FACTORS AFFECTING THE GROWTH OF MICROFINANCE INSTITUTIONS IN TANZANIA: A CRITICAL REFLECTION ON SACCOS IN MOROGORO MUNICIPALITY

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By

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A Research Proposal Submitted in Partial Fulfilment of the Requirements for the Award of Master Degree in Science (Accounting &Finance) of Mzumbe University

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CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation titled **Assessing the Factors Affecting the Growth of Microfinance Institutions in Tanzania; A Critical Reflection on SACCOS in Morogoro Municipality**, in partial fulfilment of the requirements for award of the degree of Master of Science (Accounting & Finance) of the Mzumbe University.

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AND
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I, Mwisimba S. Mrisho, declare that, this dissertation is my own original work and that it has not been submitted to any other university for any academic award.

Signed………………………………..

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Last, but not least, I would like to thank all retired respondents and other respondents as well as other people who in one way or another made this work a success. However, the customary absolution stands: I am responsible for the material in this dissertation and its interpretation.

DEDICATION

I dedicate this work to my children Sada, Kuduka, Kudra and Sumaira.

LIST OF ABBREVIATIONS

BoT	Bank of Tanzania
ERP	Economic Reform Program
ESRP	Economic and Social Reform Program
GDP	Gross Domestic Product
IMF	International Monetary Fund
MCMCAR	Microfinance Companies and Microcredit Activities Regulation
MFIs	Microfinance Instituting
NESP	National Economic Survival Programs
NGO	Non-Government Organization
RoA	Return on Assets
RoE	Return on Equity
SACAS	Savings and Credit Associations
SACCOS	Savings and Credit Cooperatives
SAP	Structural Adjustment Program
WB	World Bank

ABSTRACT

This study assesses the factors affecting the growth of micro finance institutions; with a critical reflection on SACCOS in Morogoro Municipality. The study used a sample of 121 respondents extracted from the total population of 206 people including the managers, SACCOS's staff and borrowers. The study used descriptive survey research design as well as using both Primary and Secondary data and quantitative and qualitative approaches in its analysis. The primary data were collected using interview and questionnaire while the secondary data were collected using documentary analysis. The study assesses the effects of managerial skills and training, loan repayment trends and business competition on the growth of the SACCOS. The study finds that there was a general increase in the number of SACCOS in Morogoro Municipality. However, the number of active SACCOS has shown to decrease in the past two years. The reasons include; increase in bad debts, poor loan repayment rate and decrease in SACCOS capital. Also, the study found that there is a significant relationship between managers' skills and training and SACCOS performance hence their growth. The managers in the SACCOS make a lot of business and operational decisions, thus the skills and training are vital in arriving at sound decisions if the SACCOS are to prosper.

Consequently, the study found that there are poor loan repayment rates in each SACCOS; this was evidenced by the loan default rate given. This has caused the liquidity of SACCOS to be poor hence affect the investment and other business operations. Finally, the presence of other financial services providers has put a standing challenge to the SACCOS hence affect the rate at which they grow. The study found that the majority of borrowers seek financial services from other providers. This may cause the SACCOS borrowers unable to pay their loans promptly as a result of multiple borrowing. Basing on conclusion, it is recommended that, for the SACCOS to perform better and hence grow there is a need to adhere to address the issue of management knowhow, apply viable loan recovery strategies as well as improving their services to encounter the business competition. Also, there is a need to apply proper risks analysis techniques and mitigation techniques to the credits to escape from loan defaults trap.

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CHAPTER ONE

1.0 Introduction

This chapter serves as an introductory part of this study which is to assess the factors affecting the growth of micro finance institutions; with a critical reflection on SACCOS in Morogoro Municipality. It provides the background information of the study, the statement of the problem as well as the objectives of the study. The chapter gives, also, the research questions to be answered by the study, significance of the study, scope and limitation of the study

1.1 Background Information

Economic growth opens the possibilities of improving the living standard of the poor if it is accompanied by appropriate redistributive policies that reduce income inequality while increasing the share of private income received by the lowest class of households. At independence in 1961 both income and non-income poverty among most Tanzanians was very severe. The lowest households were less than a dollar. There was also inadequate economic infrastructure and limited provision of social services which made the average life expectance to be less than 40 years (BoT, 1981).

In order to reduce high level of poverty and income inequality among Tanzanians, the government intervened directly in the economy in 1967. According to Bevan et al (1988), in the 1967 – 1986 periods, there was rapid expansion of public sector and parastatals accompanied by both primary and secondary redistribution policies. The macroeconomic imbalances that were experienced from the mid 1980s made the government to launch its own initiated National Economic Survival Programs (NESP) and Structural Adjustment Program (SAP) between 1981 and 1986, before later on adopting the IMF and World Bank economic reform policy in 1986 which involved stabilization and structural adjustment programs (Ramadhani, 2000). These initiatives provided substantial improvement in economic stability and growth.

Though through government initiatives the country has been experiencing macroeconomic stability including simple digit GDP growth and single digit inflation, the living standard of the most households has continued to deteriorate as their income and consumption share have continued to decline. To address this situation there came a need to have the efficient and vibrant financial system to provide financial services to people, in both rural and urban areas to finance their economic activities, particularly to the poor households who could not be financed by the present banking sector due to lack of assets as collateral (Ramadhani, 2009).
The emergence of microfinance institutions in most of developing countries including Tanzania aimed at enabling poor household to obtain finance to inject to their investment opportunities (Claessen, 2006). This has helped the poor households to raise their economic well-being as it has enabled them to reduce income fluctuations, protect them against risks and increase their productive opportunities as the credit obtained has helped the majority who had no work to do to became self-employed by drawing on that money to invest in their entrepreneurial activities (Houssen & Hassen 2011).

However, although there are a good number of the microfinance institutions in Tanzania which deals with saving mobilization, income distribution and poverty reduction to poor households, the number of poor in Tanzania is increasing almost each year. This may be due to, as Nkuru (2015) notes, poor and inefficient operations of the particular MFI in the country resulting in poor growth rate in terms of financial capital and number of clients to be served.

According to Magali (2014), the growth of MFIs faces big challenges which retard them from fighting against poverty. The MFIs faces problems such as poor management, frauds, inadequate capital, business misconduct and non- performing loans (ibid). These challenges and many others may be a cause for poor MFIs growth.

This study, therefore, assessed the factors affecting the growth of MFIs in Tanzania with a focus on SACCOS in Morogoro Municipality.

1.2 Statement of the Problem

Microfinance Institutions are important in the provision of financial and banking services to low income households who for economic reasons cannot be covered by the activities of formal banks and financial institutions. They provide micro loans to poor households who lack access to financial services in an effort to escape poverty, hence reduce the gap between the supply and demand for financial services in the formal financial sector (Thrikawala, Locke and Reddy, 2013).

From the time of their effective establishment in Tanzania which dates back to 1980s, MFIs particularly SACCOS, have been trying to address members' demands by mobilising funds and granting credit to members. However, they have not been able to grow sufficiently through accumulation of enough capital to finance non-withdrawal capital funded assets, provide cushion to absorb losses and impairments of members' savings (Olando, Jagongo & Mbewa, 2013). Lack of growth of SACCOS, as Adeyemo and Bamire (2005) notes, has threatened their sustainability in such a way that they have not been able to address their operational losses.

Most of empirical literatures have concentrated on issues like risks and their mitigation (Magali, 2013), Loan default (Maina & Kalui, 2014), Efficiency and Profitability (Marwa &Aziakpono, 2014), Poverty reduction (Okibo & Makanga, 2014) and Financial performance (Chijoliga, 1997). Few of empirical studies such as Nkuru (2015) and Olando, Jagongo and Mbewa (2013) have tried to study the MFIs growth, particularly the growth of SACCOS. This suggests that more empirical studies are required to assess the factors affecting the growth of MFIs in general and SACCOS in particular.

This study tried to fill both theoretical and empirical gaps on what actually makes MFIs in Tanzania not to grow. The focus was on the SACCOS in Morogoro Municipality.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study is to assess the factors affecting the growth of SACCOS in Tanzania focusing in Morogoro Municipality.

1.3.2 Specific Objectives

The study had the following specific objectives: -

(i) To determine the trends of growth of SACCOS in Morogoro Municipality.

(ii) To find out the effect of Management skills and training on the growth of SACCOS.

(iii) To examine and account for the effect of members loans repayment trends on SACCOS growth.

(iv) To find out the extent to which business competition from other financial services providers affect the growth of SACCOS.

1.3.3 Research Questions

The study was guided by the following specific research questions:

(i) What are the trends of growth of SACCOS in Morogoro Municipality?

(ii) To what extent do Management skills and training affect the growth of SACCOS?

(iii) In what ways do loans repayments trend affect the growth of SACCOS?

(iv) To what extent does business competition from other financial service providers affect the growth of SACCOS?

1.4 Significance of the Study

The microfinance Institutions will continue to be an important player in the economic growth of the country and a poverty reduction tool to the poor households. It is important, therefore, to look at this sector in the manner that will enhance its participation in poverty reduction and income distribution. The starting point of this is by doing research on various issues involving the sector which include but not limited to challenges ahead of the sector growth as well as the extent to which the sector has either succeeded or failed to meet its basic goals: to eradicate poverty to poor households

Specifically, this study will be significant in the following ways: -

(i) To provide theoretical and empirical understanding and knowledge which will help policy makers, potential investors, government authorities, MFIs managers and other stake holders on issues related to the growth of MFIs, particularly the SACCOS and challenges thereof.

(ii) The study will help the government and other sector players to devise means for which the sector can maximise its participation in economic growth and poverty reduction.

(iii) The study will add a body of knowledge from which more other researchers will be attracted to engage in the same issue or other issues of concern in the sector.

1.5 Scope of the Study

This study to assess the factors affecting the growth of MFIs will be based in Morogoro Municipality. It will involve respondents from the existing SACCOS in the Municipality which includes managers, employees and customers. The study also covers the period of five years from 2009 to 2014.

1.6 Limitations of the Study

The study was not done without obstacles. There were constraints such as insufficient fund, some respondents were not available at the time required and some of respondents were too emotional in such a way that they hesitated to respond to the interviewer. Those who decided to respond some of them used abuseful language which made the work of collecting data to be somehow difficult and challenging. Also, the interference between office works with study demands made the research process a bit tiresome. It required patience to make this study a realistic.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter provides views and issues raised by other Literatures on Microfinance institutions performance in relation to financial sustainability, outreach and welfare impact to poor households. It provides theories, concepts and theoretical background on the research problem as well as empirical literatures. This provides a room for the research gap to be established so as to be filled by the proposed study.

