve as effective vehicles for financial inclusion and economic empowerment. Therefore, addressing the competency gaps identified in poorly performing SACCOS could directly enhance their financial health and community impact.

In summary, this study not only supports the existing literature on the importance of managerial skills in organizational performance but also contextualizes it within the cooperative finance sector of rural Nepal. By highlighting the strategic importance of all three dimensions of managerial competency, the findings underscore the need for targeted capacity-building interventions to sustain and strengthen the cooperative movement in regions like Dhading.

## **Conclusion**

The study explored the relationship between managerial competencies and financial performance of Savings and Credit Cooperative Societies (SACCOS) in Dhading district of Nepal using descriptive, correlational, and regression analyses. The descriptive results revealed a generally high level of managerial competencies and favorable financial performance perceptions among respondents, with consistent responses across all variables. Correlational findings demonstrated strong and positive associations between technical, conceptual, and interpersonal skills with financial performance, underscoring the importance of managerial capabilities in driving institutional outcomes. Regression analysis further confirmed the significance and strength of these relationships, as the inclusion of managerial competency variables significantly improved the model's fit and explanatory power.

Additionally, goodness-of-fit tests indicated an excellent match between the predicted and observed values, while Pseudo R-Square values suggested that the model accounted for a substantial portion of the variance in financial performance. Overall, the findings highlight the critical role of managerial skills in enhancing the financial sustainability and success of SACCOS in the region.

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