EFFECT OF SACCOS TO SOCIO ECONOMIC IMPROVEMENT OF ITS MEMBER’S INCOME. THE CASE OF KINONDONI DISTRICT

By
Mwanaid Amiry

A dissertation submitted to Mzumbe University, Dar es Salaam Campus College in Partial Fulfillment of the requirements for the Award of the Degree of Master of Business Administration in Corporate Management (MBA- CM) of Mzumbe University.

2013
CERTIFICATION

I, the undersigned, certify that I have read and hereby recommend for acceptance by the Mzumbe University, a thesis entitled **Influence of SACCOs to socio-economic improvement of its member’s income: The case of SACCOs in Kinondoni district**, in partial/fulfilment of the requirements for the Master degree of Business Administration (MBA-Corporate Management) in Mzumbe University.

____________________________________________________
Major Supervisor

____________________________________________________
Internal Examiner

Accepted for the Board of

____________________________
DEAN/DIRECTOR,
FACULTY/DIRECTORATE/SCHOOL/BOARD
DECLARATION

I, AMIRY Mwanaid, I do declare that the content of these dissertation are purely represent my own original work and to the best of my knowledge, it has never been submitted to any higher learning institutions/universities for academic award.

Signature .............................................................................................................
Date .....................................................................................................................
COPYRIGHT

©

This dissertation is a copyright material protected under the Berne Convention, the Copyright Act 1999 and other international and national enactments, in that behalf, on intellectual property. It may not be reproduced by any means in full or in part, except for short extracts in fair dealings, for research or private study, critical scholarly review or discourse with an acknowledgement, without the written permission of Mzumbe University, on behalf of the author.
ACKNOWLEDGEMENT

I would like to acknowledge the assistance I received from different people in producing this work and during my studies. I am greatly indebted to all Chairmen’s of WANAMA, WAT, TANALE, MLIMANI and MAJI SACCOSS for allowing me to conduct my research in their organization. I am also thankful to Mr. Hamza and all the staff of the SACCOs in Kinondoni district. But also this Research paper would have not been possible without the strong support and guidance of DR. BARONGO, F has been a vital key person throughout this research preparation, God bless him for his care and support till this achievements of this research and other member of the staff from Mzumbe university, Dar-Es-Salaam Business School.

In a very special way, I am highly grateful to my lovely and adorable daddy and Mom and my prized Hassan who was always there to support and accommodate me for all the time of my study in Dar-Es-Salaam. May God bless them abundantly. I am also grateful to my sisters Zulekha, Salma, Zackia without forgetting my lovely brother Hillaly and my friends Rehema, Magreth, Luambano, Hussein, Kazimiri, Nicolas, Louis, Juliana, Enock, Jackson and Glory. It’s difficult to point every one while the inputs and support of each and every individual in different levels are sincerely appreciated as they take full responsibility for any shortfalls in this research report. Over and above all, I thank God almighty, whose grace and abundant blessings upheld me through high and low periods during my study.
DEDICATION

This work is dedicated to my lovely and adorable parents Mr & Mrs Kabora, May God protect and give them long and cheerfully life. I also dedicate this work to my family members, my venerated Hassan and all those poor men, women and children, who on most occasions may not even know from where the next meal will come.
### LIST OF ABBREVIATION

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
</thead>
<tbody>
<tr>
<td>SACCOs</td>
<td>Savings And Credits Co-operatives organization Societies.</td>
</tr>
<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises.</td>
</tr>
<tr>
<td>FINCA</td>
<td>Foundation for International Community Assistance.</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund.</td>
</tr>
<tr>
<td>URT</td>
<td>United Republic of Tanzania.</td>
</tr>
<tr>
<td>NGO</td>
<td>Non-Government Organization</td>
</tr>
<tr>
<td>HDI</td>
<td>Human Development Index</td>
</tr>
<tr>
<td>TCA</td>
<td>Tanzania Co-operative Alliance Limited</td>
</tr>
<tr>
<td>HID</td>
<td>Human Integrated Development -</td>
</tr>
<tr>
<td>Rural SPEED</td>
<td>Rural Savings Promotion and Enhancement Of Enterprises Development</td>
</tr>
<tr>
<td>MDIs</td>
<td>Micro Deposit Taking Institutions</td>
</tr>
<tr>
<td>BOT</td>
<td>Bank of Tanzania</td>
</tr>
<tr>
<td>RFSP</td>
<td>Rural Financial Service Programmes</td>
</tr>
<tr>
<td>SCCULT</td>
<td>Saving and Credit Cooperative Union League of Tanzania.</td>
</tr>
<tr>
<td>TAMFI</td>
<td>Tanzania Association Of Micro Finance Institution.</td>
</tr>
<tr>
<td>TFC</td>
<td>Tanzania Federation of Co-operatives</td>
</tr>
<tr>
<td>COASCO</td>
<td>Cooperative Audit and Supervision Cooporation.</td>
</tr>
</tbody>
</table>
ABSTRACT
The general objective of the study was to investigate the influence of SACCOs to socio-economic improvement of its member’s income, a case of Kinondoni District. More specifically, the objectives of the study were: To evaluate the conditions of SACCOs on saving mobilization strategies to social-economic improvement to its members, to assess the responsiveness of the people in income improvement that is aimed by SACCOs to its members and to determine the role played by SACCOs in the social economy; and to give recommendation basing on the findings.

Data collection methods employed in this research include interview and observation also data instruments was questionnaire and documentary analysis. Data being collected from different sources were presented in a textual and to provide data in a simple summary about the sample and measures through tables and they were processed through editing, coding, classification and interpreted to give a position of the research.

Basing on the methodology and technique of data collection used by a researcher, the empirical data collected was evaluated and measured in numbers and percentages, in order to come up with her decision and conclusion on the effect of SACCOs to socio-economic improvement of its member’s income. With regard to this perspective, 50% or more was used as a decision criterion in drawing conclusion. From the above percentage the researcher concluded that the SACCOs contribute to the income improvement of its members largely at business level and at household level.

Basing on these findings and discussion, the following recommendations are brought to the attention of the SACCOs: should invite the large size of the members that will reduce the operating cost and that would imply to some reduction to the interest rates and by enjoy economics of scale by engaging in large business and to provide required knowledge and skills to its new members before provision of loan especially on entrepreneurship and loan management so that they can reduce the risk of failure and return of development to its active members.
# TABLE OF CONTENTS

CERTIFICATION ........................................................................................................... i
DECLARATION ............................................................................................................... iii
COPYRIGHT .................................................................................................................. iv
ACKNOWLEDGEMENT ............................................................................................... v
DEDICATION .................................................................................................................. vi
LIST OF ABBREVIATION ............................................................................................... vii
ABSTRACT .................................................................................................................... viii
LIST OF FIGURES ......................................................................................................... xii
LIST OF TABLE ............................................................................................................ xiii

CHAPTER ONE ............................................................................................................ 1

1.0 INTRODUCTION AND BACKGROUND TO THE PROBLEM ......................... 1

1.1 Introduction ............................................................................................................. 1
1.2 Background to the Problem ................................................................................... 2
1.3 Statement of the Problem ....................................................................................... 3
1.4 Research Objectives .............................................................................................. 5
1.5 Research Question .................................................................................................. 5
1.6 Significance of the study ....................................................................................... 5
1.7 Limitations and Delimitations of the study ........................................................... 6

CHAPTER TWO .......................................................................................................... 8

LITERATURE REVIEW ................................................................................................. 8

2.1 Introduction ............................................................................................................. 8
2.2 Theoretical literature ............................................................................................ 8
2.2.1 Meaning of a Savings and Credit Cooperative (SACCO) ............................ 8
2.2.2 Role of SACCOs ................................................................................................ 10
2.2.3 How do SACCOS differ from other Cooperatives and financial institutions? 12
2.2.4 What kind of people can be members of a SACCO? ....................................... 12
2.2.5 Objectives of a Savings and Credit Cooperative ........................................... 13
2.2.6 What are member’s most important responsibilities? ................................. 13
2.2.7 How to form a SACCO ...................................................................................... 13
2.2.8 Benefits of SACCOs to its members................................................................. 14
2.2.9 SACCOs offer the following products to their members (Bailey, 2001)........ 14
2.2.10 Savings mobilization strategies:......................................................................... 16
2.11 How foreign banks may assist the development of SACCOs in Tanzania ...... 20
2.2.11 The effect of SACCOs ......................................................................................... 21
2.2.12 Problems of SACCOs in Tanzania.................................................................. 22
2.2.13 Lessons to be drawn from the experience of SACCOs to date...................... 24
2.2.14 Microfinance Institutions Competitiveness in Tanzania.............................. 26
2.2.15 Socio-economic status and its effects on income improvement: ................ 29
2.3 Empirical literature............................................................................................... 30
2.4 Conceptual Framework ....................................................................................... 34

CHAPTER THREE ........................................................................................................ 34
RESEARCH METHODOLOGY ...................................................................................... 34
3.1 Introduction ........................................................................................................... 34
3.2 Study area ............................................................................................................. 35
3.3 Research design ................................................................................................... 35
3.4 Population ............................................................................................................ 36
3.5 Sample Size and Sampling Techniques .............................................................. 36
3.6 Data Collection Methods and Instruments ......................................................... 37
3.6.1 Data Collection Methods ............................................................................... 37
3.6.2 Data Collection Instruments ......................................................................... 38
3.7 Data analysis procedure ..................................................................................... 39

CHAPTER FOUR .......................................................................................................... 40
DATA PRESENTATION, ANALYSIS AND DISCUSSION ........................................... 40
4.1 Introduction .......................................................................................................... 40
4.2 General characteristics of respondents ............................................................. 41
4.3 Condition of SACCOs in saving mobilization .................................................... 44
4.3.1 Accessibility to knowledge: ........................................................................... 45
4.3.2 Level of Privilege: ........................................................................................ 46
4.4 Responsiveness of the people in income improvement ................................. 47
4.4.1 Level of improvement to a person: ................................................................. 48
4.4.2 Lending Rate ................................................................................................... 49
4.4.3 Payment schedule: ......................................................................................... 50
4.4.4 Kind of collateral: .......................................................................................... 51
4.4.5 Criteria favor Sacco’s member: ................................................................. 52
4.4.6 Reaction of SACCOs over a person fails to pay the loan ......................... 53
4.5 Social economic improvement: ................................................................. 54
4.5.1 Problem faced by members of SACCOs ....................................................... 55

CHAPTER FIVE ............................................................................................................. 56
SUMMARY, CONCLUSION AND RECOMMENDATIONS .................................. 56
5.1 Introduction ....................................................................................................... 56
5.2 Summary of the study ...................................................................................... 56
5.3 Conclusion ......................................................................................................... 58
5.3 Recommendation ............................................................................................. 59
REFERENCE ............................................................................................................. 62
APPENDICES ............................................................................................................. 64
LIST OF FIGURES

Figure 2.1 Vicious cycle of poverty.................................................................15
Figure 2.2 Improvement of SACCOs member’s income....................................33
Figure 4.1 Respondents Sex.............................................................................41
Figure 4.2 Marital Status...................................................................................42
Figure 4.3 Payment Schedule............................................................................49
Figure 4.4 Nature of criteria.............................................................................51
Figure 4.5 Social economic improvement..........................................................53
LIST OF TABLE

Table 3.1 Sample size..................................................................................................................35
Table 4.1 Respondents Age...........................................................................................................40
Table 4.2 Occupational..................................................................................................................43
Table 4.3 Shows the accessibility to knowledge of members......................................................44
Table 4.4 Levels of privileges to save..........................................................................................45
Table 4.5 Levels of improvement by positive change in the economic status.........................47
Table 4.6 Lending rate of the SACCOs members per annum......................................................48
Table 4.7 shows the kind of collateral..........................................................................................50
Table 4.8 shows the reaction of the SACCOs to the members......................................................52
Table 4.9 shows problem faced by members in loan payment....................................................54
CHAPTER ONE

1.0 INTRODUCTION AND BACKGROUND TO THE PROBLEM

1.1 Introduction

The United Republic of Tanzania is situated in East Africa and part of the Sub Saharan area with a total surface of 945,087 square kilometres and a population of 44 million (mainland and Zanzibar). The country gained its independence in 1961. In 1990, the mainland of Tanzania initiated a political transformation process to a multi-party system. Between 1999 and 2001 the economy picked up by an average of 6% and by 2007 the growth rate (7.1%) was comparable to the early years of independence – (URT – United Republic of Tanzania, 2008).

