

**THE ROLE OF BUDGETING IN PERFORMANCE OF
COOPERATIVE SOCIETY:
THE CASE OF SACCOs IN DAR ES SALAAM REGION**

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COOPERATIVE SOCIETY: THE CASE OF SACCOs IN DAR ES
SALAAM REGION**

By

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A Dissertation Submitted in Partial Fulfillment of the Requirements for the Award of the Degree of Master of Science in Accounting and Finance (MSc-A&F) of Mzumbe University.

2013

CERTIFICATION

We, the undersigned certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled: **The Role of Budgeting in Performance of Cooperative Society: The Case of SACCOs in Dar es Salaam Region**, in partial fulfillment of the requirements for award of the degree of Master of Science in Accounting and Finance (MSc-A&F) of Mzumbe University

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ACKNOWLEDGEMENT

Firstly, all thanks and praise be to God Almighty who has enabled the accomplishment of this report. It would have been impossible if I was not in good health, peace and strength of mind.

Secondly, I would like to thank all who were involved in one way or another in facilitating data collection for this study. I wish to acknowledge with sincere gratitude the advice, comments, assistance and encouragement I received from different people in the process of producing this report. Special gratitude should go to my husband Dadi for moral and financial support and to my daughter Mariam and to Miss Fatma Mkakile.

Through the preparation of this report, I worked under my Supervisor Mr. Mzee Saburi his valuable guidance, consultation and accessibility helped me a lot in shaping my research proposal as well as research report in present form.

In addition, many thanks go to my parents, relatives and friends who encouraged me to pursue my study to this end.

DEDICATIONS

This dissertation is dedicated to my husband Dadi and our Precious daughter Mariam. A special dedication goes to my Dad and my mom for instilling in me the importance of hard work and education.

LIST OF ABBREVIATIONS

GAAP	-	General Accepted Accounting Principles
MFIs	-	Microfinance Institutions
RURECU	-	Ruvuma Region Cooperative Union
SACCOS	-	Savings and Credit Cooperative Societies
SCCULT	-	Savings and Credit Cooperative Union League of Tanzania
SHIRECU	-	Shinyanga Region Cooperative Union
URT	-	United Republic of Tanzania

ABSTRACT

This study focuses on the role played by budgeting in performance of Cooperative Society. Specifically the study aimed at examining the extent at which budgeting contribute to the performance of Cooperative Societies. In process of conducting the research, several methods were applied in data collection. These methods included questionnaire, observation, documentary review and the use of library sources. These were used purposely to obtain information on how budget impact on performance of Cooperative Societies.

In examining the role of budget in performance three variables were used to test this relationship which were Portfolio size, Average loan disbursed and number of clients served by these societies. The study found that budget has no positive relationship on performance of Cooperative Societies. The study concludes that budgeting contributes to performance of cooperative societies if other factors like good governance, integrity, financial skills of the accountants and assured access to obtaining capital are available. Therefore, budgeting alone is insufficient factors but requiring other specified factors to realize performance of cooperative societies.

The study gives recommendations to the ministry of cooperative and marketing to ensure that budgeting skills should go hand in hand with management skills so as to administer performance of cooperatives. The study added that the department of cooperatives should provide sufficient ground for the SACCOS to obtain links for networks related to trainings that promote performance. The stakeholders like financial institutions giving loan to the SACCOS are recommended to add SACCOS with more capital so as to solve the problem of capital that hinders performance despite the presence of good budget.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Problem

Cooperatives are distinct business entities with dual function of serving their members for both economic and social needs. The cooperative sector worldwide has about 800 million members in over 100 countries through the membership organizations of the ICA. The cooperative sector is experiencing a renaissance despite many difficulties. A study of 11 countries in Africa estimates that around seven percent of Africans are co-op members. It is estimated that cooperatives account for more than 100 million jobs around the world. Cooperatives as economic enterprises and as self-help organizations play a meaningful role in uplifting the socio-economic conditions of their members and their local communities. Over the years, cooperative enterprises have successfully operated locally owned people-centred businesses while also serving as catalysts for social organization and cohesion. The cooperative sector, especially in developing countries, also presents itself as an important element that can contribute to the realization of the Millennium Development Goals by 2015 (Simon & Birchall, 2008).

Opportunities for expanding and diversifying rural incomes from natural resources and of making urban poor to have reliable employment is possible through microfinance institutions and in particular member owned organization such as SACCOS. Like in many other developing countries, MFIs can be a useful tool for poverty reduction through micro entrepreneurial development. The objective of many MFIs and SACCOS includes poverty reduction to those who do not have access to financial services from commercial banks and other financial institutions and who may not be economically viable (Seleke & Lukorwe, 2010).

The current financial crisis characterised by the massive public bail-out of private, investor-owned banks worldwide has underlined the virtues of budgeting in order to measure performance fairly. Cooperative societies in the form of credit unions,

building societies and cooperative banks, by focusing primarily on the needs of their members make efforts to display prudence and avoid the excessive risk-taking that might plague their existence. As cooperative societies continue to operate and provide loans to their clients and enjoy the trust and confidence of their members and depositors, they play an even more critical role to operate within budgetary framework and limits (Daum, 2002).

Most prominent challenges facing cooperative societies are the lack of management skills, particularly book-keeping and accounting skills. Many cooperatives lack an accounting plan. Cooperative unions and federations in the early 1980's and early 1990's used management tools that had been provided by their donor that are no more modern and efficient to-date. Budgeting as an instrument of corporate financial management is increasingly seen as an obstacle to performance among cooperative societies (Seleke & Lukorwe, 2010).

However, rate of performance in cooperative societies can as well be measured from budgeting skills among working staffs in cooperatives the actual attainment of the budget in running the cooperative societies. According to Armstrong, performance is often defined in output terms; performance is a matter not only of what people achieve but how they achieve it. High performance result from appropriate behaviour especially discretionary behaviour and the effective use of the required knowledge, skills and competencies. Langat (2012) raises a concern on the caliber of leaders who run SACCOs noting that since these are voluntary organization, members elect anybody they like, who may not necessarily have the skills to run a SACCOs but working in technical positions. Some others have low multiplying factor and a number of them have not computerized their services for the purposes of efficiency and accuracy in their delivery of services (Langat, 2004).

Despite the growing number of financial institutions in Tanzania, little has been made to improve the access to basic financial services by people, thus means that these institutions have failed to capture and attend properly the needs for the poor with regard to financial services. This calls for SACCOS to have in place budgets

and budgetary control measures from the financial accounting point of view. This is when budgets became an integral part of both planning and control. As stipulated in Rule 44 (2r) the duties of the board shall include the preparation of society's corporate strategic plan, business plan and annual implementation program (Cooperative Act, 2003 & Cooperative Rules, 2004).

1.2 Statement of the Problem

The essence of SACCOS is to enable members to get loans at a low rate of interest for productive and provident purpose (Helm 1968). Since the establishment of Saving and Credit Cooperative Societies in 1982, performance has been satisfactory in some few cases but in most cases poor performance has been evident contrary to the expectation of both the members and policy makers. Most of the cooperative societies have been reporting net deficit (losses) instead of net surpluses (profits) causing withdrawal of members and collapse of many cooperative societies. The problems have been linked to major weakness in financial and in general management of the Saving and Credit Cooperative Societies (Mnzava, 2009).

Despite the growing number of financial institutions in Tanzania, little has been made to improve the access to basic financial services by people, thus means that these institutions have failed to capture and attend properly the needs for the poor with regard to financial services. Various studies have presented the dynamics of cooperative societies linked to sustainability, poverty alleviation and social development among the poor, but very little research has been undertaken on budgetary control (Mwakisisile, 1994; Haule, 1994 and Msongo, 2006) but no any study has specifically been written on the role of budgeting in performance of cooperatives in Tanzania. This prompts the study to directly associate limited studies regarding the problem to its prevalence in practice among SACCOS in Tanzania.

1.3 Objectives of the Study

1.3.1 Overall Objective

The overall objective of the study is to investigate the role of budgeting in performance of the SACCOs in Tanzania.

1.3.2 Specific Objectives

- (i) To examine the performance of the selected SACCOS.
- (ii) To identify the budgeting practices in selected SACCOS.
- (iii) To examine the relationship between SACCOS performance and budgeting in SACCOS.

1.3 Research Questions

The study was guided by the following research questions:

- (i) How is the performance of the SACCOS?
- (ii) What are the budgeting competences in the SACCOS?
- (iii) What are the relationship between SACCOS performance and budgeting practices?

1.4 Significance of the Study

This study is very important such that:

- (i) It provides to a scholarly discipline a synthesized output for the importance of budgeting in cooperative societies. Since the study is basically on accounting and finance, budgeting is key and instrumental to financial control. Understanding that, SACCOS are grassroots efforts to development initiatives combining different stakeholders with homogeneity features regardless of education backgrounds, identifying budgetary skill gap is important so that it is scholarly addressed for practitioners referencing and implementation. Studies addressing necessary budgetary issues for improvement may be developed from the findings of this study.
- (ii) Government machineries, decision makers and policy designers may as well use the findings of this study to address microfinance issues in developing countries and their efforts to poverty reduction. The study has focused on area that needs capacity building to SACCOS staffs and members in order to address the problem of budgetary limited skills among members and staffs in most SACCOS in the country. It can as well prompt to use of skilled

accountants in registered SACCOS or provide regular trainings for the staffs and members regarding budgetary issues in cooperative societies.

- (iii) Different stakeholders such as owners of the SACCOS, Donors, members and facilitators are provided with a better platform and recommendations to address and improve their SACCOS through the study findings. Better practices can be obtained from the compiled information on previous findings as well as recommendations provided by the study.
- (iv) The completion of this study provides a body of knowledge by providing information to researcher and other microfinance institution regarding the role of budget in performance of these institutions.

1.5 Limitations of the Study

There were difficulties in obtaining information from some respondents. This happens following the structure and bureaucracy of some SACCOS that needed a Board meeting to sit and discuss my request to obtain the required information. Despite the fact that all the protocols and clearance were obtained, but about 4 SACCOS listed refused to provide permission leading to replacement. In some cases, other respondents refused to provide details of their budgets on the reason that they were not allowed to provide such information to unauthorized persons. In such cases important documents like financial statements and budget sheets were withheld in few cases.

Following the restriction in getting information that caused replacement of a few SACCOS, time for the study raised as another constraint that could not be maintained at its most required limit. As that, the study has so been conducted with several time lag due to bureaucracy in selected SACCOS. Although there are several SACCOS in Tanzania and Dar es Salaam but coverage could only access few in selected SACCOS in order to capture time set for the study in its academic schedule.

1.6 Scope of the Study

The study aim at examining the role of budget therefore the study did not address the budget control and budget implementation. The scope also was limited by its sample size since the study need the quantitative data as to arrive at required conclusion therefore the questionnaire exclude the members of cooperative societies and also need the qualitative data.

CHAPTER TWO

LITERATURE REVIEW

This chapter presents the reviewed studies relevant to the study. The literatures reviewed are presented in order of definition of key terms, theoretical literatures, empirical studies and conceptual framework. The chapter ends with chapter summary that presents knowledge gap after reviewing relevant studies and therefore justifying the need for this study to be conducted.

2.1 Definition of Key Concepts

The study has three major key keys defined: Budgeting, Performance and Saving and Credit Cooperative Societies (SACCOS).

2.1.1 Budgeting

The word “budget” is considered to have originated from the middle age English word budget which means a budget or wallet. Over a number of years the word budget acquired several meanings until it was finally taken to mean the document showing the financial estimates and supporting statements of accounts (www.investopedia.com). It is clear therefore that different scholars have defined a budget in different ways. Hilton (1999) defined budget as a detailed plan expressed in quantitative terms that specifies how resources will be acquired and used during a specified period of time. Garrison (2000) defined budget as a detailed plan for the acquisition and use of financial and other resources over a specified time period. It represents a plan for the future expressed in formal quantitative terms. A budget may also be expressed in financial terms or in terms of labour hours, units or products or any other numerically measurable term (Hilton, 1999; Garrison, 2000). However, a working definition of this paper looks at a budget as a plan expressed in a quantitative usually monetary term, covering a specific period of time usually one year. In other words a budget is a systematic plan for the utilization, a budget represents an estimate of future costs and revenue (Anthony, 1965).

