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EFFECT OF FINANCIAL MANAGEMENT PRACTICES ON SURVIVAL OF SAVINGS AND THRIFT COOPERATIVE SOCIETIES IN MAKURDI METROPOLIS

By

James Tersoo TSETIM[1]**
Corresponding email: jamesttsetim8@gmail.com
1**: Department of Business Administration, JS Tarka University Makurdi, Nigeria.

Hambadoon DIAKA[2]
hdiaka@yahoo.com
2: Department of Business Management, Benue State University Makurdi, Nigeria.

Jude Afebgbokhai UGWI[3]
gbokhai@gmail.com
3: DAAR Communications Abuja, Nigeria.

Abstract
This study was carried out to examine the effect of financial management practices on survival of savings and thrift cooperative societies in Makurdi metropolis in Nigeria. The study specifically examined the effect of budgeting, cash management and credit risk management on competitiveness and adaptability of savings and thrift cooperative societies in Makurdi metropolis. The population of the study included 2066 members of 7 savings and thrift cooperative societies considered for the study in Makurdi metropolis. A sample size of 369 was determined using Taro Yamene's formula for sample size determination. The study adopted a cross-sectional survey design and a Four-point Likert like scale of close-ended questionnaire was used for data collection. Descriptive statistics such as simple percentages, means and standard deviation were used for data presentation while regression analysis was used for data analysis and test of hypotheses. Data collected from participants were analyzed with the aid of the Statistical Package for Social Sciences (SPSS version 23). Findings of the study indicated that budgeting, cash management and credit risk management have positive and significant effect on competitiveness and adaptability of savings and thrift cooperative societies in Makurdi metropolis. Hence the study concluded that integrating financial management practices is expected to highly improve the cooperatives chances for survival. It is recommended that cooperative societies should evaluate their structures before adopting financial management practices in order to ensure that practices adopted are well suited for that particular cooperative society as they differ in capital structure.

Keywords: Budgeting, Cash Management, Credit Risk Management, Competitiveness, Adaptability

INTRODUCTION

Ever since the outbreak of Covid-19 and its attendant effect on nations' economies, survival has been the primary goal or objective of every cooperative society. Cooperative societies strive for survival and continuity, while seeking relevance, trust and patronage from stakeholders (Adewale, Abolaji & Kolade, 2011). Bamidele, Adigun, Folayan and Ibrahim (2018) posit that survival of savings and thrift cooperative societies is contained in their goals which signify the relevance of survival to cooperative societies. Survival concept is an unwritten law of every savings and thrift cooperative society and when they survived, without doubt, there will be available saving deposits to convert to loans and the savings and thrift cooperative society will be in continuous operations (Okoisama & Amah, 2019). Because savings and thrift cooperative societies convert immediately available savings deposits into loans with longer maturities with an absolute expectation of safety and repayment into credit risky loans to members, survival has been an expedient factor for organization's interest (John, Micheal & Cassiu, 2017).

Organizational survival can be looked at, as the firm's ability to achieve sustainable growth, which leads to eventual superior performance (Onyango, Nambuswa & Namusonge 2020). Cunningham (2016) declared that organizational survival portrays the capacity or the probability of the firm to continue in existence, notwithstanding the difficulties faced in the business condition. This depiction suggests that for a firm to survive it must exhibit its capacity to ceaselessly meet with the requests of its market as a rule described with persistent change in demand and taste, and in addition meet with requests of investors, partners and government (Kpakol & Gabriel, 2015).

As indicated by Osibanjo, Abiodun and Obamiro (2011), organizational survival must be sought after by each firm that is desirous of remaining longer in the market, and accordingly should embrace methodologies that guarantee their persistent presence in the market. The absence of mindfulness and utilization of satisfactory methodologies to guarantee organizational survival, have kept on expanding the quantity of business failure throughout the world (Akanyi, 2015; Lekhanya, 2016). Gabriel and Arbolo (2015) stated that eight out of each ten new businesses don't make it after the initial two years. This high rate of business failure was significantly ascribed to factors internal and external to the business condition which some business people neglect to manage (Enejeta (2017).