The inflation rate has been relatively stable during the last seven years with an average of 7% but it has increased significantly during the last 9 months, with a growth up to 13.5% in April 2011 (BOT, 2011). The population living below the poverty line (income is under one dollar a day) was 35.7% in 2000/1. About 80% of the population in Tanzania lives in rural areas with agriculture being their main activities (Morrinsey et al, 2005).

Microfinance or financials services for the poor, has emerged over the past 30 years from a narrow notion of microcredit – well-defined methodology to extend credit to target groups for enterprise development or some other specific purpose to an ambitious and daring concept of building entire financial systems that serve low income and poor people.(AltemiusMillinga, 2012).

In Tanzania, Both the government and other stakeholders encourage people to create SACCOs. This has resulted into rapid growth of the sector. There are over 1,800 registered SACCOs throughout the country ranging from community-based initiatives recruiting members who work in the informal economy to workplace-based SACCOs.
The government is of the view that SACCOs are an important agency of change especially in its efforts to alleviate poverty and hence the campaign throughout the country encouraging people to form or join SACCOs. SACCOs are also perceived as an appropriate and micro financing outlet for rural and poor people. This is because SACCOs are seen as simple form of financial institution and well suited to the socio-economic milieu of the rural setting and poor communities (Prof. S. A. Chambo 2011)

1.2 Background to the Problem
Cooperative society act 1991 defines (SACCOs) as a negative co-operative society whose main function was to promote savings among the members and to create a source of credit to its members at fair and reasonable interest rate. The bank and financial institutions Act of 1991 on its part recognized SACCOs as financial institutions.

SACCOs were employer based and their main source of capital share holdings and member deposits. The use to which a wan was put is determined by share holder and can include housing. Loan size depends on the members share holdings which also provide the collateral for the wan. Individual as well as group can ask for the loans. Direct deliberate from employees salary makes loan repayment easier. A study carried out by the user products officer in 2000 has shown that SACCOs were financially more sustainable than the NGO microfinance institutions. And Government had put deliberate efforts to promote the formation of SACCOs. There had grown from 803 entities in 2000 to 1264 in 2003 (Kironde, 2007).

According to neoclassical growth theory by Robert Solow’s, 1988Savings are not an end in themselves however; they play an important role in sustaining growth and development. Through savings there will be capital accumulation leading to investments hence economic growth and ultimately development. Coupled with the above, a high saving economy accumulates assets faster, and thus grows faster, than does a low saving economy (Lipsey and Chrystal, 1995:634).
However, in developing countries like Tanzania, there are low levels of saving culture owing to poor underdeveloped stock markets, dominance of urban based commercial banks, Micro Deposit Taking Institutions (MDIs) and non regulated Micro finance institutions in the financial markets as vehicles for savings. Hence Savings and Credit Cooperatives (SACCOs) are intended to offer an alternative to improve the above un-desirable situation in low income countries.

The SACCOs gained popularity as accelerators of development in rural areas that, the cabinet of Tanzania in August 2005 passed the ‘SACCO PLAN’ aimed at developing a financial infrastructure of Savings and Credit Co-operatives for effective implementation of Rural Financial Service Programmes (RFSP). Consequently, an agreement was signed between Tanzania Co-operative Alliance Limited (TCA) and Government of Tanzania.

Being socio-economic institutions, if well managed and organised, the SACCOs can contribute favourably to bringing about Human Integrated Development (HID), a fact stated by Syed (1991). He further noted that the SACCOs are a tested instrument for promoting integrated development through a self help scheme that makes man a total human being (Syed, 1991: 139).

1.3 Statement of the Problem
SACCOs was a key component in any development endeavor as it is believed to be the surest way of increasing income and boosting productivity in an attempt to break through the vicious cycle of poverty. Through saving people were likely to face severe problem of survival when they were no longer able to work (Roger LeRoymiller, 1978:89). It was also argued that, when poor households’ desire and need to save interacts, a safe, easily accessible opportunity to do so, their capacity to save, commitment to saving, and the amounts they manage to save were remarkable. High incomes lead to alleviation of poverty in households, ultimately resulting into improved quality of life of people in rural communities.
SACCOs was designed to improve the income of the residents who are poor through provision of the loan at the low interest rate that would lead them to generate income and pay the loan in the way that it helps you to generate income and give opportunity for another members to secure the same opportunity as well, but the problem remains to the question whether SACCOs help the people to socio-economic improvement or lead them to extreme poverty since some of the members who took loan had lost their collateral things of which they depend for life for survival. (Gerda Piprek 2007)

The conditions for loan provision has been the problem due to the limitation of criteria to become one of the members hence there are some people who would need the services of SACCOs but they cannot get it, the knowledge of members on the entrepreneurship and loan management is gives effects on the socio-economic improvement of SACCOs members, and responsiveness of the people in income improvement that is aimed by SACCOs to its members. If initiative is not taken on these aspects, more money will be wasted since it will not serve the goal of income improvement and sustainable development of the members of SACCOs.

Privilege were put to the ongoing business of which the risk of management is low compared to the start-up business where most of the members belongs in this category, and also to woman who organized into small groups so that they can be monitored, but it does not provide the wide chance to the people to become members, and also the daught on the interest of the members loan if it real assist them to income improvement.

Notably the Government of Tanzania has established many SACCOs in Kinondoni District where funds were to be extended to communities National Microfinance Bank (NMB) through SACCOs. In response to this, many which did not have SACCOs had rushed to forming SACCOs while those which had formed earlier were positioning themselves in an attempt to benefit from ‘prosperity for all’ programme. It is also one of the places which consist of large number of SACCOs with large number of SACCOs members as well (source: FINCA, 2010).
1.4 **Research Objectives**

The following were research objectives:

**General Objective**
To investigate the influence of SACCOs to socio-economic improvement of its member's income in Kinondoni District.

**Specific Objectives**
Specific objectives were as follows:

i. To evaluate the conditions of SACCOs on saving mobilization strategies to social-economic improvement to its members.

ii. To assess the responsiveness of the people in income improvement that is aimed by SACCOs to its members.

To determine the role played by SACCOs in the social economy.

1.5 **Research Question**

i. What are the conditions available in SACCOs in savings mobilization to its members?

ii. What are the success factors that will benefit SACCOs members to improve their social-economic status?

iii. What are the roles of SACCOs in the economy?

1.6 **Significance of the study**

The study was especially significant because it added onto scanty information about saving culture in the country. As no such study has previously focused on the effect of SACCOs on members’ saving culture, although some effort has been put into understanding of Tanzania’s urban and peri-urban saving culture (Richard and Kabatalya, September 2005:3).

Other studies that was supplemented by this study include, the USAID funded Rural Savings Promotion And Enhancement Of Enterprises Development (Rural SPEED) which undertook a study of rural savings needs, habits and priorities in order to
facilitate the development of savings products and strategies that meet the needs of financial institutions’ clients resident in the rural areas of Tanzania (Musinguzi and Smith, 2000).

The study was also particularly significant at this time because there was a strong push by the government through Rural Financial Services Programme (RFSP) to deliver financial services through community based and locally owned organisations. A key objective was to support communities to establish a nationwide infrastructure of SACCOs to enable communities to access financial services, like savings, credit, money transfers and so forth. Hence this study was guide policy makers in particular and the government in general to spearhead the formation, restructuring, strengthening and development of SACCOs from an informed view point. It will also inspire other scholars to undertake a study on saving culture on other financial institutions.

Also other researcher learn and get experience on the ways SACCOs members benefits from the loan they take instead of oppress them economically. This would create social and economic independence and improve Human Development Index (HDI) and improve the standard of living and economic growth. The study was also help the Ministry of Industry and Marketing to make the appropriate polices that would help the individual SACCOs member to have sustainable economic development. This generates growth of economy to the country as whole and brings about social changes to the society.

1.7 Limitations and Delimitations of the study

Financial, cost of stationeries material and stationary work like typing, printing, binding, photocopy writing papers, also money for transport, it was cost full process which require funds for the whole procedure. In order for the researcher to come about with a good report, she used a lot of money to meet daily financing activities like surfing material related with the study on the internet cafe and other connected expenses, any deficiency cause ineffective work. In case of any fund deficiency, the researcher seeks it from parents, friends and relatives.
Time Constraint, the time for the study was not enough to carry out intensive and extensive study since some of information was not easily and quickly available. Therefore the researcher used extra time, weekends so as to able to collect, analyze and interpret the collected data.

Confidentiality information, SACCOs were not confidently on the provision of their data, so they were not provided adequate and sufficient data. Therefore the researcher work honestly with management and trust them that data provided would be used for the research purpose only, and would not be disclosed to anyone who is not concerned.

Unwillingness and non-response of employees, sometimes the respondents was decide to give out data that may not correspond to the study as well as delay on filling questionnaires during data collection. The researcher was in a position to inform respondents that the data collected will not be used for any other purpose instead of challenges for financing local government authorities. Similarly data collected would not be shared with any individual, organization or institution and only aggregate data and summaries would be published.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction
This chapter analyses the pertinent concepts and theories used in the study for the purpose of reviewing how other scholars and researchers have expounded on this subject. It focused on overview of SACCOS’ roles, objectives, saving culture vicious cycle of poverty suggested ways of social-economic improvement, why Tanzanian do save and how, determinants of savings, savings mobilization strategies, merits and demerits of preferred traditional forms of savings, the effects of SACCOS’ socio economic status and its effect on income improvement. The chapter also examines what economists think are reasons why people save and in what forms and also gaps that will support and emphasize the need of this study.

2.2 Theoretical literature

2.2.1 Meaning of a Savings and Credit Cooperative (SACCO)
A SACCO is one form of a cooperative society whose business is to provide financial services to its members SACCOS are legal institutions registered under the cooperative laws (1991 cooperatives Act and 1992 cooperative Regulations). SACCOS are owned by their members through payment of share capital and membership fees to the institution.

In addition to the above, as per SACCOS (1998), “a savings and credit cooperative (SACCO) is a democratic, unique member driven, self-help, not for profit financial cooperative. It is owned and governed by members who have the same common bond.

A SACCO’s membership is open to all that belong to a group, regardless of race, religion, colour, creed, and gender or job status. These members agree to save their money together in the SACCO and to make loans to one another at reasonable rates of interest. Interest is charged to cover the interest cost on saving and the cost of
administration There is no profit paid to anyone The members are the owners and the members decide how their money will be used for the benefit of one another (Bailey, 2001:4).

However, it should be noted that, in Tanzania unlike South Africa where the Bailey hails, SACCOs often pay dividends to the members depending on the number of shares one has. Saving and credit cooperatives (SACCOs) which are known as the credit unions in some other countries are defined as cooperatives which furnish their members with convenient and secure means of saving money and obtaining credit at reasonable rates of interest (Kabuga and Batarinyebwa 1995:229) an observation that is in agreement with (Bailey, 2001).

The saving and credit cooperatives are usually organised within a group which is already knit together by a bond of common interests such as workers in same factory or members of the same community who are fairly well acquainted with one another (Kabuga and Batarinyebwa 1995). Furthermore, the savings and credit cooperatives are cooperative organizations which are guided by the practices, philosophy and principles of the cooperative movement. They differ from the rest of other cooperatives because they are financial cooperative organisations with a social context (Kabuga and Batarinyebwa, 1995).

