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Evaluation of Technical Efficiency of SACCOs in Eswatini

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ABSTRACT:

Savings and Credit Cooperatives (SACCOs) are pivotal for enhancing financial inclusion and mobilizing domestic savings in Eswatini, particularly for populations underserved by traditional banking. However, their impact is contingent upon operational efficiency. This study evaluates the technical efficiency of 35 SACCOs in Eswatini using an unbalanced panel of quarterly data from 2020 to 2024 and Data Envelopment Analysis (DEA). The results reveal strong and significant technical efficiency, averaging approximately 90%. This efficiency is driven by interest rates, profitability, size and capital adequacy. This implies that the efficiency of these institutions are driven more from within (i.e. microeconomic factors) rather than external or macroeconomic factors except interest rates.

Keywords: Savings and Credit Cooperatives, Data Envelopment Analysis, Eswatini, Tobit Regression, Technical efficiency

1. INTRODUCTION

Technical efficiency is fundamental to the survival and success of SACCOs, as it directly enables them to fulfil their core social mission (Tefamariam *et al.*, 2013; Marwa, 2014). By minimizing operational costs and maximizing output, efficient SACCOs can offer their members higher returns on savings and more affordable loan rates. This enhanced member value strengthens loyalty, attracts new members, and deepens financial inclusion, ensuring the SACCO remains a vital community resource.

Technical efficiency provides a critical competitive edge in a crowded financial market and builds institutional resilience (Tabitha *et al.*, 2024; Muriuk *et al.*, 2025). Streamlined operations through technology and good governance reduce risks, improve service delivery, and boost profitability, (Lelei & Kwasira, 2025; Murekezi & Yeşilada, 2023). This financial health allows SACCOs to invest in innovation, build reserves

for stability, and ultimately secure their long-term sustainability as member-owned cooperatives dedicated to member empowerment.

SACCOs generally suffer technical inefficiency because of weak management capacity, inadequate technology, limited scale, governance challenges, and poor financial practices (Paulo & Gikuri, 2015; Marwa & Aziakpono, 2016). These inefficiencies reduce productivity and profitability despite SACCOs' social and developmental importance.

We use quarterly data over the period 2020 to 2024 to evaluate the efficiency of SACCOs in Eswatini. Eswatini as a country has progressed in terms of regulating and supervising the savings and credit sector in southern Africa. According to World Council of Credit Unions, WOCCU (2022) report Eswatini had 129 SACCOs with approximately 70 000 members and a penetration rate of 8.9% at that time, making it number 7 in a "Top 10 SACCO industries in Africa" list (Cop-News no date).

Our findings suggest that SACCOs in Eswatini are highly efficient with an average score above 90 percent. Their efficiency is driven by interest rates, profitability, size and capital adequacy. This implies that the efficiency of these institutions is driven more from within (i.e. internal factors) rather than external or macroeconomic factors except interest rates.

Much of the existing literature on SACCO efficiency in Africa is dominated by survey-based studies from East African nations like Kenya, Tanzania, and Uganda. This study provides a critical and novel contextual contribution by focusing on the Kingdom of Eswatini, a country with unique characteristics thereby offering a fresh perspective that challenges and enriches the global understanding of cooperative finance. It contributes to the literature on the technical efficiency of SACCOs in four ways.

First, this study makes a critical methodological contribution by establishing objective financial data as the definitive standard for measuring SACCO efficiency in Africa, directly countering the field's prevailing reliance on subjective surveys. We argue that financial metrics provide the necessary precision and economic validity for robust efficiency analysis, thereby setting a new paradigm: hard data quantifies performance, while surveys are relegated to explaining its drivers.

Second, this study provides novel empirical evidence on SACCO efficiency within Eswatini's unique socio-economic context, offering a critical test of institutional economics. We investigate whether the nation's strong social capital and kinship networks; potentially reducing transaction costs and moral hazard translates into measurable technical efficiency gains. Furthermore, by examining SACCOs within this small, highly regulated market, we move beyond large-market models to reveal how efficiency is achieved within a confined economic ecosystem, generating transferable insights for similar developing economies.

