



Performance Perception and Associated Determinants of Savings and Credit Cooperative Societies (SACCOS) in Dhading District of Nepal

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Abstract

This research investigates the perceived performance of Savings and Credit Cooperative Societies (SACCOS) and its influencing factors in Dhading District, Nepal. Based on 50 active cooperatives and 105 employees selected through stratified proportionate sampling, the study examines organizational subculture, structure/governance, leadership capacity, rewarding practices, and trust in top management as independent variables, with SACCOS performance as the dependent variable. The study adopts a descriptive and causal-comparative research design, utilizing factor analysis, reliability assessment, and statistical techniques, including SEM, to examine the relationships among variables. The findings reveal a significant positive relationship between organizational factors and performance, with leadership capacity exerting the greatest influence, followed by subculture and governance. Leadership directly impacts trust and performance, while subculture and governance play a crucial role in shaping employee attitudes and behaviors. The study concludes that effective structures enhance operational efficiency and transparency, supporting sustained SACCOS performance.

Keywords: SACCOS Performance, Dhading District, Organizational Subculture, Employee Trust, SACCOS Governance

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Introduction

Savings and Credit Cooperative Societies (SACCOS) in Nepal play a critical role in promoting financial inclusion and socio-economic development, particularly in rural areas like Dhading District. These cooperatives are governed by cooperative principles such as self-help, mutual benefit, and democratic governance, ensuring members have a say in decision-making and management. SACCOS provides essential financial services, including savings mobilization, credit access, and other financial products, to low-income populations who often lack access to formal financial institutions (Dhakal, 2018; Lamichhane, 2020)

However, SACCOS in Dhading faces numerous challenges that hinder its growth and effectiveness. Geographical remoteness limits their access to larger financial markets and resources, affecting service delivery and member engagement. The district's mountainous terrain and scattered rural communities exacerbate these issues, making SACCOS the primary source of financial services for many households. Additionally, internal governance challenges, such as weak leadership and insufficient training, limit operational efficiency, while external challenges like inadequate regulatory oversight, limited funding, and legal complexities further undermine their performance (Ghimire et al., 2019; Sharma et al., 2021). The study aims to analyze the perceived performance of SACCOS in Dhading, focusing on factors like organizational subculture, governance, leadership capacity, rewarding practices, and employee trust in management. Some of the literature suggests that leadership capacity has the greatest impact on performance, followed by organizational subculture and governance. Strong governance structures, transparency, and member empowerment are essential for sustainability, while effective leadership is key for managing change and making strategic decisions (Shrestha & Shrestha, 2017; Shrestha, 2020).

By investigating the relationships among these factors, the study seeks to identify actionable strategies to enhance SACCOS' performance and sustainability. It also aims to address the gap in existing research on cooperative finance in Nepal, particularly in Dhading. Improving SACCOS' performance will contribute to poverty alleviation, financial stability, and socio-economic development of this region as well as the

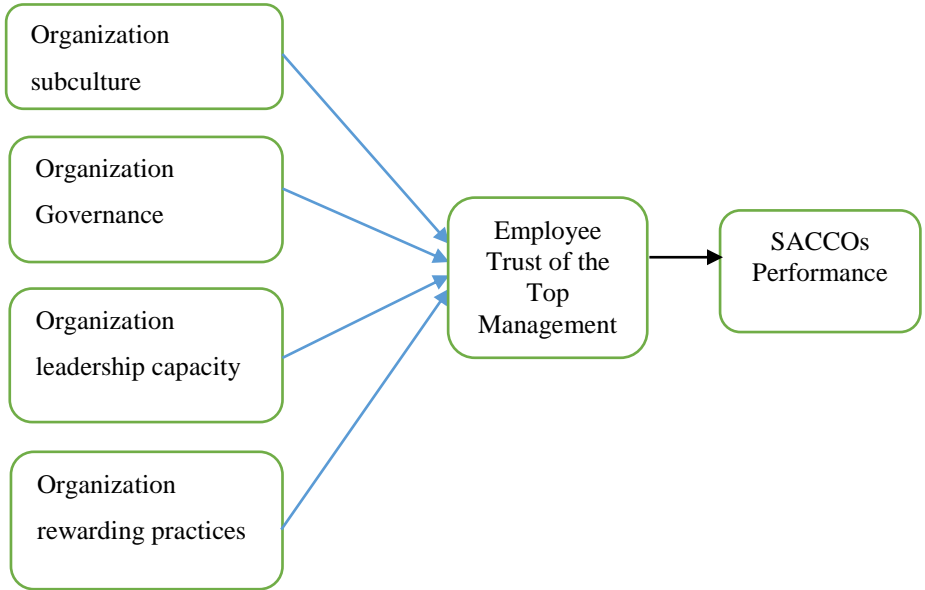
nation. The findings of this study will provide valuable insights to policymakers, regulators, and stakeholders to develop strategies for enhancing cooperative institutions, improving financial services, and driving sustainable rural development through SACCOS.

