

**MEMBER-BASED MICRO-FINANCE INSTITUTIONS AND POVERTY
REDUCTION: A CASE OF CHAMWINO DISTRICT IN DODOMA REGION**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE DEGREE OF MASTER IN BUSINESS
ADMINISTRATION (MBA-FINANCE) OF THE OPEN UNIVERSITY OF
TANZANIA**

2013

CERTIFICATION

This is to certify that the study entitled **Member Based-Micro Finance Institutions and Poverty Reduction**. A case of Chamwino District Dodoma Region, Tanzania, submitted by **Bwamwojo, Geoffrey George** for the award of the Master Degree in Business Administration (Finance), Faculty of Business Management, of The Open University of Tanzania.

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DEDICATION

To my lovely family.

ACKNOWLEDGEMENTS

My gratitudes are due to Prof. Israel B.Katega for kindly accepting my request to be my supervisor and provided me with Indispensable assistance at every stage of my research. I'm thankful to the Geological Survey of Tanzania (GST) for financial and moral support during my study.

Special thanks should go to my mother Colorina Kasheshe, and the George's family for their moral support they conveyed to me. Also my cousin Mukama E. Kasheshe, my aunt Esther M. Daniel as well as to my children Allison G.Kamugisha, and Grace G.Kahumbya, who bring the joy and prospects.

ABSTRACT

This study reflects on assessment of the contribution of Micro Finance Institution in this case Saving and Credit Cooperative Society (SACCOS) in poverty reduction in rural areas. The main objective of this study was to examine the economic contribution of SACCOS towards poverty eradication especially in rural areas by identifying factors influencing SACCOS' performance, contribution toward employment creation to the community and the extent to which it contributes to poverty eradication of their members. The researcher use purposive sampling methods to select five SACCOS out of 36 SACCOS in Chamwino district. Among criteria for selection of SACCOS include number of shares, deposits, amount of savings and number of members. Findings in this study revealed that, there are a number of factors that influence the performance of the SACCOS. These factors include sources of fund, interest rates, loan disbursement to members, staff qualification and loan application procedures. SACCOS created self employment to members and non members through expansion of business, agriculture and loan to pay school fees to its members. Number of loans and value disbursed slightly increased every year, this is an indicator that members are aware of the importance of borrowing and investing in income generating activities. Experience has shown that availability of financing, even small amounts has a very positive impact on the family's economic condition as it helps to unlock productive potential.

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LIST OF ABBREVIATIONS

| | |
|-----------|--|
| ACB | Akiba Commercial Bank |
| BOT | Bank of Tanzania |
| CRDB | Cooperative Rural Development Bank |
| COASCO | Cooperative Audit and Supervision Corporation |
| EXIM BANK | Export and Import Bank |
| FINCA | Foundation of International Community Assistance |
| ICA | International Co-operative Alliance |
| LDCs | Less Develop Countries |
| MUCCoBS | Moshi University Collage of Cooperative and Business Studies |
| NGOs | Non Government Organisations |
| NBS | National Bureau of Statistics |
| NMB | National Microfinance Bank |
| PRIDE | Promotion of Rural Initiative and Development Enterprise |
| SACCOS | Saving and Credit Cooperative Society |
| SEDA | Small Enterprises Development Agency |
| SELF | Small Entrepreneurs Loan Facility |
| SCCULT | Saving and Credit Cooperatives Union League of Tanzania |
| URT | United Republic of Tanzania |
| VCP | Vicious Circle of Poverty |

CHAPTER ONE

1.0 INTRODUCTION

1.1 Background Information

A majority of the World poorest countries today are in Africa. In recent years absolute poverty in Africa has shown some slight falls. African income level has been dropping relative to the rest of the World. Poor Africa is getting relatively poorer on average and 2011 sees drought in East Africa bringing the prospect of starvation to millions in the region. The Incidence of poverty in Sub-Saharan African is increasing faster than population (World Bank 2009)

Poverty remains predominantly a rural phenomenon even though the number of poor in urban areas mainly the unemployed and those engaged in the informal sector, is increasing rapidly. In both rural and urban areas the poor lack capital human assets, they are less educated. The vulnerability of poor is increased by preponderance of disease, including the rapid spread of HIV/AIDS. Empowering rural people is an essential first step to eradicating poverty. The progress of national and rural development is slow. Development assistance to agriculture has declined. This results into negative impact on small holders farming, the basic source of livelihood for the rural people (IFAD, 2008).

In most Countries of Africa especially Southern Africa, development of agriculture as well as diversification of economic activities are constrained by insufficient availability of financial services in the rural areas. Government sponsored schemes which in the past provide access to cheap credit through Co- operatives for

agriculture as well as other activities have been discontinued or reduced in the structure adjustment processes.

Also banks reduced their services in the rural areas and introduced hard service conditions to the extent that low income rural people could not afford to use their services. This has limited access to finance needed for development of farm as well as non – farm income generating activities and other purposes, such as education, health care and other emergencies. Nevertheless, some efforts have and are continuously being done to search for alternative financing mechanisms such as Commercial Micro-Finance Institutions and Co – operative based savings and credit programmes, the later being major and more common financing facility to households, smallholder farmers and traders.

Savings and credit cooperatives (SACCOS) have grown to become a major provider of Financial Services. It has developed to the extent of pure financial service Co-operatives with a community based membership. Recent studies in Kenya, Tanzania and Uganda by ICA (2004) show that rural finance is the fastest growing cooperative sub sector and that there is a distinct need as well as a considerable potential for further development of rural financial services through cooperatives and other types of groups. Such SACCOS growth and development does not guarantee rather bears higher potentials for improved living standard to SACCOS members.

The prevalence of Income poverty is still high in Tanzania. According to the Household Budget survey of 2007 the proportion of the population below the national food poverty line is 15.9% and that below the national basic needs poverty line is

33.6%.

Poverty remains overwhelmingly in rural areas where about 74% of the poor population lives. It is highest among households who depend on agriculture. As the population is growing, the absolute number of poor raises concern. Also there is a big disparity between urban and rural poverty for both food and basic needs poverty. It is important to devise strategies that will enable rural sector to widen livelihood opportunities to the poor. To that effect, initiatives to support rural-oriented sector should be emphasized to empower the rural populations to increase their productive capabilities.

The constraints include low productivity of land, labour and production inputs, underdeveloped irrigation potential; limited capital and access to financial services, inadequate agriculture technical support services; poor rural infrastructure hindering effective rural urban linkages. Efforts are required to impart organizational and entrepreneurial skills to rural inhabitants to turn non-farm activities into viable services of livelihood.

Measurement of unemployment in Tanzania is not a simple one. There are few economic opportunities in rural areas, reflected rather as under employment than unemployment. Unemployment stands at 2.3 million (1.3 million women and 1.0 million men) equivalent to 12.9% of the labour force. Employment to population ratio is 76% nationally. The ratio is lower in urban areas (58%) than in rural areas (81%). Unemployment is worse among the youth, including the educated youth (World Bank, 2004)

According to the integrated Labour force survey (2001/02) the total labour force (age 15 years and above) has increase from 11.2 million in 1990 to 17.8 million in 2001. This implies that 650,000 new people have been entering the labour market every year. Wage and salary Employment has been expanding at much lower rate; estimated at 40,000 person per annum. This implies the majority of the new entrants into the labour market enter through self-employment largely in agriculture and the informal sector.

On-and off farm earnings need support from both a strong agricultural sectors and other rural sectors including forestry; wildlife; fisheries and tourism. Those who are self-employed in agriculture and other sectors are not always productively engaged to full capacity. The under-employed people work on own or family farms/*shambas*. Savings and Credit Cooperatives Societies (SACCOS) play a great role in promoting effective entrepreneurial Development in Tanzania these roles including: forming a good training ground for entrepreneurship and business management, interest charges on loans are often very low hence minimum cost of capital, providing a channel for distributing loans and other forms of support from Government and Non-Governmental organization, and pooling of resources through share capital enables a cooperative to enjoy economies of scale within a minimum cost.

Inspite of its roles it plays SACCOS face some limitations/ obstacles in its development. These includes; many of its members lack business experience and administrative skills; They generally lack competitive spirit and profit motivation; interest paid on share capital contributed by members normally does not allow for

large scale operations, also the appointment of office bearers base on popular votes and may disregard competence of the prospective candidates.

1.2 Statement of the Problem

Like other Sub Sahara African countries, Tanzania has experienced a proliferation of SACCOS since late 1990s to date with the aim of poverty reduction and improve living standards of their members. SACCOS positive impact to members is not an automatic event but a potential that must be worked up on. The objective of promoting a broad based economic growth that ensures prosperity to all Tanzanians is in the hands of Tanzanians. The majority of Tanzanians consisting about 75% living in rural areas lack the opportunity to participate effectively in the formal economy.

Among the reasons that have restricted their effective participation in the economy includes lack of capital (access to finance) to finance productive projects. Furthermore, banks are often reluctant to lend the rural borrowers due to a lack of collateral, market uncertainty and costs related to serving distant customers (URT-National Economic Empowerment Policy, 2004). Majority of the poor and the poorest are in the rural areas. The demand for financial services is very high. The banking system in Tanzania has a very limited level of penetration in the rural areas. Most bank branches are located in areas with high population densities and high market activity (Rutabanzibwa, 2008).

Increasing the access of the poor to formal financial services is an important part in promoting a broad based economic growth of a Country for poverty reduction.

According to the Cooperative Development policy in Tanzania, it is stated that as part of the initiatives to eradicate poverty, micro-financing services have become one of the important sources of finance to the poor to expand their business and productive activities. However, the establishment and development of Savings and Credit Cooperative Societies (SACCOS) in rural areas has been slow. Most Savings and Credit Cooperative Societies (SACCOS) have been established in urban areas and at work places. As a result members of agricultural marketing primary cooperatives have found it impossible to save money that could have enabled them to buy shares and thereby increase the capital of their cooperatives (URT, 2002).

A number of commercial banks provide wholesale funds for on-lending via SACCOS or via regional community banks, though this is some problems arises because banks' missions differ from that of the Savings and Credit Cooperative Societies (SACCOS). Banks are profit oriented organisation while SACCOS are not for profit. In the context of the role of the Member based Micro-Finance Institution in the rural areas, the study attempted to assess the role of Savings and Credit Cooperative Societies (SACCOS) played in improving their members' living standards towards poverty reduction, and increase prospects for economic and social development.

1.3 Objective of the Study

1.3.1 General Objectives

The general objective is to assess the role of Savings and Credit Cooperative Societies in poverty reduction to their members in the study area.

1.3.2 Specific Objectives

- i. To examine factors contributing growth of Savings and Credit Cooperatives Societies.
- ii. To analyse contribution of Savings and Credit Cooperatives toward employment creation to community.
- iii. To examine the extent to which SACCOS contribute to poverty reduction of their members.

1.3.3 Research Questions

- i. What are the factors contributing growth of Savings and Credit Cooperative Societies?
- ii. What contribution have SACCOS offered to the members in relation to Employment?
- iii. To what extent has Savings and Credit Cooperatives contributed to poverty reduction to its members?