2.1 Historical Perspectives of Microfinance Institutions

The work of Daker and Le Saout (2012) provides the history of evolution of Microfinance Institutions. So their work, it is revealed that, the MFIs evolution dates back to 1462 when the charitable institution to fight against usury was established. It was the Monte Di Pieta, founded by the Italian mork Barnabe de Terni. Two hundred years later, Lorenzo Tonti, a Neapolitan banker, created the Tontine in 1653. The tontine is described as an investment plan, in which each subscriber invest a specific sum of money in a common fund and receive an annuity that increases every time a subscriber dies, until the last survivor who survives after a specified time take the entire fund.

Starting the 19th century, new formal forms of financial services have emerged. In 1849 in Rhineland, the Prussian mayor Friedrich – Whithem Raiffeisen established the first credit and savings co-operative company. Its purpose was to offer for labour populations, excluded from traditional banking system, the basic banking services of credit and savings. In 1853 the French brothers perceive suggested to Napoleon III to create the credit unions.

In France again, father Ludovick de Besse founded in 1880 the credit Mutual et Popilaire, which is the antecedent of the Bangues Populaires._Later the French government launched the <u>credit</u> <u>Africole</u>, based on the Rainffeisen model, trying to restructure and support the national Agriculture sector.

This Model of financial organization reached the developing countries in the 1960s and 1970s 9Thrikawala, Locke & Reddy, 2013; Daker & Le Saout, 2012; Terberger, 2003). A larger number of public banks and credit and savings unions have been settled in Asia and Latin America. The star model of MFIs was the Bangladeshi Gromeen bank Micro financing model, created in 1976 by professor Muhammad Yunus (Carter, 2013). Yunus decided to help 42 women in Jobra village near Chittagong University where he used to teach, by lending them the equivalent of USD 27 in local currency. The first loan made to the poorest households of the village was totally repaid, which shows that the poor are able to borrow and pay back their loans. These small loans have permitted women to work, make business, feed their families and survive. This made Dr. Akhtar Hameed Khan, founder of the Pakistan Academic for Rural Development to create the "Village Bank" or Grameen Bank, basing on a group-tending system addressed at first exclusively to women (Daker & Le Saout, 2012). Small loans were made to small groups of people called solidarity groups in which all group members act as co-guarantors of repayment and support one another's efforts of economic self-advancement. This model has been copies and developed in several countries around the world.

In Tanzania, MFIs emerged in the late 1980s during the economic crises which arose due to, among other things, an erosion of the country's ability to sustain her social welfare programs and rising inflation which was very high to 36% in 1984 (Mkombe, 2005). This made Tanzania to conform to the International Monetary Fund (IMF) and the World Bank (WB) proposals for economic reform programs.

The government adopted a series of Structural Adjustment Programs (SRP) in 1983 – 1986, followed by the Economic Reform Program (ERP) in 1986 – 1989 and Economic and Social Adjustment Program (ESRP) of 1990. These programs introduced a massive shift in economic policies and management from centralized economy to market economy policies. The new economy under SAP and ESRP emphasized more on trade and economic liberalization and called for private sector participation in economy.

In 1991 the Government of Tanzania launched the financial sector reforms in order to create an effective and efficient financial system (Muganyizi, 2011; Mkombe, 2005). This permitted banking institutions to operate on a commercial basis, making their business and management decisions free from government intervention within the norms of prudential supervision. The principal elements of financial sector reforms included liberalization of interest rates, elimination of administrative credit allocation, strengthening the Bank of Tanzania (BoT) roles in regulating and supervising financial institutions, restructuring state owned financial institutions, and allowing the entry of local and private banks into the market. These elements of financial sector reform were embodied in the banking and financial institutions Act of 1991.

Today, despite their critical role in poverty reduction, MFIs are facing big disadvantages due to their non profit ownership structure and the solution of transformation is appealing (Deiana, 2009). The MFIs need to revolutionalize and improve their internal processes in an effort to offer new financial products due to the limited access to private funding. The transformation; and hence revolutionalization will have to involve the change in legal status of MFI from an unregulated non profit or non-governmental organizations (NGOs) into a regulated for profit institution (Ledger wood & White, 2006). These go hand to hand with proper financial management systems and operations within the institutions so as to be financially sustainable to provide financial services to poor people while at the same time growing to achieve the intended goal.

2.2 The Typology of Microfinance Sector in Tanzania

About 30 years ago, the microfinance industry was represented by a huge number of Non-governmental Organizations (NGOs). However, due to the development of the sector, there are a growing number of microfinance providers in the country and elsewhere (Deker & Lesaourt, 2012). The MFIs providing Microfinance Services in Tanzania include: Non-Government Organization (NGOs); member-based MFIs (SACCOS and SACAs) as well as formal financial institution (Nyamsogoro, 2010; Mkombe, 2005).On the other hand, as Daker and Lesaout (2012) reveals, there are other players in the sector market. These are; government agencies, public donors' insurance companies, investment funds, individual investors, rating agencies, money transfer companies and mobile network carriers.

NGOs are created and run with donations from private foundations governments, international Aid Agencies and even individuals donors (Sanfelive et al, 2011). They are registered as non-profit for tax purposeless, and do not take deposits (Nyamsogoro, 2010; Daker & Lesaout, n.d). NGOs are typically not regulated by central Bank. They provide loans for business purposes as well as loans for other purposes as well as loans for other purposes like education. Originally, this type of organizations do not seek to make profits, but as with the development of Microfinance Sector, many NGOs are in the process of institutionalization so that they turn into profit corporations e.g. FINCA.

Member-based MFIs comprises of SACCOS and the SACAs (Nyamsogoro, 2010). They are owned and managed by their members. These organizations collect savings from their members, and then use these deposits to grant those loans (Daker & Lesaout, 2012). Loans are given to members at a particular rate decided by the members whch may be determines by the savings one has in the institutions. The loans given are mainly for business purposes, although sometimes other financial products may be given such as that for emergence purposes and education.

Formal financial institutions include banks which are licensed and regulated by a central bank. Nyamsogoro (2010) mentions the formal financial institutions in Tanzania to include; National Microfinance Bank (NMB), Akiba Commercial Bank (ACB), CRDB Bank and Community Banks such as; Dar es Salaam, Mufindi, Mwanga and Mbinga Community Banks and the Kilimanjaro Co-operative Bank (KCB). He notes that, in these financial institutions, both group and individual lending are used. The financial services include s Small Scale Savings and micro loans. The formal MFIs provide financial services to small and medium entrepreneurs as well as providing credit facilities to employees of various organizations whose employers act as guarantors (Nyamsogoro, 2010). The terminal benefits of credit facility beneficiary are considered e.g. loan insurance to be paid by employers in case of one ceases to be an employee of such organizations.

This study assesses the factors affecting the growth of SACCOS among the three categories identified.

2.3 The National Microfinance Policy

The National Microfinance Policy guides the undertaking and legal framework of the Microfinance activities in the country. The overall objective of the policy is to establish a basis for the evolution of an efficient and vibrant micro-financial system that serves the poor household segment of the society.

Accordingly, the policy calls for the Microfinance contribution to economic growth and poverty radiation thereby, specifically doing the following: -

- Establishing a framework within which Microfinance operations will develop;
- Laying out the principle that will guide operations of the Microfinance system/
- To serve as a guideline foe coordinated interventions by respective participants in the system, and
- Describing the role of the implementing agencies and the tools to be applied to facilitate development.

The National Microfinance Policy stipulates the need for microfinance services to the majority of Tanzanians whose income is very low. Thus the Microfinance services gives an opportunity for poor households, to access and manage the scarce resources more efficiently, protect them against risks as well as taking advantages of investment opportunities available for economic returns in order to be able to fulfil the role of poverty reduction (Mkombe, 2005).

The policy covers the provision of financial services to poor household small scaled formers; small and micro-enterprises in rural areas as well as in urban areas. It provides the rationale for a range of financial services including savings, credit, payments and other services. Clients which comprises of both needy men and women regardless of their physical status can use these services to support their entrepreneurial activities as well as their household financial and consumption needs.

Basing on the National Microfinance Policy, as Nyamsogoro (2010) contends, the Microfinance Companies and Microcredit Activities Regulation (MCMCAR) were passed in 2004. This governs all companies dealing with microfinance institutions licensing authority. It also, gives the mandate to regulate and supervise deposit-taking institutions which include those institutions that operate the Microfinance business (Ibid).

2.4 Approaches and Theories on Microfinance Poverty Reduction Process

The study is based on two competing views which try to describe prioritization as far as poverty reduction process is concerned. The two approaches as Robinson (2001) reveals, Welfarists Approach and Institutionists approach.

The study also employed the Gramen Solidarity Group theory in discussing MFIs operations in an effort to grow and eradicate poverty.

2.4.1 Welfarists Approach

The Welfarists support the poverty lending approach that concentrates on using credit to help overcome poverty, primarily by providing credit with thus, subsidizing interest rate is fundamental in this approach. They stress on the importance of social impact and outreach and the threat of focusing too much on efficiency and financial sustainability (Hermes et al, 2009). By outreach, refers to the effort by MFIs to extend loans and financial services to an ever-wider audience (breadth of outreach) and especially toward the poorest of the poor (depth of outreach). In this aspect, the impact is the extent to which the incomes and welfare of these reached in raised. This is the concern of the study thereby determining the SACCOs trend in terms of their number and increase or decrease in numbers of members.

2.4.2 Institutionists Approach

According to Christen (2001), the Institutionists rely on financial sustainability and efficiency more than outreach. This approach exhorts microfinance providers to aggressively pursue the sustainability through raising interest rates and lowering costs. Sustainability, as Conning (1999) notes, refers to full cost recovery or profit making without the need to government subsidies or donor fund.

However, over reliance on financial sustainability, as Rhyne (1998) contends, may lead an MFI into moving away from its poverty reduction objective. The study stresses the use of both approaches to find the best way to utilize MFIs in poverty reduction strategies. This is to say while we seek to reach as many members as possible the MFIs need to find the way they can be financially self-sufficient enough to undertake the process without much reliance on subsidies from government and/or donors.