Third, this study pioneers the application of Data Envelopment Analysis (DEA) to a high-frequency quarterly regulatory dataset, establishing a novel methodological benchmark for assessing SACCO technical efficiency. This approach transcends the static limitations of annual data and subjective surveys, enabling dynamic tracking of performance trends and yielding robust, evidence-based insights for SACCO management and FSRA policymakers. By demonstrating this rigorous framework within Eswatini's unique context, the research provides a replicable model for analyzing financial cooperatives in small, regulated economies globally.

Finally, this research provides actionable intelligence for both regulators and practitioners, enabling a strategic shift from compliance-based to risk-based supervision. It equips the FSRA to identify inefficient SACCOs for intervention and benchmark best practices, while providing managers a diagnostic tool for strategic resource allocation. Ultimately, these evidence-based insights are designed to strengthen the entire sector's sustainability and profitability, thereby advancing financial inclusion and supporting Eswatini's broader economic development goals.

The rest of the paper is structured as follows: Section 2 presents an overview of the SACCOs in the Eswatini context.

Section 3 provides the theoretical framework of technical efficiency of SACCOs. In Section 4, we review the empirical literature and also develop our hypotheses. The data and methodology are discussed in Section 5. Section 6 presents and discusses the estimation results, robustness checks, and limitations of the analysis. Section 7 concludes the paper.

2. BACKGROUND

SACCOs are fundamental drivers of financial inclusion, serving populations typically excluded from the formal banking sector, (Pasara *et al*, 2021; Mrema & Kinyondo, 2024; Kumuyange & Rusibana, 2020). By being community-based and member-focused, they provide accessible and affordable savings accounts, credit, and other financial services to low-income earners, smallholder farmers, and micro-entrepreneurs. This direct access to finance is a critical first step in breaking the cycle of poverty, as it offers a safe alternative to predatory lenders and empowers individuals to manage their economic lives, build assets, and invest in their futures.

Beyond individual empowerment, SACCOs play a crucial role in mobilizing domestic capital and stimulating local economies. They aggregate small savings from members into a substantial pool of capital, which is then reinvested within the community as loans. This mechanism provides essential funding for key sectors like agriculture and small and medium-sized enterprises (SMEs), fostering job creation, supporting local businesses, and ensuring that wealth circulates internally, which strengthens the foundation of the national economy (Mweu & Mose, 2024; Oudia & Mise, 2024; Nkwasiwe & Katsigaire, 2022).

Furthermore, the SACCO model promotes social cohesion and stability through its principles of self-help, democratic governance, and solidarity. The "one member, one vote" system fosters a sense of ownership and accountability, strengthening community ties. By providing a collective financial safety net and building a culture of thrift and financial literacy, SACCOs enhance the overall resilience of communities to economic shocks. In essence, they are not just financial institutions but vital pillars for sustainable and inclusive grassroots development, (Muchiri & Sakwa, 2024).

SACCOs in Eswatini have deep historical roots, emerging from the global cooperative movement and blending naturally with the country's traditional systems of communal support and group savings, locally known as *kukhontaor imaligege*. Post-independence policies that promoted economic empowerment and financial inclusion, especially for citizens excluded from formal banking services promoted the SACCOs' rapid growth. Pioneering SACCOs formed around shared affiliations such as farmers' associations, teachers' unions, and civil servant groups, fostering mutual trust and collective financial goals. This foundation positioned SACCOs as vital community-based institutions for mobilizing savings and providing affordable credit, making them an integral part of Eswatini's socioeconomic fabric.

Over time, the institutional and regulatory framework for SACCOs evolved to strengthen oversight and sustainability. SACCOs were initially regulated under the Cooperative Societies Act under the Ministry of Commerce, Industry and Trade. The establishment of the Financial Services Regulatory

Authority (FSRA) under the Financial Services Regulatory Authority Act, 2010 (FSRA Act 2010), saw the regulatory authority assume responsibility for supervising SACCOs, a move that aligns oversight with international financial standards. Despite facing persistent challenges such as limited digital transformation, rising competition from microfinance and mobile money platforms, and persistent technical inefficiencies, Eswatini SACCOs remain a key driver of financial inclusion, community development and continue to embody the spirit of collective self-reliance and financial solidarity and remain as a cornerstone of Eswatini's grassroots economic empowerment.

3. LITERATURE REVIEW

We anchored this study on the Financial Intermediation Theory, which frames a SACCO's efficiency by its ability to cost-effectively channel member savings into loans. In Eswatini, this process is critically constrained by the interest rate environment set by the Central Bank. High rates increase the cost of attracting savings and suppress loan demand, while low rates threaten savings mobilization and increase credit risk. Therefore, SACCO efficiency is a function of navigating this dual pressure.

