

**FACTORS AFFECTING FINANCIAL SUSTAINABILITY OF SAVINGS AND
CREDIT COOPERATIVE SOCIETIES IN TABORA REGION**

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REQUIREMENTS FOR THE DEGREE OF MASTER OF BUSINESS
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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the Open University of Tanzania a dissertation titled: ***“Factors Affecting Financial Sustainability of Savings and Credit Cooperative Societies in Tabora Region”*** in partial fulfillment of the requirements for the degree of Master of Business Administration (MBA) of the Open University of Tanzania.

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DECLARATION

I, **Denis Mujuni Barongo**, declare that, the work presented in this dissertation is original. It has never been presented to any other university or institution. Where other people's works have been used, references have been provided. It is in this regard that I declare this work as originally mine. It is hereby presented in partial fulfillment of the requirement for the Degree of Master of Business Administration (MBA).

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Signature

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Date

DEDICATION

This dissertation is dedicated to my beloved wife Hilda Loishiye Moikan and my beautiful daughter Ariel Asiimwe Denis Barongo who made this a success and as an inspiration to them.

Special dedication also goes to my beloved parents Professor Longin Barongo and Martina Barongo who continually provided me with their moral, spiritual and emotional support.

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ABSTRACT

Savings and Credit Co-operative Societies were established worldwide for the purpose of providing financial services to poor people. The main objective of this study was to analyse factors affecting the financial sustainability of Savings and Credit Co-operative Societies in Tabora Region, Tanzania. Specifically the study evaluated the influence of loan repayment policy on financial sustainability; assessed the influence of loan defaulters on financial sustainability; examined the influence of management on financial sustainability. The study adopted mixed-methods approach to collect data from a sample of 30 respondents. Household surveys, questionnaires and documentary reviews were the methods used to collect data. Data were analysed using descriptive statistics whereby frequency and percentage under the aid of Statistical Package for Social Science (SPSS) was used. The findings indicated that time taken to process loans, credit evaluating criteria, and credit committee on loan recovery, influenced financial sustainability of SACCOS. Furthermore, poor loan repayment, collateral and financial liquidity of the SACCOSs determined the influence of loan defaulters on financial sustainability. Finally, the findings showed that, dividend payment to members and insisting compulsory savings awards to super savings determined the influence of management on financial sustainability. This study concludes that, SACCOS manage credit risk by employing credit evaluating criteria in the assessment of borrowers' credit application regarding financial history, cash flow repayment ability, and collateral. It is recommended that, dividend payments to members should not be made by the SACCOS until the account balance is sufficient to cover all losses.

Keywords: Financial sustainability, SACCOS, Loan repayment, Loan defaulter, and

Loan management

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LIST OF ABBREVIATIONS

AMCOS	Agricultural and Marketing Co-operative Societies
FFIs	Formal Financial Institutions
MFIs	Microfinance Institutions
SACCOS	Savings and Credit Co-operative Societies
SPSS	Statistical Package for Social Sciences
USA	United States of America

CHAPTER ONE

INTRODUCTION

1.1 Overview

This chapter introduces the background to the study. It starts with background to the research problem and statement of the research problem. This chapter is followed by research objectives, which includes main research objective, and specific research objectives. This is followed by research questions, which includes main research question and specific research questions. This chapter also covers significance of the study.

1.2 Background to the Research Problem

Savings and Credit Co-operative Societies (SACCOS) and other types of Microfinance Institutions (MFIs) were established worldwide for the purpose of filling the gap left by Formal Financial Institutions (FFIs) including banks, which were not ready to provide financial services to poor people (Zikalala, 2016). These institutions posit that poor people are risk borrowers who do not own collaterals such as houses, land in surveyed areas with title deeds, and other fixed assets (Kadigi *et al.*, 2015). SACCOS have made it possible for the poor people to access credit with reasonable rates of interest and conditions that favour them (Zikalala, 2016). It is estimated that, around 760 million people are SACCOS' members worldwide. This makes a total of 29% of the population of Argentina, 33% of the population of Norway and 40% of the population of the United States of America (USA), and providing 100 million jobs (Ng'ondi, 2013).

In developed countries, particularly in Latin America there are numerous examples of successful SACCOS, for example in Bolivia poultry production SACCOS produces about 60% of the country's chickens and nearly 30% of fertilizer inputs requirement for the country (Mosley, 2016). In Africa, Father John Ncnulty from Ghana introduced SACCOS in 1959, with the objective of helping farmers to improve their economic conditions (Jesse, 2016).

In East Africa, particularly in Kenya, SACCOS contributes 45% of the country's GDP and the sector has effectively managed to mobilise Ksh 200 billion deposits and assets worth of Ksh 210 billion (Hezron & Muturi, 2015). SACCOS were introduced to alleviate intermediaries in order to make all profits gained go to members. Specifically they were designed by people who had a common interest or goal so as to mobilize resources for all members in order to ensure financial sustainability of SACCOS (Hezron & Muturi, 2015).

In Tanzania, the appearance of SACCOS started in 1965 and this was the initial stage of microfinance institutions emergence, which were mainly linked to agricultural cooperative societies (AMCOS) (Nyamsogoro, 2010). Contribution of SACCOS in the economy of poor people and the country as a whole cannot be over emphasised. For example, by December 2016, there were over 3,500 registered SACCOS in the country with approximately 420,000 members (Duursma, 2017). SACCOS have increased incomes, assets, food consumption, education expenditure, improved housing and declined expenditures in health to its members compared with non-members (Sharma *et al.*, 2015).

In Tabora Region, the main purpose of SACCOSS is to facilitate socio-economic benefits of members in terms of saving and borrowing (Amina, 2016). SACCOS members need to pay an entry fee and capitalize SACCOS fund to obtain at least one share to facilitate financial sustainability. Additionally, SACCOS members are needed to deposit their savings in the SACCOS where these funds are only lent to the members with regard to their regulations. In general, in forming the SACCOS, members must have a common bond for example a bond in occupation or social association (Amina, 2016).

1.3 Statement of the Research Problem

Despite the importance and contribution of SACCOS in rendering good services of providing access to financial services among the poor people, they are encountered with a myriad of challenges that are likely to affect their performances (Siddaraju, 2012). In Tanzania for example, Miriti (2014) found that when the source of capital among SACCOS members become loans from other commercial banks due to prolonged loan processes in their SACCOS, it leads to loss of revenue to the SACCOS in terms of interests and eventually affects the financial performance. Hence, the duration of loan repayments affects the financial sustainability of SACCOS (Mirit, 2014).

A study by WOCCU (2018) revealed that SACCOS were facing severe liquidity problems and majority of them were unable to meet demands of their clients for loans and withdrawal of savings. Tanzania is not an exception as SACCOS have been encountering problems of poor management, lack of working capital, embezzlement,

high loan delinquency rates and poor business practice (Mwakajumulo, 2011). For example in Tabora Region, the drop of financial performance in SACCOS is because of fund misuse and members withdrawals, which affects financial sustainability of the SACCOS (Karagu & Okibo, 2014).

Tanzanian government on the other hand boarded on financial sector reforms to create an effective and efficient financial system with the objectives of facilitating the accessibility of financial services to the low income earners for their social-economic well-being (Bikk & Joselito, 2003) and support poverty reduction policies by Banks as one of the key players designed in a number of credit packages for these SACCOS.

The evidence shows that there are 40 licensed banks operating in Tanzania, which facilitate SACCOS performance (Bank of Tanzania 2018). Such constructive efforts provide a good course for better access to financial services, which ultimately facilitate investments, asset acquisitions and economic activities at grass root levels that promote the poor out of poverty (Kilemile, 2017). Despite efforts done to ensure effective SACCOS performance, the problem still exists as seen from each of the above-mentioned previous authors, studies and some aspects of SACCOS within certain specific areas.

However, no previous authors analyzed factors affecting the financial sustainability of SACCOS in Tabora Region. The aim of this study therefore is to fill this knowledge gap by analyzing factors affecting the financial sustainability of SACCOS in Tabora Region.

1.4 Research Objectives

1.4.1 General Research Objective

The general objective of this research was to analyse factors affecting the financial sustainability of Savings and Credit Co-operative Societies in Tabora Region, Tanzania.

1.4.2 Specific Research Objectives

Specifically the study:

- (i) To evaluate the influence of loan repayment policy on financial sustainability of Savings and Credit Co-operative Societies in the study area.
- (ii) To assess the influence of loan defaulters on financial sustainability of Savings and Credit Co-operative Societies in the study area.
- (iii) To examine the influence of management on financial sustainability of Savings and Credit Co-operative Societies in the study area.

