FACTORS AFFECTING FINANCIAL SUSTAINABILITY OF SACCOS IN SHINYANGA MUNICIPALITY

RODRICK ELIUTER KILEMILE

A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF MASTER OF PROJECT MANAGEMENT OF THE OPEN UNIVERSITY OF TANZANIA

2017

CERTIFICATION

The undersigned certifies that I have read and hereby recommends for the acceptance of the dissertation titled; "Factors Affecting the Financial Sustainability of SACCOS in Shinyanga Municipality" by Rodrick Eliuter Kilemile that was done under my supervision and guidance for submission to Open University of Tanzania for the award of the Masters of Project Management.

…………………….………..

Prof. Matern A. M. Victor

(Supervisor)

………………………

Date

COPYRIGHT

DECLARATION

I, Rodrick Eliuter Kilemile, hereby declare that the whole content of the report is my own original work and that it has not been presented before to any other University for similar or any other award.

……………………………..

Signature

………………………

Date

DEDICATION

This dissertation is dedicated to my Wife Magreth Charles Lyanga my Sister Neema Amos Kilemile, and my brother Chesco Eliuter Kilemile, who assisted me in my study for the entire period. I believe that they fulfilled their responsibility of advising me throughout the time of my study, particularly when I became disappointed in my study. I also give this dedication to my Sister in law Dorice Charles Lyanga, my children Kenneth Rodrick Kilemile, Kelvin Rodrick Kilemile, and Kareen Rodrick Kilemile as an inspiration to them.

ACKNOWLEDGEMENT

I take this opportunity, with pleasure, to adopt the good tradition of recognizing all people who in one way or another contributed to make this work a success. I greatly value the intellectual guidance, thought provoking and invaluable comments, patience and constructive criticisms from Prof. Matern A. M. Victor. I am really highly indebted to him for his assistance.

I recognize my indebtedness to my employer the Director General of COASCO Mr. Saad A.Wadaa for his readiness to allow me to proceed with my studies while at work. I really appreciate his support for the entire period of my studies from 2015 to 2017. I recognize my indebtedness to my fellow staff members who fully supported me by working on my behalf during the period of my studies.

I take this opportunity to thank Mr. Amos B. Luhende, Christina B. Marawiti and Martha C. Medadi all being staff members of Biashara SACCOS for the cooperation made to me particularly, by creating a favorable environment for me to access information from their beneficiaries during field work. Specifically, I thank them for allowing me to access information from their service beneficiaries. They really made a recommendable cooperation.

ABSTRACT

Tanzania enrolls with savings and credit cooperative societies for decades now, but this sector has not been able to impact positively on the lives of people. Access to finance has been cited as one of the obstacle factors for economic growth and poverty alleviations. In addition, savings and credit cooperative societies have lagged behind other financial institutions by performing below the members' expectations thus causing dissatisfaction among the members. The objective of this study was to establish the factors affecting the financial sustainability of savings and credit cooperative society in Shinyanga Municipality. The study was justified based on the fact that dividend policy, awards from saving and capital growth accelerates the financial sustainability of savings and credit cooperative societies. A descriptive as well as multiple linear regression methods was used in the study. The study involved a sample of 60 beneficiaries of SACCOS services. SACCOS Sustainability was a dependant variable while capital growth, dividend payment, and award from saving were the independent variables. Data analysis was done using Statistical Package for Social Sciences (SPSS). The findings revealed that dividend payment and award from super saving contributed to SACCOS financial sustainability.

Key words: Cooperative societies, financial sustainability, capital growth, saving award and dividend policy

TABLE OF CONTENTS

LIST OF TABLES

FIGURE

ABBREVIATIONS

ACCOSCA	African Confederation of Cooperative Savings and Credit Association
AMCOS	Agriculture and Marketing Cooperative Societies
CFI	Cooperative Financial Institution
ERA	Economic Report on Africa
JMBR	Journal of Management and Business Research
KNCF	Kenya National Federation of Cooperatives
MDG	Millennium Development Goals
PRSP	Poverty Reduction Strategy Paper
RCA	Regional Cooperative Auditor
SAA	Strategic Asset Allocation
SACCOS	Savings and Credit Cooperative Societies
TAA	Tactical Asset Allocation
TAMFI	Tanzania Association of Microfinance Institutions
URT	United Republic of Tanzania
WOCCU	World Council of Credit Unions

CHAPTER ONE

1.0 INTRODUCTION

The chapter serves as an introductory part of the study, which is mainly based on identifying and then determining factors affecting the financial sustainability of Saving and Credit Cooperative Societies in Shinyanga Municipality, specifically assessing the background information about the study, the statement of a problem, scope of the study, relevance and the objectives of the study.

1.1 Background to the Study

Savings and Credit Cooperative Societies (SACCOS) are voluntary associations or cooperative financial institution owned and controlled by their members; they operate for the purposes of attracting saving, and then provide credit at affordable interest rates and providing other financial services to their members (Waweru, 2011). Cooperative in other hand is a group of people voluntarily come together mainly to provide opportunity and a well-organized services to members, states (Joseph, 2016) as quoted from (NANCY, 2008). A cooperative is also formed to eliminate middlemen so that all profits go to the members. Mostly they are formed by people who either have common problems or common interests. The definitions of co-operatives are different from other forms of organizations in the way that they are owned by their members who directly run the entity, make decisions in common, and use the capital for all members' benefit (Jesse, 2016) as quoted from (Kinyuira, *et al.,* 2014). The main purpose of Savings and Credit Cooperative (SACCOS) is to promote the social and economic benefit of their members who could be both net

savers and net borrowers. Members pay an entrance fee and invest funds to purchase at least one share in the society. In addition, members are expected to deposit their savings in the credit society and these funds are only lent out to members as per their By-law stipulation and not to the general public as is the case of commercial banks. Generally, in establishing the credit society, members have a common bond, such as that of occupation or social association (Amina, 2016) as quoted from (Saunders and Cornett, 2011).

Worldwide the first cooperative society was formed in 1844 in a village known as Rochdale in England. It was formed by a group of people known as the Rochdale pioneers when Britain was undergoing the industrial revolution (KNFC Website). In Germany, the first SACCOS were launched in 1846 when there were an Agricultural crisis and drought in Europe (Birchall, 2004). The first modern SACCOs were started in Germany around 1850. It has been noted that SACCOS are facing two major challenges which revolve around the degeneration theory and competition (David, 2016) as quoted from (Cornforth, *et al.,* 1988). The theory explains that SACCOs are under intense pressure to operate like other financial institutions and particularly the banks. The competition aspect is the fact that all financial institutions are focusing on the same people called investors. Thus, in order to deliver returns or benefits similar to the ones offered by other financial institutions particularly the banks, the SACCOS had to change a mode of doing businesses and thus increasing risks substantially.

In Africa, the first SACCOS were introduced by Father John Ncnulty in Ghana in

1959. The aim was to assist villagers to improve their economic conditions, (Jesse, 2016) as quoted from (Mwikamba and Ngombe, 2004). English speaking nations were the first to adopt SACCOS. The first entrants into SACCO's community were Ghana, Uganda, Nigeria, Tanzania, and Kenya. Most of the Non-English speaking nations in Africa started appreciating SACCOS in the 1960s, with the major influx into SACCOS' community in 1970s (Jesse, 2016) as quoted from (Mwakajumilo, 2011). In this case, farmers promoted and registered cooperatives relating to cash crops like pyrethrum and coffee. Mumanyi (2014) asserts that the achievement of the cooperative movement in Ghana has been widely simulated throughout the African continent. Cooperative efforts have occurred throughout history. Since the early days, man cooperated with others to help kill large animals for survival. This objective would not have been reached if men would have acted individually (Cobia, 1989). Since then, regulatory reforms have been instituted to help streamline the SACCOS operations for maximum returns to members.

In Tanzania, poverty incidence remains to be a challenge whereby out of every 100 Tanzanians, 28.2 were poor in 2012 (HBS, 2012) compared to 36 in 2000 and 2001. According to the World Bank (1997) Social Sector Review in Tanzania, a third of Tanzanians live in the household's classified hard core poverty and a further fifth of Tanzanians live in households classified as poor on the basis of their income. The commitment to accelerate economic growth and fight poverty is consistently implemented through a series of strategies and plans ranging from sector specific strategies to multi-sector strategies (NSGRP II, 2010:2-5). Tanzania is committed reducing by 19.5 percent the proportion of people below national basic needs poverty

line by the year 2015 (MDG Report, 2006). To revamp this hardship, Tanzania commenced the JK billions with the target to eradicate poverty among Tanzanians (Kato and Kratzer, 2013). The role of Cooperative toward empowering societies is reported throughout (Leach and Sitaram, 2002; Guérin, 2006).

1.2   Statement of the Research Problem

In the past decade, Tanzania has experienced a strong positive trend in the growth of SACCOS and other microfinance institutions (MFIs). Such a constructive growth movement provides a hopeful future direction for improved access to financial services which in turn promotes investment, asset accumulation and economic activities at grass root level and help the poor uplift from poverty (Nyankomo, 2015). Normally, organizations align sustainability and growth strategies by leveraging on existing customer relationships and existing customer brands. This helps to expand their customer proposition by enhancing opportunities for cross selling and growing their current brand assets into existing markets or new markets (Kevin, 2016). Unfortunately, due to recent Bank financial services easy access, SACCOS lost their market share to other financial providers despite their geographical spread across the country (Kevin, 2016). This customer erosion is an attribute of two factors. Firstly, the banks posed stiff competition by offering easy access transactions as well as consumer loans. Secondly, there is a mass retirement in the public sector, with the younger employees preferring to patronize banks. According to Karagu and Okibo (2014), the deterioration of financial performance in SACCOS is also due to fund misappropriation, member withdrawals and the diversity of products offered to be the key factors. However, the growth and sustainability of SACCOS depend on good

repayment loan policy, good management on loan defaulters and membership enrollment. The study, therefore, looked for and then analyzed the factors affecting the financial sustainability of savings and credit cooperative societies particularly in Shinyanga municipality. The study also viewed various stakeholders of cooperative societies and came up with possible solutions for the problem as proposed by various SACCO's stakeholders.

1.3 Research Objectives

1.3.1 General Research Objective

To assess the factors influencing the financial sustainability of Savings and Credit Cooperative Societies in Shinyanga municipality.

1.3.2 Specific Objectives

Three specific objectives guided the current study;-

i) To determine how repayment loan policy influences the financial sustainability of Savings and Credit Cooperative Societies.

ii) To find out how the management of loan defaulters influences the financial sustainability of Savings and Credit Cooperative Societies.

iii) To determine how membership enrollment influence the financial sustainability of Savings and Credit Cooperative Societies.

1.3.3 General Research Question

What are the factors affecting the financial sustainability of Savings and Credit Cooperative Societies?

1.3.4   Specific Research Questions

i)   How does repayment loan policy influence financial sustainability of Savings and Credit Cooperative Societies?

ii)   How does management of loan defaulters influence the financial sustainability of Savings and Credit Cooperative Societies?

iii)   How do membership enrolments influence the financial sustainability of Savings and Credit Cooperative Societies?

1.4   Relevance of the Research

The findings of the study helped the policy makers, SACCO's managers, and Board members to handle all negative impacts that make SACCOS unsustainable. The findings of the study also helped the SACCOS management to obtain basic ways of managing loan defaulters, manage loan repayment strategy and encourage members' enrolment so as to make SACCOS sustainable. Mobilization of savings needs adequate institutional capital management, which ensures permanency, loss absorption and impairment test of members' savings (Evans, 2001). Therefore, SACCOS management should strive to maximize on the earnings to build the institutional capital (Branch and Cifunentes, 2001; Ombado, 2010). This institutional capital ensures the permanence and growth of the SACCOS even in unstable economic times (Evans, 2001). The required contribution of the research normally focuses on its worthiness to the field as well as community.

1.5   Organization of the Work

The work was organized in different chapters. Chapter two explained the conceptual

definitions for all major terms used in the research so that the reader understands words or terms used in the text. The chapter also critically reviewed all supporting theories because in some cases there are the similar problem studied through different perspective, methods and approaches, how these theories have been dealt with and their meaning, and the extent to which they are relevant to the study. Comment on these theories identified by other studies was made to help a formulation of hypotheses in the conceptual framework. Empirical analysis of relevant studies was affected also in this chapter as some practical studies of this nature have been done either in Tanzania or elsewhere. The relevance of the study already made in the country was tested in order to examine the gap in terms of shortcoming. Variables and relationship and probable strategies for solving the problem were involved in conceptual or analytical framework of which pictorial presentation with minimum description was developed. These included researchers' own perception or philosophy behind the framework. Three hypotheses for testing were formulated in this chapter.

Chapter three dealt with research design and method. The study adopted a cross sectional research design as the researcher needed to determine and assess the factors affecting the financial sustainability of Savings and Credit Cooperative Societies at one point in time. This approach helped to compare many different variables at the same time, such as competition, political interference, legal framework and members demand. In addition, the quantitative research approach which is descriptive and analytical in nature was used to determine and assess the factors affecting the financial sustainability of Savings and Credit Cooperative Societies at one point in

time. The surveyor target population was selected. In this chapter, the key informants, including SACCO's members, staff and management committee of the sampled SACCOS was chosen. These deemed to have accurate information about the problem involving around SACCOS' sustainability as they participate in the day to day activities as well as managing the SACCOS affairs.