2.4.3 The Grameen Solidarity Group Theory

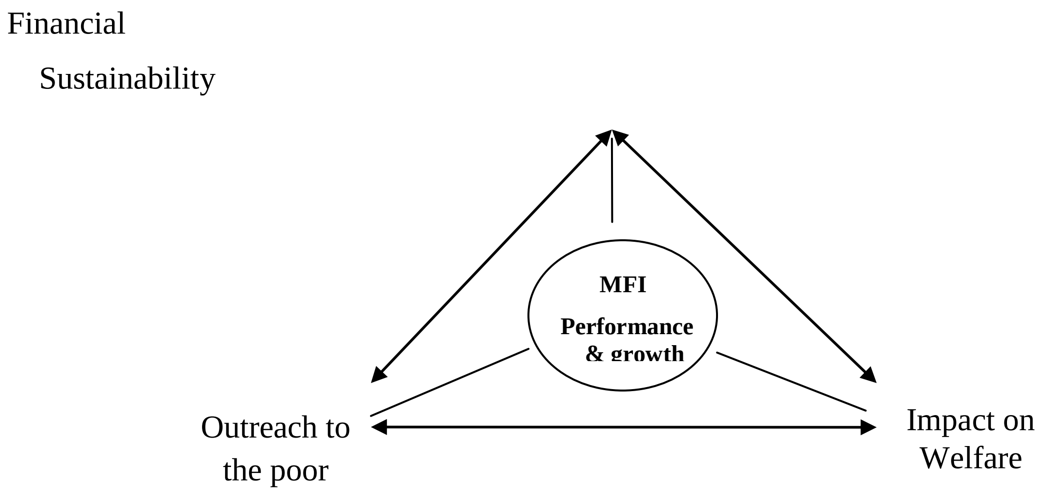
The theory provides the means for which the MFIs can provide loans to people efficiently so as to eliminate the risk of default. This theory is based on group peer pressure whereby loans are made to individuals in groups of four or above. Group members as Armendariz et al (2005) reveal, collectively guarantee loan repayment, and access to subsequent loans is dependent on successful repayment by all group members. Payments are usually weekly. These groups called solidarity groups have proved effective in deterring defaults as evidenced by loan repayment rates attained by organizations such as the Grameen Bank who use this type of Microfinance model (Maina & Kalui, 2014). The model has contributed to broader social benefits due to mutual trust arrangement at the heart of the group guarantee system. The group itself often becomes the building block to a broader social network.

The theory provides the effective and efficient mode of loan provision and repayment by MFIs. This mode helps the MFI to reach more members with a minimum risk, which in turn improves its financial as well as outreach performance. The MFIs will be efficient enough to provide the much needed lean to poor household if the loan recovery rate is high. The increased default rate may, eventually, depress the efforts to grow as well as fighting against poverty as the MFIs will have no enough funds to reach many needy members due to financial inadequacy along with inability to cover the operational costs.

2.5 The Critical Triangle for the MFIs Performance and Growth

MFIs performance and growth can be determined through three dimensions; financial sustainability, outreach to the members and impact of the loans provided on welfare of members (Zeller & Meyer, 2002). These are referred to as critical triangle of MFI performance on poverty reduction. All sides of the triangle must be evaluated for MFI performance and growth so as to improve firms' success. According to Zeller and Meyer (2002), "impact" means that MFIs loans have a discernible effect on clients' quality of life.

Figure 2.1: Critical Triangle of Microfinance



Source: Literature Review (2015)

2.5.1 Financial Sustainability

Today, Microfinance Institutions are seeking financial sustainability. They are restructured in order to achieve financial sustainability and finance their growth (Daker & Le Sout, 2012). According to Woolcock (1999), sustainability refers to as the capacity of a program to stay financially viable even if subsidies and financial aids are cut off. It embraces "generating sufficient profit to cover expenses, even those less obvious subsidies, such as loans made in hard currency with repayment in local currency (Turker & Miles, 2004).

According to Nyamsogoro (2010), financial sustainability of MFI is probably the key dimension of the MFI sustainability and performance. It is the dimension which keeps the institution keep on going towards the microfinance objective without continuing donor support. This can be attained through efficient and vibrant self-operations which ensure profit making enough to cover costs.

Self-sufficient MFIs, as Tucker and Miles (2004) reveals, are profitable and perform better on return on equity (ROE) and return on assets (ROA), than developing – world commercial banks and other MFIs that have not attained self- sufficiency. However, the study by Turkey and Miles (2004) indicates that all MFIs striving to service the poor are unprofitable and perform bad compared to their geographical counterpart commercial peers. Thus, in order to optimize their performance, MFIs are seeking to become more commercially oriented and stress more on improving their profitability. This implies that self-sustainable MFIs are not likely to be servicing the smallest and costliest loans to the poor.

According to Luzzi and Weber (2006), the MFIs financial performance hence sustainability is determined by the factors; interest rates (i.e. the higher the interest rate, the higher is the MFI financial return), number of loaned members (the higher the number, the higher the financial return), competitiveness (more competitors, less profits); and the number of days for processing the first loan (the shorter the processing time, the more profitable the MFI). These are the factors this study will address to determine the MFIs performance and growth in this angle of the critical triangle of the Microfinance.

2.5.2 Outreach to the Poor

This is another important objective in the critical triangle that MFIs need to reach. According to Navajas et al (2000), there are six aspects of measuring MFI outreach, stating that “outreach is the social value of the output of MFI in terms of depth, worth to users, cost to users, breadth, length and scope”.

According to Bassem (2009), outreach can be described as the number of borrowers or clients served by MFIs. This means, as Thrikawala, Locke and Reddy (2013) notes, those who had no previous access to formal financial services are now served by an MFI. These are people who are poor and lack the collateral to obtain loans from formal financial sector. Some of literatures such as Mersland, Randoy and Strom (2011) measure the number of women served by finding out whether MFIs consciously target female clients in processing loan applications as a measure of MFI performance. This is due to the fact that women usually face greater problems in accessing loans.

Another criterion to measure MFI performance is the depth of outreach of MFI activities. This refers to the value the society attaches to the net gain from the use of micro credit by a given borrower (Navajas et al, 2000). It measures how well the MFI reach the very poor. Also, the worth to users and cost to users are other aspects of outreach (Thrikawala, Locke & Reddy, 2013). They refer to how the borrower is willing to pay for the loan and the cost of loan to a borrower respectively. The cost of a loan consists of interest rates and various other loans – related transaction costs that they have to pay the lender.

The variety of financial services given by a particular MFI is another aspect to measure the outreach of the MFI. This is referred as the scope of the outreach (Navajas et al, 2000). It highlights the demand of the poor for financial instruments and indicates how their welfare has improved through efficient and secure savings, insurance, remittance transfers and other services that are provided in addition to loans (Meyer, 2002). This shows that MFIs can deliver not only credit services to poor household’s clients but a variety of other services such as savings, micro insurance, micro enterprises or self-employment development, health care services, various training and awareness programs as well as networking with various institutions (Shetty, 2008).

Finally, the length of outreach is another factor used to measure the MFIs performance. It refers to the time frame within which a MFI offer loans to the poor (Navajs et al, 2000). According to Thrikawala, Loacke and Reddy (2013), MFIs offer loans for a longer period of time and there is a possibility of receiving additional loans in future if the current loans are repaid. This motivates borrowers to pay their loans.

2.5.3 The Impact on Welfare

The third angle of the critical triangle of the MFIs performance is the impact on welfare of those who receive the financiers' services from MFIs. It measures the extent to which the livelihoods of poor household who use financial services from MFIs have improved from previous status. The impact on welfare completes the critical triangle of MFIs performance. It reflects the extent to which the objective of MFIs has been successfully achieved. This is to reduce poverty. Poverty will have been reduced if the life of poor improves progressively as more people utilize the MFIs services.

According to Thrikawala, Locke and Reddy (2013), the MFI will have succeeded in its poverty reduction objective if there is improvements in housing structure, increase in assets, promoting schooling (primary, secondary attendance), access to health services (access to clean water immunization and prenatal care, use of modern medical facilities) and women empowerment as well as social capital.

This study will measure this aspect thereby finding out the effect of income of members on MFIs growth and performance basing on the aforementioned aspects of welfare impacts in Morogoro Municipality. The assumption behind is that if the borrower generates enough income from projects where the loan was injected it will be easy for the borrower to pay is loan promptly.

2.6 Empirical Studies on Microfinance Institutions Growth and Performance

2.6.1 Empirical Studies Outside Tanzania

The study by Amin et al (2003) in Northern Bangladesh found that while Microcredit is successful in reaching the poor, it is less successful in reaching the vulnerable; especially the group most prove to destitution. In support of this, Coleman (1999) finds little evidence of an impact on the program participants. Coleman further explains that, debt is not an effective tool for helping most poor people to enhance their economic conditions; and that the poor are poor because of reasons other than lack of access to credit.

The study by Zeller et al (1997) commends the increase in the access of poor people to financial services as a way to influence the poor household to engage in income generating activities. Support of this Nichols (2004) found that the participation of the poor in MFIs programs had led to positive impact in their life. The study which was made in China, using a case study approach to investigate the impact of MFIs on the lives of poor in rural china further observed that those who utilized MFIs financial services had their income increased; spending on education and health has increased which improved their standard of living. Also, the study found that women have benefited with MFIs services.

The impact assessment study by Sharuna and Buchenrieder (2002) suggests that the very poor can benefit from MFIs largely by smoothing their consumption through improved management of their savings and through borrowing. However, despite the findings the study on the role of MFIs on poverty reduction, there are a good number of studies which argues that MFIs does not efficiently reach the poorest of the poor (Woller, 2002).

2.6.2 Empirical Studies from Tanzania

Several studies have been done on MFIs and poverty reduction. They include Chijonga (2000), Rweyemamu et al (2003), Kuzilwa and Mushi (1997) and Kessy and Urio (2006) to mention but a few.

According to Chijoniga (2002) who evaluated the performance and financial sustainability of MFIs in Tanzania using 28 MFIs and 194 MSEs randomly selected, the overall, performance of MFIs in Tanzania is not promising and that only few of them have clear objectives, or a strong organizational structure. It was further observed that MFIs in Tanzania lack participatory ownership and many is donor driven. The study points out low population density, poor infrastructure and low household income levels as constraints to MFIs performance. The study did not tell whether the MFIs in Tanzania are struggling to have financial sustainability so that should the donor aid reach to an end they will keep on providing financial services nor does the study tell the efforts made by Tanzanian MFIs, particularly SACCOS to attain financial sustainability and hence grow.

The study by Rweyemamu et al (2003) to evaluate the performance and constraints facing semi-formal MFIs in providing credit in Mbeya and Mwanza regions found that; interest rates were main barrier to borrowing decision. The study which used a formal survey of 222 formers participating in the Agriculture Development Program in Mbozi and the Mwanza Women Development Association in Ukerewe, further observed other problem faced by borrowers to include lengthy credit procurement procedures and the amount disbursed being inadequate. Also, there were poor loan repayments rates especially in the early years of operations due to several reasons including poor crops yields, low producer prices and untimely acquisition of loans. This study has tried to highlight the problems faced by both MFIs and clients. The study did not adequately address the issue of MFIs sustainability, outreach and welfare impact of MFIs.

