Cooperative Financial Institutions in South Africa at Cross Roads: Facing Reality and the Future

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ABSTRACT

The stature of Cooperative Financial Institutions (CFIs) has captured the attention of many stakeholders as they proved to be resilient to the global financial crisis with their total assets and membership on the increase. This global cooperative movement is different from what is being witnessed in South Africa as the sector seem to be at crossroads. This study investigates the drivers and inhibitors performance in South Africa's CFIs by employing the Delphi method combined with SWOT analysis to gather experts' opinion to formulate informed strategic direction. Many issues were generated by our 36 experts over four rounds. The sector seems to be suffering more from internal challenges than external. Our experts managed to forecast 22 future developments that need to be implemented to move the sector forward. Six areas for strategy intervention are within the control or influence of the sector identified as technology, people, marketing, culture shift, environment and policy. As a result, this study presents a CFIs performance ecosystem that contributes to the scholarly knowledge by identifying key drivers, inhibitors to performance and growth strategies to achieve high-performance growth into the future.

Key words: Delphi method, SWOT analysis, Forecasting, Cooperative Financial Institutions, Performance Drivers, Strategy, South Africa

JEL: D6, D7, D24, G2, G21, O33

1. INTRODUCTION

The recent global financial crisis has left policymakers confused on how financial development can support future sustainable economic development without harming the economy at some point. Policymakers are worried as investor-owned banks which are privately owned are becoming a public burden on their death, as governments are forced to bail them out using public funds as witnessed during the recent global financial crisis (Cabo & Rebelo, 2012). Quite a number of studies have started looking at how cooperative financial institutions (CFIs) also known as credit unions performed during the recent global financial crisis compared to investor-owned banks (Birchall, 2009; Birchall, 2013; Kuc & Teply, 2015; Becchetti, Ciciretti & Paolantonio, 2016). According to Crear (2009) not a single financial cooperative, anywhere in the world has received government recapitalization as a result of the global financial crisis as they remain resilient and well capitalized. At the same time, statistics from the World Council of Credit Unions (WOCCU, 2015) are showing that credit unions total assets are amounting to $1,8 trillion and serving 223 million members in 2015 up from $1,2 trillion and 177 million in 2007 respectively. Such resilience and performance has attracted the interest of policymakers to put in place policies and structures that facilitates their formation for sustainable social change, and South Africa is not left behind. In 2007, the government passed the Cooperative Banks Act and the subsequent formation of the Cooperative Banks Development Agency (CBDA) in 2009 with a mandate to specifically regulate, supervise and develop CFIs. According to Arun (2005), appropriate country specificities regulatory framework is necessary to support sustainable delivery of financial services.

Specifically, the present study sought to answer the following questions: What are the deterministic drivers and inhibitors to Cooperative Financial Institutions' performance, and what future developments will drive high performance growth of CFIs? To answer these questions, this study used the classical Delphi method to get some opinion from a panel of experts working in or with financial cooperatives. The major objectives are to properly understand the qualitative drivers and hindrances of financial cooperatives' performance and through the SWOT analysis to understand present internal and external forces determining performance. Secondly, is to enable forecast future developments that will need to happen in the cooperative finance industry to drive high performance in the next 10 years and help suggest some strategies. A futures perspective was selected, as it is the future that remains uncertain (Cuhls, 2003). For the forecasting, we chose a medium time period of 10 years (to 2028) for the reason that, multiple institutions choose 2030 to align their goals to the South Africa "National Development Plan 2030" (NDP) an economic and social policy (or Vision 2030) and United Nations' Sustainable Development Goals 2030. The aim of NDP is to eliminate poverty and reduce inequality by 2030 through growing an inclusive economy (NDP, 2011), hence, the need to maintain some time alignment with the national and global visions. This gives the industry a vision to build a robust inclusive financial system for social transformation, as access to finance appears to be highly correlated with poverty reduction and economic empowerment (Beck & Demirgu¨c-Kunt, 2008).

To our knowledge, there are no studies that have examined the drivers and hindrances to financial cooperative performance or try to forecast future developments that will influence growth using the Delphi method and SWOT analysis. This is our first attempt to contribute to this debate using the Delphi method which is suitable for exploratory research, theory building and forecasting involving complex, and multi-disciplinary issues in the analyses of current, new and future trends (Worrell, Gangi, & Bush, 2013). The only attempt was by Marwa and Aziakpono (2015) who used a case study mixed approach to understand what drives performance of savings and credit cooperatives (SACCOs) in Tanzania. Most studies on the Delphi method focuses more on the energy, automotive, information technology, agriculture, health, aviation, supply chain, and manufacturing industries. The contribution of CFIs towards financial wellbeing of its members and economic development of a country cannot be overlooked hence the need to understand what drivers and hinders their performance in playing their important roles.

Currently, little is understood about the drivers and inhibitors of CFI performance and their implications to the whole industry, its members, community or society, and the economy at large. A contribution to a better understanding through rigorous research is not only likely to be of value to CFI practitioners, researchers, members, and the community, but also to policymakers, regulatory authorities, and other organizations with interest in supporting quality of financial inclusion and community empowerment. Institutions that serve the marginalized, the poor or the middle class must be successful and financially sustainable, as the best way to help the poor is not to be one of them but to be successful.

The current study will unfold as follows. First, we provide an overview of the study to include the importance of CFIs in the economy. Second, we do an overview of the financial cooperative industry in South Africa. Third, we will review the literature on drivers and inhibitors of performance in CFIs. Third, we will examine the Delphi methodology in detail to include design considerations, and expert panel composition and selection. We will also examine data collection procedure including quantitative and qualitative analyses of experts' opinion. Fourth, we will provide the study findings based on the final rankings of factors by a panel of experts as well as their supporting arguments. Finally, we will conclude with implications of the findings and future research recommendations are drawn.

2. AN OVERVIEW OF THE CFI INDUSTRY IN SOUTH AFRICA

Financial cooperatives could contribute significantly in ensuring access to affordable financial services which is critical in South Africa where nearly 10 million adults are excluded from the formal financial system (FinMark Trust, 2016). In total, 77% of all adults have a bank account. However, if the social grants beneficiaries are excluded (nearly 5.1 million) only 58% of adults are banked. About 51% of adults are borrowing from various sources to supplement their limited resources. This is driven by credit from other formal (non-bank) credit providers (46%), while only 14% are borrowing from banking institutions. On the 'quality' aspect, the narrative for developmental credit is becoming the norm as only 5% are using credit for developmental reasons. Generally, savings have stagnated year-on-year. In 2016, 33% of adults were saving, with 15% saving through banks, 14% saving at non-bank institutions, 8% save with informal institutions and 11% save at home. Previous attempts to increase financial inclusion through Mzansi account an entry-level national bank account from year 2004 targeting the mass population failed, due to lack of quality of access to finance (FinMark Trust, 2013). This was confirmed by Kostov, Arun, & Annim (2015) that Mzansi account is perceived not meeting the aspirations of individuals aiming to climb up the financial services ladder.

However, despite the importance placed on CFIs to address financial market failures in the economy through increasing alternative inclusive financial institutions seem to be like failing. Current CFIs penetration rate in South Africa is 0.1% compared to Kenya (21.3%), Togo (28.2), Australia (27%), Canada (44%), United States (48.8%) and Ireland (77%) (WOCCU, 2015). Over the recent years, there is a dip in number of South Africa CFIs and membership from 121 and 59,394 in 2011 to 26 and 24,722 in 2015 respectively (CBDA, 2015). However, the decrease in CFIs can be partly explained by the setting of the minimum membership and increase in membership share capital contribution to 200 and R100 000 respectively by the CBDA forcing weak entities out of the market. This puts to question; on whether the South Africa sector has reached the crossroads despite the global financial cooperative movement coming out of the global financial crisis stronger and unscratched or does it still have a future?

3. LITERATURE REVIEW

3.1 The Theoretical Framework

CFIs are usually referred to as financial cooperatives or credit unions in Latin America, UK and USA. CFIs places a strong emphasis on building social capital and empowering their members and the local community they are based (Frame, Karels, & McClatchey, 2002; McKillop & Wilson, 2015; Périlleux & Szafarz, 2015). They play a crucial role in the socio-economic transformation by bridging the financial exclusion gap created by the traditional financial system through pooling members' savings together for on-lending to the same members. Being member-driven organizations operating in communities they are better placed to reduce informational opacity and high transaction costs which usual result in credit rationing in credit markets (Stiglitz & Weiss, 1981; Seidman, 2005; Beck & Demirgu¨c-Kunt, 2008). However, they differ from banks which aim at maximizing shareholders value at the expense of customers. CFIs have a dual objective to improve the social and economic benefits of its members. This enables its members to break the poverty trap caused by lack of economic opportunities and low productivity due to the absence of access to financial services. Since CFIs are owned and operated by members, their objective can be thought of as maximizing services provided to members. This immediately suggests that profit maximization is not an ultimate objective, since there are no non-member suppliers or customers to exploit (Fried, Lovell, & Eeckaut, 1993). The performance drivers of credit unions are targeted towards value maximization (Keating and Keating, 1975; Rubin et al., 2013), cost minimization, service maximization-whether for savers or borrowers (Smith, 1988; McGregor, 2005), and profit maximization for future sustainability (Flannery, 1974; Keating and Keating, 1975; Davis, 2001; Goddard, McKillop, & Wilson, 2014). However, it is important to understand their key performance drivers and inhibitors, and inform which strategies to implement to strengthen their existence and growth to enable economic development into the future.

3.1.1 Key drivers of financial cooperatives growth

CFIs have become a significant global phenomenon. Their major growth driver during and after the global financial crises, is their ability to withstand macroeconomic shocks to their balance sheets, therefore, wining the confidence of many people. Other push factors for CFIs formation and performance seem to be diverse. From a macroeconomic perspective, CFIs are able to help create middle classes in societies as they provide an entry to the formal financial system. The existence of a broad middle class greatly contributes to political and economic stability which is so fundamental for sustainable economic development and social transformation (Crear, 2009; Resnick, 2015; Mattes, 2015).

Societal transformation is so important in South Africa where the levels of poverty and income inequality are so huge with a GINI index of 63.4 according to the World Bank (2011) making it one of the most unequal countries in the world. Even though the country witnessed some good economic growth in the past, it was a ruthless growth which perpetuates poverty and inequality as economic opportunities remains for the few. South Africa government's social and economic policies are the major drivers of cooperative finance programs to address economic and social imbalances emanating from the Apartheid system which was designed to protect and benefit only a few. The system denied the masses the economic means through gross financial sector inefficiencies (Kirsten, 2006; Mattes, 2015). The NDP (2030) is the current economic and social policy pushing for an equitable social change through economic empowerment, making CFIs one of the various mechanisms to that realization. The corporate governance based around the one member one vote system also ensures CFIs serve common needs rather than the needs of a handful of individuals as the case with traditional banks (Davis, 2001; McKillop & Wilson, 2015; Jones & Kalmi, 2015). However, effective governance, depends heavily on the willingness of members to exercise their rights of ownership to express their views to the board of directors and to hold them accountable.

