



East African Journal of Business and Economics

ejbe.eanso.org

Volume 8, Issue 1, 2025

Print ISSN: 2707-4250 | Online ISSN: 2707-4269

Title DOI: <https://doi.org/10.37284/2707-4269>

EANSO
EAST AFRICAN
NATURE &
SCIENCE
ORGANIZATION

Original Article

Effect of Staff Incentives on Performance of Savings and Credit Co-operative Societies in Tanzania: Moderation Role of Institutional Culture

Sudi Mangara¹, Joseph Magali^{1*} & Chacha Matoka¹

¹The Open University of Tanzania, P. O. Box 23409, Dar es Salaam, Tanzania.

* Author for Correspondence Email: joseph.magali@out.ac.tz

Article DOI: <https://doi.org/10.37284/eajbe.8.1.2801>

Date Published: ABSTRACT

24 March 2025

Keywords:

Staff Incentive,
Performance of
SACCOS,
Moderation Role of
Institutional Culture.

This study was conducted in Tanzania intending to assess the effect of incentives on the performance of SACCOS in Tanzania: moderation role of institutional factor culture. The study was guided by Herzberg's two factors theory and Institution theory. It used a positivism research philosophy and a deductive research approach. It adopted an explanatory research design and a simple random sampling technique. Primary data was collected using a structured questionnaire from 143 SACCOS in the Dar es Salaam region. A sample of 143 was selected from a population of 517 SACCOS. Data were analysed using multiple regression analysis with the assistance of IBM SPSS version 26. The findings obtained from this study suggest that staff incentives had a positive and significant effect on the performance of SACCOS and the moderation role of institutional factor culture had a positive and significant effect on incentives. The study recommends improving the performance of SACCOS, the Government and the Tanzania Cooperative Development Commission to set policies that guide all SACCOS in Tanzania to have a department of human resource management to run SACCOS professionally and ensure incentives are provided to employees.

APA CITATION

Mangara, S., Magali, J. & Matoka, C. (2025). Effect of Staff Incentives on Performance of Savings and Credit Co-operative Societies in Tanzania: Moderation Role of Institutional Culture. *East African Journal of Business and Economics*, 8(1), 253-260. <https://doi.org/10.37284/eajbe.8.1.2801>.

CHICAGO CITATION

Mangara, Sudi, Joseph Magali and Chacha Matoka. "Effect of Staff Incentives on Performance of Savings and Credit Co-operative Societies in Tanzania: Moderation Role of Institutional Culture". *East African Journal of Business and Economics* 8 (1), 253-260. <https://doi.org/10.37284/eajbe.8.1.2801>.

HARVARD CITATION

Mangara, S., Magali, J. & Matoka, C. (2025) "Effect of Staff Incentives on Performance of Savings and Credit Co-operative Societies in Tanzania: Moderation Role of Institutional Culture", *East African Journal of Business and Economics*, 8(1), pp. 253-260. doi: 10.37284/eajbe.8.1.2801.

IEEE CITATION

S. Mangara, J. Magali & C. Matoka “Effect of Staff Incentives on Performance of Savings and Credit Co-operative Societies in Tanzania: Moderation Role of Institutional Culture”, *EAJBE*, vol. 8, no. 1, pp. 253-260, Mar. 2025.

MLA CITATION

Mangara, Sudi, Joseph Magali & Chacha Matoka. “Effect of Staff Incentives on Performance of Savings and Credit Co-operative Societies in Tanzania: Moderation Role of Institutional Culture”. *East African Journal of Business and Economics*, Vol. 8, no. 1, Mar. 2025, pp. 253-260, doi:10.37284/eajbe.8.1.2801.