We also use the Institutional Theory to anchor this study. SACCOs are not just financial entities; they are institutions caught between the regulatory pressure of the national monetary policy and the normative pressure of their member-owner social mission. Their efficiency, consequently, is a measure of their ability to balance the economic imperative for financial sustainability with the cooperative imperative for member value, defining their ultimate viability in the Eswatini market.

SACCO efficiency is determined by both internal factors (e.g., profitability, capital adequacy, and size) and external factors (e.g., interest rates, inflation, and GDP growth). The subsequent section reviews the extant literature on these determinants to inform and establish the study's hypotheses.

Inflation acts as a corrosive force on technical efficiency. High and volatile inflation erodes the real value of members' savings, potentially triggering dissaving and destabilizing the SACCO's low-cost funding base (McKinnon, 1973). From an operational perspective, inflation drives up the costs of administration, utilities, and salaries, directly increasing operational inputs (Kipsha, 2013). Inflation distorts the real value of the loan portfolio and repayments, complicating financial planning and requiring constant adjustments to lending rates to preserve real returns. We hypothesise that inflation has negative on SACCOs efficiency.

Robust national GDP growth is a critical external driver of SACCO efficiency. A strong economy boosts member savings and lowers loan defaults, enabling SACCOs to expand their outputs without a commensurate rise in non-performing loans or risk management costs. Conversely, economic contractions—such as those induced by global crises or regional droughts—trigger rising unemployment and member defaults, forcing SACCOs to divert resources from productive activities to debt collection and provisioning, thereby severely degrading technical efficiency (Kiyota, 2012).

The central bank's repo rate creates a dual constraint on SACCO efficiency, though SACCOs do not borrow directly from the central bank. The repo rate establishes a benchmark for national lending activities. High rates increase the cost of member savings and suppress loan demand, degrading asset quality. Conversely, low rates reduce funding costs and stimulate lending but risk adverse selection and discourage savings. Consequently, the net effect of interest rates on SACCO efficiency remains theoretically ambiguous, presenting a critical trade-off between cost management and risk exposure (Olweny & Shipho, 2011).

Profitability and operational efficiency share a causal relationship, where profitability serves as the primary enabler of future efficiency. A strong Return on Assets (ROA) provides the internal capital required to invest in efficiency-enhancing technologies and systems, creating a virtuous cycle of improvement. Conversely, low profitability triggers a vicious cycle, constraining investment and perpetuating stagnation. Thus, profitability is not merely an outcome but a fundamental determinant of sustained operational efficiency.

The link between SACCO size and efficiency is rooted in the balance between economies and diseconomies of scale. Studies highlight that larger SACCOs often benefit from economies of scale by spreading fixed costs—such as technology, compliance, and management—across a wider member base, enhancing cost efficiency and enabling risk diversification and FinTech adoption (Goddard et al., 2001; 2018; Mago & Chitokwindo, 2014). However, beyond an optimal size, these advantages may reverse, as bureaucratic rigidity, coordination challenges, and reduced member responsiveness introduce diseconomies of scale that erode efficiency.

Capital adequacy serves as a critical determinant of SACCO efficiency, embodying a fundamental trade-off between stability and growth. Sufficient capital buffers enhance operational efficiency by ensuring financial stability, reducing funding costs, and enabling sustainable portfolio expansion. Conversely, excessively high capital ratios may signal suboptimal asset utilization and forgone lending opportunities, potentially depressing returns. Thus, the literature suggests an optimal equilibrium; where capital levels are sufficient to mitigate risk without constraining productive asset deployment essential for maximizing SACCO efficiency (Bichanga & Obara, 2018; Kodongo et al., 2015).

4. METHODOLOGY

Data envelopment analysis is one of the most widely used methods for measuring efficiency. Charnes, Cooper, and Rhodes (1978) introduced the method for measuring relative efficiency. The concept of Pareto efficiency serves as its foundation. The method assesses efficiency using input and output data from a few Decision-Making Units (DMUs). The method identifies DMUs that function as benchmarks and are quite efficient. The relative efficient points are then used to calculate the efficiency frontier and the inefficiency of other DMUs that fall below it. The efficient DMUs are only effective when compared to other DMUs in the sample.