**Development of saccos in the world.**

The first generation of pioneers of modern cooperation emerged in certain working-class environments in European Industrial cities of the 19th Century. In 1840s, the first industrialized countries (Great Britain and France), the pioneer’s of co-operative invented models of the consumer cooperative and the labor cooperative to defend and promote the interests of working –class families in the face of the social disasters engendered by the phenomena of industrial revolution.

The cooperative formula was then conceived and became a solution to capitalist exploitation and in this sense; it became the sister of the labor union movement. The second generation of the pioneers of modern cooperation emerged, not in cities, but
in certain European rural environments in the late 19th century. In the 1860s, these pioneers invented the formula of agricultural cooperatives and savings and credit cooperatives inspired by the success of the consumer cooperatives formula in Great Britain and based on old traditions of rural solidarity—aimed to meet the foremost economic needs, that went unsatisfied as a result two things happened. (Mwakajumilo, 2011)

Agricultural cooperatives enabled families of farmers and livestock raisers to organize their own supply systems of agricultural inputs and market their products and to no longer depended on merchants and businessmen in the cities. The SACCOs enabled them cease longer depending on moneylenders and to find the credit necessary to modernize their agricultural cooperatives. In Europe, in the late 19th century, especially in Italy, there were peoples’ banks with none of the characteristics of the SACCOs named as mutual benefit societies or cooperative syndicates.

Almost all of the industrialized countries of the North, especially the United States of America, used agricultural cooperatives (for savings) that enabled rural families (farming and handicraft) to become integrated into national and international markets and constantly raised their living-standards until they attained a level comparable to that of the urban environment.

In Europe of the 19th century, the promoters, i.e. those at the origin of the first cooperative experiences, were primarily part of a particular ideological current, which can be qualified generally as “Christian democratic socialism” and came from the new industrial, commercial and clerical bourgeoisie and petty bourgeoisie. (Mwakajumilo, 2011).

2.2.2 Role of SACCOs

a) SACCOs play a significant role in the provision of financial services to the poor (target groups). They provide savings and credit and investment opportunities to
individuals, institutions and group members. This is emphasised by Magill (1994: 14)
b) Also SACCOs help to teach people how to earn money profitably, how to spend it intelligently for the benefit of members and their community.
c) SACCOs provide institutional development which is a major factor in financial development. d) SACCOs bring institutional financial services to rural areas which are not offered generally by the formal financial sector.
e) They also strengthen family ties thus promoting peace; this is true for the main factor of family instability is the financial problem, often caused by mismanagement of the family income. In SACCOs people are shown how to avoid the pitfalls of money mismanagement; this no wonder strengthens love and family ties. (Syed, 1991).

However, SACCOs’ capacity to increase outreach in seek for greater impact creation in the communities has been derailed, simply because, there are insufficient loanable funds due to low levels of savings as borrowers require well over and above of what they save. SACCOs are intermediaries as observed by Magill (1994), between surplus and deficit spending membership (units). Hence, they link those with surplus investable funds with those in need of funds (the borrowers). It is common practice that some clients’ applications are rejected on the basis of failure to meet minimum savings requirements as required of them under their lending policies and procedures even though some will have presented reasonable business plans.

According to Stephen L.I Mwakajumilo (2011), the roles of SACCOs in the economy are;

-Identifying gaps in the poverty reduction strategic programmes where SACCOs plays as a major meaningful and beneficial to the stakeholders.
-SACCOs help in the capacity building among them in advocacy participation, improving literacy, information sharing etc.
-SACCOs help learning from best practices and up-scaling.
-For the members/society involve in SACCOs are responsible in making investments attracted.
Making or help in critical analysis of problems and identify the stockholders to involve and helps in strengthening policy advocacy role.

2.2.3 How do SACCOS differ from other Cooperatives and financial institutions?
While SACCOS are cooperative societies, they differ in many significant ways from other cooperative societies. In their business operations, SACCOS closely resemble banking institutions. Some of the features which distinguish them from other cooperatives and financial institutions are:
SACCOS operations are concentrated within their own membership. A person must be a member in order to save, borrow or receive other services from the SACCO.
In developing SACCOS, working funds are comprised mostly of member shares; in mature SACCOS, working funds are mainly deposits. The use of deposits as opposed to member share is encouraged.

SACCOS make loans to members, emphasizing primarily the character and ability to repay and SACCOS rely to a significant extent upon the volunteer efforts of the members, the key element in the development of SACCOS is volunteerism.
In order to maintain these characteristics, which place a high degree of responsibility for success on the participation of individual members, it is desirable for SACCOS to operate under specific by-laws. By-laws ensure that each SACCO adheres to the basic cooperative principles, namely: control of the society by its members; one member - one vote; and reasonable returns on savings.

2.2.4 What kind of people can be members of a SACCO?
All SACCOS restrict their membership to only those people who have a certain “common interest” or “common bond”. The common bond is the link that exists between members of a certain group. It may be a place of work, residence, worship or common profession. It is vital to develop the mutual confidence which members must have if the credit union is to succeed. Membership of SACCOS is open to all persons who belong to the group regardless of race, religion, colour, creed, gender and job status.
In some countries SACCOS are being urged to open their common bonds. The obvious benefit of opening common bonds is increasing in savings resulting from increase in membership. (Magill, 1994)

2.2.5 Objectives of a Savings and Credit Cooperative
The objectives of SACCO are to promote the economic interest of their members and in particular to:

i. Promote thrift among its members by affording them an opportunity for accumulating savings and paying reasonable interest without risk on such savings.

ii. Create a source of funds from which it can afford relief to its members in need by making loans to them for productive and provident purposes at fair and reasonable rates of interest and with easy terms of repayment,

iii. Continuously educate members on how savings can be made on regular basis and the wise use their savings;

iv. Provide service to its members such as financial counseling so that the members can solve most of their financial problems, and the risk of management service to ensure the safety of members’ savings and loans, and

v. To fight poverty through improving the members’ economic and social conditions by enabling the access financial services, individuals or institutions, by pooling their own resources to meet their needs. (GerdaPiprek 2007)

2.2.6 What are member’s most important responsibilities?
Member’s most important responsibilities are:
(a) To save regularly;
(b) To borrow wisely and
(c) To repay promptly.

2.2.7 How to form a SACCO
The fact that a SACCO is a cooperative it should only be formed according to the wishes of the potential members. Otherwise, if a SACCO is created or “imposed”, it
will not be self-sustaining. Any ten or more people can form a SACCO. This group is called the “founder group” and the people in the group may be persons who have a similar occupation or are employed by a common employer or within the same business district or market area.

This group of people selects an interim committee to guide the group through the formation process. The interim committee seeks advice from government officers and other relevant institutes. They study a set of model by-laws and then write their own set for their future SACCO. They mobilize member share, submit documents for registration and follow up the registration process. Once issued with a registration certificate, the SACCO operations begin.

2.2.8 Benefits of SACCOs to its members.

Members are taught to handle their finances in responsible manner this could be true only when they effectively economically patronise their SACCO.

Loans are insured, so if a member dies, the outstanding balance is settled. However, it’s not the practice across board. Besides; other MFIs also do insure loans for their clients.

Savings are mobilised, This is done in some SACCOs not in others as others only mind share capital accumulation.

Members are taught how to handle their finances in a responsible and regular social interaction between members.

2.2.9 SACCOs offer the following products to their members (Bailey, 2001)

**Shares:** This is one form of investment where returns depending on the number of shares one holds are paid in form of dividends.

**Savings:** This is done through various savings products offered in the SACCO, namely, the liquid which permits unlimited number of withdrawals. The semi–liquid with a restricted number of withdrawals per month, and the fixed deposits.
**Emergency loans:** These are normally extended to business men and women. They are normally short lived with relatively higher interest rates.

**Loans:** These are extended to members with viable business plans and reasonable shares (at least two shares) plus savings balances as per loans officers on site appraisal findings. Life and loan insurance: These are normally offered when one dies of accident.

**Fixed deposits:** This is normally offered for target savers who keep money for sometimes until openings arise.

**Christmas saving:** These are offered to merry makers especially during festive seasons.

**Educational savings:** These are offered to members with school going children to them pay school bills without much ado.

**Housing loans:** These are intended to help members improve their shelter and sanitation.

**Funeral insurance:** under this scheme members are offersassistance to enable them decent send off to their-loved ones. The above products offered in other countries are similar to what the situation in Tanzania and Kinondoni District where this study will be conducted.

There we have seen the importance of SACCOs and its objectives towards its members, but the question remains, does the people in Tanzania especially in Kinondoni have culture to save?

Saving ought to have started before the birth of Jesus Christ in the Roman Empire. Its adventure is very much linked with the origin of money where merchants used to keep (save) their precious metals with the gold smiths who would give them back their gold when they are back after their businesses (Cox, 1996:84).
It is desirable that SACCOs’ membership embraces a saving culture so as to increase their low incomes, leading to improved quality of life. Further still, development is induced by saving in that, high levels of saving leads to capital accumulation, later on investment leading to high income levels, ultimately breaking through the vicious cycle of poverty, hence, development in the long run. This can be illustrated in figure 1.

![Diagram of Vicious Cycle of Poverty](image)

Figure 2.1: Vicious Cycle of Poverty

Figure 1, demonstrates how low savings can perpetuate vicious cycle of poverty and under development which is the reverse of desired impact of SACCOs. It is vital to note that, poverty is a state, and being a state, no country or individual that is in that state, would like to remain in that state. Hence it is a worst state and therefore, should be avoided. It is believed that one way to go would be the use of SACCOs.

2.2.10 Savings mobilization strategies:
According to Mauri (1983), governments in many African countries neglected personal savings in the 1960s. In the wake of the “vicious circle” model (Nurkse, 1953), aid programs were considered the only tool for fighting underdevelopment for
more than three decades (Adams, Graham and Von Pischke, 1984), while the mobilisation of savings was “the forgotten half” of development finance programs (Vogel 6, 1984).

The awareness that poor people are potential savers, resulting from studies of micro finance activities, is leading to a new paradigm in development issues (Adams, Vogel, 1997). The mobilisation of domestic savings for economic development is the next century’s challenge for Africa. Indeed, “no country is too poor to save if the available potential is effectively used” (Adera, 1995).

SACCOs could be a vehicle for this task because they are currently the only formal financial institutions able to provide financial services to remote areas of Africa. The role of financial markets in mobilising savings and in channeling funds into productive investments is central to a successful strategy for economic and human development (Musinguzi, 2000).

In the rural areas of many developing countries the lack of access to effective formal financial markets may be seen as a severe constraint that prevents low-income households from improving their lot and leads to the persistent poverty. To mobilise savings and enhance their operation in the market Rural Financial Institutions (RFIs) including SACCOs, have undertaken various measures. These include the following (RURAL SPEED, 2005:54)

(a) Micro-finance institutions and SACCOs have sought financial support from organizations such as the Uganda Cooperative Alliance, Micro Finance Support Centre Tanzania government. These organisations lend money to SACCOs which extend loans services to their respective members. This motivates members to save since they will be assured of the loans.

(b) SACCOs have engaged in recruitment drives aimed at expanding their client base. Among the SACCOs, members have been encouraged to purchase shares giving an automatic increase in savings with the growth of membership.
(c) The institutions have also introduced a minimum balance deposited by any client opening an account. Some groups save money whenever they have group meetings which have basically helped to improve savings in the community. ‘There is a fee deposited whenever one is opening an account that is not supposed to be withdrawn’

(d) Conditions on loan application have been put in place such that every borrower has to have at least an equivalent of 10% of principle loan amount as savings before they qualify for a loan. ‘For one to borrow should first maintain at least 10% savings for the loan to be borrowed’ (SACCO-WAT Mwenge)

(e) The staff and field officer have sensitised the rural population on the benefits of saving money with RFIs and discouraged cash savings in the home. ‘Discourage the culture of keeping money at home’.

(f) Incentives which include items like T-shirts and calendars have been distributed to clients as well as services such as good customer care. ‘Confidence building through good customer service’.

(g) Give material gifts to members who save regularly and relatively more than others in the SACCOs. Other motivators could be awarding the best savers with certificates.