1.4 Significance of the Study

The study is for contributing knowledge useful within the cooperative and microfinance sector especially for those who are interested in the future of saving and credit cooperative societies in the country (TANZANIA). The results will be used by academic researcher to develop the new form of cooperative business venture that will lower the identified gaps that hinder the development of saving and credit cooperative societies towards poverty reduction.

The outcome of this study will contribute knowledge in the field of cooperative studies that are important for poverty reduction and socio – economic development of the society.

1.5 Scope of the Study

The study was conducted in Chamwino District in Dodoma Region. The study focused on information collection from staff, members of the specified SACCOS and non members to establish accurate and reliable information to justify the study results.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Theoretical Literature Review

2.1.1 Definition of Poverty

Poverty is a state or fact of being in want. People are poor if they lack enough income and resources to live adequately by the accepted living standards of their community.

Poverty can be absolute poverty: This involves people and their children having extreme difficulty in merely surviving. Such poverty at its worst can involve hunger amounting to starvation, combined with inadequate shelter or housing and clothing. Absolute poverty has been common in more primitive societies and is still common in many third World countries in Africa.

Relative Poverty; This involves the inability to obtain social necessities available to the majority and is often intensified by social exclusion (FAO, 2010). Poverty is either Income poverty or non-Income poverty which includes Education and illiteracy, health services, survival and nutrition, HIV and AIDS, water and environmental health.

2.1.2 Causes of Poverty

Ranger Nurkse in "Problems of Capital Formation in Underdeveloped Countries" describes 'vicious circle of poverty as the basic cause of under-development of poor countries. According to him, a country is poor because it is poor. Being poor, a

country has little ability or incentive to save. The low of saving leads to low level of investment and to deficiency of capital. The low of investment leads to low level of productivity. When the productivity per worker is low, the real income will obviously be low and so there poverty and vicious circle is complete.

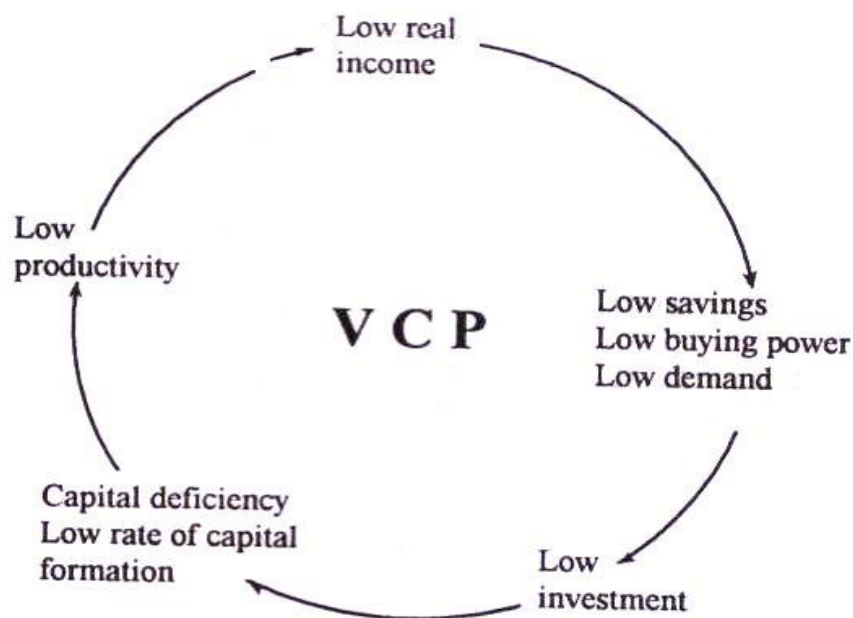


Figure 2.1: The Vicious Circle of Poverty

Source: Nurkse, R. (Google; Site visited on 17/01/203)

The theory of the vicious circle of poverty can be used both at the national and individual levels. For individuals debt is a major cause of poverty. Often worse by the loss of a job or means of livelihood. When a large part of a community suffers economic reverses, war, crop failure, or epidemic disease, poverty can affect whole classes and communities. Any minority or group singled out for discrimination is usually unable to take advantage of educational or employment opportunities open to others because of prejudice. The source of prejudice may be any of several factors including racial or national origins, religion, language or sex.

Due to backwardness there is not optimum use of resources and due to this reason goods are not produced on the principle of specialisation and division of labour and hence production remains low. Low level of production is due to imperfect markets. Therefore, the level of income of the people is low and hence, level of savings is low. Low level of savings is responsible for low level of investment as a result capital formation rate remains low and problem of shortage of capital arises in these countries and therefore, shortage of capital is the major cause of their underdevelopment.

2.1.3 Effects of Poverty

Poverty causes suffering among millions of people. People who live in poverty are less likely to eat the foods they need to stay healthy or to receive good medical care when they are ill. Many low income families live in city slums or rural areas that do not provide the basic needs of food, shelter and clothing. The only work available may offer low uncertain income and little security. Many poor people work in dangerous or unhealthy conditions. Some literature points out that; the poor have little influence in the community. Businesses are interested more in people who buy their goods and services. The poor have limited political power. In some parts of the world, poor people value large families as a source of family security to help work the land or to take care elderly parents.

2.1.4 The Fight Against Poverty

Many Government and aid agencies are fighting against poverty both in developing nations and among disadvantaged people in the developed countries. Some organizations seek to help the inhabitants of developing countries improve their

technology or use what they have more efficiently. The vicious circle of poverty can be broken in developing countries by adopting the following measures.

Increase in savings; making serious efforts in increasing the volume of real savings. Higher per capital growth rate. the per capital growth rate should be higher than the rate of growth of population. This objective can be achieved by increasing the level of employment in the community and reducing the rate of population growth. If the rate of increase in real per capital income is the same as the rate of growth of population, the real income per person will remain unchanged.

Employment of human resources; his low level of literacy, malnutrition, absence of proper medical care etc are all barriers to economic development Effective measures have to be taken for sufficient investment in human capital to break the poverty barrier of the LDCs. These and other large and small programs give hope for a future in which poverty may be much reduced. Offering small loans to poor villagers will help them to establish income generating activities (UN, 2006).

2.2 Empirical Literature

2.2.1 Member Based Microfinance Institutions

Microfinance is a term used to refer to the different methods for going poor people access to financial services (Emma, 2004) for more than twenty years on micro financing experience shows that poor people with little education are reliable borrowers who invest wisely and willing to save if given the chance (Shida, 1999). Member based micro financing institution in other term means saving and credit

cooperative societies (SACCOS) is a financial organization owned and operated on not for profit basis by its members according to cooperative principles.

The main objectives being promoting of development of habit of putting some money aside as savings among its members and creation of a source of credit for its members at controlled rate of interest exclusively for provident or productive purposes (Mwabulanga, 2009). Chacha, (1998) define the saving and credit cooperatives societies (SACCOS) as a union of people who pool their money to help one another. People who belong to SACCOS also own it and people who own it control it and that is why it is called member based microfinance institutions.

Maynard and Beckman, (1952) point out that, when the member do not understand and do not know what cooperative is, what are their functions, what it is capable of giving to the member and what one may not expect from it there is no chance for the existence of this cooperative. Honest, openness, social, responsibilities and caring for others are believed of the cooperative members. The main purpose of SACCOS is to provide source of fund at low interest rate, to educate community wise use of money and efficient management of their limited resources.

SACCOS aims at providing loans to its members at low interest. So they provide room where members may deposit their money and borrow in time depending on their need. SACCOS have remained the most prevalent form of financial intermediaries at the grassroot level, particularly in rural areas which makes them the most predominant rural based MFIs.

2.2.2 Member-Based Organization – SACCOS

The most dominant member based organizations in Tanzania are the savings and credit cooperative societies. The SACCOS are both financial institution and farmers organizations. Actions undertaken since 2001 in three Tanzanian Regions (Kilimanjaro, Dodoma and Morogoro) focusing on the necessary adoption of the SACCOS to the constraints related to their financial activities in relation with their farmers – based nature; modernization of their statutes, set-up of more efficient control and management systems, development of financial services more adapted to the members needs, regional structuring for the mutualization of various services (URT,2009) owing to the poor access of formal financial services in the rural areas, the formation of SACCOS was advocated and encouraged by the government as one way of promoting access to financial services (Kamala, 2000). The SACCOS have helped to address the bias that offer prevails against individual borrowers who are located in rural areas which are normally not easy to reach (Rubambey, 2002).

The SACCOS have functional as a bridge between individual borrower's particularly small borrowers and the formal financial institutions. SACCOS has had a substantial role in the mobilization and allocation of untapped resources. SACCOS are willing to offer even small sized loans to members who is impossible for the formal financial institutions in view of the high costs of administration, time and procedure involved in processing information before a decision is made to give out loan. The high transaction costs, inadequate information and the associated perception of high risk associated with rural finance contributed to limit the growth and development of rural financial services in the country (Rubambey, 2002).

Cooperative Development Policy (2002) aims at an increase participation of marginalized groups in cooperative and reorganizes business groups and commits to assist these groups and commits to assist these groups towards attainment of fully registered cooperatives. The government will encourage the formation of cooperative financial institutions in order to reactivate thrift and saving habits among members. In developing countries Tanzania being among them, a majority of the population lives in rural areas and mainly involved in agriculture production. In this case, an improvement of rural livelihoods will depend on access to financing to support agricultural production.

2.2.3 The Status of Poverty in Tanzania

Since Independence in 1961, the Government of Tanzania has been preoccupied with three development problems; Ignorance, disease and poverty. Efforts to tackle these problems were initially channeled through centrally directed, medium term and longterm development plans and results in a significant improvement in percapita Income and access to education, health and other social services. One half of all Tanzanians today are considered to basically poor and approximately one-third live in abject poverty.

Around 27 percent of the people are in the households with total expenditure that is insufficient to obtain enough food to meet requirements and about 48 percent of the households were unable to meet their food and non-food basic requirements (URT, 2000). Since 1991, the Tanzania legislation has widened the possibilities for rural communities to put in place autonomously their own savings and credit cooperatives (FERT, 2003)

2.3 Rural Financing and Poverty

According to Zeller, et al (1997), quoted in Meyer (2001) access to financial services can bring impact on food security in three ways; first, through improved income generating methods, as loans provide relief in the short run, second a households access to finance reduces the costs of self insurance and hence induces changes in the households asset base and level of liabilities. Consequently, “precautionary savings in the form of non productive assets, which are held to cushion adverse shocks such as illness and bad weather are made available for productive investments, thirdly credit enhance consumption, so they use fewer traditional methods, which are often inefficient and. households into unproductive social relationships that discourage savings and wealth accumulation.

2.3.1 Ways in which poor people manage their money

Rutherford (2003), argues that the basis problem poor people as money manager face are to gather a usefully large amount of money. Building a new home may involve saving and protecting diverse building materials for years until enough are available to proceed with construction. Children schooling may be funded by buying chickens and raising them for sale as needed for expenses, uniforms, bribes and so on. Because all the value is accumulated before it is needed, this money management strategy is referred to as saving up.