Furthermore, the study conducted in four regions of Tanzania including Dar es Salaam, Zanzibar, Arusha and Mwanza by Kessy and Urio (2006) on the contribution of MFIs on poverty reduction in Tanzania found that to large extent MFIs operations in Tanzania has brought positive changes in the standard of living of people who access their services. The study, which used a sample of 352 MSEs also using PRIDE (T) Ltd a MFI as a case study to obtain the insight of MFI operations, further found that there were complaints about interest rates changed and the weekly meetings which hinders the production activities. The study recommends MFIs, to lower their interest rates, increase the grace period and provide proper training to borrowers. This study did not account adequately for the high interest rate charged by MFIs whether it means to make MFI financially sustainable as a growth strategy or a mere profit mission. Also, the question of outreach was not properly addressed.

2.7 The Research Gap

This study assesses the factors affecting the growth of MFIs in Tanzania. The critical focus of the study is on SACCOs in Morogoro Municipality. The reviewed literatures have tried to address some issues about MFIs in their general and specific cases but little has been done on what makes MFIs, particularly SACCOs not to grow.

2.8 Conceptual Framework

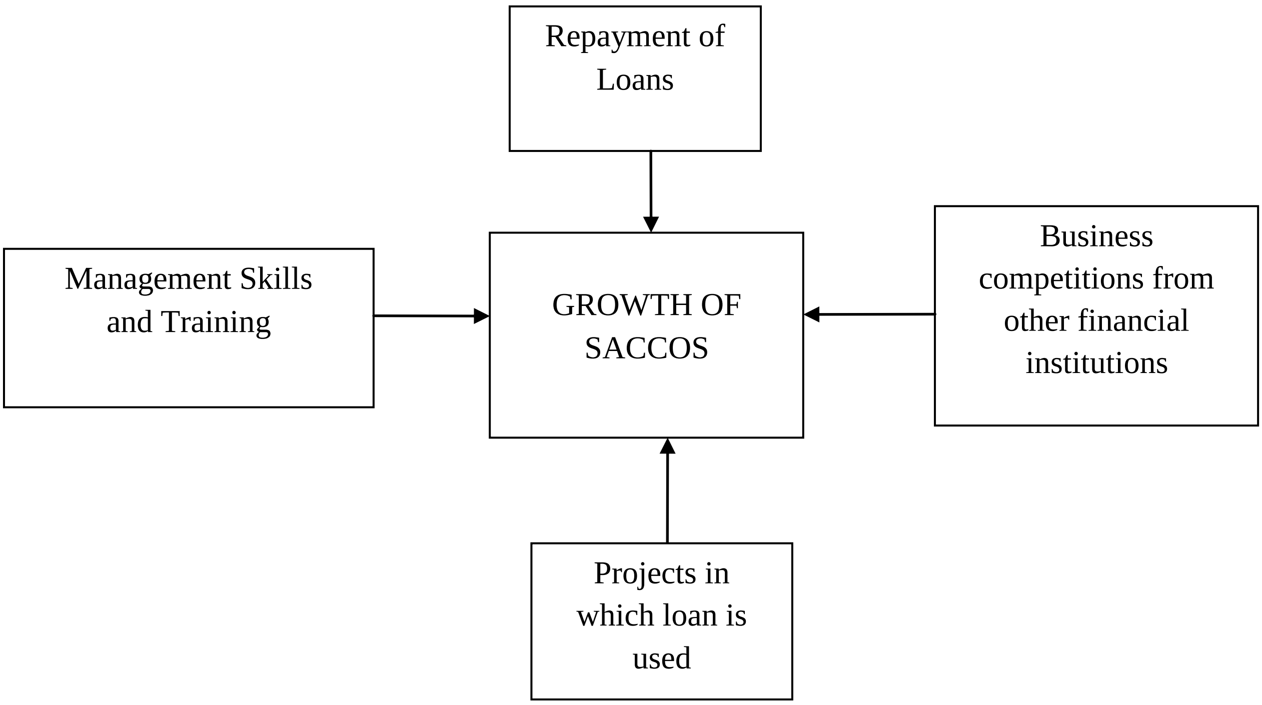
The study will centre its discussion on the empirical literature review by Nkuru (2015), who states that the Sacco's growth and performance is a function of Management skills and training, Business competition and Income levels of members.

The management skills and training facilitates management operational activities of planning, organising, motivating and controlling. It empowers management personnel to design objectives or goals to attain and to put down strategies to ensure their achievement. The management staff with necessary skills and training will be able to address challenges ahead of Sacco's operations and will solve problems which seem to be threats to their growth and performance mission.

Moreover, the Microfinance sector has attracted many business players who compete to win a reasonable market share. Thus, as Nkuru (2015) points out, the nature and the degree of the competition along with the strategies to overcome the competition will determine the growth rate of the particular SACCOs.

Finally, the loans provided by the SACCOs are expected to bring about income generated from the projects where the money was spent. If the project provides financial returns enough to cover costs and hence enough profit earned, the loan borrower will be in a good position to pay back the loan and vice versa. However, if the loan borrowed was for other uses apart from business projects, the borrower should have somewhere else to obtain enough money to pay the loan.

Figure 2.2: Conceptual Framework



Source: Nkuru (2015)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This part provides the general methodological approach to be used in this study to assess the factors affecting the growth of Microfinance Institutions (MFIs) in Tanzania; with a focus on SACCOS in Morogoro Municipality in the period between 2009 and 2014. In this chapter the following will be given out; area of the study, research design; study population and sample size; sampling procedures, data collection techniques, data analysis and ethical consideration.

3.1 Description of the Study Area

This study was conducted in Morogoro Municipality. This area covers about 531 square kilometres which is about 0.75 percent of the total area of Morogoro region. The area is located between 4.5 latitudes in south and 37.4000 longitudes in the West. It is bordered to the East and South by Morogoro Rural District and to the North and West by Mvomero District. Morogoro Municipality has a population of about 315,866 people out of which 159,116 are women and 156,750 are men (National Census, 2012). The economic activities in the Municipality include; commerce and industries, agriculture, small scale production and service provision. The area is chosen due to the presence of good number of MFIs and the people who are struggling daily to escape poverty through entrepreneurial activities which requires financial services from SACCOS.

3.2 Study Design

The study adopted descriptive survey design. The design ensures complete description of the situation making sure that there is minimum bias in the collection of data as well as allowing the collection of large amount of data from sizeable population in an economic way (Hussey & Hussey, 1997). According to Hair *et al* (2006), the descriptive survey is appropriate in obtaining the required quantity of data in running quantitative analysis. Surveys are, also, standardized, allowing for easy comparison (Nyamsogoro, 2010). It is an "effective tool for getting cause - and – effect relationship" which is the main focus of this study.

The study, moreover, collected longitudinal data for five years from selected SACCOS in Morogoro Municipality. This enhanced tracking changes in measured variables and relationships over time (Hair *et al*, 2006). The use of longitudinal data, as Kombo and Tromp (2011) notes, allows a person to study the importance of lags in behaviour of the results of decision making as, in longitudinal data, both values and the ordering of data points have meaning (Wooldridge, 2006).

3.3 Study Population and Sample Size

3.3.1 Study Population

The population of the study will include; all 105 SACCOS in Morogoro Municipality, SACCOS managers, employees, District cooperative officer and borrowers.

3.3.2 Sample Size

A sample is a part of the study population which is drawn to show that the rest is alike. The information obtained from the sample is used to characterise the whole population (Kothari, 2004). Thus, the sample is a representative of the entire population of the study. According to Best and Kahn (1998), there is no sample size which is the best over the other. Any sample size can be acceptable depending on the nature of the particular study. The sample size depends on the purpose of the study, research design, data collection techniques and the nature of the study population available for the particular research problem (White, 1999). Sampling helps to reduce costs of the study, manage time as well as simplifying research process logistical issues.

This study is used five SACCOS, five Sacco's managers, 10 SACCOS employees and 105 borrowers (21 borrowers from each SACCOS). The criteria for the selection of SACCOS will be those who have been in existence for at least four years.

3.4 Sampling Procedures

The study used both purposive and random sampling techniques. The purposive sampling is the method used to select the respondent basing on specific qualities one holds (Kothari, 2004). However, random sampling refers to the method used to select respondent from the population in which one and each having equal chances of being selected in the representative sample of the population (Ibid).

The purposive sampling was used to select five managers from the SACCOS while random sampling was used to select SACCOS employees and borrowers.

3.5 Data Collection Techniques

The primary data were collected through questionnaire & interviews and secondary data will be collected using documentary analysis method.

3.5.1 Questionnaire

The questionnaire was used to collect primary data from customers, and employees of the particular SACCOS. Questionnaire, e.g. White (1999) notes, is most suitable in collection of huge information in a reasonable time. The instrument will contain both closed and open ended questions. According to Msabila and Nalaila (2013), the responses from questionnaire are easy to analyze and interpret.

3.5.2 Interview

According to Kothari (2004), interview comprises of a set of questions structured to collect information through oral or verbal communications between the researcher and respondents. The method is good as it allows the interviewer to clarify questions that are practically important and gives the room for the interviewee to seek for more explanations in case something not well understood (White, 1999). According to Frankel and Wallen (1993) interview has a disadvantage of being researcher biased and time consuming. The interview method may produce different responses which may be difficult to make comparisons between responses and may be difficult to interpret the data collected especially when the questions are unstructured.

The interview method was used to collect data from managers of the five SACCOS selected.

3.5.3 Documentary Analysis

The technique was used to collect secondary data for the study. It involves the collection of data by perusing important documents. (White, 1999). The study reviewed documents such as office customer records, loan forms and loan repayments records. The data obtained from the method were used to supplement the information from other instruments.

3.6 Data Analysis

The study collected both qualitative and quantitative data. The quantitative data were categorise, coded and analyzed according to the research specific objectives and their corresponding research questions so that the frequencies and percentages of responses could be tabulated and calculated using the Statistical Package for Social Sciences (SPSS) software for easy interpretations. The qualitative data were analysed using content based analysis as per research themes.

3.7 Ethical Consideration

The research clearance letter to carry out the study will be obtained from Mzumbe University. This helped to seek permission from the regional administrative secretary (RAS) of Morogoro region and the Municipal Authority. In each data collection centre, the researcher met the authority as well as respondents to explain about the study, its purpose and significance to allow free participation in the data collection process.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the general description, observations, research findings, interpretation and discussions of the research problem findings. It provides the demographic characteristics of respondents, the specific findings as per specific research objectives and research questions as well as the general findings in trying to examine the factors affecting the growth of the Microfinance Institutions in Tanzania; with a critical reflection on SACCOS in Morogoro Municipality. The study findings were based on the operation period of five years; 2010/2011 – 2014/15.

4.2 Demographic and Social-economic characteristics of Respondents

This study had a total of 120 respondents in three categories of five (05) SACCOS including Morogoro Teachers SACCOS (1998) Ltd, Wachapakazi SACCOS, Kireka SACCOS, MOCEMA SACCOS and Morogoro Central Market. The three categories are: Managers in which all 05 managers equal to (04.2/5) participated whereas 10(08.3%) SACCOS staff members were among respondents and 105 (91.7%) SACCOS borrowers also participated.