The data envelopment analysis model uses linear programming techniques to determine the DMUs relative efficiency.

Relative efficiency, which incorporates several inputs and outputs though not always in equal proportion was introduced by Farrell in 1957. Developing a frontier of the most efficient decision units (DMUs) and determining the distance between the less efficient units and the frontier are the main objectives of the relative efficiency technique (Bader 2008).

The goal of the current study is to gauge the SACCOs' technical efficiency in Eswatini. Equation (1) displays the technical efficiency measurement model.

$$\begin{aligned} \theta^* &= \min \theta \\ \text{Subject to} \\ \sum_{i=1}^n \delta_j x_{ij} &\leq \theta x_{i0} \quad i = 1, 2, 3, \dots, n \\ \sum_{j=1}^n \delta_j y_{rj} &\leq y_{r0} \quad r = 1, 2, 3, \dots, n \\ \sum_{j=1}^n \delta_j &= 1 \\ \delta_j &\geq 1 \end{aligned} \quad (1)$$

The model has n DMUs being investigated. x and y represent the i_{th} input and then r_{th} output for the DMU $_o$, respectively. δ are unknown weights and $j = 1, 2, \dots, m$ represents the number of DMUs. The optimal value of θ^* shows the distance of the country from the efficient frontiers. This means that the most technically efficient Sacco has $\theta^* = 1$ and the inefficient SACCOs will have $\theta^* < 1$.

The empirical model for this study becomes:

$$\begin{aligned} \theta^* &= \min \theta \\ \text{Subject to} \\ \delta_1 OPE_i + \delta_2 TAS_i + \delta_3 EMP_i &\leq \theta x_{i0} \quad i = 1, 2, 3, \dots, n \\ \delta_1 LOAE_i + \delta_2 INT_i + \delta_3 NUM_i &\leq y_{r0} \quad r = 1, 2, 3, \dots, n \\ \sum_{i=1}^n \delta_j &= 1 \\ \delta_i &\geq 1 \end{aligned} \quad (2)$$

Where, the inputs are OPE represents operating expenses, TAS represents total assets and EMP represents number of employees. The outputs of the model are LOA representing total advanced, INT represents interest expenses and NUM stands for number of members served.

Efficiency can be calculated using either variable returns to scale (VRS) or constant returns to scale CRS. The choice between CRS and VRS affects the shape of the envelopment surface and, in turn, the number of effective decision-making units (DMUs). If every input result in a proportionate rise in output, CRS achieves proportional increase. The models that employ the CRS are called CCR (Charnes, Cooper, and Rhodes) models. The CCR model extends the concept of Farrell's efficiency measurement from multiple inputs and one output to multiple inputs and numerous outputs. This paradigm (Charnes et al. 1978) transforms different inputs and outputs into a single virtual input and output using a linear combination. Assuming a constant yield, the efficiency barrier for assessing relative efficiency will be determined as the ratio

of these virtual combinations of outputs to inputs. Given the non-restrictive nature of the VRS, the method is adopted for the study.

Following the estimation of the efficiency scores of the SACCOs, the succeeding stage is to evaluate the determinants of the scores. To accomplish this the Tobit regression methodology is applied. The dependent variable in a Tobit economic regression model is the technical efficiency scores. When the dependent variables are constrained by a threshold, the Tobit regression is helpful. DEA efficiency scores have a minimum of zero and a maximum of one, making them restricted variables. Because ordinary least squares (OLS) assumes a normal and homoscedastic distribution of the disturbance and the dependent variable, employing OLS to estimate the regression results in biased parameter estimations (Maddala, 1983). The panel fully modified least squared approach was used as a robustness assessment.

In this study, the technical efficiency determinants are divided into two main categories; namely the internal determinants (profitability, capital adequacy, credit risk, cost income ratio); and external economic indicators (Economic Growth and Inflation).

Empirically, the determinants of efficiency were ascertained using equation (3):

$$EFF = \alpha_0 + \alpha_1 INT_i + \alpha_2 GDP_i + \alpha_3 INF_i + \alpha_4 ROA_i + \alpha_5 SIZE_i + \alpha_6 CAD_i \quad (3)$$

Where ROA, SIZE and CAD are return on assets (measuring profitability), size of the SACCOs (measured by asset base) and capital adequacy (measuring equity as proportion of total assets) respectively. These three measures capture the SACCOs specific variables hence are under the control of the management of these institutions. INT, GDP and INF are the macroeconomic variables outside the control of management. These variables are interest rate (measuring cost of borrowing), gross domestic product (measuring economic growth) and inflation (measuring economic stability) respectively.