Due to limitation of resources and time, the study area was based only in Shinyanga Municipality. The choice of Shinyanga Municipality is that, the region is at a high level of poverty in Tanzania though there are many registered Savings and Credit Cooperative Societies. Type of data or information needed for the study was obtained with the help of an established theoretical framework. In this case, a good loan repayment policy, good management of loan defaulters and membership enrolment were the major determinants of financial sustainability of SACCOS. Only structured questionnaires were used. Data collection was enhanced by the use of standardized questionnaires consisting of closed-ended questions.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1   Chapter Overview

This chapter presents a review of the literature on various factors that influence the sustainability of SACCOS. They include factors such as the financial regulations in the country, the volume of credit, geographical coverage and number of customers served.

2.2   Conceptual Definitions

In this part, we have explained about different conceptual definitions used in this study, it includes concept explanation of the dependant variables and independent variables and their related theories.

2.2.1 Sustainability

The word sustainability is derived from the Latin Sustainer. Therefore, sustain, means to maintain, support, or endure (USAID, 2006). Brundtland Commission, (1987) states that sustainable development high-interest as development that meets "the needs of the present without compromising the ability of future generations to meet their own needs Laurence (2012) says Sustainability is a cornerstone of a sound financial institution. This word implies the capability of a microfinance institution (MFI) to cover up all of its costs through interest and other income paid by its clients.

2.2.2 Cooperative

According to Sanborn and Cueva (2000, p. 45), a cooperative is an organization that

groups together a number of individuals with the aim of engaging in a business activity whose operation is based on the cooperation of all its members. He also stresses that this grouping seeks to generate benefits for members through the provision of goods or services. These organizations are based on four main principles: free and voluntary association, self-help as a means of solving one's own problems and self-management to enable members to run their cooperatives. Members pull resources together in the form of savings, and the SACCOS uses the mobilized savings to extend small credit facilities to them (Were, 2009).

2.2.3 Savings and Credit Cooperatives Societies

According to Cooperative Societies Act No. 6 (2013), Savings and Credit Cooperatives Societies or its acronym "SACCOS" means a registered Society, whose principal objectives are to encourage thrift among its members and to create a source of credit to its members. The major objectives of any SACCOS According to USAID (2006) are to encourage and promote a developed thrift culture within the members as well as the community by teaching the wise use of their money and efficient management of their limited resources. Teaching people how to create an asset that helps them to have a guarantee and collateral for future loan access. Making finance more easily for members when they need, developing a linkage between the rural people and urban banks in order to have broader financial flows into the community and a safe haven for rural peoples' savings.

2.2.4 Repayment Loan Policy

This is a policy which stipulates strategies and ways used to pay back a loan given by

a lender. This involves techniques set by the SACCOS on how to repay the principal loan given and the interest charged thereon.

2.2.5 Membership Enrollment

Membership is the state of being a member or the total number of members in a group. A member is a person who belongs to a social group or an entity such as a company or nation. Membership enrolment entails the number of enrolled and the different categories of this member ranging from the employment status, age and level of education.

2.3 Theoretical Analysis

The study has been analyzed by only one theory namely growth theory. The theory is discussed with respect to the sustainability of saving and credit cooperative societies.

Growth theory focuses on capital and indicates that capital is added when SACCOS invests, but is lost due to depreciation by Gladys (2012) as quoted in (Gartner, 2006). Gladys (2012) states that there is capital growth in wealth only when the investment exceeds depreciation. Apparently, the investment should persist in keeping the capital growing to achieve capital growth. In which case, increase in capital yields leads to an increase in growth of SACCOS' Capital. The theory details the growth as a factor of accumulation of capital. The neo-classical growth theory states that growth is determined using the Harrod Damer model or Solow model, these models insist that the rate of growth is exogenous. The Harrod Domer Growth model is a growth model rather than a growth strategy. A model helps to explain how growth

has occurred and how it may occur again in the future. On the other hand, Growth strategies are the things an entity might introduce to repeat the outcome suggested by the model. Normally, the models suggest that the economy's rate of growth depends on the level of an entity's savings and the productivity of capital investment. Harrod Domer states that the rate of growth in an economy can be increased in one of two ways, that is, increased a level of savings in the economy or reducing the capital output ratio, which means increasing the quality of productivity. In an economy, however, no natural reason for an economy to have balanced growth. The Solow Growth Model is a model which relates to capital accumulation in a pure production economy, there are no prices on the Solow growth model since it is strictly interested in output that is real income. So this model is a model that captures the pure input savings which is used in long run investment.

2.4   Empirical Analysis of Relevant Studies

Various empirical studies were reviewed by the researcher so as to consider how others have obtained so as to get the knowledge gap.

2.4.1 Effect of Cash Management Practices on the Growth of   SACCOS

Wanjala (2015) in his study used a descriptive research design as it has employed both closed ended structured questionnaires and open ended unstructured questionnaires. Stratified and random sampling techniques were used in determining a sample size of the population. The research used both descriptive and inferential statistics. Frequency distribution tables and percentages were used to present raw data for interpretation. Hence, the study used regression analysis to establish the

relationship between cash management practices to Matatu SACCOS growth. In his findings, he observed that cash management practices of Matatu SACCOs were not efficiently done as the majority of Matatu SACCOS owners had means below the required average. The study observed that SACCO's growth was positively related to cash management practices. The study also revealed that cash management practices make a significant contribution to the growth of Matatu SACCOS.

2.4.2 Efficiency and Sustainability of Tanzania SACCOS

Marwa (2015) conducted a study using secondary data from annual audited financial statements. The SACCOS included in the study were from Dar-es-Salaam, Mwanza, Kilimanjaro, and Arusha. Information from 139 SACCOS was corrected. He observed that only 103 had complete information and was used in the analysis. The study also revealed that, the average total loan portfolio outstanding during the year 2011 was TZS 869 million. The average total deposit and total expenditures were TZS 555 million and TZS 612 million respectively. The proportion of the deposit in average to average loans was 64%, meaning that on average about 36% of the total outstanding loan balance was financed by external funding sources. The study also revealed that on average SACCOs` total expenditure was around 7% of their loan portfolio. The researcher established an efficiency score that is technological efficiency, clean technical efficiency, equilibrium efficiency and returns to scale classification for the purpose of estimating each firm. The ideal situation was to have all three efficiency scores as close as possible to one. In the case of return to scale, the desirable situation was to have as many forms as possible under a constant return to scale space.

2.4.3 Corporate Governance Practices and Performance of CFI

Patrick, *et al.,* (2014) did a research on corporate governance practices and performance of cooperative financial institutions. The study employed explanatory research design. The researcher used a population of 3424 SACCOS as a total number of SACCOS in Tanzania, (URT 2012). A sample frame was all 220 SACCOS in Kilimanjaro Region. Stratified sampling was used to obtain samples, in which both primary and secondary data were used. They collected primary data through questionnaires and interview; secondary data were corrected from a documentary review. And data analysis made through descriptive statistic and analysis of correlation, which establish the correlation between corporate governance and financial performance of a cooperative financial institution. The findings observed were categorized into an education level of board members and board size. They observed that board member's with a primary education range of 46%, of which 30% are secondary education, 14% college education and only 10% have a university education. In this case, they observed that majority of SACCOS is directed by people with no business education. Among other categories, they observed that the board size of SACCOS complies of 29% with 5 board members 22% with 6 board members 20% had 7 members and 29% had 9 board members. It was observed that the findings were in consistence with (WOCCU report 2005). WOCCU report (2007) recommends that a board need to have an odd number of members to avoid vote tie up which causes a delay in decision making.

2.4.4 Are Rural SACCOS in Tanzania Sustainable?

Magali (2013) used structured questionnaires and extracted information from the

subclass financial reports as a method of data collection. He applied quantitative, descriptive and two separate multivariate regression models to analyze the outreach and sustainability of the rural SACCOS in Tanzania. The findings showed the only cost per borrower, Savings and Deposit to total assets significantly influence the outreach, measured by average loan size. Further, the findings show that the cost per borrower influence outreach positively, implying that in order the rural SACCOS to reach a large number of clients including the women borrowers and the very poor, it has to incur high costs. In this case SACCOS in Tanzania is very difficult to sustain because they incur higher cost of operation.

2.4.5 The Contribution of SACCOS Financial Stewardship to SACCOS

Olando, *et al.,* (2013) used descriptive design in collecting information to determine the growth of SACCO's wealth; questionnaire and document review tool was used to correct data, where both descriptive and inferential statistics were used to analyze data. The findings indicated that, growth of SACCO's wealth depends on credit supervision, institutional strength and innovations to manage a SACCO's product. It was further found that SACCOS inadequately complied with their bylaws; income from investments did not adequately lower their costs.

2.4.6 Assessment of Financial Practice to Determine the Growth of SACCOS

Olando (2012) in his study used both qualitative and quantitative techniques in data gathering. He analyzed data using descriptive statistics such as mean and standard deviation, and inferential statistics such as chi-square test and regression. He presented his data using tables, graphs and charts. His finding was based on the use

of institutional capital as a mode of financing SACCOS' activities would ensure their sustainability in the competitive co-operative sector. The study also shows that; Growth of SACCOS wealth depends on money allocation strategy, Capital arrangement and financial stewardship.

2.4.7 Factors Influencing the Performance of SACCOS Operation

Mwendwa (2016) used a descriptive design and survey, meaning non experimental dealing with the description, recording, analyzing and reporting existing condition. The finding established that, Government policies are necessary in providing the best environment for SACCO's growth. Also, he recommended that the financial functions of monitoring are part and parcel of SACCOS management committee and therefore, it should not only be treated as reporting requirement that assists managers in order to perform their roles, it should be seen as a tool that engages stakeholders in the activities or projects of the firms so that such projects grow and reach sustainable levels for future generations. A culture of continuous monitoring and evaluation of policies needs to be adopted in order for activities to flow smoothly. His finding seems to instigate that the current monitoring and evaluation practices in the SACCOS are not fully implemented.

2.4.8 Determinants of Financial Performance of SACCOS

Kiaritha (2015) adopted a descriptive survey design to answer the research questions. The study hypothesized that competition from commercial banks affects performance of SACCOS because loans from commercial banks are more favorable than loans from their SACCOS. In addition, it seems that land purchase using a bank loan was

better than using a SACCO loan, interest rate on loans of banks are better than those of the SACCO. The findings also specified that, the SACCOS have an annual savings target for members, if members doubled their savings the performance of their SACCOS would improve and SACCOS would perform better because members will have an access to borrow. Results further indicated that the SACCOS had annual awards for super savers; in this case members have their own annual savings target and the SACCOS itself has a minimum saving rule.

2.4.9 Factors Affecting Growth of SACCOS in AMCOS

The study by Nkuru (2015) adopted a descriptive survey to ensure a minimum bias in the collection of data and allow the situation of large amounts of data from a sizeable population in an economical way. Most respondents declared a lowest income level. This resulted to have a negative implication on the growth of the SACCOS since low levels of income translates to low amount of money contributed monthly to the SACCOS. Thus the SACCOS might not be in a position to meet adequately its obligation of providing loans to members.

In addition, committee allowance, annual general meeting and training was a major cost to the SACCOS. Not only that but also the researcher found that most SACCOS delivery mechanisms, whether community based or industry oriented, demand clients to figure groups in order to receive a loan. The group meant to guarantee the individual borrower and to make a follow-up that the individual makes repayments on time because the group is a stakeholder and would not receive further loans if the individual defaults.

2.4.10 Drivers of Sustainability of Agricultural Cooperatives

Kasungwa and Moronge (2016) in their study relied mainly on primary data by using a questionnaire as a research instrument. From study results members met annually to discuss the sustainability of agricultural cooperatives and the senior level management rarely meet affecting decision making as regard to the sustainability of agricultural cooperatives. The study established that leadership, planning and organizing increases the number of the completed SACCOs' projects. Also increases the number of people served by SACCO's activities and then, led to sustainability of established SACCO's activities, and hence members take loans with interests. Furthermore, it has been noted that loan collateral affected sustainability of agricultural cooperatives because of rigorous conditions, corruption in giving out funds, required security, and the process itself being technical and collateral availability affect sustainability.

2.4.11 Financial Factors Influencing Performance of SACCOS

Karagu and Okibo (2014) used descriptive study design to describe the characteristics of a particular individual or group. The study concluded that SACCOS should put in place loan recovery strategies and introduce collateral securities as a way of eliminating or reducing loan defaulting. Again, the study concluded that SACCOS should introduce more products in order to compete with other organizations such as Micro Finance Institutions.

2.4.12 Factors Influencing Financial Performance of SACCOS

Miriti (2014) applied the descriptive research design in his study. He collected

information without changing the environment using questionnaires to collect primary data. This descriptive research design was chosen by a researcher because it ensured that a large amount of data are collected within a very short time. He noted that, when Capital SACCO member's source loan from other commercial banks due to delayed loan processing in their SACCO it translated into loss of revenue to the SACCO in the form of interests and hence affect the eventual performance. Thus, the duration of loan repayments affects the performance of Capital SACCO.