Survival must be sought after by each organisation that are desirous of remaining longer in operation and accordingly embrace financial management practices that guarantee their persistent presence in the market (Kengatharan & Yogendrarajah, 2017). Accordingly, for organizations to continue in existence (survive), notwithstanding the difficulties faced by businesses, prudent financial management practices must be upheld (Adegbie & Alawode, 2020). For savings and thrift cooperative societies to perform and achieve their objectives, they should be prudent in financial management (Kpakol & Gabriel, 2015). Financial management in a savings and thrift cooperative societies goes beyond bookkeeping or accounting aspect only, but widely covers aspect of resources management with diverse techniques (Tonui & Otinga, 2019).

Savings and thrift cooperative societies must ensure that their financial management practices are such that can mitigate the risks they are exposed to since failure to do so will affect their objective which is primarily availing savings and credit to owners in the most efficient way possible (Kariuki, 2017). Survival of savings and thrift cooperative societies is greatly influenced by their financial management practices since their gross source of income is generated from members' deposits and interest on issue of loans to members (Mugo, Muathe & Waithaka, 2019).

Trends of research over the years indicated that business survival is accomplished through sustained learning and building versatile capacity, coming from the firm's inclination for sustained adjustment to changes, seen and unanticipated, in the internal and external environment (Olughor & Oke, 2014; Kpakol & Gabriel, 2015; Cunningham; 2016; Akhigbe & Shedrack, 2017). A comparable view was shared by Odunayo (2018), contended that organizational survival ought to depict how the corporate performance is successful and effective as far as gainfulness, development, deals boost, cost minimization and general efficiency. The author contended, further advancement, innovativeness, interest in innovative work act extraordinary job in the survival of the firm.

Contemporary researchers advanced that organizational survival is hinged on adoptability (Akhigbe & Shedrack, 2017), situation awareness (Jaja, Gabriel & Wobodo, 2019) and competiveness (Okoisama & Amah, 2019). Adaptability has to do with a means by which the organization progresses from side to side of its social economic improvement stage and blend with all stages and situations till long-standing survival and enlargement is sustained (Akhigbe & Shedrack, 2017). Situation awareness is the propensity of an organization to know what is going on within its operating environment as well as understanding the usefulness of such information to them in the current situation and in the future (Jaja, Gabriel & Wobodo, 2019). Competiveness is exhibited when an organisation makes some moves or procures some benefits that place the organization in a superior position over its rivals (Okoisama & Amah, 2019).

Extant literature shows trend of research on organizational survival in various directions. Jaja, Gabriel and Wobodo (2019) proved that organizational survival is only possible in a climate of environmental awareness and swift responses and adaptation to isomorphic dictates. They stated that organizational survival in a turbulent and changing environment is tied to understanding and swift response to isomorphic processes as they emerge. Akhigbe and Shedrack (2017) in the private hospital reiterated that for survival to be achieved, the positive workforce diversity strengths should be encouraged while making adequate survival plan as regards dissimilarities in the workplace. Research by Okoisama and Amah (2019) in the hotel industry revealed that sustaining organizational survival is dependent on the organization's pro-activeness. Erengwa, Nwuche and Anyanwu (2017) in their study in the manufacturing sector asserted that employee participation in terms of team work and information sharing have significant influence on organizational survival. In the tertiary education sector, Adewale, Abolaji and Kolade (2011) found that succession planning is a significant predictor of organizational survival. Amah and Okiosama (2017) focused on small and medium enterprises, their findings revealed a strong and positive relationship between risk-taking and organizational survival meaning that risk-taking ability might proportionately predict the survival a small and medium enterprise. However, despite the level of work that has been done on oganisational survival, there is dart of studies showing the relationship between financial management and organizational survival. This has necessitated more work to be done on the extent to which specific financial management practices affect organizational survival especially in savings and thrift cooperatives societies. Given this knowledge gap, our point of departure from previous studies is to empirically establish the effect of budgeting, cash management and credit risk management on survival of savings and thrift cooperative societies in societies in Makurdi, Nigeria.