1.5 Specific Research Questions

In line with research objectives the study was guided by the following research questions:

- (i) How does loan repayment policy influence financial sustainability of Savings and Credit Co-operative Societies in the study area?
- (ii) How do loan defaulters influence the financial sustainability of Savings and Credit Co-operative Societies in the study area?
- (iii) How does management influenced the financial sustainability of Savings and Credit Co-operative Societies in the study area?

1.6 Significance of the Research

The findings of the study will help the policy makers, SACCO's managers, and Board members to grip all adverse impacts that influence SACCOS negatively. This will also help the SACCOS management to acquire basic methods of managing loan defaulters, manage loan repayment strategies and facilitate members' enrolment so as to make SACCOS sustainable. Savings deployment needs sufficient institutional capital management, which ensures permanency, loss absorption and damage test of members' savings. Hence, this will help SACCO's management to strive on maximizing earnings to build the institutional capital. This institutional capital will ensure the consistence and growth of the SACCOS even in unsustainable economic times.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

This chapter is based on reviewed literature concerning factors affecting the financial sustainability of Savings and Credits Co-operative Societies. The chapter starts with conceptual definitions, and then it is followed by theoretical literature review, literature review related to the research objectives, research gap and ends with conceptual framework.

2.2 Conceptual Definitions

2.2.1 Co-operatives

According to ICA (2005) co-operative societies are an autonomous association of people united voluntarily to meet their common economic and social needs using jointly owned and democratically controlled enterprises, which are organized and operated under the principles of co-operatives. These co-operatives are personified in the values of self-help, honesty, openness, self-responsibility, democracy, quality, equity, solidarity, mutual caring, efficiency, transparency and accountability.

2.2.2 Financial Sustainability

According to Laurence (2012) financial sustainability is a basis of a rigorous financial institution, which denotes the proficiency of a microfinance institution (MFI) to shield up all of its charges through interest and other income remunerated by its customers. This means the ability of MFIs to maintain, support, or endure its services that meet the desires of the present without compromising the ability of the coming generation to meet their needs from MFI.

2.3 Theoretical Literature Review

This study is guided by the Classical Theory of Economic Growth, which was propounded by Harris (2007). The Theory states that, the interest of the classical economists in economic growth derived also from a philosophical concern with the possibilities of ‘progress’ an essential condition of which was seen to be the development of the material basis of society. The purpose of this analysis was to identify the forces, which promoted or hindered the society development and progress.

It was also used to provide a basis policy that was to be used to put in action and influence those forces. In the dynamic real-world context of changing technology, the fact that competitions among firms under capitalist conditions tend to produce uniformity of profit rates across all markets remains problematic especially with the various forms of factor immobility and and barrier entries (Harris 1988).

The estimated rate of profits in a capitalist economy becomes a crucial problem in the theory of economic growth and in accounting for capital accumulation and development of the economy. This is due too high rates of profits estimated to accumulate in line with capital and economy development. Max (1973) soundly critised this feature of classical analysis. In its place, Max (1973) sought to introduce principle that was internal to the accumulation process that would account for the continued generation of labor supply to meet the needs of accumulation from within the capital accumulation process itself. This process was termed as reserve army of labor or the relative law of surplus population. This was a result generated from a process of “ recycling” of labor through its displacement from existing employment due changes in mechanical and structural production.

According to Gladys (2012), development plans are the gears, which an entity might present to recap the impact recommended by the model. Usually, the model recommends that the economy's degree of growth depends on the level of an entity's investments and the efficiency of capital accumulation. The model emphasizes that the degree of growth in an economy can be increased in one of two ways, which is, enlarging the rate of investments in the economy or minimizing the capital output ratio.

Once SACCOS devote, the capital becomes supplementary. Capital can be misplaced because of the decline in SACCO's devotion hence the need for a capital advance once the capital speculation surpasses devaluation. The speculation needs to persevere in keeping the investment increasing to attain the increase in wealth. An increase in the investment harvests leads to the rise or progress in SACCO's capital growth. This theory proves development as accrual capital.

The neo-classical growth theory emphasizes that evolution is resolute using Solow model. Solow model states that, the amount of growth is exogenous. This model assists to narrate how growth has appeared and the way it may occur again in the future (Gladys, 2012).

Therefore, adding the quality of productivity will increase the level of capital. In this case, there is no natural reason for an economy to have unbalanced economic development. The Slow Growth Model is a model, which correlates to capital investment in a pure production economy. In this way, there are no prices on the Solow growth model since it is firmly concerned in output that is physical revenue. So

this model is a model that captures the pure input savings, which is used in long run speculation Gladys (2012).

Solow theory is in favour of the usage of institutional capital as a means of funding SACCOS' actions to make sure they are sustainable financially. Progress of SACCOS capital depends on cash allocation strategy, investment arrangement and financial stewardship Gladys (2012).

2.4 Empirical Literature Review

A study by Mmari & Thinyane (2019) on analysis of factors influencing financial sustainability of Savings and Credit Co-operative Societies in Lesotho: evidence from Maseru District. The aim of this study therefore was to assess performance of SACCOS in Maseru District, Lesotho. The study adopted a cross-sectional research design where data were collected at one point in time. A sample size of 369 respondents was computed by the use of formula by Yamane (1967). Respondents in the sample were selected by using simple random sampling technique.

However, respondents from individual SACCOS were proportional to the total number of members in particular SACCOS. Analyses of data were done by using different techniques, which include: mathematical equations (i to vii); different financial ratios; tables; graphs; bar charts and other types of descriptive statistics like mode and percentages. The study observed that SACCOS play a major role of providing financial access to poor people who are excluded from the services of Formal Financial Institutions (FFIs). However, they also face number of challenges, which may affect their performance. Most of the previous studies in the area of

SACCOS did not concentrate on their performance. It was concluded that, socio economic characteristics of members were supportive to financial performance of the SACCOS. Furthermore, SACCOS in the study area achieved high performance in terms of ratios of members' capital; loan delinquency; volumes of savings in the SACCOS; and growth of total assets. On the other hand, the study recommended that, the SACCOS should realise poor financial performance in terms of ratio of fixed assets to total assets; and share capital owned by members in order to ensure financial sustainability of SACCOS (Mmari & Thinyane, 2019).

Kilemile (2017) established the factors affecting the financial sustainability of Savings and Credit Co-operative society in Shinyanga Municipality. The study was vindicated based on the fact that dividend policy, awards from investment growth hastens the financial sustainability of SACCOS. A descriptive method was used in the study. The study consisted a sample of 60 respondents. 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.

The study concluded 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% 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. It was recommended that interest rate should be reduced to attract members' enrollment who will contribute to the entry fee that will facilitate financial sustainability of SACCOS.

In the attempt to test the relationship between the group lending and financial sustainability, this report concluded that the identity of microfinance institutions as opposed to the theoretically posited relationship that group lending positively influence financial sustainability. Finally, this report recommended that SACCOSS should find evidence that a lower per capita income in the microfinance target group will hinder the financial sustainability of the selected microfinance institutions in this report.

Alfred (2011) observed that some of the most important factors which affecting financial sustainability of SACCOS includes: duration or time taken to process loans; amount of defaulters; size of membership; capital adequacy; credit evaluating criteria; and financial liquidity. Time spent in processing loans for members is one of the most important factors, which determine financial sustainability of SACCOS. If a SACCOS is able to process loans for its members timely and at appropriate rates, then it is considered to be performing well. Otherwise, if duration for processing loans is too long, members will be dissatisfied and sometimes withdraw their membership and consequently the SACCOS will underperform and collapse. It was concluded that rate of loan default is another factor which has direct influence on financial sustainability of SACCOS. It affects financial sustainability of SACCOS negatively because money, which might have been planned to be invested in certain projects in order to generate profits, disappears and consequently no interest is obtained. Therefore it was recommended that, loan interest should be checked because the higher the rate of loan repayment in SACCOS, the higher the chance of collecting revenue in the form of interest and the lower the rate of loan losses in any lending institution (Alfred, 2011).

On the other hand Huseyin (2011) noted that failure to manage loan repayment results in losses and high delinquency management costs. Poor loan repayments have a harmful negative impact on financial sustainability of SACCOS, earnings, as well as in fulfilling its objectives and can cause the institution to collapse. The higher the expenses of monitoring loan portfolios and costs of handling legal issues associated with serious loans delinquent, the less the rate of financial sustainability which will be achieved by the SACCOS. Such costs adversely affect income generated by the lending institutions. Size of membership in SACCOS is another factor that has an influence on financial sustainability of SACCOS.

This concludes that SACCOS with large number of members has more chances of accumulating large amount of capital and consequently issue more loans compared with the one with small number of members. It was recommended that, large number of membership in SACCOS guarantees flow of revenue and consequently enhances its financial sustainability.