INTRODUCTION

Savings and Credit Cooperative Societies (SACCOs) contribute positively to poverty reduction by providing financial assistance to the poor and marginalized groups through the mobilization of funds from members where in the end; such funds are borrowed by the members for investment (Mmary & Thinyane, 2019). Despite the positive achievements of SACCOS, some are still encountering challenges such as a lack of operation skills and the absence of strategic and business plans to use as tools in the day-to-day management of their businesses (Mwita, 2024). Incentive has the role of motivating individuals to perform better or achieve specific goals (Mwita, 2024). SACCOS in Tanzania face the challenges of dishonesty of some cooperative leaders and management teams that lead to embezzlement of funds, inability to address external auditor’s queries and mismanagement of assets (TCDC, 2022). and Gulzar (2019) conducted a study in the Philippines and Italy to examine the impact of incentives on the performance of savings and credit cooperative societies. The studies revealed that incentives increased financial performance. Reimara (2021) found a positive and significant relationship between incentives and organizational performance in Pakistan, Russia and Dubai. The studies. The study’s findings further revealed that employees worked hard when particular goals like increases in wages, rewards, recognition, and achievement.

In Africa, Barpanda and Bontis (2021); Muithya and Muathe (2020); Eyupoglu and Tashtoush (2020); Ofei et al. (2020) and Owino and Kibera, (2019) in Ethiopia, Ghana, South Africa and Kenya indicated a positive relationship between incentives and the performance of SACCOS. In Tanzania, Mmari and

Kapaya (2022) and Daudi and Mbugua (2021) revealed that incentives increased the efforts of the management system to realize better financial performance. While the issue of incentives has been recommended and emphasized as a means to enhance organizational performance, there was little empirical evidence in the reviewed literature which shows incentives increase the performance of SACCOS in Tanzania which is asserted by Danga et al. (2018); and Magashi et al. (2023). The performance of SACCOS is evaluated by capital growth, profitability and the growth of SACCOS to meet members’ expectations and improve their living standards (Danga, & Barminas, 2023).

THEORETICAL REVIEW

Herzberg’s Two-Factor Theory and Institutional Theory

This study was guided by two theories Herzberg two factor theory and Institutional theory. Herzberg’s two two-factor theory was developed by American psychologist and theorist specialist Frederick Herzberg in 1959. Herzberg assumed that job satisfaction and dissatisfaction are influenced by two distinct sets of factors: hygiene factors and motivators. Hygiene factors e.g., salary and working conditions can prevent dissatisfaction but do not enhance satisfaction. In contrast, motivators e.g., achievement and recognition can lead to higher satisfaction and motivation. The second part is Intrinsic Motivation whereas the theory states that true motivation comes from within the individual, suggesting that satisfying higher-level psychological needs leads to increased job performance and satisfaction. Mwita (2024) revealed that employees who are more motivated by recognition either by attending training or being

selected to be recruited to other positions within the organization are more likely to perform well compared to those who are not considered for such programs.

Reimara (2021) revealed that workers within the organization work for two main reasons: achievement and recognition, where their effort to do so increases the organisation's productivity. Herzberg's two-factor theory points out that an individual who is delighted with a specific position will increase their motivation to perform that work. If certain environments, which are associated with the policies and rules, are removed within the particular organization, it is obvious employees will experience job dissatisfaction.

Monetary motivation, like salary, is treated as the secondary factor for incentive and points out job recognition, achievement nature of work, responsibilities, individual advancement and employee growth as the first things the individual is focused on to perform well in the organization (Saeya et al., 2019). The main strength of Herzberg's theory is that it succeeded in explaining internal motivation, which comes from the employees themselves and not external factors (Rauben, 2023). Despite being successful in explaining employee satisfaction within the organization, the theory seems to be subjective in non-monetary incentives like flexibility in various matters about working hours, promotions, power and recognitions. The weakness of the theory is that it ignores external factors which play a greater role in influencing individual employees to work hard. Lastly, job satisfaction and job productivity are not clearly related, meaning that a satisfied employee is not necessarily expected to lead to job productivity (Reimara et al., 2021). This theory remains the best one used by many scholars to explain the concept of incentives in organizations.

The second theory was institutional theory which addresses why all organizations in the field tend to look and act the same (DiMaggio & Powell, 1983).