Moreover, financial management in cooperative societies is concerned with ensuring funds are available when needed and that when loaned out they used in the most efficient and effective way to the benefit of the members and guarantee repayment (Aduda & Odondy, 2021). Yet experience reveals that the financial management processes of savings and thrift cooperative societies in Benue State are generally weak and dominated by conditions of resource scarcity vis-à-vis the ever increasing agenda of development activities on which such funds could be spent. This state of affair has boxed these savings and thrift cooperative societies into a dependency syndrome which is threatening the sustainability of their programmes and their survival as institutions. This has given rise to issues of delay in meeting up obligations due to mismanagement of funds that eventually threaten the survival of these savings and thrift cooperative societies. Due to the mentioned uncertainties the researcher finds the study significant since it will help find out the specific financial management practices that may eventually improve their chances at survival.

Research Objectives

The main objective of the study is to examine the effect of financial management on survival of savings and thrift cooperative societies in Makurdi metropolis. The specific objectives of study are to:

i. Examine the effect of budgeting on competiveness of savings and thrift cooperative societies in Makurdi metropolis.

ii. Examine the effect of cash management on competiveness of savings and thrift cooperative societies in Makurdi metropolis.

iii. Examine the effect of credit risk management on competiveness of savings and thrift cooperative societies in Makurdi metropolis.

iv. Examine the effect of budgeting on adoptability of savings and thrift cooperative societies in Makurdi metropolis.

v. Examine the effect of cash management on adoptability of savings and thrift cooperative societies in Makurdi metropolis.

vi. Examine the effect of credit risk management on adoptability of savings and thrift cooperative societies in Makurdi metropolis.

Hypotheses of the Study

In line with the set research objectives, the following hypotheses are set in a null form:

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i. Budgeting has no significant effect on competiveness of savings and thrift cooperative societies in Makurdi metropolis.

ii. Cash management has no significant effect on competiveness of savings and thrift cooperative societies in Makurdi metropolis.

iii. Credit risk management has no significant effect on savings and thrift cooperative societies in Makurdi metropolis.

iv. Budgeting has no significant effect on adoptability of savings and thrift cooperative societies in Makurdi metropolis.

v. Cash management has no significant effect on savings and thrift cooperative societies in Makurdi metropolis.

vi. Credit risk management has no significant effect on savings and thrift cooperative societies in Makurdi metropolis

