THE CONTRIBUTION OF SACCOS IN IMPROVING SOCIAL WELFARE IN IRAMBA DISTRICT: EVIDENCE FROM NYASAMAJA AND UKOMBOZI SACCOS

By;
NG’ONDI Martin Jane

A Thesis/Dissertation Submitted in Partial/Fulfillment of the Requirements for Award of the Master of Science in Entrepreneurship (MSc Entrepreneurship) of Mzumbe University

May, 2013
CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation/thesis entitled The Contribution of SACCOS in Improving Social Welfare in Iramba District: Evidence from Nyasamaja and Ukombozi SACCOS, in partial/fulfilment of the requirements for award of the degree of Master of Science in Entrepreneurship (MSc Entrepreneurship) of Mzumbe University.

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Internal Examiner;
Signature ____________________________

External Examiner;
Signature ____________________________

Accepted for the Board .....................
Signature ____________________________

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

I, NG’ONDI Jane Martin, declare that this thesis is my own original work and that it has NOT been presented and will not be presented to any other university or higher learning institution for a similar or any other degree award.

Signature __________________________

Date______________________________
ACKNOWLEDGEMENT

I thank God the almighty for providing me with the courage, strength, guidance and patience throughout my study period, for I understand without him I could not be able to accomplish this study.

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Thanks all.
DEDICATION

This valuable work is dedicated to my beloved parents Mr. and Mrs. Martine Ng’ondi, who laid down the foundation of my education which made me what I am today.
ABSTRACT

Understanding the contribution of SACCOS towards improving social welfare of people is increasingly important to both the government and financial institutions in developing countries. Thus, this study intended to assess the contribution of Nyasamaja and Ukombozi SACCOS in improving social welfare of its members in Iramba district. The study intended to meet the specific objectives of identifying financial services or products offered Nyasamaja and Ukombozi SACCOS, towards social welfare improvement in Iramba district; identifying improved social welfare as a result of services provided, Nyasamaja and Ukombozi; and determining challenges faced by Nyasamaja and Ukombozi SACCOS, in improving social welfare in Iramba district. Key concepts which are micro financial institutions, SACCOS, and social welfare were both theoretically and empirically reviewed to construct a workable conceptual framework.

The study was a case design which intended to deeply understand the construct and contribution of the study. Data were collected through questionnaire, interview and observation from 34 purposively sampled samples. Data were analysed using simple descriptive statistical models which resulted into some charts and figures. The study revealed that, majority of SACCOS members are people aged above 30 years, with at least a certificate level of education, and have wage or salary employment. Female were the dominant gender in the sample, and saving a household size of more than 5 people. Loans were the major product offered by SACCOS at an average of Tshs 326,250 per loan. The improved social welfare includes ability to pay for education, health, and personal expenses, as well as improved access to financial services. Generally, the contribution of SACCOS in improving social welfare of people is the located areas cannot be undermined. It is important for both government and development partners to support them so that they may sustainably serve the population.
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<tr>
<td>BoT</td>
<td>Bank of Tanzania</td>
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<tr>
<td>CBO</td>
<td>Community Based Organisation.</td>
</tr>
<tr>
<td>DCDO</td>
<td>District Community Development Officer</td>
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<tr>
<td>FFIs</td>
<td>Formal Financial Institutions</td>
</tr>
<tr>
<td>FINCA</td>
<td>Foundation for International Community Assistance</td>
</tr>
<tr>
<td>INGOs</td>
<td>International Non-Governmental Organisations</td>
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<tr>
<td>KCU</td>
<td>Kagera Cooperative Union</td>
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<tr>
<td>KNCU</td>
<td>Kilimanjaro Natives Cooperative Union</td>
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<tr>
<td>LGA</td>
<td>Local Government Authority</td>
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<tr>
<td>MFI</td>
<td>Micro financial Institutions</td>
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<td>MHSW</td>
<td>Ministry of health and social welfare</td>
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<td>NMB</td>
<td>National Microfinance Bank.</td>
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<td>NMFP</td>
<td>National Micro Finance Policy</td>
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<tr>
<td>NGOs</td>
<td>non-Governmental Organisation</td>
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<tr>
<td>PRIDE</td>
<td>Promotion for Rural Initiative Development Enterprise.</td>
</tr>
<tr>
<td>SACCOS</td>
<td>Savings and Credit Corporative Societies</td>
</tr>
<tr>
<td>SEDA</td>
<td>Small Enterprise Development Agency</td>
</tr>
<tr>
<td>SELF</td>
<td>Small Entrepreneurs Loan Facility</td>
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<tr>
<td>SIDO</td>
<td>Small Industries Development Organisation</td>
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<tr>
<td>URT</td>
<td>United Republic of Tanzania</td>
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<tr>
<td>VICOBA</td>
<td>Village Community Banks</td>
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<td>VEO</td>
<td>Village Executive Officers</td>
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CHAPTER ONE
INTRODUCTION, STATEMENT PROBLEM, AND SIGNIFICANT

1.0 INTRODUCTION
Since independence (1961), Tanzania has been struggling to improve social wellbeing of her citizen among which are agriculture reforms, gender mainstreaming, and micro financial the financial reform efforts. In 1992, Tanzania reformed her financial and economic policies, and in 2000, the new microfinance policy was established. To make sure that these financial services reaches to poor majority, both formal and informal micro-finance institutions like Savings Credit Cooperative Society (SACCOS) and Village Community Banks (VICOBA) were encouraged.
Since their establishment, understanding their contribution towards improving social wellbeing is questionable. So as to have a clear understanding on the importance of these institutions, a study that will assess the contribution of SACCOS in improving social wellbeing is important. *Key words for this study includes; Microfinance, SACCOS, and social welfare.*

1.1 Background of Problem
Improving social welfare has been an activity of individuals, localities, nations and international bodies and organisations for ages. This started during the Roman Empire when the first emperor Augustus provided the ‘congiaria’ or corn dole for citizens who could not afford to buy food. Social welfare was enlarged by the Emperor Trajan who developed Trajan's program brought acclaim from many, government (c.1000AD in China) supported multiple forms of social Welfare programs, including the establishment of retirement homes, public clinics, and pauper's graveyards. Then the Roman Catholic Church operated a far-reaching and comprehensive Welfare system for the poor (Ngowi, 2008; Witek, 2010).

In Europe, early Welfare programs included the English poor law of 1601, which gave parishes the responsibility for providing Welfare payments to the poor. This system was
substantially modified and the workhouse systems were introduced. It was predominantly in the late 19th and early 20th centuries that an organized system of state Welfare provision was introduced in many countries (Arrow, 1951; Pattanaik, 2008).

- Otto von Bismarck, Chancellor of Germany, introduced one of the first Welfare systems for the working classes.

- In Great Britain the Liberal government of Henry Campbell-Bannerman and David Lloyd George introduced the National Insurance system in 1911, a system later expanded by Clement Attlee.

- The United States did not have an organized Welfare system until the Great Depression, when emergency relief measures were introduced under President Franklin D. Roosevelt which focused primarily on a program of providing work and stimulating the economy through public spending on projects, rather than on cash payment.

- In Jewish tradition, charity is a matter of religious obligation rather than kindness which is regarded as a continuation of the Biblical practices. Voluntary charity, along with prayer and repentance, is believed to ameliorate the consequences of bad acts.

- In the Islamic world, Zakat (charity) – which aims at improving welfare and brings social equality – is one of the Five Pillars of Islam. This Zakat has been collected by the government since the time of the Rashidun caliph Umar in the 7th century (Arrow, 1951). Since this was a charity collection, the government used to provide income for the needy, including the poor, elderly, orphans, widows, and the disabled. The government was also expected to store up food supplies in every region in case a disaster or famine occurred.

Welfare can take a variety of forms, such as monetary payments, subsidies and vouchers, or housing assistance. Welfare systems differ from country to country, but Welfare is commonly provided to individuals who are unemployed, those with illness or
disability, the elderly, those with dependent children, and veterans. A person's eligibility for Welfare may also be constrained by means testing or other conditions.

In Tanzania, welfare is provided by governments or their agencies, by private organizations, or a combination of both. However, funding for Welfare usually comes from general government revenue. But when dealing with charities or empowering marginalized groups, social security, cooperatives, development partners and donations may be used. For example, financial and in-kind grant support is provided by both government and non-governmental organisations. Government programmes are primarily within the Ministry of health and social welfare (MHSW) and the Ministry of Labour, Youth Development and Sports – department of social welfare.

Sizya (2001) also pointed out that, welfare in Tanzania is directly or channelled through the government supported by both local or national and International non-governmental organisations (NGOs and INGOs), and community-based organisations (CBOs). For non-public sector organisations this is generally in-kind support, with the material provided being an integral part of the organisations overall programming. However; regional and district government administrations through the community development (maendeleo ya jamii), and social welfare (ustawi wa jamii) units are encouraged to mobilize support by facilitating connections between the potential beneficiaries and the NGOs and INGOs

Due to scarcity of funds the programmes are not publicly promoted. In general funds are provided for activities that are deemed to critically influence whether a person is able to interact with the community. For example:

- Mobility aids are provided for those requiring aids to allow them to work.
- School support is provided for those children who would not be able to attend school otherwise.
- Housing and resettlement is provided in cases where a person would be on the street without support.
Thus so as to facilitate easy access to financing of these social needs, Tanzania encouraged the establishment and use of Savings and Credit Co-operative Societies (SACCOS).

SACCOS first appeared in Germany in the 1870’s. The idea moved to North America in 1900 with European immigration then to Canada, the United States, Australia and Ireland. In many regions of these countries SACCOS are much larger than the commercial banks (De Jong, 2006).

Worldwide, it is estimated that, around 760 million people are SACCOS members, making up 29% of the population of Argentina, 33% of Norway and 40% of the USA, and providing 100 million jobs (Barrientos, 2007).

- In the United States, SACCOS serve four million members and their gross business is about $93 billion. Fourteen of these SACCOS are included in the Fortune 500’ list of the largest corporations.
- Credit Mutual in France and the Rabobank in the Netherlands is leadings bank in their countries and the industry globally (Okaye, 2009).
- Private sector SACCOS are well developed in Argentina, Brazil, Chile and Uruguay. Elsewhere in Latin America there are numerous examples of successful SACCOS, for example in Bolivia poultry producer’s SACCOS in Cochabamba produces 60% of the countries chickens and nearly 30% of its eggs.
- In India where they play a major role in supporting the green revolution, 90,000 such SACCOS exist, where they supply 34% of fertilizer inputs.

In Tanzania, the history of SACCOS dates as back as 1925 when the Kilimanjaro native planters association was formed. However, the first cooperative legislation was not passed until 1932 when the cooperative Ordinance (Cap. 211) was enacted. After independence, the government policy was to make the cooperative movement an engine for economic development. Further, the Arusha declaration of 1967 advocated and recognized cooperatives as instruments for implementing the policy of socialism and
self-reliance. Through a number of legislations, cooperatives were systematically promoted to act as an important tool for transforming rural community production into a socialist planned economy (URT, 2006).