The data for the study was obtained from the National Association of SACCOs of Eswatini in the form of published financial statement. These included income statement, balance sheets and statement of equity. The data covers the period 2020 quarter 1 to 2024 quarter 4. This gives us 20 data points for each SACCO and 700 data point for all the 35 SACCOs which had complete data. The data is balance panel data. The macroeconomic variables were obtained from the World Bank indicators while interest rates were obtained from Central bank of Eswatini.

5. RESULT PRESENTATION AND ANALYSIS

This section presents the results of the study. Firstly, the section discusses the evolution of the efficiency of the SACCOs during the study period.

SACCOs had an average efficiency score of 92% between 2020 and 2022. According to the results, there was an 8% degree of technical inefficiency in the typical among the players. This indicates that the SACCOs have less waste. To put it another way, the SACCOs would have had more opportunities to cut this minor waste if they had operated at the same level

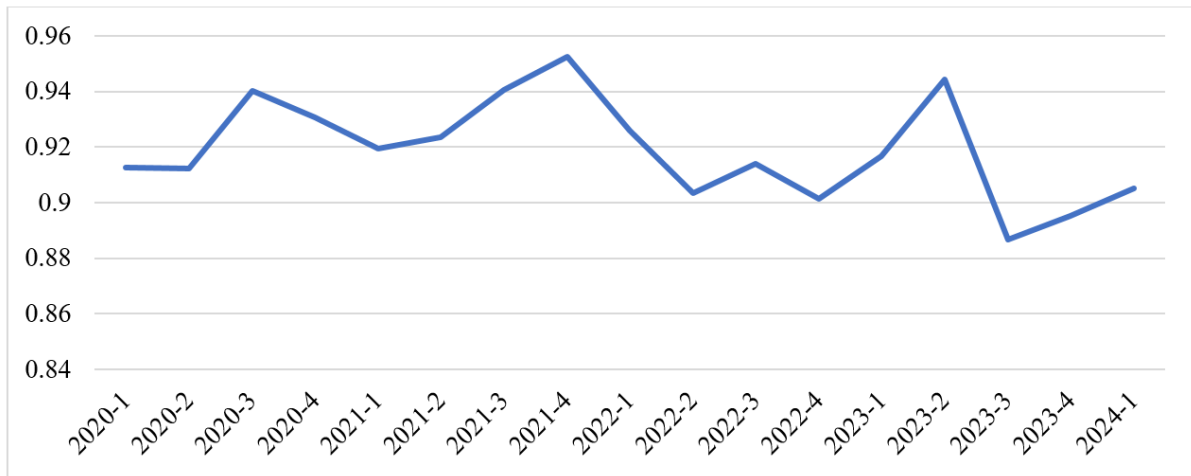


Fig. (1). Evolution of Average Efficiency Scores for the Industry.