Methodology

The total population consists of 50 active SACCOS and 140 employees. A stratified random sampling method was used to select the sample, which included Junior, Officer, and Managerial-level employees. Questionnaires were distributed to all employees, with 115 returned, but only 105 responses were usable for analysis. The sample is categorized into three groups: Top Management, Officers, and Assistants. The distribution is as follows: 39 Top Management employees (37.1% of the sample), 15 Officers (14.3%), and 51 Assistants (48.6%). This stratified sampling ensures a representative and comprehensive view of the perceptions of different employee levels within the cooperatives. Primary data were collected using a five-point Likert scale questionnaire (Khatiwada, 2014).

The independent variables in the study include Subculture, Governance, Leadership, and Reward, with measurement items adapted from Mwangi and Wambua (2016). Subculture, Governance, and Leadership are measured using six, six, and nine items, respectively, while Reward is measured with seven items. The dependent variable, Performance, is assessed with ten items based on Delaney and Huselid's (1996) model. Trust, a key variable in the study, is measured using eight items from Tzafirir and Dolan (2004). The following conceptual framework has been used in this study

Figure 1: Conceptual Framework



Data were processed using Excel and R software, applying statistical techniques like mean and standard deviation calculations, correlation analysis, and regression analysis (Pradhan et al., 2018). The study also employs Structural Equation Modeling (SEM) to explore complex relationships among variables (Pradhan, 2017).

Organizational subculture refers to the distinct set of shared values, beliefs, norms, and behaviors that exist within a particular department or group within an organization, setting it apart from the overall organizational culture. It embodies the unique identity and social dynamics that influence the attitudes and actions of individuals within that subgroup (Schein, 1990). Organizational structure, or governance, pertains to the system of rules, policies, procedures, and hierarchical relationships that govern how an organization operates and makes decisions. It includes structures for decision-making, accountability, and control, ensuring that the organization is efficient and achieves its goals (Mintzberg, 1984).

Organizational leadership capacity involves the skills, competencies, and effectiveness of leaders within an organization to motivate, guide, and influence employees toward organizational objectives. This includes leadership styles, decision-making abilities, strategic vision, and the capability to create a positive work environment (Yukl et al., 2013). Organizational rewarding practices refer to the policies, systems, and practices used by an organization to recognize and reward employees for their efforts and achievements. These practices include both monetary rewards (e.g., bonuses, incentives) and non-monetary rewards (e.g., recognition, career growth opportunities) aimed at motivating employees and aligning their contributions with the organization's goals (Armstrong, 2012). SACCO perceived performance refers to employees' subjective evaluations of how well their Savings and Credit Cooperative Society (SACCO) is performing across various areas, including financial stability, member satisfaction, service delivery, and operational efficiency.

It represents employees' assessments based on their direct experiences within the organization. Employee trust in top management refers to the level of confidence and belief that employees have in the integrity, competence, and reliability of the organization's leadership. This trust is built on perceptions of transparency, fairness, honesty, and the management's commitment to employee welfare and organizational goals (Dirks & Ferrin, 2002).

With this conceptual framework following hypotheses were formulated:

- H1:** The organization subculture has a significant effect on employee trust on top management.
- H2:** The organization governance has a significant effect on employee trust on top management.
- H3:** The organization leadership capacity has a significant effect on employee trust on top management.
- H4:** The organization rewarding practices have a significant effect on employee trust on top management.
- H5:** Employee trust in the top management has a significant impact on SACOS Performance.