In Tanzania, SACCOS are the main providers of financial services in the rural areas. In December 2006, there were over 3,500 SACCOS registered with the Ministry of Cooperatives and Marketing, with approximately 420,000 members. About 60% can be classified as rural and 40% as urban (mostly wage based). This increase is mainly activated by the decision of the president of Tanzania honourable Jakaya Kikwete to disburse one billion to each region as part of his empowerment policy, especially through savings and Credit Cooperative Societies SACCOS the so called ‘JK Billion’, however, the average number of members per SACCOS has been decreasing dramatically (Duursma, 2007). The Government has been encouraging the formation of cooperative financial institutions like SACCOS since recognizes that the pace of growth of SACCOS has been slow, especially in rural areas. Most have been established in urban areas and workplaces. As a result, members of rural primary societies have unable adequate credit. To improve this situation Government plans to encourage the development of SACCOS in all rural areas. Advice will be made available at district level regarding setting up SACCOS and technical assistance will also be provided to all existing SACCOS to strength their capital base and development (URT, 2006).

Improved access and efficient provision of savings, credit, and insurance facilities in particular can enable the poor to smooth their consumption, manage their risks better, gradually build their asset base, develop their micro enterprises, enhance their income earning capacity, and enjoy an improved quality of life. Researchers argue that the Microfinance Institutions (MFIs) are useful as they reduce poverty through increased income and standards of living; empower women; develop the business sector through growth potentials, and develop a parallel financial sector. It is generally accepted that without permanent access to institutional microfinance, most poor households would
continue to rely on meagre self-finance or informal sources of microfinance, which limits their ability to actively participate and benefit from development opportunities. The proponents of credit approach argue that people who live in developing countries might improve their living standards by becoming micro entrepreneurs and that financial institutions should support their initiatives with small loans. This is true because well established and sustainable micro and small enterprises in many societies contribute to the growth of national income, more employment opportunities, better standard of living and hence to the reduction of poverty. However, according to the International Finance Corporation, 60% to 69% of the population in many African countries have no access to conventional financial institutions (Chijoriga, 1997; Chijoriga and Cassimon, 1999). Loans enable the individual member or enterprise to enjoy both benefits of economies of scale and those of new high-value technology (Grande, 1984).

Recognising the importance of financial services to MSEs, during 2000 the government of Tanzania developed the National Microfinance Policy in line with the overall financial reforms initiated in 1991. The policy aims at enabling low-income earners to access financial services. Microfinance Institutions (MFIs) have become alternative sources for financing MSEs in place of Formal Financial Institutions (FFIs), which regarded MSEs as too poor to save, having low borrowings and carrying a default risk (National Micro Finance Policy [NMFP], 2000; Chijoriga, 2000). The policy further aims at raising the income of both households and enterprises, by facilitating savings, payments, and insurance and credit services (NMFP, 2000).

In view of the gaps existing in the contribution of financial institutions through financial services delivery, survival and performance towards improving social welfare in Tanzania, SACCOS in particular is a challenge. Bank of Tanzania developed the projects to promote Rural! Micro-finance in Tanzania, (URT, 1999)
1.2 Statement Problem
Microfinance, Savings and Credit Cooperative Society (SACCOS) in particular, performance has become a challenging issue almost everywhere in the world. And many scholars are debating on its contribution towards improving social welfare of rural majority (particularly after giving JK billions which were channelled through SACCOS) who had no access to financial services, leaving so many questions than answers as to how many SACCOS are there in the developing world, Tanzania in particular? Where are they located? How many households do they reach? How well do they do in terms of repayment, performance, and outreach? What is their contribution towards poverty alleviation, social welfare in particular? (Duursma, 2007; Kessy, 2006). While there have been efforts to understand the contribution and or impact of SACCOS in poverty alleviation and rural social welfare improvement in developing countries, the answers to these questions are still not fully known. This study thus intended to assess the contribution of Nyasamaja and Ukombozi SACCOS in improving social welfare in Iramba district.

1.3 Research Objectives
This study had both general objective and specific objectives as presented here under:

1.3.1 General Objective
The general objective of this study was to assess the contribution of SACCOS in improving social welfare in Iramba District particular Nyasamaja and Ukombozi SACCOS.

1.3.2 Specific Objectives
Specifically, this study intended to achieve the following objectives:

i. To identify financial services or products offered by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, towards social welfare improvement in Iramba district.
ii. To identify improved social welfare as a result of services provided by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, in Iramba district.

iii. To determine challenges faced by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, in improving social welfare in Iramba district.

### 1.4 Research Questions

This study aimed at answering the following specific questions:

i. What are the financial services or products offered by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, towards social welfare improvement in Iramba district?

ii. What is the improved social welfare as a result of services provided by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, in Iramba district?

iii. What are the challenges faced by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, in improving social welfare in Iramba district?

### 1.5 Significance of the Study

Study on the contribution of selected SACCOS in the improvement of people’s welfare in Iramba district will serve as an empirical literature to academicians, researchers, planners, entrepreneurs, poor people and policy makers as the results of this study will have the potential contribution on the reviewing set-up and development of effective savings and credit co-operative societies in Tanzania.

i. The knowledge gained through the study will also provide some implications to policy makers, development practitioners such as Ward Executive Officers (WEO), Village Executive Officers (VEO) and District Community Development Officer (DCDO) who are near to the people and are interested in expanding provision of adequate microfinance to poor majority (the low income households) as well as development of sustainable microfinance institutions towards combating the problem of poverty.
ii. The study findings focusing on two selected SACCOS namely, Nyasamaja and Ukombozi SACCOS, will provide input in reviewing current schemes of financial system as well as reasons for being unable to outreach widely the low-income households and the results obtained will therefore assist the intended SACCOS and other savings and credits financial institutions like Small Enterprise Development Agency (SEDA), PRIDE, FINCA, SELF, CRDB, NMB, NBC and TIB in improving all matter relating to micro financing services including: expanding their outreach; review borrowing conditions; and support in improving rural life standards.

iii. Also the study is the requirement for partial fulfilment for the Masters of Science in Entrepreneurship (MSc – Entrepreneurship) Award of Mzumbe University

1.6 Limitation of the Study
During this study, some challenges were noted to include:

i. Reliability, availability and quality of data: in some areas storage and accuracy of data was questionable due to contradicting reports and information records found in different books. Some of clerks were not competent in record keeping, and hence some of information was missing.

ii. Another problem was the data on accessing financial data, because financial data which are mostly treated as confidential to the extent that cannot be accessed by every person all the time.

iii. Also the study were limited to Iramba district only with only two selected SACCOS – Nyasamaja and Ukombozi, and thus its findings cannot be generalized.

1.7 Delimitation of the Study
Despite of some recorded limitations, researcher made some initiatives to make sure that reliable and valid information will be collected. Some of the initiatives include:

i. Using both primary and secondary sources of data so as to compare, evaluate, and analyse information ensured correctness.
ii. Using different instruments of data collection including questionnaire, interview, observation, and documentary were consulted to balance validity and reliability of data.

iii. Assurances on confidentiality of information required by the researcher motivated respondent to provide information required in the study and enable the researcher to collect valid and reliable data.

iv. Data collection and re-collection were also important particularly when researcher found that there are some contradictions in information collected. This made a researcher to go back in areas or contacting respondents for explanations and clarifications.

1.8 Research Organisation

This study was organised based on general principles and procedures of preparing and writing research reports as per Mzumbe University guideline. And thus it is organised in five chapters to include: introduction, statement problem and significant; literature review; research methodology; findings presentation and discussion; and research summary and recommendations.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
The chapter reviews both theoretical and empirical literature on aspects of contribution of SACCOS in improving social welfare in Iramba district, from various actors and schools of thoughts with different models, history and development of SACCOS and performance activities globally and in Tanzania. Then a conceptual framework has been developed based on reviewed literatures to show the relation of concepts and variables.

2.1 Theoretical Review
This section presents theoretical conceptualization and operationalization on key concepts and variables of this research which includes: micro finance, SACCOS, and social welfare. These concepts are conceptualized (conceptualization) to build its measurability (operationalization) and hence building a conceptual framework.

2.1.1 Microfinance
There is no single authoritative definition of “microfinance.” For purposes of this study, “microfinance” refers to any project or component thereof that supports delivery of (1) very small, uncollateralized or less-than-normally-collateralized loans, or (2) other financial services, such as savings or insurance, for low income clients (NMFP, 2000). For reporting purposes, the consortium of microfinance donors, counts loans as microfinance if their average outstanding balance is not above US$5000 for Eastern Europe and NIS; $2000 for Latin America and the Caribbean; $1500 for the Middle East, North Africa, global and other projects; and $1,000 for Sub-Saharan Africa, Asia, and the Pacific (OECD, 2010). For savings services, an appropriate cut-off might be one third or one quarter of the loan amounts.
In this study, microfinance will be used to mean component supporting the delivery of very small, uncollateralized loan, and other financial services to low income members of the Tanzanian population. The size of the loan and services will be determined by the institutions offering the financial services, and or members joining the society in case of micro financing social groups.

2.1.2 SACCOS

According to URT (2003), SACCOS is defined as a registered society whose principal objective is to encourage thrift among its members and to create a source of credit to its members at a fair and a reasonable rate of interest. A savings and Credit Cooperative Society (SACCOS) is a group of people with a common bond (field of membership) of working together to improve themselves socially and economically. A SACCOS is one form of a cooperative society whose business is to provide financial services to its members. SACCOS are legal institutions registered under the cooperative laws (1991 cooperative act and 1992 cooperative Regulations). SACCOS are owned by their members through payment of share capital and membership fees to the institution (Ahimbisibwe, 2007).

SACCOS as cited by Ahimbisibwe (2007) indicates that a Savings and Credit Cooperative Society (SACCOS) is a democratic, unique member driven, self–help, not for profit financial cooperative. It is owned and governed by members who have the same common bond. A SACCOS membership is open to all who belong to the group regardless of race, religion, colour, creed and gender or job status. These members agree to save their money together in the SACCOS and to make loans to one other at reasonable rates of interest. Interest is charged to cover the interest cost on savings and cost of administration. There is no profit paid to anyone. The members are the owners and the members decide how their money will be used for the benefit of one another (Bailey, 2001) cited by Ahimbisibwe (2007).
Saving and credit cooperatives (SACCOS) which are known as the credit unions in some other countries are defined as cooperatives which furnish members with convenient and secure means of saving money and obtaining credit at reasonable rates of interest (Kabuga et al., 1995) cited by Ahimbisibwe (2007) an observation that is in agreement with (Bailey et al. 1995) cited by Ahimbisibwe (2007). The saving and credit cooperative are usually organized within a group which is already united together by bond of common interests such as workers in same factory or members of the same community who are fairly well acquainted with one another (Kabuga et al., 1995) cited by Ahimbisibwe (2007).

Furthermore, the savings and credit cooperatives are cooperative organizations, which are guided by the practices, philosophy and principles of the cooperative movement. They differ from the rest of the other cooperatives because they are financial cooperative organizations with a social context (Kabuga et al., 1995) cited Ahimbisibwe (2007).