2.4.13 Assessing the Contribution of Mkombozi SACCOS Loans to Members

Mborwe (2015) in his study used a descriptive research design. Descriptive research design makes the objective of the study to be clear and the information can readily be available, (Kothari, 1990). For more accurate results, his research used both quantitative and qualitative research designs. In his findings, he emphasized that; SACCOS should continuously review credit policies by reducing the interest rate. This would ensure that loan applicants will be able to utilize their loan in an effective and efficient manner. It would also lead to the growth of the SACCOS because the loan eligibility depicted a positive relationship with a growth of SACCO's wealth. To ensure that the loan provided to a member is repaid in time, the study recommends that SACCOS should ensure proper loan disbursement to facilitate loan recovery and minimize administrative costs.

2.4.14 Credit Rationing and Loan Repayment Performance

The study by Absanto and Aikaurwa (2013) adopted the case study design whereby Victoria SACCOS was used as a case study. They adopted a case study because the

study aimed at an in-depth and comprehensive study of credit rationing and loan repayment performance variables in a SACCOS. The finding shows the amount of loan applied and disbursed to members, which reveals that the amount of loan released was less than loan applications received, implying that SACCOS applies some criteria to ration loans applied by members. What is observed was credit rationing where all applicants could not be eligible for the loan and even those who were eligible got fewer amounts than the amount requested. In the fiscal year 2006/2007 out of the sum of Tanzanian shillings TZS 50 million applied by members as loans only TZS 44 million equivalents to 87 percent of total applied loans were disbursed to members. This implies that 13 percent of credit applications were rationed out. For the year 2007/2008 out of TZS 99 million that were applied only TZS 89 million equivalents to 90 percent of total applied loans were disbursed. During the fiscal year 2008/2009, 2009/2010 and 2010/2011, 99 percent, 88 percent and 87 percent of total applied loans were respectively disbursed to members. Victoria SACCOS mainly applied a type of credit rationing whereby eligible loan applicants got less amount of loan than the loan amount desired.

2.4.15 Effect of Flexible Interest Rate on the Growth of Mortgage

The research design used by Muguchia (2012) was a descriptive survey research. She used descriptive research as a process of collecting data in order to answer questions regarding the current status of the subjects in the study. Hence, survey helped to collect data from members of the population with respect to one or more variables. Muguchia (2012) in her findings noted that, the high interest rates have a negative effect of increasing the cost of borrowing and consequently limiting the level of

aggregate investment and consumption and the overall economic growth in the country. Promoting loan to members is necessary for availing means of personal investment, especially given that the country is lagging behind from economic growth.

2.4.16 Determinant of Savings and Credit Cooperative Society

Nibissa (2015) in his research adopted the exploratory research design. He used this method because the main purpose of his study was formulating a problem for more precise investigation. Additionally, the exploratory study calls for the discovery of ideas and insights. In his finding, he noted that dividend is the case which makes SACCOS odd from other financial services, because even if members pay high-interest rate on borrowing they get back it in the form of the dividend. From the analysis made, seems that dividends have a positive relationship of (0.08) with loan size and it is strongly significant at 1 percent significance level and similarly it has the positive relationship of (0.03) which statistically has a weak significant level. From this observation, he concluded that dividend paid to members highly determines the outreach of SACCOs positively. This implies that SACCOs which pay a high dividend to members attracts more members, at the same time amount of saving also increases, which contributes highly to the outreach of SACCOs positively.

2.4.17 Summary of Empirical Analysis of Relevant Studies

The summary of empirical analysis of relevant studies has been simplified to make a clear understanding as shown in table 2.1.

Table 2.1: Summary of Literature Review

S/N	AUTHOR	TITLE OF STUDY	METHODOLOGY	FINDINGS
1	Wanjala (2015)	Effect of Cash Management Practices on the Growth of Matatu SACCOS.	His study used a descriptive research design.	The study observed that SACCO's growth is positively related to cash management practices.
2	Marwa (2015)	Efficiency and Sustainability of Tanzania Savings and Credit Cooperatives	Secondary data from annual audited financial audited financial statements were used	He observed that only 103 SACCOS had complete information which therefore was used in the analysis.
3	Patrick *et al.,* (2014)	Corporate Governance Practices and performance of Cooperative Financial Institution.	The study employed explanatory research design.	In his study he observed that majority of SACCOS are directed by people with no business education.
4	Magali (2013)	Are Rural SACCOS in Tanzania sustainable?	Use of structured questionnaires, quantitative and descriptive.	It has realized that only cost per borrower; Savings and Deposit to total assets significantly influence the outreach, measured by average loan size.
5	Olando, *et al.,*(2013)	The Contribution of SACCOS Financial Stewardship to Growth of SACCOS in Kenya.	Descriptive design in collecting information to determine the growth of SACCO's wealth was used.	The findings indicated that, growth of SACCO's wealth depends on loan management, institutional strengths and innovativeness by management on the SACCOS' product.
6	Olando (2012)	An Assessment of Financial Practice as a Determinant of Growth of Savings and Credit Cooperative Societies Wealth.	His study used both qualitative and quantitative techniques. He used questionnaires in data collection.	His finding was based on the use of institutional capital as a mode of financing SACCOS's activities to ensure sustainability of SACCOS.
7	Mwendwa (2016)	Factors Influencing the Performance of Selected Matatu SACCOS Operation in Kitua Couny Kenya	The researcher used a descriptive design and survey.	The finding established that, Government policies are necessary in providing good environment for SACCOS growth.
8	Kiaritha (2015)	Determinants of the Financial Performance of Savings and Credit Cooperative in the	The study adopted a descriptive survey design.	The study hypothesized that competition from commercial banks affects performance of SACCOS

		Banking Sector.		
9	Nkuru (2015)	Factors affecting Growth of SACCOS Within the Agricultural Sector in Kenya: A Case of Meru Farmers SACCOS	The study adopted a descriptive survey to ensure a minimum bias in the collection of data.	It has identified that the amount contributed by members were not enough to provide more loan to members. Banking services brings a stiff competition.
10	Kasungwa and Moronge (2016)	Drivers of Sustainability of Agricultural Cooperatives in Kenya: A case of Machakos County	The study relied mainly on primary data by using questionnaire as a research instrument	The finding observed that management committee meet only once a year making other important issue pending which result to hinder sustainability
11	Karagu and Okibo (2014)	Financial Factors Influencing Performance of Savings and Credit Cooperative Organization in Kenya	Descriptive study design was used to describe the characteristics of a particular individual or group	The study findings is that SACCOS should put in place loan recovery strategies and introduce collateral securities to eliminate loan defaulting
12	Miriti (2014)	Factors Influencing Financial Performance of Saving and Credit Cooperative Societies. A case of Meru County Kenya	In his study descriptive research design was used. He collected information without changing the environment using questionnaires to collect primary data.	In his finding he noted that, when Capital SACCO member's source loan from other commercial banks due to delayed of loan processing in their SACCO it translated to loss of revenue to the SACCO in form of interests and hence affects the eventual performance.
13	Mborwe (2015)	Assessing the Contribution of Mkombozi SACCOS Loans to Members' Livelihood at Tanzania Cigarette Company Limited	His study used a descriptive research design.	In his findings he emphasized that; SACCOS should continuously review credit policies by reducing the interest rate.
14	Absanto and Aikaurwa (2013)	Credit Rationing and Loan Repayment Performance: A case study of Victoria SACCOS.	The study adopted the case study design whereby Victoria SACCOS was used as a case study.	The results reveals that the amount of loan released was less than loan applications received implying that SACCOS applies some criteria to ration loans applied by members.

15	Muguchia (2012)	Effect of Frexible Interest Rate on the Growth of Mortgage in Kenya	The research design used was a descriptive survey research.	He noted that, high interest rates have negative effect of increasing the cost of borrowing and consequently limiting the level of aggregate investment and consumption.
16	Nibissa (2015)	Determinant of Savings and Credit Cooperative Society in Addis Ababa	His research followed exploratory research design.	In his finding he noted that dividend is the case which makes SACCOS odd from other financial services, because even if members pay high interest rate on borrowing they get back it in the form of dividend.

2.5 Research Gap Identified

By considering the above reviewed empirical analysis of relevant studies, it has been evidenced that a good number of similar research has been done, but there is still a gap left ranging from geographical location, time dimension as well as the nature of the organization studied. In this respect, then, the study determined and availed an understanding of the range of SACCO's repayment loan policy, management of loan defaulters and membership enrolment for effectiveness of SACCO sustainability. Therefore, by consulting SACCOS members, the researcher, aimed at finding out why most SACCOS in Shinyanga municipality are not sustainable despite the fact that their major objectives are clearly stipulated.

2.6 Conceptual Framework

The conceptual framework is used to show the relationship between the research variables. It helped the researcher to communicate how independent variables and

dependent variables relate to each other using arrow directed diagrams, (Riechel and Ramey, 1987). The study in this course focused on the factors affecting the financial sustainability of Savings and Credit Cooperative Societies. Therefore the independent variables such as SACCO's repayment loan policy, management of loan defaulters and membership enrolment were conceptualized to determine the factors affecting the sustainability of SACCOS. The study, therefore, was carried out basing on the figure 2.1

SACCOS Repayment Loan Policy
- Means of loan repayment
- Maximum lending period
- Repayment terms and condition
- Evaluation of loan quality
- Interest rate charge

Management of Loan Defaulters
- Cost on debt collection
- Collateral value
- Loan delinquency minimization
- Legal action to defaulters

SACCO Financial Sustainability
- Profitability
- Liquidity
- Asset quality

Membership Enrollment
- Dividend to members
- Interest on savings
- Capital growth
- Awards from super saving

Figure 2.1: Conceptual Framework

To add more, there are other factors which cannot be controlled by the SACCOs but could interfere the growth and sustainability of SACCOs' wealth, these are some of uncontrollable variables such as; Competition, legal framework, technological

environment, political environment, economic forces and members' demands are some of non-controllable variables, which invariably create barriers and hinder smooth translation of the independent variable into the financial sustainability of SACCOS.

In this study, these factors were treated as the intervening variables in the growth of SACCOs' wealth and therefore, the only independent variables discussed to assess the financial sustainability of SACCOS was dividend payment, capital growth and saving award. In fact, the financial sustainability of SACCOS which in turn is a dependant variable is determined by growth of SACCOs' wealth which is represented by the value of its net assets and an increase in these assets translates to growth of wealth. Sustainable growth to exist, the SACCOS should raise its institutional capital since the only non-withdrawal capital is share capital. The indicators of the growth of wealth are: dividend payments (G1), Rebates (G2), Growth of Institutional Capital (G3), Growth in Membership (G4), Growth in Deposits (G5) and Growth in Shares (G6). The institutional capital, which is a return from investments, reflects the surplus of SACCOs. Hence, the diminishing growth rate shows a problem with earnings and sustainable growth rate indicates the strength of a SACCOS. The basic models for this concept are:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon.$

Where; Y = Loan delinquency

B0 = y-intercept or constant-this is autonomous default

B1- β_3 = Coefficients beta for each variable.

X1 = Social factors, are Age, education level and marital status

X2 = Economic factors, are income and interest rate

X3 =SACCO related factors, are, loan size, loan use, repayment period and grace period

ε= is termed as error or residual that can't be explained by the model

2.7 Summary

A review of the literature has been classified and evaluated in relation to accredited scholars and researchers on what they have written on different topics related to current topics in question. An overview, a summary and an evaluation of the current state of knowledge about a specific area of research have been observed.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1   Chapter Overview

The chapter describes the methodology used to attain the earlier mentioned objectives of the study. The chapter covers a research strategy, surveyed population and area, sampling procedures, variables and measurement techniques, means of data gathering, data processing and analysis and the expected result of the study. The study, as fore mentioned in the specific objectives, aimed at revealing the factors affecting the financial sustainability of savings and credit cooperative societies.

3.2   Research Strategies

The study adopted a cross sectional research design as the researcher needed to determine the factors which affect financial sustainability of Savings and Credit Cooperative Societies at one point in time. This approach helped to compare many different variables at the same time, such as loan repayment policy, management of loan defaulters and membership enrolment. In addition, quantitative research approach which is descriptive and analytical in nature was used to establish factors affecting the financial sustainability of savings and credit cooperative societies. Crewsell (2002) noted that quantitative research is the process of data collection, data analysis, interpreting and presenting the result of the study. Quantitative research is specific in its surveying and experimentation, as it builds upon existing theories (Leedy and Ormrd, 2001). Crewsell (2003) explained, quantitative research employs a strategy of inquiry such as experiments and surveys and correct data on

predetermined instruments that yield statistical data. A reason of using a cross sectional research design was that the method involved the collection of a larger number of data at one point of time.

3.2.1 Survey Population

The surveyor's target population was staff, SACCO's members including the management committee. These were deemed to have accurate information about the problem of SACCOS' sustainability as they participate in the day to day activities and manage the SACCOS affairs. These groups of people found in their work place during working hours and in their monthly board members meeting. A letter and email were drawn to the SACCO chairman to notify time and date of questionnaire distribution. The variables that influence sustainability incorporated into a questionnaire that helped to collect data about respondents' demographic characteristics such as; age of eighteen and above respondents, males and females, education level and their marital status being single, married, divorced and widow. However, the amendment of questionnaires was made where necessary.