(h) Payment of relatively attractive interest rates act as good mobilisation strategy for savings mobilization as it will provide for the opportunity cost and time value of the amount saved. And the reverse is true as (Fischer, 1989) observes: ‘It is mainly due to high inflation rates and artificially low kept nominal interest rates that the willingness to hold savings in financial assets is hardened’.

(i) Unreliable and high risk. Thus poor people are forced to take risk of saving with deposit collectors or ROSCAs even though they know these systems are risky. (Rural Speed, 2005:54)

Also saving mobilization lie on education and training;

The SACCOs organise free training for members which encompasses business management, saving, health, HIV and education. This creates more value to members hence motivation to save.

According to Armstrong (2006), training is the use of systematic and planned instruction activities to promote learning. The approach can be summarized in the
phrase "learner based training". It involves the use of formal processes to impact knowledge and help people to acquire the skill necessary for them to perform their jobs satisfactorily.

Learning is the process by which a person acquires and develops new knowledge, skills, capabilities and attitudes. "Learning has happened when people can demonstrate that they know something that they did not know before (insights, realizations as well as facts) and when they can do something they would not do before (skills)" Development has been defined as "Learning experiences of any kind, whereby individual and groups acquire enhanced knowledge, skills, values or behaviours. Its outcomes unfold through time, rather than immediately, and they tend to be long-lasting."

Cooperative education and training can generally be acquired through formal and informal forums. Such forums would include:- Lectures, seminars, conferences, newsletters/ magazines, members open days, radio, TV, press, tours and visits. It is important that these forums be arranged to suit different groups viz, members, elected officials, committee/ board members, appointed officials (staff) and the general public.

It is also important therefore that cooperatives education and trainings should be taken very seriously if SACCOs are to compete side by side with other business organizations and be able to fulfill members' aspirations. Improvement and standardization of training and education in the cooperative movement has been emphasized in every development plan since independence (Kamau 2006). According to Muchemi(2005), customers should be enlightened on SACCO operations and on investment opportunities available. Training sessions are also used as an opportunity to advertise and inform the customers about the services offered by their respective SACCOs. She recommended that cooperative education meetings should be conducted more regularly than was being currently done, and customers be issued with newsletters, pamphlets and printouts. Intensive and regular education to customers and to staff should be increased.
2.11 How foreign banks may assist the development of SACCOs in Tanzania.

Research and Consultancy: Foreign banks can play role of conducting research in the SACCOs units and producing/publishing several reports and publications on the issues relating to the SACCOs development and enable researchers to exchange information and approaches.

Training and Development. The foreign banks may provide Training in terms of capacity building by facilitation and support services for the SACCOs movement e.g. The Desjardins International Development (DID) of Canada boosts expert trainers and consultants on SACCO’s operations.

Business support and Information. Foreign banks may develop a business support network, making resources available in the form of a CD-ROM, Internet and web pages on SACCO’s movement.

Promotion and Role models. Help in promoting implementation and review the existing Tanzanian labor laws which need to be reformed to meet for personnel development programs and practices of the SACCOs as a new venture in the economic development.

HIV/AIDS; Foreign banks may also provide HIV awareness education and campaigns to the members and non-members of the SACCOs movement both in rural and urban areas about the risks associated with Aids.

Technologies; Foreign banks may facilitate the introduction of new technologies to assist SACCOs in offering high quality products and services with high efficiency and effectiveness of the outputs.

Conduct workshops: Several workshops can be conducted to assist the members of SACCOs to identify their potential stakeholders and their potential roles in supporting the development of SACCOs and identifying the key challenges that are facing SACCOs in trying to go one step beyond the traditional micro finances.
Provide a political, social and economic enabling environment that will ensure and protect the autonomy and democratic principles of cooperatives while at the same time ensuring a level playing field for cooperatives as competitive suppliers of goods and services to government and the private sector. Such a supportive environment can be promoted, inter-aria, by effective partnership and dialogue between Governments and cooperatives through joint consultative councils and/or advisory bodies.

Introduce and support programmes to improve the access of cooperative to technology and enhance capacity building by strengthening and organizational, management and financial skills of members of cooperatives, and in this regard, to assist cooperatives in obtaining necessary technical assistance from donors.

Review, amend or enact registrations, including administrative procedures and requirements in order to enhance the growth and sustainability of cooperatives and the apex cooperative organizations in a rapidly changing socio-economic environment; broaden and deepen the outreach of cooperatives among the poor, particularly those in the rural or agricultural sector; and promote the participation of women and vulnerable groups in cooperatives across all sectors.

Promote the greater participation of cooperatives and cooperative organizations in poverty reduction, in particular the design, implementation and monitoring of poverty reduction strategy programme where they exist. In this regard, it will be important to also take steps to improve the collection and dissemination of information and data on the role of cooperatives in poverty reduction and their contribution to social and economic development. (Stephen, 2011)

2.2.11 The effect of SACCOs
Having looked at savings mobilisation strategies one needs to establish the benefits accruing to a member/ clients of a SACCO. A study by Rural Speed (2005) identifies the following benefits which confirm earlier revelations by Bailey’s (2001)
study. Saving is the key benefit that a RFI member gets from the organisation. A member of saving scheme is also eligible for a loan. The loans are intertwined with saving. A member will borrow from an organisation, invest to get enough money to cater for their needs and boost their savings potential (Bailey’s, 2001).

Free sensitisation, education and training on saving: RFIs, SACCOs inclusive have initiated programmes through which they sensitise, educate and train members of the rural communities on a range of issues, ranging from saving products and services to business practices, health and HIV among other social issues. Most members become share holders in the respective organisations that they save with. Hence SACCOs offer opportunity for investment. Exchange visits with more developed SACCOs, such visits are used as case studies through which members are educated on the importance and benefits of saving organisations. Incentives for loan payers, clients and borrowers who service their loans faithfully. There are also added services: such as, money transfer, as the institutions grow so does their capacity and ability to offer a wide range of services. This is the case with some of the more developed MFIs and SACCOs that are now agents of the global network of western union and money gram money transfer services.

Projects: some of the saving groups /schemes have income generating project that members benefit from. Some of the RFIs will stimulate the sense of ownership through electing some of their members into leadership position not exempting a position on the management board.

2.2.12 Problems of SACCOs in Tanzania

The fact that SACCOs have not made enough the desired impact on the Tanzanian economy in spite of all the efforts and support of succeeding administrations and government’s gives a cause for concern; the following are some pointed out problems.

Lack of suitable training and leadership development in spite of the fact that training institutions abound in Tanzania, they rarely address the relevant needs of the SACCOs especially in the areas of accounting, Marketing, Administration, Human
Resources. Essentially SACCOs are left most often on their own SACCOs except for the Moshi University College of Cooperatives and Business studies (MUCCOBS) which is the only University started to educate SACCOs subject from the previous year (2006).

Lack of appropriate and adequate Managerial skills/knowledge with the attendant lack of strategic plan, business plan, succession plan, adequate organizational set up, transparent operational system etc. On the part of many founders and managers of SACCOs in Tanzania use the obsolete and inefficient equipment as a result of lower level productivity delivery and substandard product quality.

Lack of initiative and administrative framework or linkage to support and sustain SACCO’s development which to a large extent is also a reflection of poor technological capacity or intellectual resource.

Lack of scientific and technological knowledge and know how i.e. the prevalence of poor intellectual capital resources which manifest as lack of technical skills in the form of technological and strategic capability.

Lack of easy access to funding/credits, which can be traceable to the reluctance of banks to extend credit to them owing among others to poor and in adequate documentation of business proposals and wide spread corruption, nepotism and harassment of SACCOs by some officers.

Lack of appropriate and adequate collateral, high cost of administration and management of small loans as well as high interest rates also bureaucratic bottlenecks and inefficiency in the administration of incentives and support facilities provided by the Government and discrimination from banks which are averse to the risk of lending to SACCOs especially startups

In adequate, inefficient and at times non-functional infrastructural facilities, which tend to escalate costs of operation as SACCOs are forced to resort to private provisioning of utilities such as road, water, telephone, electricity, communication and transport.
Weakness in organization, marketing, information usage, processing and retrieval of the information, personnel management accounting records etc. arising from the dearth of such skills in most SACCOs due to inadequate educational and technical background on the part of SACCOs promoters and their staff. Absence of long-term finance to fund capital assets and equipment under project finance for SACCOs and lack of access to appropriate technology as well as near absence of research and Development.

The inability to penetrate and compete favorably in markets either because of poor quality of products, ignorance of markets strategies and networks or lack of appropriate mechanism and technology. Weak cooperatives which cannot meet the cost of hiring high caliber staff and also of training the members, elected leaders and employees and government department responsible for promoting SACCOs is weak and does not have the capacity to cope with the demand for support and supervisory services also SACCOs have been misused by politicians who are decision makers while most of them are not conversant with SACCO’s motives.

2.2.13 Lessons to be drawn from the experience of SACCOs to date.
Unlike banks that experience low loan repayment rates from peasant borrowers, Sacco’s loans have lower default rates. Borrowers know that the loans come from savings of the community. Community pressure, access to information and close follow up all have been combined to enhance access to credit even without having to use conventional forms of collateral.

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. However, the main challenge that these institutions will face is that of managing the transition from that kind of dependence towards sustainability.

Poor infrastructure poses a challenge to the spread of rural financial services by NGOs in the country and the financial institutions that have utilized the knowledge
and proximity of established institutions in the rural areas such as SACCOs have managed to enhance reach and loan recovery.

National Strategy for Growth and Reduction of Poverty
The national strategy for growth and reduction of poverty (NSGRP) was established for a period of five years 2005/06 to 2009/10. The strategy has to be understood with the framework of Tanzania Development vision 2025. In this Strategy poverty has been one of the major problems facing many people in the country. This is due to the fact that, Tanzania like other countries in Africa lack resources to enable the majority to live decent life. Taking effectiveness of SACCOS as our case study.

The government of Tanzania through various polices has been trying to help people fight poverty. The strategy encourages poor people to undertake business activities in addition to agricultural products, to form SACCOS so that they can access to credit. The reservations in this study cannot be over emphasized, but remain an important outreach in evaluating the involvement of SACCOS stakeholders in the process of utilizing them efficiently. This is due to the fact that SACCOS are very important tools for savings and providing loans to poor households in response to their credit needs at terms more favourable than in other financial institutions. SACCOS are therefore vital in providing financial services which support development efforts of individual poor households.

The United Nations Millennium Declaration on human development in the developing countries adopted in the year 2000 of which Tanzania is included indicates the government’s concern; consequently, the government designed the National Strategy for Growth and Reduction of Poverty (NSGRP) also known as MKUKUTA-Mpango wa kukuza Uchumi an Kuondoa Umaskini Tanzania) in line with the United Nations Millennium Development Goals (MDG’s) (URT, 2005).
2.2.14 Microfinance Institutions Competitiveness in Tanzania.

There are many constraints to Micro finance institutions development such as SACCOs in Tanzania. Among the major constrictions impacting their competitiveness, that which are also accentuated in different ways in the literature is:

Limited access to financial services: It is observed that most of micro finance institutions can’t borrow from commercial banks mainly due to high credit risks associated with lack of collateral and high operating credit administrative costs.

Moreover, there is no enough variety of reliable and competitive financial services providers in the country and this hamper business competitiveness as cost of funds (interest) become unbearable. A few guarantee schemes have been introduced, but these have limited outreach and address only one constraint which is collateral. One of the major reasons for the limited access to finance for micro and small enterprises is a very low level of trust in the society. People will only extend credit (in cash or goods) to even received cheques only from people they know very closely.

Limited production capacity: Literature overall cite a problem of poor technological progress for most of micro finance institutions. This is mainly due to low education and inadequate technical and management skills, knowledge and capability of managers and entrepreneurs are important factors for firms’ competitiveness.