The microfinance industry objectives are to satisfy the unmet demand on a much larger scale and to play a role in reducing poverty. While much progress has been made in developing a viable commercial microfinance sector in the few decades, several issues remain that need to be addressed before the industry will be to satisfy

massive worldwide demand. SACCOS' contribution has not been very significant.

Factor contributing to this situation include;

- i. Few microfinance institutions (MFI) that meet the needs for saving remittances or insurance.
- ii. Limited range of financial products to members with minimal outreach.
- iii. Limited/ inadequate technical and management capacity in MFI
- iv. Weak/ poor operational and financial performance of deposit making MFI
- v. Unsustainable interest rates (below 3% per month on flat rate or reducing balance basis)
- vi. Lack of provisioning and write-off policies, thus leading to high incidence of poor portfolio Quality.

Tanzania was the first country in Africa to have national associations of credit union. This is the savings and credit union league of Tanganyika (SCULT) Ltd registered in 1964 (Desjardins 2005). Chao-Berof et al (2000), noted that loans granted by savings and credit cooperatives societies (SACCOS) in Tanzania were very few with further characterized by low level of diversified investments. Saving and credit cooperatives societies (SACCOS) sector in Tanzania is still low and their formations are strong in urban areas and cash crops growing areas. Areas producing food crops. Still experiencing low formation of savings and credit cooperation societies (SACCOS).

Bagachwa (1996), suggest that “ the relatively low profile allegedly assumed by money lenders in channeling credit could be a camouflage, reflecting in part the traditional view that commercial lending is exploitative. Given the rather hostile

environment. Most money lender does not admit to engaging in this practice. Therefore their number and their roles tend to be underestimated". Rutherford (1999), point out that, the vibrancy of the informal sector reflects its responsiveness to client management requirements. These includes easily understood procedures, flexible lending arrangements, the absence of restrictions on how loans are used credit at short notice, limited or no paperwork, proximity to borrowers and local adaptability. Finally, informal financial institution faces relatively low transactions costs. Due to strong local knowledge and social pressure there are extremely low costs for assessing the borrower's creditworthiness and collecting loans. The major comparative advantage of credit unions lies in their ability to service large number of depositors and use these savings to provide different forms of loans to individual members. Also the credit unions have an ability to sustainable achieve a large breadth of outreach.

In developing countries government institutions have often misused the cooperative movement for political purposes which results in cooperative failure. The ownership and government structure of credit unions tends to favor depositors over the interest of owners and borrowers. Lending to a safety – oriented policy that scarifies and efficiency (Krahn and Schmitt, 1994).

The old and exclusive emphasis on farm budgets as a way of assessing creditworthiness is completely outdated and need to be replaced by cash flow analysis of the farm household, considering all sources of income as is practiced in microfinance. However farm budgets and investment analysis (Gittinger, 1982) are still relevant and need to be applied in larger investment projects that demand terms

finance as is the case for larger, lump-sum investments, in farm buildings, machinery, animals and tree crops. Here the assessment for farmers must again include their income sources. Microfinance has been used to target poor women so as to enable them improve their livelihoods, it has also been used as a policy for creating enabling environment for the financially excluded population to engage in self employment.

2.3.2 The Role of SACCOS in the Economy

An availability of financial services in rural areas can contribute in many ways to the life quality of the rural households and their economic activities. These include

- i. SACCOS plays a major important role and beneficial to the stakeholders in identifying gaps in the poverty reductions strategic programs.
- ii. Helps in critical analysis of problem and identify the stakeholders to involve and help in strengthening policy advocacy role.
- iii. Availability of credit to the rural majority promotes self employment in the informal sector hence reducing rural to urban migration for the active labor (Robinson, 2001)
- iv. Providing working capital for investment. According to Zeller et al (1997), availability of finance to rural poor promotes and enables the active poor to get involved in a variety of productive and income generating activities. For the members / society involve in SACCOS are responsible in making.
- v. Availability of credit facilities in rural household will make it possible to invest in education, health and nutrition which have a possible and long term

impact on productivity (Zeller et al, 1997). Rural financing promotes the majority to participate in economic development process (URT, 2002)

- vi. Robinson (2001) access to appropriately saving financial products enables the rural households to develop the saving culture which in turn results to future self capital accumulation.

In recognition of the crucial roles played by SACCOS with respect to economic growth and development the country of Tanzania formulated various initiatives aimed at promoting the SACCOS the president of the United Republic of Tanzania Honorable Jakaya Mrisho Kikwete offered 21 billion since January 2007, to be distributed to all Tanzania regions.

2.3.3 Policies of Member-Based Microfinance Institutions

Microfinance institution operates under the Cooperative Society Act of 2004. As financial intermediaries they are supervised by the Bank of Tanzania (BoT). The policy put in place the following guidelines for the promotion of efficient and sustainable SACCOS (URT, 2002).

- i. After membership reaches more than a small group, they will be subjected to regulation and supervision.
- ii. As savings based institutions loans portfolio should not undermine incentives to promote savings.
- iii. Pricing policies in SACCOS should promote savings allow sufficient interest rate spread for the profitable operation of the SACCOS.
- iv. Promoting of the SACCOS should be separated from supervision to allow for the application of the standards. Currently promotion and supervision are still

under the Ministry of Agriculture Food and Cooperatives.

2.4 Microfinance Institution Services

2.4.1 Financial Services

Availability of financial services creates opportunities to individual and enterprises development and economic development in general. The poor people need financial services to give them protection, resource allocation efficiency and investment savings as a mother of credit are a source of self reliance freedom and sustainable development. They provide time for capital accumulation and savings in financial forms provide funds for investment by others (Chambo, 2004).

2.4.2 Products and Services

The poor, do not only need production loans, they need further financial services in order to meet other needs for insurance services to deal with emergency situations the requirement for savings and insurance services to meet the costs of old age and formal services. According to Rutherford (2003) from this view we can distinguish between the following needs.

- i. Medium and long term funding needs (circulating and fixed capital)
- ii. Access to safe, fast and cheap payment systems
- iii. Saving and quality needs or
- iv. Risk hedging.

For MFI the collection of the savings represents a fundamental instrument in achieving sustainability indeed, saving mobilization allows clients to obtain the resources to finance the growth of the loan portfolio and consequently to become

independently from subsidies or external financing. For the poor and financially excluded people access to deposit services allows them to manage emergencies and to meet expected expenses (Rutherford, 2003)

2.4.3 Agricultural Inputs Fund

The agriculture inputs credit fund was established by government to extend credit for the purchase of agricultural inputs. The allocation of financial resources to this fund has been rather unstable and below requirements. The fund is supposed to be revolving and growing. However the initial experience of losing money, the fund has been innovative in working with other partner such as commercial banks. Saving and credit cooperative societies and community based microfinance institution as fund managers who are better placed to evaluate loan applications and monitor loan recovery (Wangwe, 2004).

The fund has also sought the help of the savings and credit cooperative union league of Tanzania (SCCULT) and specific SACCOS in the process of handling the funds SCCULT lend to specific SACCOS who do on lending to their members. The findings revealed that most of the SACCOS are not independent they depend from other financial institution to cover the demand of their members. The study finds that SCCULT, SELF, CRDB, NMB, EXIM BANK, PRIDE and Lutheran World relief were the main fund provider of SACCOS. For the case of agriculture funds for stance women Fune, Matumaini and Chawima SACCOS in one among them fund is channeled either directly to the farmers or indirectly by financing distributors of agriculture inputs.

Lesson to be drawn from this experience include:

- i. Working through SACCOS reduces the transaction costs of handling financial services largely because of easier access to information about their members are located. This facilitates follow up and monitoring of loan recovery.
- ii. The use of these linkages essentially substitutes for collateral
- iii. Strengthening SACCOS and improving marketing (making sure that farmers have a market and at reasonable prices) are supportive attributes for the development of rural finance. The SACCOS have to build the capacity to operate like businesses and must be staffed by entrepreneurial and knowledge leaders. Capacity building is essential for SACCOS to function competitively.

2.5 Government and Cooperative Societies

2.5.1 Strong Corporate Governance in Saving and Credit Cooperative Societies

Central to the process of cooperative reform in Tanzania is the emphasis being placed on strong corporate governance. Cooperatives in Tanzania have suffered from poor leadership and bad management. Cooperative leadership has, become associated with lack of accountability of members, untrustworthiness and persistent corruption. Good corporate governance goes hand in hand with effective member empowerment and healthy internal democracy.

Effort to strengthen member's role in their own cooperatives also strengthens the cooperative leadership and management. A number of concrete actions are being taken to ensure that cooperatives are overseen by leaders who are honest and

properly accountable. As a consequence of the cooperative societies Act of 2003, the code of conduct for cooperative management for the first time limits cooperative Board members to no more than three years terms. After nine years in other words, a board member automatically ceases to hold office (URT, 2003).

2.5.2 The Legal and Regulatory Framework

The Banking and Financial Institutions Act of 1999, vested powers on licensing, supervision and regulation of banks and financial institutions on the Bank of Tanzania (BoT) (URT 1999). These powers are further consolidated under the 1995 BoT Act. Hence, BoT is responsible for regulation and supervision of formal financial institutions, including community and cooperative banks. The legal and regulatory framework has now been extended to cover micro-finance activities.

However, supervision and regulation of SACCOS is the responsibility of the register for cooperatives who operates through the regional and district cooperative department. These departments have very low capacity to undertake such tasks, part of the problem being that they are very much under –funded and lack adequate facilitation to implement their functions satisfactorily. This has resulted in poor supervision, including weak accounting and monitoring. SCCULT the umbrella organization for SACCOS is currently grappling with this challenge (Wangwe, 2004).

The new cooperative policy (URT, 2002) has repositioned government commitment to support cooperatives which are owned and managed by their members by creating a conducive environment for their development into competitive entities in the

context of a market economy. The policy recognizes economic groups as important initiatives towards membership based cooperatives and emphasizes business minded leadership in running the cooperatives (Kamala, 2000).

2.6 Conceptual Framework

The conceptual framework is a simplified systematic conceptual structure of interrelated elements in some schematic form such a narrative. Statement or mathematic equation if describes relationships between and among concepts and variables (KrishnaSwami, 2000). The conceptual framework guiding this study is shown in **Figure 2.2** shows transformation process that can lead to improvement of SACCOS or their failures.

Based on the conceptual framework, the independent variables and intermediate factors that include the amount/size of capital, members' education, competent staff and management policy and regulations resources availability and uses types of services to members transport and infrastructure. empowerment influence dependent variables either effective performance or poor performance in positive direction there will be improvement in the operation and effective to members based microfinance institution which lead to an improvement performance of SACCOS, on the other hand of the independent variable influence the impact of SACCOS performance.