The most obvious theoretical driver of CFIs is to help overcome the financial market imperfections that perpetuate poverty by expanding and deepening access to financial services on non-exploitative terms. For many of the world's poor access to finance marks the difference between simply surviving and thriving (Périlleux & Szafarz, 2015; Beck & Demirgu¨c-Kunt, 2008). People without access to financial services have fewer opportunities to generate income, accumulate assets or build human capital. However, CFIs do not focus on just serving the poor. In fact, a CFI with mixed outreach to the poor, working poor, working class and middle class has the capacity to reach greater numbers of people living in poverty than an institution that exists to serve only the poor. The loans and deposits of the relatively wealthier members drive growth, profitability and sustainability of the institutions, enabling them to provide a range of affordable financial services to poor members while keeping costs low (Crear, 2009; McKillop, Ward, & Wilson, 2011). The fact that CFI members share the common bond helps circumvent problems of imperfect information, which are inherent in many financial transactions. CFIs' distinct borrower information advantages over banks help them reduce moral hazard (McKillop & Wilson, 2011; Seidman, 2005). However, there are some forces that limits their performance.

3.1.2 Inhibitors to financial cooperatives performance

The most advanced CFIs systems around the globe are built upon legislative frameworks that recognize their unique nurture. However, in as much as prudential regulation is necessary to bring market confidence and stability, sometimes it might be a barrier if not well administered. At their early stages of development, financial cooperatives do face some regulatory burden making compliance cost very high. This might force some to withdraw from the formal financial system to go informal as rotating savings and credit associations (ROSCAs) (FinMark Trust, 2013).

In addition, CFIs need also to exhibit the capacity, skills, and have a futuristic vision and prepare for change. Most of the drawbacks of CFIs performance are within organizations than external. Some of the inhibitors of performance range from poor outreach strategy; poor governance and risk management structures; inability to attract the right talent; low product diversification; high operating costs; and low diffusion of technology innovation in operations (Barney, 1995; Ely, 2014; Frame, Karels, & McClatchey, 2002; Goddard, McKillop, & Wilson, 2014; de Carvalho, Diaz, Neto, & Kalatzis, 2011). The major driver of performance in any organization is the right people which many cooperatives fail to appreciate by continuously relying on untrained voluntary labour. Professionalization of senior management is the first step to position a CFI as respectable brand in the community to attract all classes of membership.

Over the years, technological innovation has become the major game changer in disrupting business models' due to changes in organizations' internal or external environments. Theories have looked into the continuous diffusion of innovations in firms especially technology, on customer experience, enhancing efficiencies, costs reduction, achievement of competitive advantage, and enhancing an organization's strategic position (Bradley and Stewart, 2002; Chandio et al, 2013; Chandio et al, 2017). Technological change has impacted dramatically on the economics of financial services provision, design and delivery (Frame and White, 2010). Technology enhances the bottom-line, that is, profitability either through increased revenue from service charges or lower processing costs. However, high set-up costs, redundancy of existing legacy systems and lack of suitable skills are inhibiting factors. An empirical evaluation of performance drivers and inhibitors in CFIs might give us a better understanding of these underpinning theories.

3.2 The Empirical Literature

The empirical literature on performance drivers and inhibitors of the banking sectors is quite huge, but in the area of financial cooperatives there is limited research. However, after the recent global financial crisis financial cooperatives has attracted increased attention. Most of the studies are from UK, Canada, Ireland, Finland, Australia and Czech (Frame, Karels, & McClatchey, 2002; Fried, Lovell, & Eeckaut, 1993; Ely, 2014; Goddard, McKillop, & Wilson, 2014; Jones & Kalmi, 2015; Kuc & Teply, 2015; McKillop & Quinn, 2015; McKee & Kagan, 2016). Few of such studies are on Africa (Marwa & Aziakpono, 2015; Mathuva, 2016; Périlleux & Szafarz, 2015). However, six streams of papers deals with performance dynamics in CFIs being: industry professionalization; regulatory reforms; technology difussion; sector incentives and economies of scale; risk management and brand enhancing.

Several case studies revealed that CFIs, established with the social purpose of serving poor communities, had the real possibility of becoming stable and effective financial institutions, *if, and only if*, they adopted a radical commercial approach to organizational development. An empirical study by Campos-Climent & Apetrei (2012) on how to overcome the challenges in Mediterranean cooperatives, top three factors identified were human capital related. Professionally managed CFIs are attractive to middle-income earners (Jones, 2008; Crear, 2009; Goddard et al, 2009; Jones & Kalmi, 2015; McKillop & Wilson, 2015). Richardson & Lennon (2001); McKillop & Wilson (2003) argued that, if credit unions were to achieve social goals, they first had to achieve their economic ones. McKillop et al (2007) urged that credit unions that concentrate solely on serving the needs of the financially excluded are inherently weak and in the long term will not be sustainable. This means CFIs need also to appeal to the affluent sections of society to attain a viable credit union. This was supported by McKillop et al (2007); Jones & Kalmi (2015); McKee & Kagan (2016) who urged CFIs to formulate policies and outreach strategies to draw membership from a cross-section of the population to achieve balanced mix of funding and membership.

McKillop & Wilson (2003) found that UK legislative review in 1996 provided an opportunity to credit unions to grow and extend the scale and scope of services to their members. The regulatory reform allowed CFIs to drive membership by relaxing the common bond restriction to multiple bonds (Frame et al, 2002; Hinson & Juras, 2002; Goddard et al, 2002; Jones, 2008). Even though the regulation changes transformed the structure of credit union industry, credit unions that switched from single-bond institutions to broader field-of-membership types were believed to be now operating with greater risk of bankruptcy. This is due to high information asymmetries through the broadening of the common bond and likelihood of breaching regulatory standards

(Frame et al, 2002; Ely, 2014). On the other hand, McKillop & Wilson (2003) applauded the introduction of a deposit insurance, the emphasis of effective risk management, and the opportunity to offer more diverse financial services as initiatives for enhanced social change. However, they were quick to warn of the likelihood of a decline in membership as some weak players will be merged, but the remaining ones will be much bigger, professionally managed and technologically more advanced. Almost eight years down McKillop et al (2011) advise that further penetration is likely to be hampered by the perception that CFIs are the poor person's bank and that further legislative changes is required to promote them to a broader population mix.

The overall consequence of deregulation brought changes in the patterns of growth across different types of credit unions (Goddard et al, 2016). Larger credit unions in the UK tended to grow faster than their smaller counterparts. Externally generated growth also took place via mergers and acquisitions, whereby larger, well-capitalized and technologically advanced credit unions acquired smaller, less capitalized counterparts that failed to adopt interactive and transactional internet banking technologies. Between 2003 and 2013, the number of credit unions reduced by approximately 3% per year. In 1994, there were 7848 credit unions with above US$10 million in assets; by year-end 2012 this number had declined to 2489 credit unions, a 68% decline (McKee & Kagan, 2016). Consequently, there has been a rapid growth in credit union asset size. The average credit union had assets of US$160.9 million in 2013 compared to US$65.6 million in 2003 (McKillop & Wilson, 2015). Frame, Karels, & McClatchey (2002) noted that credit union membership expansion results in reduced concentration risk and expanded investment opportunities. Similarly, Jones & Kalmi (2015) found a positive relationship between membership growth and performance in financial cooperatives in Finland. However, Goddard et al (2014) found other growth sources via diversification into non-interest activities, albeit this did not lead to enhanced returns for members.

In the U.S Leggett & Strand (2002) observed that, as credit unions add unrelated groups and expand, the prospects for separation between ownership and control increases, creating potential agency control problems. If a credit union takes on more than one membership group, and as membership increases, management is apparently able to channel residual earnings away from members (in the form of higher net interest margins) toward itself (higher salaries and operating expenses). Second, as membership expands, member/owners may also become less concerned with monitoring management. With the distinctive governance structure of ‘‘one member, one vote’’, each member can feel disempowered as the institution adds more members; many members no longer exercise their ownership rights and responsibilities in overseeing management (Leggett & Strand, 2002). Eventually this creates strategic defaults as members no longer see themselves as owners resulting in high delinquency. As observed in Czech, the poor performance of credit unions was fueled by high delinquency which weaken their balance sheets (Kuc & Teply, 2015).

Given that, most CFIs are small in size and their capital stock in absolute value combined with risky assets put pressure on their stability. From a study of 212 deposit-taking SACCOs in Kenya over the period 2008-2013 Mathuva (2016) found size, capital base, loan to assets ratio, leverage and cost to income ratio being the drivers of financial performance. In similar study in the US by McKee & Kagan (2016), of the credit unions with assets below US$10 million in business in 1994 only one third were operational by 2011. de Carvalho, Diaz, Neto, & Kalatzis (2011) examined the causes of credit unions failures in Brazil between 1995 and 2009, they found results that suggests that the size of credit unions plays a key role in their survival and longevity, and that their funding and investment management are related to their survival. In a study by Goddard et al (2014) in the U.S, for the period 1994-2010, credit unions holding a high proportion of their assets in liquid form, and credit unions with low loans-to-assets ratios, and low profitable were at a higher risk of acquisition or failure. Relatively small membership and assets limits their capacity to attract deposits, adopt product marketing tools, process new loan applications efficiently, adopt new technologies and distribute the fixed costs of regulatory compliance effectively.

Technological progress is often cited as the main, if not the most influential driver of change in the banking industry (McKillop & Quinn, 2015; Wu & Wang, 2005). The literature on technology adoption by CFIs is exclusively focused on the US. DeYoung et al. (2007) compare community banks which adopted transactional banking websites in the late-1990s to branching-only community banks. They found that internet adoption improved US community bank profitability through increased revenues from deposit service charges and low transactional costs. Ono and Stango (2005) found that the decision to adopt information technology services is mostly associated with asset size, and the diversity of the credit union's product offerings. Callahan and Associates (2007) suggest that technology is at the forefront of US credit unions' attempts to retain and increase membership, enhance competitiveness, improve efficiency and improve member services.

McKillop & Wilson (2003), warned policymakers not to provide too much concessionary funding to support CFIs development as this will hinder their self-help cornerstone and weaken the future development of the movement. Seidman (2005) advices that, in development finance institutions grants should only be used for capacity building only as a temporary measure. In some countries like the USA, CFIs are tax exempt with this status justified by their role in providing financial services to those of modest means. Incentives are usually a double sword which can either be the driver or inhibitor of performance. Jain (2012); Chang, Jain, Lawrence, & Prakash (2016) carried out an empirical study to understand which stakeholders does benefit from the tax exemption status of credit unions in the USA. The results indicate that the credit union members do not receive the benefit in terms of lower loan rates, higher deposit rates or lower service charges. The findings indicate that tax exemptions have been directed to support inefficient operations. Having discussed the empirical literature, we discuss how the study was executed.

4. METHODOLOGY

In the current study, we made use of industry experts through a Delphi method. Quite a number of studies have compared traditional survey and Delphi study regarding the thier strengths and shortcomings (see Rowe & Wright, 1999; Okoli & Pawlowski, 2004; Förster, 2015). In our opinion, we judge the Delphi method to be a stronger methodology to carry out a rigorous inquiry from experts in the field of study to help craft appropriate strategies based on the following merits:

1. The current study is a SWOT analysis to investigate the drivers and inhibitors of performance which requires knowledgeable people in the domain to share their thinking.
2. The study requires the forecasting of future developments in the sector which require industry experts with local and international perspective.
3. According to Okoli & Pawlowski (2004) panel studies are most appropriate to answer complex research questions which require a collective accurate judgement than any individual expert's responses.
4. Delphi makes it possible to get opinion from dispersed experts that are not able to meet physically as the current case where experts are accross provinces and some outside South Africa.
5. By its design in Delphi study there are follow-up interviews which permits the collection of richer data leading to a deeper understanding of the fundamental questions (Okoli & Pawlowski, 2004).