3.2.2 Area of the Research

The spread of SACCOS is throughout the country. Due to limitation of resources and time the study area was based only in Shinyanga Municipality. The choice of Shinyanga Municipality was based on the grounds that, the region is at a high level of poverty in Tanzania even if there is a number of registered Savings and Credit Cooperative Societies, including Agricultural and Marketing Cooperative Societies (Fisher, 2005).

3.3   Sampling Design and Procedures

The study made use of purposive sampling design. No probability was used in selecting a sample size of the population. A purposive sampling method was employed to get a purposive sample from the study population. The sampling design was chosen to suit the research design for the study. In this type of sampling, items in the sample were selected deliberately by the researcher. The choice concerning the items remains supreme (Kothari, 2004). In this study the population of the study included 60 respondents from a single SACCOS namely Biashara Savings and Credit Cooperative Societies Limited based in Shinyanga Municipality. The population includes three staffs, eight Board members and forty nine SACCO's members. With regard to the sample size, the researcher applied a simplified formula provided by Yamane (1967) as cited by Yilma Muluken to determine the minimum required sample size at the 95% level of confidence, variability degree of 0.5 and precision level (e) of 0.05.The following formula was used to obtain a sample size.

$$n := \frac{N}{1 + Ne^2}$$

Where:

"n" is a sample size,

"N" represents the total number of study population,

"e" is the level of precision

n = 70/ (1+70*0.05^2)

n =59.57 =60 respondents

The sample size used was 60 which include staff, Management personnel and SACCOS' members from Biashara SACCOS available in Shinyanga Municipality.

The sample size was drawn from a population of 70 staff, management personnel together with SACCOS' members from a single SACCOS.

The selection was less in number but adequately presented the population from which it was drawn and hence making a true assumption about the population. A good structured questionnaire was prepared to identify the gender, age, education level, marital status and association of interviewees. Sampling was used rather than the whole population because, researching the whole population is very expensive in monetary terms, time consuming and sometime consist of allot of error to control and monitor the whole population.

3.4   Variables and Measurement Procedures

Type of data or information needed for the study was obtained with the help of an established theoretical framework. This relates to, first; loan repayment policy, management of loan defaulters and membership enrolment. Information needed was loaned repayment policy strategies, how loan defaulters are managed and strategies used to mobilize membership. Only structured questionnaires were used. Popper (1959) states that under questionnaire large amounts of information can be collected from a large number of people in a short period of time and in a relatively cost effective way. Also the results of the questionnaires were quickly and easily quantified by a researcher through the use of a software package. And data were analyzed more 'scientifically' and objectively than other forms of research.

3.5   Methods of Data Collection

Data collection was enhanced by the use of standardized questionnaires consisting of

closed-ended questions. The method saved time and cost, it also helped the respondent to fill in at their leisure time. However, due to the nature of people not to respond to questionnaires, oversampling was necessary, follow up reminder and incentives was offered to increase the rate of responding. This method was administered to purposive groups of respondents who were the SACCOS' members and employees.

3.6   Data Processing and Analysis

The data collected was checked for errors of omission and commission. Then these collected data were classified and analyzed through multiple linear regressions as it was a more accurate way to test the relationship between the variables. The formulae used for multiple regression was as follows; $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$. In this formula 'Y' is the dependent variable, X_1 is causal variable 1, X_2 is causal variable 2. X_3 is causal variable 3 and "ε" is the error term. The technique would establish how and when these determine the sustainability of SACCOS, and hence the data were analyzed with respect to the study objectives. Quantitative analysis was independently enhanced to each variable. This was the first step of data analysis and provided a convenient way to produce the most useful statistics. Likewise, data were presented in the form of tables. The Pearson Chi-square was also used at 95 percent confidence level to test the dependence of sustainability of SACCOS on factors affecting financial sustainability.

Henceforth, the study employed a multiple linear regression in its multivariate investigation. Software Package for Social Sciences (SPSS) was again used to

analyze data. Multiple regressions save the establishment of the relationship between loan repayment policy, management of loan defaulters and members' enrolment.

3.7   Expected Result of the Study

The expected result has been identified, how the management plays a great part for the sustainability of Savings and Credit Cooperative Societies. Also, the study facilitated understanding of all factors affecting the financial sustainability of SACCOS in respect of loan repayment policy, management of loan defaulters and how the member's enrolment influence the sustainability of savings and credit cooperative societies..

3.8   Research Activities or Schedule

Research activities were set into five phases:

Phase I, consisted developing a research strategy which involved forming research questions from which questionnaire was developed. Literature review in this case was involved narrowing the interest in manageable areas. It took about two months and a half.

Phase II, was based on obtaining ethical matters and clearance from the faculty advisor. Approval from advisors before data collection is a crucial matter as a polished proposal needs to be submitted for dissertation committee review. This took two months.

Phase III, involved conducting a study or data collection when and only when the

faculty advisors persuaded a clear way to start a study. A letter was sent to relevant study participants for their informed consent. It took three months.

Phase IV, after data collection, there was a need for making sense of data collection. In fact, this follows after data collection, coding and sorting them to ensure that this particular data was true information to the question originally posed. This took a month.

Phase V, Writing a research report: The phase was closely related to data analysis of which main findings were highlighted. The process, however, needed a faculty advisor feedback to help the process. The time allowed was two months.

CHAPTER FOUR

4.0 RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents results and the discussion of empirical findings of the application of variables using the techniques mentioned in chapter 3. Descriptive statistics was used to analyze data whereby, tables were used to present data. The study used regression analysis to analyze data to establish the extent to which dividend payment policy, capital gain and awards from super saving have contributed to sustainability of SACCOS. The study focused on determining the factors affecting the financial sustainability of Savings and Credit Cooperative Societies in Shinyanga municipality. Specifically, the study determined how repayment loan policies influence the financial sustainability of Savings and Credit Cooperative Societies, how the management of loan defaulters influence the financial sustainability of Savings and Credit Cooperative Societies and how membership enrolment influence financial sustainability of Savings and Credit Cooperative Societies. This chapter deals with the analysis of data. The data analysis is in line with the specific objectives where patterns were determined, interpreted and inferences drawn from them.

4.2 Reliability of the Results

A pre-test study was carried out to determine the reliability of the prepared questionnaires. Reliability analysis was subsequently done using Cronbach's Alpha which ranges between 0 and 1 (Grayson, 2004). This reliability measures the internal

consistency by establishing if certain item within a scale measures the same construct. However Gliem and Gliem (2003) established the Alpha value threshold which is 0.7, thus forming the study's benchmarked. Moreover, when the interpretation of Cronbach's Alpha efficient value is close to 1.0, shows the greater the internal consistency of the items in the scale (ibid). Cronbach's Alpha was established for all items that formed a scale as shown in table 4.1.

Table 4. 1: Reliability Analysis

Question	Number of respondents	Cronbach's alpha	Number of items
Effects of repayment loan policy on the sustainability of SACCOS	60	0.843	8
How management of loan defaulters influences the sustainability of SCCOS?	60	0.881	8
How membership enrolments influence sustainability of SACCOS?	60	0.798	8

The analysis presented in Table 4.1 indicates the reliability coefficients on determining the effects of repayment loan policy, determining how the management of loan defaulters and assessing how membership enrolment influences the financial sustainability of SACCOS. George and Mallery (2003) established the rule of thumb indicating that a Cronbach's alpha greater that 0.9 means excellent consistency, greater that 0.8 means good consistence, 0.7 means acceptable, 0.6 means questionable, 0.5 means poor and below 0.5 is unacceptable.

4.3 Demographic Characteristics of Respondents

The study required to establish the demographic pattern of the respondent's data by examining the gender, marital status, and age distribution, nature of duty, education level and experience of respondents in a SACCOS. The study targeted 60

participants in respect of their nature of duty being staff, SACCOS members, meaning membership based and those who are in the management of SACCOS; hence 100% of the targeted primary information was obtained from respondents.

4.3.1 Sex Distribution

Among other demographic interested in the study was gender distribution. Gender was interested in a research because a researcher wanted to know how gender can be enrolled in SACCO's membership. The study observed that female participants were only 23 which is equivalent to 38.3 percent and 37 respondents were male forming a 61.7 percent. Therefore, it seems that, female membership enrolment in SACCOS is smaller than male enrollment. The table 4.2 shows the gender distribution.

Table 4. 2:   Gender Distribution

Gender	Frequency	Percent
Male	37	61.7
Female	23	38.3
Total	**60**	**100.0**

4.3.2 Age of Respondents

The study was interested to use age because it has an influence on the ability to work and ability to make a decision whether to join in the SACCOS as a member or not. Table 4.3 shows the age of SACCO's staff, other members and the management personnel involved in the response. The age was measured in years ranging from 18 - 29, 30 - 39, 40 - 55 and above 55. The respondent with the age between 18 to 29 were 19 equivalent to 31.7 percent, the respondents with the age between 30 to 39 years were 18 equivalent to 30.0 percent, respondents with the age of 40 to 55 were 16 equivalent to 26.7 percent and those with the age above 55 years were 7 which is

equivalent to 11.7 percent of the total. The study showed that most of respondent performed by the young who falls under the age of 18 to 29 years meaning that they full participate in economic development.

Table 4. 3: Age of Respondents

	Age	Frequency	Percent
	18-29 years	19	31.7
	30-39 years	18	30.0
	40-55 years	16	26.7
	Above 55 years	7	11.7
	Total	**60**	**100.0**

4.3.3 Marital Status of Respondents

Table 4.4 shows the status of respondents. The total number of respondents was 60. Status of respondents was categorized as single, married, divorced and widowed. The researcher was interested to know how do status influence the repayment of loan, loan defaulting and the enrolment in the SACCOS. It was found that 25.0 percent were single, 58.3 percent were married, 13.3 percent were divorced, 1.7 percent was widowed and 1.7 percent missing information meaning the respondent was not able to disclose his marital status. The majority of respondent were married, forming a 58.3 percent of the sample.

Table 4. 4: Status of Respondents

	Status	Frequency	Percent
Valid	Single	15	25.0
	Married	35	58.3
	Divorced	8	13.3
	Widow	1	1.7
	Total	**59**	**98.3**
Missing	99	1	1.7
Total		**60**	**100.0**

4.3.4 Association of Responder

Table 4.5 shows the period of time in which a staff, a member or management committee has been associated with the SACCOS. Normally, the research measures the experience of the respondent. The researcher was trying to assess the period undertaken by the respondent in a SACCOS. A Long association of members is important as they know the trend of members' loan repayment, loan defaulters and how good the members' enrolment in the SACCOS is. Those who associated below one year were13 respondents which was equivalent to 21.7 percent, those who are in between 1 to 3 years were 14 respondents equivalent to 23.3 percent, those who are between 4 to 6 years were 20 respondent equivalent to 33.3 percent and the rest associated for more than 6 years were 13 respondents which was equivalent to 21.7 percent. In fact, those associated less than one year and those of above 6 years fall at the same level.

Table 4. 5: Association of Responder

Time of Association	Frequency	Percent
Less than one year	13	21.7
1-3 years	14	23.3
4-6 years	20	33.3
More than 6 years	13	21.7
Total	**60**	**100.0**

4.3.5 Nature of Duty of the Responder

The Table 4.6 shows the duty involved in the SACCOS. This was necessary because each group of duty has its own responsibility which at the final result makes a collective idea to form a sustainable SACCOS. Most of respondents formed 49 members equivalent to 81.7 percent of the sampled population, 3

respondents were staff equivalent to 5.0 percent and 8 were the management

personnel which were 13.3 percent of all 60 respondents.

Table 4. 6: Duties of Responder

	Duty of Responder	Frequency	Percent
	Staff	3	5.0
	Member	49	81.7
	Management	8	13.3
	Total	**60**	**100.0**

4.3.6 Education Level of Respondent

Table 4.7 shows the level of education of respondents. The education was measured

in respect of education attained. Those who attained a standard seven were 17 which

were equivalent to 28.3 percent, those who attended an ordinary level were 25 which

was equivalent to 41.7 percent, and those with advanced level were 7 which are 11.7

percent and lastly those who attended a tertiary education meaning certificate,

diploma and bachelor degree were 11 which was equivalent to 18.3 percent. Most of

the respondents had mainly attained an ordinary level education.

Table 4. 7:   Respondents Education Level

	Education Level	Frequency	Percent
	Standard seven	17	28.3
	O- level	25	41.7
	A- level	7	11.7
	Tertiary	11	18.3
	Total	**60**	**100.0**

4.4   Client Response to Effects of Repayment Loan Policy

Table 4.8 shows the respondent's attitudes concerning the effect of repayment loan

policy on the financial sustainability of SACCOS. The variable was tested to show the best way which might be taken by the SACCOS to make its financial sustainability. On the average majority of the respondents strongly agreed with the factor of making loan repayment through banks so as to ensure financial sustainability of SACCOS. This strong agreement resulted in a mean of 1.22 and a standard deviation of 0.49 as shown in table 4.8. Since there was a little deviation compared to the high standard deviation of other factors, then bank system loan repayment seemed to be the best way in making a financial sustainability of SACCOS.