Of the total respondents there were 42 male respondents which is equal to 35 percent and 78 female respondents equals to 65 percent of the total number of respondents. The number of male respondents is as follows: 05 managers which is equivalent 11.9 percent of male respondents and 35(83.3%) of borrowers male respondents.

Table 4.1: Sex of Borrowers Respondents

	Frequency	Percent
Male	35	33.3
Female	70	66.7
Total	105	100.0

Source: Field Data (2015)

The age of respondents varied significantly from between 18 – 30 years to above 50 years from SACCO's staff respondents.

Table 4.2: Age of SACCOS staff respondents

	Frequency	Percent
18-30 years	2	20.0
30-40 years	6	60.0
Above 50 years	2	20.0
Total	10	100.0

Source: Field Data (2015)

The borrowers' respondents' age varied from between 21 – 40 years to more than 50 years.

Table 4.3: Age of Borrowers Respondents

	Frequency	Percent
Between 21-40year	45	42.9
Between 41-50years	40	38.1
More than 50 years	20	19.0
Total	105	100.0

Source: Field Data (2015)

The education level of respondents also varied from one to another. In the managers category: only 01(20%) manager had a university education level whereas the rest had secondary education. For the SACCOS staff respondents education level, it was revealed that 06(60.0%) respondents had secondary education, 02(20.0%) had certificate and 02(20.0%) a university level of education.

Table 4.4: SACCOS Staff Education Level

	Frequency	Percent
O level Secondary education	6	60.0
Certificate	2	20.0
Degree	2	20.0
Total	10	100.0

Source: Field Data (2015)

Accordingly, the borrowers had varied education level in which the lowest level of education is primary education and the highest level of education was degree level.

Table 4.5: Borrowers Education Level

	Frequency	Percent
Primary Education	5	4.8
O-Level secondary education	35	33.3
Certificate	35	33.3
Diploma	20	19.0
Degree	10	9.5
Total	105	100.0

Source: Field Data (2015)

From the table, it can be seen that the borrowers with primary education level were 05(04.8%), but those with O – level secondary education were 35(33.3%) and those who hold certificate were also 35 (33.3%). Also, the findings indicate that, the borrowers with Diploma were 20(19.0%) while those attained a degree level were 10(09.5%). This implies that SACCOS serves all categories of people with varied educational background.

The marital status of borrowers respondents show that 65(61.9%) respondents were married, whereas 20(19.04%) were single while the same number shows that they were widowed.

Table 4.6: Marital status of Respondents

	Frequency	Percent
Married	65	61.9
Single	20	19.1
Widowed	20	19.0
Total	105	100.0

Source: Field Data (2015)

The work experience of Managers varied significantly. Out of five Managers involved in the study, 02(40.0%) had 10 years working experience, whereas 01(20.0%) had 4 years work experience. The SACCOS staff had also varied work experience. Of the ten staff respondents, 04(40.0%) had worked for the period between 1 – 2 years, 04(40.0%) worked for 2 – 5 years whereas 02(20.0%) of the SACCOS staff had worked for the period above 10 years.

Table 4.7: Work Experience of SACCOS Staff

	Frequency	Percent
Married	65	61.9
Single	20	19.1
Widowed	20	19.0
Total	105	100.0

Source: Field Data (2015)

The borrowers' respondents had number of dependants including their spouses and children in which 90(85.7%) respondents show that they have dependants below 5 whereas 15(14.3%) respondents have dependants between 5 – 10.

Table 4.8: Number of Dependants including Spouse and Children

	Frequency	Percent
Below 5	90	85.7
Between 6-10	15	14.3
Total	105	100.0

Source: Field Data (2015)

Also, the research findings show that the 65(61.9%) were employed in formal organizations while 40(38.1%) respondents engaged in the informal employment.

Table 4.9: Are you Employed in Formal Organization?

	Frequency	Percent
Yes	65	61.9
No	40	38.1
Total	105	100.0

Source: Field Data (2015)

However, of the respondents, 55(52.4%) had a spouse employed in formal organization whereas 50(47.6%) respondents had spouse not employed.

Table 4.10: Is your Spouse Employed?

	Frequency	Percent
Yes	55	52.4
No	50	47.6
Total	105	100.0

Source: Field Data (2015)

4.3 Specific Findings

This section looks at the specific findings based on the four specific research objectives and their corresponding research questions. The data were collected using a combination of instruments including questionnaire and interview which were used to collect primary data as well as documentary analysis which was used to collect secondary data. The study used both quantitative and qualitative data. The quantitative data were categorized, coded then analysed using the Statistical Package for Social Sciences (SPSS) studies software. The qualitative data were analysed using content analysis basing on research themes so as to capture meaning from such data.

The study was motivated by the fact that despite the role played by the SACCOS in poverty reduction and economic growth from the individual level to the nation, they have not been growing sufficiently. This threatens their continual participation in poverty reduction as well as economic growth. The SACCOS in Tanzania has increased from 803 in 2000 to 5344 in 2009 which is 565% increase and the number of members has increased from 133,134 to 911,873 in the same period which is about 7 fold growth rate. Also member savings has increased from 8.4 billion to 158 billion Tanzania shilling which is about 19 fold growth rate in the same period (Marwa & Aziakpono, 2012). Their growth means that these members will engage in economic activities with sound capital which promise good business operations hence good profit will be earned as a result. The opposite means a drastic fall of business profit hence their closure which suggests that income will be lowered hence families suffer consequently.

The general objective of the study was to assess the factors affecting the growth of SACCOS in Tanzania; with a critical reflection on Morogoro Municipality. The study had four specific objectives and their respective research questions. The research issues addressed in this study include the trends of SACCOS in Morogoro Municipality, the effects of Management skills and training on the growth of SACCOS, the effects of the borrowers loan repayment trends on SACCOS growth and the extent to which the business competition from other financial services providers. Also, the study addressed the issue of the effects of borrowers projects in which loans are used to the SACCOS growth.

4.3.1 Trends of growth of SACCOS in Morogoro Municipality

Accordingly, the specific objective number one was to determine the trends of growth of SACCOS in Morogoro Municipality; and the corresponding research question was; what is the trend of growth of SACCOS in Morogoro Municipality? From these the research findings found that for the past five years from 2010/2011 to 2014/2015 the SACCOS number increased in the Municipality from 98 in 2010/2011 to 109 in the year 2014/2015. However, the trend, further show that of the total SACCOS, there were active ones and those who were dormant. The study further reveals that in 2010/2011 the active SACCOS were 50(51.02%) and the dormant were 48(48.98%); in the year 2011/2012, there were a total of 101 SACCOS in Morogoro Municipality in which 58(57.4%) were active while 43(42.6%) were dormant. Also in the year 2012/2013 the total number of SACCOS were 106 out of which 66 (62.3%) were active while 40(37.7%) were dormant, whereas in the year

2013/2014 the number of SACCOS increased to 107 out of which 42(39.3%) were actively operating in the Municipality whereas 65(60.7%) remained dormant. Finally, in the year 2014/2015 the total number of SACCOS were 109 out of which 44(40.4%) were active and 65(59.6%) were dormant.

Table 4.11: SACCOS Trends in Morogoro Municipality

Year	No. of SACCOS	Active		Dormant	
		No	%	No	%
2010/2011	98	50	51.0	48	49.0
2011/2012	101	58	57.4	43	42.6
2012/2013	106	66	62.3	40	37.7
2013/2014	107	42	39.3	65	60.7
2014/2015	109	44	40.4	65	59.6

Source: Cooperative Unit MMC (2015)

From the table above it can be seen that from the year 2010/2011 to the year 2012/2013 the trend shows that as the SACCOS increased in number the number of active SACCOS was increasing continuously while the dormant ones decreasing in number.

According to the Morogoro Municipality Cooperative Officer, the following are the reasons for the trend:

- Decrease in SACCOS internal conflicts,
- Training done before and after loan issuance
- Decrease in Bad debts,
- The presence of enough capital,
- Close inspection and supervision from Municipality Cooperative unit,
- The presence of workshop, training and other educational programmes for SACCOS Managers, staff and members.

Moreover, the SACCOS trend show that in the year 2013/2014 and 2014/2015 the number of SACCOS in Morogoro Municipality increased (refer table 4.11 above) but the number of active SACCOS decreased while the number of dormant increased. The reasons are as follows:

- The increase in bad debts,
- Decreased rate of provision of entrepreneurship and loan training before and after loan issuance.
- Poor loan repayment.
- Decrease in SACCOS capital,
- Inadequate use of cooperative laws and regulations in SACCOS operations.

4.3.2 Effect of management skills and training on the growth of SACCOS.

The specific objective number two was to find out the effect of Management Skills and training on the growth of SACCOS; and its corresponding research question was "to what extent do Management Skills and training affect the growth of SACCOS?" From these, the study found that the Management training and skills has effect on the SACCOS performance and hence growth. This was revealed by the staff respondents when responding to the question which required to knowing whether Management and staff training and skills can help to enhance strategic implementation of SACCOS business plan. The results show that 06(60.0%) of respondents agreed, 02(20.0%) disagreed and the number strongly disagreed.

Table 4.12: The Staff training had helped strategic plan implementation

	Frequency	Percent
Strong Disagree	2	20.0
Disagree	2	20.0
Agree	6	60.0
Total	10	100.0

Source: Field Data (2015)

Consequently, of five SACCOS visited 01(20.0%) had a manager who has attained a university level of education 01(20.0%) a diploma and 03(60.0%) SACCOS are managed by the managers with secondary education. In this world of business there is a need for a manager to have skills and knowledge good enough to withstand with business competitive pressure as well as being able to create and innovate business environment in which the SACCOS can prosper. The secondary education level, truly speaking in today’s business competitive environment is not enough to let the business growth of the SACCOS to far fronts.

Additionally, the study findings show that the SACCOS have no enough well trained staff members. This has been another bottleneck for the SACCOS to grow. When responding to whether lack of skilled staff is a problem which cause poor loan repayment performance, 06(60.0%) of staff respondents agreed whereas 04(40.0%) disagreed.

Table 4.13: Lack of skilled staff

	Frequency	Percent
Agree	4	40.0
Disagree	4	40.0
Undecided	2	20.0
Total	10	100.0

Source: Field Data (2015)

Moreover, when responding to the question which required to knowing whether poor business management skills of staff members has impact on SACCOS performance, 06(60%) agreed and 04(40.0%) respondents disagreed. The business management skills and other training such as the entrepreneurial training and SACCOS management can help the staff members and Managers to confidently run their SACCOS in the competitive pressure and still be able to attain the intended goal.