2.1.2 Roles of Budgeting

From different expression as to the definition of budget, one could say that a budget is a management and accounting tool which when administered intelligently, facilitates the following: Compliments planning and plan implementation of expected performance in accordance to the Cooperative Societies Rules 44(r) of 2003 Act, one of the main duties of the board is to prepare society's corporate plan and annual implementation programs. Budgeting promotes communication and coordination committees in cooperative societies such as Credit Committee, Supervision Committee and Management Committee.

In absence a budget, communication and coordination of such committees might be difficult to achieve. A budget process often force these committees to come together to think about the future of their society. Budgeting controls activities within a cooperative society to accomplish the plans and the targeted goals within agreed expenditure limits. According to the Cooperative Societies rules 62(2), a society shall not incur expenditure exceeding that which is provided in the estimates and approved by the general meeting. The estimate is that estimates of income and expenditure which is budget (Kalimalwendo, 2005).

Hence budget alone are meaningless unless they are used to monitor responsible action and to direct operations toward accomplishing objectives. The budget is the single most important source of financial information. Almost all financial transactions are recorded in the budget; Budget is used to track all cash receipts, encumbrances and cash disbursement and provides a means of tracking these transactions back to original source documents. Because of its common usage as a communication and control tool, budget is the source of affinity shown in studies related to analysis of budgetary implementation. Nevertheless budgets are frequently used in resource allowances and in inspection of whether resources are used effectively. Budget is important for attaining target performance results in strategic orientation of companies as well as for its direct and indirect relation with strategy. Successful budget provides support required in carrying out budget objectives (Anthony, 1965).

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Budget can covers both financial and non financial aspects of a plan, but it is expressed in financial term .Budgeting in finance literature is therefore concerned with the planning and management of the firm's financial needs, concerning the alternative sources of costs of finance. The financial needs of the firm are embodied in capital budgeting decisions on projects within the firm. The money flows are from the capital market, into the firm and into the project, the project in turn generates funds, which are used to pay interest on the loans as well as repayment, and to fund non-capital costs. Any surplus can be used either as profit/dividend payments or reinvested. The above process also reflects the basic activities of finance within business organization. They consist of financing decisions, investment decisions, and managing assets in organizations after the acquisition of funds (or fixed assets). A major aspect of financial management involves providing the financing necessary to support assets (Van Horne& Wachowicz. 1998).

However, budgeting pays attention to the administrative function internal to a firm, especially in terms of planning and control. Budgeting is viewed as a critical element of management control (as above mentioned) by a number of scholars (Anthony, 1965; Flamholtz, 1983; Otley & Pollanen, 2000; Otley, 2003). Given the control-

required standards against which performance could be assessed, the budget was the natural standard of comparison. This leads to using the budget with an annual planning period, in practice in many organizations this was subdivided into quarters or sometimes months as the fundamental building block of the control system.

2.2 Cooperative Societies

2.2.1 Meaning of Cooperative Societies

Cooperative is an association of persons who have come together to achieve common commercial objectives more successful than they could as individual in business. All these definitions relate fundamentally to the continuance and improved profitability of members that form the enterprise. Cooperatives are internationally recognized as enterprises democratically owned and controlled by their members (Babby, A 2006). A co-operative is a group of people who work together voluntarily to meet their common economic, social, and cultural needs through a jointly owned and democratically controlled enterprise. Co-operatives are based on the values of self-help, self-responsibility, democracy, equality and solidarity. Co-operative members believe in honesty, openness, social responsibility and caring for others (TFC&CDD, 2006).

Cooperative society is an association of persons who have voluntarily joined together for the purpose of achieving a common need through a formation of democratically controlled organisations. They can also make equitable contributions to the capital required for the formation of such organisations and accept the risks and benefits of the undertaking in which they actively participate (National Policy for the Ministry of Agriculture and Cooperatives, 1997:1).

Sapovadia (2007) writes that cooperatives are considered shield of the weak. In cooperatives, members with limited mean pool their resources and efforts to achieve much, which otherwise they would not have achieved. Cooperatives are democratic organization. Cooperative societies can take many forms, namely; producer cooperative societies, processing and marketing cooperative societies, consumer cooperative societies, saving and credit cooperative societies, etc. Initially,

cooperative societies were divided leveled into primary and secondary societies. A primary society is one whose members are all individuals; a secondary society consists exclusively of other societies. Primary societies were to be registered with unlimited liability and secondary societies with limited liability (Sapovadia, 2007).

2.2.2 History of Cooperative Societies in Tanzania

According to Babby (2006) history of cooperatives in Tanzania dates as far back as 1925 when the Kilimanjaro Native Planters Association was formed. Zeleza and Eyoh (2003) and Fitzpatrick (2005) trace the origin of cooperatives to the inter-war period. Soon after the First World War in 1919, Tanganyika became under British as mandate territory, thus a subservient to wide East Africa British colonies. Due to the impacts of the First World War in the early 1930s, there was intensification of colonial economy. This economic system was characterized by racial stratification with Europeans and Asians in control of most productive enterprises, while Africans were largely confined to small scale peasant production and labour migration. As the result, the richer cash crop areas such as Buhaya, Kilimanjaro and Usukuma formed peasant cooperatives to support them in claiming for their rights and in political protests. Without savings and credit cooperatives, many poor people could not have safe home for their savings and nowhere to go for loans (Fitzpatrick, 2005).

Cooperatives also provided producers with solutions through collective action in many areas, including fisheries, forestry, minerals and housing (Babby, 2006). The first cooperatives legislation was passed in 1932 when the cooperative ordinance (Cap. 211) was enacted. The terms of the Tanganyika Cooperatives Ordinance came mainly from legislation in Ceylon and Malaya, but some elements drew from Burma, Bombay, Jamaica, and Queensland. As such, the ordinance provided for both primary and secondary societies to operate (McCarthy, 1990).

Soon after independence, with the Arusha Declaration of 1967, cooperatives became the main tool for building spirit of self-reliance during the Ujamaa period. Mporogomyi (1986) points out that cooperatives movement had been viewed basically as a socialist institution and the growth of cooperatives was expected to

lead to the development of rural socialism. This view dominated the Second Five Years Plan (SFYP, 1969-1974). In this period, cooperatives were production oriented while the government established marketing authorities. During 1975-1981, there have been several problems of efficiency in Tanzanian cooperatives movement. Frequent and drastic changes in the institutional marketing system have been disruptive and marketing infrastructure poorly organized. With country's weak capacity in management systems and widespread lack of skilled trained manpower cooperatives began to collapse (Mporogomyi, 1986).

Sizya (2001) describes the state of cooperatives in free market and trade liberalization in Tanzania. From 1986 to 1990s continuous comprehensive economic and structural adjustment programs supported by major donors including the IMF and the World Bank were being implemented. The monopoly status of cooperatives was officially withdrawn allowing other private traders to participate in the marketing. At this time the cooperatives had proved unresponsive to its members' needs and were unprepared for competition from the private sector (Coop. Societies Act, 1991; Cooperative Development Policy, 1997).

Table 2.1: Registered Cooperatives Societies in Tanzania

Type of Cooperatives	Active	Dormant	Total
Federation of Cooperative	1	-	1
Specialized Cooperative Apex Organization	3	1	4
Cooperative Union	32	13	45
Agricultural Marketing Coop. Societies (AMCOS)	2240	400	2640
SACCOS	4,524	315	4,839
Livestock	73	35	108
Industrial Cooperative Societies	180	115	295
Consumer Cooperative Societies	88	610	698
Fishery Cooperative Societies	46	24	70
Transport Cooperative Societies	6	6	12
Service	146	138	284
Mining	5	2	7
Others	3471	1734	5205

Source: COASCO status report on statistics of co-operative societies.

2.2.3 Savings and Credit Cooperative Societies (SACCOS)

Savings and Credit Cooperative Societies (SACCOS) is a financial organization owned and operated on not for profit basis by its members according to cooperative principles. The main objectives being promotion of development of habit of putting some money aside as savings among its members and creation of a source of credit for its members at controlled rate of interest exclusively for provident or productive purposes.

The Savings and Credit Cooperative movement in Tanzania started in 1961, when the Government drafted money by law to enable any group with a common bond of occupation; association and residence adopt the bylaw and register. It was a protection move against the urban areas rampant with shameful activities of Pawn Brokers and Money lenders who were charging exorbitant and illegal rates of interest and, or instituting a mechanism for attitude change of unwise spending of Rural Peasants, petty businessmen and women who were earning sizeable sums of money during harvest time or in business, but go back to poverty (Banturaki, 2000)..

Savings and credit Cooperatives (SACCOS) were not as numerous as the crop marketing cooperatives in the pre-abolition period. However SACCOS have grown rapidly since the 1980s and as institutions. They have remained more stable than the crop marketing cooperatives in the 1980s and 1992, when most crop marketing cooperatives collapsed; the SACCOS continued to survive. According to SCCULT, there were 4,524 SACCOS in 2007 with 758,829 members. In the same year it was recorded by the Cooperative Development Department that there were 8151 primary Cooperatives in Tanzania mainland. The crop marketing cooperatives amount to 2670 and the total number of members of registered primary cooperatives was 1,600,000 in June 2008. Thus SACCOS are now the leading type of Cooperatives in terms of number of Cooperatives and Cooperative members. The current model of Cooperatives in Tanzania can thus be described as dominated by peasantry model because many of the members in both the crop Marketing Cooperatives and SACCOS were initially peasants (Maghimbi, 2006).

Banturaki (2000) indicates that when cooperatives were re-introduced in 1982, they were allowed to form without share capital subscription in the strict and practical sense. Members of cooperatives were required to pay only non-refundable dues and cooperatives were thus unable to build in capital. The law was changed in 1991, but marketing Cooperatives locked crop buying funds (Banturaki, 2000).

When Cooperatives were re-introduced in 1982, Cooperative legislation placed the confederation under the patronage of the political party that was ruling the country. Membership was almost compulsory but not clearly defined because every village in the country was supposed to be a political wing of the ruling party and a multipurpose Cooperative at the same time. With the 1991 Cooperative law, membership became voluntary and peasants were not obliged to sell that crops to cooperatives, Cooperatives made attempts to make their members contribute to share capital and this resulted in low number of members (Mchomvu, et al., 2002).

Cooperatives failed to offer price incentives as had been the practice in pre-abolition era and thus they lost their traditional role in protecting peasants. In 2001 cooperatives in Tanzania mainland were reported to be in an appalling state. By May 2001 they owed banks Tanzanian 17.8 billion. They had accumulated this huge despite the cancellation of their TZs 44 billion debt by the government in the previous ten years (Mchomvu et al, 2001).

A turning point came in the year 2000, when a special Commission was established by the then Tanzanian President Benjamin Mkapa to investigate what could be done to rejuvenate the country's cooperative sector. The government introduced a new Cooperative Development Policy (2002) to help cooperatives to regain their importance in the economic lives of the people. Priorities include human resource development, better training, research, improved quality of audit and supervision, increased use of ICT, and the creation of pools of cooperative specialists (TFC&CDD, 2006).

2.3 Performance

2.3.1 Meaning of Performance

Studies of performance as a concept in itself are practically non-existent but a number of scholars (Lynch & Cross, 1991; Kaplan & Norton, 1996, 2001; Otley, 2003) suggests that, this concept is usually explained in terms of traditional performance measures that satisfactorily reflects firm performance affected by today's changing business environments (Hoque, 2004). Academic literatures by Otley (1999), Van Veen-Dirks & Wijn (2002) largely suggest that claims that non-financial performance measures focus on a firm's long-term success factors such as customer satisfaction, internal business process efficiency, and innovation can best capture the overall performance of organization.

Financial performance is the only beneficial outcome of a rational and formalized budgeting process. However, when we realize that budget-related behavior (e.g., budgetary participation) and budget-related attitudes (such as, budget commitment, motivation) raised from budgeting process will enhance an organization's managerial

competency, we have no reason to move our concern away from the non-financial measures to identify the non-accounting benefits Budget-related behavior refers to the activities, actions, and interactions of managers with each other and their tasks that relate either directly or indirectly to budgeting process. Budget-related attitudes themselves and others (Brownell, 1982; Brownell & Hirst, 1986; Frucot & Shearon, 1991; Gul et al., 1995; Bruns & Waterhouse, 1975).