Similarly, Makena (2014) found that capital is a factor, which has a direct influence on financial sustainability of SACCOS. Capital adequacy is a statutory minimum reserve for capital which a financial institution including SACCOS must maintain and it has a direct influence on financial sustainability of the institution. Previous other studies (Kioko, 2016; Murungi, 2014) found that capital adequacy had a significant influence on financial sustainability of SACCOS. Loan evaluation criteria have a direct influence on financial sustainability of SACCOS (Collins & Wanjau, 2011).

Issuing loans to borrowers who are already overloaded with debts or possess unfavourable loan history can expose SACCOS to unnecessary default and loan risk.

In order to decrease these risks, SACCOS and other lending institutions need to take into consideration several common applicants' particulars such as debt to income ratios business and loan history and performance record and for individual loans applicants their time on the job or length of working in their organisations (Mullei, 2013).

A study by Muheebwa (2018) found that liquidity is a factor affecting financial sustainability of SACCOS where it is used to measure the extent to which the organisation has cash to meet immediate and short term obligations. Liquidity enables an organisation including SACCOS to ensure that it has a reliable supply of cash at hand but also to determine financial health of future investments. According to Majid (2013), liquidity is an essential component of the overall risk management framework. He further posits that organisations, which have more liquid assets, have more chances of financial performing better as they are able to realise cash at any point in time and meet their obligations and are also less exposed to liquidity risks.

Wanjala (2015) assessed the effect of management practices on the financial growth of Matatu SACCOS. This study applied a descriptive research design and used 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 findings show that, management practices of Matatu SACCOs were not proficiently done as the majority of Matatu SACCOS owners had means below the required average. Moreover, SACCO's financial growth was positively related to management practices. This means that, management practices make a significant contribution to the financial growth of Matatu SACCOS.

Marwa (2015) investigated efficiency and financial sustainability of Tanzania SACCOS. The study used secondary data from annual audited financial statements. The study consisted 139 SACCOS from Dar es Salaam, Mwanza, Kilimanjaro and Arusha where data were collected. The study found that only 103 SACCOS had completed in data analysis. Moreover, it was found that, the average total loan portfolio owing during the year 2011 was TZS 869 million. The average total deposit and total expenditures were TZS 555 million and TZS 612 correspondingly. The proportion of the deposit in average to average loans was 64%, meaning that on average about 36% of the total owing loan balance was financed by external funding sources.

The findings also showed that, on average SACCOS' total outflow was around 7% of their loan portfolio. Also it was established that a competence score that is technological efficiency, clean technical efficiency, equilibrium efficiency and returns to scale sorting for the determination of approximating each firm. The supreme state was to have all three competence 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.

Patrick *et al.* (2014) assessed corporate governance practices and financial sustainability SACCOS. This study used explanatory research design where a population of 3424 SACCOS as a total number of SACCOS in Tanzania (2012). The study sampled 220 SACCOS in Kilimanjaro Region where stratified sampling was applied to acquire samples where both primary and secondary data were collected. Questionnaire and interview were used to collect primary data where documentary

review was used to collect secondary data. Data were analysed using descriptive statistics and correlation analysis to establish relationship between corporate governance and financial sustainability of co-operative societies. The findings of the study revealed that, 46% of board members had primary level of education, 30% had secondary education, 14% college education and only 10% had a university education.

This means that, majority of SACCOS is engaged by people with low level of business education. In the other category, it was observed that, board size of SACCOS consists of 29% with 5 board members, 22% with 6 board members, 20% had 7 members and 29% had 9 board members. It was recommended that a board need to have an odd number of members to avoid vote tie up which causes a delay in decision making that affect financial sustainability.

Magali (2013) assessed the financial sustainability of SACCOS applied a structured questionnaire and obtain information from financial reports regarding documentary review as data collection method. The findings revealed that, the only cost per borrower, savings and deposit to total assets significantly influence the financial sustainability, measured by average loan size. Further, the study revealed that the cost per borrower affect outreach positively, meaning 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. This means that SACCOS in Tanzania is very difficult to sustain financially because they incur higher cost of operation.

Olando *et al.* (2013) investigated the contribution of SACCOS financial sustainability to Growth of SACCOS in Kenya. The study adopted descriptive design in data

collection to define the growth of SACCO's capital where questionnaire and documentary review were used as tools to collect relevant data to the study. The study applied both qualitative and quantitative techniques where both descriptive and inferential statistics were used to analyze data. The results revealed that, the growth of SACCO's investment depends on credit supervision, institutional strength and innovations to manage a SACCO's product for financial sustainability. It was further found that SACCOS inadequately complied with their bylaws; income from investments did not adequately lower their costs.

Mwendwa (2016) analysed the factors affecting the financial sustainability of Selected Matatu SACCOS Operation in Kitua County, Kenya. This study applied descriptive design and survey during data collection. The results revealed that, government policies are necessary in providing the best environment for SACCO's financial sustainability. The study recommended that, the financial functions of monitoring are part and parcel of SACCOS management committee. SACCOS management committee should not only be treated as reporting requirement that assists managers in order to perform their roles, but it should also 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 philosophy of unceasing intensive care and assessment of strategies required to be adopted in order for activities to stream efficiently.

Kiaritha (2015) observed that rivalry from commercial banks disturbs financial sustainability of SACCOS because loans from commercial banks are more satisfactory than loans from their SACCOS. Additionally, it appears that land

acquisition using a bank loan was healthier than by a SACCO loan, interest rate on loans of banks are better than those of the SACCO. The findings also indicated that, the SACCOS have an annual savings target for members, if members gathered their savings for the routine of their SACCOS would expand and SACCOS would achieve better because members will have an access to borrow. Results further showed 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.

The study by Nkuru (2015) applied a descriptive survey to confirm a minimum bias in the gathering of data and agree the situation of huge sums of data from a large population in an reasonable approach. The study findings showed that, there is an adverse impact on the financial sustainability of the SACCOS since low levels of income translates to low amount of money donated monthly to the SACCOS. Therefore, the SACCOS might not be in a place to meet sufficiently its requirement of providing loans to members. Additionally, committee payment, annual general meeting and training was a major cost to the SACCOS. Moreover, it was found that, most SACCOS distribution mechanisms, whether community based or industry oriented, claim clients to figure clusters in order to obtain a loan. The cluster destined to assure the individual borrower and to make a follow-up that the individual makes refunds on time because the cluster is a stakeholder and would not receive further loans if the individual defaults.

Kasungwa & Maronge (2016) relied largely on primary data using questionnaire as a research tool of data collection. The study observed that, members met yearly to confer the financial sustainability of agricultural co-operatives and the sustainability

of agricultural co-operatives and the elder level administration hardly meet distressing choice making with regard to the financial sustainability of agricultural co-operatives. More importantly the study revealed that leadership, planning and organizing rises the number of the accomplished SACCOS' plans that influence financial sustainability.

Also rises the number of people served by SACCO's actions that led to financial sustainability SACCOS and therefore members take loans with interests. Besides, it has been noted that collateral of loan exaggerated financial sustainability of agricultural co-operatives due to poor circumstances and distress financial sustainability of SACCOS.

Mborwe (2015) in his study used a descriptive study design. Descriptive study design sorts the objective of the study to be clear and the information can eagerly be obtainable on SACCOS' financial sustainability. This study applied both qualitative and quantitative research design that made the results more accurate. The findings showed that, SACCOS should unceasingly analysis of credit policies by dropping the interest rate for financial sustainability. This would guarantee that loan applicants will be able to use their loan in an actual and effective way. This could also lead to the development of the SACCOS due to loan suitability that signified a significant correlation relationship with a financial sustainability of SACCOS.

The study by Absanto & Aikaurwa (2013) on financial sustainability of SACCOS applied the case study research design whereby Victoria SACCOS was used as a case study. This was done to ensure thorough and broad study of credit restricting and loan repayment performance variables in a SACCOS. The study revealed that, the amount

of loan applied and paid to members, which discloses that the volume of loan released was fewer than loan requests received, suggesting that SACCOS applies some principles to ration loans applied by members. What is observed was credit restricting where all applicants could not be suitable for the loan and even those who were suitable 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 paid to members.

This implies that 13% of credit requests were rationed out. For the year 2007/2008 out of TZS 99 million that were applied only TZS 89 million equivalents to 90% of total applied loans were paid. During the fiscal year 2008/2009, 2009/2010 and 2010/2011, 99%, 88% and 87% of total applied loans were correspondingly paid to members. Victoria SACCOS mostly applied a type of credit rationing whereby qualified loan applicants got less amount of loan than the loan amount wanted.

Muguchia (2012) conducted a study by applying descriptive research design in data collection in order to answer questions with regard to the factors affecting financial sustainability of SACCOS. Findings indicated that, the high interest rates have an adverse result of growing the cost of borrowing and subsequently holding back the degree of collective speculation and feasting and the general financial development in the country. Stimulating loan to members is essential for availing means of personal speculation, particularly assumed that the country is covering behind from financial sustainability.