Table 4.14: Business Management skills

	Frequency	Percent
Agree	6	60.0
Disagree	4	40.0
Total	10	100.0

Source: Field Data (2015)

4.3.3 Effect of members loan repayment trends.

Accordingly, the specific objective number three was to examine and account for the effects of members' loan repayment trends on SACCOS growth, and its corresponding research question was to what extent do loans repayment trend affect the growth of SACCOS? The study results show that among the reasons which cause poor loan repayment rate is the poor loan recovery strategy by the SACCOS. When responding to the question which required to knowing whether poor loan recovery strategies are among the factors influencing the poor loan repayment performance, 08(80.0%) of staff respondents agreed whereas only 02(20.0%) of respondents disagree

Table 4.15: Poor loan Recovery Strategy by SACCOS

	Frequency	Percent
Agree	8	80.0
Disagree	2	20.0
Total	10	100.0

Source: Field Data (2015)

The poor loan repayment performance is as the result of among others, poor loan rationing process in which the applicant is given the amount which he/she cannot be able to pay basing on the collateral details one gives. This also, follows the presence of unfaithful loan officers who knowingly allow the issuance of the loan without critically analysing the collateral evidence to be sure of repayment. The study revealed that poor loan rationing is the one of causes to poor loan repayment by borrowers. When answering the question which required to knowing whether poor rationing process has the effect on the loan repayment or not, 06(60.0%) of staff respondents agreed whereas 04(40.0%) of respondents disagreed.

Table 4.16: Poor Loan rationing Process

	Frequency	Percent
Agree	6	60.0
disagree	4	40.0
Total	10	100.0

Source: Field Data (2015)

The study findings indicate that most of loans applied are rationed for example, the loans applied in Wachapakazi SACCOS, MOSECA and Morogoro Municipality Teacher's SACCOS (1998) Ltd between 2010 and 2014 were rationed.

Table 4.17: Loan Rationing – MOCEMA

Year	Amount applied (m)	Rationed loan (m)	Un-rationed loan (m)
2010	90	22	68
2011	40	-	40
2012	78	9	69
2013	92	12	80
2014	105	550	55

Source: Field Data (2015)

From the table, it can be seen that in 2010, the loans amounting to Tshs 90million were applied, but the SACCOS management rationed the Tshs 22 million which is equal to 24.4% of the total amount applied for leaving out Tshs 68million which equals to 75.6% of the total application to be disbursed. However, despite the rationing system applied by MOCEMA, the research findings show that still there is loan default ** add more explanations.

Table 4.18: Loan Repayment Details - MOCEMA

Year	Amount Borrowed	Amount Collected	Loan Default
2010	68 m	55 m	13 m
2011	40 m	33 m	7 m
2012	69 m	40 m	29 m
2013	80 m	65 m	15 m
2014	55 m	30 m	25 m

Source: Field Data (2015)

From the table above, it can be seen that in the year 2010, the amount borrowed was Tshs 68 million and in the same year the amount borrowed was Tshs 55 million equals to 80.9% and Tshs 13 million equals to 19.1% of the total amount borrowed. In the year 2011 the amount borrowed was Tshs 40 million, but the amount collected was Tshs 33 million equals to 82.% percent and Tshs 7 million equals to 17.5 percent

was default loan. In the year 2012, a sum of Tshs 69million of the sum, Tshs 40million (58.0%) was collected and Tshs 29million (42.0%) was not collected, whereas in the year 2013, the amount borrowed was Tshs 80million out of which Tshs 65million (81.3%) was collected, but Tshs 15million (18.7%) was not collected. Finally, in the year 2014, the sum of Tshs 55 million was borrowed in which Tshs 30million (54.5%) was collected while Tshs 25million (45.5%) left uncollected.
The above findings imply that SACCOS performance is not good enough to promise their sustainable growth. This follows the inefficient loan rationing process done by the SACCOS. If the process was efficient, there would be no such high loan default rate. The defaulted loans retards the efforts of SACCOS to grow hence remain dormant which results into failure to sufficiently meet the primary goals of the SACCOS, i.e. to eradicate poverty and income generation by members of SACCOS.

The loan rationing process will be effective if the loan application process is carefully done to determine the capacity of the applicant to pay the requested loan through carefully analysing the attached collateral details. The loan application screening process however, long it may take; it aims at making sure the SACCOS provides the right amount to the borrower to minimize the anticipated risks. In responding to the question which required to knowing how long the applicants waited for their loan to be processed, the results show that 15(14.3%) of borrower respondents waited for less than a week, 35(33.3%) waited for one week whereas 45(42.9%) of respondents had to wait for two weeks and 10(09.3%) respondents waited for more than two weeks.

Table 4.19: Time taken by borrowers to obtain a laon.

	Frequency	Percent
Less than a week	3	14.3
1 week	7	33.3
2week	9	42.9
Above 2 weeks	2	9.5
Total	21	100.0

Source: Field Data (2015)

The amount of time taken to wait for loan processing depends much on the nature of the loan applied. For example, the research findings revealed that, the Morogoro Municipality Teachers SACCOS (1998) Ltd has four types of loans which are issued to members. These are: Emergency loan, Social loan, Business loan and instant loan. Of the four, the instant loan takes the shortest time to be waited followed by the emergency loan. The other two require enough time to be processed as they involve huge sum of money which requires collaterals of reasonable value and guarantors.

Table 4.20: Types of Loan and Repayment period at Teachers SACCOS

Type of Loan	Interest Rate	Period (Duration)
Emergency	0.99% per month	6 months
Social	1.09 – 2.04% per month	60 months
Business	02% per month	24 months
Instant	10%	1 month

Source: Field Data (2015)

Accordingly, the loan application process which acts as the bases for the loan rationing, follows the following procedures:

- Receiving application letter,
- Issuing the application form to be filled by the loan applicant,
- Analysing and screening loan attachments,
- Make an inspection on the immovable collateral and other loan guarantee,
- Analyse borrowers savings status,
- Identifying and ascertaining applicant’s capacity to repay,
- To find out applicant’s loan repayment records.

According to loan officers, the following are the criteria for loan rationing:

- Monthly savings,
- Number of shares,
- Net salary (take home),
- Trends in previous loan repayment,
- The nature and the value of the collateral,

- Presence of guarantor

The above findings are in concurrence with the study done by Absanto and Aikarua (2013), which states the credit rationing process in SACCOS to follow the procedures:

- Inspecting borrower’s loan application form,
- Visiting borrower’s business premises,
- Checking borrower’s guarantor capacity,
- Investigating borrower’s savings and deposit capacity,
- Examining borrower’s loan objective,
- Getting borrower’s information from relatives or neighbours,
- Visiting borrower’s loan collateral.

Furthermore, the research findings show that the loan borrower’s had different strategies for paying back the loan. This was revealed by the respondents when responding to the question which required knowing which strategy one has to pay the loan applied for. The results show that 50(47.6%) of respondents had a strategy to pay their loan using the activity in which the loan will be used. This is to say, these borrowers expected to use the loan in certain projects to generate income from which the repayment instalments could be obtained. Also, 50(47.6%) of respondents had a strategy to use their salaries to repay their loan whereas 05(04.8%) of respondents had another plan.

Table 4.21: Strategy for Paying Loan

	Frequency	Percent
From loan activity	50	47.6
Salary	50	47.6
Others	5	4.8
Total	105	100.0

Source: Field Data (2015)

Consequently, different borrowers had different loan activities. This was revealed by the respondents when answering the question which wanted to know the usage of the loan. It was found that 40(38.1%) of respondents were using the loan on agriculture and livestock keeping, whereas, 45(42.9%) respondents used loan in various business activities and 20(19.0%) took loan for social activities.

Table 4.22: Loan Activity

	Frequency	Percent
Agriculture and livestock keeping	40	38.1
Business	45	42.9
Social activity	20	19.0
Total	105	100.0

Source: Field Data (2015)

Accordingly, the loan usage from various activities generates net income of different amount. The research findings show that the borrowers earn from below Tshs 50,000.00 to the amount above Tshs 300,000.00. When responding to the question which required to knowing the net income one generates from projects where the loan is applied, 05(04.8%) respondents indicated to earn less than Tshs 50,000.00 whereas 60(57.1%) respondents earn between Tshs 51,000.00 to Tshs 100,000.00 while 10(09.5%) respondents earn between Tshs 101,000 to Tshs 150,000.00. Also, the research findings show that 05(04.8%) respondents earn amount ranging from Tshs 151,000.00 to Tshs 200,000.00 and the same number earn the amount ranging from Tshs 201,000.00 to Tshs 250,000.00. Finally, the results show that 20(19.0%) of the respondents earn the amount above Tshs 300,000.00. The net income differentials may be due to different economic activities borrowers engage in and different amount borrowed.

Table 4.23: Net Income generated

	Frequency	Percent
Below 50,000	5	4.8
50,000-100,000	60	57.1
100,000-150,000	10	9.5
150,000-200,000	5	4.8
200,000-250,000	5	4.8
Above 300,000	20	19.0
Total	105	100.0

Source: Field Data (2015)

The generated income from the loan activity can be used to pay the loan if it is higher than the monthly loan repayment instalment. Thus, it depends on the nature of the project in which the loan is used to generate the much needed income. If the income generated is sufficient the loan will be paid promptly and vice versa. However, if the loans are not paid on time and the amount required it will cause the SACCOS financial and operational performance to be poor hence it will not grow as expected.

The above findings are in line with the study done by Duncan et al (2015) who studied the effect of Loan Repayment on Financial Performance of Deposit taking SACCOS in Mount Kenya Region. In this study, it was revealed that default loan has direct impact on cash management and definitely affects the financial performance of the SACCOS.

Moreover, the SACCOS managers gave some reasons for borrowers not to pay their loans on time when they were interviewed. These are the reasons given by almost all managers:

- Lack of alternative source of income,
- Multi borrowing from various financial service providers,
- Low business profit margin obtained from business where the loan was directed,
- Misdirecting loan purpose,
- Poor business management skills of borrowers,

- Lack of entrepreneurial skills,
- Borrowers may die or leave the employment before completing payment of loans,
- Poor collateral analysis by loan officers,
- Lack of viable loan repayment strategy by the SACCOS.

The above reasons and many others causes the loan repayment trend poor hence affect the SACCOS business operational plans which results into poor performance which eventually results into poor growth of SACCOS.

4.3.4 Effect of business completion from other financial services providers on growth of SACCOS

The last but not least specific objective was to find out the extent to which business competition from other financial services providers affect the growth of SACCOS and its corresponding research question was "to what extent does the service providers affect the growth of the SACCOS? The research findings show that the increased competition among SACCOS and other service providers is a problem. This was revealed by the staff respondents who indicated the presence of competition, to be a problem although in varying extent. When responding to the question which required to know the extent of increased competition to be a problem to their SACCOS, 02(20.0%) respondents stated to be a severe problem and the same number stated either the same is moderate problem or minor problem while 04(40.0%) respondents did not see the increased competition to be a problem hence a threat to their SACCOS at all.