Table 4. 8:   Effects of Repayment Loan Policy

Factors	N	Mean	Std. Deviation
Loan repayment is made through bank	60	1.2167	.49030
The maximum repayment period is five years	60	1.5000	.62436
Repayment terms and conditions are open to members	60	1.3167	.65073
Loan quality is monitored and evaluated yearly	60	1.3167	.62414
The interest rate charged is competitive	60	1.3333	.57244
Credit committee makes follow up for loan recovery	60	1.3667	.51967
The interest rate charged is fixed at 16% per year	60	1.3167	.65073
Amount of loan issued to members has full security	60	1.2833	.52373
Valid N (list wise)	**60**		

4.4.1 Long Time Association Views on Effects of Repayment Loan Policy

The results in table 4.9 show that, most respondents who have an experience of 4 to 6 years in the SACCOS strongly agreed with the factor of interest rate charge on loan to be competitive with other financial service provider, the result is justified by an average mean of 1.13 and a standard deviation of 0.34. The other factor which hold true for the sustainability of SACCOS agreed by experienced respondent is, to fix a given interest rate throughout the year. In this case of study the interest rate was

fixed at sixteen percent (16%) per year. The result shows that, the average mean of 1.89 and a standard deviation of 0.40. Experienced respondents also commented that another factor which contributes to sustainability is that of monthly banking system based on installments to be used to pay the loan. This is justified by an average mean of 1.89 which is the same to the fixed interest rate. The reason which makes this factor to range to a third position is the high standard deviation of 0.54 value compared to 0.40 of the fixed interest rate.

Table 4. 9:   Long Time Associated Respondents' Views

Factors	N	Mean	Std. Deviation
Loan repayment is made through bank	16	1.1875	.54391
The maximum repayment period is five years	16	1.5625	.81394
Repayment terms and conditions are open to members	16	1.3750	.80623
Loan quality is monitored and evaluated yearly	16	1.4375	.72744
The interest rate charged is competitive	16	1.1250	.34157
Credit committee makes follow up for loan recovery	16	1.3125	.47871
The interest rate charged is fixed at 16% per year	16	1.1875	.40311
Amount of loan issued to members has full security	16	1.3750	.50000
Valid N (listwise)	**16**		

4.4.2 SACCO's Staff Views on the Effects of Repayment Loan Policy

Table 4.10 shows the result in respect of SACCO's staff response. The SACCOS has only three staffs and they have responded that, monthly bank system installment loan repayment is the best way to be used by members to repay loan. The average means towards staff respondent stands at 1.23 with a standard deviation of 0.58, which is the same as the fact that repayment terms and conditions are open to members. Again, the maximum period preferred by staff to their members to repay a loan was five years as depicted by an average mean of 1.67 and a standard deviation of 0.58.

Table 4. 10:   SACCOs' Staff Views

Factors	N	Mean	Std. Deviation
Loan repayment is made through bank	3	1.3333	.57735
The maximum repayment period is five years	3	1.6667	.57735
Repayment terms and conditions are open to members	3	1.3333	.57735
Loan quality is monitored and evaluated yearly	3	2.0000	1.00000
The interest rate charged is competitive	3	2.0000	1.00000
Credit committee makes follow up for loan recovery	3	1.6667	1.15470
The interest rate charged is fixed at 16% per year	3	2.0000	1.00000
Amount of loan issued to members has full security	3	2.0000	1.00000
Valid N (list wise)	**3**		

4.4.3 Tertiary Education Views on Repayment Loan Policy

Different levels of education were tested, out of which primary education members

with standard seven, ordinary level, advanced level and tertiary education meaning

those who attended certificate course, diploma course and bachelor degree. The level

of tertiary education response was as follows. Most of them strongly agreed on loan

repayment through bank system with an average mean of 1.18 and a standard

deviation of 0.40. Also, they agreed that repayment terms and conditions are open to

all members. This is depicted in table 4.11 which shows a mean of 1.27 and standard

deviation of 0.65.

Table 4. 11:   Tertiary Education Views

Factor	N	Mean	Std. Deviation
Loan repayment is made through bank	11	1.1818	.40452
The maximum repayment period is five years	11	1.4545	.52223
Repayment terms and conditions are open to members	11	1.2727	.64667
Loan quality is monitored and evaluated yearly	11	1.4545	.68755
The interest rate charged is competitive	11	1.5455	.82020
Credit committee makes follow up for loan recovery	11	1.3636	.67420
The interest rate charged is fixed at 16% per year	11	1.4545	.82020
Amount of loan issued to members has full security	11	1.4545	.68755
Valid N (list wise)	**11**		

4.5   Response from the Loan Defaulters Management

Most respondents strongly disagreed with the factor that, the SACCOS has to

determine the borrowers' ability to pay. This is evidenced with an average mean of 4.30 and a standard deviation of 0.65 as shown in table 4.12. The research aimed to test whether credit committee determines the ability of borrowers to repay loan in future days before granting loans. It is not economical to issue loans to members who are not capable to repay. Likewise, respondents disagreed with the fact that there is a need to take legal actions against loan defaulters, meaning there is no legal action taken to members who do not pay their loan when become due. The interested part of this factor was to test if there is any legal action taken to loan defaulters. To make all members adhere to the rules and bylaws set by the SACCOS, all defaulters need to be severely legally punished to avoid more loan defaults. The results showed an average mean of 4.47 and a standard deviation of 0.70. Also, respondents disagreed with the variable that lending procedures are clearly documented. It is not wise to hide lending procedure to members, that is, all procedures need to be open to all members. Each and every member needs to know the terms and conditions regarding loan policy. The mean towards the factor was obtained by the research to a tune of 4.50 and a standard deviation of 0.70.

Table 4. 12:   Management of Loan Defaulters

Factors	N	Mean	Std. Deviation
The SACCOS limits the loan amount to collateral value	60	4.5833	.67124
The SACCOS determine the borrowers' ability to pay	60	4.3000	.64572
Credit committee approves all maximum loan	60	4.6333	.66298
SACCOS collect loan at any cost	60	4.7000	.67145
Credit committee withholds defaulters asset	60	4.5167	.67627
Lending procedures are clearly documented	60	4.5000	.70109
Loan delinquency has minimized to an acceptable level	60	4.5833	.61868
Legal action is taken to loan defaulters	60	4.4667	.70028
Valid N (list wise)	**60**		

4.5.1 Male Respondent Views on Management of Loan Defaulters

The result in table 4.13 shows that, male respondents strongly disagreed with the factor that the SACCOS determine the borrowers' ability to pay. A mean of 4.41 and a standard deviation of 0.49 justify this particular fact. Also, an average mean of 4.46 and a standard deviation of 0.69 represented by male, states that, lending procedures are not clearly documented. This happens because most of the respondents disagreed. Credit committee does not withhold defaulters' asset. It is evidenced by the average mean of 4.51 and a standard deviation of 0.51 with a strong disagreement as shown in table 4.13.

Table 4. 13:   Male Respondent's Views

Factors	N	Mean	Std. Deviatio
The SACCOS limits the loan amount to collateral value	37	4.6486	.48398
The SACCOS determine the borrowers' ability to pay	37	4.4054	.49774
Credit committee approves all maximum loan	37	4.6757	.47458
SACCOS collect loan at any cost	37	4.7568	.49472
Credit committee withholds defaulters asset	37	4.5135	.50671
Lending procedures are clearly documented	37	4.4595	.69100
Loan delinquency has minimized to an acceptable level	37	4.6216	.54525
Legal action is taken to loan defaulters	37	4.5405	.55750
Valid N (list wise)	**37**		

4.5.2 Female Respondent Views on Management of Loan Defaulters

The results in table 4.14 shows a mean of 4.13 and a standard deviation of 0.81 stated by female respondent that, the SACCOS do not determine the borrowers' ability to repay loan, as they disagreed with the statement determining the borrower's ability to repay. Again, there is no need for legal action to be taken to loan defaulters; this was revealed by female respondents at an average mean of 4.35 and a standard deviation of 0.88.

Table 4. 14: Female Respondent's Views

Factors	N	Mean	Std. Deviation
The SACCOS limits the loan amount to collateral value	23	4.4783	.89796
The SACCOS determine the borrowers' ability to pay	23	4.1304	.81488
Credit committee approves all maximum loan	23	4.5652	.89575
SACCOS collect loan at any cost	23	4.6087	.89133
Credit committee withholds defaulters asset	23	4.5217	.89796
Lending procedures are clearly documented	23	4.5652	.72777
Loan delinquency has minimized to an acceptable level	23	4.5217	.73048
Legal action is taken to loan defaulters	23	4.3478	.88465
Valid N (list wise)	**23**		

4.5.3 O-level Education Views on the Management of Loan Defaulters

As it has been seen in demography, O-level education respondents were tested. The result shows that most of them disagreed with the factor that, the credit committee determines the borrowers' ability to pay. In table 4.15 the mean was 4.20 and a standard deviation was 0.41.

Table 4. 15: O level Education Views

Factor	N	Mean	Std. Deviation
The SACCOS limits the loan amount to collateral value	25	4.7200	.45826
The SACCOS determine the borrowers' ability to pay	25	4.2000	.40825
Credit committee approves all maximum loan	25	4.6400	.48990
SACCOS collect loan at any cost	25	4.8800	.33166
Credit committee withholds defaulters asset	25	4.4400	.50662
Lending procedures are clearly documented	25	4.3200	.74833
Loan delinquency has minimized to an acceptable level	25	4.4800	.58595
Legal action is taken to loan defaulters	25	4.6800	.47610
Valid N (list wise)	**25**		

4.6 Response on How Membership Enrollment Influence Sustainability

The research aimed to analyze how membership enrollment helps the Cooperative Societies become financially sustainable. The result revealed that, most respondent agreed with the factor that, interest on savings results to a capital growth. This is due

to high membership enrollment as a result of interest provided by SACCOS on members' savings. The more members are enrolled to the SACCOS the higher the amount of savings, hence the better capital growth will be. In this case a mean of 1.45 and a standard deviation of 0.69 were evidenced. Another variable which helps SACCOS to sustain is the provision of dividend to members each year, this results to an increase of a number of members because they will expect receiving a return on their investment, hence this leads to sustainability of SACCOS. Respondents agreed by a mean of 1.57 and a standard deviation of 0.62. Also, 1.72 average mean and 0.83 standard deviation observed by members regarding the influence of external borrowing from other financial institutions helps to pool members into the SACCOS. Table 4.16 is evidenced.

Table 4. 16:   Response on Membership Enrollment

Factor	N	Mean	Std. Deviation
Dividend has been declaring for the last three years	60	1.5667	.62073
Interest on savings results to capital growth	60	1.4500	.69927
Interest on savings determines membership enrollment	60	1.7333	.54824
Compulsory monthly saving is set at TZS 100,000 or more	60	1.7333	.60693
A SACCOS can sustain without outsourcing	60	1.8000	.91688
Membership enrollment is affected by high rate of savings	60	1.8167	.59636
Awards from super saving determines membership enrollment	60	1.7667	.56348
External borrowings is a factor for membership enrollment	60	1.7167	.82527
Valid N (list wise)	**60**		

4.6.1 Management Views on Membership Enrollment

Management respondents felt that the membership enrollment is mainly caused by providing annual dividend to members. It has been stated by an average mean of 1.88

and a standard deviation of 0.83. Following by interest to members with respect to their savings held in the SACCOS together with an award to members from super saving. All these two factors had a similar average mean of 2.13 and standard deviation of 0.64.

Table 4. 17:   Response by Management on Membership Enrollment

Factors	N	Mean	Std. Deviation
Dividend has been declaring for the last three years	8	1.8750	.83452
Interest on savings results to capital growth	8	2.6250	.74402
Interest on savings determines membership enrollment	8	2.1250	.64087
Compulsory monthly saving is set at TZS 100,000 or more	8	2.2500	.88641
A SACCOS can sustain without outsourcing	8	2.8750	.64087
Membership enrollment is affected by high rate of savings	8	2.2500	.70711
Awards from super saving determines membership enrollment	8	2.1250	.64087
External borrowings is a factor for membership enrollment	8	2.6250	.51755
Valid N (list wise)	**8**		

4.6.2 Experienced Respondents' Views on Membership Enrollment

It seems that the experienced members prefer annual dividend payment to members for the purpose of increasing member enrollment; this is depicted by an average mean of 1.14 and a standard deviation of 0.38. Also, external borrowing saves as an agent for membership enrollment as it was depicted at an average rate equivalent to 1.14 and a standard deviation of 0.38. And they agreed on provision of interest on savings to members to encourage membership enrollment. The measure was aimed at understanding the views of those members enrolled in SACCOS for more than five years as indicated in table 4.18.