Scholars like Max Weber, Emile Durkheim, and Talcott, developed it in the early 20th century. The theory was developed as a theoretical framework in sociology to explain the social structure (Schman, 1995). The organization has a formal structure that includes; norms, rules, incentives and values. Institutions are considered a way through which people are shaped and regarded by the formal structure which is independent. An organization which is well organized in all matters pertaining to its structure is expected to contribute positively in the area of economy, legal system, and political system in which it enables to enforce decision-making.

The theory assumes that in the social construction of reality, institutions shape the organisational structure and define the factors and expectations within a society or organization. These constructs influence behaviour and decision-making processes. Also assumes that stability and change in the institutions are viewed as stable over time, but they can evolve. The theory assumes that while institutions provide stability, they can also be influenced by external pressures and internal dynamics, leading to change. The big weakness of the old institution theory is that it lacks a clear knowledge base because it is treated as a methodology rather than a theory.

EMPIRICAL LITERATURE REVIEW

Incentives and Performance of SACCOS

Although there have been few empirical studies on the effect of incentives on the performance of SACCOS most of the studies have focused on banks and microfinance that used incentives as a core variable to determine the incentive on the performance of SACCOS in Tanzania. Reimara (2021) found that employees work hard when given agreed goals to achieve conducted research in Dubai. Kabue et al. (2023) revealed that training, recruitment and motivation, increased financial performance in the organization in Kenya.

Japhet and Magali (2021) revealed that SACCOS offered competitive salaries, allowances, bonuses, and subsidized loans to motivate employees. It was further revealed that monetary incentives had motivated the workers to fulfil their responsibilities. The study recommends properly formulating and implementing employees' motivating policies and strategies to intensify the performance of SACCOS. Thus it can be hypothesised that the *H1: Incentive has a positive effect on the performance of SACCOS.*

Conceptual Framework

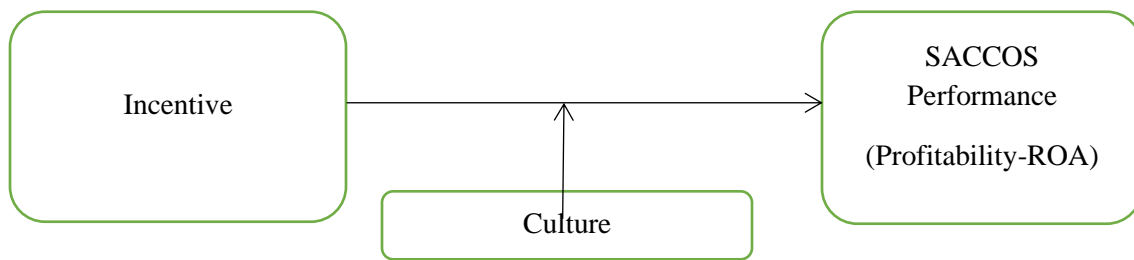
The conceptual framework of this study explores the relationship between incentives and SACCOS performance, with institutional culture as a moderating variable. Incentives, which include financial rewards, recognition programs, and professional development opportunities, are essential in motivating employees and management to enhance productivity and efficiency. In the context of SACCOS, well-structured incentives encourage better loan portfolio management, improved customer service, and adherence to financial best practices, ultimately leading to higher financial performance. The dependent variable, SACCOS performance, is measured using Return

on Assets (ROA), a key financial metric that assesses the profitability and efficiency of asset utilization. A strong incentive system is expected to have a positive impact on ROA by fostering commitment, reducing turnover, and enhancing overall operational effectiveness.

Institutional culture serves as a moderating variable in this relationship by shaping how incentives influence performance outcomes. Institutional culture encompasses shared values, norms, leadership styles, and governance structures that define the work environment within a SACCOS. A positive and performance-driven institutional culture can strengthen the effectiveness of incentives by promoting accountability, ethical financial management, and employee engagement, leading to improved ROA. Conversely, a weak or misaligned institutional culture may hinder the impact of incentives, reducing their effectiveness in driving performance improvements. Therefore, this framework suggests that the success of incentive programs in enhancing SACCOS performance depends on the prevailing institutional culture, highlighting the need for organizations to foster a supportive and goal-oriented work environment.