Conceptual Framework

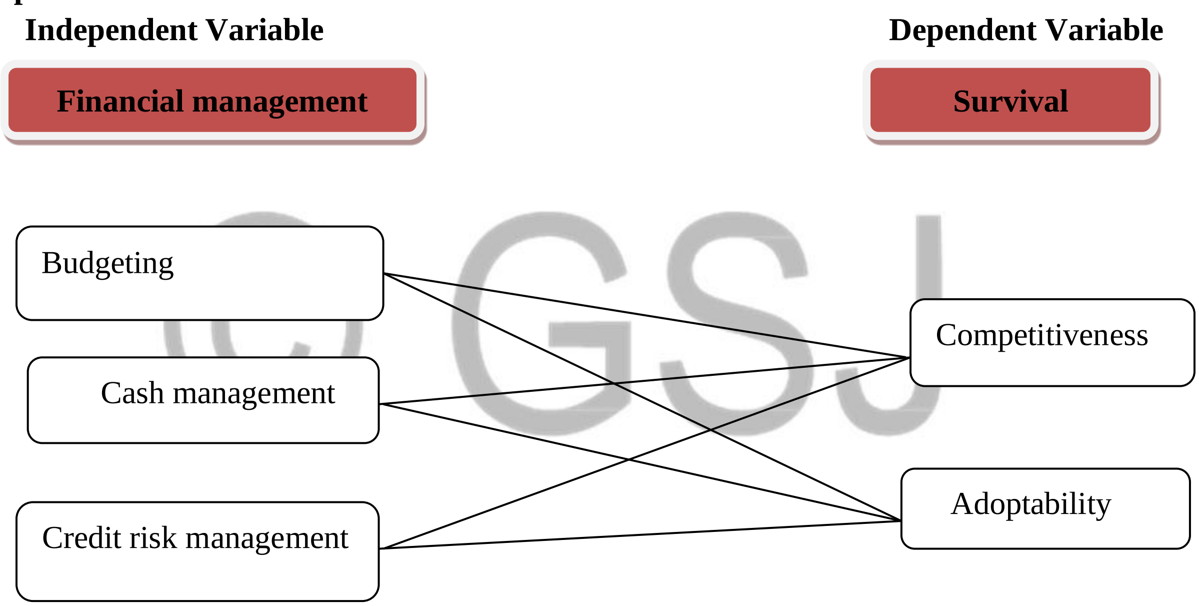

Fig.1: conceptual framework

METHODOLOGY

The study adopted the survey design. The population of the study was made up 1489 members of the seven (7) selected cooperative societies in Makurdi metropolis in Benue State, Nigeria as presented in Table 1. The sample size of 335 was arrived at using Taro Yamane's formula. The sample size of 335 was adjusted to 369 (10% of 335 is added to the original sample size) in order to provide a non-response bias. Buffer margin is added in order to account for unreturned copies of the questionnaire so as to ensure the minimum sample size is attained.

Table 1: Population Breakdown

S/N	**Name of cooperative societies**	**Members**
1	Benue State University Makurdi Thrift & Cooperative Society	912

2	JS Tarka University Makurdi Staff Multipurpose Cooperative Society	832
3	G21 Savings and Loans Cooperative Society Ltd	47
4	Progress Thrift and Loans Multipurpose Cooperative Society Ltd	34
5	New Life Microfinance Cooperative Society Ltd	123
6	Home Base Multipurpose Cooperative Society Ltd	51
7	Torkwase Thrift & Loans Cooperative Society Ltd	67
	Total	**2066**

Source: Study organizations, 2022.

The data for this research were gathered from the primary source through questionnaire administration. The study is anchored on two major variables; the independent variable (financial management) and the dependent variable (organizational survival). The independent variable is measured in terms of budgeting, cash management and credit risk management:

Budgeting: is the process of allocating an organization's financial resources to its units, activities and investments.

Cash management: is the handling of cash flows internally within a firm, cash flow in and out of the firm and the cash balances held in the firm at a time.

Credit risk management: refers to the systems, controls and procedures, instituted by companies and expected to ensure efficiency in the collection of payments from customers and thereby reducing the likelihood of non-payment

The dependent variables (organizational survival) on the other hand is measured based on adoptability and competitiveness:

Adaptability: has to do with a means by which the organization progresses from side to side of its social economic improvement stage and blend with all stages and situations till long-standing survival and enlargement is sustained.

Competiveness: is exhibited when an organisation makes some moves or procures some benefits that place the organization in a superior position over its rivals

The study adopted the financial management measurement instrument used by Onyango et al (2020). The instrument measures 15 competencies organized into three clusters: 4 items measure budgeting, 6 items measure cash management and 5 items measure credit risk management. This instrument was adopted because it covers significant grounds and is congruent with the dimensions of financial management practices adopted in the present study. Organizational survival was adopted from Okoisama and Amah (2019). This instrument measured organizational survival using 7 items which were divided into two clusters; 4 items for measuring adaptability and 4 items for measuring competiveness. All questions from the two instruments were designed using a Four-point Likert Scale for measurements ranging from strongly disagree to strongly agree.

A pilot test was carried out on 1/3 of the sample size. The outcome of the pilot study as presented in Table 2 showed that the values for all the constructs were all above the threshold of 0.7. This means that all the items used in measuring financial management and organisational survival were adequate hence reliable for this study.