By building on the experts' opinion appropriate strategies are proposed using the SWOT analysis of the sector. SWOT analysis is a methodological examination of the environment in which an organization/sector operates. It is based on the identification of (a) internal characteristics of the organization/sector (strengths and weaknesses) and (b) characteristics of the external environment of the organization (opportunities and threats) (see Kotler, 1988). SWOT analysis allows the organization to choose operational strategies to build on the strengths to eliminate the weaknesses and exploit the opportunities to counter the threats (Barney, 1995; Dyson, 2004). SWOT analysis is recognized extensively and constitutes an important means for learning about a situation and designing future propositions that can be considered necessary to enable strategic thinking by engaging with knowledgeable experts in the field (Li, et al, 2016).

4.1 The Delphi method: an overview

The Delphi method was originated in the 1950s at the RAND Corporation, a California-based think-tank in the US to come up with consensus among a group of experts (Dalkey and Helmer, 1963). It was first applied in the US Air Force for capturing systematically and asynchronously expert input to understand accurately current and future developments typically pertaining to national security and defence via iterations of questionnaires (Gupta & Clarke, 1996; Landeta, 2006). The method became popular only after it was published in 1963 by Dalkey and Helmer after being kept confidential for 12 years (Landeta, 2006). Helmer and Quade were the first to use the method for nonmilitary purposes in 1963 (Helmer and Quade, 1963). As a result of the declassification of Delphi by the American military forces from its previous secrecy category, its use spread rapidly (Landeta, 2006; Förster, 2015; Gary & von der Gracht, 2015; Rowe & Wright, 2011; Rowe & Wright, 1999). The method is now being used in planning, policy analysis, long-range forecasting and strategy in both public and private sectors. A seminal work by Linstone & Turoff (1975) characterised the growth of interest in Delphi. An examination of recent literature, reveals how widespread the use of Delphi is, with applications in areas as diverse as the automotive industry (see Förster, 2015), manpower planning (see Milkovich, Annoni, & Mahoney, 1972), energy (see Obrecht & Denac, 2016), agriculture cooperatives (see Campos-Climent & Apetrei, 2012; Bazzani & Canavari, 2013), democracy participation (see Vogt & Haas, 2015), technology (see Worrell, Gangi, & Bush, 2013), internet banking (see Bradley & Stewart, 2002), financial markets (see Kauko & Palmroos, 2014), sharing economy or collaborative consumption (see Barnes & Mattsson, 2016) and business analytics (see Vidgen, Shaw, & Grant, 2017). The Delphi method has become widely used and recognised instrument to understand current situations, making forecasts and help decision-making in strategy formulation (Landeta, 2006). However the method has also received criticism that is not due to itself but to deficient application by researchers, such as the not rigorous selection of panelists, the lack of explaination regarding its evolution, dropout, questions and problems that are badly formulated, insufficiently analysed outcomes (Landeta, 2006; Winkler & Moser, 2016; Hasson & Keeney, 2011).

Empirical literature that combines Delphi method and SWOT analysis (Hybrid Delphi-SWOT) are very limited. Dyson (2004) used the SWOT analysis and Delphi method in the strategic development for the University of Warwick. Tavana et al (2012) applied a hybrid Delphi-SWOT in the energy industry to evaluate alternative routes of oil and gas pipeline in the landlocked Caspian Sea basin to world markets. Terrados et al (2009) also applied the Delphi-SWOT method in the area of renewable energy planning in Spain. Li et al (2016) made an attempt to apply Delphi-SWOT in the new emerging area of the internet of things (housing production) in Hong Kong to find strategies to alleviate the shortage of housing. In the agriculture sector, it was applied by Campos-Climent & Apetrei (2012) to proffer strategies to move the sector from crisis. None of the studies again have tried to implement hybrid Delphi-SWOT in financial cooperatives

According to Gary & von der Gracht (2015), in the field of present and futures research, Delphi is a well established methodology. Gupta and Clarke (1996) estimated that 90% of technology and industry-wide and forecasting studies are based on Delphi. Its major strengths on application are based on:

1. *Knowledgeable experts* well-informed about a particular research issue and have extended knowledge and information pertaining to their area of expertise (Obrecht & Denac, 2016).
2. *Anonymity of experts* is its strength as the expert panel remains unknown to each other during the survey (Dalkey & Helmer, 1963; Linstone & Turoff, 1975; Worrell, Gangi, & Bush, 2013). This is important to guard against the effects individual biases, personal influences and groupthink on the ability to reach accurate decision.

3. *Controlled group feedback* communication is utilized to manage feedback and develop consensus among the expert panel (Gupta & Clarke, 1996; Linstone & Turoff, 1975; Worrell, Gangi, & Bush, 2013). The experts communicate with each other exclusively through the researcher that enables them to receive feedback and revise their opinion taking into account the opinion of others to arrive at an accurate decision.
4. *Iteration* whereby the group of experts' reviews and evaluate alternatives through several controlled phases, giving the panel opportunities to reflect on opinions and assessments of their peers and to appreciate them to consider or reinforce their opinions to arrive at an accurate position (Worrell, Gangi, & Bush, 2013; Rowe, Wright, & Bolger, 1991).

According to Worrell et al, (2013), "Delphi method is relatively simple to administer; however, design choices made before administering the Delphi questionnaire directly impact the rigor and relevance of the results". Taking that into consideration, the current study design consists of four phases being: (1) assembling expert panel, (2) brainstorming alternatives, (3) narrowing alternatives, and (4) ranking alternatives (Worrell, Gangi, & Bush, 2013).

4.2 The process of assembling expert panel

The selection of knowledgeable experts is the most critical requirement to improve the credibility and the validity of the process (Okoli & Pawlowski, 2004). However, the process of identifying appropriate and credible experts is very challenging making Delphi survey rather complicated and very time consuming (Grupp & Linstone, 1999; Obrecht & Denac, 2016).

We divide experts into four panels being CFIs management, regulators, CFI associations, and consultants or capacity builders. Although these panels have somewhat varying perspectives, but that works to our advantage to obtain diverse and rich insights of the real issues from all perspectives to help in shaping the future of the industry. Worrell, Gangi, & Bush (2013) explained that the "emergence of multi-panel Delphi studies can be explained by the need for researchers to account for multiple expert perspectives in complex, multi-dimensional problems". There were two to 18 experts in each panel following the recommendations from literature (see Milkovich et al, 1972; Bradley and Stewart, 2002; Campos-Climent, eta al, 2012; Bazzani and Canavari, 2013; Kauko and Palmroos, 2014; Barnes and Mattsson, 2016). Our round I experts were 36 which is in agreement with the literature of which 50% are CFIs management. A long time study by Boje & Murninhan (1982) found no relationship between panel size and effectiveness in decision making.

The identification of experts was done with the assistance of the CDBA who provided the initial list of important organizations in CFIs sector and key experts. Following the guideline suggested by Delbecq (1975); Okoli & Pawlowski (2004); Worrell, Gangi, & Bush (2013) the present study use a multiple-step iterative approach to identify and select experts through a knowledge resource nomination worksheet (KRNW) which took a month to compile, detailed in Figure 1 below.

Step 1: Prepare KRNW	• Relevant stakeholders were identified: practitioners, regulatory authorities, representative bodies, and consultants • Stakeholder organizations were identified • Identified relevant academic and practitioner literature
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Step 2: Populate KRNW with names	• Populated the name of individuals in relevant disciplines • Identified names of individuals in relevant organizations and do internet check for experience (organizational websites and LinkedIn profiles) • Write in names of individuals, experience and academic qualifications
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Step 3: Rank Experts	• Create four sub-lists, one for each discipline • Categorize experts according to appropriate list • Rank experts within each list based on their qualifications and experience
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Step 4: Invite experts	• Invite experts for each panel corresponding to each discipline and ask to lead to other experts where possible • Invite experts in order of their ranking within their discipline sub list • Target 18 CFI managers and a minimum of 2 for other disciplines • Stopped soliciting experts after each panel size is reached

Figure 1: *Procedure for selecting experts*
Adapted from Okoli & Pawlowski (2004)

Our four sub-panels of experts invited to participate in the study comprised of CFIs management, regulatory bodies (CBDA and SARB), CFI associations (National Association of CFIs in South Africa (NACFISA) and African Confederation of Cooperative Savings and Credit Association (ACCOSCA)), and capacity builders (Cooperative Financial Institute of South Africa (COFISA), German Cooperative and Raiffeisen Confederation (DGRV), Small Enterprises Finance Agency (SEFA), BankSETA and the Government Department of Economic Development (DED)).

Our experts were quite mature with 44.7 years old and 10.8 years working experience in the CFI sector on average. Their self-rating average 8.3 out of 10 in terms of their knowledge of CFIs compared to 3.7 in agricultural cooperatives. The most dominate cooperative types in South Africa are financial and agricultural cooperatives (Philip, 2002), so the need to understand the experts' knowledge in the area of study is vital. Most of them had Masters degrees, Bachelor's degrees and diplomas except four with post-secondary school certificates but had an average of 14.9 years working experience within the CFI sector.

4.3 Data collection procedures

4.3.1 The questionnaire design and administration

Besides quality control check of questionnaires among researchers and pilot testing, the first-round questionnaire was reviewed by the Senior Research Consultant of the University of Stellenbosch

Business School and then by its Ethical Approval Committee. Following the advice of Okoli & Pawlowski (2004), Delbecq, et al, (1975), the first questionnaire emailed to experts on the very day they gave their consent to participate with feedback via email to enable enables a communication record. Experts were made to sign an informed consent declaration which explained study and their rights in the study. Our questionnaires contain a maximum of six questions so as not to over burden the experts considering their time constraints but also try to get the best use of their knowledge. In order to minimize expert fatigue, data collection run for two months and half with respondents given seven days to respond to questionnaires with reminders towards last two days however it took an average of two weeks per round. In last two rounds, it was evident that fatigue was crippling in as it took almost three weeks to receive questionnaires. At the end of the study we shared our findings report with experts as a reward for their participation

4.3.2 Administration procedure

Based on the recommendations of Schmidt et al (2001) the administration of the Delphi questionnaire involves three general steps: (1) brainstorming of factors; (2) narrowing down the origional list to the most important ones; and (3) rounds of ranking important factors. However, other studies (see Worrell, Gangi, & Bush, 2013) has modified the brainstorming to allow for a seed of factors from theory or prior literature. The approach's major drawback is that experts are like enticed to think along the factors provided which might not be the real issues. In our present study the brainstorming comprised open ended questions giving leeway to our knowledgable experts to freely give their option. Our study follow the procedure as outlined in Figure 2 below:

Round 1: Brainstorming (# 36 Experts) 15th of May 2017	• Open questions: respondents asked to provide four of the drivers, inhibitors and future developments to CFI performance, along with comments • Items from experts for the three questions consolidated by researchers • Final list contained 54 items for drivers (29 strengths and 25 opportunities), 51 inhibitors (24 weaknesses and 27 threats) and 27 future developments
↓	
Round 2: Narrowing Down (# 35 Experts) 29th of May 2017	• Respondents were asked to give Likert-scale ratings for items on each question based on the consolidated lists from round 1 • List reduced based on a criterion of mean≥5 and at least 70% of respondents rating 5, 6 or 7 • Final lists contained 31 items for drivers (14 strengths and 17 opportunities), 32 for inhibitors (17 weakness and 15 threats) and 22 future developments
↓	
Round 3: First Ranking (# 29 Experts) 14th of June 2017	• Experts presented with random lists of items based on the final lists from round 2 • Experts asked to rank items for the three questions and offer comments • Items placed into mean-rank order
↓	
Round 4: Second Ranking (# 29 Experts)	• Respondents presented with mean ranked data from round 3 • Experts offered opportunity to change rankings and offer comments

10th of July 2017	• Stop criterion: Wilcoxon Ranked Pairs Signed-Rank test on respondents for round 3 and 4

Figure 2: *Process flow of the structure of the Delphi process used in the study*

5. EMPIRICAL RESULTS AND DISCUSSION

Round I questionnaire was sent on the 15th of May 2017 on the very day an expert agreed to participate by giving them five working days to respond. Empirical research has it that, in Delphi studies experts are more unlikely to prioritize a questionnaire if given long-time period to respond and they lose interest in further rounds if feedback is delayed. Even though some questionnaires could not come within five days but with consistent follow-ups in the following 5 days after deadlines responses were received. Experts were required to provide at least four drivers (strengths and opportunities), inhibitors (weaknesses and threats) and future developments to drive CFIs performance in the next 10 years. There was an Afrikaans translated version of the questionnaire throughout the rounds for non-English speaking experts for the study to be inclusive.