2.5 Research Gap

A study by Mmari & Thinyane of Savings and Credit Co-operative (2019) analysed of factors influencing financial sustainability Societies in Lesotho. Kilemile (2017) established the factors affecting the financial sustainability of Savings and Credit Co-operative society in Shinyanga Municipality while Adongo & Stork (2015) based on the factors influencing the financial sustainability of selected microfinance institutions in Namibia. This means that there is need for more studies to broaden the scope of knowledge regarding financial sustainability of SACCOS in Tabora Region, which is ignored by most authors. Therefore, the current study aims at fulfilling this gap by analysing factors affecting the financial sustainability of SACCOS in Tabora Region, Tanzania.

2.6 Conceptual Framework

Conceptual framework, according to Smyth (2004) is a structured from a set of broad ideas and theories that help to properly identify the problem they are looking at, frame their questions and find suitable literature. To meet the information needs of the general and specific objectives and identifying the variables for data collection, the conceptual framework for choosing variables and respondents in analyzing factors affecting financial sustainability of SACCOS.

In this study there are two variables namely independent and dependents variables, which are interrelated. Independent variables including duration taken to process loan, credit evaluating criteria, loan repayment through bank, interest rate of SACCOS, poor loan repayment, duration of membership, collateral used to determine loan provision, financial liquidity of the SACCOS, dividend payment to members, insisting

compulsory savings, motivating high rate of savings and awards from super savings which individually or collectively affecting financial sustainability of the SACCOS.

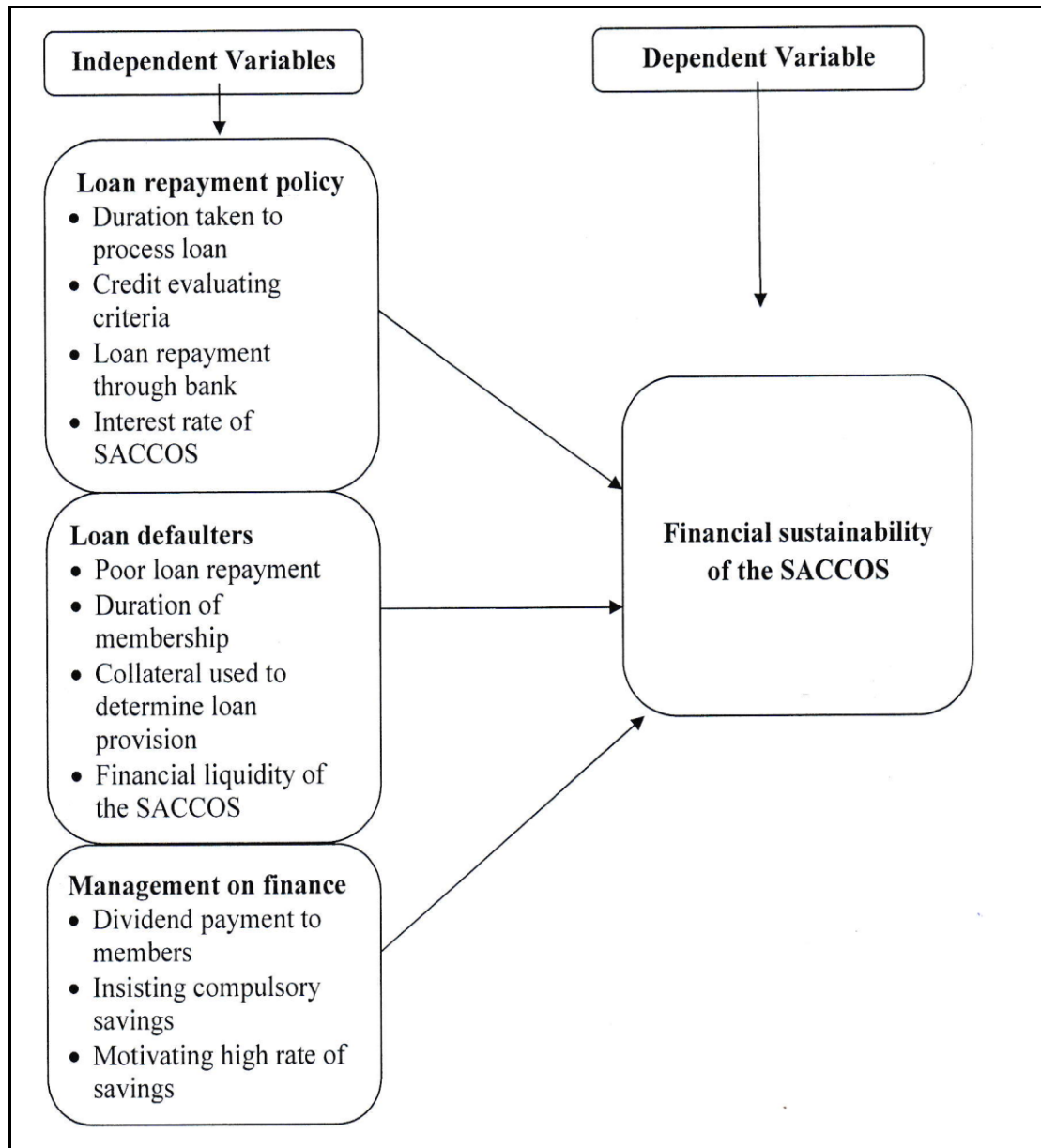


Figure 2.1: Conceptual Framework

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview

This chapter is based on how the research was done. The chapter includes research philosophy/paradigm/approach, survey population/area of the research, sampling design and procedures, variables and measurement procedures, methods of data collection, data processing and analysis as well as ethical issues.

3.2 Research Philosophy

Research philosophy explains the conceptual framework within which research is undertaken. This is because any serious research study must have a carefully thought out research plan before the collection of data in order to save precious time and effort (Denzin & Lincoln, 1994). This study employed qualitative research method considering the nature and aims of the research. A qualitative approach allows the researcher to know people's perceptions, behaviours, explanations of events, and construction of reality, which is useful in understanding situations and conditions of others.

3.3 Research Approach

This study adopted mixed-methods approach that allowed researcher to develop a more comprehensive understanding of the complexity of human behaviors and experiences (Brewer & Hunter, 1989). Incorporation of qualitative method in the present study added a cultural dimension to the factors affecting the financial sustainability of SACCOS. This approach helped the researcher to evaluate many different variables at the same time. The researcher used this approach because it was

suitable for the population involved in the study, where both qualitative and quantitative research techniques were used. This allowed the researcher to employ different methods of data collection such as household survey, interview and documentary review which provided an opportunity for the intensive analysis of many specific details related to the factors affecting the financial sustainability of SACCOS.

3.4 Survey Population/Area of the Research

The survey population of the study was staff of selected SACCOS in Tabora Region with 92 SACCO's staff members. Tabora Region is one of Tanzania's 31 administrative regions. The regional capital is the municipality of Tabora. According to the 2012 national census, the region has a population of 2,291,623, which was lower than the pre-census projection of 2,539,715. This area was selected because there were existing SACCOS which were noted with high failure rates because they were poorly operated and they were not financially sustainable which made them fail to achieve their principal objectives of encouraging savings among its members (Mmari & Thinyane, 2019). Target population is the actual population to which a researcher would like to generalize findings (Fraenkel & Wallen, 2000). In particular, the target population of the present study was SACCOS staff. The reason for this group to be selected for the study is their roles and involvement in financial sustainability of the SACCOS.

3.5 Sampling Design and Procedures

This study used a sample size of 30 respondents who are staff members from selected SACCOS in Tabora region. This number was chosen because it helped the

researcher's attempts to build a relationship with respondents and capture their attention easily, whereby all respondents were accessed and answered neutral questions, which led to more detailed information concerning the study. This made it easy to establish causality between SACCOS and factors affecting financial sustainability.

The sample size was calculated from the sample frame using Slovenes formula that involved setting the confidence level, which determined the margin of error. In this case 85% confidence level was adopted which was widely used in descriptive studies and it provided a 15% of margin of error. Second step was plugging the data into the formula;

$$n = \frac{N}{1 + N(e)^2}$$

Where; n was expected sample size

N was estimated sample frame

e is margin of error.

Therefore;

$$N = \frac{92}{1 + 92(0.15)^2}$$

Total sample size = 30

The purposive sampling also known as judgmental sampling was used which required the researcher to select units to be sampled based on their knowledge and professional judgment on financial sustainability. Purposive sample selection approach was a selection procedure of sample with a precise purpose in mind. Purposive sampling

was deployed because it was helpful in the selection of respondents that were interviewed and those that participated in the face-to-face survey. This helped bringing more accurate results to meet the study objectives where the specialty of an authority provided accurate information based on their understanding related to the factors affecting financial sustainability of SACCOS in the study area.