2.1.3 Products Offered by SACCOS to their members

According by Bailey (2001) cited by Ahimbisibwe (2007) SACCOS offer the following products to their members:

- **i. Shares:** This is one form of investment where returns depending on the number of share one holds and paid in form of dividends.

- **ii. Savings:** This is done through various savings products offered in the SACCOS namely the liquid, which permits unlimited number of withdrawals. The semi liquid with a restricted number of withdrawals per month and the fixed deposits.

- **iii. Emergency loans:** These are loans which are normally given or extended to business and women. They are normally short lived with relatively higher interest rates.

- **iv. Loans:** These are normal loan services extended to members with viable business plan and reasonable share (at least two shares) plus savings balances as per loans officers on site appraisal findings.
v. Life deposits: This is normally offered for target savers who keep money for some time until openings arise.

vi. Festival savings: these are loans offered during festival seasons like Christmas and Easter for Christians, and Idd-El-Fitri and Idd-El-Hajj for Muslims. However, the loan can be extended to any member regardless of his faith. The major condition is for it to be within the festival season.

vii. Education savings: These are offered to members with school going children to then pay school fees without much upheaval.

viii. Housing loans: These are intended to help members with improve their shelter and sanitation. Housing loan is not extended for building purposes, but it is for improving homes.

ix. Funeral insurance: under this scheme members are offered assistance to enable them a decent send off to their loved ones. Only children, spouses and parents will be covered by this service.

2.1.4 Objectives of a Savings and Credit Cooperative

According to Ahimbisibwe (2007), the objectives of SACCOS are to promote the economic interest of their members and in particular to:

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

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

iii. Continuously educate members on how savings can be made on regular basis and the wise use of their savings and provide service to its members such as financial counselling so that the members can solve most of their financial problem and the risk of management service to ensure the safety of member’s savings and loans.
iv. Fight poverty through improving the member’s economic and social conditions by enabling the access of financial services.

Thus it can surely be observed that, the major objective of establishing SACCOS is to improve social welfare of majority poor rural people. Most social welfare indicators cannot be improved if there is limited access to financial services. Thus SACCOS is important provider of these financial services as analysed in item 2.1.3 above, and hence stimulate social wellbeing of poor majority in rural areas.

2.1.5 SACCOS Operating Standards

SACCOS are therefore charged with providing its members efficient services such as Savings and Credit Services. SACCOS like every other cooperative operation based on certain principles. As far as SACCOS is in business to help its members, the SACCOS have to operate in a sound manner. The members have been entrusted with the confidence of the membership in running the SACCOS and determining if a SACCOS is operating as efficiently as possible, there is need to develop a set of minimum operating standards to use as a tool in evaluation. The standards include both qualitative and quantitative measures and present the minimum level of performance for sound SACCOS. According to BOT (2004) qualitative minimum operating standards for SACCOS are here under:

i. SACCOS official and employees must conduct the affairs of the society in such manner that the confidentiality of members business is ensured.
ii. SACCOS should provide a physical facility that is office for its business. The office accessibility should be judged both by the location and operating hours.
iii. SACCOS should have a designed and mounted a sign showing the same of the SACCOS and the normal business hours in a conspicuous, easily viewable place.
iv. SACCOS should operate as a true cooperative by observing the cooperative principles.
v. The SACCOS should observe the statutory requirement stipulated in the cooperative societies Act and rules.

vi. The SACCOS should pay their subscriptions to affiliated bodies promptly.

vii. SACCOS should have honest and competent staff to keep the books of accounts correctly.

viii. SACCOS should use and provide to members appropriate materials in their offices.

ix. SACCOS records should be neatly and securely kept in the SACCOS office to allow review and checking.

x. SACCOS should have a loans written policy written policy and make this policy available to all members. The loans policy should allow for the processing of loans as quickly as possible, so those members will find withdrawal of shares and savings more convenient. The policy should be in conformity with the bylaws and the strictly followed during every credit committee meeting.

xi. SACCOS committee should make comprehensive and informative reports to the management committee of directors on a monthly basis while the management committee of directors should make a comprehensive and informative report to the membership at least once a year at annual general assembly.

xii. SACCOS board should meet at least once a month or as stipulated in the respective by laws to review operations and make necessary decisions.

xiii. Full and complete minutes of the management committee, committees and annual general assembly should be taken and maintained in the records. These minutes should include all annual general assemblies, all committees and at board policies and decisions.

xiv. SACCOS should prepare an annual report giving the total members and amount of loans granted annually and the number outstanding, broken down by
purpose at the end of the year. It should also take into account the hopes of loans.

xv. Delinquency control and loans collection procedures should be identified and implemented by each SACCOS. Delinquency reports should be submitted to the board at least once each quarter and annual delinquency report on the prescribed form should be made available annually.

xvi. SACCOS should prepare annual work plans and realistic business.

2.1.6 Understanding Social Welfare

Welfare includes government program which provides financial aid to individuals or groups who cannot support themselves. Welfare programs are funded by taxpayers and allow people to cope with financial stress during rough periods of their lives (Prime Ministers’ Social Protection Report [PMSPR], 2010). In most cases, people who use welfare will receive a biweekly or monthly payment.

**Welfare** is also defined as the provision of a minimal level of well being and social support for all citizens, sometimes referred to as *public aid*. In most developed countries, welfare is largely provided by the government, in addition to charities, informal social groups, religious groups, and inter-governmental organizations. Basically social welfare is done to support the vulnerable groups in the society. Social welfare can thus be provided by targeting different vulnerable social groups.

The goals of welfare vary, as it looks to promote the pursuance of work, education or, in some instances, a better standard of living. The desired outcomes of people on welfare will depend primarily on the circumstances that caused them to apply for aid. A mentally or physically disabled person may not be expected to assume independence after a period of time, so welfare would provide ongoing aid to better their standard of living. A person lacking education, or who cannot currently provide for themselves, also might be provided welfare. In this case, the person would be expected to receive training or take
steps towards financial independence. Ongoing welfare is not a desirable outcome for this individual according to those giving it.

In Tanzania, social welfare supports are locally administered by the Regional and District Social Welfare Offices may also access support from other organizations, SACCOS included. As an example in 2003/04 the Dodoma regional office obtained tricycles for persons with disability, and 185 credits for cooperatives of persons with disabilities. The role of the social welfare office is in facilitating the connection with other organizations, and it also follows-up to ensure the goods and aids were actually received (PMSPR, 2010).

When the government provides money for empowering vulnerable groups, all amounts is provided on a one-time lump sum basis. Alternatively, rather than providing cash the ministry may purchase the required good or facilitate its access. Benefit access begins with the application of the beneficiary to the regional or district social welfare office, where an assessment process is conducted. This would include:

i. Gathering some basic information on the person and her/his support networks.

ii. Assessment of the reason support is requested and a home visit.

iii. If the funds are to be used for income generation an assessment of the feasibility of the venture may be conducted.

iv. If the person is deemed as “in need” and there are no other resources that can be accessed locally, the case may be forwarded to the appropriate sub-section of the Ministry.

v. The sub-section reviews the application and makes a selection. The criteria for selection vary. For example:

- In the Rehabilitation section consideration includes criteria such as gender and other sources of income.
- In the Family, Children and Day Centres section “urgency” of the case is primary.
Those not selected remain on the wait list. This is mainly due to shortage of funds comparing to the needs and applications available. Funds are forwarded to the recipient via the Regional Social Welfare office. As all programmes work through the Regional and District Social Welfare offices, this minimizes the possibility of ‘double-dipping’ (receiving multiple benefits from different programmes) in this department. For example, table 2.1 below shows the support provided by the ministry through department of social welfare in improving social welfare of some marginalized groups.

**Table 2.1: Income Support from the Department of Social Welfare**

<table>
<thead>
<tr>
<th>Section</th>
<th>Target group</th>
<th>Purpose/ programme</th>
<th>No. Of Recipients</th>
<th>Total fund/Tshs for 2001-2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family, child welfare and day care services</td>
<td>Orphans in the primary and/ or secondary school</td>
<td>Support from the primary and secondary school education</td>
<td>Not known</td>
<td>Not known</td>
</tr>
<tr>
<td>Family, child welfare and day care services</td>
<td>Persons with HIV/AIDS</td>
<td>Income generation</td>
<td>Not known</td>
<td>Not known</td>
</tr>
<tr>
<td>Probation services</td>
<td>Children under the probation services in the Dar es Salaam region</td>
<td>Resettlement, education, seed money, usually in kind</td>
<td>36</td>
<td>4,100,000</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>Persons with disabilities</td>
<td>In-kind donations of items</td>
<td>51 items in 2003</td>
<td>1,230,000</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>Persons with disabilities</td>
<td>Business creation – micro credit</td>
<td>155</td>
<td>280,875,000</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>For persons who work with persons with disabilities</td>
<td>Vocation training in sign language for teachers, school and college fees</td>
<td>6</td>
<td>600,000</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>Community</td>
<td>Renovation of buildings to facilitate physical access</td>
<td>Not known</td>
<td></td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>Person with disabilities</td>
<td>Resettlement after training through either facilitating employment or provision of working tools</td>
<td>43</td>
<td>5,586,000</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>Person with disabilities</td>
<td>Mobility aids</td>
<td>45</td>
<td>8,412,000</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>Person with disabilities</td>
<td>Income generating, capital for small businesses</td>
<td>95</td>
<td>13,562,500</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>Person with disabilities</td>
<td>Payment of hospital bills, medical assistance</td>
<td>13</td>
<td>1,450,000</td>
</tr>
<tr>
<td>Rehabilitation</td>
<td>Person with disabilities</td>
<td>Transport/ fare</td>
<td>6</td>
<td>520,000</td>
</tr>
</tbody>
</table>
Beyond the ministerial channels welfare benefits may be accessed from other government and parastatal organisations. The regional Advisor for Social Welfare may assist a person in receiving a cash grant from the RAS, or even in accessing credits or loans. At the district level (in at least one district) each department has some funds to distribute. For example:

- The education department may provide funds to primary school students for books and paper if the pupil cannot afford them.
- Family may be able to access food from the agricultural department.

Benefit funds may be divided between the different departments with no mechanism for coordination or through different social institutions that can easily be monitored like SACCOS and VICOBA. In terms of parastatal organisations, one local pension office noted that it occasionally provides money to elderly who visit the office with a specific need such as to buy medicine, and often these requests are a result of referral from other government bodies.

2.1.7 SACCOS Role in Improving Social Welfare

Different authors have put forward difference views concerning the role of saving and credit societies. The study focuses on how SACCOS are helpful in changing the welfare of its members in order to attain the objectives of savings and credit societies that are to improve socio-economic status of members by increasing their income through increased access to credits.