Table 2: Reliability Test Results

Variable/items	Loadings	Cronbach's Alpha
Budgeting		**0.872**
The organization makes periodical budget estimations	0.899	
Our cooperative undertakes proper budgets prior to any transaction	0.873	
The cooperative society presents annual financial statements	0.847	
The cooperative society makes activity based budgeting	0.868	
Cash management		**0.708**
The cooperative society matches payments of cash to cash receipt	0.825	
The cooperative society has set aside specific periods to evaluate member cash requirements and developed stringent policies on cash holding	0.854	
Our cooperative's policies ensure that approved loans are honoured	0.838	
The cooperative society does not hold more cash than its cash requirements and earns optimal interest from its cash investments	0.772	
Our cooperative matches cash investment with its cash requirements and enjoys all possible discounts because of paying debts on time	0.855	
Our cooperative carries out regular independent checks on staff handling cash and are done periodically and maintains a buffer cash balance	0.873	
Credit Risk Management		**0.828**
The cooperative society puts in place Risk avoidance policies	0.829	
The cooperative society has in place Risk transfer policies	0.803	
The cooperative society has in place Risk acceptance policies	0.827	
The cooperative society has in check Risk diversification strategies	0.814	
There are strategies adopted for loss reduction/prevention	0.866	
Adaptability		**0.829**
The cooperative has the capacity to incorporate members' commitment	0.755	
We accept the obligation of building cooperative with our contributions.	0.859	
Our members identify with solid administration and a culture which empowers clear correspondence.	0.848	
We share a mutual vision over the organisation	0.852	
Competitiveness		**0.821**
The cooperative society have been making efforts to procure some benefit that place the organization in a superior position over its rivals	0.818	
The cooperative society do benchmark activities of rival organizations and improve on it.	0.840	

There are other cooperatives within my reach but I prefer this one to all others.	0.805

Source: SPSS Output of Researcher's Computation**,** (2022)

Data were then analyzed using regression analysis to determine the extent of effect of financial management practices or organizational survival. Data analysis was done using Statistical Package for Social Sciences version 23.

Thus, the explicit form of the regression models for this study is as follows:

$$\text{COMP} = \alpha + \beta 1(Budgt) + \beta 2\ (Cmgt) + \beta 3\ (CRmgt) + \varepsilon \qquad (1)$$

$$\text{ADPT} = \alpha + Q1(Bugt) + Q2\ (Cmgt) + Q3\ (Crmgt) + \varepsilon \qquad (2)$$

where:

COMP= Competitiveness

ADPT= Adaptability

Budgt= Budgeting

Cmgt= Cash management

CRmgt= Credit risk management

α = Intercept of the Model (constant)

$\beta_1$to β_3;Q_1 to Q_3= Parameters of Bugt, Cmgt, CRmgt respectively

ε = error term

DATA ANALYSIS AND DISCUSSION

Regression Analysis

This section presents the regression analysis of the two models used in the study.

Table 3: Regression Result for the Effect of Financial Management on Competitiveness

Obs	369		
R^2	0.706		
Sig	0.000		
DW	2.006		
Variable	**Coefficient**	**t-value**	**Sig**
Cons	1.436	4.587	0.000
Budgt	0.232	2.042	0.008
Cmgt	0.159	3.965	0.000
CRmgt	0.535	3.583	0.004

Source: SPSS Output, 2022**.**

Table 3 presents the result of the effect of financial management practices on competitiveness of savings and thrift cooperative societies in Makurdi metropolis. It reveals that, R^2 which is the co-efficient of determination is 0.706 and this implies that financial management accounts for 70.6% of variations in the competitiveness of savings and thrift cooperative societies in Makurdi metropolis while 29.4% of the variations in competitiveness are accounted for by factors outside this study. This means that financial management accounts for most of the variations in the competitiveness of savings and thrift cooperative societies in Makurdi metropolis. A significance value of 0.000 shows that the regression model used in the study is fit since it is less than 0.05. The Durbin Watson (DW) statistic value of 2.006 suggests the absence of autocorrelation among the residuals of the independent variables used in the study.