3.6 Variables and Measurement Procedures

Both qualitative and quantitative data were collected. This included data like dividend payment, poor loan repayment, issuing loans to borrowers who were already overloaded with debts, awards from saving, interest rates, donor involvement in providing funds, lower per capita income, duration or time taken to process loans, amount of defaulters, size of membership, capital adequacy, credit evaluating criteria and financial liquidity. Data were measured to ensure validity of the data where the researcher compared the research tools with the set objectives and ensured that they contained all the information that could answer the set questions and addressed the objectives. Additionally, the supervisor was consulted to examine the relevance of the questionnaires against the set objectives of the study.

3.7 Methods of Data Collection

This study employed household survey using semi-structured questionnaire as methods of data collection;

3.7.1 Survey Questionnaire

This study used household survey method to collect data and employed questionnaire as a tool, which was used to administer data. The researcher used both open-ended

questions together with closed-ended questions to collect primary data. Survey questionnaires were used because it was easy to leave the questionnaires to all number of respondents and get responses later in time. Also, they were easy to administer data and enabled the researcher to collect quantitative and qualitative information regarding the factors affecting financial sustainability of SACCOS objective wise (Appendix 1).

3.7.2 Documentary Review

Documentary review using documentary review guide was used to gather secondary information. This was reviewed to provide meaningful information relevant to the study.

3.8 Data Processing and Analysis

The study used both quantitative and qualitative data analysis techniques. Quantitative data were analysed through Statistical Package for Social Science (SPSS) software where data were presented in the form of frequencies, percentages, and tables using descriptive analysis for purpose of drawing conclusion basing on specific objectives.

Objective number one, to determine the influence of loan repayment policy on financial sustainability of SACCOS in the study area was analysed using Likert-type scale where data were presented in terms of frequencies and percentages and presented in tables. Objective two, to assess the influence of loan defaulters on financial sustainability of SACCOS in the study area Likert-type scale was used where data were presented in terms of table. Objective three, to examine the influence of management on financial sustainability of SACCOS in the study area, Likert-type

scale was also used where data were calculated in terms of frequencies and percentages and presented in table.

3.9 Ethical Issues

Informed consent was the major ethical issue in conducting research. This means that a person knowingly, voluntarily and intelligently, and in a clear and manifest way, gives his/her consent based on self-determination. The different opinions about their participation in research could be attributed to their inability to give an informed consent and also to their need for further protection and sensitivity from the researcher as they were in a greater risk of being deceived, threatened or forced to participate.

Also the issue of confidentiality was closely connected with the rights of generosity, respect for the dignity and fidelity. This privacy was protected when the subject's identity could not be linked with personal responses. If the researcher was not able to promise anonymity he had to address confidentiality, which was the management of private information by the researcher in order to protect the subject's identity.

CHAPTER FOUR

FINDING DISCUSSION

4.1 Overview

In this chapter discussion on findings and interpretation are provided basing on the research objectives in analyzing factors affecting the financial sustainability of Savings and Credit Co-operative Societies in Tabora Region, Tanzania. This starts with socio-economic characteristics of the respondents and the influence of loan repayment policy on financial sustainability of Savings and Credit Co-operative Societies in the study area. This followed by the influence of loan defaulters on financial sustainability of Savings and Credit Co-operative Societies in the study area. The chapter ends with the influence of management on financial sustainability of Savings and Credit Co-operative Societies in the study area.

4.2 Socio-economic Characteristics of the Respondents

In this study it was necessary to know the socio-economic characteristics of the respondents because this information provides critical factors affecting the financial sustainability of SACCOS. It was necessary to know the background of the respondents in terms of age, education level, marital status, household size and working duration of the respondents in co-operatives as presented in the table 4.1.

4.2.1 Age of the Respondents

The findings in Table 4.1 reveal that, the larger number of respondents 50.0% was aged between 35 and 44 years old, this means that SACCOS employees are youth who are able to apply basic financial principles within the SACCOSS to ensure

financial sustainability compared to elders who rarely report to participate in SACCOS.

Table 4.1: Socio-economic Characteristics of Respondents

Socio-economic characteristics	Frequency	Percent
Age		
20-34 years old	4	13.3
35-44 years old	15	50.0
45-54 years old	7	23.4
56 years old and above	4	13.3
Total	30	100.0
Educational Level		
Secondary Education	2	6.7
Certificate education	5	16.7
Diploma education	20	66.6
Degree Education	3	10.0
Total	30	100.0
Marital Status		
Single	6	20.0
Married	19	63.3
Separated/divorced	2	6.7
Widowed	3	10.0
Total	30	100.0
Household Size		
1 people	3	10.0
2-4 peoples	20	66.7
5-7 peoples	7	23.3
Total	30	100.0
Working Duration		
Less than 1 year	2	6.7
1-3 years 1-3	18	60.0
4-6 years	6	20.0
7 years and above	4	13.3
Total	30	100.0

The findings indicated that, 23.4% of the respondents were between 45 and 54 years of age, indicating that adult people are also employed in SACCOS because they are able to utilise those accounting principles to ensure financial sustainability of the SACCOS. Another category was that between 20 and 34 years old plus that of 56

years old and above which is 13.3% of the respondents respectively, implying that SACCOS provides employment opportunities to people of different ages to ensure financial sustainability. The findings indicate that a half (50.0%) of respondents were youth who are matured enough to adhere with accounting principles to facilitate financial sustainability of the SACCOS.

This is supported by study from Kwakwa (2016); who mentioned some important factors that affect financial sustainability which include; age and willingness to follow accounting principles with diversion of funds by borrowers, and proper appraisal by credit officers. In addition, Kwakwa, (2016) found that, financial sustainability affected due to increase of loan default, and that the exchange rate depreciation and age directly affects the financial sustainability of the SACCOS. It also identified the major causes of loan defaults that affect financial sustainability as loan shortages, delay in time of loan delivery, age of employees, poor supervision, non-profitability of members' enterprises and undue government intervention with the operations of government sponsored credit programmes.

4.2.2 Education Level of the Respondents

The study findings in Table 4.1 reveal that, 6.7% of the respondents had secondary education, 16.7% had certificate education, and 66.6% had diploma education while 10.0% had degree education. The findings indicate that to some extent the level of education can help SACCOS to ensure financial sustainability. This implies that many employees in SACCOS attained diploma education which may be partly explained by the fact that more than a half of employees (66.6%) dropped out of college with diploma level of education to seek employment in SACCOS. This means that

education is one of the strongest factors affecting financial sustainability of the SACCOS.

The findings are supported by Magali (2013) who investigated the influence of rural savings and credit co-operative societies' variables on the financial sustainability of Tanzania rural SACCOS. From his investigation, the results indicated that, on total assets, the more the loans issued, the more the risk and therefore positively influenced financial sustainability. While failing to apply their high levels of education in managing financial sustainability and failure of loan repayment, employees' level of education affected financial sustainability. The findings conform with World Bank Report (2016) indicating that, education can put SACCOS in a stronger position to ensure financial sustainability.

4.2.3 Marital Status of the Respondents

The study established that, 20.0% of the respondents were single, 63.3% were married and 6.7% were separated/divorced while 10.0% were widowed. This implied that larger percent of the employees in SACCOS are married. The study revealed that 20.0% of the respondents were single, which implies that even single employees are involved in SACCOS. The study findings indicate that 10.0% of the SACCOS employees in SACCOS are widow therefore are able to ensure financial sustainability in the SACCOS, the study also indicates that 6.7% of the respondents were divorced.

This indicates that employees in SACCOS are of the different marital status and they are able to practice best accounting principles to ensure financial sustainability of the SACCOS. This is supported by Jalil *et al.* (2014) who observed that, marital status is

critical factor to be considered when it comes to determine the factors affecting financial sustainability.

4.2.4 Household Size of the Respondents

This study established that, 10.0% of the respondents had 1 people in their households and 66.7% had between 2 and 4 people while 23.3% had between 5 and 7 people. The average household size in Tanzania has remained almost between 2002 and 2012 censuses. Average household size was 4.9 persons per household in 2002 and 4.8 in 2012, which means study area household size is almost equal comparing to the national household size. This implied that SACCOS employees have many children who depend on their income generated from SACCOS to enable them in acquiring basic needs. Which means they have to apply the best accounting principles so as to ensure financial sustainability of the SACCOS that in return can also sustain their family needs.

4.2.5 Working Duration of the Respondents

Respondents' working duration in SACCOS is of vital importance for financial sustainability. The findings show that, 6.7% of the respondents had less than 1 year in the SACCOS, 60.0% had between 1 and 3 years and 20.0% of the respondents had between 4 and 6 years while 13.3% had 7 years of experience and above in the SACCOS. This implies that more than half (60.0%) of respondents have been working for periods ranging from one (1) to three (3) years. A much lesser working duration (20.0%) have been in their respective SACCOS between four (4) and six (6) years, and those who had joined the SACCOS recently comprise of 6.7%. This scenario is important for it provides the experience base as employees in their respective SACCO

for financial sustainability. The larger the group and the more the employees' experience in terms of years, the stronger and the more financial sustainability of the SACCOS. These findings are as provided in Table 4.1.