Low productivity coupled with lowering production costs arising from high expenditures on raw materials and tariff expenses render Tanzania among the poor performers with regards to small micro finance institutions development. As a response to solving these troubles, Tanzania is the second highest number of micro finance institutions capacity-building institutions compared to other East African countries, followed by Uganda while Kenya is the first.

Inadequate infrastructures: Physical infrastructures in Tanzania are poorly developed, notably roads, electricity, water supply, and telecommunications networks, especially for the fixed lines. Because of infrastructures state, shipping cost of a container from
Dares Salaam to Arusha is almost equal to shipping cost of the same from Europe to Dares Salaam.

It signals relative high prices of goods produced in the country, which means small and medium producers are unable to compete internationally, even where there are open market access like AGOA arrangements.

Awareness and capacity: one of the most debilitating constraints is limited awareness and capacity of existing and potential business operations, in terms of exposure, values, attitudes, knowledge and skills. The result is that most simply duplicate what their neighbors are doing and do not appreciate the importance of innovation, quality, credibility and customer-care. One of the main reasons for this state of affairs is that our education and training system does not consciously develop values, attitudes and skills that enable people to see and realize the potentials in the country. This problem can be addressed by private extension services and business development services (BDS) through training, advice and other support.

Homelessness of micro finance: It is ironic that while actors sector express in promoting micro finance institutions, these mostly informal businesses and the ingenious entrepreneurs behind them are ‘homeless’ operating from temporary, illegal sites or premises.

Disenabling regulatory environment: A number of measures have been taken in the past 10 years to improve the investment climate for micro finance institutions. For example, licensing and taxation has been simpler and less costly, especially to small firms. However, problems still remain, especially at the local government level, where petty corruption and bureaucratic processes still persist.

Institutions as barriers to business development: Ideally, local government and other institutions should be supporting development of small business in different ways. In Tanzania, the municipal and districts councils operate government-microfinance funds for youth and women. The community development officers at this level also provide training to producer and marketing groups, some of which are pre-
cooperatives. The cooperative development department is supposed to provide training and advice for co-operative societies. However, the capacity of the local authorities to effectively do this is limited to the extent that the support often does not go beyond enabling businesses to survive in the informal sector. The focus is still to help micro enterprise survive in the informal sector, rather than to enable formalization and growth.

Systemic political issues. For example, members of parliament and councilors play a key role in deciding who gets what kind of support and this is usually for political patronage. As a result, support is often not directed where it will be most effective, and when it is in the form of credit, it is rarely repaid. For example, repayment rates for local government operated micro-funds are mostly below 50%. (Bailey’s, 2001)

National laws, policies and regulators are not adequately translated at the local government level. There are not even mechanism for keeping records and monitoring the health of the private sector, or co-coordinating various central government or donor supported initiatives.

National Micro-finance Policy
The current NMFP Possesses both pro-state and pro-market values. This means that the policy encourages the public sphere at the expense of individual sphere in the provision of loans to individuals through group solidarity lending approach. Thus, it does not dwell on the individual beneficiaries. This is opposed to the requirement of the residual claimant theory which wants to promote individual at the expense of the groups on the contrary. The Policy promotes MFISs including financial intermediaries in order to render micro-finance service to the poor, hence the policy does not inform how the poor as individuals are prepared to have access to these institutions. The study, therefore, utilizes these views in evaluating individual household’s recognition in achieving socio-economic development through SACOSS which are expected to operate in accordance with NMFP’S directives. (Mwakagile ,2011).
2.2.15 Socio-economic status and its effects on income improvement:

Both Thillarajah (1994) and Gulli (1998) assert that, low income earners and generally the poor to save contrary to the previous perceptions among many that they are “too poor to save” and also prefer to consume than to save (Robinson, 1994: 28).

In a study carried out by Ouma and Hans (2003) on Small and Medium Enterprises (SMEs) in urban and rural areas it was observed that, only about 8% of urban SMEs members do not save due to their small, irregular incomes, urban frequent, fall in the value of money taxation and large family sizes. Thus savings is a valuable financial service that low income earners like urban SMEs properties and by extension, the poor need. This observation is reinforced by Adam smith (1937), views of hundred of years ago that, ‘the principle which promotes us to save comes with us from the womb and never leaves us till we go to the grave’

Nevertheless, the overriding factor to saving is the level of income. Such as, the higher the savings the higher the income of a person and the reverse is true. This theory is supported by the findings of Obwona and Ssentamu (1998) that, people have low income because of the low production and higher consumption lead to low savings that (78.7%) of the respondents. The low income factor was again confirmed by Musinguzi and Peter (1997) with (85.4%) of the respondents revealing low incomes as a reason for not saving.

In that same study, the dual scholars (Obwona and Ssentamu, 1998) also revealed that, high cost of living and social responsibility (20%) of rural respondents and 25% urban households was responsible for not saving. In the same research they also found out that family size affect saving in a negative form i.e. people with large families do rarely save compared to those with small families. Furthermore it was also found out that social habits play significant role in influencing saving culture. Equally important factor revealed by the study was low bank interest rates.
As a result of low returns on savings with banks, over a half (60.7%) of the respondents would prefer to invest their money in real estate or in other forms of business ventures rather than keep would -be extra income in banks (19.1%). Because they view bank interest on savings as too low (Ssentamu and Obwona, 1998). Those who opt to put their extra incomes in banks, do so for a long as they are still seeking advice on what ventures to undertake. In addition, about (60.3%) of the respondent save in cash while the rest do not save in cash form at all. However, the majority of those who save, the study found out, the level of their saving is quite low (Ssentamu and Obwona, 1998).

2.3 Empirical literature
This section summarizes other studies that have been conducted concerning this topic and point out the lapses that still exists that this research intends to cover.
A research done by Tanzanian Federation of Cooperatives (TFC) in Collaboration with the Cooperative Development Department (2006) on the cooperatives and development in Tanzania indicate that Private traders have not filled the gaps left by the decline of the cooperatives, Many cooperatives have not prospered in the free market economy. As a result they have been less able to provide inputs, credit and crop marketing services to members, the government sees cooperatives as an important means to the achievement of development goals.

People working together can solve problems that cannot be solved by individuals and earlier laws and policies did not properly address some issues that are important to cooperatives working in the free market economy; such as the role of women, caring for the environment and the roles that different stakeholders should play in the development of cooperatives. He recommended therefore people should come together to provide services for their communities and to encourage people to form different types of corporate government and advice how each type of corporate can benefit them such as SACCOs.

According to a study by Stephen (2011), the role of informal microfinance institutions in saving mobilization, investment and poverty reduction. A case of
savings and credit cooperative societies (SACCOs) in Tanzania from 1961-2008, findings indicate (SACCOs) in Tanzania have not performed creditably well and hence have not played the expected vital and vibrant role in the economic growth and development of Tanzania and thus, the role of SACCOs to reduce poverty among its members depends on how and where the borrowers’ funds are invested, and also how well the formulated Government policies will facilitate performance improvements of members’ micro activities.

Stephen recommended, (2011) that performance of micro financial institutions in Tanzania raises many questions than answers. However, micro financial institutions have done their best to serve the poor and small enterprises. It is important to understand that the Rural Financial Markets comprises lenders, borrowers, savers and intermediaries. Policy makers and other stakeholders in microfinance sector must focus on the development of overall rural financial markets. Creating viable lenders, borrowers and savers is a prerequisite for micro financial institutions better performance and the development of sustainable rural financial markets.

Mulira, (1991) recommended that what Micro Finance Institutions do by establishing clients’ interests and feeling through education is essential. He clarifies that education enhances learners’ self motivation by developing inquiring mind; they gain proficiency in speaking, reading, and writing and can communicate effectively as individuals or as groups. He adds that business education develops attitudes for group work, social justice, cooperation, friendship and respect for humanity.

According to Stiglitz and Weiss (1981) interest rates charged by a credit institution are seen as having a dual role of sorting potential borrowers (leading to adverse selection), and affecting the actions of borrowers (leading to the incentive effect). Interest rates thus affect the nature of the transaction and do not necessarily clear the market. Both effects are seen as a result of the imperfect information inherent in credit markets. Adverse selection occurs because lenders would like to identify the borrowers most likely to repay their loans since the banks’ expected returns depend on the probability of repayment. In an attempt to identify borrowers with high
probability of repayment, banks are likely to use the interest rates that an individual is willing to pay as a screening device.

However, borrowers willing to pay high interest rates may on average be worse risks; thus as the interest rate increases, the riskiness of those who borrow also increases, reducing the bank’s profitability. The incentive effect occurs because as the interest rate and other terms of the contract change, the behavior of borrowers is likely to change since it affects the returns on their projects. Stiglitz and Weiss further show that higher interest rates induce firms to undertake projects with lower probability of success but higher payoffs when they succeed (leading to the problem of moral hazard).

Bell (1990) demonstrates that incomplete information or imperfect contract enforcement generates the possibility of loan default and eventually problems of credit rationing. The result is loan supply and implicit credit demand functions, both of which are simultaneously determined. The role of risk in allocation of credit through its effect on transaction costs, therefore, becomes important in incomplete credit markets. Accordingly, where default risk exists, with an upward sloping supply curve, lenders offer borrowers only a choice of points on the supply curve, and borrowers are restricted to these points. It is impossible to identify the loan demand schedule using the observed loan amounts since these only reflect the existing supply.

The credit demand function can only be interpreted from the borrower’s participation decision, i.e., the decision to borrow or not, and from which sector to borrow. Such a decision will depend on, among other things, the borrower’s economic endowment and opportunities. The credit demand schedule identification problem therefore implies the existence of credit rationing. Commercial banks and other formal institutions fail to cater for the credit needs of smallholders, however, mainly due to their lending terms and conditions.

It is generally the rules and regulations of the formal financial institutions that have created the myth that the poor are not bankable, and since they can’t afford the
required collateral, they are considered uncreditworthy (Adera, 1995). Hence despite efforts to overcome the widespread lack of financial services, especially among smallholders in developing countries, and the expansion of credit in the rural areas of these countries, the majority still have only limited access to bank services to support their private initiatives.

According to Kerstin and Wilberg (2003) concerned with value of savings and financial intermediaries in Tanzania. He studies two occupational SACCOS of Urafiki and University of Dar-Es-Salaam. The study noted that financial development is playing an important role in Tanzania’s economic progress. It reveals that financial failures, particularly insufficient institutions and high transaction cost limit poor people access to formal finance and prevent low income people from borrowing and saving. Furthermore he noted that providing extended access to financial services would enable Tanzania to reallocate capital.

The result could be increased capital accumulation which in turn leads to economic growth in Tanzania. The study explained that employees based SACCOS have great possibility of reaching potential members since they are situated at working places. In his conclusion he said that occupational SACCOS are being more successful than rural SACCOS. He noted that with some improvements perhaps occupational SACCOS could function as a good model for other SACCOS in the country and ultimately developing and supporting occupational SACCOS might be reliable approach towards an enhanced financial environment in Tanzania.

**Research Gap**

Based on the previous empirical literature it is event that a good number of research similar study have been done and shown some different pictures, However there is no evidence published which indicate that the same research have been done at Kinondoni district therefore data to be collected from this study, the conclusion and recommendation will cover the gap.
2.4 Conceptual Framework

The assumption of the researcher the dependent variable in the conceptual framework is improvement of SACCOs member’s income but the independent variables in the framework would be the members share holdings, loan, reasonable interest, saving and investment.

The results from independent variables may then formulate basis to draw good income to the members or can provide inputs for the good life in the future. This process is a continuous process or cycle which starts from the factors to outcome phase of improvement of SACCOs member’s income and the process goes on and on.