Table 4. 18:   Experienced Respondents' Views

Factors	N	Mean	Std. Deviation
Dividend has been declaring for the last three years	7	1.1429	.37796
Interest on savings results to capital growth	7	1.8571	.89974
Interest on savings determines membership enrollment	7	1.7143	.48795
Compulsory monthly saving is set at TZS 100,000 or more	7	1.8571	.69007
A SACCOS can sustain without outsourcing	7	1.7143	1.11270
Membership enrollment is affected by high rate of savings	7	2.1429	.69007
Awards from super saving determines membership enrollment	7	1.8571	.37796
External borrowings is a factor for membership enrollment	7	1.1429	.37796
Valid N (list wise)	**7**		

4.6.3   A-level Respondent Views on Membership Enrollment

As the researcher obtained views from those who had completed form six education, the result was tested from them. It was observed that, the respondents agreed that, interest on savings results to capital growth. In the table 4.19 it indicates that, the mean was 1.43 and a standard deviation of 0.79. Likewise, they agreed that the SACCOS can sustain without outsourcing. The respondents had a very different opinion compared to others.

Table 4. 19:   A-level Respondents' Views

Factors	N	Mean	Std. Deviation
Dividend has been declaring for the last three years	7	1.7143	.48795
Interest on savings results to capital growth	7	1.4286	.78680
Interest on savings determines membership enrollment	7	2.0000	.00000
Compulsory monthly saving is set at TZS 100,000 or more	7	1.8571	.37796
A SACCOS can sustain without outsourcing	7	1.5714	.97590
Membership enrollment is affected by high rate of savings	7	1.8571	.37796
Awards from super saving determines membership enrollment	7	1.8571	.37796
External borrowings is a factor for membership enrollment	7	2.0000	1.00000
Valid N (list wise)	**7**		

4.7 Correlation between Variables

The extent to which two or more variables are related is referred to as correlation. Such relationship may be perfect negative correlation when correlation coefficients is -1.00, likewise, the relationship may be a perfect positive correlation when the value for correlation coefficient is +1.00 and correlation coefficient is 0.00 to mean no correlation. Positive correlation implies that when independent variable increases also dependant variable increases. Negative correlation occurs when independent variables decrease then the dependent variable increases. Pearson correlation was used given a two tail test (2-tailed). The significant value chosen was 0.05. This correlation measures the strength of linear relationship between variables. The study established a significant relationship between membership enrollment and financial sustainability of SACCOS. Variables used to test the sustainability of SACCOS were, dividend payment, saving award and capital growth. In the analysis using Pearson correlation shows 0.09, 0.163 and 0.092 for dividend payment, capital growth and award from saving. Since the correlation tested was close to zero it implies no correlation between these three variables with respect to financial sustainability.

The above results has a significant value of 0.495, 0.213 and 0.484 regarding dividend payment, capital growth and award from saving respectively, where a chosen significant value was 0.05, as shown in Appendix 3. Again, since the significant level calculated was very large compared to the chosen level, it means the correlation is statistically insignificant. Therefore, there is no enough evidence from the selected sample to say that, the correlation exists from the population.

4.8   Testing the Assumptions of Multiple Linear Regression Model

This involves testing multi co-linearity which is used to test independent variables and also testing autocorrelation assumption (Durbin Watson Test).

4.8.1 Multico-linearity Test on Independent Variables

Before running regression, the test of multi co linearity between independent variables was done. Presence of multico-linearity inflates the variance of the parameter estimates making them individually statistically insignificant even though the overall model may be significant. In addition, multi co linearity causes some errors in estimating the coefficients of independent variables and their interpretation. The tolerance rate and Variance Inflating Factors (VIF) were used to detect multi co linearity between explanatory. Table 4:20 indicates that the tolerance is greater than 0.1 (10%) and the Variance Inflating Factor (VIF) does not exceed 5 to 10. Upon below results, it was found to be no problem of multi co-linearity among explanatory variables. Therefore, the associated regression coefficients were clearly estimated and reliable.

Table 4. 20   Results of Multi-Co linearity Test on Independent Variables

Coefficients[a]

Model		Co linearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Dividend payment	.885	1.130
	Capital growth	.903	1.107
	Awards from saving	.967	1.035

4.8.2 Pearson Chi- Square Test

Pearson Chi-Square statistic is the most commonly used to evaluate tests of independence when using a cross tabulation. Calculating the Chi-Square statistic and comparing it against a critical value from the Chi-Square distribution allowed the researcher to assess whether the observed cell counts are significantly different from the expected cell counts. In this study, the expected cell counts were all greater than 5. No cells had an expected count less than 5, which means the assumption was met. The Pearson Chi- Square was 8.643 at a degree of freedom of 2 and a P-value that is asymptotically value of 0.013 as shown in Appendix 4, this indicates a statistically significant relationship between the variables, and then we have to reject the null hypothesis. Therefore, there is enough evidence to suggest an association between capital growth and the financial sustainability of saving and credit cooperative societies.

4.8.3 Test of Autocorrelation Assumption

Table 4.21 illustrates the results of the test of independence of observations. The test was done using Durbin Watson test. Multiple linear regressions assume that the errors are independent and there is no serial correlation. Errors are residuals or differences between the actual score for a case and the score estimated using the regression equation. Non serial correlation implies that the size of the residual for one case has no impact on the size of the residual for the next case. Durbin Watson statistics is used to test the presence of serial correlation among the residuals. The Durbin Watson value statistics ranges from 0 to 4 as a general rule of thumb, in this case, residuals are not correlated if the Durbin Watson statistics is approximately 2

and an acceptable range is 1.5 to 2.50. The result in Table 4.21 shows that, the Durbin Watson statistic is 1.893 which falls within the acceptable range. It implies that there is no serial correlation of errors and therefore, the model was correctly specified.

Table 4. 21:   Results of Autocorrelation Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.196[a]	.038	-.013	.600	1.893
a. Predictors: (Constant), Awards from saving , Dividend payment, The Capital growth b. Dependent Variable: Sustainability of SACCOS					

4.8.4 Results of Regression of Independent Variables against Dependent Variable

Sustainability of SACCOS was determined by dividend payments to members, capital growth and awards from super saving. In this case, sustainability was a dependant variable and dividend payments to members, capital growth and awards from super saving were descriptive variables. The model was specified as follows:-

$SS = \beta_0 + \beta_1 DP + \beta_2 CG + \beta_3 SA + \varepsilon.$

Whereby SS= SACCOS Sustainability, β_0 was the constant term of the model, β_1 to β_3 were coefficients of independent variables and ε was the error term. DP = Dividend Payment, CG= Capital Growth and SA= Saving Award.

The results are presented in Tables 4.22a, and 4.22b

Table 4. 22a: ANOVA[b]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.803	3	.268	.743	.531a
	Residual	20.180	56	.360		
	Total	20.983	59			
a. Predictors: (Constant), Awards from super saving, Dividend payment, Capital growth						
b. Dependent Variable: Sustainability of SACCOS						

Table 4. 22b: Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.238	.415		2.980	.004
	Dividend payment	.085	.177	.067	.482	.632
	Capital growth	.181	.175	.142	1.030	.307
	Awards from saving	.143	.161	.118	.888	.378
a. Dependent Variable: Sustainability of SACCOS						

Therefore the estimated model is: SS= 1.238+0.085DP+0.181CG+0.143SA+ε

4.9   Discussion of the Findings

The section presents the discussion of findings based as well as what other scholars have said in literature review. This discussion of findings was done based on specific objectives stated in chapter one.

4.9.1 Determining Repayment Loan Policy

The first objective was to determine the extent to which repayment loan policies influence the financial sustainability of SACCOS. The variables tested in this area were repayment of loan through bank system as the best way to repay loan, the

maximum period to repay loan, loan repayment terms and conditions, loan quality monitoring and evaluation systems, competitive interest charge, follow up on loan recovery, the fixed interest rate charged and the base of an amount of loan to be issued to members.

4.9.2 Maximum Repayment Period

Five years have been declared by most respondents that it is a maximum repayment period set by SACCOS. In addition from Section 68 (2) of Saving and Credit Cooperative Societies Regulation of 2015 which states that, a SACCOS shall only grant loans with maturities of not more than five years. About 55.0 percent strongly agreed and 41.7 percent of respondents agreed that management sets a maximum repayment period of five years. Standard repayment periods are the best option. The loan is paid off fastest with a slightest amount of interest, while a longer repayment period will reduce the monthly payment, but greatly increases how much interest one will be required to repay. Extended repayment plans allow for paying less now and more lately. These plans cost more, due to more interest accrued over time. Of course, the longer the repayment periods are drawn out, the more interest is paid, and the greater the cost to the loan beneficiary.

Miriti (2014) in his finding noted that when Capital SACCOS member's source loan from other commercial banks due to delayed loan processing in their SACCOS it translated into loss of revenue to the SACCOS in the form of interests and hence affect the eventual performance. Thus, the duration of loan repayments affects the performance of Capital SACCOS.

4.9.3 Credit Committee Follow up for Loan Recovery

Loan repayment is the major problem in all the East African Countries, (East African Community consolidation report, 2009). Among the major issues regarding to poor loan repayment performance are: lack of sufficient training to borrowers, deviation of the loan from intended use and poor loan screening by lenders. It is a duty of Board members especially credit committee to provide training to loan beneficiaries before issue of loan. In this study, it has been observed that, 39 respondents which are 65 percent strongly agreed, and 20 respondents agreed while only 1.7 percent of respondent were not sure whether the credit committee was committed with the follow up for loan recovery. The finding is supported by other studies as follows:

Mwendwa (2016) in his study noted that, culture of continuous monitoring and evaluation of policies needs to be adopted in order for activities to flow smoothly. In his finding seems that the current monitoring and evaluation practices in the SACCOS are not fully implemented. It however, seems that committee allowance, annual general meeting and training was a major cost to the SACCOS (Nkuru, 2015). Patrick, *et al.,* (2014) observed that majority of SACCOS is directed by people with no business education. In his analysis he categorized education level of board members and board size. His observation was that, board member's with a primary education range to 46%, of which 30% are secondary education, 14% college education and only 10% have a university education. Karagu and Okibo (2014) concluded that, credit committee should put in place loan recovery strategies and introduce collateral securities as a way of eliminating or reducing loan defaulting.

4.9.4 Loan Issue and Repayment Terms and Conditions

Loan repayment terms and condition include conditions for granting loan to members, meaning that only the assessed eligible members required getting loan equal or lower than the amount requested by the borrower. In this study most respondents agreed that terms and condition are open to members, which makes a 76.7 percent of all respondents.

The current findings are supported by Absanto and Aikaurwa (2013) of which in their findings they revealed that the amount of loan applied and disbursed to members was less than loan applications received implying that SACCOS applies some criteria to ration loans applied by members. What is observed is that credit rationing where all applicants could not be eligible for the loan and even those who are eligible get less amount than the amount requested.

4.9.5 Fixed Interest Rate Charge

Interest rates normally define the cost of credit in an economy. Also, it is basically determined by the money supply, the rate of inflation, the time period of credit and the central bank's monetary policy. The longer the repayment period of loan, the greater the impact a change in interest rates will have on a repayment. Therefore, adjusted rates are beneficial to the borrower where there is a decrease of interest rate environment, but when interest rate rises, then the loan repayment automatically sharply rises. In this study, we noted that most respondents agreed that the interest rate was fixed at sixteen percent throughout the loan period in question. This has been observed by 56 respondents' equivalent to 93.3 percent agreeing with the

variable leaving only 3 respondent equivalents to 5 percent not sure and 1 respondent equivalent to 1.7 percent disagree.

This has also been observed in the study by Muguchia (2012) that the high interest rates have negative effect of increasing the cost of borrowing and consequently limiting the level of aggregate investment and consumption and the overall economic growth in the country. Promoting loan to members is necessary for availing means of personal investment, especially given that the country is lagging behind from investment.

4.10 Management of Loan Defaulters to Sustainability of SACCOS

The specific objective was established to determine whether SACCOS strictly manage loan defaulters to their clients and its contribution to the financial sustainability of the SACCOS. Variables used in the objective consisted of SACCO's limitations on loan amount to collateral value, determinant of borrowers' ability to pay, Credit committee approval to all maximum loan, collection of loan at any cost, withholding defaulters asset, clear documentation of lending procedures, minimization of loan to an acceptable level and legal action to loan defaulters.

4.10.1 Limitations on Loan Amount to Collateral Value

Under section 63 (2) (c), (g) and (h) of Savings and Credit Cooperative Regulation of 2015 the Board shall review and revise the lending policy at least annually and at minimum, the policy shall contain the following: permissible loan purposes and acceptable types of collateral, limitations on the loan amount as compared to the collateral value and determination of the borrower's ability to repay the loan. The

findings noted that about 59 respondents equivalent to 98.3 percent disagrees on the variable, meaning that no limitation of loan to members as regard to borrowers collateral.

Kasungwa and Moronge (2016) in their study relating to drivers of sustainability of agricultural cooperatives in Kenya noted that, loan collateral affected sustainability of agricultural cooperatives because of rigorous conditions, corruption in giving out funds, required security, and the process itself being technical and collateral availability affect sustainability. As it seems in this case, the failure for the credit committee to limit loan to members from borrowers' collateral gives chance to loan default and high risk on SACCOS' asset, as a result the financial sustainability of SACCOS becomes questionable.