Accurate and appropriate measurement of performance is essential to organization to develop useful descriptions of their performance, non-financial performance, and managerial performance is used in this study to reflect the overall performance of organization. More specifically, financial performance measures applied in this study include sales revenues and profit (before tax). For the non-financial performance, it consists of budgetary performance and other performance. Budgetary performance in this study is defined in two respects. Firstly, it refers to achieving budget goals by the employees in a firm or having favorable variances (i.e. budget-goal achievement). It also includes the motivation which employees gain from budget-setting (James & Sykuta, 2005).

2.3.2 Measuring Performance in Cooperative Societies

Evaluation of the performance of organization is controversial, being the selection of the most appropriate criteria one of principal problems. Thus different performances indicators can be found in the existing literature, amongst which the most commonly used, are sales, market share, profit and profitability, portfolio size and outreach (number of clients served). They have been used individually or in combination according to the purpose of research (Kumar et al 1992). This problem is even greater in the case of companies that adopt a cooperative form due to the fact that in contrast with capitalist companies that are operated for the benefit of investors. Cooperatives are operated for the benefit of producer members (James and Sykuta, 2005).

The cooperatives are companies that have a great importance within their sector of the economy, and thus the measurement of their efficiency has become an area of investigation which attracts great interest (Lerman, 1991). Member owned and member controlled and operated for the benefit of producer-members, the traditional cooperatives stands in contrast to investor- owned firms that are operated for the benefit of investors (James and Sykuta 2005) Therefore it needs to be kept in mind that cooperatives give priority to maximizing the satisfaction of the needs of their members by offering a list of services which tends to create a state of well- being for their associates and which goes beyond simply optimizing the profitability of their contributions (Michelsen, 1994).

This final question makes them essentially different from companies of a capitalist nature. It is for this reason that the performance of cooperatives must be the object of alternative foci, which must not be limited to a simple analysis of measures based on traditional economic ratios (Lerman, 1991) Due to the nature of these economic ratios it must be born in mind that they are difficult to interpret for this type of company because of the policy of settlement to members that many cooperatives adopt according to the criterion of gross margins which results in a net zero surplus as profits are distributed to members via prices (Acras, 1999). The most frequently used measures of performance in cooperatives sometimes used in combination have been efficiency, profitability and productivity, membership size, quality of financial services, financial management /management quality and institutional strength (financial capacity) and repayment performance (Lerman, 1991).

The World Bank (2001) offers basic tool to measure performance of microfinance institution (MFI) in five core areas namely outreach, client poverty level, collection performance, financial sustainability and efficiency. However, the use of performance measures to evaluate organizational effectiveness has been criticized for being too narrowly focused. In a pioneering work by Hopwood (2002), findings showed that the role of accounting data in performance evaluation, points to five negative aspects of reliance on accounting performance measures (RAPM). Firstly, not all the relevant dimensions of performance are included in an accounting report,

for example managerial activity. Secondly, an organization's economic cost function is rarely known precisely and an accounting system can only attempt to approximately represent its complexity. Thirdly, the accounting data are primarily concerned with representing outcome, however, managerial activity in an organization is concerned with the detailed process resulting in the final outcomes. If there are factors that limit the reported efficiency of the process, despite the quality of the manager's performance, the accounting data will be an inadequate reflection of his performance. Fourthly, the main emphasis in accounting reports is on short-term performance, without more long-term considerations. Finally, accounting reports can fail to perfectly satisfy the requirements for any single purpose, since the reports are used to serve many purposes (Hopwood, 2002).

Gul et al., (1995) relates the relationships between budgeting and performance in non financial variables such as job satisfaction, job related tension and organization goals. Brownell (1982) examines the interaction between supervisory evaluative style and budgetary participation impacting job satisfaction. The results indicate that supervisory evaluative style and budgetary participation exert "a substantial positive" impact on job satisfaction. Brownell and Hirst (1986) test whether budgetary participation (BP) and task uncertainty effect managerial performance or job related tension (JRT). The statistical results show that substantially lower JRT results from the use of BP in low task uncertainty situations. However, "no coefficient of any significance" is yielded between BP and managerial performance (Brownell & Hirst, 1986).

2.3.3 Relationship between budgeting processes to the performance of organization

First of all, budgeting like other accounting concepts such as traditional costing, activities-based costing (ABC), etc., has different appearances, as a theoretical concept, technological term and as an administrative tool. Considering its implementation in an organization, requires diverse actors from internal and external to the organization. Therefore, budgeting at the organizational level is actually a dynamic process, instead of a pure concept. Although the definition of budgeting as a

process is commonly accepted in management accounting literature (for example, in Little, et al (2002) that describe budgeting as one of the fundamental decision-making process in organization), actually a number of studies attempt to link the extent of the budgeting process with its potential impact on firm performance. Also, the budgeting studies are overlooked by most micro institutions including SACCOS in modern development to the developing countries (Little, et al, 2002).

Due to the restriction of limited size and resources, budgeting process in SACCOS is different from that of large companies. The issue of how budgeting process in Cooperative societies impacts their performance is, therefore, certainly worthwhile to be explored. Therefore, this study discusses the basic processes of budgeting that are supposed to be applied in most of business organizations, i.e. budgeting planning and budgetary control. With regard to performance measurement, most studies indicate that, the involvement of different levels of organizational members in budgeting process, budgetary participation improves the competence of the top managers or unit managers in the areas of eight managerial activities (i.e. planning, investigating, coordinating, evaluating, supervising, staffing, negotiating, and representing). Consequently, managerial performance becomes subjective measurement to measure the organizational performance. Some studies have found a positive relationship between participatory approaches in budgeting among SACCOS to their performance (Brownell & McInnis, 1986).

Mia (1989) conducted a survey among six companies operating to test the impact of budgetary participation on managerial performance. All six firms in his sample have the same number of employees. His study reports a positive relationship between participation and managerial performance when the level of perceived job difficulty in firms is high. But other studies argue that the BPP relationship has a weak or even negative impact on managerial performance (Milani, 1975; Bryan & Locke, 1967). For example, Dunk (1990) investigates the impact of budgetary participation on managerial performance; He finds that higher participation leads to lower managerial performance. He explains that this negative result might have been caused because,

in participative budgetary settings, subordinates can manipulate the process to obtain easier operating budgets, which in turn leads to lower managerial performance.

2.4 Empirical Literatures

According to the Cooperative Policy (2002), Government of the United Republic of Tanzania regards cooperative financial institutions as an important alternative to the commercial banking system. The reasons for this are that cooperatives can encourage saving and thrift. Also, loans from cooperatives are not tied to collateral requirements as is the case with commercial bank loans. Importantly, most cooperative societies are themselves considered uncreditworthy by the commercial banks, so the establishment of cooperative financial institutions is essential to their long-term development and that of the cooperative movement. Government recognises that the pace of growth of SACCOs has been faster in urban areas of Tanzania. The establishment of new cooperative banks and the strengthening of those already existing will be an important part of the creation of a system of strong cooperative financial institutions. However, the cooperative system does not at present have enough expertise of financial skills including budgeting (URT, 2006).

The Cooperative Societies Rule of 2004 stipulates that following the introduction of open market economics, the Government sees itself as responsible only for the creation of an environment where the cooperative movement can prosper. The main engines of growth will be the members and managers of the cooperatives themselves. The aim is to produce cooperatives that are independent, democratic, member-based and economically viable (URT, 2006).

According to the Cooperative Societies Act No 20 of 2003, it is government expectation that every cooperative society must keep proper accounts. A registered auditor must audit these accounts at least once a year. The accounts must then be approved by the members of the society in a general meeting and then sent to the Registrar for scrutiny. If a society fails to prepare accounts within three months of the end its financial year, the Board members of the society may be removed by the Registrar and replaced. Board members removed in this way cannot be elected to the

Board again for six years. Society officers are liable to fines for their part in any offence (URT, 2006).

The Kibaigwa Financial Services and Credit Cooperative society (KIFISACCOS) was established to support the rural community of Kongwa district in Tanzania. This study attempts to identify whether this bank-linked financing system meets the needs of its rural clients. The initial capital consisted of TZS 5 million obtained from members' contributions. Up to 31 August 2009, KIFISACCOS had 2125 members, with 1572 men, 480 female, 70 groups and a total shared value of TZS 50 493 138. It is one of the twenty-five SACCOS's in Dodoma region that are in partnership with the CRDB Bank Public Limited Company (PLC). It includes a financial linkage comprising, among others, material support, capacity building and technical assistance (Karumuna, 2011).

Despite the mentioned partnerships and material and technical support from established Microfinance Institutions (MFI's), KIFISACCOS is in a weak condition with a very poor loan recovery performance, high defaulting rates and a large loan amount in arrears. As of June 2009, KIFISACCOS had a total of 1461 bad debts (see Tables 1 and 2). The repayment period for these loans was long overdue ranging from 120 days to more than three years (Table 2). KIFISACCOS creditors' profile by November 2009 indicated a total outstanding loan portfolio (interest accrual included) of TZS 762 492 609. Despite the presence of qualified personnel and proper equipment, e.g. computers, loan follow-up does not take place and record keeping is poor (Karumuna, 2011).

Successful SACCOs are not immune from the need to anticipate change. Posta na Simu is Tanzania's largest SACCO, providing services to employees of Tanzania Telecommunication Company, Tanzania Postal Company, Tanzania Postal Bank and Tanzania Communication Regulation Authority. But job losses, particularly in TTCL, threaten to reduce dramatically the number of members in the SACCO. Posta na Simu is responding in several ways. It is planning to develop front office services, to reduce its reliance on savings deducted at source from employees' pay. It is trying

to help retrenched staffs who are considering self-employment. It is also considering broadening its common bond, to widen the potential pool of members of the SACCO. Being initiated by well educated members, they have good and responsible leadership with large pool of expertise in budgeting, accounting and general financial skills that contribute to their performance (Bibby, 2008).

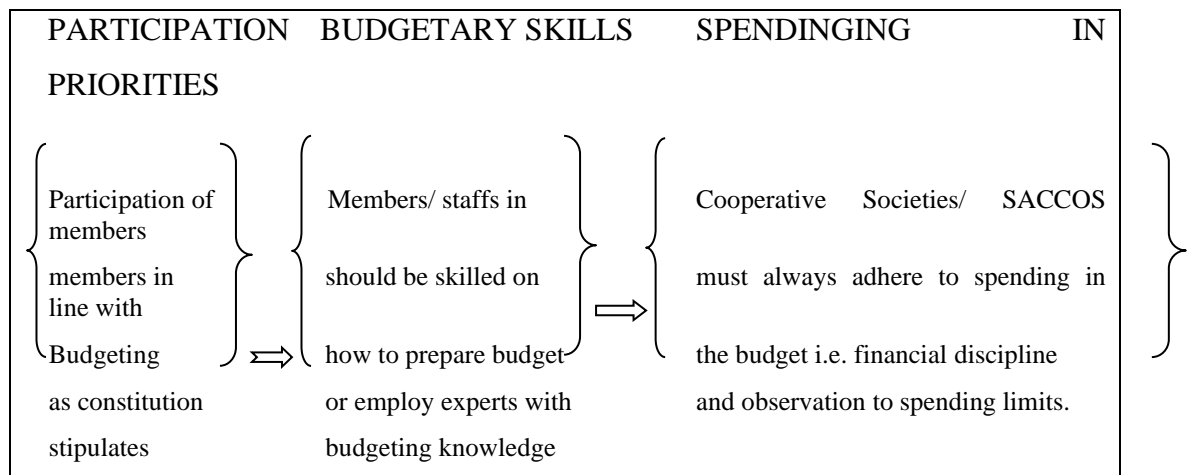
2.5 Conceptual Framework

This study adopted a performance based budgeting model from Robinson and Last (2009) on believe that when formulating the budget, key decision makers systematically have to take into account the results to be achieved by expenditure. Performance-based budgeting aims to improve the efficiency and effectiveness of public expenditure by linking the funding of public sector organizations to the results they deliver, making systematic use of performance information. There are a number of models of performance-based budgeting that use different mechanisms to link funding to results (Robinson and Last, 2009).