All the issues were put into a spreadsheet and coded independently by two researchers into core themes to reduce the number of similar responses received from experts as per guidance from Miles and Huberman (1994). There was agreement on final list of 54 drivers (29 strengths and 25 opportunities), 51 inhibitors (24 weaknesses and 27 threats) and 31 future developments, see tables 1a-1e below. The number of issues generated by our experts is a clear indication that the sector is at crossroads. After consolidating these issues, round II questionnaire was sent to panelist on the 29th of May 2017 for narrowing down through the use of the 1 to 7 Likert-scale on rating the issue according to their importance (drivers), their impact (inhibitors) or priority of implementation (future developments). The Likert-scale assist in getting issues that are regarded as important therefore reducing the long list. Following Barnes and Mattsson (2016) experts were requested to rate the consolidated issues on a scale of 1 (strongly disagree) to 7 (strongly agree), where 4 = neutral. The two criteria used to measure the importance of the issue was that, firstly the issue should have been rated as important (i.e. 5, 6 or 7) by at least 70% of the panel, and secondly, should have a mean score of not less than 5.00. After applying these criteria, the final list of items in round II were 31 drivers (14 strengths and 17 opportunities), 32 inhibitors (17 weaknesses and 15 threats) and 22 future development issues. The outcome of the number of issues from round II is again a confirmation of a sector in dilemma.

In round II experts found some drivers (strengths and opportunities) as not behind the performance of CFIs such as low default rate on loans, meaning there is high loan default rate in the sector. Grants were considered necessary for CFIs but not being their formation and performance drivers. CFIs having skilled and competent human skills issue was rejected. The SEFA wholesale facility meant for access by cooperatives was regarded as not easily accessible to CFIs. CFIs are not profitable and are not paying any surplus to members and possibly this could have contributed low membership growth over the past five years. Trust between the board and members is regarded as low. Surprisingly enabling financial inclusion policies encouraging formation of CFIs failed to garner minimum score. Experts feels regulatory limiting external credit to no more than 15% of total assets and savings ceiling of R30 million for CFIs limits their growth.

Table 1a: Ranking of drivers of CFI performance (strengths)

Item	5,6,7	5,6&7 %	*m*	*x*	*SD*
Able to strengthen the community bond for development	*31*	*89%*	*6*	*5.94*	*1.26*
Easy access to credit for CFI members compared from banks	*30*	*88%*	*6*	*5.88*	*1.37*
Positive economic impact as members' well-being improves	*31*	*91%*	*6*	*5.76*	*1.23*
Improved savings culture through CFI formal mechanisms	*28*	*82%*	*6*	*5.74*	*1.08*
Positive economic impact as members' well-being improves	*27*	*79%*	*6*	*5.68*	*1.07*
Members enjoy ownership and control of CFIs effectively	*29*	*85%*	*6*	*5.65*	*1.01*
Growth in membership and savings from organized groups	*28*	*82%*	*6*	*5.59*	*1.21*
Capacity building support from CBDA on CFI governance	*27*	*77%*	*6*	*5.54*	*1.56*
CFIs are creating community businesses through A2F	*27*	*77%*	*6*	*5.51*	*1.27*
Improving financial literacy among CFI members	*26*	*76%*	*6*	*5.44*	*1.08*
CFIs are meeting community financial needs at low costs	*30*	*86%*	*6*	*5.37*	*1.33*
CFIs are pooling capital together for on-lending profitably	*29*	*83%*	*6*	*5.29*	*1.58*
Competitive pricing of loans than from moneylenders	*24*	*71%*	*6*	*5.18*	*1.49*
Helping to fight the debt trap caused by moneylenders	*24*	*71%*	*5.5*	*5.18*	*1.57*
Enabling policies and regulation to promote community dev	22	65%	5	5.12	1.23
Trust amongst members and the CFI leadership strong	22	65%	5	5.03	1.53
Close relationship among members and the board	23	68%	5	4.97	1.55
Financial inclusion policies encouraging formation of CFIs	24	71%	5	4.97	1.24
Easy payroll deduction and loan for employee-based CFIs	19	58%	5	4.88	1.80
CFIs membership growth over the past 5 years	15	45%	4	4.33	1.51
Management and boards are knowledgeable and experienced	16	47%	4	4.26	1.40
CFIs are profitable due to low transactional costs	12	34%	4	3.94	1.81
CFI employees are well trained to run CFIs successfully	14	40%	4	3.83	1.56
Effective internal systems in place in CFIs sector	14	41%	4	3.79	1.77
CFIs are paying dividends or surplus to members	10	30%	3	3.73	1.82
Availability and accessibility of SEFA funds for on lending	13	37%	4	3.71	1.89
Grants from gvt and NGOs are driving CFIs formation	14	40%	4	3.71	2.14
CFIs are self-sustainable to continue without need for grants	12	34%	3	3.66	1.81
Very low loan default, and good loan repayments	12	36%	3	3.61	1.77

According to Table 1b below our experts failed to agree that funding from government agencies gives any opportunity to drive performance. Completing with banks was not considered as an opportunity but CFIs could ride on the weaknesses of the banking system. They also could not agree that the CBDA had already enabled CFIs to participate on the national payment system.

Table 1b: Ranking of drivers of CFI performance (opportunities)

Item	5,6,7	5,6&7 %	*m*	*x*	*SD*
CFIs create opportunity for the community to own their bank	*32*	*94%*	*7*	*6.22*	*1.27*
Avoid exploitative neoliberal bank charges	*32*	*97%*	*6*	*6.12*	*0.74*
Ability to diversify financial services to meet member needs	*33*	*97%*	*6*	*6.06*	*0.60*
Favorable legislation allowing registration as a CB or SCB	*33*	*97%*	*6*	*6.03*	*0.94*
CFIs are expanding by incorporating informal savings clubs	*30*	*88%*	*6*	*6.00*	*1.13*
Able to reduce poverty, unemployment, and social inequality	*30*	*88%*	*6*	*5.97*	*1.22*
Help members out of moneylenders' debt trap	*30*	*88%*	*6*	*5.91*	*1.00*

Potential expansion market to the unbanked	*30*	*88%*	*6*	*5.85*	*1.21*
Improved governance of the CFI as members are owners	*31*	*91%*	*6*	*5.82*	*0.87*
Possibility of issuing transactional cards for convenience	*31*	*91%*	*6*	*5.79*	*1.25*
Potential to dominating in financial excluded areas	*26*	*76%*	*6*	*5.74*	*1.19*
Free capacity building from CBDA and BANKSETA	*28*	*82%*	*6*	*5.71*	*1.47*
Improving discipline in the community on financial matters	*29*	*85%*	*6*	*5.53*	*0.96*
Opportunity to receive social grants on behalf of members	*28*	*82%*	*6*	*5.53*	*1.66*
Adopting financial technology to improve efficiencies	*25*	*76%*	*6*	*5.52*	*1.20*
High interest rates on savings	*25*	*76%*	*6*	*5.33*	*1.65*
Ability to create a middle class through improved A2F	*24*	*75%*	*5*	*5.13*	*1.24*
Low entry barriers	23	68%	6	5.44	1.31
Enabling environment as CFIs have low minimum members	22	67%	6	5.42	1.17
Agreements between CFI and retailer to act as cash points	23	68%	6	5.32	1.45
CBDA creates opportunity for CFIs to participate in the NPS	23	68%	6	5.26	1.56
Able to compete with banks in financial services provision	22	65%	6	5.18	1.57
Enabling legislation regime	21	64%	6	4.94	1.77
Growing political will to support financial inclusion	21	62%	5	4.91	1.58
Funding and support from Government agencies	23	68%	5	4.74	1.85

As per Table 1c below, some of the rejected inhibitors by experts are lack of CBDA capacity to provide technical assistance, meaning the agency is providing the sector with capacity building. They could also not fully agree that the sector is overlying of grants, boards are failing to implement strategies, there are conflicts between boards and members or founding board members holding position than reasonable. Although high non-performing loans and high operating costs could not get enough consensus they are highly likely to be inhibitors given their mean ranks of 5.18 and 4.97 respectively with slightly less than 70% experts agreement.

Table 1c: Ranking of inhibitors to CFI performance (weaknesses)

Item	5,6,7	5,6&7 %	*m*	*x*	*SD*
Lack of participation on the National Payment System	*29*	*88%*	*6*	*6.09*	*1.23*
Low adoption of technological banking systems	*28*	*82%*	*6*	*5.91*	*1.16*
Weak risk management systems	*28*	*85%*	*6*	*5.91*	*1.35*
Poor marketing of the CFI concept to the greater public	*29*	*85%*	*6.5*	*5.88*	*1.49*
Lack of strong cooperative movement, the sector is fragile	*27*	*79%*	*6*	*5.85*	*1.21*
Inability to retain talent through competitive market salaries	*29*	*85%*	*6*	*5.82*	*1.53*
CFIs have weak capital base which cannot absorb credit risk	*28*	*85%*	*6*	*5.79*	*1.36*
CFIs are banking with banks risk losing members	*27*	*77%*	*6*	*5.74*	*1.34*
No deposit insurance guarantee protection to members	*26*	*79%*	*6*	*5.64*	*1.83*
Unattractive premises to appeal to the middle & upper class	*26*	*79%*	*6*	*5.55*	*1.68*
Poor activism by members in the governance system	*27*	*79%*	*6*	*5.50*	*1.40*
Weak corporate governance structures	*26*	*79%*	*6*	*5.45*	*1.42*
Weak membership and savings growth	*24*	*73%*	*6*	*5.33*	*1.69*
Poor savings culture among members	*27*	*79%*	*6*	*5.32*	*1.70*
Low managerial skills to lead CFIs profitably & sustainably	*25*	*74%*	*6*	*5.24*	*1.67*
Tight cash flow positions	*24*	*73%*	*6*	*5.18*	*1.53*
Low innovation to develop appropriate financial products	*25*	*74%*	*6*	*5.15*	*1.71*
High NPLs and insufficient consequences on debtors	23	68%	6	5.18	1.70
High operating costs making losses	22	67%	5	4.97	1.63
Founding members hogging positions	22	63%	5	4.94	1.83
Conflicts among members and the boards	23	66%	5	4.80	1.88
Unrealistic strategic plans, which the CFIs fail to implement	22	65%	5	4.79	1.67

Over-reliance on grants as opposed to membership savings	21	62%	5	4.71	1.92
Lack of capacity building to the sector as CBDA is regulator	21	62%	5	4.68	2.07

Following Table 1d NCR law which regulates the credit industry to ensure discipline and handling of complaints, over-reliance of grants, changes in regulation, within CFI conflicts and political motives of some members to ride CFI movement to position themselves for political positions could not be regarded as threats. Mistrust by the public received 71% consensus but failed on garner a mean score of 5 at 4.91. Five items scored above 5 mean score failed on 70% consensus.