The conceptual framework explains that the performance of member based microfinance institution depends on resources availability in providing services to the members, source of capital, competence of staff and management policy and

regulations technological development members’ education level type of services to member, prices, transport and infrastructure. Depending on the quality and these variables operate will positively or effective performance affect the performance of saving and credit cooperative societies , these will result to ownership of basic needs, employment creation, good management, increased food security and quality services. But when are negatively intervened it will result into poor services, poor management, poor infrastructure. Higher interest rates, misallocation of resources, shortage of food and ignorance.

Factors Affecting the Performance of Micro-Finance Institution in Poverty Reduction.

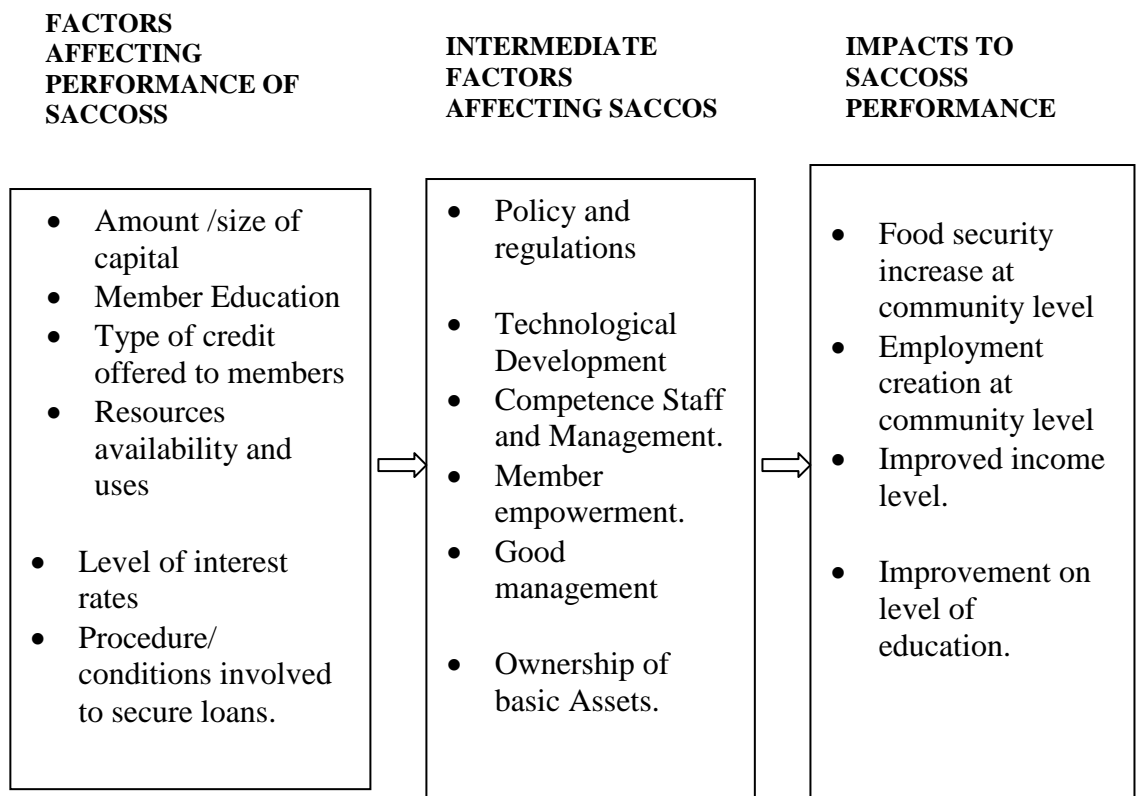


Figure 2.2: Conceptual Framework

Source: From field data, 2012

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Study Area

The study was conducted in Chamwino district in Dodoma region. The study area is selected because it was rich in member- based microfinance institutions. Currently, there are about 36 registered cooperative societies from which 28 are member based microfinance institution and the remaining are agricultural marketing.

According to the District Cooperative Officer, (2012) report the district has a total of 6534 members with Tshs 152,802,026/- as shares, TShs 81,757,781/- deposits and TShs 177,865,654/- savings. Also the study area was selected because the large proportion of this district mainly engaged in SACCOS activity particularly in rural area. Another reason is that Chamwino is one among the newly formed districts in Tanzania therefore, there is a need to build the information base on the performance of microfinance institutions which could bring socio- economic change to the people.

3.2 Research Design

Research design is a logical and systematic prepared plan for conducting the research. It specifies the methodology and techniques to be adopted for achieving the objectives. Is a plan that guides the researcher in the process of collecting, analyzing and interpreting observations (KrishnaSwami et al, 2006). In this study a case study research design was adopted because it is less expensive and helps to get insight of the unit under investigation.

3.3 Sampling Methods and Procedures

3.3.1 Sampling methods

The researcher used purposive sampling methods to select five SACCOS out of 36 SACCOS in Chamwino district. Among criteria for selection of SACCOS include number of shares, deposits, amount of savings and number of members. Taking in consideration these criteria; Chawima, Walimu, Fune, Afya and Matumaini SACCOS was involved in this study.

3.3.2 Sampling Unit

The sampling unit of respondent in this study was members of the selected SACCOS (selected randomly), key informants from the district cooperatives office management and staff from the selected SACCOS.

3.3.3 Sample Size

The number of representative sample from the selected SACCOS was estimated by using Yaman (1967) equation.

$$n = N/(1+N (e)^2)$$

Where:

n= sample size

N=population size

e= desired precision (10%)

Using a population of 2635 members of selected SACCOS, the estimated sample size was calculated as follows.

$$n=2635/[1+2635(0.1)^2] = 100$$

Five respondents were added in the sample so as to widen possibilities of gathering more data. As such the sample size for the study was 105 respondents selected randomly from the selected SACCOS.

3.4 Data Collection Methods

3.4.1 Primary Data

Primary data was collected through structured and unstructured interviews, focused groups discussion and observation as explained.

3.4.1.1 Structured and Semi Structured Interview

The questionnaire is recognized as an important method of quantitative data collection and therefore, attempts is made to design it in a way as to capture accurate data and high response rate. In designing the questionnaire, it is assumed that the respondents who are major stockholders in providing supports to SACCOS as well as the beneficiaries (i.e. SACCOS themselves) will be sufficiently informed on the subject matter.

The study used pre designed questionnaires as a tool to collect qualitative data. Respondents will be asked questions initiated for obtaining information relevant to a specific study. Respondent will be given time and scope of talk about the opinions on a particular subject matter guided by questionnaires.

The questions are prepared and administered to the interviewers by the researcher using the questionnaires. Data collected include types of financial services provided by savings and regarding members' economic activities in the area, SACCOS source

of capital, assistance from other financial institutions includes the way members utilize their micro credits for productive, provident and other social matters in their families.

3.4.1.2 Focused Group Discussion

Checklist was prepared to guide the discussion with respondents. In this method a group of seven members of Chawima, Walimu, Fune, Afya and Matumaini was formed for discussion on aspects related to the study objectives. The information collected in this group discussion include factors for sustainability of SACCOS services provided and options to improve services provided by SACCOS to its members. For this study about 35 members was involved in the discussion.

3.4.1.3 Observation Method

Krishna swami et al (2006), observation involves non participatory observation to obtain real information and recognizing people feeling, passion and sentiment. Observation method was used to collect data concerning the impact of savings and credit cooperative societies to observe the assets owned by respondents, physical condition of respondents and their economic activities. It is an act of recognizing and noting some facts or occurrence as in nature also act as a fundamental and article method in all qualitative inquiry for it is used to discover complex interactions in social settings (Marshall and Rossman, 1995)

3.4.2 Secondary Data

Secondary data was collected through table work by reviewing various sources such as books, journals, and thesis. Government reports, research papers, pamphlets,

bronchus and statistical report on the performance the society by laws rules and regulations, cooperative policy, other sources will be previous report of field work in saving and credit cooperative societies development from the Moshi University College of cooperative and business studies library (Dodoma centre).

3.5 Data Analysis and Presentation

The study was both descriptive statistical methods of analysing data. Cross tabulation were used to compare the means and proportional of respondents for each indicator variable for five SACCOS. The analysis was done by the computer package (Statistics Package for Social Science (SPSS)). Data from group discussion and open ended question was grouped into similar themes and analyze them in terms of frequencies and percentages, performance of SACCOS were ranked based on performance scores of key indicators while the lowest scores mean good performance while highest scores mean poor performance.

3.6 Validity and Reliability of Data

3.6.1 Validity of Data

This study, three local people as leaders was involved and local languages were used to build confidence to respondents. Respondent were ensured to their confidentiality. To ensure the validity of instrument the interview questions was first tested to members of savings and credit cooperative society to see the possibility of getting the relevant information, than the question were presented to supervisor for some modification. More than once method of collecting data was used during data collection process to ensure data collection from different sources.

3.6.2 Reliability of the Data

The degree of stability was determined by comparing the results of expected measurement with the same instruments. Along with repeated observations, statistical measures of dispersion and correlation test will be used. Stability of the data was concerned with personal and situational fluctuation from one time to another.

3.7 Delimitation of the Study

The study involved only five SACCOS in the district Chawima, Walimu, Fune, Afya and Matumaini this reduced the scope to which results of this study can be applicable and generalized.

CHAPTER FOUR

4.0 DATA ANALYSIS AND DISCUSSION

4.1 Characteristics of Respondents

Characteristics of respondents base on age, sex, education and household composition.

a) Age

The analysis revealed that the youth (18-25 years) in the community does not engage /participate in SACCOS activities at all. This has made a doughty to the community development because this is a major working force of any community. This means that there is a high rural-urban migrant this reduces the ability of the community to produce. Another problem that may cause this, is that it is difficult to access financial services as an individual rather than having a group that support them as group collateral 35% of the respondents range between 34-41 years. This is the major group of SACCOS member in the community while many of them are employees of Walimu and Afya SACCOS.

The results indicate that the older people with 50 years and above engage in agricultural activities, this is about 32.4% of the total respondent. This group benefited much due to the reason that they have collateral and also they are settled compared to youth group. The two groups, 26-32 years group and 42-49 years group have fewer members of the SACCOS. They contribute 15% and 17% respectively.

b) Sex

The results show that about 70% of respondents are male and female comprises 30% only. This implies that women are still the disadvantages group in the community;

this is due to lack of access to education and economic activities. Male are able to access credit because they own collateral that is why it is easy to secure loan as a major reason for cause many members to join the SACCOS.

c) Education

The results reveal that 62% of these rural MFIs are members with primary school level education. This implies that most of the saving and credit cooperative societies formed under the geographical location basis have lack of professionals for competent management. As a result translations of policies and regulation as well as innovation to new competitive products in the market are very minimal. Primary education is not enough for running SACCOS activities to its sensitivity and complex regulations and rules.