The national Strategy of Growth and Reduction of Poverty (NSGRP) with regard to income poverty reduction in rural areas, emphasize on increasing access to rural micro-financial services for subsistence farmers, particularly targeting youth and women and promotion and sustain community based Savings and Credit schemes such as SACCOS and revolving funds as well as strengthening fund for cooperative and other farmer’s
organizations. Given the history of dominant government lead cooperative development in Tanzania and the recent fundamental policy changes, only a tentative synoptic description of the role cooperatives play in poverty reduction in Tanzania are attempted.

i. Facilitation of Financial Services: Financing rural farmers has been further diminished by the financial sector reforms. Banking services are focused on the high valued end of the market in urban centres due to financial viability considerations. The roles of savings and Credit cooperative Societies SACCOS in providing financial services particularly in the rural areas is now more imperative than before (Sizya, 2001).

   a. SACCOS are the main providers of financial services in the rural areas. In December 2006, there were over 3,500 SACCOS registered with the Ministry of Cooperatives and marketing, with approximately 420,000 members. About 60% can be classified as rural and 40% percent as urban (mostly wage based). Over the past two years, the number of SACCOS has increased rapidly (to large extent growth can be attributed to the ‘JK Billion’ however, the average number of members per SACCOS has come down to about 120 (Duursma, 2007).

   b. The outreach is obviously still very small and limited in its impact on poverty reduction. The point however is that the services being provided are in great demand among the rural poor. Provision and facilitation of banking services to the rural poor will contribute poverty reduction among the rural communities (Sizya, 2001).

ii. Education Support to Children of the Poor: Coffee Co-operatives in Kagera and Kilimanjaro are reputed for the support they have provided for education to the poor in their regions. In particular Kagera Cooperative Union (KCU) has struggled to provide this support from the premium earnings of its fair trade operations against many odds (Sizya, 2006). A study done by Mwaipopo (2006) found that SACCOS such as TAZARA in Mbeya city has achieved to the large extent the goal for reducing poverty to its members for instance have managed to
pay tuition fees for their children. Also Isote (2007) found that through Loans from the SACCOS rural primary teachers in Iramba District has managed to pay tuition fees for their children.

iii. Employment Creation Potential: The employment potential of cooperatives has been little acknowledgement in the long history of the Tanzanian Cooperatives have never the less contributed significantly in employment creation. The large number of agricultural cooperatives, the savings and credit cooperatives and other types of cooperative has provided employment to many people across the country. The Registrar of Cooperatives Report indicates that there are 400 cooperatives workers of which 231 are industrial, 81 mining, services and 18 fishery cooperatives. With the deepening effect of the retrenchment process, these types of cooperatives may provide employment for many more people (Sizya, 2001). Eventually, the government sees cooperatives as an important means to the achievement of development goals. People working together can solve problems that cannot be solved by individuals (URT, 2006). This is why cooperatives are so important, particularly for poor countries such as Tanzania whose only hope of development is through working together.

iv. Strengthen Family Ties: SACCOS also strengthen family ties thus promoting peace. This is true as one of the main factors for family instability is the financial problem, often caused by mismanagement of the family income. In SACCOS people are shown how to avoid the pitfalls of money mismanagement; this no wonder strengthens love and family ties. (Syed, 1991) cited by Ahimbisibwe (2007). Also SACCOS help to teach people how to earn profitability and how to spend it intelligently for the benefit of members and their community. SACCOS have enabled the savers to acquire the capacity to build low cost, yet high quality, housing units and to buy vital household items and put some of their loans in agricultural development thereby increasing the productivity in the agricultural sector and enhancing food security (Ahimbisibwe, 2007).
2.2 Empirical Literature Review

Recent studies have shown that, there is an increase in financial services access through SACCOS and VICOBA since most of rural people and those who do not have collaterals depends on them. Thus this section presents other researchers’ works to raise the gap between what has been done and the remained research gap.

In her study Chijoriga (2000) evaluated the performance and financial sustainability of MFIs in Tanzania, in terms of the overall institutional and organisational strength, client outreach, and operational and financial performance. In the study, 28 MFIs and 194 MSEs were randomly selected and visited in Dar es Salaam, Arusha, Morogoro, Mbeya and Zanzibar regions. The findings revealed that, the overall performance of MFIs in Tanzania is poor and only few of them have clear objectives, or a strong organisational structure. It was further observed that MFIs in Tanzania lack participatory ownership and many MFIs are donor driven. Although client outreach is increasing, with branches opening in almost all regions of the Tanzanian mainland, still MFIs activities remain in and around urban areas. Their operational performance demonstrates low loan repayment rates and their capital structures are dependent on donor or government funding. In conclusion, the author pointed to low population density, poor infrastructures and low household income levels as constraints to the MFIs’ performance. Many of these MFIs have no clear mission and objectives. Also their employees lack capacity in credit management and business skills.

Thus this study has concentrated only on contribution of SACCOS in improving social welfare in Iramba district because of the differences in geographic, mission and objective differences of these institutions and thus contributions on social wellbeing may be different. Also it was a case study, so as to have a depth analysis, and not a survey as in Chijorigas’ study.
Kuzilwa, (2002) examined the role of credit in generating entrepreneurial activities. He used qualitative case studies with a sample survey of businesses that gained access to credit from a Tanzanian government financial source. The findings reveal that the output of enterprises increased following the access to the credit. It was further observed that the enterprises whose owners received business training and advice, performed better than those who did not receive training. He recommended that an environment should be created where informal and quasi-informal financial institutions can continue to be easily accessed by micro and small businesses.

This study measured performance based on out rich level and credit access towards entrepreneurial development in Tanzania. Also it was a survey study in the methodology, where different businesses were surveyed. The difference with this study is that, it sets to assess the contribution of SACCOS in improving social welfare of poor majority in Iramba district. And the study is a case design Nyasamaja and Ukombozi being the cases. This is expected to have different respondents, and outputs.

Rweyemamu et al, (2003) evaluated the performance of, and constraints facing, semi-formal microfinance institutions currently providing credit in the Mbeya and Mwanza regions. The primary data, which were supplemented, by secondary data, were collected through a formal survey of 222 farmers participating in the Agricultural Development Programme in Mbozi and the Mwanza Women Development Association in Ukerewe. The analysis of this study revealed that the interest rates were a significant barrier to the borrowing decision. Borrowers also cited problems with lengthy credit procurement procedures and the amount disbursed being inadequate.

On the side of institutions, the study observed that both credit programmes experienced poor repayment rates, especially in the early years of operation, with farmers citing poor crop yields, low producer prices and untimely acquisition of loans as reasons for non-payment. It was further revealed that poor infrastructure of the MFIs led to high
transportation costs, which increased the transaction costs in credit procurement, and disbursement and this ultimately hindered the effectiveness of the credit programmes. This happened because most of borrowers lived in rural areas, far from credit offices. The coverage by Kuzilwa was on the National Entrepreneurship Development Fund only, while Rweyemamu et als’ study was on assessing the micro-finance services for the agricultural sector only.

From the above evidence the researchers found that there was a strong need to study the performance of existing SACCOS only, and not all MFIs in Tanzania and see to what affects their performance in terms of outreach, client poverty ratio, profitability (financial sustainability), and credit collection (recovery). Also to study the contribution of the semi-structured financial institutions, SACCOS being one of them, towards eradicating poverty, improving social welfare in particular, in Tanzania is important.

2.3 Conceptual Framework
A conceptual framework is an assemblage set of research concepts cum variables together with their logical relationships often represented in the form of: diagrams, charts, graphs, pictographs, flow-charts, organ gram, or mathematical equations (Ndunguru, 2007). Thus the conceptual framework is as here under;
Fig. 2.1: Conceptual framework – The contribution of SACCOS in improving Social Welfare

SACCOS (Micro-financial Institution)

Activities Members can do
- Establishing small businesses.
- Improving farming activities
- Education financing
- Health services financing
- Food and nutrition financing
- Increase financial knowledge.
- Supporting disabled dependants
- Improving shelter and clothing

Products and services offered by SACCOS

Improved Social Welfare
- Increase in purchasing power.
- Access in education and medical services.
- Self-employment.
- Increase income per household.
- Improvement of nutrition status.
- Improve wellbeing of poor Households.
- Contributes to micro and macro - economic development.

Source: Researcher, 2012

The conceptual frame work above consist of three parts, first part was independent variable which is SACCOS (Micro financial institution), the second part was intermediate variables which are products or services offered by SACCOS and the last part was dependent variable which is improved social welfare.
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction
Research Methods entails research techniques or procedures used to gather and analyse data. In other words, method refers to the techniques or tools used to process data, and can include both qualitative and quantitative data processing techniques. A methodology can also be explained as a way to systematically solve the research agenda or research problem (Adam and Kamuzora, 2008; Kothari, 2004; Ndunguru, 2007).

This section describes the research procedure in terms of research approach and research design, operational design, statistical design and data analytic strategy (handling of intervening and extraneous factors, sampling procedures, data sources, quality and data collection methods, and data processing procedures to be adopted), limitations and delimitations, ethical consideration, and data validity and reliability (Ndunguru, 2007).

3.1 Research Design
This study was a case study design, which aimed at assessing the contribution of SACCOS, on social welfare improvement in Iramba district, Nyasamaja and Ukombozi SACCOS being the cases.

A case is a unit under investigation, which aims at investigating the unit across a variety of characteristics i.e. single or few cases but many variables (Ndunguru, 2007). Thus, the motivation for adopting a case study were due to the advantages of using a case and characteristics of a case as outlined here under by Kothari (2004):

i. It is a fairly exhaustive method which enabled the researcher to study deeply and thoroughly different aspects of the research questions.

ii. It is flexible in respect to data collection methods, and

iii. It saves costs in terms of both time and money.
Adam and Kamuzora (2008), when stating on case study, they pointed out that:

i. Case studies involve in-depth, contextual analysis of similar situations in other organizations, where the nature and definition of the problem happen to be the same as experienced in the current situation. Thus they are useful particularly when one intends to gain a rich understanding of the context of study,

ii. A case study is an intensive description and analysis of a single situation, and place emphasis on a full contextual analysis of fewer events or conditions and their interrelations, and

iii. Defined a Case study as a strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence (questionnaire, interview, observation and documentary review).

Ndunguru, (2007), defined a case as a unit under investigation, which were Nyasamaja and Ukombozi SACCOS in this study, and states that, a case study aims at investigating the unit across a variety of characteristics, and is characterized by;

i. Depth and breadth; it is an intensive study of the case,

ii. The design is flexible in terms of data collection methods and findings,

iii. Have a thorough study of a unit over a range of variables but always maintaining the unitary nature of the unit of inquiry, and

iv. The validity of the findings in such studies is relevant to the case under investigation and thus generalization is limited.

Hence, researcher adopted the design so that the merits can be exercised.

3.2 Area of the study

This study was conducted in Iramba District, one of the four districts of the Singida Region of central Tanzania. Iramba is bordered to Shinyanga Region at the Northwest, Manyara Region to the Northeast, Singida Rural and Singida Urban Districts to the South, and Tabora Region to the West. The District land area is 7,900 square kms with a population of 368,131 (National Sensus, 2012).
The natives of the Iramba district are called Wanyiramba. Their mother tongue is Kinyiramba, though the majority can also speak Swahili. The District is administratively divided into 34 wards: Gumanga; Ibaga; Iguguno; Ilunda; Javane; Kaselya; Kyengege; Kidaru; Kimpunda; Kinampanda; Kinyangiri; Kiomboi; Kirondatal; Kisana; Kisiriri; Mbeleke; Mpambala; Msingi; Mtekente; Mtoa; Mwanga; Mwangeza; Ndago; Nkinto; Ntwike; Shati; Shelui; Timbwa; Tulya; Tumuli; **Ulemo**; Urughu; Usure; and Uwanza (District Planning Office, 2007).