This study findings indicated that higher number of respondents in the study area had enough experience with SACCOS, therefore they are in good position to comment and share their experience and views on how SACCOS can ensure its financial sustainability. This is supported by Amin *et al.* (2014) reported that, the respondents who have many years of experience in SACCOS tend to ensure financial sustainability due to the fact that they have learned about the existence and function of the SACCOS financial strategies as it gives funds for social obligations.

4.3 The Influence of Loan Repayment Policy on Financial Sustainability of SACCOS

The findings on the influence of loan repayment policy on financial sustainability show that, 26.7% of the respondents strongly agreed, 56.7% agreed and 10.0% remained neutral while 6.6% disagreed on duration or time taken to process loans; 6.7% strongly agreed, 73.3% agreed and 13.3% remained neutral while 6.7% disagreed on credit evaluating criteria; 60.0% agreed, 16.7% remained neutral and 20.0% disagreed while 3.3% strongly agreed on awards from savings; 13.3% strongly agreed, 66.7% agreed and 10.0% disagreed and strongly disagreed respectively on loan repayment through bank; 10.0% strongly agreed, 63.3% agreed and 20.0% remained neutral while 6.7% disagreed on interest rate of SACCOS; 3.3% strongly agreed, 70.0% agreed and 10.0% remained neutral while 16.7% disagreed on credit committee makes loan recovery follow-up.

Table 4.2: The Influence of Loan Repayment Policy on Financial Sustainability

The influence of loan repayment	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Duration or time taken to process loan	26.7%	56.7%	10.0%	6.6%	0.0%
Credit evaluating criteria	6.7%	73.3%	13.3%	6.7%	0.0%
Awards from savings	0.0%	60.0%	16.7%	20.0%	3.3 %
Loan repayment through bank	13.3%	66.7%	10.0%	10.0%	0.0%
Interest rate of SACCOS	10.0%	63.3%	20.0%	6.7%	0.0%
Credit committee makes loan recovery follow up	3.3%	70.0%	10.0%	16.7%	0.0%

The statement that credit evaluating criteria influences loan repayment on financial sustainability was strongly agreed by 6.7% of the respondents, agreed by 73.3%, 13.3% remained neutral while 6.7% disagreed. This indicates that, SACCOS manage credit risk by employing credit evaluating criteria in the assessment of borrowers' credit application regarding financial history, cash flow repayment ability, and collateral. This is used to evaluate the creditworthiness of borrowers before providing loan that influences financial sustainability of the SACCOS.

The current findings are supported by Mwendwa (2016) who found that, culture of constant follow-up procedures is essential to be implemented so as to make plans accomplished efficiently, implying that the financial functions of credit evaluation and 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.

Credit evaluation criteria have a direct influence on financial sustainability of SACCOS (Collins & Wanjan, 2011). Issuing loans to borrowers who are already overloaded with debts or possess unfavorable loan history can expose SACCOS to

unnecessary default and loan risk. In order to decrease these risks, SACCOS and other lending institutions need to take into consideration several common applicants' particulars such as debt to income ratios, business and loan history, performance record and for individual loans applicants their time on the job or length of working in their organizations (Mullei, 2013).

The study revealed that, 3.3% strongly agreed, 70.0% agreed and 10.0% remained neutral while 16.7% disagreed on the statement that credit committee makes loan recovery follow up, implying that credit committee has the general responsibility for approving or disapproving all request from loans applicant. This committee is responsible to make follow up of loan recovery among borrowers so as to make loan repayment in time to ensure financial sustainability of the SACCOS.

This is supported by Nkuru (2015) who found that most participants agreed on credit committee makes loan recovery follow up, implying that credit officers can support the loan to be paid to members to ensure SACCOS financial sustainability. Credit committee, annual general meeting and training were major factors affecting financial sustainability of the SACCOS. Karagu & Okibo (2014) suggested that, credit committee should put in place loan recovery strategies and introduce collateral securities as a means to eliminate or minimize loan default.

Moreover, the findings showed that, 13.3% of the respondents strongly agreed, 66.7% agreed and 10.0% disagreed and strongly disagreed respectively on loan repayment through bank, implying that the borrowers paying back money to a lender through bank that influences loan repayment on financial sustainability of the SACCOSS.

This study revealed that, 10.0% of the respondents strongly agreed, 63.3% agreed and 20.0% remained neutral while 6.7% disagreed on interest rate of SACCOS, implying that, amount of money due per period, as a proportion of the amount borrowed. The total interest on an amount lent or borrowed depends on the principal sum and the length of time over which it is borrowed in their respective SACCOS. Mborwe (2015) noted that, SACCOS need to consistently review credit regulations and policies by minimizing the interest rates to reduce the loan repayment period to its members that will facilitate the growth due to effective utilization of loans among members that leads to SACCOS' financial sustainability. On the other hand, Muguchia (2012) observed that, high interest rates have adverse impact of maximizing the cost of borrowing that hold back investment and financial sustainability of SACCOS as whole.

The statement that duration or time taken to process loan influences loan repayment on financial sustainability was strongly agreed by 26.7% of the respondents, agreed by 56.7% and 10.0% remained neutral while 6.6% disagreed. This implies that SACCOS set a maximum repayment period of time to members to repay their loans. Standard repayment periods are the best option for financial sustainability of the SACCOS.

Time spent in processing loans for members is one of the most important factors, which determine performance of SACCOS. If a SACCOS is able to process loans for its members timely and at appropriate rates, then it is considered to be performing well (Microfinance House, 2006). Otherwise, if duration for processing loans is too long, members will be dissatisfied and sometimes withdraw their membership and consequently the SACCOS will underperform financially and collapse.

4.4 The Influence of Loan Defaulters on Financial Sustainability of SACCOS

Concerning the influence of loan defaulters on financial sustainability of SACCOS the findings in Table 4.3 indicate that, poor loan repayment was strongly agreed by 26.7% of the respondents, agreed by 56.7%, and 13.3% remained neutral while 3.3% disagreed; amount of defaulters was strongly agreed by 6.7%, agreed by 43.3%, 23.3% remained neutral and disagreed by 16.7% while disagreed by 10.0% of the respondents; duration of membership was strongly agreed by 6.7% of respondents, agreed by 46.7%, 16.6% remained neutral and disagreed by 20.0% while strongly disagreed by 10.0% of the respondents; collateral used to determine loan provision was agreed by 56.7%, 13.3% remained neutral, and disagreed by 3.3% while strongly disagreed by 26.7% of the respondents; financial liquidity of the SACCOSs was strongly agreed by 6.7% of the respondents, agreed by 60.0%, 13.3% remained neutral and disagreed respectively while strongly disagreed by 6.7% of the respondents.

Table 4.3: The Influence of Loan Defaulters on Financial Sustainability

The influence of loan defaulters	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Poor loan repayment	26.7%	56.7%	13.3%	3.3%	0.0%
Amount of defaulters	6.7%	43.3%	23.3%	16.7%	10.0%
Duration of membership	6.7%	46.7%	16.6%	20.0%	10.0 %
Collateral used to determine loan provision	0.0%	56.7%	13.3%	3.3%	26.7%
Financial liquidity of the SACCOSs	6.7%	60.0%	13.3%	13.3%	6.7%

The findings revealed that, poor loan repayment was strongly agreed by 26.7% of the respondents, agreed by 56.7%, and 13.3% remained neutral while 3.3% disagreed, implying that, poor loan repayment is due to terms and conditions contain circumstances in which SACCOS grant loan to members, meaning that only the

evaluated and qualified members needed to acquire loan equal or lower compared the amount asked by the borrowers. This implied that poor loan repayment affects financial sustainability of the SACCOS, which makes a 83.4% of all respondents.

This finding is supported by the findings of East African Community Consolidation Report (2009) observed that, loan settlement is the main set back in SACCOS among all the East African countries. Among the main concerns concerning poor loan settlement routine are: lack of adequate training to borrowers, unconventionality of the loan from envisioned usage and deprived loan screening by creditors. It is a responsibility of SACCOS management particularly credit committee to offer training to loan receivers before providing the loan.

According to (Alfred, 2011), poor loan repayment is another factor, which has direct influence on financial sustainability of SACCOS. It affects financial sustainability of SACCOS negatively because money, which might have been planned to be invested in certain projects in order to generate profits, disappears and consequently no interest is obtained. The higher the rate of loan repayment in SACCOS, the higher the chance of collecting revenue in the form of interest and the lower the rate of loan losses in any lending institution (Alfred, 2011). On the other hand, poor loan repayments have a harmful negative impact on SACCOS, earnings, as well as in fulfilling its objectives and can cause the institution to collapse.