Only 13% of the population attained higher education (college level). This is mainly for Afya and Walimu SACCOS which are for professionals. The performance of their SACCOS is effective and strong. For non-members 68% attain primary education and 30% have informal education.

d) Marital Status

The results on marital status of respondents show that relatively large proportions (41%) of SACCOS member are married while 35% are head of household. Single comprises only 2% of the community members engaging in SACCOS. This is due to the reason that the degree of flexibility of this group is too higher; in this regard the risk of losing debt from members is higher too. For this case group collateral is highly needed to minimize risk of many borrowers to disappear from paying their

debt.

4.2 The Performance of Selected SACCOS

Five SACCOS were visited for primary data collection purpose as presented in Table 4.1. Results show that Fune SACCOS is the largest in terms of members and shares. Afya is the smallest basing on the member factor. Fune, Chawima and Matumaini are farm growing while the Walimu and Afya SACCOS are employees and the number of teaching cadre favour the Walimu SACCOS in terms of members.

Table 4.1: Selected SACCOS Profile

| SACCOS Name | SELLECTED SACCOS PROFILE | | | | | | |
|-------------|--------------------------|--------------|---------------|--------------|---------------|----------------------|------------------|
| | Member | Shares Tshs. | Deposit Tshs. | Saving Tshs. | Loan Tshs. | Loan Repayment Tshs. | Loan Repayment % |
| Fune | 935 | 25,890,000 | 3,685,260 | 1,146,000 | 150,234,013 | 3,180,000 | 0.021 |
| Chawima | 497 | 7,210,000 | 27,594,620 | 7,611,400 | 169,464,050 | 154,953,210 | 91.4 |
| Matumaini | 328 | 2,980,000 | 7,560,000 | – | 19,216,000 | 15,356,000 | 80 |
| Walimu | 731 | 7,090,000 | 302,537,028 | 158,720,393 | 2,454,002,966 | 1,968,820,829 | 80.2 |
| Afya | 144 | 8,856,976 | 11,043,850 | 118,990,754 | 143,578,644 | 139,784,620 | 97.4 |

Source: Field data 2012.

Performance of individual SACCOS indicates that on loan repayment the Afya SACCOS is doing much better in comparison with other SACCOS. Also the SACCOS depends much on internal source (96.7%) Its total capital amount to Tshs

138,891,580/- and loan provided to members amounting Tshs 143,578,644/-. Walimu SACCOS is much better in the use of deposit account compared with Afya SACCOS of its same bond category (professional members). The result reveals that professional members SACCOS are performing well in comparison to those SACCOS with members bond by Geographical location such as Matumaini, Fune and Chawima.

Fune SACCOS seem not doing well on loan repayment; this is because the SACCOS members are engaged in Grapevine cultivation project. The project still at its initial stages and it takes not less than three years for the first harvest. Large portion of its loan are for farmers of the Chinangali Grapevine yard Project. The project has a promising future to the members and non members in the community through employment creation in the farms and their offices.

Performance of SACCOS was measured basing on the total number of members, saving and deposit amounts, amount of shares SACCOS owning, loan repayment and asset owned by members.

Table 4.2: Criteria for Assigning Performance Rating Scores Basing on Number of Members

| Range of Members of SACCOS | Scores |
|----------------------------|--------|
| 20-220 | 1 |
| 221-420 | 2 |
| 421-620 | 3 |
| 621-820 | 4 |
| 821-1021 | 5 |

Source: Field data, 2012

For shares, saving, deposit and loan repayment the researcher base on the total amount of cash and Percentages (Table 4.1) to rank the SACCOS with score 1-5 (small amount to large amount respectively). Performance ranking scores in table 4.3 shows that Walimu SACCOS has a good performance followed by Afya. Walimu SACCOS perform well when considering the total number of members, share capital, saving, deposit, loan repayment ability, asset ownership as well as management. Afya SACCOS is doing well in opportunities creation to their members, loan repayment and products/services satisfaction.

Table 4.3: SACCOS Performance

| Name of SACCOS Performance Ranking Criteria | Scores (Ranking) | | | | |
|---|------------------|----------|----------|----------|-----------|
| | Afya | Fune | Chawima | Walimu | Matumaini |
| Members | 1 | 5 | 3 | 4 | 2 |
| Shares | 4 | 5 | 3 | 2 | 1 |
| Deposit | 3 | 1 | 4 | 5 | 2 |
| Saving | 4 | 2 | 3 | 5 | 1 |
| Loan repayment | 5 | 1 | 4 | 3 | 2 |
| Asset ownership | 3 | 1 | 2 | 5 | 4 |
| Total | 20 | 15 | 19 | 24 | 12 |
| Ranking | 2 | 4 | 3 | 1 | 5 |

Source: Field survey, 2012

4.3 Members Satisfaction

Members' satisfaction on services provided by their SACCOS was measured basing on the opinion of the members for each SACCOS as shown in Table 4.4. The Chawima SACCOS ranked as number one on members satisfaction of services it offers to them. 82% of the respondents commented as the SACCOS provide very good services.

Table 4.4: Members Satisfaction

| SACCOS name Members Satisfaction Opinion | Respondents (%) | | | | |
|--|-----------------|--------------|-----------------|----------------|-------------------|
| | Afya n=17 | Fune n=33 | Chawima n=11 | Walimu n=24 | Matumaini n=19 |
| Satisfied (%) | 65 | 42 | 82 | 58 | 53 |
| Not satisfied (%) | 35 | 58 | 18 | 42 | 47 |
| Total | 100 | 100 | 100 | 100 | 100 |

Source: Field survey 2012

Even though Walimu SACCOS doing well still other SACCOS is doing well in creating opportunities to its members and level of satisfaction, while Walimu ranked 3 (Table 4.4). It implies that many members and large portion of shares is not a guarantee to member's satisfaction of service rendered by the SACCOS. Still there is a need to introduce innovative products that can attract more members and raise their level of satisfaction. Fune SACCOS has attracted more members in 4 years June 2008 it was with 250 members with 2,860,000/- as shares *appendix 2A and B* to 935 members in March 2012 with 25,850,000/- as shares *appendix 3*.

4.4 Factors Contributing Growth of SACCOS

SACCOS performance was assessed basing on the factors that affect its performance. The result reveals that the major factors affecting SACCOS performance includes source of capita/fund, interest rate, loan application procedures, Education and loan disbursement.

a. Source of Fund

Results from the study are indicate that professional based SACCOS, that is Walimu and Afya SACCOS they try much to rise fund from internal source which is through

shares, deposits and savings. Afya SACCOS is doing much better when compared with Walimu SACCOS on raising fund internally. Afya SACCOS have been able to rise up 97% of its capital and only 3% are external fund. Fune SACCOS have much external dependence of its capital to run its activities. The SACCOS have been financed by the Cooperative Rural Development Bank (CRDB) Table 4.1.

The problem with external source of fund is that; those from financial institution are rendered at market interest rate which is very high, while SACCOS provides loan at lower rate and moderate rate to its members. As a result the microfinance institutions become an agent to these financial institutions.

b. Interest rate

The interest rates charged differ for each SACCOS depending on type of loan provided. The Walimu SACCOS charges higher interest up to 30% per annum on loan from saving account. This interest is very high, it drains the members but in turn the profit goes back to the financial institutions gives loan to the SACCOS. The Afya SACCOS charges up to 18%. To some extent when interest is moderate it allows the member to borrow and repay loan on time and this allow more members to borrow money depending on internal source. What is produced enlarge the capital base of the SACCOS.

c. Loan Disbursement to Member

Timely loan disbursement to member strengthens commitment increases user satisfaction, creates realistic expectations of outcomes, and respects local people's attitudes and built trust Luz (2000) Fune SACCOS seems to do better than other

SACCOS on timely loan disbursement. About 58.6% of Fune SACCOS members are satisfied with timely loan disbursement. This is facilitated by assistance received from CRDB.

d. Staff Qualification

Performance of key staff (Top Management) and the ability to perform depend on the skills and knowledge they have. Results reveal that about (40 – 69%) of members of Walimu SACCOS have at least secondary to higher education. Under normal circumstances the Walimu SACCOS as well as Afya they are in good capability to translate policies and regulation compared to other SACCOS formed depending on Geographical bond whose up to 86% have any primary education.

e. Loan Application Procedures

Loan application procedures have been affecting SACCOS performance. Members of the Geographical bond formed SACCOS (Fune, Chawima and Matumaini) are not satisfied with the procedures required to fulfill before securing loan compared to professional member SACCOS (Afya and Walimu) **Table 4.5**. On average 30% of the total respondents claim these procedures to an obstacle.

4.5 Challenges Facing SACCOS

SACCOS in the study area face some challenges in their operations. These challenges were identified during the study and the respondents mentioned out the following challenges facing their SACCOS.

Table 4.5: Factors Affecting the Performance of SACCOS

| Variable | Description | Respondents (%) | | | | |
|---------------------------------|------------------|-----------------|--------------|-----------------|-------------------|----------------|
| | | Afya n=17 | Fune n=33 | Chawima n=11 | Matumaini n=19 | Walimu n=24 |
| Source of Fund (%) | Shares | 8 | 2 | 4 | 11 | 6 |
| | Savings | 50 | 6 | 38 | 0 | 75 |
| | Deposits | 10 | 2 | 8 | 9 | 7 |
| | J.K Fund | 32 | 0 | 32 | 29 | 0 |
| | Banks | 0 | 84 | 13 | 41 | 0 |
| | Donors | 0 | 6 | 5 | 4 | 12 |
| Interest rate (%) | Savings | 20 | 26 | 25 | 21 | 32 |
| | Deposits | 14 | 14 | 12 | 13 | 11 |
| | Loan | 12 | 16 | 15 | 15 | 18 |
| Qualification of key staffs (%) | Primary | 24 | 76 | 71 | 79 | 4 |
| | Secondary | 61 | 18 | 16 | 13 | 68 |
| | Higher education | 15 | 6 | 13 | 8 | 31 |
| Loan disbursement (%) | | 34 | 59 | 46 | 49 | 52 |
| Loan application Procedures (%) | | 12 | 36 | 41 | 44 | 19 |

Source: Field survey 2012

Table 4.6: Challenges Facing SACCOS

| Respondents (%) | | | | | | |
|----------------------|--------------|--------------|----------------|-------------------|-----------------|--|
| Challenges of SACCOS | Afya n=17 | Fune n=33 | Walimu n=24 | Matumaini n=19 | Chawima n=11 | |
| Poor Management | 18 | 23 | 6 | 30 | 31 | |
| Low capital | 17 | 49 | 21 | 31 | 34 | |
| Few members | 36 | 7 | 18 | 26 | 11 | |
| Inadequate knowledge | 22 | 16 | 19 | 9 | 21 | |
| Political influence | 7 | 5 | 36 | 4 | 3 | |

Source: Field Survey, 2012

a. Poor Management

Any organization's development is rest on the shoulders of its management. The ability of management to maneuver and establish new and marketable products to their services will satisfy and attracts more members to their organisation (SACCOS). Large proportion of the respondent (23%) was not satisfied with their management. They point out that their management is not knowledgeable enough on SACCOS operation because of their little ability on innovation. They run the SACCOS activities as a normal routine work.