In this study, two SACCOS located at Nduguti (Nyasamaja SACCOS) and Ulemo (Ukombozi SACCOS) wards were purposely selected for the study. The areas represents poor majority Iramba depending on SACCOS for financial services. Thus researcher found it viable to study the contribution of it towards social welfare improvements.

3.3 Population, Sample and Sampling Procedures

3.3.1 Population

Population is a group of individuals, objects or items from which samples are taken for measurement. It refers also to an entire group of elements that have at least one thing in common (Kombo and Delmo, 2006). Thus, the study comprised of two categories or types of population:

i. Population from staff or SACCOS employees who made a total of 8 people;

ii. Population from non-staff members (SACCOS’s members) who made a total of 101 people or units of study: 40 from Nyasamaja and 61 from Ukombozi SACCOS.

3.3.2 Sample

During this study, the total samples of 34 were included as summarized in table 3.1 below.
Table 3.1: Sample units

<table>
<thead>
<tr>
<th>S/No.</th>
<th>Population</th>
<th>SACCOS</th>
<th>Total Units</th>
<th>Sample</th>
<th>Percentage Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Staff/ Employees</td>
<td>Nyasamaja</td>
<td>4</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td>2.</td>
<td>Non staff Members</td>
<td>Nyasamaja</td>
<td>40</td>
<td>10</td>
<td>25</td>
</tr>
<tr>
<td>3.</td>
<td>Staff/ Employees</td>
<td>Ukombozi</td>
<td>4</td>
<td>2</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Non staff Members</td>
<td>Ukombozi</td>
<td>61</td>
<td>20</td>
<td>32.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>109</strong></td>
<td><strong>34</strong></td>
<td><strong>31.2</strong></td>
</tr>
</tbody>
</table>

Source: Researcher, 2012

3.3.3 Sampling Procedure

Sampling procedure is the way or method or technique of selected units of study called sample from the study population. During this study, purposive or judgemental sampling was used.

Kothari (2004), suggested that judgmental or purposive sampling involves selecting people whose views are relevant, important and particularly worth obtaining for the research. I.e. the key informant technique of selecting people with specialized knowledge and selections by taking “slices through the organisation” is instances of purposeful sampling.

Also, Ihua (2009) suggested that, in situations where lack of reliable data is a major difficulty in studying, stating and information concerning the business becomes difficult to obtain, then judgmental sampling can be used. Ihua also noted that where there is difficulty of accessing data, the non-probability method is more suitable. Similarly, limited resources may dictate the use of the non-probability methods of primary data collection.

Similarly, Krishinaswan (2004) suggested that, judgemental sampling technique can be used because of some challenges in ether sampling particularly when the sample list cannot be accessed or when the selected sample cannot easily be accessed.

Thus considering the challenges of doing study or researching in developing countries, rural areas in particular, difficulty of accessing data, accessing people due to their nature of economic activities, and limited resources, made a researcher to use purposive or judgmental. Also because of the nature of data required, which are very personal,
particularly on loan usage, most people are reluctant to share the information, thus only those individuals who are willing to share will be sampled.

3.4 Data Collection Techniques

Data collection techniques are the approaches, or methods that enabled researcher to gather the required data. Therefore primary data were collected through, questionnaires, interview and observation, while secondary data were obtained through documentation. All instruments were introduced to respondents so as to enable them to know the objectives of the study.

3.4.1 Questionnaire

A questionnaire is a document consists of a number of questions in a definite order. This method is used for gathering primary or firsthand data which require the researcher to prepare questions for specific strata of the population (Kothari, 2004). Thus, a set of questionnaires were prepared in Kiswahili language (for convenience and easy understanding of respondents) and given to 20 people: eight (4) from the staff sample, and twelve (12) from the non staff sample. The response rate was not satisfactory since only seven (7) respondents, which is about to thirty five percent (35%) successfully filled and returned the questionnaires on time. Researcher thus decided to use interview so as to overcome the response rate challenge.

3.4.2 Interviews

The researcher conducted a semi structured interview in Kiswahili language, and whenever possible some kinyiramba words were used (to create common understanding of words and concepts) depending on convenience of the respondents. The unstructured interviews were used by the researcher to supplement some questions depending on responses from interviewees. This helped in creating rapport by the researcher and in collecting some data, which might be confidential or not easily disclosed. Also this method increased the response rate since it was possible to collect data from all sample.
3.4.3 Observation
Direct observation was used to gather information particularly on some social welfare improved, by using five senses. Participant observation approach was adopted to get reliable information focusing on the problem. This was important for a researcher because it helped to note other information that was relevant while collecting information on the activities which were going on.
Secondary data is the information that is already available, have been collected and analysed by someone else, and could be both qualitative and or quantitative (Saunders et al, 2007) and were used by researcher. Different books, annual reports, minutes of meetings, and other secondary sources was reviewed, analysed and synthesized in finding information for answering the specific research issues.

3.5 Data Processing and Analysis
The data was processed and analysed both qualitatively and quantitatively using a simple descriptive statistics which include the frequency and cross tabulation as well as bar charts and graphs were presented for qualitative data.
Quantitative data were analysed using the Statistical Package for Social Science (SPSS) software to compute percentages, tabulations and cross-tabulation of responses.

3.6 Data Validity and Reliability
Ndunguru (2007) refers reliability to the question of whether a measuring instrument or process can produce the same result if successively employed by different researchers. In the language of measurement equation, reliability refers to persistence of systematic error in the measurement process. It is a measure of how consistent the results from a test are (Kombo and Tromp, 2006). Reliability involves the accuracy of the research methods and techniques.
For the case of this research concerning an assessing the contribution of SACCOS in improving social welfare in Iramba district, collected information were reliable and valid because:
i. The researcher was careful collecting, analysis and processing data to respondents.

ii. The researcher was explicit, unambiguous and less complicated when formulating a questionnaire.

iii. The use of both primary and secondary sources of data by using different types of data collection instruments such as Questionnaire, interview, observation and documentary sources were designed to measure the same thing in order to check reliability.

iv. Also the use of Purposeful sampling allowed the researcher to select the respondents based on the knowledge of the population, its elements and research objectives.

v. The researcher asked questions that are relevant to the study.

3.7 Ethical Considerations

Ethics are norms for conduct that distinguishes between acceptable and unacceptable behaviour. Research ethics refers to the application of fundamental ethical principles to a variety of topics in scientific research (Kothari, 2004). These include the design and implementation of research involving:

i. Various aspects of academic scandal and so forth.

ii. The confidentiality of those involved in the observation must be carried out, keeping their autonomy and privacy secure.

iii. Also since research involves a great deal of cooperation and coordinating among many different people in different disciplines and institutions, ethical standards promote the values that are essential to collaborative work such as trust, accountability, mutual respect and fairness.

Therefore, this study considered all measure to secure the actual permission, and interests of all those involved in the study and information provided by each individual or entity shall remain confidential. Therefore the confidentiality nature of the replies has been promised and no pressure of any kind was applied to encourage an individual to
become a respondent of the study. Ethical issues such as guideline for authorship, copyright and patenting policies, data sharing policies and confidential rules in peer review have taken into consideration.
CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction
This chapter presents the study or research findings which focused at assessing the contribution of SACCOS in improving social welfare in Iramba district, with evidence from Nyasamaja and Ukombozi SACCOS.

The findings are presented in relation to the objectives of the study which were focusing at: identifying financial services or products offered by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, towards social welfare improvement in Iramba district; identifying improved social welfare as a result of services provided by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, in Iramba district; and determining challenges faced by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, in improving social welfare in Iramba district.

Specifically, the findings are presented to answer the specific research questions which focused to answer: What are the financial services or products offered by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, towards social welfare improvement in Iramba district? What is the improved social welfare as a result of services provided by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, in Iramba district? And what are the challenges faced by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, in improving social welfare in Iramba district?

4.1 Respondents’ Demographics
Allan (1991) noted that people who inspire to start a business and survive or grow in their business are far from having unique characteristics. Similarly, social welfare is affected by individuals and their unique characteristics because of their preferences, motivations and choices. Individual characteristics also reflect all the status of society and vary widely in education background, degree of sophistication, ambition, type of business, support from family, technical and managerial ability.
4.1.1 Respondents Age

Respondents’ age was found to be as presented in table 4.1 below.

Table 4.1: Respondents’ age distribution

<table>
<thead>
<tr>
<th>Age Interval</th>
<th>No. Of respondents</th>
<th>Percentage respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 – 30</td>
<td>04</td>
<td>11.8</td>
</tr>
<tr>
<td>31 – 45</td>
<td>18</td>
<td>52.9</td>
</tr>
<tr>
<td>46 – 60</td>
<td>10</td>
<td>29.4</td>
</tr>
<tr>
<td>60+</td>
<td>02</td>
<td>05.9</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Research Data

In this study demographic characteristic, age in particular is examined with interest of looking which age group is having interest in joining SACCOS, and hence improve its welfare. It was found that the young generation, less than 45 years, are the majority since the age ranging 31 – 45 years represent 52.9% of the whole population. This population or age group is considered to be an economic age having many responsibilities because most of them are in marriage with commitment to their families and society in general. Thus their motivation towards improved social welfare is unquestionable hence joins the SACCOS.

Another interested group is that of above 60 years which represented about 5.9% of the total population. This is the old-early retired age; hence joining SACCOS is their new means of accessing financial services.

4.1.2 Respondents’ Gender

The gender of respondents was found to be as presented in figure 4.2 below

Table 4.2: Gender of respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>12</td>
<td>35.3</td>
</tr>
<tr>
<td>Female</td>
<td>22</td>
<td>64.7</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100</td>
</tr>
</tbody>
</table>

The Sources: Researcher, 2012.

The largest part of the sample as members of SACCOS is female making to about sixty four (64.7%) of the total sample whereby male’s accounts for 35.3% of the total sample
population which clearly tells us that the female are more eager to improve their social welfare through joining SACCOS than males.

There is a slogan which states that women are the sources and soul of development and it is testified in this part because normally female are having much responsibilities to the families ranging from taking care and providing food for their families which is a factor driving them to join SACCOS for accessing loans to supplement family income especially for the married couple having no formal employment to the male. Taylor et al (1992) point out that the increase of women in income generating activities was necessitated by the increase number of female headed households and cultural factors because women in many African societies are brought up to take responsibilities for providing food for their families. However in this research the findings have revealed that the most of females accessing loans are civil servants like teachers while most of males taking loans are males who are wage or self-employed which implies that female who are the government employees as teachers have indulge into loan because debt payment assurance through their salaries while unemployed females do not want to inter into such services with the fear of lacking money to pay back the loan. On the side of male who are not civil servant employee but accessing loans, the reason behind is life pressure from their families as African culture and religions believes that male is the head of family thus they are ready to take risk for sake of their families livelihood.