Table 1d: Ranking of inhibitors to CFI performance (threats)

Item	5,6,7	5,6&7 %	*m*	*x*	*SD*
Weak performance of the economy affect savings	*30*	*91%*	*6*	*6.00*	*1.00*
Economic challenges affecting savings	*31*	*94%*	*6*	*5.91*	*0.84*
Wrong perception that CFIs are for the poor only	*29*	*88%*	*6*	*5.91*	*1.59*
Inability to attract qualified staff due to poor perception	*28*	*85%*	*6*	*5.85*	*1.20*
Policymakers have interest in banks, not giving CFI attention	*28*	*85%*	*6*	*5.79*	*1.39*
Stagnant membership growth due to poor public perception	*28*	*85%*	*6*	*5.64*	*1.48*
High cost of banking system which CFI will not afford	*27*	*82%*	*6*	*5.61*	*1.43*
Lack of deposit insurance to attract middle and upper-class	*26*	*79%*	*6*	*5.61*	*1.48*
High unemployment affecting ability to save	*28*	*85%*	*6*	*5.55*	*1.56*
Competition from commercial banks on member savings	*26*	*79%*	*6*	*5.45*	*1.35*
Competition from loan sharks over-indebting members	*26*	*79%*	*6*	*5.45*	*1.44*
No special tax rate for social enterprises such as CFIs	*26*	*79%*	*6*	*5.45*	*1.68*
Competition from informal schemes and pyramid schemes	*23*	*72%*	*6*	*5.31*	*1.60*
Failure rate of CFIs is high affecting community confidence	*24*	*73%*	*6*	*5.21*	*1.62*
High insolvency of CFIs	*23*	*70%*	*6*	*5.15*	*1.58*
Ineffective working bond between CBDA & NACFISA	23	68%	6	5.50	1.66
Over regulation of the sector affects growth	22	67%	6	5.21	1.75
Grants are distorting the self-help motives of CFIs	22	67%	5	5.03	1.53
Regulation cap limits restrictive	22	67%	6	5.03	1.99
Restrictive common bond regulation restricting growth	22	67%	6	5.03	2.01
Political situation may destabilize the core CFI social fabric	22	69%	6	4.97	1.69
Mistrust of CFIs by the general public	24	71%	5.5	4.91	1.88
Political motives of some members to ride on CFI movement	20	61%	5	4.91	1.49
Conflicts among members in the CFI affects its growth	22	67%	5	4.88	1.60
Changes in cooperative regulation affecting growth	20	59%	5	4.85	1.65
Over-reliance of grants	20	61%	5	4.85	1.50
Prohibitive National Credit Regulator (NCR) law	14	44%	4	4.16	1.78

As per Table 1e only five future developments could not reach consensus. The loosening of the common bond was rejected following CFIs' failure to drive membership in a single bond. No sufficient agreement on the phasing out of grants which might be helping them cover some capacity development costs but which need to the gradually phased out. Redesigning the CFI model not be dominated by savings and credit was rejected given its their core to mobilize savings and extend credit to members. Laxing the external credit cap of 15% of total assets was rejected as savings should be internal generated to leverage on them for unrestricted external borrowings.

Table 1e: Ranking of future developments in the next 10 years

Item	5,6,7	5,6&7 %	*m*	*x*	*SD*
Improving CFI location appearance to appeal to all	*32*	*94%*	*7*	*6.41*	*0.99*
Rebranding CFI concept to appeal to all classes	*30*	*91%*	*7*	*6.33*	*1.02*
Adoption of technology to improve convenience, efficiencies	*33*	*94%*	*7*	*6.31*	*1.21*
Enabling CFIs to participate in the NPS to appeal to all	*32*	*91%*	*7*	*6.31*	*1.08*
The establishment of SCB to act as CFIs bank of last resort	*30*	*91%*	*7*	*6.30*	*0.92*
Effective publicity of CFIs real social impact in communities	*31*	*91%*	*7*	*6.26*	*1.05*
Improving members saving culture through financial literacy	*31*	*91%*	*7*	*6.26*	*1.02*
Diversification of financial services that appeal to all	*32*	*91%*	*7*	*6.23*	*1.03*
National campaigns to encourage people to join local CFIs	*30*	*91%*	*7*	*6.21*	*1.36*
CFIS financial sustainability to attract stakeholder interest	*30*	*91%*	*6*	*6.21*	*0.96*
Gvt entities to also save in CFIs as juristic members	*30*	*91%*	*6*	*6.18*	*1.04*
Improve transparency through internal and external audits	*30*	*86%*	*7*	*6.17*	*1.18*
Targeting organized groups to boost membership	*30*	*91%*	*6*	*6.15*	*1.12*
CFI specific qualifications for the leadership and staff	*32*	*91%*	*6*	*6.11*	*1.05*
National CFI sector strategy to guide players	*28*	*85%*	*7*	*6.09*	*1.26*
Improving corporate governance structure through trainings	*32*	*91%*	*6*	*6.09*	*1.22*
Performing economy and political stability are necessary	*30*	*91%*	*6*	*6.03*	*1.02*
Creating a common national CFI brand such as Volksbank	*28*	*82%*	*6.5*	*6.00*	*1.18*
Tax exemption status for CFIs as they are social enterprises	*29*	*85%*	*6*	*5.97*	*1.49*
CFIs to contribute for the deposit insurance protection	*28*	*88%*	*6*	*5.91*	*1.23*
Strengthening the NACFISA to advocate for CFIs agenda	*27*	*79%*	*6*	*5.76*	*1.48*
Strengthening capital base through member contributions	*26*	*79%*	*6*	*5.45*	*1.56*
Having more branches in other provinces	23	66%	6	5.14	2.05
Phasing out of grants to eliminate dependency syndrome	18	56%	5	4.94	1.64
Redesigning model not dominated by savings and credit only	22	67%	5	4.82	2.14
Loosening of the common bond to allow multiple bonds	19	58%	5	4.58	2.37
Laxing the external credit cap of 15% to total assets	16	48%	4	4.52	1.99

Experts were presented with random-order items that received consensus in round II for their ranking in rounds III and IV in their categories according their importance for drivers, the impact for inhibitors and importance for future developments. For drivers and future developments 1 would be the most important, followed by the second one up until the last item on the list in the category. For inhibitors, 1 being the highest impact to performance. Experts were given an option to justify their rankings. Round III questionnaire was sent on the 14th of June 2017 and it took almost three weeks to receive responses as experts developed fatigue with six opting out. The mean scores were calculated for the remaining 29 experts resulting in sending the round IV questionnaire on the 10th of July 2017. Experts were presented with the group average scores and their initial rankings in round III for each item and requested to reconsider their rankings considering the ranking of others. Considering fatigue in experts it was communicated to be the last round. Most of our experts this was their first time to answer a questionnaire more than once from one study. Despite that their cooperation was very high proving that they are real cooperators. All the 29 experts responded in round IV. We use the Wilcoxon Ranked Pairs Signed-Rank Test as recommended for Delphi studies to assess the convergence or similarity across the two rounds (Kalaian & Kasim, 2012; von der Gracht, 2012). The testing outcomes are shown in Tables 2a-2e.

The overall results are mixed but showing strong evidence that experts able to change their rankings considering the rankings of the group whilst some items ranking did not significantly change. There was no significant change on 34 items out of 85 items which constitute 40% considering the p-value at 0.05 whilst 51 items have their rankings changing significantly across rounds (60%) with a p-value of less than 0.05 or 5%. Experts gave their justifications for their changes. We decided to stop further rounds for two reasons, there was little evidence from experts that they were to change their rankings further after a telephone discussion with some of them and secondly, fatigue was evident in last rounds that could compromise the quality of our findings.

As per Table 2a below, our strengths results were mixed as six items did not change significantly whilst eight items have their rankings changing significantly across the two rounds as some experts reviewed their rankings downwards considering the ranking of the group.

Table 2a: Wilcoxon Ranked Pairs Signed-Rank Test for rounds III and IV – Drivers (strengths)

Item	Z	Asymp. Sig. (2-tailed)	Result (at p<0.05)
Pooling more savings together for on lending to members	-2.375	0.018	IV<III
Able to strengthen the community bond for development	-2.492	0.013	IV<III
Improved savings culture through CFI formal mechanisms	-2.327	0.020	IV<III
CFIs are creating community businesses through A2F	-0.492	0.623	No change
Easy access to credit for CFI members compared from banks	-0.847	0.397	No change
CFIs are meeting community financial needs at low costs	-0.071	0.944	No change
CFIs are pooling capital together for on-lending profitably	-2.156	0.031	IV<III
Members enjoy ownership and control of CFIs effectively	-1.131	0.258	No change
Competitive pricing of loans than from moneylenders	-1.992	0.046	IV<III
Improving financial literacy among CFI members	-2.530	0.011	IV<III
Positive economic impact as members' well-being improves	-2.071	0.038	IV<III
Growth in membership and savings from organized groups	-1.175	0.240	No change
Helping to fight the debt trap caused by moneylenders	-2.816	0.005	IV<III
Capacity building support from CBDA on CFI governance	-1.944	0.052	No change

Table 2b below indicate that, there were no significant changes on six items in the top 10 opportunities whilst seven items changed but 10 remain significantly unchanged.

Table 2b: Wilcoxon Ranked Pairs Signed-Rank Test for rounds III and IV – Drivers (opportunities)

Item	Z	Asymp. Sig. (2-tailed)	Result (at p<0.05)
Ability to diversify financial services to meet member needs	-0.946	0.344	No change
CFIs create opportunity for the community to own their bank	-1.334	0.182	No change
CFIs are expanding by incorporating informal savings clubs	-1.793	0.073	No change
Adopting financial technology to improve efficiencies	-1.753	0.080	No change
Able to reduce poverty, unemployment, and social inequality	-0.912	0.362	No change
Potential expansion market to the unbanked	-2.386	0.017	IV<III
Improving discipline in the community on financial matters	-1.969	0.049	IV<III
Potential to dominating in financial excluded areas	-1.026	0.305	No change
Improved governance of the CFI as member are owners	-2.555	0.011	IV<III
Avoid exploitative neoliberal bank charges	-2.003	0.045	IV<III
Opportunity to receive social grants on behalf of members	-1.904	0.057	No change
High interest rates on savings	-2.243	0.025	IV<III
Possibility of issuing transactional cards for convenience	-1.755	0.079	No change

Free capacity building from CBDA and BANKSETA	-2.371	0.018	IV<III
Help members out of moneylenders' debt trap	0.000	1.000	No change
Ability to create a middle class through improved A2F	-3.077	0.002	IV<III
Favorable legislation allowing registration as a CB or SCB	-1.357	0.175	No change

According to Table 2c below, only four weaknesses did not significantly change whilst experts significantly revised their rankings downwards giving their justifications.