b. Low Capital (Internal Capital Weakness)

Results from the study shows that low or weak internal capitalization poses a major drawback of the SACCOS Development in rural areas. About 30% of the total respondent from SACCOS members point out this to be the problem/challenge facing the SACCOS. That's why many SACCOS become dependent to external source; a good example is the Fune SACCOS which is financed by the CRDB Bank. Depending to external sources (Donors and other financial institutions) is influenced by low/weak internal fund that fails to meet members demand. Member based microfinance institution preferred to work through intermediary institutions not only as a risk minimizing strategy but also in order to enhance cost effectiveness and efficiency due to low capital (Semboja 2004).

c. Few Members

Any increase in number of members of SACCOS indicated a promising development. Number of members is one of the important factors of SACCOS

Development. Members are the source of internal capital through shares, deposits and saving. Other things remains constant (*ceteriperibus*) number of members increases proportionately with the internal capital. The Afya SACCOS is facing this problem of few members, even though they tried much to raise internal fund when compared with other SACCOS with large number of members. The Afya SACCOS give a promising future if it managed to attracts more members it could do much better and wonderful.

d. Inadequate Knowledge on SACCOS Operation

Results from this study reveal that about 18.5% of the total respondents were complaining on little knowledge on SACCOS operations. Many people think that SACCOS is there to provide loans to need people. When pass through SACCOS profile Table 4.1 it shows that people (members) do not deposits their money to the SACCOS as well as saving are very minimal especially those SACCOS formed by Geographical bond. Professionals SACCOS do much better on the field of Deposits and saving differently from other SACCOS.

e. Political Influence

Result indicates that 12.7% of the total respondents complain that political leaders interfere their SACCOS business by influencing management actions and decisions so as to build themselves politically and to safe guard their position in the community.

4.6 Contribution of SACCOS to Employment Creation

Business activities, agriculture expansion and credit accessibility to build houses by members is the major factor in determining the effectiveness of member based

microfinance institution. The result shows that different opportunities are created to members as well as non members. These opportunities include.

i) Agricultural activities

Expansion of agriculture activities come as a result of agricultural loan provided through SACCOS which their members are mostly engaged in agricultural activities. Fune and Chawima members much benefited the loan for starting or expanding agriculture activities in their area mainly through farm equipments. Also non members are given opportunity to access loan for agricultural activities.

ii) Access Credit to Build Houses

The result shows that about 15% of the total respondent benefit on accessing credit to build houses. This is not easy to access for non-members of SACCOS. Chawima and Afya SACCOS created more opportunities to their members in accessing credit for either opening or expanding business. Members benefited by Credits from SACCOS have been able to build permanent houses as a result this improves their standard of their life.

iii) Expanding business

Field result shows that Proportion of (12-36%) of members and non members has an opportunity of expanding their business using services provided SACCOS as a major source. These include credits, training and other indirect benefits such as stable economic through money in circulation in the area.

Table 4.7: Opportunity created by SACCOS to their Members

| Opportunities | Respondents (%) | | | | |
|-----------------------------------|-----------------|--------------|-----------------|----------------|-------------------|
| | Afya n=17 | Fune n=33 | Chawima n=12 | Walimu n=24 | Matumaini n=19 |
| Access credit to build houses | 12 | 15 | 18 | 4 | 26 |
| Expanding agricultural activities | 49 | 61 | 36 | 33 | 31 |
| Paying school fees | 12 | 3 | 9 | 50 | 10 |
| Expanding the business | 12 | 18 | 36 | 13 | 31 |
| Others | 4 | 3 | 1 | 0 | 2 |
| Total | 100 | 100 | 100 | 100 | 100 |

Source: Field Survey, 2012

4.7 Contribution of SACCOS on Poverty Reduction of Members

Through SACCOS members have been able to access credit to carry out different economic activities. Poverty reductions are accessed basing on the following.

a. Assets Ownership

The results in (Table 4.8) indicate that members were improved on ownership of some assets that support their economic activities in the community. But large proportion (49%) still depends on hand hoe as farm tool for agricultural activities. 25-54% owns bicycle as means of transport mainly for their produce from farm to home/stores and the market. At least 95% own mobile phone and radio as a means of communication. Fume and Chamwino members have more opportunities in accessing farm inputs. 73% of Fune SACCOS have proved that SACCOS has

contributed significantly in improving their productivity through farm input accessibility through the CHINANGALI grapevine project. About 56% members of Chamwino SACCOS their members agreed with the SACCOS contribution toward poverty eradication in the community through financial accessibility and training.

Table 4.8: Impacts of SACCOS on Assets Ownership

| | | Respondents (%) | | | | | | |
|------------------|----------------|-----------------|----------------|--------------|-------------------|-----------------|------------------------|----|
| Asset category | Description | Fune n=33 | Walimu n=24 | Afya n=17 | Matumaini n=19 | Chawima n=11 | Non members n=30 | |
| Transport | Motor bike | 30 | 32 | 30 | 29 | 21 | 19 | |
| | Bicycle | 52 | 44 | 49 | 47 | 48 | 21 | |
| | Car | 7 | 11 | 9 | 8 | 12 | 14 | |
| | None | 11 | 14 | 13 | 16 | 20 | 43 | |
| Communication | Mobile phone | 37 | 44 | 32 | 47 | 40 | 51 | |
| | Radio | 41 | 29 | 44 | 33 | 32 | 27 | |
| | Television | 20 | 21 | 22 | 19 | 26 | 19 | |
| | Computer | 1 | 7 | 2 | 1 | 3 | 3 | |
| Farm equipment | Tractor | 52 | 15 | 17 | 14 | 18 | 8 | |
| | Ox-plough | 21 | 31 | 26 | 29 | 46 | 33 | |
| | Hand hoe | 29 | 54 | 59 | 67 | 37 | 60 | |
| Housing Variable | Cement bricks | 41 | 38 | 42 | 38 | 33 | 33 | |
| | Wall | Burnt bricks | 43 | 51 | 44 | 46 | 30 | 17 |
| | | Mud bricks | 21 | 10 | 14 | 16 | 41 | 49 |
| Floor | Cement | 56 | 65 | 71 | 63 | 68 | 47 | |
| | Mud | 44 | 35 | 32 | 37 | 32 | 53 | |
| Roof | Aluminum sheet | 82 | 78 | 86 | 79 | 61 | 43 | |
| | Mud | 18 | 22 | 14 | 21 | 39 | 57 | |

Source: Field data (2012)

n.b The respondent's percentage seems to be more than 100% because of multiple responses

On the case of fixed assets, the result that large proportion (26-65%) of SACCOS members own houses, built with permanent materials (cement bricks and burnt bricks, iron sheets), this shows the contribution of SACCOS in improving life standard of their members. Professionals owned SACCOS (Afya and Walimu) play a big role in facilitating members to own quality settlement compared with other SACCOS. This proves that most of the SACCOS formed by professionals achieve their goals more easily than those SACCOS formed by bond of geographical area.

b. Food Security

The results (**Figure 4.1**) show that about (68-79%) of SACCOS members have sufficient food throughout the year even though climatic change affects much their products while only 43% of non member are secured.

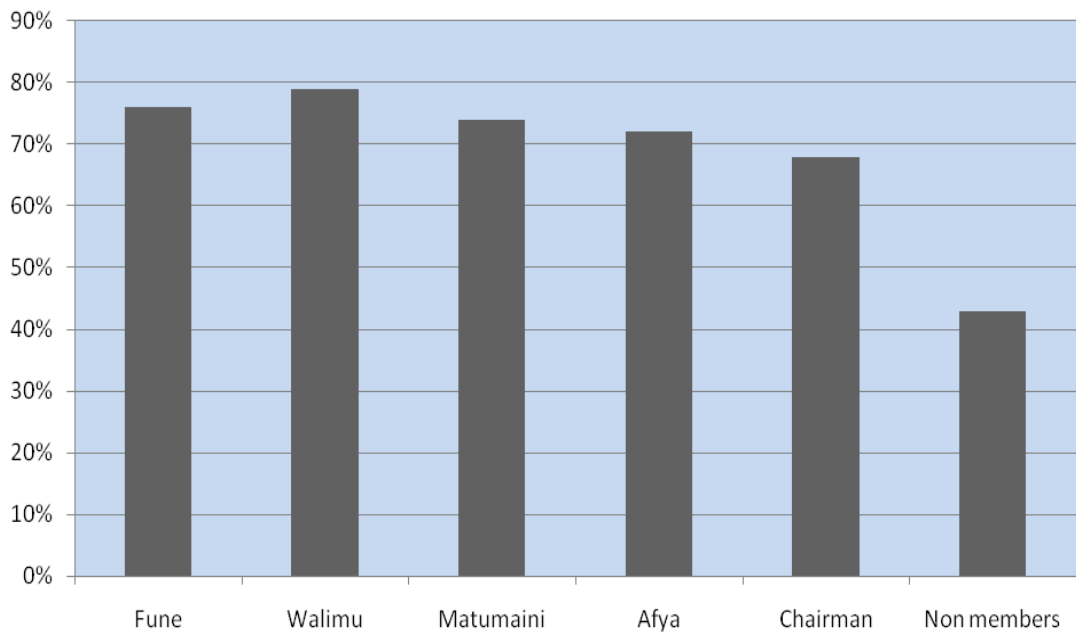


Figure 4.1: Food Security for Members and Non-Members

Source: From field data, 2012

c. Pay School Fees

Results indicate that 16.8% of the respondents have applying loan for paying school fees. The Walimu SACCOS have opened more opportunities for their member applying loan to pay school fees, it followed by Afya SACCOS. The two SACCOS are foe professionals. Through SACCOS facilities members are advancing in acquiring knowledge which is very important for personal and community development.

d. Increase in Income Levels

Individual income level has been changed because members are engaged in different economic activities which generate cash to them. Agriculture activities, businesses, cattle keeping and poultry activities generate income to members. An Income increase is the major factor to break up the trap of the poverty circle (Figure 2.1).