Table 4.24: Increased Competition

	Frequency	Percent
Severe problem	2	20.0
Moderate problem	2	20.0
Minor problem	2	20.0
Not a problem	4	40.0
Total	10	100.0

Source: Field Data (2015)

The borrower respondents strongly recognized the increased competition to be a challenge faced by the SACCOS in their effort to eradicate poverty. This was as a result of the question which required them to indicate the challenges faced by the SACCOS in which 65(61.9%) respondents mentioned competition from other SACCOS to be the greatest challenge, whereas 30(28.6%) respondents mentioned low profit margin and 10(09.5%) respondents mentioned the dishonest Loan Officer as another challenge faced by the SACCOS.

Table 4.25: Challenges faced by SACCOS

	Frequency	Percent
Competition from other SACCOS	65	61.9
Low profit margin	30	28.6
Dishonest loan officer	10	9.5
Total	105	100.0

Source: Field Data (2015)

Consequently, it was revealed that most of borrowers take loans from other financial service providers. This was as a result of the responses given by respondents which asked them whether they take loans from other institutions or not. The study found that 70(66.7%) of respondents take loans from other institutions while 30(28.5%) do not take loans from other institutions and 05(04.8%) were undecided.

Table 4.26: The truth of taking loans from other institutions

	Frequency	Percent
Yes	70	66.7
No	30	28.6
Undecided	5	4.8
Total	105	100.0

Source: Field Data (2015)

Finally when asked to compare services provided by other financial service providers, the respondents indicated to be fairly good compared to the service given by their SACCOS. When responding to the question which required to compare services of other financial service providers with their SACCOS, 15(14.3%)

respondents indicated to be very good, 35(33.3%) respondents stated as good, whereas 40(38.1%) respondents revealed that the service was fair, but 15(14.3%) respondents indicated to be poor service compared to their SACCOS. If the borrowers looks at services provided by other service providers as fairly good as compared to those given by their SACCOS, it implies that SACCOS are in danger to loose their customers in long run if serious measures will not be taken to better of their services.

Table 4.27: Comparison of services offered by competitors

	Frequency	Percent
Very good	15	14.3
Good	35	33.3
Fair	40	38.1
Poor	15	14.3
Total	105	100.0

Source: Field Data (2015)

4.4 Other Findings of the Study

Apart from specific findings which were based on specific research objectives and their corresponding research questions, the study obtained the following general findings:

i) The majority of borrowers, if not all, have been engaged in business. The business engaged in are almost all unregistered sole proprietorship in which one is either owner – manager, owner – director or both. When responding to the question which required to know whether the business engaged is registered or not, the research findings show that 95(90.5%) of respondents negatively responded to the question while only 10(09.5%) respondents positively responded.

Table 4.28: Registration status of business.

	Frequency	Percent
Yes	10	9.5
No	95	90.5
Total	105	100.0

Source: Field Data (2015)

When required to mention the business activities one is engaged in, it was revealed that 50(47.6%) of respondents mentioned to run shops whereas 05(04.8%) respondents had salon and 10(09.5%) respondents owned restaurants as well as 40(38.1%) run other businesses which could not be specified.

Table 4.29: Business involved by borrowers

	Frequency	Percent
Shop	50	47.6
Salon	5	4.8
Restaurant	10	9.5
Others	40	38.1
Total	105	100.0

Source: Field Data (2015)

Consequently, the majority of businesses were financed by the capital taken from SACCOS loans. This was revealed when respondents were answering the question which required to know the source of capital to establish the business; in which the study findings show that 05(04.8%) respondents obtained capital from their own savings, 60(57.1%) respondents had obtained loan from SACCOS, while 35(33.3%) respondents indicated to have obtained loan from other financial services providers and 05(04.8%) of the respondents had other means of obtaining capital.

Table 4.30: Type of source of capital used to establish your business.

	Frequency	Percent
Own savings	5	4.8
Loan from SACCOS	60	57.1
Loan from other financial services	35	33.3
Others(please specify)	5	4.8
Total	105	100.0

Source: Field Data (2015)

Moreover, the borrowers have revealed to have different business experience in which the majority seem to have less than 5 years business experience. This was revealed by the respondents when responding to the question which required to knowing for how long does a particular person engaged in the business. The study findings show that 50(47.6%) respondents had been engaged in business for less than five years, whereas 30(28.6%) of respondents have been in business for the years ranging between six years and ten years and 25(23.8%) respondents engaged in business for more than ten years.

Table 4.31: Number of years in business by borrowers.

	Frequency	Percent
Less than 5 years	50	47.6
Between 6-10years	30	28.6
more than 10years	25	23.8
Total	105	100.0

Source: Field Data (2015)

Most of borrowers have been members of SACCOS for more than five years. This was as a result of research findings obtained from respondents when responding to a question which required to knowing the number of years a customer has been a member of a particular SACCOS. From this it was found that 80(76.2%) respondents have been members of SACCOS for more than five years whereas 20(19.0%) respondents have been members for years between three to four years and 05(04.8%) respondents were members for the period between one to two years.

Table 4.32: Number of years being a SACCOS member

	Frequency	Percent
1-2 years	5	4.8
3-4 years	20	19.0
5-above year	80	76.2
Total	105	100.0

Source: Field Data (2015)

In all of the years, borrowers have enjoyed loan differently in terms of number of years. When responding to the question which wanted to knowing for how long one has been enjoying loans from SACCOS, it was revealed that 10(09.5%) respondents have been enjoying loans from SACCOS for less than a year, 50(47.6%) respondents have been enjoying loans for years between two to four years and 45(42.9%) respondents enjoyed the loans for more than five years.

Table 4.33: Number of years a borrower has been enjoying loans from SACCOS.

	Frequency	Percent
Less than a year	10	9.5
Between 2-4years	50	47.6
More than 5 years	45	42.9
Total	105	100.0

Source: Field Data (2015)

However, despite the pleasure of enjoying loans from SACCOS, the borrowers have been constrained by the cost of loans charged by the SACCOS. When answering the question which required to knowing whether cost of loans are prohibitive or not, 15(14.3%) respondents strongly agreed, whereas 35(33.3%) agreed and 30(28.6%) respondents disagreed while 25(23.8%) respondents strongly disagreed.

Table 4.34: Cost of Loans charged by SACCOS prohibitive

	Frequency	Percent
Strongly agree	15	14.3
Agree	35	33.3
Disagree	30	28.6
Strongly disagree	25	23.8
Total	105	100.0

Source: Field Data (2015)

Despite different opinions on the cost of loans, the majority of the borrowers state that the credit given by the SACCOS is important to their business. When answering the question on how important the credit is for one's business, 60(57.1%) respondents said it is very important, 30(28.6%) respondents stated to be important whereas 10(09.5%) respondents see the credit as slightly important and 05(04.8%) respondents do not seen the importance of credit to their business.

Table 4.35: Importance of a loan to borrowers business

	Frequency	Percent
Not important	5	4.8
Slightly important	10	9.5
Important	30	28.6
Very important	60	57.1
Total	105	100.0

Source: Field Data (2015)

The study findings have shown that despite poor loan repayment rate, borrowers get some training before and after obtaining the loan. The training given is savings, entrepreneurship, loan usage and advice. When responding to the question which required to knowing the type of training one gets from SACCOS, it was observed that 05(04.8%) respondents stated savings, 15(14.3%) respondents indicated entrepreneurship, whereas 55(52.4%) of respondents mentioned loan usage and 30(28.6%) respondents mentioned advice.

Table 4.36: Types of training offered by SACCOS

	Frequency	Percent
Saving	5	4.8
Entrepreneurship	15	14.3
Loans usage	55	52.4
Advice	30	28.6
Total	105	100.0

Source: Field Data (2015)

There are various factors which affect the growth of the SACCOS in Tanzania in general and Morogoro in particular. These are as per research findings obtained by interviewing SACCOS managers. They include the following:

- Poor management,
- Non – adherence to loan policy terms and conditions,
- Corruption as regards to collateral (Loan Officers who visit collaterals are corrupted),
- Late loan repayment,
- Collateral not worth loans taken in case of default,
- Lack of business skills among borrowers,
- Inadequate capital,
- Poor cooperative and investment education,
- Low interest rate charged.

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter provides the summary, conclusion and recommendations for action as well as areas for further studies of the study which assessed the factors affecting the growth of Microfinance Institutions in Tanzania with a critical reflection on SACCOS in Morogoro Municipality. The study used five randomly selected SACCOS as units of analysis.

5.2 Summary

This study assessed the factors affecting the growth of SACCOS in Tanzania with a critical reflection on SACCOS in Morogoro Municipality. The study employed a descriptive survey design to ensure the complete description of the situation while making sure there is minimum bias in the collection of data as well as allowing the collection of huge amount of data from sizeable population in an economic way. The study had four specific research questions. The main issues addressed were: the trends of growth of SACCOS in Morogoro Municipality, the effects of management skills and training on the growth of SACCOS, the effect of loan repayment trends on SACCOS growth and the extent to which the business competition from other financial services providers affect the growth of SACCOS. The research findings found that although the number of SACCOS has been increasing linearly in the past five years from 2010/2011 to 2014/2015, there was a general decrease in the active SACCOS hence an increase in the number of dormant SACCOS. The reasons for such trend include the increase in bad debts, decreased rate of provision of trainings, poor loan repayment and lack of adequate capital. Also, the study found that management training and skills have impact on SACCOS growth. The skills and training of the management enhances the strategic implementation of SACCOS business and operational plans. Furthermore, the study revealed that in all SACCOS, there were late loan repayment which seems to be due to poor loan recovery strategies used, inadequate loan application screening and rationing process as well as lack of alternative source of income by borrowers. Finally, the research findings revealed that the presence of other financial services providers has posed the standing challenges to the SACCOS. The study has shown that the SACCOS members use the loan services from other competitors. This makes the SACCOS to be in a shaky position as if the same borrower takes loans from various sources the possibility of loan default becomes significant. This will affect the SACCOS performance hence poor growth. Apart from specific findings, the study found other general findings. The general findings show that the majority of borrowers at least engaged in business which most of them were unregistered sole proprietorship and these borrowers have been members of SACCOS for more than five years. Also, it was found that despite the poor loan repayment borrowers get some training before and after taking loans which could have enhanced the use of loan hence able to pay their loans. Lastly, various factors which affect the growth of SACCOS which include: poor management skills, late loan repayment, inadequate capital and low interest rate charged.

5.3 Conclusions

From the introduction, literature review, methodology and findings of this study, it is concluded that the factors such as management skills and training, loan repayment trends and business competition from other financial services providers have great impact on the growth of SACCOS in Tanzania in general and Morogoro in particular. This calls upon the SACCOS management, to carefully address these factors promptly so as to perform to the required standards so as to keep on growing for the interest of the SACCOS members.