4.10.2 Determinant of Borrowers' Ability to Pay

Borrowers' determination of ability to pay their loan was also tested for the purpose of assessing the financial sustainability of SACCOS. This goes in line with the requirement by the Cooperative Act of 2013 and the SACCOS Regulation of 2015. Section 72 (1) and (3) of Cooperative Act of 2013 state that, a registered society shall not give a loan to any person other than to its members. Except with the permission of the Registrar, a society shall not lend money on the security of any movable property other than produce or goods in which the security is authorized to deal. In the study findings it shows that 59 respondents which is equivalent to 98.3 percent disagreed, which means, loan is provided to members without determining the ability

of members to pay. In fact, this situation deteriorates the sustainability of SACCOS because loan can be provided to ineligible borrowers.

Mborwe (2015) emphasizes that; SACCOS should continuously review credit policies by reducing the interest rate to reduce the repayment burden to members. This would ensure that loan applicants become able to utilize their loan in effective and efficient manner. He also notes that the system lead to the growth of the SACCOS because the loan eligibility depicts a positive relationship with growth of SACCOS' wealth. To ensure that the loan provided to a member is repaid in time, the study recommends that SACCOS should ensure proper loan disbursement to facilitate loan recovery and minimize administrative costs. Olando *et al.,* (2013) also found that many SACCOS inadequately complied with their bylaws.

4.10.3 Credit Committee Approval to all Maximum Loans

Normally, SACCOS provide loans to members at different levels; any amount of loan above the limit must be scrutinized and therefore approved by the credit committee. With the help of section 63 (2) of Savings and Credit Cooperative Societies Regulation of 2015, the Board shall review and revise the lending policy at least annually and at minimum, the policy shall contain the maximum loan approval levels for the technical and credit committees, again in section 65 (1) of the said regulation a SACCOS officer or technical committee shall not grant a loan without the approval of the credit committee unless the credit committee has formally delegated its loan approval authority. The study findings observed that most

respondents disagreed with regards to credit committee approval on maximum loan issue, meaning any officer can approve the loan to be granted to members.

Mwendwa (2016) in his study recommended that the financial functions of monitoring are part and parcel of SACCO's management committee; therefore, it should not only be treated as reporting requirement that assists managers in order to perform their roles. He added that, a culture of continuous monitoring and evaluation of policies needs to be adopted for activities to flow smoothly. In his findings, it seems that the current monitoring and evaluation practices in the SACCOS are not fully implemented.

4.10.4 Collection of Loan at any Cost

Collection of loan needs not be very expensive. There must be a balance between revenue and cost incurred to collect such revenue. However, the lender is advised to add collection charges to the cost of the loan when a borrower defaults on his or her loan. The collection charges need to be deducted from each payment before the remainder is applied to the interest, fee and principal balance of the debt or adding collection charges to the loan balance. The findings replicated that 58 respondents equivalent to 96.7 percent observed that no much collection costs are applied by a management committee in loan collection.

Magali (2013) stated that only cost per borrower; savings and deposit to total assets significantly influence the outreach, measured by average loan size. Furthermore, the findings shows that the cost per borrower influence outreach positively, implying that for the rural SACCOS to reach the large number of clients including the women

borrowers and the very poor, it has to incur high costs.

4.10.5 Withholding of Defaulters Asset

Section 66 (4) of Savings and Credit Cooperative Societies Regulation of 2015 requires that where a loan involves collateral, such collateral shall be in the SACCOS possession and shall have been properly documented and registered thereby giving the SACCOS the ability to legally take possession of the collateral if needed. The findings revealed that, most of respondents could not support the policy of withholding asset of loan beneficiaries. This was observed by 59 respondents who disagreed with the variable making a 98.3 percent.

4.10.6 Effective Documentation of Lending Procedures

Documentation of borrowers' security is one of the requirements put into consideration by the SACCOS Regulation of 2015 under section 64, that every application for a loan shall be made on a Standard form prescribed by a particular SACCOS which consists of at least the loan purpose, the loan amount requested, the collateral offered and such other information as may be required. The finding showed that a SACCOS has not made documents available to members, this has been depicted by responses rendered by 55 participants which is equal to 91.7 percent of respondents.

4.11 Determining how Membership Enrollments Influence Sustainability

The study established a significant relationship between membership enrollment and financial sustainability of SACCOS. Variables used to test the sustainability of

SACCOS were; dividend payment, saving award and capital growth. In the analysis using Pearson correlation revealed that 0.09, 0.163 and 0.092 for dividend payment, capital growth and award from saving. Since the correlation tested was close to zero it means no correlation between these three variables in respect of financial sustainability. This particular result has a significant value of 0.495, 0.213 and 0.484 regarding dividend payment, capital growth and award from saving respectively, where a chosen significant value was 0.05, as shown in Appendix 3. Again, since the significant level calculated was very large compared to the chosen level, it denotes that the correlation is statistically insignificant. Therefore, there is no enough evidence from the selected sample to say that, the correlation exists from the population.

The study also established a significant relationship between membership enrollment and financial sustainability of SACCOS. Members' enrollment in this study means the increase and stabilization of membership in the SACCOS. This implies that when the number of SACCO's members increases the current capital also increases this culminates to financial sustainability. Variables used to test the sustainability of SACCOS were, dividend payment, saving award and capital growth. The Pearson Chi- Square in respect with capital growth was 8.643 at a degree of freedom of 2 and a P-value that is asymptotically value of 0.013 as shown in appendix 4. It indicates a statistically significant relationship between the variables. Therefore, we have enough evidence to suggest an association between capital growth and the financial sustainability of saving and credit cooperative societies. The relationship between dividend payment and saving award were also tested to find the association to

financial sustainability of SACCOS. The result shows that, no enough evidence was obtained to suggest the association to the sustainability of SACCOS as it was observed from appendix 5. The P value was 0.110 which is greater than the chosen value. Likewise, saving award seems not to be correlated with the sustainability of SACCOS as it has P value of 0.765 greater than the chosen, as depicted in appendix 6.

The same findings have been evidenced by Nibissa (2015) in his research which shows that dividend is the case which makes SACCOS different from other financial services. It has noted that, even if members pay high interest rate on borrowing they get back it in the form of dividend. From this aspect he believes that dividend paid to members highly determines the outreach of SACCOS positively. This implies that SACCOS which pays high dividend to members attracts more members. It is also supported by Kiaritha (2015) who specified that, the SACCOS have annual savings target for the members, if members doubled their savings, the performance of their SACCOS would improve and SACCOS perform better because members will have access to borrow. Results further indicated that the SACCOS had annual awards for super savers; in this case members have their own annual savings target and the SACCOS itself has a minimum savings rule. Olando (2012) in his findings was based on the use of institutional capital as a mode of financing SACCOS' activities to ensure their sustainability in the competitive co-operative sector. The study also shows that; growth of SACCOS wealth depends upon the financial stewardship, capital structure and fund allocation strategy.

CHAPTER FIVE

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Summary

The main objective of this study was to examine the factors affecting the financial sustainability of Savings and Credit Cooperative Societies in Shinyanga municipality. Three specific objectives were developed to accomplish the study as follows: to determine the effects of repayment loan policy on the financial sustainability of Savings and Credit Cooperative Societies, to determine how management of loan defaulters influences the financial sustainability of Savings and Credit Cooperative Societies and to determine how members' enrollments influence the financial sustainability of Savings and Credit Cooperative Societies. Alongside with the research objectives, three research questions were developed which were as follows: First, how does repayment loan policy influence financial sustainability of Savings and Credit Cooperative Societies? Second, how does management of loan defaulters influence the financial sustainability of Savings and Credit Cooperative Societies? Third, how do membership enrollments influence the financial sustainability of Savings and Credit Cooperative Societies?

The study used positivist models to predict and measure the financial sustainability of SACCOS. On the other side, interpretive views was used believing that there is much truth and reality from the perspective of SACCOS services beneficiaries in relation to growth and sustainability of the same. All the research objectives have been met and research questions answered as shown in the preceding chapter. It has

been established that dividend payment to members, capital growth, and saving award influence significant positive contribution in the financial sustainability of SACCOS. In addition, the beneficiaries interviewed commented that repayment of loan through bank has significantly encouraged the financial sustainability of SACCOS.

The findings revealed also that SACCOS member enrollment into the SACCOS have been increasing each year due to dividend payment made by SACCOS. This was confirmed by the respondents at a very high rate of 50.0 percent of clients interviewed who strongly agreed and 43.3 agreed. Further, the respondents agreed at 65.0% that interest on savings accelerated the capital growth of SACCOS in the preceding two years.

5.2   Policy Recommendations

SACCOS   may dispose any remaining net income after all expenses and costs have been paid and capital requirements for paying dividends on shares in form of deposits into the member shares, contribution to a development fund or transfer to capital account for the purpose of increasing the SACCOS capital. Before dividend payment, the SACCOS need to build a reserve fund and the institutional capital by retaining at least twenty percent of the net income after paying all expenses and costs in the reserve fund. However, no SACCOS shall pay dividend to members before building the capital reserve fund and the institutional capital by retaining at least twenty percent of the net income after paying all expenses and costs in the reserve fund. Again, dividend payments to members shall not be made if the amount in the

statutory reserve fund is inadequate to cover accumulated SACCOS losses and the net surplus been transferred to the reserve fund until the account balance is sufficient to cover all losses. The implication of this is to pull a large number of members into enrollment which results to capital gain on the SACCOS, but at the same time not inflating the core SACCO's institutional capital.

Loan to members' policy is not subject to defaulters only; rather it involves some conditions to all members. Before granting loan to member, a SACCOS shall ensure that the loan is fully secured. A member shall secure a loan by voluntary shares, savings, time deposit or goods. A loan with collateral, such collateral shall be in the SACCOS possession and shall have been properly documented and registered there by giving the SACCOS the ability to legally take possession of the collateral, if needed and tan "arm's length" appraisal.

In Tanzania, majority of the population engage in agricultural activities, there is a need to link the tools for development that is, Savings and Credit Cooperative Societies (SACCOS) and Agricultural Marketing Cooperative Societies (AMCOS). The focus should be on value addition of agricultural produce (value chain) in order to create employment and generate income.

5.3   Areas for Further Research

This study focused on assessing the factors affecting the financial sustainability of savings and credit cooperative societies. There is a need for further research to be done in the following areas:-

i)   Effects of external credit and insurance in SACCOS' financial sustainability.

ii) Relationship between Savings and Credit Cooperative Societies (SACCOS) and Agricultural and Marketing Cooperative Societies (AMCOS) in financial sustainability.

iii) The role of Government on the sustainability of microfinance institutions particularly SACCOS.

REFERENCES

Absanto, G. and Aikaurwa, D. (2013). Credit Rationing and Loan Repayment Performance: A case study of Victoria SACCOS. *Global Advanced Research Journal of Management and Business Studies*, 2(6), 328-341. Retrieved on 5th March, 2016 from garj.org/.../credit-rationing-and-loan-repayment-performance-the-case-study.

Amina, A. (2016). The Effect of Core Capital on the Financial Performance of Deposit Taking SACCOS in Nairobi County D63/68917/2013.

Birchall, J. (2004). *Cooperatives and the Millennium Development Goals.* Geneva: ILO.

Burgess, R. G. (1984). *In the Field: An Introduction to Field Research.* London: Unwin Hyman.

Bwana, K. M. and Mwakujonga, J. (2013). Issues in SACCOS Development in Kenya and Tanzania: The Historical and Development Perspectives. *Developing Country Studies,* 3(5), 114-121.

Cobia, D. (1989). *Co-operatives in agriculture. Englewood Cliffs*, New Jersey: Prentice-Hall, Inc.

Creswell, J. (2002). *Educational research: Planning, conducting, and evaluating quantitative and qualitative research*. Upper Saddle River, NJ: Merrill Prentice Hall.

Creswell, J. (2003). *Research design: Qualitative, quantitative and mixed methods approaches* (2nd ed.). Thousand Oaks, CA: SAGE Publications.

David, G. K. (2016). Impact of Prudential Regulation on Financial Performance of Deposit Taking Savings and Credit Co-operative Societies in Kenya. Retrieved on 7th June, 2016 from http://ir.jkuat.ac.ke/.../.

Drucker, P. F. (1974). *Management: Tasks, Responsibilities and Practices*. New York: Harper & Row.

Economic Report on Africa (2015), Urbanization and Industrialization for Africa's Transformation. Publications Economic Commission for Africa

Fisher, R. J. (2005). *Poverty and Conservation Landscapes, People and Power. Series No.2.* Sydney: IUCN.

Friedman, M. (1957). *A Theory of the Consumption Function*. Princeton: Princeton University Press.

George, D. and Mallery, P. (2003). *Reliability analysis. SPSS for Windows, step by step: a simple guide and reference*, (14th edn). Boston: Allyn & Bacon.

Gladys, M. M. (2012). Relationship between Financial Structure and Growth of Saving and Credit Cooperative Societies' Wealth in Machakos County. Unpublished Master's project degree, University of Nairobi, Kenya. Retrieved on 11th May, 2017 from erepository.uonbi.ac.ke/.../.

Gliem, J. A. and Gliem, R. R. (2003). Calculating, Interpreting and Reporting Cronbach's Alpha Reliability Coefficient for Likert - Type Scale. Midwest Research for Practice Conference in Adult, Continuing, and Community Education. Retrieved on 23rd March, 2016 from https://scholarworks.iupui.edu/handle/1805/344.