The essential requirements for this most basic form of performance-based budgeting are: first, information about the objectives and results of government expenditure, in the form of key performance indicators and a simple form of program evaluation; and second, a budget preparation process designed to facilitate the use of this information in budget funding decisions, including simple expenditure review processes and spending ministry budget decisions. Experience shows that, in order for performance-based budgeting to work, consideration of spending priorities and program performance need to be formally integrated into the budget process. These routines need to be designed by committed experts in budgeting and frequently refresher training for updates. Where the planning process is institutionally separated from the budget process, the introduction of a performance-based budgeting approach may not deliver the desired results. Planning in cooperative societies should be participatory than individual or leader interests presented in planning process to formulate a budget (Robinson and Last, 2009).

Find the figure for Conceptual framework below based on performance budgeting model (Robnson and Last, 2009). Major variables in the model are participation of members; budgetary skills and commitment to budgeted items to bring the expected results in expenditure that satisfy all members in cooperatives.

Figure 2.1: Conceptual Framework



Based on the presented model that abides to the performance based budgeting is expected to incorporate the operational model mathematically presented as follows:

$$Y = X1 + X2 + X3 + Xn, \text{ where as:}$$

Y = Performance

X1 = Portfolio size/ capital

X2 = Loan disbursement/ sales

Xn = Clients number

2.6 Chapter Summary and Knowledge Gap

The reviewed literatures have a defined clearly the meaning and operationalization of key concepts, i.e. budgeting, cooperative societies and performance. This theoretical part of the study has provided several scholars with very rich views on the importance of budgeting in cooperative societies and its expected results in terms of performance (Anthony, 1965; Flamholtz, 1983; Otley & Pollanen, 2000; Otley, 2003). It is still realized that most SACCOS and cooperative societies in general do not abide to their spending limit since they don't have tendencies of preparing their

budget in advance to become their tool guiding implementation process; and in most cases there are members in management who do not have any budgetary skills but owning higher shares in SACCOS and cooperatives (Kalimalwendo, 2005). This prompts the study to be undertaken to investigate the relationship between budgeting and performance of cooperative societies with attention to SACCOS in Dar es Salaam.

CHAPTER THREE

METHODOLOGY OF THE STUDY

3.1 Introduction

This chapter presents the methodology used in the study. As described in Kothari (1990), the research methodology presents the various steps that are generally adopted in studying the research problem along with the logic behind them, so as to solve the research problem systematically. It includes the research method, description of the study area, sampling procedure and sample size, description of the study area, methods for data collection, data processing, analysis, interpretation and presentation.

3.2 Research Method

The study has used the case study method where by a single case of Dar es Salaam has been studied to investigate budgeting and performance of the cooperative societies in Tanzania. Both exploratory and descriptive research design have been used in this study. The reasons for using exploratory research design are: firstly, to gain new insights and develop familiarity with concept of budgeting and performance in cooperative societies. Secondly, the research area i.e. budgeting has not been well researched and very little is known in terms of cooperative society, therefore it is worthy to use exploratory research method.

The descriptive research design on the other hand has partly been used since with other purposes, the study sought to understand the level of awareness to budgeting among members and leaders of SACCOS selected with deeper explanations and to create linkages with the research problem and the reviewed literatures (Adam and Schvaneveldt, 1985). The use of descriptive research design has provides detailed information.

3.3 The Study Area

The Study area is Dar es Salaam region. The Dar es Salaam Region was established in 1973. The Regional boundaries are the same as Dar es Salaam City Council. The Region has three Districts namely Ilala, Kinondoni and Temeke. The Districts boundaries are also the same as Municipal Councils. The Districts are divided into 10 Divisions, which are subdivided into 93 Wards, 448 Mitaa and 8 Constituencies. The Region lies along the Western Coast of Indian Ocean. It is situated between 6 and 7 degrees South of the Equator and between longitudes 33.33 and 39 degrees East of Greenwich. It borders with Coast Region in the North, West and South while to the East, the Indian Ocean. The total surface area of Dar es Salaam Region is 1,397 square kilometers which is equivalent to 0.15 percent of the entire Tanzania Mainland area (URT, 2013).

According to the 2012 National Population and Housing Census, the Dar es Salaam Region had a total population of 4.5 million people. The population increase of 1,126,423 people represents an average annual population growth rate of 4.3 percent. The rate is above the national population growth rate of 2.9 percent. The higher population growth rate is mainly due to migration factor. However fertility and mortality rates as also played a significant factor in increasing the population in the Region.

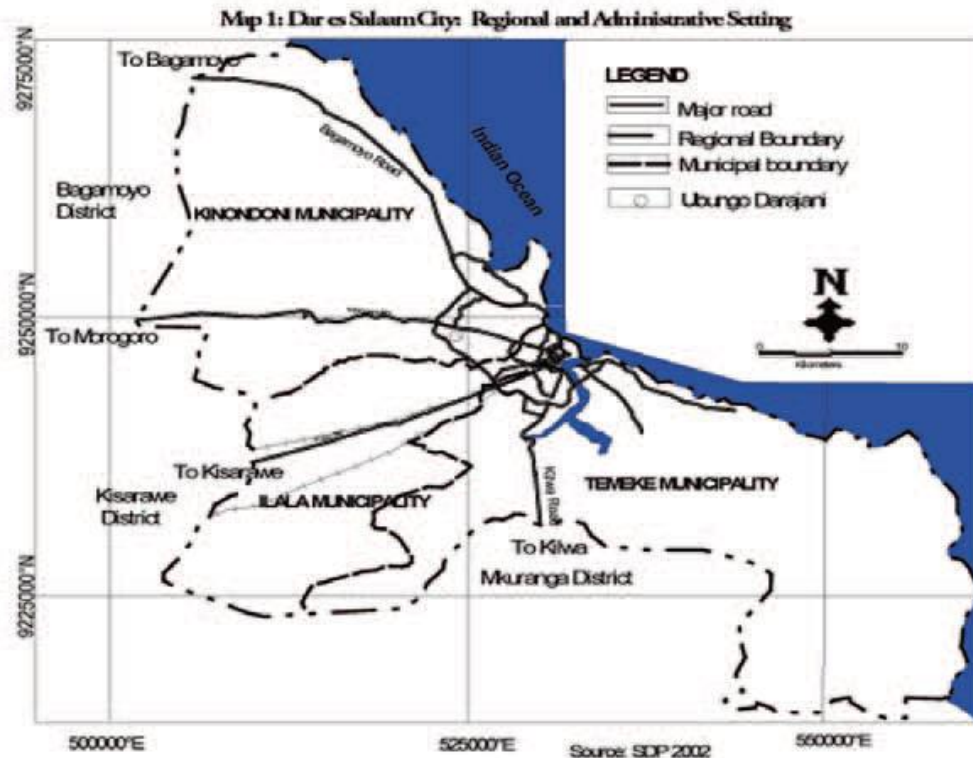
Dar es Salaam Region is endowed with economic potentials in industrial production and business transactions. The two sectors contribute over 80 percent of the Regional economy and employs about 90 percent of the workforce in the Region. The major productive sectors include agriculture, livestock, fisheries, forestry, cooperatives, tourism, mining and industries. However, Poverty and Human Development Report (PHDR) of 2009 indicated that about 20 percent of Dar es Salaam residents were living below poverty line (URT, 2013).

3.4 Justifications of the Study Area

Cooperative Societies, specifically SACCOS have been a major pro-poor growth and empowerment strategy in both rural and urban areas in most developing countries. Dar es Salaam in all its three municipalities have so many SACCOS estimated to be not less than 70 for those active and the dormant ones. This is almost 16% of all total SACCOS in Tanzania. Most SACCOS in Dar es Salaam serve the elites, employed staffs, business men and women as well as large companies in private sector and other minor social groups of low and middle income factory workers. SACCOS in Dar es Salaam are almost coming into active service of loan disbursement next to banks.

The study involved 9 SACCOS from all municipalities in Dar es Salaam region. The study preferred using SACCOS based in Dar es Salaam since the city has access to professionals and skilled personnel in finance, accounts and budgeting who can either be members of the SACCOS, employed staff in part time or full time and used as advisors for the good performance of SACCOS unlike rural areas. Also, there is access to training and refresher courses on the financial skills. Therefore, the study has purposively based in Dar es Salaam as indicator to exploring potentials for the development and performance of SACCOS in Tanzania. Find the Map of Dar es Salaam, the study area.

Figure 3.1: The Map of Dar es Salaam



3.5 Sampling procedures and Sample size

Random sampling was employed to select the 10 SACCOS involved in this study. However, only three 9 SACCOS were reached while one could not be attained following the bureaucracy and reject from the management. Other three formerly planned were not successful and therefore, replaced to at least cover 9 SACCOS. Methodology used was just random picking of the listed SACCOS from numbered SACCOS in box with pieces of numbered papers against names of SACCOS. Purposive sampling was used to obtain leaders of the SACCOS and 20 members from each SACCOS. Nevertheless, simple random sampling was used to obtain respondents in the selected SACCOS. Purposive sampling was used to obtain equal numbers of both males and females. The was expected to involve a sample size of 200 respondents for SACCOS leaders, staffs and members, both males and females, however, only 183 respondents were involved. The representation in the sample is shown in table 3.1.

Table 3.1: Sampled Respondents for the study

NAME OF SACCOS	SACCOS LEADERS		SACCOS Members		Total
	Management representatives	Accountants (Staffs)	Male	Female	
WANAMA	2	1	5	5	13
KUARE	2	1	3	4	10
TANDALE	2	1	4	5	12
KIMARA	0	1	5	5	11
MAKUMBUSHO	2	1	4	4	11
MWANANYAMALA	0	1	3	5	10
SEGEREA COMM.SACCOS	0	1	4	5	10
TEMBO MGWAZA	0	1	4	4	9
SEGEREA DELIVERANCE SACCO	0	1	3	5	8
Total	8	9	35	42	94

Source: Field Data, 2013.

3.6 Methods of Data Collection

Both quantitative and qualitative data have been used in this study using interviews, questionnaire and observation. The specific area where qualitative data was used was on exploring the performance which in most cases reflected the knowledge level of the staffs and nature of the management. Quantitative data applied more on the presentation and analysis of data where percentages, statistics and graphs have been used to show proportionate of responses from the interviewee.

3.6.1 Interview method

On collecting information from the members of SACCOS, interview was used. This method was used considering that the respondents could not administer their own

questionnaires and return since their work routine varies each day, therefore interview was the only possible way to administer them. Furthermore, the study is not very common to the respondents, interviewing as most of them are not in formal office activities but in street working, therefore leaving them with questionnaires would lead to discussion and sharing of ideas from one another, leading to the distortion of the findings and confidentiality. Therefore, interview remained the only useful tool for data collection among the SACCOS members.

3.6.2 Questionnaires

In collecting data from the key informants, questionnaire method was used. As recommended by Adams and Schvaneveldt (1985), questionnaire method seemed helpful since the prepared questions were open ended demanding greater depth of response and authentic information based on records. Furthermore, the study is based on exploratory and descriptive designs, using questionnaires with more of open ended questions with a few closed seemed appropriate so as to explore the information key informants know about the study area properly. The key informants included SACCOS management and staffs.

3.6.3 Documentary Reviews

Documentary reviews were also used from the SACCOS were very useful. The documents collected for information were the budgets for each SACCOS, expenditures sheets and loan disbursements. The documentaries also involved warnings on the misuse of fund, delay of repayment of loans and training participation inventories regarding financial management. With the help of documentaries as secondary data, both the literature and primary data were improved and became worth presenting with evidences to enrich the discussion.

3.7 Analysis and Interpretation of Data

Data were summarized into categories of municipality, ward, nature of the SACCOS, activities of the members, capital available and terms for loan disbursement. Next, analysis was further developed on issues of budgeting, expenditure and management of fund in general. Micro Soft Word and Excel computer programs were used to

present the findings in tables, graphs and charts. Analysis and interpretation was done using percentages and descriptive analysis.¹ Descriptive analysis and interpretation was preferred in order to make the findings in figures understood through explanations. This way of interpretation also reflects the research designs employed which are exploratory and descriptive designs requiring analysis to be descriptive for most social science researches (Burgess, 1949).