Figure 1: Conceptual Framework

Independent Variable Moderating Variable Dependent Variable



Source: Researcher’s extract from literature, 2024

METHODOLOGY

This research was conducted in the Dar es Salaam region; the population of the study was all registered SACCOS in Dar es Salaam. According to the

Tanzania Cooperative Development Commission report of 2023, the registered SACCOS in the Dar es Salaam region were 517. The study used simple random sampling and purposive sampling methods.

The researcher used Daniel's (1999) formula to calculate the sample size which was 143 out of the population of 517 registered SACCOS in the region. Other researchers adopted this formula in their studies such as Ofei et al. (2020) and Barpanda & Bontis (2021). The researcher adopted positivist philosophy which can produce knowledge since it is associated with empirical testing (Trochim et al., 2020). It assumes that truth exists independently and shows evidence obtained from the research questions being addressed (Bell et al., 2019). Explanatory design was considered appropriate for gathering data as it allowed the collection of quantitative data, which were analyzed quantitatively using descriptive statistics for a given population. Data was analysed by using Statistical Package for Social Sciences version 26 (IBM SPSS), the researcher used the multiple regression model. Reliability was tested through Cronbach's alpha where a Cronbach's alpha coefficient of 0.70 was considered a cut-off and the level of agreement with the statement given in the construct under this study was the weighted mean of 3.5 or above, which is also supported by Nassar *et al.* (2021). The following formula by Daniel (1999) was used to calculate sample size:

$$n = (z^2 * p * (1-p) / e^2) / (1 + (z^2 * p * (1-p) / (e^2 * N)))$$

Where $z=1.96$ for a confidence level (α) of 95%, p = proportion (expressed as a decimal), N =population size, e =margin of error.

The study used a structured questionnaire with closed-ended questions designed for respondents in the human resource department for primary data and it was distributed both online and hand-delivered. Secondary data was collected from the office of the Regional Assistant Cooperative Officer in the Dar es Salaam region mainly (TCDC 2022) annual report. The procedure for error check involves frequency distribution, descriptive statistics and visual inspection. The second step was to check for missing variables and the objective was to identify variables with missing data and determine how to handle them. The coding process was handled by assigning numerical or categorical codes for easier analysis. The following process was to enter data in IBM SPSS for analysis, and the last process was to clean the data to prepare the dataset by correcting errors, addressing missing data and ensuring its consistency. Data analysis was conducted by using IBM SPSS Software Version 26. Multiple linear regression analysis, descriptive statistics and hierarchical linear regressions were employed to show the data analysis and presentation.

RESULTS

The findings obtained in Table 1 support the relationship between incentive and performance of SACCOS ($b=0.597$, $P<0.001$). Thus, the researcher assumes that there is a lot of competition from others, so, without incentive, it would be difficult for the employees to have the courage to work hard to achieve the performance of SACCOS.

Table 1: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.820 ^a	0.672	0.664	0.23301

Table 2: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T-value	P
		B	Std. Error	Beta		
1	(Constant)	0.404	0.152		2.658	0.000
	Incentive	0.469	0.048	0.597	9.764	0.000

Source: Data Analysis, 2024.

In reality, incentive had a significant effect on the performance of SACCOS with values of (b=0.469, B=0.597, P>0.001).