Grayson, D. (2004). Some myths and legends in quantitative psychology. *Understanding statistics*, 3(2), 101-134. Retrieved on 11th June, 2017 from www.tandfonline.com/doi/abs/10.1207%2Fs15328031us0302_3.

Guérin, I., Kumar, S. and Agier, I. (2013). Women's empowerment: Power to act or power over other women? Lessons from Indian microfinance. *Oxford Development Studies*, 41(1), 76-94. Retrieved on 22nd July, 2017 from http://www.documentation.ird.fr/hor/fdi:010060476.

Hall, R. E. (1978). Stochastic Implications of the Life Cycle-Permanent Income Hypothesis: Theory and Evidence. *Journal of Political Economy*, 86, 971-987. Retrieved from www.journals.uchicago.edu/doi/abs/10.1086/260724 on 16th May, 2016.

Jesse, M. K. (2016). Stakeholders Management Strategies and Financial Performance of Deposit Taking SACCOS. Unpublished PhD thesis, Jomo Kenyatta. University of Agriculture, Kenya. Retrieved on 18th September, 2016 from ir.jkuat.ac.ke/.../KINYUA%20%2C%20J.M.%20PHD%20BA%2C%202016.pdf?.

Joseph, M. K. (2014). Factors Influencing the Performance of Selected "Matatu" SACCO Societies Operating in Kitui County. Unpbulished MBA project, University of Nairobi, Kenya. Retrieved on 25th November, 2016 from business.uonbi.ac.ke/sites/default/files/chss/business/.../MBA_PROJECTS_2012.pdf.

Karagu, J. M. and Okibo, B. (2014). Financial Factors Influencing Performance of Savings and Credit Cooperative Organization in Kenya. *International Journal*

of Academic Research in Accounting, Finance and Management Sciences, 4(2), 295-306.

Kasungwa, E. M., and Moronge, M. (2015). Drivers of Sustainability of Agricultural Cooperatives in Kenya: A case of Machakos County. *Journal of Management,* 3(2), 271-295. Retrieved from www.strategicjournals.com on 19th August, 2016.

Kato, M. P., and Kratzer, J. (2013). Empowering women through microfinance: Evidence from Tanzania. *ACRN Journal of Entrepreneurship Perspectives,* 2(1), 31-59. Retrieved from journals.acrn.eu/resources/Journals/201302c.pdf on 5th May, 2016.

Kevin, O. (2016). Growth Strategies and Transformational Orientation Adopted by Unatas SACCOS in Kenya. Unpublished MBA research project, University of Nairobi, Kenya. Retrieved on 4th April, 2016 from erepository.uonbi.ac.ke/.../Otieno%20Kevin_Growth%20Strategies%20and% 20Transf.

Kothari, C. R. (1990). *Research Methodology-Methods and Techniques,* New Delhi: Wiley Eastern Limited.

Leach, F., and Sitaram, S. (2002). Microfinance and women's empowerment: A lesson from India. *Development in Practice*, 12(5), 575-588. Retrieved from http://www.tandfonline.com/doi/abs/10.1080/0961452022000017597 on 15th May, 2016.

Leedy, P. and Ormrod, J. (2001). *Practical research: Planning and design* (7th ed.). Upper Saddle River: SAGE Publications.

Magali, J. J. (2014). Variables for Modeling SACCOS in Tanzania. *Asian Journal of Finance and Accounting*, 6(1), 198-209. Retrieved on 14th May, 2017 from www.macrothink.org/journal/index.php/ajfa/article/download/5290/4366.

Magali, J. J. (2013). Are Rural SACCOS in Tanzania Sustainability. *International Journal of Management Sciences and Business Research*, 3(1), 2226-8238. Retrieved on 1st May, 2016 from www.academia.edu/27904618/.

Marwa, N. W. (2015). Efficiency and Sustainability of Savings and Credit Cooperatives. ERSA working paper 529. Retrieved on 3rd March, 2017 from https://econrsa.org/system/files/publications/working.../.pdf.

Miriti, J. M. (2014). Factors Influencing Financial Performance of Saving and Credit Cooperative Societies. A case of Meru County Kenya. Unpublished MBA research project, University of Nairobi, Kenya. Retrieved from erepository.uonbi.ac.ke/handle/11295/74255 on 15th July, 2016.

Mumanyi, E. A. L. (2014). Challenges and opportunities facing SACCOs in a devolved system of government in Kenya. International Journal of Social Sciences and Entrepreneurship, 1(9), 1-24. Retrieved on 6th June, 2016 from https://www.ijsse.org/articles/ijsse_v1_i9_288_314.pdf.

Nibissa, N. (2015). Determinant of Savings and Credit Cooperative Society in Addis Ababa. Unpublished MBA thesis, Addis Ababa University, Ethiopia. Retrieved on 19th September, 2016 from http://etd.aau.edu.et/bitstream/123456789/7839/1/Nigusie%20Dibissa.pdf.

Nkuru, F. N. (2015). Factors affecting Growth of SACCOS within the Agricultural Sector in Kenya: A Case of Meru Farmers SACCOS. *Global Journal of Commerce and Management Perspective*, 4(1), 34-45. Retrieved on 19th

September, 2016 from http://gifre.org/library/upload/volume/34-45-FACTORS-vol-4-1-gjcmp.pdf.

Olando, C. O. (2012). An Assessment of Financial Practice as a Determinant of Growth of Savings and Credit Cooperative Societies Wealth. Unpublished PhD thesis, Kenyatta University, Kenya. Retrieved on 29th May, 2016 from http://ir-library.ku.ac.ke/bitstream/handle/123456789/6533/.

Olando, C. O., Jagongo A., and Mbewa M. O. (2013). The Contribution of SACCO Financial Stewardship to Growth of SACCOS in Kenya. *International Journal of Humanities and Social Science*, 3(17), 112-132.

Patrick, L., Obeid, G.,and Njau, J. (2014). Corporate Governance Practices and Performance of Cooperative Financial Institution. *The International Journal of Business and Management,* 2(10), 67-75. Retrieved on 1st May, 2016 from www.theijbm.com/force_download.php?file_path=wp-content/uploads/2014/.

Popper, K. (1959). *The Logic of Scientific Discovery*. London: Routledge Classics.

Reichel, M., and Ramey, M. A. (1987). *Conceptual frameworks for bibliographic education: Theory into practice*. Littleton, Colo: Libraries Unlimited.

Saunders, M. N. K., Lewis, P. and Thornhill, A. (2009). *Research methods for business students*. 5th edition. Harlow: FT Prentice Hall.

URT, (2007). *National Strategy for Growth and Reduction of Poverty (NSGRP),* Dar es Salaam: Goverment Printer.

Wanjala, S. N. (2015). Effect of Cash Management Practices on the Growth of Matatu SACCOS in Kimilili Sub-county Bungome couny, Kenya. *The International Journal of Business and Management*, 2(9), 30-41. Retrieved on 1st May, 2017 from www.theijbm.com/force_download.php?

Waweru, K. M. (2011). An investigation into the cash balance management challenges in Saving and Credit Co-operative Societies (SACCOs) in Nakuru County, Kenya. *Journal of Research in International Business and Management,* 1(5), 119-123. Retrieved from www.interesjournals.org/.../an-investigation-into-the-cash-balance-management-challe *on 26th June, 2017.*

Weihrich, H., and Koontz, H. (1993). *Management: A Global Perspective*. Kuala Lumpur: McGraw-Hill.

Yamane, T. (1967). *Statistics: An Introductory Analysis*, (2nd ed.). New York: *Harper & Row.*

APPENDICES

Appendix 1:   Questionnaires

OPEN UNIVERSITY OF TANZANIA

Introduction

The study will be conducted by Rodrick Kilemile, a student of Open University of Tanzania in the Faculty of Business Management. The study will result in a dissertation report, which is a partial fulfillment for the award of a Masters of Project Management Degree of Open University of Tanzania. This study will be about assessing the factors affecting the financial sustainability of SACCOS in Shinyanga municipality. The survey thus will mean to avail background information about Savings and Credit Cooperative Societies and their sustainability as a result of good financial management. The purpose of the survey is therefore to gather data from SACCOS' members and the management of Biashara SACCOS in Shinyanga Municipality. You have been selected because you are either a SACCO's member or part of SACCO's management. I am requesting you to give me the requested information to accomplish this study. The data collected will be treated with utmost confidentiality and anonymity.

Thank you in advance for your kind support.

Yours sincerely, Rodrick Kilemile – 0755 082 318

QUESTIONNAIRES

The questionnaire will be presented for answering to staff, SACCOS members and management of SACCOS.

i) Please tick the appropriate box

ii) Do not write your name on the questionnaire

Section A

Demographic data

1. Gender: Male[ ] Female[ ]

2. Marital status: Single [ ]Married [ ]Devoiced [ ]Widowed[ ]

3. Age bracket (Years):18-29 □30-39 □ 40-55□ 55+□

4. Nature of duty: Staff ☐ Member ☐ Management ☐

5. Education level: STD 7 ☐ O- Level ☐ A- Level ☐Tertiary ☐

6. How long have you been associated with the SACCOS?

Less than a year☐ 1-3 Years☐ 4-6 years☐More than six years ☐

Section B

1. **Determining the Effects of Repayment Loan Policy on Financial**

    Sustainability of SACCOS

Description	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
	1	2	3	4	5
(i)Loan repayment is made through bank	□	□	□	□	□
(ii) The maximum repayment period is five years	□	□	□	□	□
(iii) Repayment terms and conditions are open to members	□	□	□	□	□
(iv) Loan quality are monitored and evaluated yearly	□	□	□	□	□
(v) Interest rate charged is competitive	□	□	□	□	□
(vi)Credit committee makes follow up for	□	□	□	□	□

loan recovery					
(vii)Interest rate charged to members loan is fixed at 16% per year	□	□	□	□	□
(viii)Amount of loan issued to members has full security	□	□	□	□	□

2. Determining how Management of Loan Defaulters Influence Financial Sustainability of SACCOS

Description	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
	1	2	3	4	5
(i) The SACCOS limits loan amount to collateral value	□	□	□	□	□
(ii) The SACCOS determine the borrowers' ability to pay	□	□	□	□	□
(iii) Credit committee approves all maximum loan	□	□	□	□	□
(iv)SACCOS collect loan at any cost	□	□	□	□	□
(v)Credit committee withhold defaulters asset	□	□	□	□	□
(vi)Lending procedures are clear documented	□	□	□	□	□
(vii)Loan delinquency has been minimized to an acceptable level	□	□	□	□	□
(viii) Legal action is taken to loan defaulters	□	□	□	□	□

3. Determining how Membership Enrollment Influence Financial Sustainability of SACCOS

Description	Strongly agree	Agree	Not sure	Disagree	Strongly disagree
	1	2	3	4	5
(i) Dividend has been declaring for the last three years	□	□	□	□	□
(ii)Interest on savings results to capital growth	□	□	□	□	□
(iii) Interest on savings determines membership enrollment	□	□	□	□	□
(iv)Compulsory monthly savings is set at TZS 100,000 or more	□	□	□	□	□
(v)SACCOS can sustain without outsourcing	□	□	□	□	□
(vi)Membership enrollment is affected by high rate of savings	□	□	□	□	□
(vii)Awards from super savings determine membership enrollment	□	□	□	□	□
(viii)External borrowings is a factor for membership enrollment	□	□	□	□	□

4. Determining the Trend of Dividend Payment, Capital Growth and Award from Super Savings as Independent Variables

   i)   Dividend has been declared each year

        Yes   □   No   □

   ii) Capital growth of the SACCOS is high

Yes   □   No   □

iii)   SACCOS awards members from super saving

Yes   □   No   □

Appendix 2:   Correlation between Variables

Correlations					
		Sustainability of SACCOS	Dividend payment	Capital growth	Awards from saving
Sustainability of SACCOS	Pearson Correlation	1	.090	.163	.092
	Sig. (2-tailed)		.495	.213	.484
	N	60	60	60	60
Dividend payment	Pearson Correlation	.090	1	.251	.176
	Sig. (2-tailed)	.495		.053	.180
	N	60	60	60	60
Capital growth	Pearson Correlation	.163	.251	1	-.066
	Sig. (2-tailed)	.213	.053		.616
	N	60	60	60	60
Awards from saving	Pearson Correlation	.092	.176	.066	1
	Sig. (2-tailed)	.484	.180	.616	
	N	60	60	60	60

Appendix 3   Pearson Chi- Square Test on Capital Growth

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.643[a]	2	.013
Likelihood Ratio	7.224	2	.027
Linear-by-Linear Association	1.568	1	.210
N of Valid Cases	60		
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 1.30			

Appendix 4   Pearson Chi- Square Test on Dividend Payment

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.422[a]	2	.110
Likelihood Ratio	4.153	2	.125
Linear-by-Linear Association	.477	1	.490
N of Valid Cases	60		
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 1.90			

Appendix 5　Pearson Chi- Square Test on Saving Award

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.536[a]	2	.765
Likelihood Ratio	.533	2	.766
Linear-by-Linear Association	.500	1	.480
N of Valid Cases	60		
a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 2.40			