4.8 Reasons for Joining SACCOS

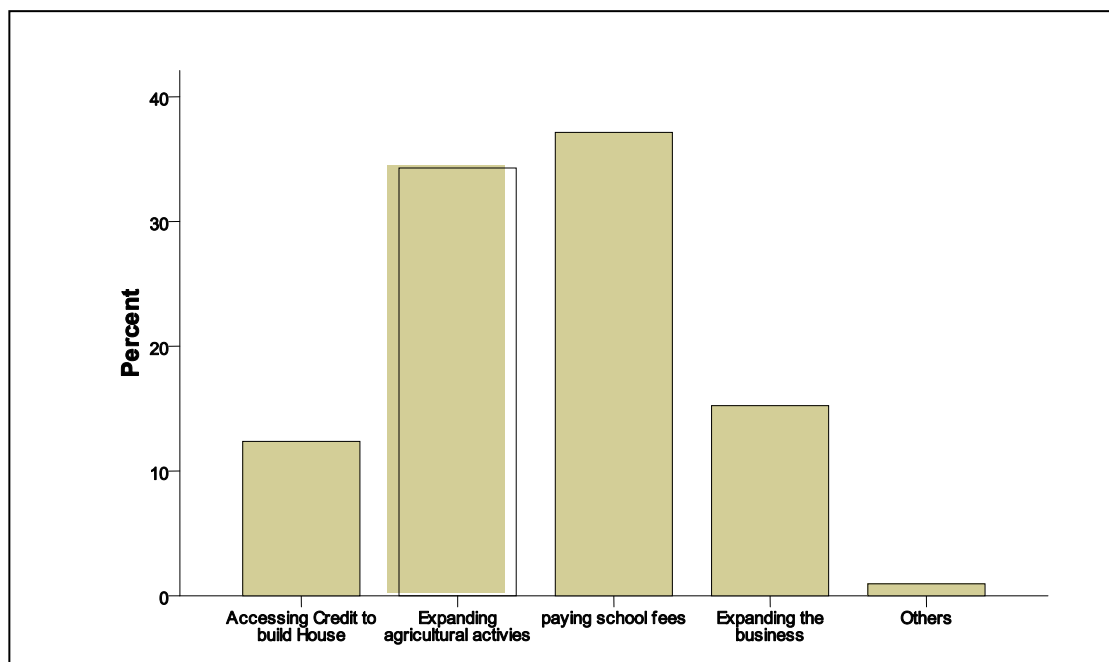
The results in Figure 4.2 show that there are mainly four reasons to join the SACCOS. These reasons are Access to credit to build houses, Agriculture, Business and Saving. 39% SACCOS members have been joining the SACCOS to start or expanding their business. Many of them are from Chawima SACCOS with its office at Chalinze along Dodoma – Dar es Salaam High way where many businesses are carried their mainly business are meat processing, food supply, shops and oil production.

Members joining SACCOS for Agriculture development purpose counts for 33%. The Fune SACCOS and Matumaini contribute greater proportion to this portion

because their members are purely farmers and engage in Agricultural activities. Fune and Matumaini SACCOS had opened more opportunities in Agricultural Industry to its members. Walimu and Afya SACCOS which are professionals much follow under the loan need category this category include reasons such as loan for Education, (pay school fees), build houses buy other Assets for transport and communication. This contributes to 24% of the total population of the SACCOS under study.

The results generally indicate that members have different objectives to join SACCOS. Therefore a SACCOS with multiple services is at good position to attract many members. Under this study very few members about 4% have joined SACCOS for saving their surplus.

Figure 4.2: Reasons Influencing Community Members to Join the SACCOS



Source: Field Survey, 2012

CHAPTER FIVE

5.0 CONCLUSION AND RECOMMENDATION

5.1 Introduction

The overall objective of this study was to assess the role played by the Savings and Credit Cooperative Societies in poverty reduction to their members in Tanzania for the case of Chamwino District in Dodoma Region.

This chapter presents conclusion and recommendations on the basis of the study findings.

5.2 Summary of Findings

The study was aimed at effectiveness of SACCOS and poverty eradication in rural areas. The finding based on specific objectives reveals that, the major factors influencing SACCOS performance includes source of capital/fund, interest rate, loan application procedures education and loan disbursement, as well as economic activities availability in the area. The SACCOS has contributed much in creating employment to the community. Through business activities, agriculture expansion and credit accessibility to members, many employment opportunity have been created to members as well as to non members. The SACCOS has contributed to poverty reduction to its members. This is observed through the following factors. Asset ownership, this includes means of transport, communication facilities farm equipment housing and food security.

Members' standard of living has been changed compared to non members and the period before they join SACCOS. Currently they are able to access credit, short term

liabilities shares, savings and deposit which played a big role towards poverty eradication.

The importance of SACCOS provides security framework to qualify for bank loans to improve community's efforts in income generating activities. SACCOS promotes community ownership and peoples' voice is the driving force in relation to the cooperative principles. Members have equal right to participate in development of their society.

5.3 Implication of the Results

From the analysis and discussion in chapter four the research findings indicate that all of the respondents joined the SACCOS in order to have access to financial services. They particularly intended to get access to loans to finance productive activities.

Empowerment of members of SACCOS promotes sharing knowledge skills and experience in the process of problem identification, planning, implementation, monitoring and evaluation of the cooperative activities in a participatory. This will enable power sharing with the ordinary members in order to build confidence and ability to manage economic activities and cooperatives. The weak capital foundation of the SACCOS reduces the speed of their growth by seeking assistance from other financial institution to meet demand of their members. They acquire loan at higher interest rate and lend it to its members at lower interest rate. We need to recognize that the extended dependence from external sources (donor and other stakeholders)

for funding and assistance is viable.

SACCOS need to generate surplus that will capacitate them to cover the cost of operation and the demand of their member. In order to provide financial services to the members effectively, SACCOS need to adopt more of business orientation and look at how their services can be delivered at optimal costs. The SACCOS visited in the study had not carried out analysis of their costs structure and whether the way they price their products and services ensures that costs are covered. Also there is a need to continue to provide entrepreneurship skills to MFIs members in order to have income generating activities in their places, this in turn will make a good use of loans and hence improve loan repayment.

Up to date the involvement and participation of members in SACCOS affairs is still weak. This was observed in Chamwino District during field work where by many SACCOS are experiencing membership deteriorations due to inadequate skill, knowledge, poor management and experience. The main challenge is the weak leadership, limited member participation and Capital, low skills on SACCOS business and domination of political rather than business considerations. In order to get out of the current situation it is recommended to focus on the development of capability of cooperative members to take the lead in the operations of SACCOS.

SACCOS as a financial intermediary has not been optimized due to lack of innovation of production, low capital formation (depending much in equity financing which is not a permanent capital) and financing methodologies. This has been among

the factors that contribute to hinder members/customers needs and expectation as a result of unsustainable SACCOS. In the rural areas it is often difficult to separate financial needs of business households' activities from other financial needs of individual households. Other factors that contribute to poor sustainability of SACCOS include weak internal control system; inadequate Human resources, unsustainable interest rates, inadequate knowledge on microfinance best practices.

Weak skills and knowledge, absence of effective linkages between financial Institutions and Rural SACCOS, also lacking of a policy and directives to the Commercial Banks to facilitate SACCOS lending at low interest rate rather than market rates it prohibits its expansion and development.

5.4 Conclusion

The importance of SACCOS in Tanzania is crucial. The emerging of SACCOS in rural area has been so important to community in rural areas to promote development and ownership. It is contributing to give voices to community in accessing financial resources needed. Also provides security framework to qualify for bank loans to improve community's efforts in income generating activities such as agriculture, Business and improvement in standard of living to their members.

Experience has shown that availability of financing, even small amounts has a very positive impact on the family's economic condition as it helps to unlock productive potential. Evidence from rural finance clients demonstrates that access to financial services enables poor people to increase their incomes, build assets, and reduce vulnerability.

Sustainability of SACCOS is underlined to improve the operational performance of SACCOS to meet customer needs.

5.4.1 Factors Influencing SACCOS Performance

From the analysis above major factors influencing SACCOS performance are;

i. Source of Fund/Capital

Professionals owned SACCOS are doing well because they are able to rise fund basing on internal sources which is sales of share, deposit and savings. Depending on internal source has contributed much on development of these SACCOS (Walimu and Afya) because the return interms interest charged increase capital base of these SACCOS as a result they are able to save their members.

Geographical bond formed SACCOS (Chawima, Matumaini and Fune) they are much depending on external sources (from other financial institutions) The problem with external source of fund is that; those from financial institution are lended at market interest rate which is very high, while SACCOS provides loan at lower/rate and moderate rate to its members. As a result the microfinance institutions become an Agent to these financial institutions. To save the poor to access financial assistance easily the Government have to establish rules and regulations to these commercial banks on how help SACCOS on rendered sum should not be at market interest rate and also the JK fund should be channeled through SACCOS as could be determined by the District Cooperative Office rather than through Commercial Bank which are not use friend to poor people especially rural areas.

ii. Staff Qualifications

The level of education is very important in financial matters. Staff of many rural SACCOS has experienced the problem of unqualified personnel. The Professional owned SACCOS (Walimu and Afya) have tried to employ qualified staff with atleast a Certificate level in Business and Accounts education. The problem is highly experienced in SACCOS formed basing on Geographical bond, there is lacking of qualified personnel. Due to this problem even maintenance of accounts books is poor.

iii. Interest Rates

The interest rates charged differ for each SACCOS depending on type of loan provided. When the interest is moderate it allows the member to borrow and repay loan on time and this allow more members to borrow money depending on internal source. What is produced through interest enlarge the capital base of the SACCOS.

5.4.2 Contribution of SACCOS on Employment Creation

The SACCOS has contributed much in creating employment to the community. Through business activities, agriculture expansion and credit accessibility to build houses and other economic activities such as to cattle keeping and poultry to members, many employment opportunity have been created to members as well as to non members. Agriculture has contributed much on creating employment to SACCOS members and non members. Many members engaged in agriculture activities as farmers and also in marketing the farm products.

Accessing credit allow many members to expand or start business. The business employs a great number of people. They open shops, kiosks and selling and buying of agricultural products such as maize, beans, sesame (simsim), Sunflower and groundnuts. Through business and other economic activities people life standard have changed.

5.4.3 Contribution of SACCOS on Poverty Reduction

Empowerment in Cooperatives as an objective to facilitate participation and involvement in decision making pertaining to their own social and economic development using cooperative organization as a tool with the ultimate goal of creating wealth and reducing poverty.

With members' empowerment, knowledge, skills and experience is shared in the process of problem identification, planning, implementation, monitoring and evaluation of the cooperative activities in a participatory manner.

Experience has shown that availability of financing, even small amounts has a very positive impact on the family's economic condition as it helps to unlock productive potential. Through SACCOS members have been benefited on accessing credit and training on various issues toward development. Life standard of members have changed compared to non members and time before they join SACCOS.

5.5 Recommendations

Collective effort should be directed to sensitization on attracting more community members to join the SACCOS, increasing shares, deposits and savings for the MFIs

to develop internal capital. The Government and stakeholders of the Cooperative society's need to rebuild strong guideline for directing the operation of the SACCOS. Also training in credit management should be equipped to borrowers on technicalities of credit management commitment to the purpose credit is given.

- i. Strengthening SACCOs and improving marketing (making sure that farmers have a market and at reasonable prices) are supportive attributes for the development of rural finance. The SACCOs have to build the capacity to operate like businesses and must be staffed by entrepreneurial and knowledgeable leaders.
- ii. The public sector should work with the micro finance institutions through investing in infrastructure, market services and extension of the rural areas as a way of developing the agricultural sector.
- iii. Capacity building is essential for SACCOs to function competitively. Promoting of the SACCOS should be separated from supervision to allow for the application of the standards. Currently promotion and supervision are still under the Ministry of Agriculture Food and Cooperatives.
- iv. Building competence in SACCOs through capacity building initiatives deserves priority to enable these institutions operate more efficiently and competitively. SACCOs and community banks will need assistance in acquiring technical and managerial competence and institutional capacity building.
- v. The new approach is needed to focus on income expansion and poverty reduction but makes the case for cost effective alternatives, such as increased investment in rural infrastructure or in human development, to reach these

goals.