Table 3: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	14.323	3	4.774	87.934	.000 ^b
	Residual	7.004	129	.054		
	Total	21.326	132			

c. Dependent Variable: Performance

d. Predictors: (Constant), Incentive

Source: Data Analysis, 2024

DISCUSSION

The findings obtained from this study support the relationship between incentive and performance of SACCOS. The sample for the study was drawn from the Dar es Salaam region, where there are many SACCOS compared to other regions in the country. Thus, the researcher assumes a lot of competition therefore without incentive to the employees it will be difficult for them to be encouraged to work hard to achieve their targets thus increasing the performance of SACCOS. The findings were consistent with the findings from other researchers, such as Raiji and Lumwagi (2022) who found that incentives have increased the performance of SACCOS due to the fact that individuals in the SACCOS are motivated by different things some are material and others are just recognition and acceptance (Messabia et al., 2023). The study done by Ofei et al., (2020) on the impact of incentives on organisation performance in Nigeria also revealed that incentive has a positive effect on the performance of SACCOS. This evidence is supported by researchers like Jillo et al. (2023) and Mmary & Thinyane (2019) that incentives in most organizations tend to make individual employees dedicate most of their time to make sure things are done in the right way and that directly contribute the general performance of the SACCOS.

CONCLUSION AND RECOMMENDATIONS

Conclusion

The study demonstrates that incentives have a positive impact on the performance of SACCOS. These practices contribute to improving employee productivity enhanced service delivery and overall organizational efficiency. However, when moderation variables culture is considered the result indicated that culture has a positive and significant effect on the performance of SACCOS. This suggests that fostering a strong organisational culture aligned with the goals and values of SACCOS can further enhance its effectiveness. Therefore, in addition to strengthening incentives, SACCOS should prioritize cultivating a positive organizational culture to drive performance and sustainability. The findings of this study have a significant contribution to academic literature as many other scholars have not explored the moderation effect of institutional factors culture to link with incentive and performance of SACCOS because previous studies focused on the performance of SACCOS without concentrating on the moderation role of institutional factor culture (Alserhan et al., 2020; Barpanda; Bontis 2021).

Recommendation

The Government of Tanzania's intervention is recommended to ensure all SACCOS through the Tanzania Cooperative Development Commission adopt the policy of implementing staff incentives to

realize the performance of SACCOS in terms of increase in capital, portfolio, members and retention of employees. The Board and Management of SACCOS could ensure that staff incentive in their SACCOS is the main tool for the SACCOS to perform well.

REFERENCES

- Alshalan, Z. (2021). *The role of human resource management in the development of SACCOS*. [PhD thesis] University of Tunis.
- Barpanda, S., & Bontis, N. (2021). Human resource management practices and performance in microfinance organizations: Do intellectual capital components matter? *Knowledge and Process Management*, 28(3), 209-222.
- Bell, E., Bryman, A., & Harley, B. (2022). *Business research methods*. Oxford University Press. United Kingdom
- Danga, I. A., & Barminas, Y. O. (2023). Influence of leadership style on organisational performance of private nursery and primary schools in Billiri Iga, Gombe State, Nigeria. *billiri journal of multidisciplinary research*, 1(1), 1-10.
- Daniel, W.W. (1999). *Biostatistics: A foundation for Analysis in the Health Sciences*. 7th edition. New York: John Wiley & Sons.
- Daudi, A., & Mbugua, D. (2018). Effect of strategic management practices on performance of transport SACCOS in Nairobi County, Kenya. *International Journal of Social Sciences and Information Technology*, 4(0), 37-60.
- DiMaggio, P. J., & Powell, W. (1983). The iron cage revised? institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48(5), 147-160.
- Elijah, O. B. (2023). Interest rate drivers and financial performance of deposit taking saving and credit co-operative societies in Kenya. *Journal of Business Perspective*, 94(8), 203-217.
- Etefa, E.D. (2022). *Effect of human resources management practice on the performance of Cooperative Bank of Oromia, Ethiopia Doctoral thesis in leadership* [Doctoral Thesis], Addis Ababa University.
- Eyupoglu, S.Z., & Tashtoush, L. (2020). The Relationship between human resource management practices and organizational citizenship behaviour. *South African Journal of Business Management*, 51(1), 48-53.
- Gulzar, R. (2019). A study on human resource management practices and its impact on organizational performance in private sector banks in Kashmir District. *Journal of Business Administration and Education*, 11(2).
- Herzberg, F., Mausner, B. & Snyderman, B. (1959). *The motivation to work* 2nd ed. John Wiley New York.
- Jacob, G. J. (2023). *Factors Influencing the Financial Sustainability of Savings and Credit Co-operative Societies in Tanzania* (Doctoral dissertation, The Open University of Tanzania).
- Japhet, G. J., & Magali, J. Monetary Staff Motivation, Agency Roles and The Performance of Arusha Road KKKT Savings and Credits Society
- Jillo, S. A., Rintari, N., Moguche, A. (2023). Determining the effect of process innovation on financial performance of deposit-taking saving and credit cooperative societies in Laikipia County, Kenya. *International Journal of Finance*. 4(2), 82-94
- Kabue, L.W., Kilika, J. M., & Waithaka, P. M. (2023). Social capital resource attributes affecting performance in deposit-taking saving and credit cooperative in Kenya. *Economic and Business Quarterly Reviews*, 6(2), 76-92.