Table 2c: Wilcoxon Ranked Pairs Signed-Rank Test for rounds III and IV –Inhibitors (weaknesses)

Item	Z	Asymp. Sig. (2-tailed)	Result (at p<0.05)
Low adoption of technological banking systems	-2.263	0.024	IV<III
CFIs have weak capital base which cannot absorb credit risk	-1.409	0.159	No change
Low managerial skills to lead CFIs profitably & sustainably	-2.077	0.038	IV<III
Poor marketing of the CFI concept to the greater public	-2.325	0.020	IV<III
Lack of strong cooperative movement, the sector is fragile	-2.392	0.017	IV<III
Poor savings culture among members	-2.405	0.016	IV<III
Lack of participation on the National Payment System	-2.508	0.012	IV<III
Inability to retain talent through competitive market salaries	-1.122	0.262	No change
Weak membership and savings growth	-2.675	0.007	IV<III
CFIs are banking with banks risk losing members	-0.271	0.786	No change
Weak corporate governance structures	-2.692	0.007	IV<III
Weak risk management systems	-2.257	0.024	IV<III
Tight cash flow positions	-2.616	0.009	IV<III
Low innovation to develop appropriate financial products	-2.043	0.041	IV<III
Poor activism by members in the governance system	-2.524	0.012	IV<III
No deposit insurance guarantee protection to members	-1.057	0.291	No change
Unattractive premises to appeal to the middle & upper class	-2.812	0.005	IV<III

Our experts did not significantly change their ranks as nine items remain significantly unchanged in Table 2d below whilst six items were significantly changed.

Table 2d: Wilcoxon Ranked Pairs Signed-Rank Test for rounds III and IV – Inhibitors (threats)

Item	Z	Asymp. Sig. (2-tailed)	Result (at p<0.05)
Stagnant membership growth due to poor public perception	-2.494	0.013	IV<III
Failure rate of CFIs is high affecting community confidence	-1.543	0.123	No change
Wrong perception that CFIs are for the poor only	-2.207	0.027	IV<III
Policymakers have interest in banks, not giving CFI attention	-0.282	0.778	No change
High unemployment affecting ability to save	-0.768	0.443	No change
Economic challenges affecting savings	-2.38	0.017	IV<III
Competition from loan sharks over-indebting members	-0.849	0.396	No change
Weak performance of the economy affect savings	-1.367	0.172	No change
High cost of banking system which CFI will not afford	-2.68	0.007	IV<III
Competition from informal schemes and pyramid schemes	-1.615	0.106	No change
Competition from commercial banks on member savings	-0.341	0.733	No change
Inability to attract qualified staff due to poor perception	-1.995	0.046	IV<III
No special tax rate for social enterprises such as CFIs	-2.814	0.005	IV<III
High insolvency of CFIs	-1.692	0.091	No change
Lack of deposit insurance to attract middle and upper-class	-1.219	0.223	No change

In Table 2e most future developments issues had significant changes with 17 out of 22 items having their rankings changed. This is a clear indication that our experts are more concerned about future strategies than will take the sector forward.

Table 2e: Wilcoxon Ranked Pairs Signed-Rank Test for rounds III and IV - Future Developments

Item	Z	Asymp. Sig. (2-tailed)	Result (at $p<0.05$)
Adoption of technology to improve convenience, efficiencies	-2.371	0.018	IV<III
Effective publicity of CFIs real social impact in communities	-1.156	0.248	No change
CFI specific qualifications for the leadership and staff	-2.398	0.016	IV<III
Improve transparency through internal and external audits	-1.18	0.238	No change
Enabling CFIs to participate in the NPS to appeal to all	-2.803	0.005	IV<III
Improving corporate governance structure through trainings	-2.497	0.013	IV<III
Creating a common national CFI brand such as Volksbank	-2.028	0.043	IV<III
Diversification of financial services that appeal to all	-2.67	0.008	IV<III
Improving members saving culture through financial literacy	-2.807	0.005	IV<III
National campaigns to encourage people to join local CFIs	-1.602	0.109	No change
CFIs financial sustainability to attract stakeholder interest	-2.668	0.008	IV<III
Improving CFI location appearance to appeal to all	-2.209	0.027	IV<III
National CFI sector strategy to guide players	-0.365	0.715	No change
Tax exemption status for CFIs as they social enterprises	-2.214	0.027	IV<III
Rebranding CFI concept to appeal to all classes	-2.379	0.017	IV<III
Targeting organized groups to boost membership	-2.371	0.018	IV<III
Gvt entities to also save in CFIs as juristic members	-1.547	0.122	No change
Strengthening the NACFISA to advocate for CFIs agenda	-3.066	0.002	IV<III
The establishment of SCB to act as CFIs bank of last resort	-2.032	0.042	IV<III
Strengthening capital base through member contributions	-2.057	0.040	IV<III
Performing economy and political stability are necessary	-2.081	0.037	IV<III
CFIs to contribute for the deposit insurance protection	-2.176	0.030	IV<III

5.1 Analysis of final results

In this section, we detail the findings of the study considering the final rankings of the mean score by our experts in rounds III and IV as shown in Tables 3a-3e. Our discussion of results in supported by comments given by experts throughout the study. In most instances, our experts were able to revise their rankings downwards in round IV as shown by the Wilcoxon Ranked Pairs Signed-Rank Test in Tables 2a-2e above. Drivers, inhibitors and future developments will be discussed separately.

5.1.1 Drivers of Cooperative Financial Institutions performance

The current strengths to CFI formation and performance are quite diverse, however the major drivers seem to be coming from social fabric to eradicate poverty. From the Table 3a below the need for social change are at the forefront. Members are motivated to “Pooling financial resources together” (1st) so that they can lend back to members profitably (7th), in an innovative way where “members enjoy ownership and control of the CFI effectively” (8th) thereby “able to strengthen the community common board for social development" (2nd) through "improved savings culture from formal mechanisms" (3rd) so as to "help fight the debt trap caused by moneylenders" (13th). As on expert rightfully say,

> "CFIs are being driven by the need to achieve a developmental state rather than a welfare state where people will look for the government to provide everything without their own active participation in their own social transformation".

Economic factors also rank highly, with "CFIs creating community businesses through improved access to finance" (4th) as there is "easy access to credit for members compared from commercial banks" (5th) for the economically marginalized people. Moreover, there is "competitive pricing of loans than from moneylenders" (9th) which have "positive economic impact as members' well-being improves" (11th). This means there is ethical lending in CFIs which is not exploitative, thereby, "helping to fight the debt trap caused by borrowing from moneylenders" (9th). There are marketing drivers resulting in "growth in membership and savings from organized groups" (12th) such as ROSCAs, workers unions and business associations. Whilst "Capacity building support from CBDA on CFI governance and trainings" (14th) is lowly ranked as a CFIs performance driver.

Table 3a: Mean rank of rounds III and IV final ranking – Drivers (strengths).

Rank	Item	III			IV		
		x	SE	SD	x	SE	SD
1	Pooling more savings together for on lending to members	4.28	0.67	3.63	3.45	0.54	2.93
2	Able to strengthen the community bond for development	6.72	0.91	4.88	5.10	0.67	3.60
3	Improved savings culture through CFI formal mechanisms	6.17	0.67	3.63	5.31	0.54	2.89
4	CFIs are creating community businesses through A2F	5.86	0.69	3.69	5.62	0.51	2.73
5	Easy access to credit for CFI members compared from banks	6.21	0.74	3.98	5.86	0.67	3.60
6	CFIs are meeting community financial needs at low costs	5.86	0.60	3.23	6.07	0.57	3.08
7	CFIs are pooling capital together for on-lending profitably	7.10	0.68	3.64	6.14	0.55	2.95
8	Members enjoy ownership and control of CFIs effectively	6.55	0.71	3.82	6.34	0.65	3.48
9	Competitive pricing of loans than from moneylenders	7.28	0.73	3.92	6.66	0.70	3.76
10	Improving financial literacy among CFI members	8.72	0.70	3.76	7.52	0.58	3.14
11	Positive economic impact as members' well-being improves	8.28	0.71	3.84	7.52	0.63	3.42
12	Growth in membership and savings from organized groups	8.90	0.68	3.64	8.21	0.56	3.00
13	Helping to fight the debt trap caused by moneylenders	9.69	0.73	3.96	8.59	0.67	3.61
14	Capacity building support from CBDA on CFI governance	9.79	0.79	4.28	8.76	0.80	4.31

As per Table 3b below, unexploited potential drivers for CFIs performance are dominated by social and cultural drivers as well as economic drivers. On social front is an opportunity for the communities to have ownership on the institution serving them if fully harnessed (2nd) through 'improved governance as members are owners' (9th) which reduces conflict of interests if members fully exercise their governance rights. There are opportunities to increase outreach by incorporating more people sharing the common bond in the "informal savings clubs" (3rd) and those in the unbanked or underbanked markets (6th). This will improve "financial discipline in communities" (7th), "help members out of moneylenders/loan sharks' debt trap" (15th) as CFIs "avoid exploitative neoliberal bank charges" (10th) through paying higher interest rate on savings than banks" (12th). South Africa CFIs do have a great scope to "diversify financial services to meet members' needs" (1st).

Table 3b: Mean rank of rounds III and IV final ranking – Drivers (opportunities).

Rank	Item	III			IV		
		x	SE	SD	*x*	SE	SD
1	Ability to diversify financial services to meet member needs	3.62	0.77	4.14	3.00	0.57	3.08
2	CFIs create opportunity for the community to own their bank	5.52	0.68	3.64	4.93	0.53	2.85
3	CFIs are expanding by incorporating informal savings clubs	6.41	0.90	4.87	5.41	0.64	3.44
4	Adopting financial technology to improve efficiencies	7.41	0.87	4.68	6.45	0.76	4.08
5	Able to reduce poverty, unemployment, and social inequality	7.03	0.96	5.16	6.66	0.81	4.34
6	Potential expansion market to the unbanked	8.10	0.87	4.71	6.86	0.75	4.04
7	Improving discipline in the community on financial matters	9.07	0.81	4.34	8.10	0.65	3.52
8	Potential to dominating in financial excluded areas	8.79	0.83	4.45	8.24	0.76	4.07
9	Improved governance of the CFI as member are owners	8.86	0.55	2.97	8.24	0.50	2.67
10	Avoid exploitative neoliberal bank charges	9.24	0.96	5.16	8.45	0.93	4.98
11	Opportunity to receive social grants on behalf of members	9.76	0.97	5.21	8.59	0.88	4.73
12	High interest rates on savings	9.69	0.85	4.57	8.66	0.71	3.81
13	Possibility of issuing transactional cards for convenience	9.45	0.86	4.65	8.66	0.76	4.08
14	Free capacity building from CBDA and BANKSETA	10.31	0.97	5.22	8.76	0.85	4.57
15	Help members out of moneylenders' debt trap	9.10	0.88	4.72	8.86	0.82	4.42
16	Ability to create a middle class through improved A2F	10.97	0.98	5.25	9.14	0.80	4.30
17	Favorable legislation allowing registration as a CB or SCB	9.86	0.68	3.66	9.31	0.56	3.02

Other opportunities are technological drivers "Adopting financial technology to improve efficiencies" (4th) therefore enabling CFIs to explore the "possibility of issuing transactional cards for convenience to financial services" (13th). With improved access to quality financial services together with right mixture of interventions there is an opportunity to 'create a middle class through enhanced productivity' (16th). The environmental opportunities to be seized are the availability of "free capacity building from the CBDA and BankSETA" (14th), and 'favorable legislation environment allowing registration of CFIs from FSCs and SACCOs to Cooperative Banks and Secondary Cooperative Banks' (17th). Embracing financial technology will position CFIs as channels through which part of the 17-million people receiving social grants every month can be paid through (11th). Policy position CFIs as part of social and economic instruments with the 'ability to reduce poverty, unemployment, and social inequality' (5th).