The government needs to allocate a sufficient budget in order to facilitate training and purchases of transport facilities such as motor vehicles and motorcycles for easy monitoring of the SACCOS which are spread over wider areas. Supervisory authority need to emphasize adherence to good governance principles in managing SACCOS in order to boost members' confidence and trust. This may help to encourage more people to join SACCOS. To achieve this dream, SACCOS must be able to provide a variety of financial services and products to ensure institutional sustainability. Among the products that need to be emphasized, include insurance products such as funeral and credit life insurance, money transfer as well as developing deposit products with attractive features such as payment of interest to deposits in order to attract more depositors to the SACCOS, which also become source of capital.

Education and awareness campaigns by the government and interested stakeholders in poverty eradication need to be emphasized so that more people may be aware of their rights and the possibility of accessing financial services from their self- owned institutions (SACCOS).

5.6 Limitations of the Study

These are problems a researcher encounter during his research. Some of these problems include the following.

- i. Insufficient fund: This is because the study was self sponsored and need to cover enough samples for SACCOS located in the rural area.

- ii. Time constraints: This limited the study to a small sample of respondents and visits to rural based areas.
- iii. Geographical location: Many SACCOs are located very far from the town centre.

5.7 Suggestions for Further Research

This study was concerned with the effectiveness of rural MFIs in poverty eradication. There is a need to carry other research on products and product quality provided by SACCOS towards its objectives. There is a gap to cover in order to attract more people to join member based microfinance institutions.

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APPENDICES

Appendix 1: Questionnaires Form

Instructions:

- i. Please select appropriate answer in your opinion and make a tick mark (v) in the space provided for questions that have listed the possible answers.
- ii. For other questions please provide responses in your own words.

A. Membership Information

1. Age of respondent.....
2. Name of respondent.....
3. Place of birth.....
4. Sex

_____ MALE

_____ FEMALE

5. Position in the house.

_____ Head of household

_____ Husband/wife

_____ Child

_____ Worker.

- 6 .What is your education level?

_____ Informal education

_____ Adult education.

_____ Primary education.

_____ Secondary education

_____High education

7. Number of household

i- Two

ii- Three

iii- Four

iv- Others, Specify.....

8. Are you a member of SACCOS?

__YES

__NO

9. If the answer in question 8 is YES, give reasons that influenced you to join the

SACCOs.....

...

10. If your answer in question 8 is NO respond to non member questionnaire in part

B

11. What benefit do you get for being a member of a SACCOS?

i-Loan

ii-Saving

iii-Expanding production

iv- Business knowledge.

v- Others, Specify.....

12. What are your major economic activities?

i- Agriculture

ii- Business

iii- Employed

iv- Others, Specify

13. Did you apply for the credit in your SACCOS?

_____ YES

_____ NO

14. What are the reasons for applying credit?

i- To buy farm input

ii- To build house

iii- To pay school fees

iv- To start/expand business

v- Others, Specify.....

15. How do you spend the credit?

i- To buy farm input

ii- To build house

iii- To pay school fees

iv- To start/expand business

v- Others, Specify.....

16. Did you incur any costs in obtaining credit from the SACCOS for the purpose acquired?

_____ YES

_____ NO

17. If YES, what costs do you incur?

.....

18. Did you utilize the credit obtained from the SACCOS for the purpose acquired?

_____ YES

_____ NO

19. Do you think your income position has changed since joining the SACCOS?

_____ YES

_____ NO

20. If your answer in question 19 is yes, what is the source of those changes?

.....

21. Are you satisfied with the products and service provided by your SACCOS?

_____ YES

_____ NO

22. If your answer is NO what are the reasons?

23 What are the challenges facing your SACCOS?

i- Low capital

ii- Few members

iii- Poor management

iv- Little knowledge on SACCOS' operation

v- Political influence.

vi- Others, Specify

24. What areas the SACCOS have to be improved in its products/ services? Please

specify:

i- Reducing the interest rate.

ii- Reducing the procedures in loan application,

iii- Improving training to members,

iv- Open services to non-member

v- Others, Specify.....

25. Have you ever participated in any training on member based microfinance institutions?

_____ YES

_____ NO

26. If yes specify the kind of training you had attended

27. If your answer is NO, what are the reasons?

28. Have you always been able to have access to deposit and loan when needed?

_____ YES

_____ NO

29. If your answer in 28 is NO what are the reasons? Specify

30. What is the rate of interest charged by your SACCOOS?

i- 5% ii- 10% iii- 15% iv-18% v- 25% vi- Others Specify.....

31. What benefit did you get for joining (being a member) your SACCOS?

i- Access to credit

ii- Expanding agricultural activities

iii- Paying school fees

iv- Expanding the business

v- Others, Specify.....

32. Are you satisfied with the condition of loan repayment?

_____ YES

_____ NO

_____ OTHERS, Specify.....

B. QUESTIONNAIRES TO NON MEMBERS

1. Why are you not a member of any Saving and Credit Cooperative Society?

i-

ii-.....

2. Do you get credit from any SACCOS?

_____ YES

_____ NO

3. If NO, do you get credit from other sources?

_____ YES

_____ NO

4. If YES what are the difference from the SACCOS?

.....

5. What do you think ought to be done to influence many people to use services from SACCOS?

i-

ii-

iii-

6. Which assets did you purchase after getting credit?

i- house

ii- transport

iii- farm input

iv- News media

v- Others, Specify.....

7. Do you think there have been any improvements in your standard of living?

_____ YES

_____ NO

8. If yes, mention where you think you have been improved.

.....

9. What are the major sources of your Income?

.....

.....

C. QUESTIONNAIRE TO KEY INFORMANT (OFFICERS)

1. How may SACCOS does the district have?

2. How may of the total SACCOS are located in the rural areas?

3. Do the rural SACCOS provide the following;

i- Short loans

ii-Medium term loans

iii- Long-term loans

iv- Housing loans

v- Emergence loans

vi- Christian loans

vii-Other loans

4. Do rural SACCOS get loans from financial institutions?

5. If no 4, the answer is yes, what are the requirements for accessing loans by

SACCOS?

6. Is collateral one of the requirements for accessing loans?
7. If so what is the average rate of interests on loans acquired from financial institutions?
8. Do rural SACCOS save with financial institutions (banks)?
9. If so what is the rate of interest on saving with financial institutions (Banks)?
10. What support system is provided by financial institutions (banks) regarding the following?
 - i- Management of loan portfolio by SACCOS committees?
 - ii- Management of saving by SACCOS committee?
 - iii- Record keeping?
 - iv- Capacity building for SACCOS?
11. What are the administration regulation and procedure in issuing loans?
12. What is the qualification of key staffs?
 - i- Informal education.
 - ii- Adult education.
 - iii- Primary education.
 - iv- Secondary education.
 - v- Higher education.
13. What are the sources of financial resources?
 - i- Members' fees, savings, shares and deposits.
 - ii- Donors.
 - iii- JK funds.

iv- Other, specify.

14. How you identify the needs in order to decide on what services are required;

i- By visiting SACCOS.

ii- Surveys

iii- Through seminars/workshops/conferences.

iv- Other specifies.

The following factors can improve services from saving and credit cooperatives.

Rank them according to their importance.

1. Strongly agree 2. Agree. 3. Undecided 4. Disagree. 5. Strongly disagree.

| Factor | Strong Agree | Agree | Undecided | Disagree | Strong Disagree |
|--|---------------------|--------------|------------------|-----------------|------------------------|
| Employing staff with knowledge on SACCOS operation | | | | | |
| Assurance of accessing fund at any time | | | | | |
| Non member to be allowed to deposit | | | | | |
| Increase in the members' income level. | | | | | |
| Members' empowerment. | | | | | |

15. What is the common reason for member seeking credit?

a) Business activity.

b) Agricultural activity.

c) School fees.

d) Food security

e) Other specifies.

16. Criteria used to determine the credit disbursement to the customer.

a) Nature of the business

b) Rules and Procedure.

c) Amount of saving.

d) Collateral.

e) Other specify.....

17. Collateral required that borrower must fulfill before securing a credit.

a) Any fixed asset.

b) House.

c) Group collateral

d) Shares and amount of saving

e) Other, specify

18. What are major constraints facing member based microfinance institution?

a) Week capital foundation

b) Little knowledge to member on SACCOS operation.

c) Poor management

d) Others specify.....

19. What are measures taken to ensure money safety?

i- Buying safe.

ii- Employing security guard

iii- Open current account with commercial bank.

iv- Introducing by law which inhibit holding a lump sum of cash in the society

20. Any suggestion you would like to make the performance of member based microfinance institution successful.

Questionnaires on institution support to SACCOS growth

1. Name of a company / organization

2. Address of a company

3. Staff strength

i- managerial

ii- Non managerial.

3.1. Level of SACCOS

i- Small

ii- Medium

iii- Large

3.2. What type of financial services do you provide that target market need?

i- Short term loan

ii- Long term loan

iii- Other microfinance

iv- All of the above

3.4. What is the current rate lending rate to SACCOS?

3.5. Is the current rate supportive to SACCOS development?

.....

3.6. Who are your major clients?

i- The big firms

ii- Medium firms

iii- The small firm

3.7. Do your banking activities target the SACCOS development?

_____ YES

_____ NO

3.8. If the answer to 3.7 is NO kindly state your reasons.....

Questionnaire to support SACCOS development

1. Has your company ever applied to borrow money from Bank?

_____ YES

_____ NO

2. If not why not;

a) High interest rate

b) No collateral

c) Not familiar with bank loan

d) Others Specify.....

3. Have you have been refused or denied to borrow money from a bank?

_____ YES

_____ NO

4. What was the main reason your bankers refused offering loan to your SACCOS?

a) To avoid bank problem

b) Lack of security to pledge

c) Lack of competence

d) Other specify

5. What was the highest amount your company ever borrowed from a bank?

6. What collateral or security did you pledge if any

a).....

b).....

c).....

d).....

7. Have you ever had a problem in repaying a bank loan?

_____ YES

_____ NO

8. If yes what are the sources of the problem?

.....

9. What are the courses of the poor credit performance?

.....

10. How lack of economic growth seen as a consequence of shortage of physical capital?

.....

11. How credit enables small and micro enterprises to finance their development and income generating activities?

.....

12. List what you would like the government of Tanzania to do which will help to solve various problems in the SACCOS development.

.....

Thank you, very much

Appendix 2: Checklist for Focus Group Discussion

1. Why other community members do not want to join SACCOS?

.....
.....

2. What are the services provided to non members of SACCOS?

.....
.....

3. What are the factors threatening the sustainability of SACCOS in the area?

.....
.....

4. What can be done to improve services provided by SACCOS to its members?

.....
.....

Thank you, very much.!