3.1.3 Marital Status
The reason behind of looking at marital status, as one of the demographic characteristics of the respondents is to identify which marital status is having more members in the SACCOS and factors behind that reason. This is presented as in table 4.3 below.
Table 4.3: Marital status of respondents

<table>
<thead>
<tr>
<th>Marital Status</th>
<th>No. Of responses</th>
<th>Percentage responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>4</td>
<td>11.8</td>
</tr>
<tr>
<td>Married</td>
<td>19</td>
<td>55.9</td>
</tr>
<tr>
<td>Widow</td>
<td>4</td>
<td>11.8</td>
</tr>
<tr>
<td>Divorced</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Separated</td>
<td>7</td>
<td>20.5</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Researcher, 2012

Graphically, this can be presented as in figure 4.1 below

**Figure 4.1: Graph of respondents’ marital status**

According to the research as in figure 4.1 above; married group counts larger percent of about 55.9% of the total sample population. Thus the major reason is that married group join SACCOS to increase their income through loan to sustain the basic needs.

**4.1.4 Household Size**

The main interest here was to look at the number of household members with the view of observing if the family is manageable and easy to meet their basic needs and sometimes to save for the future development as it is hard to manage a large number of
family especially dependents members with little amount of income while at the same time saving of other development activities. The study revealed the following

**Table 4.4: Respondents’ Household size**

<table>
<thead>
<tr>
<th>No of people in house</th>
<th>No. Of responses</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 – 1</td>
<td>2</td>
<td>5.9</td>
</tr>
<tr>
<td>2 – 5</td>
<td>7</td>
<td>20.6</td>
</tr>
<tr>
<td>5 – 10</td>
<td>17</td>
<td>50.0</td>
</tr>
<tr>
<td>10+</td>
<td>8</td>
<td>23.5</td>
</tr>
<tr>
<td>Total</td>
<td>34</td>
<td>100</td>
</tr>
</tbody>
</table>

Sources: Researcher, 2012.

According to the research findings most of household size, say about 73.5% have more than 5 members which in a real sense it is a large number in urban areas particular in contemporary economic world. This makes it hard to manage such a family especially if you are committed to the family and want every family member to get his or her basic needs and rights like education, health services and others. Thus many parents especially married couples, opt to join SACCOS. Likewise saving for the future development will be hard with such a huge family size because the consumption level is high due to the large family size. Thus SACCOS will be the best option, and majority are using it to improve their living and financing their development activities.

**4.1.5 Respondents’ Education Level**

Education is very important to human life and the reason understanding as well as improving social welfare. The level of education will dictate on consumption, savings, and at which social aspect to invest or spend so as to improve both personal and social wellbeing. Thus, the education levels of the study’s respondents were found to be as in table 4.5 below.
Table 4.5: Respondents’ education level

<table>
<thead>
<tr>
<th>Education level</th>
<th>No of people</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Education</td>
<td>3</td>
<td>8.9</td>
</tr>
<tr>
<td>Adult Education</td>
<td>1</td>
<td>2.9</td>
</tr>
<tr>
<td>Secondary Education</td>
<td>8</td>
<td>23.5</td>
</tr>
<tr>
<td>Certificate</td>
<td>13</td>
<td>38.2</td>
</tr>
<tr>
<td>Ordinary Diploma</td>
<td>5</td>
<td>14.7</td>
</tr>
<tr>
<td>Advanced Diploma</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Bachelor</td>
<td>1</td>
<td>2.9</td>
</tr>
<tr>
<td>Masters</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>PhD</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>3</td>
<td>8.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Researcher, 2012

The research has revealed that, the largest percent of respondents have certificate level of education (Grade A teaching certificate) accounting for about 38.2% of the total sample population. Also, there were an interested group presented other levels of education which were Vocational Education (VETA) and from Folk development colleges (FDC). This statistics imply that the most of the people joining SACCOS have a certificate level and according to the research respondents this group is highly dominated by teachers which obviously are the formal sector employee and being
employed is the motive behind encouraging them to access loan with the assurance of paying it back through their salaries.

4.1.6 Respondents’ work
Researcher also tried to look into nature of work that responds were engaged so as to understand the level of commitment towards improving social welfare, and hence use SACCOS as one of the sources of finance. Respondents work was as presented in table 4.6 below.

**Table 4.6: Percentage distribution of respondents work**

<table>
<thead>
<tr>
<th>Work/Job</th>
<th>No of Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal (salary/wage) employment</td>
<td>25</td>
<td>73.6</td>
</tr>
<tr>
<td>Self employment (Business)</td>
<td>3</td>
<td>8.8</td>
</tr>
<tr>
<td>Self employment (Agriculture)</td>
<td>5</td>
<td>14.7</td>
</tr>
<tr>
<td>House wife</td>
<td>1</td>
<td>2.9</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Researcher, 2012

The largest portion of respondents which is about to 73.6% of the total sample has formal employment (civil servants, guards, and teachers). Success of the business or standard and some of them are committed to their farming activities as the only income generating activity in case of farmers.

The main reason for the big numbers of respondents to involve in SACCOS membership despite being formally employed is low employment compensation as well as large family members ranging from three to seven members adding to huge responsibilities thus to support their families and meet their daily contingences they have no option rather than joining SACCOS to access loan for income supplements of family sustainability.

In the case of farmer and employed respondents, they possess little number of SACCOS members due to the fact that most of respondents in the sample population are not employees in the formal sector and they are young and energetic but due to lack of
higher formal education and other training skills it is hard to compete in the labour market. At the same time, their primary education has nothing to do with the success of the business or standard and some of them are committed to their farming activities as the only income generating activities in case of farmers.

4.2 Services or Products Offered by SACCOS

This study had the first objective focusing at identifying financial services or products offered by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, towards social welfare improvement in Iramba district. This objective was measured by responding to a very specific question; what are the financial services or products offered by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, towards social welfare improvement in Iramba district?

The following were observed to be the products and services offered by Nyasamaja nad Ukombozi SACCOS in Iramba district:

4.2.1 Loan

Loan is the core product or services offered by Nyasamaja and Ukombozi SACCOS since all respondents mentioned it as the first services acquired. Nyasamaja SACCOS for example, since its establishment in 2008, the loan amount provided to its members has been increasing dramatically. Figure 4.2 below shows the amount of loan for the past four years.
However, during the financial year 2011/2012, a total number of 120 loans amounted to Tshs 39,150,000 were provided to members from both Nyasamaja and Ukombozi SACCOS. This is an average of Tshs. 326,250 per loan. The summary is as shown in table 4.7 below:

**Table 4.7: Loan amount given in 2011/2012**

<table>
<thead>
<tr>
<th>Loan Amount</th>
<th>Frequency</th>
<th>Total Amount</th>
<th>Percentage Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>100,000</td>
<td>12</td>
<td>1,200,000</td>
<td>10.0</td>
</tr>
<tr>
<td>150,000</td>
<td>18</td>
<td>2,700,000</td>
<td>15.0</td>
</tr>
<tr>
<td>200,000</td>
<td>30</td>
<td>6,000,000</td>
<td>25.0</td>
</tr>
<tr>
<td>300,000</td>
<td>21</td>
<td>6,300,000</td>
<td>17.5</td>
</tr>
<tr>
<td>350,000</td>
<td>12</td>
<td>4,200,000</td>
<td>10.0</td>
</tr>
<tr>
<td>400,000</td>
<td>3</td>
<td>1,200,000</td>
<td>2.5</td>
</tr>
<tr>
<td>500,000</td>
<td>6</td>
<td>3,000,000</td>
<td>5.0</td>
</tr>
<tr>
<td>700,000</td>
<td>3</td>
<td>2,100,000</td>
<td>2.5</td>
</tr>
<tr>
<td>750,000</td>
<td>3</td>
<td>2,250,000</td>
<td>2.5</td>
</tr>
<tr>
<td>800,000</td>
<td>6</td>
<td>4,800,000</td>
<td>5.0</td>
</tr>
<tr>
<td>900,000</td>
<td>6</td>
<td>5,400,000</td>
<td>5.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>39,150,000</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Nyasamaja and Ukombozi SACCOS
This service is mostly accessed in small amounts since about to 77.5% of number of loans provided was below Tshs 350,000 (which is of course within the average loan – Tshs 326,250). Also majority – which counts to about 25.0% of number or frequency of loans, accessed the loans amounted to Tshs. 200,000.

Similarly, the institutions offer different types of loans to its members. The following were observed to be types of loans that were offered in financial period of 2011/12:

Table 4.8: Types of loans offered by Nyasamaja and Ukombozi SACCOS in year 2011/12

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Loan description</th>
<th>Frequency of access</th>
<th>Percentage frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personal loan</td>
<td>Loan accessed for personal use. This loan has no limit based on applicants’ contributions.</td>
<td>18</td>
<td>15.0</td>
</tr>
<tr>
<td>Education loan</td>
<td>Loan accessed for paying school or education expenses. This loan has no limit amount based on applicants’ contributions.</td>
<td>9</td>
<td>7.5</td>
</tr>
<tr>
<td>Emergency loan</td>
<td>Loan to cover contingency expenses like sickness, funerals, and other courses as described to be emergency. This loan is never more than Tshs 200,000</td>
<td>16</td>
<td>13.3</td>
</tr>
<tr>
<td>Festival loan</td>
<td>This is a loan offered during religious festivals like Christmas and Idd-el-Fitri. It does not exceed Tshs 300,000. And it should be paid in not more than four instalments.</td>
<td>64</td>
<td>53.3</td>
</tr>
<tr>
<td>Agriculture loan</td>
<td>This is a loan offered for agriculture purposes, and it should be paid soon after harvesting the respective crops.</td>
<td>13</td>
<td>10.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>120</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: SACCOS’s records

Accessing loans being the major product or service offered by SACCOS, the type of loan that majority opt for justifies the reason for joining SACCOS. Majority of all loan beneficiaries amounted to about fifty three percent (53.3 %) applied for festival loan. This shows that, meeting social expenses is a challenge to most SACCOS members. Hence they apply for loans so as they may finance some social expenditures.

Similarly, the minority of loan beneficiaries which were about to 7.5% applied for education loans. It may be due to number of dependants who are in school, or the need
for household members to finance education. But equally important, financing education is essential for ensuring sustainable social welfare.