5.1.2 Inhibitors of Cooperative Financial Institutions performance

The inhibitors to CFI performance are split into two being internal and external inhibitors. The internal inhibitors being the internal weaknesses which CFIs have control over but failing to manage. The major inhibitors are technological, financial, people, governance, cultural/social and perception driven. With reference to Table 3c below, the major internal weakness is "low adoption of technological banking systems" (1st). Experts mentioned that,

> "…most CFIs are using manual systems which breed fertile ground for fraud and loss of clear transaction trails". Another expert said "… [it] is this lack of automation in their operations which place wrong perceptions in the mind of people to think CFIs are for people of less means".

Related is 7th being "lack of participation on the National Payment System" which limit the interaction between CFIs and the formal financial system. This low diffusion of information technology is resulting in "Low innovation to develop appropriate financial products" (14th). Another expert made the following comments,

> "The adoption of IT in operations is closely associated with design of more easily accessible financial services such as mobile money, internet banking, microinsurance, money transfers services and so on".

The second most weakness is "weak capital base which cannot absorb more credit risk", this makes CFIs not better positioned to offer long-term credit facilities due to low member savings and membership contributions. This puts them on "tight cashflow positions" (13th). The third weakness is people skills, "Low managerial skills to lead CFIs profitably and sustainably", as some might rely on voluntary labor not trained to lead organizations effectively. Related to that is "Inability to retain talent through competitive market salaries" (8th), this comes from the weak balance sheet base to carry high costs. The fourth weakness is "Poor marketing of the CFI concept to the greater public" resulting in "Weak membership and savings growth" (9th) as CFIs have "Unattractive premises to appeal to the middle & upper class" (17th). All these affects people's perceptions labelling CFIs as a concept for the poor. The fact that, "CFIs and members are banking with commercial banks they risk losing members" (10th).

Table 3c: Mean rank of rounds III and IV final ranking – Inhibitors (weaknesses).

Rank	Item	III			IV		
		x	SE	SD	*x*	SE	SD
1	Low adoption of technological banking systems	5.79	0.98	5.30	4.90	0.83	4.46
2	CFIs have weak capital base which cannot absorb credit risk	5.90	0.94	5.04	5.28	0.80	4.29
3	Low managerial skills to lead CFIs profitably & sustainably	6.86	0.85	4.56	5.76	0.69	3.73
4	Poor marketing of the CFI concept to the greater public	6.86	0.72	3.89	5.97	0.56	2.99
5	Lack of strong cooperative movement, the sector is fragile	7.79	1.03	5.54	6.17	0.91	4.91
6	Poor savings culture among members	7.90	0.98	5.27	6.28	0.77	4.15
7	Lack of participation on the National Payment System	8.00	1.00	5.37	6.31	0.70	3.79
8	Inability to retain talent through competitive market salaries	7.14	0.97	5.25	6.48	0.79	4.26
9	Weak membership and savings growth	9.10	0.96	5.16	7.21	0.78	4.20
10	CFIs are banking with banks risk losing members	7.48	0.85	4.56	7.59	0.79	4.26
11	Weak corporate governance structures	9.21	0.87	4.70	7.72	0.77	4.17
12	Weak risk management systems	8.86	0.88	4.76	7.72	0.77	4.14

13	Tight cash flow positions	9.72	0.89	4.79	8.38	0.81	4.35
14	Low innovation to develop appropriate financial products	10.11	0.90	4.86	8.90	0.83	4.46
15	Poor activism by members in the governance system	10.14	0.86	4.63	8.93	0.78	4.19
16	No deposit insurance guarantee protection to members	9.48	1.00	5.38	9.00	0.88	4.72
17	Unattractive premises to appeal to the middle & upper class	10.83	0.95	5.13	9.00	0.84	4.50

The governance of CFIs poses some internal challenges as there are "weak corporate governance structures" (11th), one expert mentioned that,

> '[some] of the elected members are not well informed of what is expected from them with some committees not function leaving room for the CFI management without guidance'.

The situation is made worse due to "poor activism by members in the governance system" (15th), one experts have to say,

> "…members [most of the times] they do not exercise their voting powers when not happy with management affairs of CFIs, instead they just withdraw their investments and membership". One expert said, "In addition to training directors, training is also important to members to exercise their governance rights and hold the board accountable".

Lack of members activism and board oversight "weakens risk management systems" (12th) which exposes the CFI to solvency risk. More often when the CFI fail members who are the poor lack the fallback position as there is "no deposit insurance guarantee protection to members" (16th).

Apart from these internal inhibitors, they face external threats such as wrong perception, failures, economic, competition and policy changes as detailed in Table 3d below. The sector is facing "Stagnant membership growth due to poor public perception" (1st) "…that CFIs are there to serve the poor only" (3rd). Perceptions are placing the "inability to attract qualified staff" (12th) which affects sector performance. One expert mentioned that,

> "…the best talent is not there in the sector due to misperceptions which need to be changed through rebranding of the sector to represent the future of sustainable banking".

The fourth major threat is that, "Policymakers have interest in commercial banks, not giving CFIs attention". This view was supported by experts who mentioned that,

> '…government in their announcements they never mention CFIs as an important player in socio-economic transformation. On financial inclusion discussions, you rarely hear any mention on how to harness grassroot innovations such as financial cooperatives.'

More related to policy inhibitors is "Lack of special tax rate for social enterprises such as CFIs" (13th). There was mention that CFIs are being treated as for-profit business-like banks whose objective is maximizing profits for shareholders. CFIs being member-owned their surpluses are ploughed back to communities' development should have a special tax rate for social enterprises.

Table 3d: Mean rank of rounds III and IV final ranking – Inhibitors (threats).

Rank	Item	III			IV		
		x	SE	SD	*x*	SE	SD
1	Stagnant membership growth due to poor public perception	6.03	0.70	3.77	4.83	0.50	2.67
2	Failure rate of CFIs is high affecting community confidence	5.41	0.84	4.52	4.93	0.74	3.97
3	Wrong perception that CFIs are for the poor only	6.38	0.81	4.34	5.72	0.73	3.92
4	Policymakers have interest in banks, not giving CFI attention	5.79	0.79	4.24	5.79	0.72	3.89
5	High unemployment affecting ability to save	6.34	0.84	4.53	5.83	0.72	3.86
6	Economic challenges affecting savings	7.18	0.85	4.60	5.89	0.67	3.63
7	Competition from loan sharks over-indebting members	6.79	0.74	4.00	6.48	0.68	3.66
8	Weak performance of the economy affect savings	7.17	0.83	4.45	6.62	0.74	3.97
9	High cost of banking system which CFI will not afford	8.03	0.81	4.37	6.72	0.64	3.42
10	Competition from informal schemes and pyramid schemes	7.28	0.90	4.87	6.86	0.79	4.26
11	Competition from commercial banks on member savings	7.24	0.78	4.22	7.07	0.70	3.77
12	Inability to attract qualified staff due to poor perception	8.07	0.88	4.73	7.17	0.84	4.50
13	No special tax rate for social enterprises such as CFIs	8.72	0.91	4.90	7.21	0.79	4.24
14	High insolvency of CFIs	8.79	0.80	4.29	7.86	0.66	3.53
15	Lack of deposit insurance to attract middle and upper-class	10.24	0.82	4.40	9.76	0.81	4.35

Ranked fifth on threats is "high unemployment affecting ability to save" which is currently estimated at 27.7% (Stats SA, 2017) due to "Economic challenges affecting savings" (6^{th} and 8^{th}). Some of experts said,

> "… savings culture and financial literacy are generally low; unemployment and economic challenges should trigger people to save for the uncertain future but that is not the case".

Besides economic and culture inhibitors South Africans have many competing financial services providers, mostly targeting the employed or government social grants receivers. That is, "Competition from loan sharks is over-indebting members" (7^{th}). In the words of one expert,

> "… due to low financial literacy among [some] members borrow again from loan sharks at excessive rates, therefore, failing to make meaningful savings as they are stark in debt trap making financial literacy training necessary especially in workers-based CFIs".

Ranked position 10 is "Competition from informal and pyramid schemes", as members are easily tempted to invest their cash in these get-rich-quick schemes that are sold as *"can't lose"* propositions. Ending up losing their life savings in Ponzi and Pyramid Schemes as will inevitably collapse. Our experts ranked "Competition from commercial banks on member savings" (11^{th}) although people lack access to credit facilities they are attracted due to poor image of CFIs.

5.1.3 Future developments to drive CFIs performance over the next 10 years

From Table 3e below, the most important strategic priorities over the next decade provide the largest and most diverse set of factors. The factors ranked highly are those that are technological, marketing, people, policy, environmental and economic in nature.

Technology as an enabler was ranked first, “Adoption of technology to improve convenience and efficiencies.” From the comments in round 3 one expert said,

> “CFIs are incurring high operational costs, due to manual systems which tend to require more people, time and costly to manage.” Another comment was that, “use of banking system will enable CFIs to properly monitor the behavior of member savings and easy loan portfolio monitoring especially”.

Similarly, “Enabling CFIs to participate on the NPS to appeal to all” was ranked (fifth), to enable the players to connect with other financial services providers making the sector attractive to all. Digitalization will enable “Diversification of financial services that appeals to all” (8^{th}). As another expert mentioned that,

> “Diffusion of technology will enable diversification of services into insurance, online payment systems via mobile banking, stop orders and fixed investments”.

This is followed by CFI awareness campaigns/marketing as shown by the need for “Effective publicity of CFIs real social impact in communities” (2^{nd}) as some people do not understand the positive impact after becoming members making need for impact and success stories. Another way to position CFIs is “Creating a common national CFI brand” (7^{th}) as one participant mentioned,

> “There is need for the establishment of a common CFI brand such as Volksbank in Germany, recognized as a single identity, yet owned mutually and cooperatively by their members in each village or town”.

Ranked position 10 is “National campaigns to encourage people to join local CFIs”. There is need to market the CFIs concept to the entire economy. This is close to “Improving CFI location appearance to appeal to all” in position 12 and “Rebranding CFI concept to appeal to all classes” (15^{th}). Thereafter, “Target organized groups to boost membership” (16^{th}).

The third most ranked in the top 10 are people factors as strategies implementation require competent people. Ranked position three is the need for “CFI specific qualifications for the leadership and staff” and position 6^{th} “Improving corporate governance structure through trainings”. Our experts have this to say,

> “… there is need to enforce minimum qualifications for the board, staff and management …. development of a university curriculum of cooperative banking as the case in Kenya (The Cooperative University of Kenya). …international exposure to countries were cooperative banking is more successful such as German, UK, Canada, Kenya or Tanzania. …strengthen institutional capacity for CFIs: to address incompetent management, weak internal controls and poor corporate governance.

Ranked position four is the need to “Improve transparency through internal and external audits”. This was regarded as important as it improves the confidence of existing and potential members as an assurance that their savings are safe. The need for “Improving members saving culture through financial literacy training” was ranked in the top 10.

Table 3e: Mean rank of rounds III and IV final ranking – Future developments.