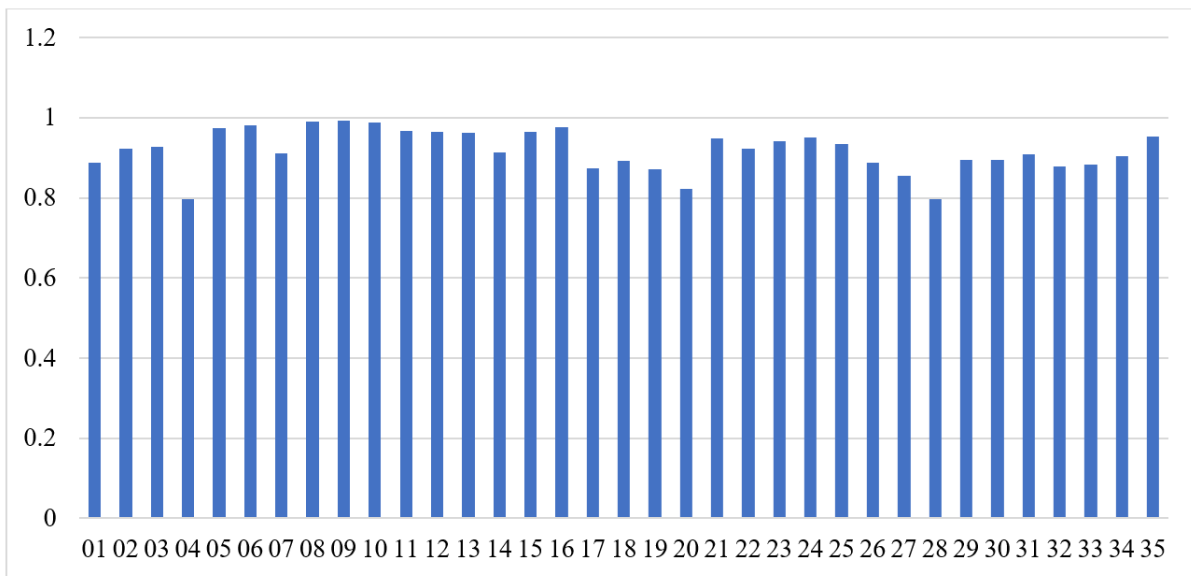


Fig (2). Average Efficiency Score for Each Sacco.

of efficiency as the sample's most efficient country. The SACCOs' efficiency scores in Eswatini are quite consistent. The results show that there was a greater degree of technical inefficiency dispersion among the countries during the study period. This means that the players in the industry are almost performing at par at almost the efficient levels.

The average efficiency score of the SACCOs has been mean reverting around 92 percent which the mean of the data analysed (Fig. 1). There was not much divergence from the average score over the whole period. The outlying scores were achieved in 2021 quarter 3 when the average score reached the highest during the study period. The average for the quarter then was 94 percent. This implies the level of inefficiency was reduced to only 6 percent depicting the lowest level of wastage for the period. The other outlying period was in 2023 quarter 3 when the efficiency score dipped to 89.5 percent. This was the worst period during the whole study period since the level of wastage among the SACCOs was above 10 percent. The results differ from similar study where Pur-

miyati & Handoyo (2022) established that the average efficiency in Indonesia of SACCOs was 65 % based on existing technology. Marwa & Aziakpono (2016) also established that that average score for technical efficiency in Tanzanian SACCOs was 42 percent. Magali & Pastory (2013) established that the technical efficiency of SACCOs varies across and within the regions where the efficiency scores for Morogoro, Dodoma and Kilimanjaro regions were 62 percent, 60 percent and 45 percent respectively.

Fig. (2) shows the average individual efficiency levels of each individual SACCOs. The best performing SACCO achieved an average of 99.3 percent (SACCO #9). This means over the whole period this player managed to outclass all other players in terms of converting the inputs into outputs. In terms of wastage, it suffered a 0.7 percent inefficiency. On the other hand, the worst performing SACCO among the group had an average score of 79.7 percent depicting a 20.3 percent average wastage. Overall, the level of resource wastage among the

Table 1. Descriptive statistics.

-	INT	GDP	INF	ROA	SIZE	CAD
Mean	5.6647	3.2547	4.7008	9.2430	9.6931	7.0906
Median	6.0000	3.0000	4.9300	9.0455	9.5375	7.1345
Maximum	7.5000	21.2000	5.6700	13.3146	13.6192	11.0210
Minimum	3.7500	-9.9000	2.8300	5.5722	6.0475	1.7918
Std. Dev	1.6458	6.2932	0.7563	1.8467	1.7740	1.6684

Table 2. Correlation coefficient.

	INT	GDP	INF	ROA	SIZE	CAD
INT	1					
GDP	-0.2114	1				
INF	0.1543	0.4785	1			
ROA	0.0203	0.0108	0.0198	1		
SIZE	-0.0022	0.0069	0.0121	0.4099	1	
CAD	-0.0265	0.0124	0.0044	0.7371	0.7084	1

Table 3. Tobit regression results.

Variable	Coefficient	Prob
INT	-0.0057	0.0683
GDP	0.0052	0.5678
INF	-0.0014	0.8480
ROA	0.0158	0.0269
SIZE	0.0233	0.0007
CAD	-0.0218	0.0020
C	0.8938	0.0000

SACCOs players is very low hence there are operating towards the efficient frontier. This means there is not much divergences among most of the players in this industry.

Table 1 presents the descriptive statistics for the micro and macro variables that determines the efficiency of the SACCOs in Eswatini. The standard deviations of the variables are low reflecting that there is limited variations within the variables.