4.2.2 Savings services
Savings is another important product offered by SACCOS in Iramba district. This product (service) creates saving culture among SACCOS members and thus creates wealth and wellbeing of people. In the 2011/2012 financial year, Nyasamaja and Ukombozi SACCOS accumulated the following as savings of its members as shown in table 4.9 below:

Table 4.9: Savings from SACCOS’s members

<table>
<thead>
<tr>
<th>Amount (Tshs)</th>
<th>Number of Deposit</th>
<th>Total Monthly Deposit</th>
<th>Total Annual Deposit</th>
</tr>
</thead>
<tbody>
<tr>
<td>25,000</td>
<td>7</td>
<td>175,000</td>
<td>2,100,000</td>
</tr>
<tr>
<td>30,000</td>
<td>12</td>
<td>360,000</td>
<td>4,320,000</td>
</tr>
<tr>
<td>40,000</td>
<td>8</td>
<td>320,000</td>
<td>3,840,000</td>
</tr>
<tr>
<td>45,000</td>
<td>13</td>
<td>585,000</td>
<td>7,020,000</td>
</tr>
<tr>
<td>50,000</td>
<td>59</td>
<td>2,950,000</td>
<td>35,400,000</td>
</tr>
<tr>
<td>65,000</td>
<td>6</td>
<td>390,000</td>
<td>4,680,000</td>
</tr>
<tr>
<td>70,000</td>
<td>4</td>
<td>280,000</td>
<td>3,360,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>109</strong></td>
<td><strong>5,060,000</strong></td>
<td><strong>60,720,000</strong></td>
</tr>
</tbody>
</table>

Source: Nyasamaja and Ukombozi SACCOS

Thus the study shows that, SACCOS members saves at least 60.7 million a year as contributions from their shares. And major contributions are coming from Tshs 50,000 which again lies between average monthly contribution amounts of Tshs, 46,422. At least 59 members making to about 54.1% of all SACCOS’s members (109) from both Nyasamaja and Ukombozi SACCOS contribute to an average amount.

4.2.3 Training
Training is another product or service that was offered by Nyasamaja and Ukombozi SACCOS. Different types of trainings, mostly concerned with financial intelligence, entrepreneurship, and small business management were provided. The SACCOSs’ themselves offered no any training, but in collaboration with other financial institutions
like CRDB bank, National Microfinance Bank (NMB), Foundation for International Community Assistance (FINCA), Small Enterprise Development Agency (SEDA), and Promotion for Rural Initiative Development Enterprise (PRIDE), SACCOS members were given some trainings. The number of trainings attended is as indicated in table 4.10 below:

### Table 4.10: Trainings attended by SACCOS’s members in 2011/2012

<table>
<thead>
<tr>
<th>No. Of Trainings Attended</th>
<th>Responses</th>
<th>Percentage Responses</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>4</td>
<td>11.8</td>
</tr>
<tr>
<td>One training</td>
<td>6</td>
<td>17.6</td>
</tr>
<tr>
<td>Two trainings</td>
<td>2</td>
<td>5.8</td>
</tr>
<tr>
<td>Three trainings</td>
<td>7</td>
<td>20.6</td>
</tr>
<tr>
<td>Four trainings</td>
<td>11</td>
<td>32.4</td>
</tr>
<tr>
<td>4+ trainings</td>
<td>4</td>
<td>11.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>34</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Source: Researcher, 2012

The study revealed that about 88.2% of respondents attendant at least one training. This is important particularly to empower members on finance management, effective investment, and improving social welfare aspect. Some individuals are poor and vulnerable because they do not know their potentials, or are not informed on the available opportunities, and hence training them will mean to empower them and bring about sustainable social change. However there are some who have not attended any training.

**4.3 The Contribution of SACCOS on Improving Social Welfare**

Another objective of this study was to identify improved social welfare aspects resulted from products or services provided by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, in Iramba district. This objective was measured by a specific question which posed to ask; *what is the improved social welfare as a result of services provided by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, in Iramba district?*
4.3.1 Easy access to loans

Credit provision refers to attempts made by the government and non-government organization to empower poor people in terms of fund to raise or improve their living standards. But this function is now performed by Nyasamaja and Ukombozi SACCOS to its members. The study findings revealed that, SACCOS contributes much on improving financial means of its members through provision of different types of loans at low interest. During study, the following comments were noted when respondents were explaining on this benefit:

“Previously (before joining SACCOS) I used to borrow money from some business people around here on what we called “kukopa kwa riba”. These credits were actually making us worse than improving our living because you were required to pay one and half times of the money that you have borrowed (i.e. if you borrowed Tshs 100,000 then you will pay Tshs 150,000), sometimes twice the amount (money) that you have borrowed. Also these loans were payable in one month only. But after joining SACCOS my financial means have improved because when I have an emergency I can easily get money which I can pay in instalments”.

Another respondent declared that, “accessing loans in banks and other private financial institutions which are here is not easy if you are not employed or having a good business. But with SACCOS even we farmers can get loans that we pay after selling our crops. It will only depend on the savings that you have made”.

Thus, easy access to loans has improved the social wellbeing of its members because they can easily access money when in need, and they can use those finances in improving their wellbeing.
4.3.2 Education and wellbeing knowledge

The study also revealed that, SACCOS has improved social wellbeing of its members in Iramba district through trainings in business, social issues like HIV Aids, and financial management issues.

Entrepreneurship and business trainings, and credit education play important role in development and improving welfare of members and country at large particularly on empowering her members on development of trade, economy, and the legal use of money. Also encourages increase in capital accumulation while discouraging unnecessary expenditure. The following quotes were very interesting to note during study:

“I worked for quite long as a guard in one of the ward secondary school here in Iramba. My life was not any good and I had no any respect both at home and community because of the life condition. And life in village is hard because earning money or getting a good job is difficult. In 2008 one of my friends who was also a teacher at the school I was working encouraged me to join SACCOS but I thought that I had no enough money to contribute. But finally I joined the group and I was contributing 30,000 a month. Later on, I was appointed to join a training which was offered by people from the government. They told us a lot concerning agriculture and animal keeping. I then borrowed Tshs 300,000 from the SACCOS only to buy a calf. In 2009 my cow started giving birth, I now have 3 cows. I am very happy and now a respected man. My friends and family are now considering me as a rich man because owning cows here is not an easy thing. SACCOS has improved my life in that way”.

The implication of having no entrepreneurial training and loan education is observed during the failure of loan utilization when some members misuse them through drinking, paying for bride price and other unnecessary luxurious consumption contrary to their first objectives like as paying school fees.
4.3.3 Financing Education for Children

Funding children education is a huge burden especially to the poor people having a large number of children as we seen in the figure three where many of respondents have family members including schooling children ranging from four to six. In the demographic findings of respondents it was observed that number of household was high, and income of these people is low. Thus they depend highly on education and personal loan to facilitate education financing of their dependants.

Research finding show that most of respondents have joined SACCOS for the interest of accessing funds to supplement their income to enable to accommodate some life expenses including paying for education costs at the level of secondary in particular where the costs are relatively higher. The findings also show that there is success in paying for education expenses after joining SACCOS and accessing loans.

4.3.4 Ability to Meet Health Expenses

Good health is core to every individual because when any of the family members is not good the whole family will get disturbed. Also since sickness is inevitable to every human being, then people are so concerned with their health conditions to make sure that they do not fall sick. Similarly, health facilities are becoming expensive and hard to access for poor rural people, then many people have been trying hard to afford health expenses because it is not a matter of suspending to the next future time otherwise a person can lose life.

During the study, and learning from members statements it was observe that people have been affording paying health cost in a very difficult way by borrowing money to other people for treatments purpose which in turn causes trouble in paying back the debt. Therefore joining SACCOS to some members has been propelled by this social problem where there is emergence. SACCOS gives room to members to access loan at any time of emergence in fulfilment of conditions, which also is a huge social improvement.
This observation was very much concerned with self employed and other non wage servant members of SACCOS but on the side of members of SACCOS who are civil servant the concern was not big since they have health insurance. Their concern however, is on other expenses like travelling, food, and housing – lodging expenses that the insurance cannot cover in the process of accessing these health services.

### 4.3.5 Employment Opportunities

The great role played by credits provision schemes is to provide credits to micro, small and medium enterprises (SMEs) which will lead into self employment. Also, SACCOS itself needs people to monitor and run its operations and hence creates employment. During this study, it was observed that, Nyasamaja nad Ukombozi SACCOS improved social welfare of its members through providing employment opportunities where eight (8) members were directly employed, and other employment were created through businesses and agriculture.

### 4.4 Challenges faced by SACCOS in improving social welfare.

The last objective of this study was to determine the challenges faced by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, in improving social welfare in Iramba district. This objective was addressed by responding to a specific question which intended to answer the question that: *What are the challenges faced by SACCOS, Nyasamaja and Ukombozi SACCOS in particular, in improving social welfare in Iramba district?*

The following challenges were observed during the study:

#### 4.4.1 Social –Economic factors

The reason of researching on this indicator is to find out social economic factors constraining poor household SACCOS members accessing loans. According to the research findings it seems that most of members fall in the group of poor people with less ability to meet some of loan accessing conditions as follows underneath.
4.4.2 Collateral Condition
Collateral is a social group guarantor used as a security during application for personal and education loans which is one of the conditions in accessing loan as the guarantor contributions will be used to compensate the credit in case the borrower fails to pay back the loan.

Thus this was pointed out as a challenge because when a person agreed to be a guarantor of another member, he or she cannot apply for a loan unless his contributions exceed the amount that his or her fellow lend. Then this affects the amount of money that members can borrow from the institutions hence affect their transactions towards social welfare improvements.

4.4.3 Unstable Weather Condition
During this study, weather was pointed out as the challenge that Nyasamaja and Ukombozi SACCOS face in improving social welfare. The findings show that a despite of large number of SACCOS members being civil servant or wage employees, but they also depend highly on agriculture. Thus some borrowed money for the purpose of investing in agriculture which has faced poor weather condition for about three consecutive seasons.

According to Singida’s weather records in general, rainfall season is not stable and stays for almost three months, which leads to have little harvest most of the time then lacking money as collateral for loan accessing. The researcher and respondents consider this as an obstacle to their economic improvement. On side of SACCOS this factor is also a constraint for attaining many members who can invest their fund and increase SACCOS capital, also it affects loan repayment rate.
4.4.4 Lending Methods, Regulations and Policies

Being a SACCOS member is not a guarantee for loan securing. This was observed during research whereby a decision making board has to approve before providing loan to the SACCOS member despite of meeting all conditions because SACCOS is an official organization with specific organizational structure leading to the running and carrying of SACCOS activities from top to down and vice versa. It was discovered that the loans provided are monitored with the simplest administration procedure relying solely in credit discipline to guarantee their repayment. The member to be eligible to secure loan have to the following conditions:

i. Members must have 18 years and above.

ii. Members must have savings with the society and he/she is within the society for more than three months.

iii. Member must state clearly loans security and must have three guarantors who are also members of the society.

iv. A member should borrow amount, which is three time of his/her share.

v. All members must follow procedures required by the loan policy of the society. Such procedures includes:

   - A borrower must fill a loan application form within such form the applicant must indicate the amount he/she applying for amount of instalments he/she is going to pay periodically.
   - Applicant must show guarantors and security for the loan.
   - An application form must be filled with three guarantors with promise to repay the loan in case if an applicant fails to pay loan.

vi. The loan committee has all authority of accepting or rejecting the requested loan by the members due to the following:

4.4.5 Lack of enough cash

Loan requested by individual members is not in consistence with the savings held by the members in the society. Some members will lower their contribution after getting loans so as they may manage to pay back first their loans.
4.4.6 Loans Repayment Rate

The procedures for loan repayment vary in accordance with the type of loans. For the short term loans the members are expected to complete repaying the loan within a period of not more than five months and for long term loan, a period of not more than twenty months. This limits and brings contradictions in managing loans.
CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATION

5.0 Introduction
This last chapter presents the summary, conclusion and recommendations of a study which was set to assess the contribution of Nyasamaja and Ukombozi SACCOS in improving social welfare of people in Iramba district.