3.8 Ethical Consideration

Ethical observation during research is very important to ensure that research norms are adhered to, while considerations are given in order that true data is presented (Cohen & Marrison, 2001). In this study the researcher used several ethical issues for the research including research protocol/ permission, informed consent to respondents, confidentiality and anonymity of the information.

However, during the study were informed about the purpose of the study and the significance of the information which the researcher investigates and the information gathered was kept confidential. The researcher made sure that privacy and protection of respondents and the interviews findings not used for any other purpose than the academic purpose as pointed out earlier in the consent.

¹ **Descriptive analysis** is largely used in studies that provide us with profiles of companies, work groups, persons and other subjects on any of a multiple of characteristics such as size and means of distribution and organizations.

CHAPTER FOUR

PRESENTATION AND DISCUSSION OF THE FINDINGS

4.0 Introduction

This chapter presents, interprets and discusses the findings. In the first place the study presents the background information for the surveyed SACCOS in Dar es Salaam; second, the study presents findings in order of the study objectives following the arrangement of the study questions as well. Finally, the study findings presented the chapter summary. The study has much attention to the measures assessing the performance of SACCOS in relation to budget, such as the number of clients/members whose these SACCOS serve, portfolio size and amount of loan disbursed by these SACCOS.

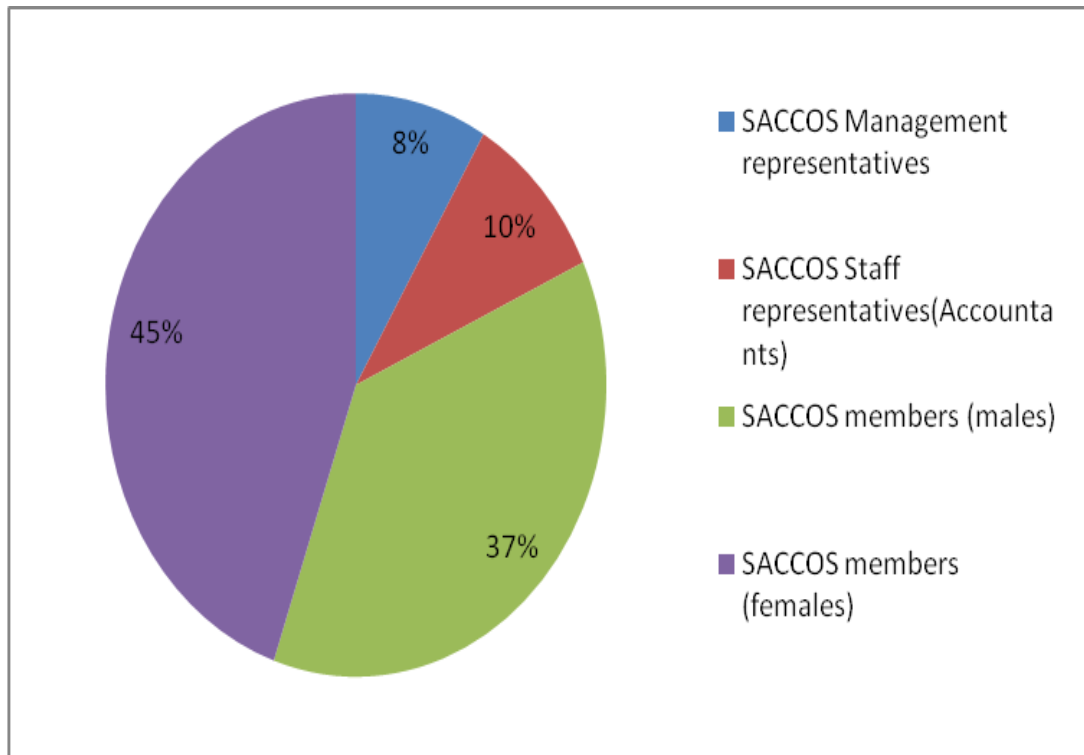
4.1 Background Information for the SACCOS Surveyed

The study involved nine (9) in Dar es Salaam region. The surveyed SACCOS include Wanama, Kuare, Tandale, Kimara, Makumbusho, Mwananyamala, Segerea Commercial SACCOS, Tembo Mgwaza SACCOS and Segerea Deliverance SACCOS. Although randomly selected in the region, most of the SACCOS, almost five (5) are for Kinondoni Municipal, two (2) for Ilala Municipal and other 2 for Temeke Municipal.

Initially, the study methodology was planned to collect information from 13 respondents in every SACCOS i.e. specifically from the accountant, from Chairperson of the SACCOS board of directors and from the Managing Director and ten members for the SACCOS who are neither in management nor members of the staff. Finally, it was only possible to meet a few representatives in management just 8 out of 18 expected respondents, 9 accountants were successfully obtained and other SACCOS members' representatives were obtained at a total of 79 respondents out of 90 expected respondents. The respondents profile is hereby presented in figure 4.1 below.

The findings in table 4.1, in total respondents numbered 94, key informants were management representatives (8%), staff representatives (10%), SACCOS members (males) representatives (37%) and females (45%).

Figure 4.1: Profile of the Respondents Categories



Source: Field Data, 2013

4.1.1 Nature of the SACCOS

The study began by asking the nature of the SACCOS surveyed and major occupation of its members. The findings showed that SACCOS surveyed for the study are of similar nature but commonly addressing issues of business capacity building through saving and credit provision but one of the SACCOS. Another SACCOS named Segerea Deliverance SACCOS unlike others, is owned by the Pentecostal Church for its worshipers. All other remaining 7 SACCOS are open to all members regardless of gender and religion (faith). Tandale and Mwananyamala SACCOS were formed by group of businessmen and women only. Their common mission is empowerment of the community to enable members have capital to manage their livelihood and business activities.

All the SACCOS are owned by group of individuals based on their common characteristics (homogeneity) to address certain social issues, specifically getting rid of poverty by combining their efforts to raise more capital.

The study found that years for the beginning and establishment of the SACCOS as provided in study tools dated prior 1990s, 1991 – 1995, 1996 – 2000, 2001 – 2005, 2006 – 2010. The findings showed that, none of the SACCOS began prior 1990, 1991 – 1995 only two (2) SACCOS were established for Mwananyamala and Tandale; 1996 – 2000 other two (2) SACCOS for were established namely WANAMA and Makumbusho; 2001 – 2005 the other five SACCOS were established namely Kimara, Segerea Commercial SACCOS, Segerea Deliverance SACCOS, Kuare SACCOS and Tembo Mgwaza SACCOS respectively. The years 2006 – 2010 had no any SACCOS established among these ones surveyed. As the result, this study has been using the findings from 2004/5 – 2009/10 to present the data for budgeting and performance of the SACCOS.

4.2 Discussion of the Findings

4.2.1 Budgeting Practices in Cooperative Societies (SACCOS)

The study initially probed if the cooperative societies practice budgeting. The findings showed that all the SACCOS surveyed have budgeting practices by 100%. The response was followed by the effectiveness of the budgeting practices in cooperative societies. Based on the designed tools for 1= very effective, 2 = effective, 3 = average and 4= not effective, the following findings were realized: 13% of the respondents found that the budgeting practices is very effective, 27% found that the budgeting is effective, 29% found that budgeting is average effective while 31% found that budgeting practices is not effective in cooperative societies. Figure 4.2 presents the findings for effectiveness of budgetary practices in cooperative societies.

The respondents were as well responsible to provide the reasons for their reply on effectiveness of budgeting practices in cooperative societies. Those recommended that the budget practices are effective and very effective were all together 40% of

total respondents. The respondents who found that budgeting practices in their cooperative societies are effective and very effectively followed associated it to good management of their SACCOS that has a very firm stand to budget implementation in every fiscal year. They also added that their cooperative societies always employ professional accountants and their members tend to volunteer on those with related professions to work for the SACCOS in preparation of budget and in loan disbursement. Therefore, they have always been working within budget limits throughout.

The respondents who found that budgeting practices are not effective in their cooperative societies were 31% whose major reasons were: frequently occurrences of losses, no professional accountants, budget drafted is always deficit that cannot be covered to provide loan to all members expected and whenever budget is planned it is always not compatible with expenditure, there are cases for over expenditure and cases for expenditure not within the budget plan.

4.2.2 Performance of the Credit and Saving Cooperative Societies (SACCOS)

According to the findings, respondents had different responses regarding the performance of the cooperative societies. The study tools were designed for the respondents to answer if the general performances of the cooperative societies are: 1= excellent, 2 = very good, 3 = good, 4 = average, 5 = bad, 6 = worse. The findings indicate that in all the respondents participated in the study, 27% found that the performance is excellent, 13% said that performance of the cooperatives is very good, 25% just good, 10% found it to be average and 25% said that performance of the cooperatives is poor.

4.2.2.1 Capital Increase

In examining the performance of cooperative societies, SACCOS management and staffs provided some details as supportive documents for the assessment of capital, interest rate and growth rate of their capital. The findings show that since fiscal year 2004/5 to 2009/10, there have been an overall growth of capital in most SACCOS surveyed. The increase has been attributed to increasing number of SACCOS

members for more than 50% - 300% in every following year since their establishment. Increase in membership goes hand in hand with increasing capital and interest obtaining from the borrowers. The SACCOS that have shown speedily growth in terms of capital are Wanama SACCOS, Kuare SACCOS and Kimara SACCOS. See table 4.1 below that illustrates. The slow growth rate in terms of capital has been mainly to Makumbusho SACCOS, Segerea Commercial SACCOS and Tembo Mgwaza. The reasons for this slow growth of the capital include: withdrawal of members, low level of loan repayments and no increase in number of members from years to years. This has affected the growth of capital into a very slow rate, therefore low performance.

Table 4.1: SACCOs Profit Size for Five Years

NAME OF SACCO	2004/5	2005/6	2006/7	2007/8	2008/9	2009/10	BUDGET
WANAMA	1,590,600	36,834,878	226,959,815	229,472,840	181,106,896	122,701,927	YES
KUARE	982,300	2,040,000	6,918,000	17,670,100	45,636,700	71,600,000	YES
TANDALE	831,000	8,235,800	17,542,000	23,219,000	38,378,000	54,200,000	YES
KIMARA	2,334,700	6,895,130	16,863,627	24,826,908	47,086,908	59,660,629	YES
MAKUMBUSHO	2,179,600	11,613,530	27,496,200	32,358,400	15,613,335	9,924,246	YES
MWANANYAMALA	674,000	4,940,000	7,220,000	13,225,930	(9,876,000)	(6,225,970)	YES
SEGEREA COMM.SACCO	380,800	1,511,600	4,789,200	7,467,000	15,511,200	12,234,000	YES
TEMBO MGWAZA	1,680,000	3,476,530	3,364,000	7,689,800	11,275,000	17,680,000	YES
SEGEREA DELIVERANCE SACCO	1,647,400	2,105,444	5,376,444	9,676,000	13,516,780	21,456,000	YES

Source: Desk Review in Surveyed SACCOS, 2013

4.2.2.2 Profit Earned

Though the profit earned by a business can be used to measure the success of that business, The focus of Cooperative societies is to provide services to their members rather than to generate wealth, and the identifying characteristic of Cooperative Societies is that any earnings generated can be used to benefit members in other ways rather than distributing that surplus to members.

Findings revealed that Budget is not the only factor which made these Cooperative Societies to perform well, all the nine surveyed SACCOs prepared budget each year but some of the SACCOs performed poorly for example Mwananyamala SACCOS which obtained loss of Tshs.9,876,000 during fiscal year 2008/2009 and a loss of Tshs.6,225,970 in 2009/2010. Also Makumbusho Community Saccos show a decrease of profit from 2008/2009 and 2009/2010 from Tshs.15, 613,335 - 9,924,246. Respondents from these societies argued that fraud and poor governance contributed much to poor performance of these SACCOS. The SACCOS that showed increase in profit in subsequent years were Wanama, Kuare and Kimara. The successful increase in profit was due to good management, financial discipline and transparency, well skilled staffs, commitment and volunteerism of members and high trust to banks that fund the SACCOS due to previous performance of the loan provided by banks.