To ascertain whether multicollinearity results from the correlation between variables, correlation analysis was carried out. The relationship between the independent variables is shown in the correlation matrix (Table 2). Multicollinearity is ruled out by the results, which show no significant correlation between the independent variables. Equation 3 can be estimated.

Having established that there is no correlation among the dependent variables, the study estimates the regression equation using the Tobit model. The model is suited for the data available given that the dependent variable, efficiency, is a

limited dependent variable lying between zero and one. The Tobit regression results are presented in Table 3.

The results establish that there is a negative relationship between interest rates on loans and technical efficiency. This implies that as the interest rates are increased the technical efficiency decreases. A unit increase in interest rate leads to a 0.006 percent decline in technical efficiency. The increase in interest rate discourages borrowing from the members hence impacts the essence of the SACCOs. High loan interest rates have a detrimental effect on SACCOs' technical efficiency by decreasing loan demand, which lowers income and service delivery capacity. On the other hand, as borrowing is more appealing to members, a lower interest rate is linked to greater efficiency. The results differ from the studies (Murage *et al.*, 2018; Khalayi *et al.*, 2014) who established a positive relationship between performance of SACCOs and interest rates)

Table 3 shows that return on assets, a measure of profitability is positively related to the technical efficiency. This

means that as the profitability of the institutions increases, the technical efficiency also improves. Profitability increases the organic improvement of the capital base of the SACCOs which is also a source of resources available for lending. Once the resources for onward lending increases, the capacity of the institution to lend even at a lower interest rates are enhanced causing efficiency to increase. Because they have the funds to invest in and maintain effective operations and technology, highly profitable SACCOs are frequently more efficient. Profitable institutions can use their profits to expand their operations, which can result in economies of scale and additional efficiency gains. Marwa and Aziakpono (2014) centrally established a negative relationship between technical efficiency and profitability.

The size of a SACCOs, measured by the asset base is positively related to technical efficiency. This means that those institutions with bigger asset base are more technically efficient compared to those institutions with lesser asset. Availability of the assets is an important metric in the lending business since these can be leveraged to unlock further resources for onward lending. In times when SACCOs are short of funds they can pledge their assets with established financial assets to unlock liquidity, the essence of lending. Larger SACCOs can increase efficiency since they have access to more capital, technology, and skilled workers. The results align with as study done in Kenya where a positive relationship was established between size of institution and technical efficiency (Karanja, 2013).

The results show that capital adequacy is negatively related to technical efficiency. This means that an increase in capital reduces technical efficiency. The results are counter intuitive given that it is expected that capitalisation of an institution should lead to enhanced technical efficiency as it enables firms to improve their technology which reduces the cost of doing business. The negative results should only apply beyond a certain threshold when the institution starts encountering increasing returns to scale. It has also been demonstrated that institutions may be tempted by large, short-term profitability when they become unduly preoccupied with financial operations. Growth and long-term technical efficiency may be hampered as a result of resources being diverted from long-term investments in core business activities. Similar results have been established in prior studies (Barus et al., 2017; Chepkirui et al., 2021)

6. CONCLUSIONS AND RECOMMENDATIONS

Technical efficiency of SACCOs is crucial since it allows them to optimize their output (such as loans and member perks) while using the fewest resources (inputs). Better member benefits, more financial stability, and increased cooperative sustainability result from this. SACCOs with high technical efficiency are better able to serve their members by cutting waste and making better use of their resources, including savings and operating funds. SACCOs in Eswatini are crucial in advancing community development, economic empowerment, and financial inclusion. In contrast to traditional banks, SACCOs are primarily focused on meeting the financial requirements of their members rather than making money for shareholders. The current study sought to establish the tech-

nical efficiency of the Eswatini SACCOs and identify the determinants of the technical efficiency. Compared to other studies done elsewhere, the SACCOs in Eswatini are efficient with an average score above 90percent. This efficiency is driven by interest rates, profitability, size and capital adequacy. This implies that the efficiency of these institutions are driven more from within (i.e. microeconomic factors) rather than external or macroeconomic factors except interest rates. The policy implication of the results is that owners of the SACCOs should put in place measures that enhances profitability, manages interest rates so as not discourage members from borrowing, ensure the asset base is adequate to support lending, and ensure optimum capital is maintained.

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