5.1 Summary of the Study
The study observed different demographics to include age, gender/sex, employment and family or household size of respondents. The table 5.1 below summarises the demographics of respondents.
Thus looking into table 5.1 above, it was realized that:

- Majority of SACCOS members are those within 31 – 45 years of age. This age group is contributing to about 52.9% of sample units. This indicates of course that, these are matured and responsible people who now are eager and in need on
improving their wellbeing and hence they have to find an alternative source of financial services.

- To understand the role of SACCOS in improving social welfare was important to analyse respondents’ gender. It was observed that, majority of Nyasamaja and Ukombozi SACCOS are female. This contributed to about 64.7% of all respondents in a study. Despite of these people not being single parents, but it was observed that it was due to the concern of women in sustaining their families. This was observed to be a common and social value in the study area. Men are concerned with other issues like farming, keeping animals, and of course some are not even responsible to their families. Hence women join SACCOS as the way of accessing finances to finance family issues.

- Also, married couples with family size ranging from 5 – 10 dependants or household members dominated the sample population.

- Levels of education ranging from primary to other levels of education were observed. Certificate level, however, dominated the other levels by making 38.2% of all respondents. This on the other hand this element contributed or made the sample to have large portion of the wage or salary employment sample.

Based on the services that members and the general society or population get from SACCOS was observed to include the following as summarized in table 5.2 below:

**Table 5.2: Services and/or Products Offered by SACCOS**

<table>
<thead>
<tr>
<th>S/No.</th>
<th>Service/Product</th>
<th>Sub-services or products</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Loan</td>
<td>• Personal loan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Education loan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Emergency loan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Festival loan</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Agriculture loan</td>
</tr>
<tr>
<td>2.</td>
<td>Savings</td>
<td>• Monthly contribution</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Deposit</td>
</tr>
<tr>
<td>3.</td>
<td>Trainings</td>
<td>• Entrepreneurship trainings</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• HIV/AIDS trainings</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Business trainings</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Other trainings</td>
</tr>
</tbody>
</table>

Source; Researcher, 2012
The study generally observed loan provision to be the core services that SACCOS offer to its members of which can have a greater contribution towards improving social welfare of people in Iramba district. However, other services like savings and training should not be underestimated because it’s through savings a person access loans, and it’s though trainings they get knowledge and understanding of wellbeing and how to improve their welfare.

Similarly, it has been observed that SACCOS, Nyasamaja and Ukombozi in particular, play a very potential role in ensuring improved social welfare of people in Iramba district. SACCOS’s members have increased their income, through loans and profit as well as through the savings which they used in financing their needs and wants, and hence achieve their wellbeing. There was the indicator of achievement in improving social welfare in the following areas:

1. Easy access to loan and finances: this helps in financing both personal and social, including family, needs like food, health, education, clothing, e.t.c.

2. Education and wellbeing knowledge: it was observed that some people act and live the way they live just because of lack of knowledge. Also they do not know the living standard that they can achieve and of course how to achieve that. Thus through training, social interactions and exchange of ideas, SACCOS helped some individuals to improve their earnings, investments, and expenditures. Also knowing about some social parameters like HIV/AIDS, gender balance, women empowerment, child rights, and how to care for the poor and disabled improves the social welfare.

3. Financing education: this is very important particularly in primary and secondary education. Through education loan, many people managed to pay for their children and dependants education expenses.

4. Financing health services: this is equally important as access to food and education. If you are not healthy it is impossible to achieve other objectives and hence meet better living standards. Through emergency loans, and personal loans, members can finance this aspect of welfare.
5. Last but not least were the employment opportunities. SACCOS creates both formal and informal employment by financing economic activities. It was observed that, direct employments were created to those who manage and run the institution, but also indirectly though providing business and agriculture loan or financing.

Last but not least, is about the challenges faced by SACCOS, Nysamaja and Ukombozi in particular, in bringing about social welfare. The study observed some potential challenges that SACCOS were facing towards improving social welfare. Some of these include: social economic conditions; collaterals; weather issues; and of course rules, policies and regulations to be followed in accessing loans. Despite of some of these factors to be considered as challenges but some are just means and ways of managing and administering the institutions. However, managing these challenges in equally important so as to improve the services offered by SACCOS and hence have an impact on social welfare.

5.2 Conclusion
Providing social welfare and improving social wellbeing of people in the society is not a one day or a short time measure. However, access to finances and understanding how to invest or use the acquired finances is very important in ensuring sustainable development of individuals and the whole society. Thus empowering SACCOS and giving them an ability to reach large population particularly the rural poor and financial vulnerable people is important.

Similarly, the contribution of SACCOS in improving social welfare of its members and people in their localities cannot be underestimated.

5.3 Recommendations
From the findings and analysis, the following are recommended for future betterment of the SACCOS so that their contribution towards improving social welfare of people in their localities could be noticed and appreciated:
i. To install or develop appropriate risk mechanisms or system. This protects and guarantees SACCOS fund from being misused & miss-utilized. It enables them to disburse loans as per the demand of members to increase their income & improved their livelihood.

ii. The availability of trained staff and organization of relevant training programs in the fields of financing. SACCOS should restructure their training content to include improving their clients’ business skills rather than credit regulations. They should organize regular training programs for their clients and qualified institutions should conduct this. Regarding the issue of small business loan, the MFIs should be flexible by raising the minimum base to reflect changes in the value of money over time.

iii. The cooperative movement in Tanzania was ultimately unsuccessful because poor accountability and the lack of effective sanctions meant that service standards dropped whilst the government remained responsible for liabilities. There is a risk that targeting large financial resources on capacity development for SACCOS may similarly produce few long term welfare benefits. It is important to acknowledge that training is an input rather than a result in itself. There needs to carefully assess the impact of training and similar inputs provided under support programmes, and its direct impact on their coverage, sustainability, effectiveness and on the welfare of their members.

iv. **Coverage, Beneficiary Identification and Targeting** – Despite the lack of consolidate information on the activities of non-government organisations, it is clear that the scale of welfare support provided is well below the number of individuals that might potentially require these services.

v. **Reporting** - There are no standard reporting formats for welfare benefits neither between the regional and district offices for social welfare and the providers, nor within the different sections of the ministry. This makes it difficult to know the total extent of welfare provision. Often, the information is present but it is not compiled. There is also no consolidated information on the extent of
support provided by non-government organisations. The development of a simple consolidated reporting mechanism, perhaps through one of the NGO forums, would help give a more comprehensive view of the sector and of the (clearly important) role played by non-government organisations. Although the above review of government and non-governmental programmes is far from complete, even with the limited information obtained in the review it is clear that third sector organisations are playing a very important role. For example, just CARITAS and the Catholic Church provide more direct support to orphans and disabled than does the Government. This raises concerns about the sustainability of their intervention, since it is often dependent on donor priorities, given the limited government support. Thus I recommend using SACCOS and the like social units to support people in providing the welfare.

5.4 Areas for further research
There is a need for a comparative study between social welfare of people who are SACCOS’s members and non-members in rural areas.
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APPENDICES
APPENDIX 1: QUESTIONNAIRES FOR SACCOS MEMBERS
A. PERSONAL PARTICULARS

<table>
<thead>
<tr>
<th>NO</th>
<th>SACCOS NAME</th>
<th>WARD</th>
<th>VILLAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1. Sex
   a) Male
   b) Female

2. Age
   a) Below 18 years.
   b) 18-30 years
   c) 31-45 years.
   d) 46-60 years.
   e) 61 and above.

3. Marital status
   a) Single
   b) Married
   c) Widow
   d) Divorced
   e) Separated.

4. What is the size of your household?
   a) 1-3
   b) 4-6
   c) 7-10
d) More than 10 members

5. Level of Education;
   c) Formal education
      a) Adult education
      b) Primary education
      c) Secondary education
      d) Post-secondary school

6. Occupation
   a) Farming
   b) Petty/small business
   c) Livestock husbandry
   d) Wage employment

B. Membership in SACCOS

7. For how long have you been in SACCOS membership?
   ……………………………………………………………………………………………

8. What prompted you to join SACCOS?
   a) ……………………………………………………………………………………………
   b) ……………………………………………………………………………………………
   c) ……………………………………………………………………………………………

9. What type of services do you get from SACCOS?
   a) Loan
   b) Entrepreneurial training
   c) Both loan and Entrepreneurial training
   d) Others
10. What are the economic activities you were before joining SACCOS?
   a) Agriculture
   b) Micro business
   c) Fishing
   d) Carpentry
   e) Farming

11. How many times have you received loans from your SACCOS?
   a) One
   b) Two
   c) Three
   d) Four

12. How many meals do you afford to get per day?
   a) Single
   b) Two
   c) Three
   d) More than three

13. How much have you received and at what time you were required to pay them back?

<table>
<thead>
<tr>
<th>Phases</th>
<th>Amount in Tsh.</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st phase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2nd phase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3rd phase</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4th phase</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
14. What are the economic activities established after receiving the loans?
Which activities have been completed and what profit have made from them?

<table>
<thead>
<tr>
<th>Types of activities established</th>
<th>Activities completed</th>
<th>Profit obtained</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

15. Have you managed to pay back the whole loans?

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
</table>

16. If the answer is no, give reasons for failure and if it is yes how

…………………………………………………………………………………………………………………………………………………………………………………………

17. How do you use the profit obtained from above activities? Mention them

…………………………………………………………………………………………………………………………………………………………………………………………

18. After accessing all of your social services do you manage to save?

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
</table>

66
19. Please indicate the type of assets you own before and after joining SACCOS

<table>
<thead>
<tr>
<th>ASSETS OWNED</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bicycle</td>
<td></td>
</tr>
<tr>
<td>Farm</td>
<td></td>
</tr>
<tr>
<td>Car</td>
<td></td>
</tr>
<tr>
<td>Motorcycle</td>
<td></td>
</tr>
</tbody>
</table>

20. Please indicate whether you are able to meet the following services before and after joining SACCOS

<table>
<thead>
<tr>
<th>SERVICES</th>
<th>BEFORE</th>
<th>AFTER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paying school fees for children</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paying house rent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meeting food expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Meeting water expenses</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transport and communication expenses</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

21. Have you been trained on entrepreneurship skills?

<table>
<thead>
<tr>
<th></th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

22. If YES which organization provided training?

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

23. What are the conditions for accessing SACCOS loans?

..............................................................................................................................................
..............................................................................................................................................
..............................................................................................................................................
24. Do you experience any more problems in accessing loans from SACCOS?

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
</table>

25. Do you get loan from any other financial institutions out of SACCOS?

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
</table>

26. If yes mention them..............................................................

27. Please provide any suggestions that can help to improve the services provided by SACCOS in this community..........................................................