Findings

The demographic characteristics of the informants are essential for this study as they provide a diverse range of perspectives across different genders, positions, age groups, and levels of experience, ensuring a comprehensive understanding of the factors influencing the perceived performance of the SACCOs in Dhading District.

Table 1: Demographic characteristics of the informants

| Variable | Category | Nos of Informants (n) | Percentage (%) |
|---------------------|----------------|-----------------------|----------------|
| Gender | Male | 50 | 47.60% |
| | Female | 55 | 52.40% |
| Position | Managerial | 39 | 37.10% |
| | Officer | 15 | 14.30% |
| | Assistant | 51 | 48.60% |
| Age Group | 20-30 years | 30 | 28.60% |
| | 30-40 years | 50 | 47.60% |
| | 40-50 years | 22 | 21.00% |
| | 50-60 years | 3 | 3.80% |
| Years of Experience | 5 years below | 35 | 33.30% |
| | 5 to 10 years | 40 | 38.10% |
| | 10 to 15 years | 17 | 16.20% |
| | 15 to 20 years | 9 | 8.60% |
| | 20 to 25 years | 4 | 3.80% |

The demographic data of the informants provides a comprehensive overview of the workforce's composition. The gender distribution of the sample is almost balanced, with a slight majority of female informants (52.4%) compared to male informants (47.6%), which is crucial for ensuring a diverse perspective on the study's objectives. In terms of

positions, the largest group of informants are assistants (48.6%), followed by managerial roles (37.1%), and officers (14.3%). This positioning breakdown reveals that a significant portion of the workforce is involved in operational tasks, while managerial roles are fewer, offering insights from both hierarchical levels. Age-wise, the 30-40 years category dominates with 47.6%, reflecting a workforce that is relatively mature but still within its prime years. The second largest group, aged 20-30 years, comprises 28.6% of the sample, indicating that the workforce is also young and likely to bring innovative ideas. Fewer informants belong to the older age groups, which suggests that the study predominantly represents younger and mid-career employees. Regarding years of experience, the majority of informants (38.1%) have between 5 to 10 years of experience, followed by those with less than 5 years of experience (33.3%). This highlights a workforce with a mix of relatively new employees and individuals with moderate experience, which is beneficial for capturing both fresh perspectives and seasoned insights on the factors influencing perceived performance.

Table 2: Measurement of validity and reliability

| Construct | Items | loadin g | Cronbach's Alpha | rhoc | AV E | rhoA |
|-------------------|-------------|-------------|---------------------|------|---------|------|
| Subculture | Subculture1 | 0.716 | 0.855 | 0.89 | 0.57 | 0.86 |
| | Subculture2 | 0.768 | | | | |
| | Subculture3 | 0.753 | | | | |
| | Subculture4 | 0.723 | | | | |
| | Subculture5 | 0.796 | | | | |
| | Subculture6 | 0.807 | | | | |
| Governance | Governance1 | 0.855 | 0.891 | 0.91 | 0.64 | 0.90 |
| | Governance2 | 0.732 | | | | |
| | Governance3 | 0.746 | | | | |

| | | | | | | |
|--------------------|--------------|-------|-------|-----------|-----------|-----------|
| | Governance4 | 0.838 | | | | |
| | Governance5 | 0.778 | | | | |
| | Governance6 | 0.871 | | | | |
| | Leadership1 | 0.812 | | | | |
| | Leadership2 | 0.792 | | | | |
| | Leadership3 | 0.611 | | | | |
| | Leadership4 | 0.724 | | | | |
| Leadership | Leadership5 | 0.824 | 0.920 | 0.93 4 | 0.61 2 | 0.92 4 |
| | Leadership6 | 0.823 | | | | |
| | Leadership7 | 0.812 | | | | |
| | Leadership8 | 0.843 | | | | |
| | Leadership9 | 0.774 | | | | |
| | Reward1 | 0.764 | | | | |
| | Reward2 | 0.755 | | | | |
| | Reward3 | 0.634 | | | | |
| Reward | Reward4 | 0.713 | 0.877 | 0.90 4 | 0.57 7 | 0.89 2 |
| | Reward5 | 0.782 | | | | |
| | Reward6 | 0.805 | | | | |
| | Reward7 | 0.844 | | | | |
| | Performance1 | 0.494 | | | | |
| Performance | Performance2 | 0.723 | 0.914 | 0.92 9 | 0.57 2 | 0.91 8 |
| | Performance3 | 0.790 | | | | |