Rank	Item	III			IV		
		x	SE	SD	*x*	SE	SD
1	Adoption of technology to improve convenience, efficiencies	6.21	0.98	5.30	4.38	0.53	2.83
2	Effective publicity of CFIs real social impact in communities	5.79	1.25	6.70	5.14	1.05	5.68
3	CFI specific qualifications for the leadership and staff	7.48	1.13	6.07	5.76	0.89	4.82
4	Improve transparency through internal and external audits	7.31	1.18	6.38	6.07	0.89	4.80
5	Enabling CFIs to participate in the NPS to appeal to all	9.55	1.17	6.28	6.76	0.73	3.92
6	Improving corporate governance structure through trainings	9.38	1.21	6.51	6.93	0.70	3.79
7	Creating a common national CFI brand such as Volksbank	8.38	1.24	6.66	7.07	1.02	5.50
8	Diversification of financial services that appeal to all	9.72	1.16	6.23	8.03	0.94	5.04
9	Improving members saving culture through financial literacy	10.59	1.04	5.58	8.93	0.96	5.18
10	National campaigns to encourage people to join local CFIs	10.31	1.21	6.50	9.07	0.98	5.28
11	CFIs financial sustainability to attract stakeholder interest	10.93	1.13	6.08	9.17	1.00	5.39
12	Improving CFI location appearance to appeal to all	11.28	1.23	6.63	9.48	0.94	5.05
13	National CFI sector strategy to guide players	11.55	1.18	6.34	9.55	1.01	5.42
14	Tax exemption status for CFIs as they are social enterprises	11.34	1.33	7.17	9.66	1.20	6.47
15	Rebranding CFI concept to appeal to all classes	11.38	1.10	5.94	9.76	0.90	4.85
16	Targeting organized groups to boost membership	10.86	0.97	5.21	10.00	0.94	5.06
17	Gvt entities to also save in CFIs as juristic members	11.38	1.21	6.49	10.48	1.08	5.81
18	Strengthening the NACFISA to advocate for CFIs agenda	12.97	1.31	7.05	10.69	1.06	5.71
19	The establishment of SCB to act as CFIs bank of last resort	12.41	1.12	6.06	11.59	1.07	5.74
20	Strengthening capital base through member contributions	13.41	1.34	7.23	12.03	1.16	6.26
21	Performing economy and political stability are necessary	13.52	1.24	6.69	12.10	1.08	5.83
22	CFIs to contribute for the deposit insurance protection	14.69	1.14	6.15	13.79	1.12	6.02

Other important priorities ranked below the top 10 are the need to achieve “Financial sustainability to attract stakeholder interest” (11th). This is vital given the high failure rate of CFIs and to win confidence there is need for ensure the institutions have permanency by having the right skillset. The suggested “National CFI sector strategy to guide players” (13th) will be crucial to provide players guidance coupled with regulatory oversight from the CBDA. Although ‘Tax exemption status for CFIs as social enterprises’ is ranked 14th with average ranking of 9.66 making it highly important. One expert had to say,

> “CFIs need to have a tax exemption status as the case in the United States as they contribute to small businesses creation, employment and societal upliftment.”

Experts says to show government’s commitment to the CFI agenda as a matter of policy “Government and its entities should become CFIs juristic members” (17th). However, one expert mentioned that, this will become necessary if CFIs themselves have proven to be sustainable and local communities restore confidence in them. Most of the environment factors were ranked low though important. One of such is the need for "Strengthening the NACFISA to advocate for CFIs agenda" (20th). Experts share similar views on this,

> "A more vibrant and effective [national] association of CFIs is needed to be a focal point for the sector to push for certain agendas" whilst another expert said "…we have a weak, fragile CFI-sector at present as the national association is inactive". Whilst another expert had to say "Strengthening NACFISA will make it an active advocate for CFIs issues to policymakers."

Other future developments include "The establishment of a Secondary Cooperative Bank to act as CFIs bank of last resort" (19th). This is to ensure CFIs do business with cooperative businesses to strengthens the cooperative movement in the country. "Strengthening capital base through member contributions (20th) as the currently capital contributions and savings by members are low for meaningful lending. The "Performing economy and political stability are necessary" (21st), as one expert mentioned "…these are necessary to maintain a social fabric necessary for CFIs existence." Whilst "CFIs to contribute for the deposit insurance protection" was ranked last.

6 CONCLUSSION AND IMPLICATIONS

The major contribution of this study has been the identification of current drivers and inhibitors of CFIs performance following a SWOT analysis matrix. From the identified issues, it becomes clear that the sector is at crossroads facing diverse issues which require collective stakeholder efforts to move the sector forward.

The second objective was to identify strategies that can be implemented to position the CFIs in "*where to play and how to play"* going into the future as it is the future that remain uncertain and important. Our experts managed to clearly identify and agree on 22 future developments that need to happen in the next decade to realize high performance growth. These future developments can be group into seven categorizes, that is, technology, people, marketing, culture, policy, environment and economic as in Table 4 below. Although most of the items fit comfortably in one area but it might appear some can be in more than one such as "Diversification of financial services that appeal to all" under technology can also fit in marketing, but from experts' comments diversification is possible with the adoption of technology into internet banking, mobile money, stop orders and insurance making it a technology driven issue.

Following Vidgen, Shaw, & Grant (2017) the analysis shown in Table 4 below indicates that, based on an average rank per category, 'technology', 'people' and 'marketing' are the most important future developments to move the sector from the crossroads to high performance. While the absolute number of technology issues is low, all the three items are ranked highly in importance (an average value of 4.7), with "Adoption of technology to improve convenience and efficiencies" ranked first most important future development. People issues are ranked highly in importance (an average value of 6.0), indicating the need for right talent to lead organizations with excellency. Although the marketing category has six issues which is more that any category on average the items are ranked high slightly above 10. On the other hand, culture category contains only two items averaging importance value of 14.5 this is followed by three policy issues averaging 14.7. Environment and economic issues were ranked low in importance averaging 19.7 and 21 respectively as individual CFIs do not have much control on them especially economic and political developments.

Table 4: Strategy focus for future developments in the next 10 years.

Category	Rank/Average	Item	Rank
Technology (3)	1 (4.7)	Adoption of technology to improve convenience & efficiencies	1
		Enabling CFIs to participate in the NPS to appeal to all	5
		Diversification of financial services that appeal to all	8
People (4)	2 (6.0)	CFI specific qualifications for the leadership and staff	3
		Improve transparency through internal and external audits	4
		Improving corporate governance structure through trainings	6
		CFIs financial sustainability to attract stakeholder interest	11
Marketing (6)	3 (10.3)	Effective publicity of CFIs real social impact in communities	2
		Creating a common national CFI brand such as Volksbank	7
		National campaigns to encourage people to join local CFIs	10
		Improving CFI location appearance to appeal to all	12
		Rebranding CFI concept to appeal to all classes	15
		Targeting organized groups to boost membership	16
Culture (2)	4 (14.5)	Improving members saving culture through financial literacy	9
		Strengthening capital base through member contributions	20
Policy (3)	5 (14.7)	National CFI sector strategy to guide players	13
		Tax exemption status for CFIs as they social enterprises	14
		Government entities to also save in CFIs as juristic members	17
Environment (3)	6 (19.7)	Strengthening the NACFISA to advocate for CFIs agenda	18
		The establishment of SCB to act as CFIs bank of last resort	19
		CFIs to contribute for the deposit insurance protection	22
Economic (1)	7 (21.0)	Performing economy and political stability are necessary	21

To move the sector forward there is need to have a technology strategy, people strategy, marketing strategy, culture shift strategy, policy engagement strategy, environment strategy and economic strategy which can then be consolidated into a grand strategy. These strategies can be further grouped into two, that is, internal and external strategies (priorities). The internal priority are issues within the control of CFIs, that is, technology, people, marketing and culture issues. Whilst external priority are issues that a CFI will have no much control over but can influence, that is, policy, environment and economic issues.

The results of our study can be summarized in Figure 3 below showing CFIs performance being coevolution of different forces affecting each other at the same time. From our study, it looks like the inhibitors are forcefully negatively impacting the growth and sector performance, whilst the drivers are not that active given the opportunities not being fully exploited to create value for members. However, there is still a future for the sector given 22 future developments that can be explored to unlock value of which 15 strategic options are under the control of CFIs whilst seven can be influenced collectively to improve performance.

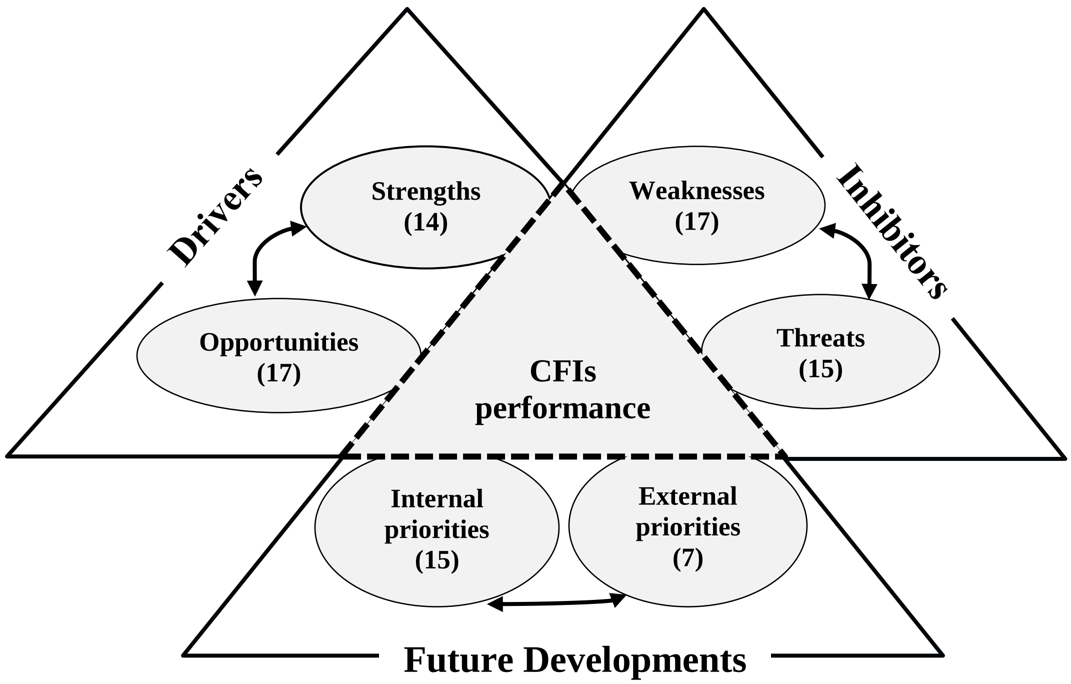

Figure 3: The CFI performance ecosystem

6.1 Implications for practitioners

Our research has relevance to CFI practitioners, government, development agencies, researchers, regulators and policymakers, who have an interest in supporting social development through access to finance to enhance inclusive economic participation. The identification of the drivers and inhibitors to CFIs performance provide insights for stakeholders' attention to weaken the inhibitors and maximize on the drivers of better performance. Secondly, Table 4 above provide a wide-ranging checklist of factors that managers/practitioners should consider when developing strategies for their organizations which need to place a strong focus on technology, people, marketing and culture transformation. In addition, they need also to develop strategies to influence policy, environmental or associational, and economic and political developments.

6.2 Opportunities for further research

We believe that this research provides a better understanding of the current situation and we hope that it contributes to further research in the CFI sector. Due to funding limitations to carry out further research we recommend three areas of further study leveraging on what we now understand. Firstly, consider doing a case study on the best and worst performing CFIs to understand what differentiate their performance. Secondly, would be to split CFIs into different types such as workers-based or professional association-based, rural-based and community-based CFIs, and study them separately as the challenges and opportunities might not be the same. This will enable specific issues to be accurately identified and specific strategies recommended than general recommendations which might not apply to different common bonds. Lastly, in-depth interviews with current and former CFI members to understand CFI value proposition for members for better informed strategies.

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