Huseyin (2011) noted that failure to manage loan repayment results in losses and high delinquency management costs. The higher the expenses of monitoring loan portfolios and costs of handling legal issues associated with serious loans delinquent, the less the

rate of performance which will be achieved by the SACCOS. Such costs adversely affect income generated by the lending institutions and its financial sustainability.

The statement that collateral used to determine loan provision influences financial sustainability was agreed by 56.7%, 13.3% remained neutral, and disagreed by 3.3% while strongly disagreed by 26.7% of the respondents. Implying that SACCOS consider collateral before providing loan to the members, such collateral will be in the SACCOS control and intend to have been appropriately recognized and recorded thus giving the SACCOS the capacity to officially yield ownership of the security for financial sustainability. This is supported by Kasungwa & Moronge (2016) on the drivers of financial sustainability of SACCOS in Kenya observed that, loan security affected financial sustainability of SACCOS due to severe situations including fraud in providing out loan affects financial sustainability.

Concerning the statement that duration of membership influences financial sustainability of the SACCOS the study revealed that, it was strongly agreed by 6.7% of respondents, agreed by 46.7%, 16.6% remained neutral and disagreed by 20.0% while strongly disagreed by 10.0% of the respondents. This indicates that staff have been linked with the SACCOS financial sustainability, this study investigates the experience of participants in the SACCOS in relation to financial sustainability. The experience commenced by the participants in a SACCOS assumed that an extensive affiliation of members in SACCOS is key factor that determines members' loan refund that also affects financial sustainability of the SACCOS.

The findings indicate that amount of defaulters was strongly agreed by 6.7%, agreed by 43.3%, 23.3% remained neutral and disagreed by 16.7% while disagreed by 10.0%

of the respondents. This implies that some borrowers fail to meet the legal obligations of loan. This occurs when a borrower fails to pay back a debt according to the initial arrangement. This means successive payments have been missed over the course of weeks or months that affects overall financial sustainability of the SACCOS. The current study concurs with Karagu & Okibo (2014) who stated that, SACCOS need to inject loan recovery strategies and put in place collateral securities as a way forward to eliminate or reduce loan default among members.

The statement that financial liquidity influences financial sustainability of SACCOSs was strongly agreed by 6.7% of the respondents, agreed by 60.0%, 13.3% remained neutral and disagreed respectively while strongly disagreed by 6.7% of the respondents. This indicates that liquidity is used to measure the extent to which the SACCOS has cash to meet immediate and short term obligations. This enables the SACCOS to ensure that it has a reliable supply of cash at hand but also to determine financial sustainability of future investments.

This is supported by the findings of Majid (2013) who observed that, liquidity is an essential component of the overall risk management framework. He further posits that SACCOS which have more liquid assets have more chances of performing better financially as they are able to release cash at any point in time and meet their obligations and are also less exposed to liquidity risks. When members do not get loans or deposit withdrawals, liquidity problems may become an obstacle to financial sustainability of the SACCOS. The idea of making investment is prudent but if not well planned it can have negative effects on liquidity of the SACCOS. Findings by WOCCU (2008) revealed that SACCOS were facing severe liquidity problems and

majority of them were unable to meet demands of their clients for loans and withdrawal of savings.

According to Mvula (2013), common issues that were affecting financial sustainability of SACCOS in Malawi were inadequate capital, poor asset quality, poor governance, poor profitability, poor liquidity and noncompliance. On the other hand, Mudibo (2015) noted that some of the factors that were affecting financial sustainability of SACCOs in Malawi include among others; weak regulation, limited products and services, low marketing and poor liquidity.

4.5 The Influence of Management on Financial Sustainability of SACCOS

The study findings reveal that, dividend payment to members was agreed by 63.3% of the respondents and 20.0% remained neutral while 16.7% disagreed; encouraging per capita income of members was agreed by 30.0% of the respondents and 10.0% remained neutral while 60.0% disagreed; insisting compulsory savings was agreed by 36.7% of the respondents, 20.0% remained neutral and 33.3% disagreed while 10.0% strongly disagreed; awards from super savings was strongly agreed and agreed by 46.7% of the respondents respectively while remained neutral and disagreed by 3.3% of the respondents respectively; motivating high rate of savings was strongly agreed by 60.0% of the respondents, and agreed by 36.7% while disagreed by 3.3% of the respondents.

The statement that dividend payment to members by SACCOS management influences financial sustainability was agreed by 63.3% of the respondents and 20.0% remained neutral while 16.7% disagreed, implying that provision of dividend to the

members is influenced by the interest rates from borrowing among members which subsequently benefits both SACCOS and its members that facilitates financial sustainability. Similar results have been demonstrated by Nibissa (2015) who found that, dividend is the case which makes SACCOS dissimilar from other financial services.

Table 4.4: The Influence of Management on Financial Sustainability of SACCOS

The influence of membership enrolment	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
Dividend payment to members	0.0%	63.3%	20.0%	16.7%	0.0%
Encouraging per capita income of members	0.0%	30.0%	10.0%	60.0%	0.0%
Insisting compulsory savings	0.0%	36.7%	20.0%	33.3%	10.0 %
Awards from super savings	46.7%	46.7%	3.3%	3.3%	0.0%
Motivating high rate of savings	60.0%	36.7%	0.0%	3.3%	0.0%

This means that, even if members pay high interest rates on borrowing they get back it in the form of dividends. From this aspect he believes that dividends paid to members highly determines the outreach of SACCOS positively. This implies that SACCOS which pays high dividends to members attracts more members. This is also confirmed by Kiaritha (2015) who stated that, the SACCOS have yearly dividend targets for the members, if members doubled their savings, the financial sustainability of their SACCOS would advance and SACCOS perform better because members will have access to borrow so as to maximize the rate of dividends.

The statement that awards from super savings influences financial sustainability of SACCOS was strongly agreed and agreed by 46.7% of the respondents respectively while remained neutral and disagreed by 3.3% of the respondents respectively, implying that, SACCOS management influences members to pull resources together

in the form of savings, and the SACCOS uses the mobilized savings to extend small credit facilities to them which is ensured by awards from super savings that motivate members to save more to ensure financial sustainability.

This is similar with the findings of Olando (2012) which based on the use of institutional awards from super savings as a mode of financing SACCOS' activities to ensure their sustainability in the competitive co-operative sector. 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 to ensure financial sustainability of the SACCOS. The findings of the study by Evans (2011) observed that, awards from super savings 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 financially.

The study findings reveal most of respondents were of the opinions that, motivating high rates of savings among members influences financial sustainability of SACCOS was strongly agreed by 60.0% of the respondents, and agreed by 36.7% while disagreed by 3.3% of the respondents. This indicates that, if the members save more in their accounts they will facilitate further SACCOS investments that bring more profit to members due to the increase of dividend interests to the members which in return ensures financial sustainability of the SACCOS.

This is supported by the findings of Kilemile (2017) revealed that, most respondents agreed with the factor that, high rates of savings results to a capital growth and

financial sustainability of the SACCOS. This is due to high membership enrollment as a result of interests provided by SACCOS on members' savings. The more members are enrolled to SACCOS the higher the amount of savings, hence the better capital growth will be for financial sustainability. In this case a mean of 1.45 and a standard deviation of 0.69 were evidenced. This means that there will be an increase of a number of members because they will expect receiving a return on their investments, hence this leads to financial sustainability of SACCOS. Following by interests to members with respect to their savings held in the SACCOS together with an award to members from super saving. Mobilization of savings needs adequate institutional capital management, which ensures permanency, loss absorption and impairment test of members' savings. Therefore, there is enough evidence to suggest an association between high rates of savings and the financial sustainability of SACCOS.

Insisting compulsory savings was agreed by 36.7% of the respondents, 20.0% remained neutral and 33.3% disagreed while 10.0% strongly disagreed, implying that, SACCOS management insists members preferring compulsory savings compared to other savings for financial sustainability of SACCOS. Usually compulsory savings is an amount of money or level of savings agreed by members to serve as ownership guarantee by each member. This means that, there must be a compulsory savings that is considerable amount of money to be saved for membership enrolment in order to influence financial sustainability of SACCOS.

This indicated that, compulsory saving is regarded as one of the basic services provided by SACCOS as a regulation, which normally does not allow members to withdraw and use those savings as personal savings. This is due to the fact that

compulsory savings by members can help SACCOS to accumulate capital that will be used to facilitate various economic activities in such a way that will enhance loan repayment ability among the members to ensure its financial sustainability.