The coefficient of budgeting is 0.232. This means that, if budgeting is improved by one unit, competitiveness will improve by 0.232 (23.2%). This implies that budgeting has the ability to enhance the competitiveness of savings and thrift cooperative societies in Makurdi metropolis. For cash management, a coefficient value of 0.159 means if cash management improves by one unit, competitiveness will also be enhanced by 0.159 (15.9%). This implies that cash management has the potentials of improving the competitiveness of savings and thrift cooperative societies in Makurdi metropolis. On the other hand, a unit increase in credit risk management will result to 0.535 increases in the competitiveness of savings and thrift cooperative societies in Makurdi metropolis. This implies that, credit risk management can lead to improvement in the competitiveness of savings and thrift cooperative societies in Makurdi metropolis. However, if financial management practices are held constant, competitiveness will increase by 1.436 units (143.6%). This may mean that other factors aside from financial management collectively causes majority of the changes in the competitiveness of savings and thrift cooperative societies in Makurdi metropolis.

Table 4: Regression Result for Effect of Financial Management on Adaptability

Obs	369		
R^2	0.652		
Sig	0.003		
DW	2.040		
Variable	**Coefficient**	**t-value**	**Sig**
Cons	3.940	9.903	0.000
Budgt	0.933	2.848	0.007
Cmgt	0.515	3.295	0.008
CRmgt	0.103	3.712	0.000

Source: SPSS Output, 2022**.**

Table 4 presents the result of the effect of financial management on adoptability of savings and thrift cooperative societies in Makurdi metropolis. It reveals that, R^2 which is the co-efficient of determination is 0.652 and implies that financial management accounts for 65.2% of variations in adoptability of savings and thrift cooperative societies in Makurdi metropolis while 34.8% of the variations in adoptability are accounted for by factors outside this study. This means that financial management accounts for most of the variations in the adoptability of savings and thrift cooperative societies in Makurdi metropolis. A significance value of 0.003 shows that the regression model used in the study is fit since it is less than 0.05. The Durbin Watson (BW) statistic value of 2.040 suggests the absence of autocorrelation among the residuals of the independent variables used in the study.

The coefficient of budgeting is 0.933. This means that, if budgeting is improved by one unit, employee efficiency will improve by 0.933 (93.3%). This implies that budgeting has the ability to enhance the employee adoptability of savings and thrift cooperative societies in Makurdi metropolis. For cash management, a coefficient value of 0.515 means if cash management improves by one unit, adoptability will also be enhanced by 0.515 (51.5%). This implies that cash management has the potentials of improving the adoptability of savings and thrift cooperative societies in Makurdi metropolis. On the other hand, a unit increase in credit risk management will result to 0.103 increases in adoptability of savings and thrift cooperative societies in Makurdi metropolis. This implies that, credit risk management can lead to improvement in the adoptability of savings and thrift cooperative societies in Makurdi metropolis. However, if financial management is held constant, adoptability will increase by 3.940 units (394%). This may mean that other factors aside from financial management collectively causes majority of the changes in the adoptability of savings and thrift cooperative societies in Makurdi metropolis.

Test of Hypotheses

This section of the study tests the research hypotheses earlier stated in chapter one in their null forms.

$H0_1$: Budgeting has no significant effect on competitiveness of savings and thrift cooperative societies in Makurdi metropolis.

The result from Table 3 is used to test this hypothesis. From the table, the sig value is 0.008 which is less than 0.05. This means that the null hypothesis is rejected and the alternative accepted that work budgeting has significant effect on competitiveness of savings and thrift cooperative societies in Makurdi metropolis.

$H0_2$: Cash managementhas no significant effect on competitiveness of savings and thrift cooperative societies in Makurdi metropolis.

The result contained from table 3 is used to test this hypothesis. From the table, the sig value is 0.000 which is less than 0.05. This means that the null hypothesis is rejected and alternative hypothesis accepted that cash managementhas significant effect on competitiveness of savings and thrift cooperative societies in Makurdi metropolis.

H0$_3$. Credit risk managementhas no significant effect on competitiveness of savings and thrift cooperative societies in Makurdi metropolis.

The result contained from table 3 is used to test this hypothesis. From the table, the sig value is 0.004 which is less than 0.05. This means that the null hypothesis is rejected and the alternative accepted that credit risk management has significant effect on competitiveness of savings and thrift cooperative societies in Makurdi metropolis.