Figure 2.2: Improvement of SACCOs member’s income

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>OUTCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member’s share holdings</td>
<td>Improvement of SACCOs member’s</td>
</tr>
<tr>
<td>Loan</td>
<td>income.</td>
</tr>
<tr>
<td>Reasonable Interest</td>
<td></td>
</tr>
<tr>
<td>Saving</td>
<td></td>
</tr>
<tr>
<td>Investment</td>
<td></td>
</tr>
</tbody>
</table>


CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section discusses and presents the research design, study area, population, sample size, sampling procedures, data collection instruments, data collection method and data analysis procedures that the research used.
3.2 Study area
This study was done at Kinondoni District in Dar es Salaam region. The area being selected because the researcher live in Dar Es Salaam and it was easy for her to collect the information and it is a conducive place for the research to be done since it is accessible and it contain the large number of SACCOs centres where there is large number of people who are the member of this SACCOs. Constraints of time and resources made it difficult to carry out the study in other regions as the researcher resides in Dar Es Salaam as well.

3.3 Research design
Different approaches may be employed in solving various problems in an attempt to successfully complete a research study. Research design is a guide on what and how to make observation and analysis of the quantitative representation of the observed facts (Kerlinger, 1964:276).

As defined by Kothari (2000), A research design is the arrangement of conditions for the collection and analysis of data in a manner that aims at combining relevance to the research purpose and economy in procedure. It is conceptual structure within which research is conducted. The design constitutes the blue print for the collection, measurement and analysis of data.

The study used the case study as a research design, the case study was design for doing research which involves an empirical investigation of a particular phenomenon within its real life context, This type of research design accommodates almost all research instruments such as questionnaire, interview questions, observation guide and documentary analysis. Moreover data collected through case study are comprehensive and reliable because of their ability to explore instance in-depth. In light of this the case study is a popular form of qualitative and quantitative analysis and involve a careful and complete observation of a social unit. It is an intensive investigation of a particular unit under consideration. It account for social factors for the behavioural pattern for a given unit. The design is also argumentative as it offers facilitation to the management of the units so enquired.
3.4 Population
In most cases it is difficult and time consuming to deal with the whole population, (Sanga, 1985). The targeted population include mainly two categories; these are 40 management personnel who manage the loan provision and saving accounts in some of those SACCOs and 50 other staffs (users/members in different SACCOs who save and take loan for improving their income in different aspects) as they are main decision makers and key stake holders in the performance management process.

3.5 Sample Size and Sampling Techniques

Table 3.1; Sample Size

<table>
<thead>
<tr>
<th>Samples</th>
<th>Member of respondents</th>
<th>Representation (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management personnel</td>
<td>19</td>
<td>46.3</td>
</tr>
<tr>
<td>Users</td>
<td>22</td>
<td>53.7</td>
</tr>
<tr>
<td>TOTAL</td>
<td>41</td>
<td>100</td>
</tr>
</tbody>
</table>


Determination of sample size is an important thing in any research. Good sample size may serve to achieve the objective. The size of sample should neither be excessively large, nor too small. It should be optimum. An optimum sample is one, which fulfills the requirements of efficiency, representativeness, reliability and flexibility. (Kothari, 2004) Under this study a researcher selected a sample of 41 respondents (management personnel and users) so that she could be able together appropriate and valid data.

Sampling and Sampling Technique
Sampling frame comprised of SACCOs officials and workers from WANAMA,TANALE, MAJI, WAT and MLIMANI SACCOs in Kinondoni district and the respective SACCOs members.
The researcher used the following sampling techniques in conducting study;

Simple Random Sampling
In order to get clients, simple random sampling was used. In collecting data by using this method, sampling frame was obtained. Researcher numbered pieces of paper to represent staff and other SACCO’s members. The numbered pieces of paper were 40 (forty) and put in a container and they mixes thoroughly. Then the researcher picked blindly one piece of paper at a time until a required sample was drawn. Reasons for using Simple Random Sampling was Clients are many and concentrated in scattered locations and Enable the researcher to avoid bias in providing estimates and to get Information as they are targeted group for the study.

**Purposive/ Judgmental sampling**

Purposive sampling was employed where the chairman of SACCOs, (4) four assistants and other three staffs who serve customers directly from different SACCOs were also supplied with questionnaires. These key officials were selected because they are directly responsible for decision making and business control for required SACCOs. This provide chances for the researcher to involve key person in the study.

### 3.6 Data Collection Methods and Instruments

Various methods were used for data collections these include;

#### 3.6.1 Data Collection Methods

**Documentary Review**

This was a process by which a researcher review some of the documents of which related to the case study, A number of documents including official documents reports and seminar papers in relation with the problem were reviewed to supplement the primary data collected by the researcher. The method helped the researcher to understand the magnitude of the problem.

**Interview**

Interview was used to get responses from respondents. In this method the people interviewed were used direct conservations between respondents and interviewer
were effected. In this case where particular information required, unstructured interview were used in connection with the questionnaires. The questions basically sprout from researcher’s head when using this approach, but they were essentially in line with what was researched as found in Appendices.

Interviews were used to collect primary data and the researcher preferred them because were easy to conduct and covered a big number of respondents in a short time. Also interviews were cost effective since only papers and pens were needed. This also minimized the problem of financial constraint which is addressed in chapter one in this thesis.

3.6.2 Data Collection Instruments

Questionnaire
Questionnaire were designed from research questions in chapter one. This was the main data collection instrument used by the researcher. In specific terms, the researcher made use of personal administration of the questionnaire. Personal administration of this data collection instrument adopted due to the following reasons: - To increase the level of response as compared to mailing due to time limitation, and To enhance accuracy as this provides opportunity for clarification and explanation of some aspects.

However, the above instrument was not be the only one used, other was:-

Documentary Review Guide
Documentary Review Guide was the instrument used to collect data from documents. In this case all documentary sources from Kinondoni district SACCOs in different wards such as mwenge, manzese and sinza consulted. The researcher used this instrument in order to get in-depth information to the effect of SACCOs to socio-economic improvement of its member’s income. It also uses to enhance the validity and value of the study by filling in the gaps that could have been left by other data collection instruments. However, weaknesses such as authenticity of the examined
documents and judgment of the value of document contents handled carefully by the researcher in order to ensure the right information for the study obtained.

**Interview Questions**

Interview questions become necessary when researchers feel the need to meet face to face with individuals to interact and generate ideas in a discourse that borders and mutual interest. It is an interaction in which oral questions are posed by the interviewer to elicit oral response from the interviewee. Specifically with research interviews, the researcher has to identify a potential source of information, and structure the interaction in a manner that will bring out relevant information from his respondent. The creation of a cordial atmosphere is therefore vital to the success of such an interaction.

**3.7 Data analysis procedure**

Data analysis is the systematic process involving with data coding, organizing and dividing them into small manageable portions. (Guba and Lincoln 1994 and Barongo 2006), they continue to explain that data are further synthesized in order to discover what is important and what has been learned so as to decide what to tell others.

Qualitative data were analyzed by summarizing the findings and explanations and thereof using categories and direct quotations to present the findings and generate attributions. Quantitative data were coded and analysed in the form of graphs, tables, percentages and simple statistical measures calculated using spreadsheet formulas.

The process of data analysis was based on inferential statistical methods obtained by the use of SPSS (Scientific Package for Social Science). Basically, data analysis and interpretations enable the researcher to address the research problem, derive conclusions and eventually recommend possible policy implications and actions in a constructive manner. Data collected from different sources and through the above cited collection methods presented in a textual and to provide data in a simple
summary about the sample and measures through tables and they were processed through editing, coding, classification.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Introduction
This chapter presents research findings and their interpretations. It deals with testing of various objectives based on the research questions that were utilized for this study. The study targeted 41 sample size respondents. This study was guided by three research objectives which were; To evaluate the conditions of SACCOs on saving mobilization strategies to social-economic improvement to its members, To analyse
the responsiveness of the people in income improvement that is aimed by SACCOs to its members and To determine the role played by SACCOs in the social economy. The verification of the research objectives was guided by the conditions that described the data. After presentation of the results of the research questions, the results from face-to-face interview are also presented for clarity.

4.2 General characteristics of respondents
Since sampling was random the respondents had differences in terms of background. This includes different age groups, occupation, marital status and sex.

Table 4.1 Respondents Age (N=41)

<table>
<thead>
<tr>
<th>Descriptions</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age 18-40</td>
<td>18</td>
<td>43.9</td>
<td>44</td>
</tr>
<tr>
<td>41-60</td>
<td>21</td>
<td>51.2</td>
<td>95</td>
</tr>
<tr>
<td>Above 60</td>
<td>2</td>
<td>4.9</td>
<td>100</td>
</tr>
</tbody>
</table>

(Source: Researcher Data, 2013)

**Age:** as indicated in table 4.1 above 43.9% of the people belongs on the group of aged (18 – 40) of the whole are state as the youth age, this is the class of the young people who are fresh blood and most of them belongs to the informal sector where there needs more innovation and devotion of time and strength to run kind of business. 51.2% is classed in the middle of people belonging between (41 – 60), this is the class of the people who are defendable and most of them take loan in SACCOs for the household management like school fees, food for children and for women, this class is denominate by the male working in the informal sector. 4.9% is the class of the old aged where they are the widow and who run their small enterprise for the household management.
Figure 4.1 Respondents Sex:
(Source: Researcher Data, 2013)

Sex; as indicated in figure 4.1 above, 39% are found to be male who most of them are found on the formal sector and those running the business. There are the dependable class and married. 60.9% is the female where most of them belonging on the informal sector running small enterprises. It shows that female are more attracted to SACCOs according to this report and that they lack derive to growth of their enterprise for more sustainable and profitable. This may be because they lack of initial capital as most of the women are excluded traditional to own property, so this is the other means of raising.
Marital status: As indicated on title of the respondents 24.4% are seem to be sight where of these are the light parents to rise they include alone without engage marriage. 41.5% of the respondent are married of which are dependable, from their families, these are children shooting and including different things. 4.8% making 2 respondent is develop (women). This implies most of the respondents are not comfortable to be statuses as divorced. SACCOs if the way to the income since most of the women depend from the support of the hence it’s another means to gain economic wise. 29.3% derived 12 respondents said to be widow. Is related to the divorced women who depend economic support, hence with the abuses of husband, a wife has to find another means of earning money and SACCOs is the easy means to get credit as the initial capital.
Table 4.2 Occupational:

<table>
<thead>
<tr>
<th>Description</th>
<th>frequency</th>
<th>percent</th>
<th>Cumulative percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Employee</td>
<td>10</td>
<td>24.4</td>
<td>24.0</td>
</tr>
<tr>
<td>Private employee</td>
<td>7</td>
<td>17.1</td>
<td>41.0</td>
</tr>
<tr>
<td>Self employee/ Business man</td>
<td>24</td>
<td>58.5</td>
<td>100</td>
</tr>
</tbody>
</table>

(Source: Researcher Data, 2013)

**Occupational:** As indicated in table 4.2 above 24.4% of the respondents are employed government sector which make about 10 of them. Most of this class tends to find them taking loan for investment and not taking for household and they are privilege to like loan. 7 respondents making 17.1% of them and sited in private sector where they argue to have privilege to be a SACCOs members too. 24 respondents making 58.5% of them sale in self employed/ business men which are the majority of the all respondents, the only reasons found is the lack of employment that force people to engage themselves in business after accessing loan. It is also found that majority of the business men engage themselves in small scaled business which either formal or informal.

**4.3 Condition of SACCOs in savings mobilization**

The potential for saving mobilization in to its member is sizeable. The research results showed that about 42% of respondents actually saved at medium and large, and that over 50% of the respondents were willing to utilize the services of associations in order to access both credit and savings but level of privileges to save were at small rate. It was found that below 50% of the household indicated that at times they had surplus income they could save. The challenge is to provide for appropriate forms of instruments which are consistent with enhanced financial intermediation.
The common trend in saving mobilization associations have been instrumental in instilling a saving behavior and provides an opportunity for promoting loan repayment based on pressure from peer monitoring as a substitute for conventional collateral. Group initiatives in various forms are becoming an innovative link between their members and banks and other providers of financial services. The groups take credit from the banks for on-lending to their members. This has become an innovative method of financial intermediation.