- Magashi, C., Sam, A., Agbinya, J., & Mbelwa, J. (2023). Indicative factors for SACCOs failure in Tanzania. *Engineering, Technology & Applied Science Research*, 13(4), 11177-11181.
- Mashenene, R. (2021). Performance of rural and urban women-owned small and Medium enterprises in Tanzania: Do socio-cultural factors matter? *Journal of Co-operative and Business Studies* 5(1), 73-84
- Messabia, N., Beauvoir, E., & Kooli, C. (2023). Governance and management of a savings and credit cooperative: the successful example of Haitian SACCO. *Journal of Business Perspective*, 27(2), 397-409.
- Mlawa, K. (2021). Recruitment methods: Meaning, differences and significances. *International Journal of Human Resources Management*, 9(1), 123-154.
- Mmari, F. W., & Kapaya, S. M. (2022). Financial service access and agriculture commercialization of smallholder rice growers in Kilombero District: The moderating role of institutional cultural cognitive. *International Journal of Research in Business and Social Science* (2147-4478), 11(8), 409-418
- Mmary, G. A., & Thinyane, I. C., (2019). Analysis of factors influencing financial performance of saving and credit cooperative societies in Lesotho: Evidence from Maseru District. *International Journal of Financial Research*, 10(2) 121-136.
- Muithya, V., & Muathe, S. (2020). Dynamic Capabilities and performance in the context of Microfinance institutions in Kenya: An Exploratory study. *Journal of Business, Economics and Management Works*, 7(08), 15-29
- Mwita, K. M. M. (2024). The Impact of Training on Organisational Performance: Empirical Evidence from Savings and Credit Co-operative Societies (SACCOS) in Tanzania. *Journal of Co-operative and Business Studies (JCBS)*, 8(1).
- Ofei, E. F., Asante, C. R., & Andoh-Owusu, M. (2020). Assessing the Moderating Effect of Government Policy in the Relationship between Internal Control Environment and Financial Performance of Banks in Ghana.
- Owino, O. B. (2019). The effect of custom and excise duties on economic growth in Kenya. *International Journal of Scientific and Research Publications*, 9(1), 530-546.
- Raiji, R.M., & Lumwagi, N. A. (2022). Influence of staff recruitment and development on the performance of SACCOs in Meru County, Kenya. *International Journal of Business Management, Entrepreneurship and Innovation*, 4(3), 29-38.
- Rauben, M. (2023). Motivation and employees' job satisfaction in the local government: a case study of Kamwenge district, Uganda.
- Reimara, V. (2021). Going beyond to deliver hospitality: Exploring motivation and job satisfaction of hospital worker in Dubai. *International Journal of Organization Analysis*, 7(4), 98-105
- Tanzania Cooperative Development Commission, annual report. (2024)
- Trochim, W., Donnelly, J. P., & Arora, K. (2020). Factors affecting liquidity risk management practices in microfinance institutions. *Journal of Economic and Sustainable Development*, 6(4), 78-90.