4.2.2.3 Interest Rate

Interest rate charged by SACCOs in Tanzania is reported officially by the Ministry of Agriculture food security and Cooperatives and the maximum interest rate reported was 2% which is the ceiling interest rate to be charge by SACCOs. Findings revealed that for all the nine SACCOs surveyed interest rate is the same and yet there were variations on the profit obtained. This meant that interest rate charged was not the factor affect performance and profits. In fact the lending interest rate of the SACCOs allows them to cover their operation costs that do not affect their sustainability / performance. Findings also revealed that having high interest rate does not mean the society make higher profits. Increase in interest rate represents a fall in price competition and lead to a rise in credit risk, as interest rate rises consequently

borrowers are faced with higher borrowing costs as their loan repayment increase and this can cause an increase number of defaulters.

The reason for variation in performance regardless of same interest rate was given on varying reasons. Most of the respondents of almost 53% said that the creditors who are not members of the SACCOS are involved in receiving the loan while they don't have any share in the SACCOS and after obtaining profits they do contribute nothing to the development of the SACCOS since they are not ready to buy share for capital growth and performance of the cooperative societies. About 23% of the respondents found that many creditors obtaining loans from the SACCOS do not use the loan for the intended reasons, in most cases the money does not produce as the result it is not refunded for the development of the SACCOS; it ends up that no repayment of loans. One of the respondent in Makumbusho said that one of the members used the SACCOS loan to prepare wedding and almost 4,000,000/= could not be repaid back. The other respondents (16%) said that despite the same interest rate, there have also been business failures due life hardships in recent years for most households and causing to closure of most petty businesses. The table below shows a flat interest rate of 2% across all SACCOS

Table 4.2: Interest Rate Charged

NAME OF SACCOS	INTEREST RATE CHARGED
WANAMA	2%
KUARE	2%
TANDALE	2%
KIMARA	2%
MAKUMBUSHO	2%
MWANANYAMALA	2%
SEGEREA	2%
TEMBOMGWAZA	2%
SEGEREA DELIVERANCE	2%

Source: Field Data 2012

4.2.2.4 Portfolio Size for Five Years

The study explored the portfolio size for the five years in order to understand more about performance of the cooperative societies. Findings revealed that Makumbusho and Mwananyamala community SACCOs had large portfolios in arrears, with overdue loan repayments stretching back into the distant past mainly because lending policies were usually poorly enforced and systems to track and manage arrears hardly existed. Many SACCOs had experienced considerable difficulties in realizing collateral.

Respondents claimed that the loan evaluation system and ability of members to repay within a specified timeframe had not always been considered sufficiently in the loan application process and that the cooperative model of finance relied to a certain extent on the common bonds shared by members, which fostered a trust between members. In addition that there had been problems of over indebtedness as well as poor management of the loan portfolio. Loan application appraisals and subsequent monitoring by SACCO were all poor leading to high default rates. Also there claims concerns about connected party loans. These are loans to officers themselves or their close relatives and business associates. It is therefore not practical to entirely rule out loans to board members and their families and associates because of the nature of SACCOs, for example Mwananyamala and Makumbusho Community SACCOs.

Table 4.3: SACCOs Portfolio Size for Five Years

NAME OF SACCO	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	AVERAGE	GROWTH RATE %
WANAMA	100,590,600	136,834,878	256,254,928	350,699,787	492,365,875	442,895,056	253,940,187	340.29
KUARE	64,647,200	89,225,818	107,820,000	140,540,578	182,540,900	217,419,666	133,699,027	236.3
TANDALE	98,945,673	122,841,600	144,200,000	204,721,000	227,580,000	354,311,999	192,100,045	258
KIMARA	47,374,000	63,,221,400	65,000,000	106,247,000	174,712,000	240,600,000	116,192,400	407.9
MAKUMBUSHO	99,700,800	108,274,000	184,678,000	157,245,000	132,317,000	105,215,400	131,238,368	5.5
MWANANYAMALA	90,000,000	75,895,000	103,435,561	157,436,800	121,742,000	148,642,500	119,025,310	35.27
SEGEREA COMM.SACCOS	70,900,000	75,200,000	94,152,000	104,147,000	142,800,000	162,541,000	108,290,000	129.25
TEMBO MGWAZA	65,576,000	70,718,000	73,141,000	93,400,000	100,215,000	107,297,000	85,057,833	63.6
SEGEREA DELIVERANCE SACCO	94,000,000	103,300,700	106,280,000	137,567,600	179,819,000	241,197,400	143,694,116.7	156.59

Source: Field Data 2012

The above findings from table 4.1 revealed that capital/portfolio size of Wanama Saccos, Kuare, Tandale, Kimara, Segerea community SACCOS, Tembomgwaza and Segerea Deliverance Saccos. is increasing year after year with the growth rate of 340.29%, 236.3%, 258%, 407.9%, 129%, 63.6% and 156.59% respectively as shown in table 4.1.1. The total number of loan disbursed is also increasing with the number of clients served. This reveals high and probably influenced by having a good budget, Respondents agreed that budget helps these societies in controlling fund, disburse loan on time and made management of these societies not to spend more than what is budgeted. As reflected in Tables 4.1 above these societies demonstrate the ability to manage their own fund and to recruit and maintain its clients.

4.2.2.5 Average Loan Disbursement

Basing on the portfolio size reported above for Makumbusho Community Saccos and Mwananyamala Saccos, there is fluctuation of both three for example the portfolio size for Makumbusho Community Saccos decrease from Tshs 184,678,000 in 2007 to 105,215,400 in 2010 with the average growth rate of 5.5% , (table 4.1.1) and Tshs 152,436,800 in 2008 to Tshs 121,742,000 in 2010 with growth rate of 35.27%, these indicates that Makumbusho Community Saccos is not performing well during that period, however findings revealed that Makumbusho and Mwananyamala Saccos prepare budget each year and approved by their members during Annual General Meeting but still these Saccos did not perform well, Respondents arguing that the reason for poor performance was due to ineffective management, fraud and lack of appropriate skills.

Table 4.4: Average Loan Disbursed For Five Years

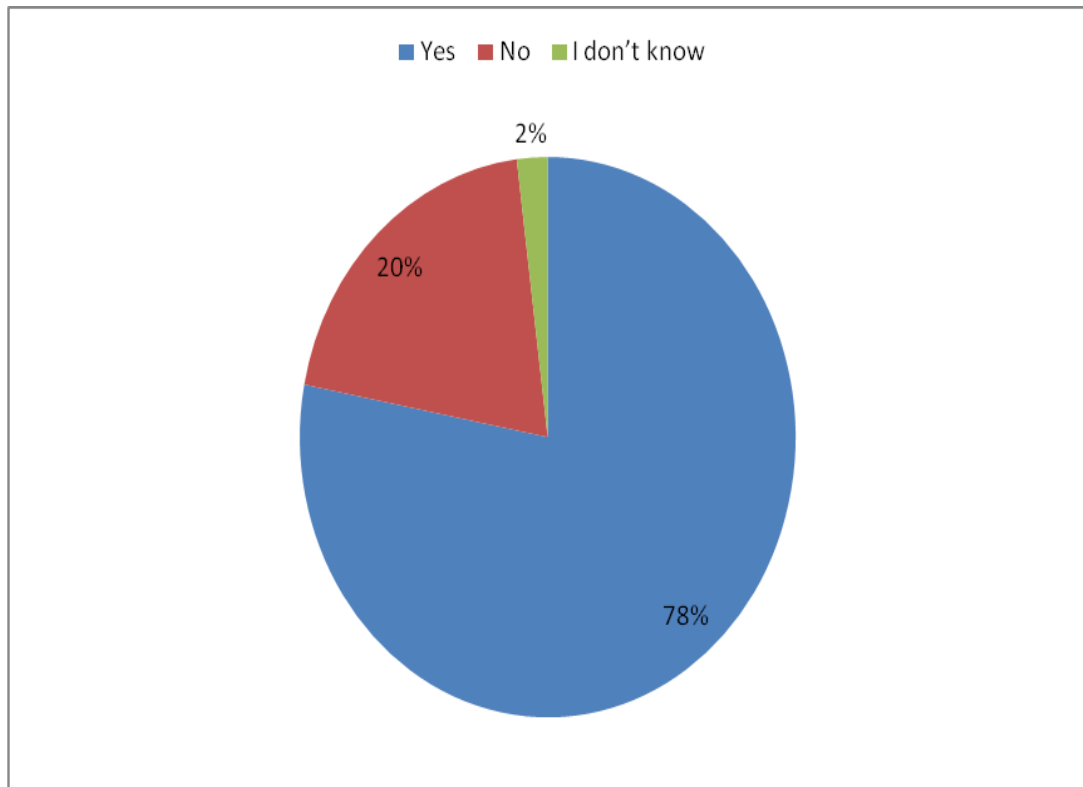
NAME OF SACCO	2004/2005	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010
WANAMA	50,000,000	985,000,000	1150,000,000	1,500,100,000	1,760,900.000	2,300,550,000
KUARE	42,000,000	64,500,000	92,800,000	104,700,600	127,200,000	159,850,000
TANDALE	68,000.100	97,000,000	100,200,000	115,000,000	123,815,000	275,200,000
KIMARA	36,000,000	40,000,000	38,000,000	79,000,000	98,000,000	200,500,000
MAKUMBUSHO	72,000,000	85,900,000	107,400,000	100,800,000	90,000,000	70,100,000
MWANYAMALA	64,000,000	72,300,000	93,700,000	86,892,000	61,900,500	57,000,000
SEGEEA COMM.SACCOS	58,000,000	62,400,000	71,000,000	74,200,000	98,000,000	130,800,000
TEMBO MGWAZA	44,100,000	50,000,000	50,000,000	62,400,000	81,000,000	84,000,000
SEGEREA DELIVE.SACCOS	79,200,000	81,000,000	78,000,000	97,000,000	117,000,000	179,800,000

Source: Field Data 2012

4.2.3 The Relationship between Budgeting and Performance of Cooperatives

The study examined the relationship between the budgeting and performance of the cooperative societies.

Figure 4.2: If there is Relationship between Budgeting and Performance



Source: Field Data, 2013

The respondents were asked if they find this relationship. Based on the study tools, 78% of the respondents said that there is relationship between budgeting and performance of cooperative societies. The other 20% said that there is no any relationship between budgeting and performance of the cooperative societies while the remaining 2% said that they don't know if there is any relationship between budgeting and performance of cooperative societies. Figure 4.4 presents the pie chart respondents regarding the relationship between budgeting and performance.

Regarding the kind of relationship, the respondents who said that there is relationship between budgeting and performance gave reasons for their assertion: the relationship between performance and budgeting has been revealed that over years they prepared budget and implemented it great success and profit was realized (26%) to a great extent since capital grew (34%), banks were motivated to provide more loans and profit raised greatly over a year time. Therefore, there is a direct relationship between budgeting and performance of cooperative societies.

For the respondents who found that there is no any relationship between budgeting and performance of cooperative societies, the findings show that 61% of the respondents claimed that their SACCOS have been preparing budget but no any performance was realized over years, therefore, they find no any relationship between budgeting and performance of cooperative societies. About 28% of the respondents said that budgeting has no any relationship with performance since during the beginning of their earliest SACCOS at Mwananyamala and Tandale the earliest ones, they never had any budgeting and there was good performance of their SACCOS in late 1990s. The last reason was provided by 11% of the respondents who said that budgeting is mere cheating of the few in management but does not affect performance, it just a means to cheat the illiterates groups in the SACCOS. Table 4 presents the findings for the relationship between budgeting and performance and reasons for those who said that no any relationship between budgeting and performance.