| | | | | | | |
|--------------|---------------|-------|-------|-----------|-----------|-----------|
| | Performance4 | 0.820 | | | | |
| | Performance5 | 0.829 | | | | |
| | Performance6 | 0.821 | | | | |
| | Performance7 | 0.761 | | | | |
| | Performance8 | 0.776 | | | | |
| | Performance9 | 0.811 | | | | |
| | Performance10 | 0.674 | | | | |
| | Trust1 | 0.749 | | | | |
| | Trust2 | 0.840 | | | | |
| | Trust3 | 0.813 | | | | |
| Trust | Trust4 | 0.693 | 0.884 | 0.91 0 | 0.57 2 | 0.91 9 |
| | Trust6 | 0.812 | | | | |
| | Trust7 | 0.803 | | | | |
| | Trust8 | 0.657 | | | | |

Table 2 shows the validity and reliability of the measures of Subculture, Governance, Leadership, Reward, Performance, and Trust. All constructs demonstrate strong reliability, with Cronbach's Alpha values above 0.7, indicating good internal consistency. The composite reliability (rhoC) for each construct is also high, surpassing 0.7, indicating strong construct reliability. The Average Variance Extracted (AVE) for each construct is above the 0.5 threshold, confirming good convergent validity. For the Trust construct, item Trust5 had a low loading and was removed, resulting in improved reliability and validity, with the final values indicating good internal consistency and validity. Overall, the constructs show robust reliability and validity, supporting the model's effectiveness.

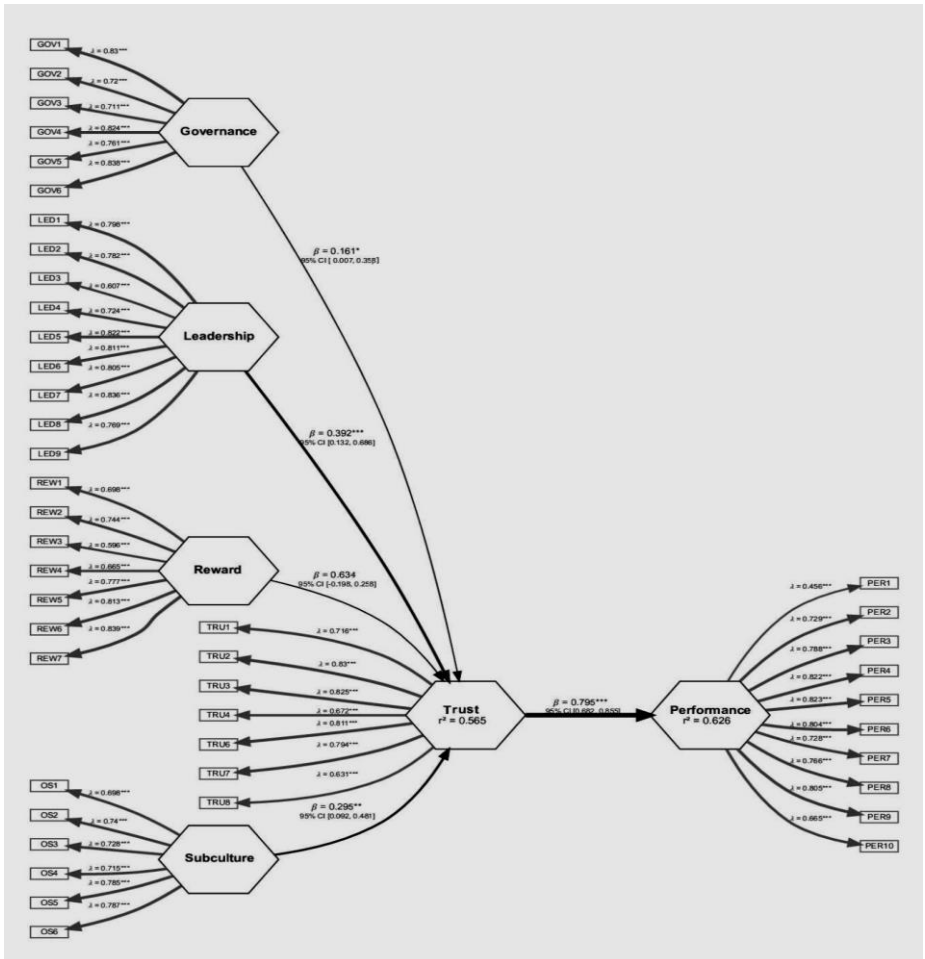
HTMT Criteria :