### 4.3.1 Accessibility to knowledge:

**Table 4.3 shows the accessibility to knowledge of members. (N = 41)**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>YES</td>
<td>14</td>
<td>34.1</td>
<td>34.0</td>
</tr>
<tr>
<td></td>
<td>NO</td>
<td>27</td>
<td>65.8</td>
<td>66.0</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>41</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Source: Research analysis, 2013)

As table 4.3 indicates above, 14 respondents about 34.1% have knowledge about entrepreneurship and loan management while 26 respondents had no knowledge about entrepreneurship loan management. This has direct relationship with saving mobilization because when SACCOs members having enough knowledge they were know how to save and that the people with knowledge and skills about entrepreneurship and management are in the loan risk of failure compared to those who have no knowledge and skills.

This may be related with the state that one way solving your problem is to compare each new loan enquiring against knowledge of loan management you have granted in the past.

Cooperation requires the acceptance of new ideas, new standards, new habits of thought and behaviors in its own interest and for its own survival. This should be supported by educating its members in appropriate way.
Educating members by education committee enlightened members to understand their rights correctly, inspire them to fulfill their responsibilities as a member. Education encourages member participation on their SACCO issues. This member’s participation is a key for the success to their SACCO development.

4.3.2 Level of Privilege:

**Table 4.4 Level of privileges to save. (N = 41)**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid AT SMALL</td>
<td>24</td>
<td>58.5</td>
<td>58</td>
<td>58</td>
</tr>
<tr>
<td>AT MEDIUM</td>
<td>5</td>
<td>12.2</td>
<td>12</td>
<td>70.0</td>
</tr>
<tr>
<td>AT LARGE</td>
<td>12</td>
<td>29.3</td>
<td>30.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Source: Research Data, 2013)

Table 4.4 above indicate the data of respondents where by 58.5% all argued that they receive privileges on being in SACCOs members at small as most of these are the business. 5 of them making 12.2% complained to have receiving privileges at medium level and 12 respondents making 29.3% are receiving privileges to be a SACCOs member at large.

Most of these are found at formal sectors SACCOs where the SACCOs associated with the management of the employment, and there is high assurance of returning the loan since the member works in the same organization.

This may be concurrent with the context that; privilege: since they can now coverage in terms of their strength, they will be able to bring down the interest rates because right now they charge 1 percent month which amount to 12 percent per year on a declining interest rate. This means that they will be able stabilise the current interest rate and it can be at least easy for member to save.

Saving is not as simple as the word as we talk it. Saving is discipline, because it teaches people to use their resource in a wise manner and develop an asset in the
future. Saving is a **sacrifice**, because it teaches people to give up today’s expenses and to withhold valuable resource for future possible out coming instead of consuming immediately and saving is **planning for tomorrow (future)**, because Saving teaches people to anticipating, forecast and preparing for possible risks and emergencies (bad harvest, sickness and death).

Saving teaches people to think on starting a new business or expanding existing once. Saving teaches people to anticipating and preparing for upcoming events and expenditures (School fees, Marriage, old age, retirements etc). Therefore, saving is everything, which can empower human being to have bargaining power, makes himself secured and person with full confidence.

In the SACCO society, saving is an asset to members, and a liability to the SACCO society and saving is collected from member to on lend to members. Saving is sources of income to the SACCO society because it lends to members with interest. This loan interest is the main source of income of the SACCO society, for a SACCO society it is a must to have a regular Saving flow from members, to efficiently serve financial services to members.

**4.4 Responsiveness of the people in income improvement**

Members contribute equitably participation of share, savings and borrow loans, and democratically control the activity of the share, savings and loans. The SACCO Societies should serve their members to improve their livelihood by giving safe place to save, teaching people how to generate income, how they can develop thrift culture, wise use of resources.

SACCO Societies should be able to provide accessible loan to needy members based on the loan policy regulations and procedures for any productive purpose such as seed; fertilizer, plough purchases and other business.

It is true that the main objectives of the SACCO Societies are not to make aggressive profit, but it is also true that a well-organized and successful SACCO Society should
end up with a balance of funds that enable it to protect members share and savings from any risk and allow expanding its financial services in the future. After the overhead costs and other expenses are paid, reserves for loss, for expansion services are put aside the remaining Net profit from loan is return back to the members as dividend.

4.4.1 Level of improvement to a person:

Table 4.5 Levels of improvement by positive change in the economic status of a person.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>HOUSEHOLD LEVEL</td>
<td>14</td>
<td>34.1</td>
<td>34.0</td>
<td>34.0</td>
</tr>
<tr>
<td>BUSINESS LEVEL</td>
<td>22</td>
<td>53.6</td>
<td>54.0</td>
<td>88.0</td>
</tr>
<tr>
<td>INVERSTMENT LEVEL</td>
<td>5</td>
<td>12.2</td>
<td>12.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Researcher Data, 2013)

As table 4.5 indicates above, 14 respondents making 34.1% faced socio – economic improvement at household level, 22 respondents about 53.6% had realized socio – economic improvement at business perspective (level) and 5 respondents about 12.2% realized socio – economic improvement at investment level.

Investing the loan in household level is not profitable hence may face problem in loan payment for the money need to be invested to produce profit. This may be linked with the context that. The estimate annual gross immune is multiplied by a factor that has been derived as accurate representation market behaviour for that type of poverty. A monthly growth income multiplier is typically used for residential housing where annual multiplies are used for their property.
4.4.2 Lending Rate

Table 4.6 Lending rate of the SACCOs members per annum. (N= 41)

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>ONCE</td>
<td>2</td>
<td>4.9</td>
<td>5.0</td>
<td>5.0</td>
</tr>
<tr>
<td>TWICE</td>
<td>6</td>
<td>14.6</td>
<td>15.0</td>
<td>20.0</td>
</tr>
<tr>
<td>THRICE</td>
<td>17</td>
<td>41.4</td>
<td>40.0</td>
<td>60.0</td>
</tr>
<tr>
<td>FOURCE</td>
<td>14</td>
<td>34.1</td>
<td>35.0</td>
<td>95.0</td>
</tr>
<tr>
<td>FIFTH</td>
<td>2</td>
<td>4.9</td>
<td>5.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Researcher Data, 2013)

As indicated in Table 4.6 above 2 respondents making 4.9% took once lending rate per annum, six (6) of them making 14.6% took twice, 17 of the respondents 41.4% took thrice which the majority fall into this class, 14 of them making 34% took fourth and 2 respondent making 4.9% took fifth. This implies that the interest rate of the SACCOs limits / controls the members to have rapid development; it took more than one loan to have sustainable business. This may be linked with the perspective that, Due to high risk and higher cost of administrating small loan, most NGO’s microfinance institutions charge higher interest rate than those charged by formal institutions.
4.4.3 Payment schedule:

![Bar chart showing payment schedule of SACCOs interest rate.](image)

Figure 4.3 Payment schedule of SACCOs interest rate. (N= 41)

(Source: Researcher Data, 2013)

As indicated in figure 4.3 above 28 respondents making 68.2% pay the loan interest rate weakly, this are mostly those who are depending on the business of small enterprises and 13 respondents making 31.7% pays the loan interest rates monthly, these are several to be the SACCOs from formal sectors like government office. It is most used because of the traders will be able to pay their interest after a week and those SACCOs work place cut their interest through salaries monthly This may be correlated with the circumstance that parent rate refers to the amount paid to farmers per unit outputs or quantity delivered. Promptness in payment refers to this interval between deliveries of inputs, extended to farmers mainly through SACCOs and inputs stores to be payed at a large agreed upon date.
### 4.4.4 Kind of collateral:

Table 4.7 shows the kind of collateral (N= 41)

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed</td>
<td>14</td>
<td>34.1</td>
<td>34.0</td>
<td>34.0</td>
</tr>
<tr>
<td>Non-Fixed</td>
<td>27</td>
<td>65.8</td>
<td>66.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Researcher Data, 2013)

Table 4.7 above indicate the data of respondents where by 14 of the respondents about 34.1% had put fixed collateral for attaining the SACCOs loan and 27 respondents making 68.5% saved the money for getting the loan of the SACCOs to attain socio–economic improvement.

This may be related with the situation that women entrepreneurs main assist is their credit history because women’s repayment rates are often higher than men’s but the lack of credit referencing system means that vulnerable Micro Finance Information on SME business is not available to other financial institutions or within the financial system. The key impact of the limited availability credit information is that collateral requirements in Tanzania are high and over collateral ration practice is common. The 2004 investment climate survey found that 86 percent of loan required collateral and that the average value of the collateral was twice that of the loan.
4.4.5 Criteria favor Sacco’s member:

![Bar chart showing the nature of criteria of the SACCOs (N= 41)](chart)

**Figure 4.4 shows the nature of criteria of the SACCOs (N= 41)**

(Source: Researcher Data, 2013)

As figure 4.4 indicates above, 34 respondents about 82.9% of the respondents said to have privileged to be SACCOs members by the criteria of the SACCOs provides, where 7 respondents of the SACCOs making 17% claimed that the SACCOs does not provide the favourable criteria’s to become a SACCOs members.

The different in criteria’s depends on the nature of the SACCOs, for example formal official Sacco’s limit non – employees to become a Sacco’s member.

This may be linked with context that to reach the product of the poor women, loans and made available to women who already have ongoing business activities, Borrowing are required to have a saving in the group account with a formal financial institution. Minimum group of six in 30 members. The minimum loan amount in 2002 was Tshs.100,000 and the maximum loan amount in 2002 was 2,500,000.
4.4.6 Reaction of SACCOs over a person fails to pay the loan.

Table 4.8 Reaction of the SACCOs to the members (N = 41)

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>EXTEND TIME FOR LOAN.</td>
<td>3</td>
<td>7.3</td>
<td>7.0</td>
<td>7.0</td>
</tr>
<tr>
<td>TAKE THE COLLATERALED GOOD.</td>
<td>28</td>
<td>68.3</td>
<td>68.0</td>
<td>75.0</td>
</tr>
<tr>
<td>TAKE LEGAL PENALTISE TO THE MEMBER.</td>
<td>10</td>
<td>24.4</td>
<td>25.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>41</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Researcher Data, 2013)

Table 4.8 above indicates that 3 respondents making 7.3% argued that once fail to pay the loan SACCOs extends the time and for the person to pay. 28 respondents about 68.3% said that the SACCOs will take the collateraled goods help responsible for the payment of the loan and 10 members making 24.4% argued that the SACCOs penalties the members for not paying in time by adding up the interest of paying the loan.

Here is where the management and entrepreneurship skills are seen to be important for some of the members instead of improving socio-economic they tend to have several poverty when fail to pay the loan.
4.5 Social economic improvement:

Figure 4.5 Social Economic Improvements of SACCOs members (N=41)
(Source, Research design 2013)

Figure 4.5 above indicate the data of respondents where by 29 respondents making 70.7% saying they have socio – economic improvement which 12 respondents making 29.3% of all respondents claimed not to improve in socio – economic wise. This proves that SACCOs lead to the socio-economic improvement as 70.7% of the SACCOs member had improved their income through it. I encourage more people to be the member for betterment.

This may be associated with the framework that for improvement product group collateral is required and the payment period is 6 to 12 months for housing construction one needs to have two guarantors, title deed and 25 percent down payment.
4.5.1 Problem faced by members of SACCOs.

Table 4.9 shows problem faced by members in loan payment (N= 41)

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>YES</td>
<td>16</td>
<td>39.0</td>
<td>39.0</td>
</tr>
<tr>
<td></td>
<td>NO</td>
<td>25</td>
<td>60.9</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>41</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

(Source: Research analysis, 2013)

Table 4.9 above indicates the data of respondents whereby 16 of the respondents about 39.0% admitted to have faced problems in loan payment especially faced penalty which lead to face either little or no improvement in socio – economic wise. 25 respondents said that they river faced problems in paying the loan; this is about 60.9% of all SACCOs members respondents to the research.

This implies that, there is large chance of improving socio – economic through SACCOs since most of the members faced problems did not have knowledge in loan management and entrepreneurial skills. (Theory that entrepreneurs are made).