Table 4.5: Relationship between Budgeting and Performance

Reasons for Existing Relationship	%	Reasons for no relationship	%
Budgets makes capital grow in recent years	34%	Prepared budgets but no performance realized	61%
Budgets has made profit grow	26%	Initially they prepared budgets but performance was very good	28%
Banks are motivated by our budgets and we receive more capital to provide loans	40%	Budgets is mere cheating by the management to the few illiterates members in the SACCOS	11%
Total	100%	Total	100%

4.2.4 Factors affecting Budgeting to meet Expected Performance Standards

In discussing with the cooperative societies managements, it was found that major differences in performance exist between these SACCOs was due to the historical basis on which these societies were originally formed with the result that in some instances the economic activities do not support the presence of viable and sustainable institutions. Many SACCOs perform well on the areas that with an economic potential and with justifiable demand for financial services. The Wanama SACCOs, Kuare and Kimara SACCOs are strategically SACCOs saving business groups unlike other SACCOs like the Segerea deliverance that has about 67% of its members doing petty business.

In addition the absence of member's awareness, limited range of products and services, these reason make people remain reluctant to join and invest in these institutions. It often takes a long time for these societies to adopt best practices, despite the numerous training programs intended to build their capacity. Such training as noted in interviewing the accountants for different SACCOs claimed that they are funded by ILO and Coop Africa but it happens that when advertised they are imposed with very high training charges on issues related to financial education and budgeting. Segerea Deliverance SACCOs have their accountant who said that has never undergone any training related to budgeting and financial skills. Other Accountants have basic diploma skills (3), other two (2) holds certificate and the remaining four (4) have not received any further training after their form four. Generally, this is one of the problems that affect performance of the SACCOs when it comes to budgeting skills towards performance improvement.

The accountants added that the clients lack business skills, therefore when they borrow money for business activities, they always fail to perform well in business and consequently fail to refund the loan in time or completely never refund at all. This has been recommended by almost 42% of the respondents and further emphasized by the accountants. Attempts to provide training on business skills fail because the management is not ready to hire experts to provide training for the clients on financial and business skills, as a result budgeting efforts by accountants

and management becomes meaningless if clients are not competent in business they are running, leading to general poor performance of the SACCOS.

Findings also revealed other factors affecting performance of SACCOS are Poor governance (31%), insufficient capital (25%), Integrity and lack of appropriate and adequate skills/ knowledge (19%), however majority of respondents agreed that insufficient capital is the core problem which affect the performance of Cooperative societies.

Findings revealed that good/poor governance is the great factor affecting performance of Cooperative societies as noted by 31% of the respondents. Respondents agreed that the committee ability to manage these financial cooperatives depends on the members' willingness, commitment, literacy level and the level of volunteerism; management committees' commitment, dedication and management style can significantly affect the growth and development of society. Six (6) SACCOS out of nine (9) surveyed ones experienced the poor management problem, some of their leaders are accused to misuse of fund, corruption and poor commitment that affects completely whatever efforts done by SACCOS members and the staffs in budgeting. There is lack of transparency and no reporting of the annual progress as the constitution requires them to do.

Table 4.6: Factors Affecting the Performance of SACCOS

Factor	Percentage
Poor governance	31%
Insufficient capital	25%
Poor and unreliable service	10%
integrity	15%
Lack of appropriate and adequate Skills/ knowledge	19%
Poor business skills of the clients in selected SACCOS	42%

Source: Field Data 2012

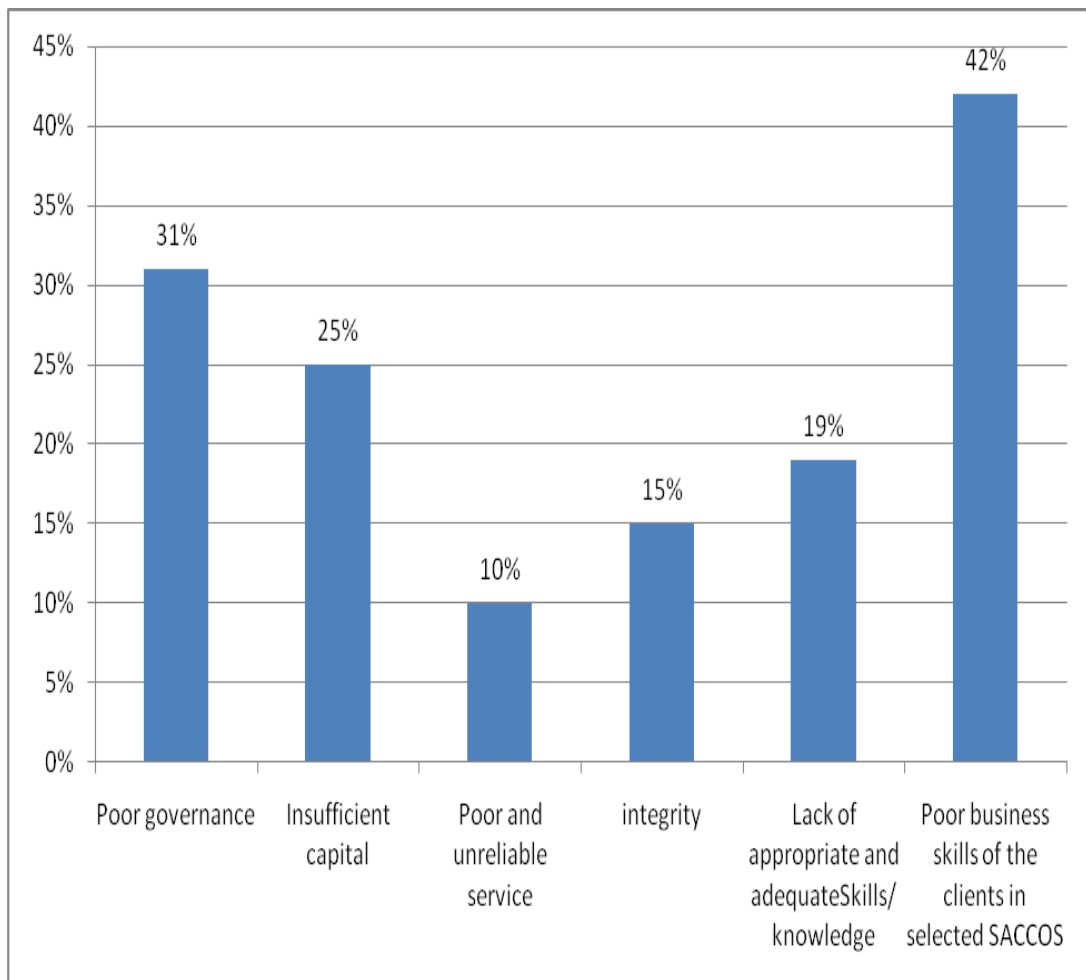
However findings revealed that good governance had enabled some societies to witness some levels of acceptable progress in terms of how SACCO matters are managed and made to grow. Good governance enabled them to register high returns over the past years. This was vividly appreciated by SACCOS members in Wanama and Kimara SACCOS who appreciate efforts of their leaders. The management and staffs also recommended that they succeed and perform well because whatever they implement is within budget limit and they use participatory approach to ensure that every one participates in giving opinions and contribution of required fund and at the end of the day each one receives the expected benefits. Figure 4.5 presents the graphs for factors affecting performance of the cooperative societies on selected SACCOS.

Corporate governance has been identified to have a significant impact on the performance of Cooperative societies. However SACCOs are faced with numerous operational hurdles including poor governance and regulatory issues emerging as key challenges. It was observed that most stakeholders, including government officials, were wary about their future SACCOs due to their poor performance and inherent governance problems. The quality of the management staff is very much below what is required.

Most of the SACCOS leaders are not even visionary and hence they provide weak strategic leadership, members of the committee have very often little motivation since they are providing voluntary services. They very often play a very passive role. Some of the cooperative leaders are even illiterate and hence cannot fully undertake their management responsibilities. Illiteracy has seriously affected the management committee to fully exercise their roles and responsibilities. The lack of involvement of the membership in the affairs of the institution regularly provides opportunities for the board and management to take loans without living up to their repayment duties. In addition, some SACCOs had illiterate committee members who lacked basic skills to effectively supervise operations and were defrauded by management who took advantage of their ignorance.

Despite the efforts to prepare budgeting, the clients seemed to contribute greatly to the poor performance of the performance of some SACCOS as recommended by 42% of the respondents. Poor governance was noted to be another factor for poor performance that hinders the preparation of effective budgets and its implementations as recommended by 31% of the respondents. Other factors like insufficient capital makes some of the budget become deficit budget as expected capital is never realized and the cooperative plans fail to be achieved, leading to poor performance since, the budget does not meet expected results.

Figure 4.3: Factors affecting the Performance of Cooperative Societies



Source: Field Data, 2013

4.3 Emerged Policy Issues

Other factors which affect the performance of Cooperative societies recommended by management, staffs and the SACCOS members interviewed that are relevant to weakness in policy implementation are:-

- (i) Lack of clear cooperative development policy, the government department responsible for promoting cooperatives is weak and does not have the capacity to cope with the demand for support and supervisory services. The policy does not stipulate clearly the punishment to be imposed on the cooperatives that do not prepare budgets and implement it. Constitutions running the cooperative societies have been favoring the management than members of cooperative societies. There is a very limited room for the state intervention of internal affairs of the cooperatives.
- (ii) It is also hampered by lack of business management skills and entrepreneurship among the staff and elected leaders. There is no any specified regulation requiring the certain education level for SACCOS or cooperative societies' leaders. The leadership in most SACCOS qualifies one with income rather than knowledge and skills. Respondents felt that it could be necessary the education level of some positions in management and staffs be clearly defined.
- (iii) Lack of advocacy skills in cooperatives/cooperative department. The department responsible does not advocate directly the issues emerging in SACCOS or cooperative societies since they consider that it is democratic group of voluntary members that needs no intervention. This makes those in leadership suppress members and leading to poor performance of the cooperative societies.
- (iv) Financial support to SACCOS in terms of long term loans as well as lending rate is very limited. Saccos do not participate in the stock market which limits the equity capacity formulation. The banks providing capital to SACCOS are restricting the fund below budget limit making it difficult to meet

performance target since there is insufficiency capital in most of the SACCOS.

- (v) Low equity participation from promoters because of unconfident personal savings due to their level of poverty and return on investment. There have been tendency that SACCOS have been monopolized by those who have higher incomes in the group. Only their interests prevail and the targeted poor never get equal opportunities in decision making process and participation in distribution of shares. This has discouraged performance and participation of members in budget approval due to dissatisfaction.
- (vi) Lack of access to information given that it is costly, time consuming and complicated at times has affected the performance. Communication links between departments responsible in government, the cooperative society managements, staffs and the cooperative members is not clear. Basic opportunities for trainings, capital and workshops are not well communicated timely. This hinders opportunities related to budgeting trainings that are said to be provided by department of cooperatives, ILO and other stakeholders every year.

4.4 Chapter Summary

Despite the fact that budgeting practices are common to all the selected SACCOS, there is no effectiveness in budgeting. It practice is affected by many factors like poor management, lack of financial skills to employed or volunteering accountants, poor business skills of the SACCOS members who fail to repay the loan due to business failures and lack of financial discipline of the credit. All these factors lack policy intervention measures due to the understanding that cooperatives are democratic and voluntary groups that have not to be interfered.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction.

This chapter presents the summary, conclusions and recommendations of the findings presented in the previous chapter. The summary focuses on the findings in relation to the objectives of the study it intends to achieve. The summary is followed by the conclusion, which is also based on the findings of the study and finally the recommendations.

5.1 Summary of the findings

The study surveyed 9 SACCOS in Dar es Salaam region and was planned to collect data in every SACCOS from 2 respondents in management, 1 staff specifically the accountant and 10 SACCOS members. Expecting to find 18 respondents in management, only 8 were interviewed, and 9 staffs as planned while SACCOS members interviewed were 77 out of 90 expected respondents. Finally, the study involved 94 respondents in total. The representation of the respondents was management representatives (8%), staff representatives (10%), SACCOS members (males) representatives (37%) and females (45%).

The findings showed that, none of the SACCOS began prior 1990, 1991 – 1995 only two (2) SACCOS were established for Mwananyamala and Tandale; 1996 – 2000 other two (2) SACCOS for were established namely WANAMA and Makumbusho; 2001 – 2005 the other five SACCOS were established namely Kimara, Segerea Commercial SACCOS, Segerea Deliverance SACCOS, Kuare SACCOS and Tembo Mgwaza SACCOS respectively.