Table 3: HTMT Criteria

| Construct | Sub | Gov | Lead | Rew | Trust |
|--------------------|------------|------------|-------------|------------|--------------|
| Governance | 0.857 | | | | |
| Leadership | 0.718 | 0.532 | | | |
| Reward | 0.759 | 0.794 | 0.692 | | |
| Trust | 0.774 | 0.656 | 0.751 | 0.660 | |
| Performance | 0.793 | 0.755 | 0.734 | 0.763 | 0.876 |

The Heterotrait-Monotrait (HTMT) ratios presented in Table 3 assess the discriminant validity of constructs in the study on perceived performance in SACCOS. All constructs Subculture, Governance, Leadership, Reward, Trust, and Performance maintain distinctiveness while showing moderate to high relationships with each other. The HTMT ratios are within acceptable thresholds, with Governance showing the highest correlation with Subculture (0.857), and Trust exhibiting the strongest relationship with Performance (0.876). These values indicate that while the constructs are related, they retain their uniqueness, supporting the discriminant validity of the model.

Several key relationships were examined concerning their influence on Trust and Perception within the context and were studied using partial least square structural equation modeling (Pradhan et al., 2023). Leadership demonstrated a notably strong positive impact on Trust, with an estimated coefficient of 0.392 and a high T-statistic of 3.823, indicating statistical significance at the $p < 0.01$ level. This suggests that effective leadership significantly fosters trust among stakeholders in the analyzed scenario supporting our hypothesis that Leadership has a significant impact on Trust.



Similarly, Subculture also showed a significant positive relationship with Trust, as indicated by an estimate of 0.295 and a T-statistic of 3.005 ($p < 0.05$) supporting our second hypothesis. On the other hand, Governance displayed a weaker, though still noticeable, effect on Trust, with an estimate of 0.161 and a T-statistic of 1.742, reaching significance at the $p < 0.1$ level indicating that our third hypothesis is also

supported but in a weaker condition. In contrast, Reward did not exhibit a significant association with Trust, as reflected by a negligible estimate of 0.034 and a T-statistic of 0.297, failing to meet conventional thresholds for statistical significance. Furthermore, Trust itself emerged as highly influential on Performance, with a substantial estimate of 0.795 and an exceptionally high T-statistic of 20.277 ($p < 0.01$), underscoring its critical role in shaping stakeholders' perceptions on performance within the SACCOS of Dhading District, supporting our final hypothesis of employee Trust has significant impact on Performance.

Discussion and Conclusion

Savings and Credit Cooperative Societies (SACCOS) are crucial for promoting financial inclusion and socio-economic development, especially in rural areas. This study explored the relationships between organizational factors such as subculture, governance, leadership capacity, and reward systems and their influence on SACCOS performance. The findings indicate that leadership and organizational subculture have a significant impact on fostering employee trust, which in turn enhances perceptions of organizational performance. Governance practices and reward systems also play essential roles but with varying degrees of influence.

Notably, effective leadership and a supportive organizational subculture emerged as key drivers of employee trust, which ultimately enhanced the performance of SACCOS. It is suggested that SACCOS should invest in leadership development programs to enhance trust and performance. Creating a positive organizational culture, fostering teamwork, and implementing transparent governance practices are also critical steps for improving employee engagement and satisfaction. Additionally, reward systems are also important, and they must be designed to align with employee expectations and organizational goals. Overall, this study provides important insights into the organizational factors that influence SACCOS performance and offers actionable recommendations for improving their effectiveness in the Dhading District.

Conflict of Interest: The authors agree that this research was conducted in the absence of any self-benefits, commercial or financial conflicts and declares the absence of conflicting interests with the funders.

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