H0$_4$: Budgeting has no significant effect on adoptability of savings and thrift cooperative societies in Makurdi metropolis.

The result from table 4 is used to test this hypothesis. From the table, the sig value is 0.007 which is less than 0.05. This means that the null hypothesis is rejected and the alternative accepted that budgeting has significant effect on adoptability of savings and thrift cooperative societies in Makurdi metropolis.

H0$_5$: Cash managementhas no significant effect on adoptability of savings and thrift cooperative societies in Makurdi metropolis.

The result contained from table 4 is used to test this hypothesis. From the table, the sig value is 0.008 which is less than 0.05. This means that the null hypothesis is rejected and alternative hypothesis accepted that cash management has significant effect on adoptability of savings and thrift cooperative societies in Makurdi metropolis.

H0$_6$. Credit risk management has no significant effect on adoptability of savings and thrift cooperative societies in Makurdi metropolis.

The result contained from table 4 is used to test this hypothesis. From the table, the sig value is 0.000 which is less than 0.05. This means that the null hypothesis is rejected and the alternative accepted that credit risk management has significant effect on adoptability of savings and thrift cooperative societies in Makurdi metropolis.

Discussion of Findings

The findings of this study are discussed in line with the study objectives. However, it is difficult to discuss the findings of this study variable by variable as per the objectives since the studies conducted in this area were not specifically in line with the way this study variables were derived. Sequel to this, an aggregated discussion of findings into three main themes is done as follows:

Effect of budgeting on organizational survival

The regression result of the effect of financial management on survival of savings and thrift cooperative societies (competitiveness and adoptability) shows that it has positive (0.232 and 0.933 respectively) and significant (0.008 and 0.007 respectively) effect on organizational survival. This implies that budgeting has the ability to enhance both competitiveness and adoptability of savings and thrift cooperative societies in Makurdi metropolis. This result is in line with the work of Adegbie and Olawode (2020) whose analysis revealed that proxies of financial management practices such as annual budget process has a significant positive effect on profitability and survival of Small and Medium Scale poultry industry in Nigeria. The significance level reported in this study implies the necessity of having good budget in the organizational processes that will facilitate smooth discharge of the cooperatives' mandate to its teeming members. The significance level reported in the poultry industry further underscores importance of budgeting to other organizations aside from thrift and savings cooperative societies.

Effect of cash management on organizational survival

The analysis of the effect of cash management on organizational survival (competitiveness and adoptability) shows that the effect on savings and thrift cooperative societies in Makurdi metropolis is positive (0.159 and 0.515 respectively) and significant (0.000 and 0.008 respectively). This result is in consonance with the study carried out by Njeri (2021) that established a significant effect of credit management on financial performance of Dairy cooperatives in Kisii, Nyamira, Bomet and Kericho Counties, Kenya. This explains why most businesses have introduced new strategies of for cash management not just in the savings and thrift cooperative societies in Makurdi metropolis but in other sectors as well.

Effect of credit risk management on organizational survival

The result of this study has shown that credit risk management has a significant (0.004 and 0.000 respectively) and positive (0.535 and 0.103 respectively) effect on organizational survival (competitiveness and adoptability) of the savings and thrift cooperative societies in Makurdi metropolis. This result is in line with the study conducted by Onyango, Nambuswa and Namusonge (2020) which indicated that an increase in credit risk management would in turn increase performance of savings and credit cooperative societies significantly. The result suggests that, credit risk management cannot only enhance organizational survival of savings and thrift cooperative societies in Makurdi metropolis also lead to significant improvement in their performance.

CONCLUSION AND RECOMMENDATION

Based on the findings, the study concludes that financial management practices have strong positive relationship with survival of savings and thrift cooperative societies in Makurdi metropolis. The various financial management dimensions under consideration are concluded to have positive and significant effect on competitiveness and adaptability of savings and thrift cooperative societies in Makurdi metropolis. Hence integrating financial management practices is expected to highly improve the cooperatives chances for survival. It is recommended that cooperative societies should evaluate their structures before adopting financial management practices in order to ensure that practices adopted are well suited for that particular cooperative society as they differ in capital structure.

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