The findings showed that all the SACCOS surveyed have budgeting practices by 100%. Findings were realized: 13% of the respondents found that the budgeting practices is very effective, 27% found that the budgeting is effective, 29% found that budgeting is average effective while 31% found that budgeting practices is not

effective in cooperative societies. The respondents who found that budgeting practices in their cooperative societies are effective and very effectively followed associated it to good management of their SACCOS that has a very firm stand to budget implementation in every fiscal year. The respondents who found that budgeting practices are not effective in their cooperative societies were 31% whose major reasons were: frequently occurrences of losses, no professional accountants, budget drafted is always deficit that cannot be covered to provide loan to all members expected and whenever budget is planned it is always not compatible with expenditure.

In examining the performance of the cooperative societies, the findings indicate that in all the respondents participated in the study, 27% found that the performance is excellent, 13% said that performance of the cooperatives is very good, 25% just good, 10% found it to be average and 25% said that performance of the cooperatives is poor. Specific issues used to examine the performance were: capital, profit, interest rate, loan disbursement and portfolio size.

- (i) The findings show that since fiscal year 2004/5 to 2009/10, there have been an overall growth of capital in most SACCOS surveyed. The increase has been attributed to increasing number of SACCOS members for more than 50% - 300% in every following year since their establishment. Increase in membership goes hand in hand with increasing capital and interest obtaining from the borrowers. The SACCOS that have shown speedily growth in terms of capital are Wanama SACCOS, Kuare SACCOS and Kimara SACCOS.
- (ii) Some of the SACCOS performed poorly for example Mwananyamala SACCOS which obtained loss of Tshs.9, 876,000 during fiscal year 2008/2009 and a loss of Tshs.6, 225,970 in 2009/2010. Makumbusho Community SACCOS show a decrease of profit from 2008/2009 and 2009/2010 from Tshs.15, 613,335 - 9,924,246. Respondents from these societies argued that poor budget preparation affected by fraud and poor governance contributed much to poor performance of these SACCOS.

- (iii) Findings revealed that for all the nine SACCOs surveyed interest rate is the same and yet there were variations on the profit obtained. This meant that interest rate charged was not the factor affect performance and profits. The interest rate is maintained low in order to avoid cases for defaulters and escaping without loan repayment by members. This helps in keeping pace with budgeting limit without violation as department of cooperatives recommends.
- (iv) Findings revealed that Makumbusho and Mwananyamala community SACCOs had large portfolios in arrears, with overdue loan repayments stretching back into the distant past mainly because lending policies were usually poorly enforced and systems to track and manage arrears hardly existed. The findings revealed that capital/portfolio size of Wanama Saccos, Kuare, Tandale, Kimara, Segerea community Saccos, Tembongwaza and Segerea Deliverance Saccos. is increasing year after year with the growth rate of 340.29%, 236.3%, 258%, 407.9%, 129%, 63.6% and 156.59% respectively.
- (v) Loan disbursement fluctuates inversely to the portfolio size in cooperative societies as noted in Makumbusho Community Saccos while decrease from Tshs 184,678,000 in 2007 to 105,215,400 in 2010 with the average growth rate of 5.5% , (table 4.1.1) and Tshs 152,436,800 in 2008 to Tshs 121,742,000 in 2010 with growth rate of 35.27%, these indicates that Makumbusho Community Saccos is not performing well during that period.
- (vi) Generally, the findings also reveals that loan volume is also increase from 2005 to 2010 as indicated for Kuare, Tandale, Kimara, Segerea Community Saccos, Tembongwaza and Segerea Deliverance Saccos. This reveals that these Saccos perform well. In contrast Makumbusho Community Saccos and Mwananyamala Saccos revealed the decrease in loan volume from Tshs.107, 400,000 in 2007 to Tshs 70,100,000 in 2010 and Tshs. 93,700,000 to Tshs 57,000,000 respectively, which indicates poor performance.

5.2 Conclusion

The study was expected to investigate the role of budgeting to the performance of cooperative societies. Using the study objectives that specifically aimed at examining the performance of the selected SACCOS; identifying the budgeting practices in selected SACCOS and examining the relationship between SACCOS performance and budgeting in SACCOS. The general findings showed that budgeting is done in all the SACCOS surveyed but performance is not all good due to mainly management problem, lack of enough capital, lack of integrity and lack of business skills among SACCOS clients. All these problems hindering performance directly affect budgeting practices since respondents found that in many cases where performance was noted to be poor, budgeting is prepared but not implemented due to insufficient skills of the accountants, lack of capital to meet the budget limits and lack of integrity of the staffs who are the once to implement the budget. Other respondents said that there is no any relationship between budgeting and performance since budgets have been prepared for so many years with no performance impact.

5.3 Recommendations

The study has come up with several recommendations to different stakeholders around which the study area relates. The recommendations provided are to the ministry of cooperatives, the cooperative management and staffs, cooperative members, cooperative stakeholders and the future researchers in their scholarly papers related to the area. The recommendations are presented in such that the responsibilities of every stakeholder is identified and necessary recommendations are provided to ensure that the budgeting conforms to performance by the role of every player fulfilling his or her responsibilities as provided in their responsibilities.

5.3.1 Recommendations to the Government

The government of the United Republic of Tanzania has two responsible ministries relevant to the study. The ministry of cooperatives and the ministry of finance. The Ministry of Cooperatives and Marketing, department of cooperatives is known to be responsible for the promotion and development of cooperatives in Tanzania. The

ministry is also responsible with registration of cooperative societies and ensures that every cooperative society fulfills the required conditions including membership, managerial requirements and expatriates for different qualifications of cooperative area of operation. This study recommends the department of cooperative:

- (i) To ensure management of the cooperative societies is effective and administer cooperative affairs effectively. This requires both cooperative societies and their members to understand the structure of cooperative department and the procedures to follow when requiring addressing issues related to cooperative societies improvements.
- (ii) To ensure management has experts of various skills required for the development of cooperatives societies. This applies to specific nature of the cooperative societies but with our study, it requires that SACCOS employs, or have volunteers in accountants with budgetary skills so as to assist in budgeting for better performance of the SACCOS.
- (iii) To intervene affairs of cooperatives that affects its performance by advising the board members for best solution to cooperative societies' problems and best managerial practices.
- (iv) To link cooperative societies to opportunities related to capacity building, loan provision and empowerment. As ministerial organ, department of cooperatives is responsible with providing information to all cooperative societies regarding opportunities for training on issues related to a given cooperative society without any bias.
- (v) Like the department of cooperatives, the ministry of finance and planning being overseer of financial services provided, is recommended to intervene the issues of financial education in order to provide with budgeting skills the accountants in SACCOS who have seem to be weak and incompetent in most SACCOS, so as to make sure that financial services are provided with integrity by qualified personnel in the country. SACCOS provide financial

service to a great number of people in the country; therefore insufficient financial skills may affect the national outlook on financial services provided by SACCOS accountants who are not qualified.

- (vi) There can be inter-ministrial programs between Cooperative and Marketing and Finance and Planning Ministries to makes sure that educational on financial skills is provided to SACCOS staffs and specifically accountants and incorporate issues of training into the policy with effective implementation that seem to lack in most of the areas.

5.3.2 Cooperative Societies Managements and Staffs

This study finds that cooperative society's management and staffs are focal to the implementation of budgeting and performance of the cooperative societies. Findings showed that most failure in implementing the budgeting was caused by the management of the SACCOS not to adhere to what the budgets requires to be done. In most cases, there have been spending authorized not within the budget limits that affected the performance of the SACCOS. This study recommends to the SACCOS management and staffs:

- (i) To make sure that budgeting is done and effectively implemented as it requires. Expenditures out of the spending limits have to be ignored in order to make sure that budgeting is effectively implemented as the tool for implementation.
- (ii) There should be proper coordination with mutual understanding on budgeting preparation that involves SACCOS members, management and staffs in order to avoid any conflict that may rise as the result of poor coordination in the SACCOS. The SACCOS members being the target of the group should always adhere to their opinions as constitution requires in a course of preparation of the budget and its implementation.

- (iii) Networking to relevant stakeholders who can provide trainings on budgeting and performance of the cooperative societies is important. In a course of this study, findings revealed that accountants are not provided with any training about budgeting. As the result, performance is becoming poor since most SACCOS cannot employ skilled persons on the position. Poor networks hinder flow of information to the SACCOS management, SACCOS staffs and SACCOS members on issues related to budgeting and many others.

5.3.3 Recommendations to Stakeholders

The study finds stakeholders to be those working or involved with financial services, trainings and cooperatives. The study finds the stakeholders to be community banks, commercial banks, financial training colleges and cooperative institutions. These stakeholders are recommended to prepare a common platform towards addressing issues of regarding budgeting of cooperative societies, performance of cooperative societies, capital provisions and capacity building of the cooperative societies staffs in Tanzania cooperative societies. Specific recommendations to stakeholders are:

- (i) Financial Institutions such as community banks and commercial banks funding the SACCOS are recommended to provide time to time training to SACCOS staffs, especially accountants for better preparation and implementation of budgets. The financial institutions are recommended to provided more loans to SACCOS so that the solve the problem of capital that seems to affect performance based on their capital goals.
- (ii) Financial colleges and universities are recommended to provide affordable short and long term courses and trainings to SACCOS accountants in order to increase budgeting skills that can promote performance of the SACCOS since most of the working staffs do not have any financial skill which affects performance.
- (iii) Cooperative institutions, NGOs and other facilitating agencies are recommended to note on the existing gap between budgeting skills and performance so that they can address it effectively as the priority to-date.

Cooperative trainings should provide short courses and trainings on budgeting and corporate firms' performance to the management, staffs and members of the SACCOS.

- (iv) Loan portfolio is typically the largest asset and the predominate source of revenue. As such, it is one of the greatest sources of risk to SACCOSs' safety and soundness. Whether due to lax credit standards, poor portfolio risk management, or weakness in the economy, loan portfolio problems have historically been the major cause of SACCOS losses and failures.

5.3.4 Recommendations for further Researches

The study recommends to future researches on factors hindering the accessibility of budgetary skills to SACCOS staffs and the best training avenues for a better performance. This comes as the result of many claims that were associated with lack of training opportunities as the cause for most accountants in SACCOS to fail to implement effective budgets.

Again, future researches must adhere to qualifications for the management of the SACCOS so that most activities determined by the management adhere to professionalism so as to avoid poor performance of financial related issues as the result of poor management that does not have skills on what they manage. Most SACCOS are owned by people who do not have financial skill, as the result they fail to value key issues of professionalism in their cooperative activities. Alternatively, qualifications of the staffs need to be researched for a better performance of SACCOS on issues of budgeting and its implementation in performance.

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APPENDICES

Please fill the table below and tick the appropriate answer

1. Name of the SACCOS _____

2. The year the SACCOS was established

- (i) Before 1990 ()
- (ii) 1991 – 1995 ()
- (iii) 1996 – 2000 ()
- (iv) 2001 – 2005 ()
- (v) 2006 – 2010 ()

3. Is your society prepare budget

- (i) Yes ()
- (ii) No ()

4. How do you find the budget that you prepare?

5. What were the profit sizes for the past five years?

YEARS	AMOUNT IN T.SHS
2004/2005	
2005/2006	
2006/2007	
2007/2008	
2008/2009	
2009/2010	

6. What is the lending interest charged by your society? Tick the appropriate.

- (i) 2.5% ()
(ii) 3% ()
(iii) 2% ()
(iv) 1.75% ()
(v) Other, name it _____

7. What were the portfolio sizes for the past five years?

YEARS	AMOUNT IN T.SHS
2004/2005	
2005/2006	
2006/2007	
2007/2008	
2008/2009	
2009/2010	

8. What was the average loan disbursed for the five years?

YEARS	AMOUNT IN T.SHS
2004/2005	
2005/2006	
2006/2007	
2007/2008	
2008/2009	
2009/2010	

9. How many clients did the society serve for the past five years?

YEARS	NUMBER OF CLIENTS
2005	
2006	
2007	
2008	
2009	
2010	

10. Which among these factors have great effect on the performance of SACCOs? Tick only one.

- (i) Poor governance ()
- (ii) Insufficient capital ()
- (iii) Poor and unreliable service ()
- (iv) Integrity ()
- (v) Lack of appropriate and adequate skills/ knowledge ()