Problem in gas payment.

This may be related with the context that; seeking qualitative information from the firms, sought their qualitative views on their ability to meet required loan payment, its interest rate required loan payment that is end of 1998 of early 1999 levels. The questionnaires asked the firms to indicate their perceived ability to meet inquired loan payment, by three months and beyond. About 2,000 in five countries responded to this question.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction
In this chapter, a researcher has discussed, concluded and recommended issues that have been found pertinent in the data presentation and analysis chapter as they relate to the objectives of the study presented in chapter one section 1.4. According to Saunders (2003), answering the research questions and objectives is the main purpose of the conclusion part. The chapter recommends factors that have to be taken in order to improve socio economic of SACCOs member’s income.

5.2 Summary of the study
A research on influence SACCOs to socio-economic improvement of its member’s income was done at kinondoni district and forty one (41) respondents participated. The general objective was to investigate the influence of SACCOs to socio-economic improvement of its member’s income. Specific objectives were to evaluate the conditions of SACCOs on saving mobilization strategies to social-economic improvement to its members, to assess the responsiveness of the people in income improvement that is aimed by SACCOs to its members and to determine the role played by SACCOs in the social economy.

Both empirical and theoretical literature was reviewed. Research design used was case study and the data collection methods used were documentary review and interview while data collection instruments used were questionnaire, interview questions and documentary review guide.

Findings indicates that with exceptional of few limitations facing Saving and Credit Co-operate Organization Societies these institutions are doing recommendable work on improvement of its member’s income. It was found that all interviewed persons were growing at a good rate in terms of business level and household level.
Saving and Credit Co-operative Organization Societies were also doing the best in mobilizing saving and deposits, in general their loan portfolio was growing. The findings shows that SACCOs are attracting more customers to make savings and deposit as well as providing capital in form of loans to attract entrepreneurs to invest in productive projects which mean a move towards contribution of member’s income.

With regard to research question number 9, it was learned that the SACCOs member has improved their socio-economic status this is due from the 70.7% of the respondents who asked the question that “Have you experienced income improvement through SACCOs” they said Yes. Although based on the study findings, SACCOs leads to the income improvement in the low rate as expected by its members and the society at large, this is due to the criteria such as high interest rates and provision of loan to ongoing business rather than start-up business hence does not give privileges to the poor people who are the target population.

On the side of Education and training for the SACCO members, the 14 of the respondents indicated that they had enough knowledge within their SACCOs. The other 27 respondents however indicated otherwise. The knowledge of SACCOs members is also the problem that limits successfulness of its members due to lack in loan management, entrepreneurship and to be goal oriented since the loan is often not used as elaborated it prescription.

Education and training affect performance such that the more educated and trained staffs, management and the members are the better performers. Educated members will understand better the operations of SACCOs and hence contribute positively towards success. They will also be in a better position to decide how to save for a better future and to understand well who to elect and who not to elect as a committee member. A management committee with proper education and training will lead better. This will translate to improved performance. Well educated and trained staff will be more efficient and effective in whatever they do.
Also findings indicate that, SACCO societies should not be expected to give cheap loans to members, because like any business organization, SACCO societies should give services to their members with fair interest rate of loan by covering their operational cost, fund cost, possible risk and predicting future sustainable services to members.

On the other hand, study shows cheap loans attract the powerful and encourage corruption; the probability of the loan reaching the poor is low. Cheap loans are repaid last; cheap loans borrowed by anyhow without plan and are unprofitable. Therefore, the rate of repayment becomes very low because borrowers never use the money to generate income and so the organizations giving cheap loan become unsustainable. Therefore, members need to understand what will be the effect of cheap loan service to the future sustainable existence of their SACCO. If members need to have sustainable financial service, they should decide fair lending interest that could cover all its costs and risks.

5.3 Conclusion
The research findings revealed that SACCOs contribute to the income improvement of its members largely at business level and at household level in Kinondoni district although its effectiveness realized in long period of time, can find the person has take the loan several times. This is because of the criteria of SACCOs on loan provision. Credit is most given to those with ongoing business and hardly to those starting up the business; has the existing microfinance institution met few percent of the demand. Due to high risk and higher cost of administering small loans, most NGO Microfinance institutions charge higher interest rate than those charged by formed institution and government, delivered microfinance has generally performed poorly interns of financial sustainability. Interest rates of most of SACCOs are affected by the inflation rate of the country leading to high interest rates since they limit members to have fast socio-economic improvement of income.

The researcher findings reveal that the lack of knowledge about entrepreneurship and loan management leads to some of them fail to improve economically and socially
wise even lead extreme poverty. Although free market economy is also a threat to the local production of the indigenous people against foreign production of high mass production through high technology and the barriers put on importance on their country.

Responsiveness of SACCOs members is also one of the things that limits the ability of SACCOs to facilitate them to socio-economic improvement of the people, this is because most of the members are not goal oriented and they do not do what they supposed to do, instead of using in a productive means they direct the finances in personal matters like debt payment or school fees payment. It was also reveal that process of application for loans starting with small amount and after repayment a client graduates for the next higher amount was a limiting factor to those customers who needed to grow fast.

5.3 Recommendation

According to the study findings, the following were recommendations for sustainable SACCOs institutions;

Interest rate is the problem that lead to limitation of effectiveness of the SACCOs to its members, SACCOs should invite the large size of the members that will reduce the operating cost and that would imply to some reduction to the interest rates and by enjoy economics of scale by engaging in large business.

SACCOs should provide required knowledge and skills to its new members before provision of loan especially on entrepreneurship and loan management so that they can reduce the risk of failure and return of development to its active members.

On the side of the SACCOs members’ perception on SACCOs is another problem, where as these financial institution should provide enough education on the purpose of SACCOs and how it operates so that to reduce the possibility of its members to think getting loan from SACCOs is an opportunity to enjoy government’s free money. This will help to reduce the risk of loan payment at large.
Special groups are almost forgotten in this policy I recommend the government to put special criteria for the disabled group to take loan at very low interest rate or with ought collected so that it may help them to start their own small business and assist their life instead of moving around beg for money.

Also the grow SACCOs should provide services like a bank so as to assure the control of money circulation within the country instead of the person to put his/ her money in foreign banks which leads the transfer of profit and betterment of other country at expense of our country. For instance the policy can be formulated such “Teachers SACCOs” where all the salaries of the teachers will be deposited on their SACCOs and this will control of our currency will lead to evaluation of the currency and were reduce inflation as the result this will lead to reduction of interest rates in SACCOs.

There is a need for creating wider community awareness of SACCOS and their potential for income improvement for its members through awareness campaigns, sensitizations and training. This would help SACCOs to mobilize more fund s through member savings and may significantly reduce delinquency and member drop out.

The culture of collaboration and networking among themselves and between them and other stakeholders should be persistently inculcated, also they should be sustained involvement of all stakeholder of SACCOs such as SCULT MUCCOBS, COASCO, Cooperative development department and donors in the promotion of SACCOs.

**Suggestions for further research**

From this study, the following suggestions for further studies are made:

There is need to find out the extent to which each of the independent variables in this study affects performance so as to exactly classify the major and critical factors influencing the performance of the SACCOs.
There is a need to look at other factors, including the effects that are emerging including the HIV/AIDS has on the performance of the SACCOs

Further research should be undertaken to establish whether the factors determining the performance of SACCOs affect urban, semi-urban and rural SACCOs on the same.

The research also seeks to establish why, despite past researches, problems still persist. Exploration of the possibilities to overcome the persistent factors affecting performance should continue. The study therefore seeks to exhaustively explore these factors and to give suggestions as to how negative influences can be eliminated and advice as to how to take advantage of them for the well-being of the SACCO movement. Suggestions earlier put forward by other researchers, which have not been considered to date, will also be looked into.
REFERENCE


Francis, K.W., 1969. Credit Unions are People. USA: CUNA international, Inc.

Gerda Piprek, (2007) living with SACCOS to expand financial access in rural areas, DSM, Tanzania.


TFC (2006) *A Simplified guide to the Cooperative Development Policy and the Cooperative Societies Act of Tanzania mainland*, DSM  
Tuni, AA; *Financial Services and the Grassroots in Tanzania*; Bank of Tanzania; Rural Financial Services Seminar; (1995)  

**Websites**  
African Development Bank: [http://www.afdb.org](http://www.afdb.org)  
Bank of Tanzania: [http://www.bot-tz.org](http://www.bot-tz.org)  
CGAP Microfinance Gateway: [http://microfinancegateway.org](http://microfinancegateway.org)  
DANIDA: [http://www.um.dk](http://www.um.dk)
APPENDICES

QUESTIONNAIRE

Questionnaire distributed to the management and member of SACCOs.

Answer the questions as it is required by put tick in the correct answer within the bracket and give opinions in blank spaces.

Please indicate your perception to the extent of your feel for SACCOs whether posses the features described in each of the statement by ticking a plane of your choice in the bracket.

1) What is your age?
   i. 18-40 (    )
   ii. 41-60 (    )
   iii. 60 and above (    )

2) What is your sex?
   i. Male (    )
   ii. Female (    )

3) Marital status?
   i. Single (    )
   ii. Married (    )
   iii. Divorced (    )
   iv. Separated (    )

4) What is your occupation?
   i. Government employee (    )
   ii. Private employee (    )
   iii. Self employee (    )
   iv. Business man (    )

5) If your business man, what is the scale of your business?
   i. Small enterprises (    )
   ii. Medium enterprises (    )
6) How many times have you taken a loan from Sacco’s per annum?
   i. Once
   ii. Twice
   iii. Thrice
   iv. Fourth
   v. Fifth

7) In what interval do you return your interest rates?
   i. Weekly
   ii. Monthly
   iii. Quota a year
   iv. Yearly

8) Does the interest rate of your SACCO’s give you privileges to save?
   i. At small
   ii. At medium
   iii. At large

9) Have you experienced income improvement through SACCO’s?
   i. Yes
   ii. No

10) What kind of income improvement had you experience?
    i. At household level
    ii. At business level
    iii. At investment level

11) Which kind of collateral did you put for your loan?
   i. Fixed
   ii. Non fixed
12) Do you have knowledge in entrepreneurship and loan management?
   i. Yes (     )
   ii. No (     )

13) Does the criteria for taking loan favours you to be a Sacco’s member?
   i. Yes (     )
   ii. No (     )

14) What action does your Sacco’s take to a member fail to pay its loan?
   i. Extends a time of loan management (     )
   ii. Take a collateral good (     )
   iii. Take legal action over a person (     )
   iv. Prohibit a person from being a member of that Sacco’s (     )

15) Have you ever faced any problem in loan management?
   i. Yes (     )
   ii. No (     ) If the answer is yes then explain what are those problem.

.................................................................................................
.................................................................................................

16) Establishment of small scale savings and credit scheme has improved standards of living of SACCOs members in Kinondoni district.
   A) Strong agree
   B) Agree
   C) Not sure
   D) Disagree

17) Small savings and credit schemes of Kinondoni district SACCOs supports low income groups to build savings.
   A) Strong agree
   B) Agree
C) Not sure
D) Disagree

18) Kinondoni district SACCOs mobilise funds for its members.
A) Strong agree
B) Agree
C) Not sure
D) Disagree

19) Small savings and credit scheme of Kinondoni district SACCOs has helped members to improve their financial position to the extent that some members have become self employed.
A) Strong agree
B) Agree
C) Not sure
D) Disagree

20) Small savings and credit scheme of Kinondoni district SACCOs is the source of revenue which small investors use to finance their social-economic projects.
A) Strong agree
B) Agree
C) Not sure
D) Disagree

21) Savings and credit scheme of Kinondoni district SACCOs has encouraged people to work as a group (team work) which has helped members to share business views and skills.
A) Strong agree
B) Agree
C) Not sure
D) Disagree
22) Small saving and credit scheme of Kinondoni district SACCOs Provides advisory services to its members.
A) Strong agree
B) Agree
C) Not sure
D) Disagree