The findings corroborate with Armendariz & Morduch (2015) who found that, compulsory savings (also known as forced savings) is perceived as an integral part of loans; savers learn financial discipline and qualify for credit by a convincing savings record. The main objective of mobilizing compulsory savings is the belief that a process of small, regular payments will contribute to repayment performance by borrowers that influence financial sustainability.

As stated by Fiebig *et al.* (2019) many SACCOS' programmes have used forced savings or compulsory savings as part of their financial technology to ensure financial sustainability. However, the key challenge of SACCOS is discriminating abilities of loan applicants, who stay uncovered by the compulsory savings mechanism.

CHAPTER FIVE

SUMMARY OF KEY FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Key Findings

This section presents a summary of the key findings in accordance with the study objectives. First, a summary of key findings on the influence of loan repayment policy on financial sustainability of Savings and Credit Co-operative Societies in the study area; the influence of loan defaulters on financial sustainability of Savings and Credit Co-operative Societies in the study area; and the influence of management on financial sustainability of Savings and Credit Co-operative Societies in the study area.

5.1.1 The Influence of Loan Repayment Policy on Financial Sustainability of SACCOSs

The key findings on the influence of loan repayment policy on financial sustainability show that, 26.7% of the respondents strongly agreed, 56.7% agreed and 10.0% remained neutral while 6.6% disagreed on duration or time taken to process loan; 6.7% strongly agreed, 73.3% agreed and 13.3% remained neutral while 6.7% disagreed on credit evaluating criteria; 60.0% agreed, 16.7% remained neutral and 20.0% disagreed while 3.3% strongly agreed on awards from savings; 13.3% strongly agreed, 66.7% agreed and 10.0% disagreed and strongly disagreed respectively on loan repayment through bank; 10.0% strongly agreed, 63.3% agreed and 20.0% remained neutral while 6.7% disagreed on interest rate of SACCOS; 3.3% strongly agreed, 70.0% agreed and 10.0% remained neutral while 16.7% disagreed on credit committee makes loan recovery follow up.

5.1.2 The Influence of Loan Defaulters on Financial Sustainability of SACCOS

Concerning the influence of loan defaulters on financial sustainability of SACCOS the findings indicated that, poor loan repayment was strongly agreed by 26.7% of the respondents, agreed by 56.7%, and 13.3% remained neutral while 3.3% disagreed; amount of defaulters was strongly agreed by 6.7%, agreed by 43.3%, 23.3% remained neutral and disagreed by 16.7% while disagreed by 10.0% of the respondents; duration of membership was strongly agreed by 6.7% of respondents, agreed by 46.7%, 16.6% remained neutral and disagreed by 20.0% while strongly disagreed by 10.0% of the respondents; collateral used to determine loan provision was agreed by 56.7%, 13.3% remained neutral, and disagreed by 3.3% while strongly disagreed by 26.7% of the respondents; financial liquidity of the SACCOSs was strongly agreed by 6.7% of the respondents, agreed by 60.0%, 13.3% remained neutral and disagreed respectively while strongly disagreed by 6.7% of the respondents.

5.1.3 The Influence of Management on Financial Sustainability of SACCOS

The study findings reveal that, dividend payment to members was agreed by 63.3% of the respondents and 20.0% remained neutral while 16.7% disagreed; encouraging per capita income of members was agreed by 30.0% of the respondents and 10.0% remained neutral while 60.0% disagreed; insisting compulsory savings was agreed by 36.7% of the respondents, 20.0% remained neutral and 33.3% disagreed while 10.0% strongly disagreed; awards from super savings was strongly agreed and agreed by 46.7% of the respondents respectively while remained neutral and disagreed by 3.3% of the respondents respectively; motivating high rate of savings was strongly agreed by 60.0% of the respondents, and agreed by 36.7% while disagreed by 3.3% of the respondents.

5.2 Conclusions

5.2.1 The Influence of Loan Repayment Policy on Financial Sustainability of SACCOS

Regarding to the influence of loan repayment policy on financial sustainability of SACCOS the study concludes that, SACCOS manage credit risk by employing credit evaluating criteria in the assessment of borrowers' credit application regarding financial history, cash flow repayment ability, and collateral. This is used to evaluate the credit worthiness of borrowers before providing loan that influences financial sustainability of the SACCOS.

5.2.2 The Influence of Loan Defaulters on Financial Sustainability of SACCOS

Concerning the influence of loan defaulters on financial sustainability the study concludes that, poor loan repayment results to loan defaults which is due to 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 poor loan repayment affects financial sustainability of the SACCOS, which makes a 83.4% of all respondents.

5.3.3 The Influence of Management on Financial Sustainability of SACCOS

Concerning the influence of management on financial sustainability of SACCOS the study concludes that, if the members are insisted by management to save more in their accounts, this will facilitate further SACCOS' investments that bring more profit to members due to the increase of dividend interests to the members which in return ensures financial sustainability of the SACCOS. Most respondents (96.7%) agreed

with the factor that, high rates of savings results to capital growth and financial sustainability of the SACCOS. This is due to high membership enrollment as a result of interest provided by SACCOS on members' savings. The more members are enrolled to SACCOS the higher the amount of savings, hence the better capital growth will be for financial sustainability.

5.3 Recommendations

In the line with the findings the study recommends that, before dividend payments, the SACCOS needs to build a reserve fund and the institutional capital by retaining some amount or percentage of the net income after paying all expenses and costs in the reserve fund. However, SACCOS should pay dividends to members after building the capital reserve fund and the institutional capital by retaining some percentage of the net income after paying all expenses and costs in the reserve fund.

Furthermore, dividend payments to members should not be made if the amount in the statutory reserve fund is inadequate to cover accumulated SACCOS losses and the net surplus should be 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.

Before granting loans to members, SACCOS should ensure that the loan is fully secured. Members should secure a loan by voluntary shares, savings and time deposit. A loan with collateral, such collateral should be in the SACCOS possession and should be properly documented and registered there by giving the SACCOS the ability to legally take possession of the collateral.

5.4 Area for Further Research

This study concentrated on assessing the factors affecting the financial sustainability of Savings and Credit Co-operative Societies in Tabora Region. It seems to be essential for further investigation to be done in the areas such as relationship between Savings and Credit Co-operative Societies and small business growth in financial sustainability. Moreover, other researchers should undertake investigation on the role of government on the sustainability of SACCOS in other parts of Tanzania excluding Tabora Region.

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APPENDICES

Appendix 1: Questionnaire for Respondents

My name is DENIS BARONGO. I am currently conducting a study on **“Factors Affecting the Financial Sustainability of Savings and Credit Co-operative Societies in Tabora Region, Tanzania”**. I have identified you as potential respondent because you fall within the sample of my study and you possess valuable information which will help me finish this study. Much as I would like you to fill all questions in the questionnaires, you are free not respond to all or any questions you feel not ethically suitable to you. Your information will be treated with highest respect of confidentiality they deserve. I am happy to ask you few questions as follows:

SECTION A: Background Information

1. Age of the respondent
 - (a) 20-34 years ()
 - (b) 35-44 years ()
 - (c) 45- 54 ()
 - (d) 56 years and above ()
2. Educational level of the respondent
 - a. Secondary education ()
 - b. Certificate education ()
 - c. Diploma education ()
 - d. Degree education ()
3. Marital status

(a) Single ()

(b) Married ()

(c) Separated/divorced ()

(d) Widowed ()

4. Household size of the respondents

a. 1 people ()

b. 2-4 people ()

c. 5-7 people ()

5. Working duration in co-operative

(a) Less than 1 year ()

(b) 1-3 years ()

(c) 4-6 years ()

(d) 7 years and above ()

SECTION B: The Influence of Loan Repayment Policy on Financial Sustainability of SACCOS

6. Please indicate the level of your agreement on the influence of loan repayment policy on financial sustainability of SACCOS:

S/N	Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1.	Duration or time taken to process loans					
2.	Credit evaluating criteria					
3.	Awards from savings					
4.	Loans repayment is made through bank					
5.	Interest rate of SACCOS					
6.	Credit committee makes follow up for loan recovery					

SECTION C: The Influence Loan Defaulters on Financial Sustainability of SACCOS

7. Please indicate the level of your agreement on the influence of loan defaulters policy on financial sustainability of SACCOS:

S/N	Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1.	Poor loan repayment					
2.	Amount of defaulters					
3.	Duration of membership					
4.	Collateral used to determine loan provision					
5.	Financial liquidity of the SACCOS					

SECTION D: The Influence of Membership Enrolments on Financial Sustainability of SACCOS

8. Please indicate the level of your agreement on the influence of management on financial sustainability of SACCOS:

S/N	Variables	Strongly agree	Agree	Neutral	Disagree	Strongly disagree
1.	Dividend payment to members					
2.	Encouraging per capita income of members					
3.	Insisting compulsory savings					
4.	Awards from super savings					
5.	Motivating high rate of savings					