5.4 Recommendations

Basing on the conclusion above, the following recommendations are made in order to address the issue of growth of SACCOS in Tanzania.

i) The SACCOS management should ensure that the management staffs are well trained by attending various training, workshops and seminars to enhance their skills. This should go hand in hand with employing staff members with proper professional qualifications to run the SACCOS operations.

ii) The SACCOS management and staff members need to increase their carefulness in loan application screening and rationing process so as to be sure of the loan repayment capacity of the applicant. In case the loan repayment instalments are to be deducted from treasury, it is proper to carry out investigation to find out whether the applicant has other deductions which may affect the loan repayment efficiency.

iii) There is a need for a SACCOS to devise their loan recovery strategies so as to come up with viable strategy to enhance maximum loan recovery. This should be followed by applying the risk analysis methods and thus use the risks mitigation techniques to reduce the possibility of loan default. Also, the loans given can be insured so as to take care the losses which may occur in case the borrower dies or becomes totally incapacitated hence fail to pay the loan.

iv) The business competition will be there always. It is, therefore, important for the SACCOS management to find out what are the strengths of the competitors and their weaknesses against theirs and find out the techniques which will ensure they remain in competition by attracting the best customers who will provide good profit in the long run.

v) Since the SACCOS are very important in poverty reduction as well as income generation among people, there is a need for the government to establish clear corporate governance guidelines for SACCOS and ensure their implementation. This can be well enforced through establishing SACCOS regulatory authority.

5.5 Areas for Further Research

The emphasis of this study was on the SACCOS growth trend in Morogoro Municipality, the effect of Management skills and training on growth of SACCOS, the effect of loans repayment trends and the effect of competition from other financial service providers. The study revealed issues to be addressed in an effort to enhance the growth of SACCOS. This study, therefore, recommends the following areas for further studies:

i) The same study can be done in other regions of Tanzania due to great diversification of the country. Different regions have differed business environment and set up in which SACCOS are operating. Thus using the same variables different results may be obtained.

ii) Further studies can also centre their focus on more other factors which affect the performance of the SACCOS hence affects their growth. This follows the beliefs of the researcher that the factors so far studied in this study are few among many which hinder the growth of the SACCOS hence decrease their participation in economic growth and poverty reduction.

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APPENDICES

Appendix 1: QUESTIONNAIRE FOR SACCOS WORKERS/STAFF

1. Personal Particulars

SACCOS' Name ______________________________

Department/Section ____________________________

Demographic Data

No.	**Questions**	**Answer Categories**	**Tick**
1	Gender	• Male • Female	
2	Age	• 18 – 30 years • 30 – 40 years • 40 – 50 years • Above 50 years	
3	Level of Education	• O level Secondary education • A level Secondary education • Certificate • Diploma • Degree • Masters • Other (specify)	
4	Work experience with SACCOS	• Less than 1 year • 1 – 2 years • 2 – 5 years • 5 – 10 years • Over 10 years	

2. Professional training ____

3. For how long have you been working with this SACCOS? ______________________

4. Indicate by ticking the problems faced by your SACCOS in service delivery in the ranking as follows: -

A. Severe problem

B. Moderate problem

C. Minor problem

D. Not a problem

Problem	**A**	**B**	**C**	**D**
Quality of loan book (payment default risks)				
Interest rate to charge				
Service quality to customers				
Increased competition				
Lack of information about clients				
Problem				
Profit performance				
High costs				
Delivering what clients wants				
Attracting low income clients				
Clients retention				
Education level of clients				
Skilled staff				
Availability of capital to lend to customers				
Inadequate donor funding				
Legislation and regulating framework				
Unregistered tenders				
Clear ownership/donor intervention				
Low population				

5. Mention five possible factors affecting the growth of SACCOS in Tanzania

(i) ____

(ii) ____

(iii) ____

(iv) ____

(v) ____

6. Factors influencing loan repayment performance of borrowers. **Tick the response**

Factors	**Response**
Business management skills	Agee
	Disagree
Alternative source of income	Agee
	Disagree
House hold size	Agee
	Disagree
Age	Agee
	Disagree
Late loan delivery	Agee
	Disagree
Poor loan rationing	Agee
	Disagree
Number of years of project running experience	Agee
	Disagree
Poor loan recovery strategy by SACCOS	Agee
	Disagree
Lack or enough skilled staff	Agee
	Disagree

7. Using liker scale of 1 – 6 prioritizes the following factors in the order in which they influence the implementation of strategic plan in your SACCOS..

NB: 6 stands for factor with greater influence and 1 stands for factor with least influence.

Factors	**1**	**2**	**3**	**4**	**5**	**6**
Management skills and training						
Human resources						
Organizational structure						
Information technology						
Organization culture						
Other factors						

8. According to you what do you think was the level of achievement of 2010 – 2014

Your SACCOS strategic plan?

- 76 – 100 %
- 51 – 75%
- 26 – 50%
- 25%

9. Kindly rate the following statements that relate to information on **strategic leadership**

Statements	**Strong Disagree 1**	**Disagree 2**	**Undecided 3**	**Agree 4**	**Strongly Agree 5**
The board of directors of the SACCOS are very committed to the implementation of strategic plan.					
Enough financial resources were allocated towards implementation of strategic plan.					
The necessary staff and stakeholders were involved in preparing strategic plan.					
The methods of communication used in the SACCOS are very effective and support strategic implementation.					
The board of directors of SACCOS have the required skills to implement the strategic plan.					
The board of directors is effective in motivating the SACCOS staff.					
The SACCOS top management seeks for subordinate's opinion in					

decision making.					
The boards of directors are very effective in enhancing team building.					
There is a very good working relationship between the board of directors and supervisory board.					

10. Kindly show how much you agree with the following statements that relate to **Human recourses (employees)**

Statements	**Strong Disagree 1**	**Disagree 2**	**Undecided 3**	**Agree 4**	**Strongly Agree 5**
The SACCOS human recourse policy supports strategic goals.					
The SACCOS incentives and reward policy is aligned to the SACCOS strategic goals.					
The staff training has helped to enhance strategic plan implementation.					
The recruitment and selection of staff is very open.					
The promotion offered in the SACCOS is done on merit.					
The salaries offered in the SACCOS compare with those of other organizations.					

11. Other than what is mentioned in question 5 above what other factors do you think very crucial in enhancing the performance of SACCO's staff?

(i) ....

(ii) ....

(iii) ....

(iv) ....

(v) ....

12. Kindly rate to the following statements that relate to **organization structure**

Statements	**Strong Disagree 1**	**Disagree 2**	**Undecided 3**	**Agree 4**	**Strongly Agree 5**
Organization control in the SACCOS is centralized to one person.					
Duty allocation is informal and based on mutual agreement.					
The SACCOS does not have a formal organization structure.					
The manager of the SACCOS has control over all the heads of department and managers of the SACCOS branches.					
Each department in the SACCOS is responsible for making daily decisions.					
The SACCOS has a headquarter that coordinates all its operations effectively.					
The SACCOS has branches in several posts of the country.					

13. Kindly rate to the following statements that relate to **information technology**

Statements	**Strong Disagree 1**	**Disagree 2**	**Undecided 3**	**Agree 4**	**Strongly Agree 5**
All the SACCOS branches are well interconnected with a good network system.					
The amount of money spent in the computerization programme is worth the investoment.					
Majority of the SACCOS employees are computer literate.					
All the SACCOS operations are computerized.					

14. Kindly rate to the following statements that relate to **organizational culture**

Statements	**Strong Disagree 1**	**Disagree 2**	**Undecided 3**	**Agree 4**	**Strongly Agree 5**
The SACCOS organization culture is receptive to change.					
The SACCOS has a good documented code of conduct for the board and staff.					
The SACCOS board and the staff upholds to core value of the SACCOS as contained in the strategic plan					
The SACCOS board of directors and senior managers manage the SACCOS as ordinary men of business.					

15. Using liker scale of 1 – 4 rate the following factors in terms of the threat they pose to effective implementation of strategic plan in your SACCOS.

NB: 4 stands for the factor that poses greatest threat and 1 stand for the factor that poses least threat.

External factors	**1**	**2**	**3**	**4**
Cooperative policy				
Teh SACCOS regulatory framework				
Business environment/competition				
Clients/Borrowers income level				

16. (a) Do the borrowers pay their loans on time?

(i) Yes (ii) No

(b) If the answer in (a) above is No, what could be the reasons for not paying the loans on time?

(i) ______________________________________

(ii) ______________________________________

(iii) ______________________________________

(iv) ______________________________________

(v) ______________________________________

(vi) ______________________________________

(vii) ______________________________________

Appendix 2: SACCOS CUSTOMERS (BORROWERS)

Personal particulars (please tick)

1. Gender of the respondent

- Male
- Female

2. Age

- Below 30 years
- Between 21 – 40 years
- Between 41 – 50 years
- More than 50 years

3. Education level

- Primary Education
- O level Secondary Education
- A level Secondary Education
- Certificate
- Diploma
- Degree
- Masters
- Others (specify)...

4. Marital Status

- Married
- Single
- Widowed
- Others

5. Number of dependents including spouse and children

- Below 5
- Between 6 – 10
- Above 10

6. School children (if any)

- Below 3
- Above 4

7. Number of College Student (s) (if any) *please provide the number*...

8. How college student(s) sponsored?

- Family sponsorship
- Guarantee from private institution
- Government bursary
- Others

Household's Income Generating Activities

9. Are you employed in formal organization?

- Yes
- No

10. Is your spouse employed

- Yes
- No

11. What is your general income level

- Below 100,000
- 100,000 – 150,000
- 150,000 – 200,000
- 200,000 – 250,000

- 250,000 – 300,000
- Above 300,000

12. What are the occupations of other members of your household?

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

13. What businesses are you involved in;

- Shop
- Kiosk
- Salon (hair dressing or barbeque)
- Restaurant
- Others (please specify)...

14. Are your businesses registered?

- Yes
- No

15. If the answer in question No. 14 above is 'yes' what form of registration?

- Sole proprietorship
- Partnership
- Limited liability company
- Others (please specify)..

16. What were sources of capital used to establish your businesses?

- Own savings
- Loan from SACCOS
- Loan from other financial services
- Grants from relatives and friends
- Money lenders

- Others (please specify)..

17. What is the model of your business management?

- Owner – manager
- Owner – director
- Both (above)
- Others (please specify)..

18. How long have you been in the businesses

- Less than 5 years
- Between 6 – 10 years
- More than 10 years

19. Net income generated from business projects

- Below 50,000
- 50,000 – 100,000
- 100,000 – 150,000
- 100,000 – 150,000
- 150,000 – 200,000
- 200,000 – 250,000
- 250,000 – 300,000
- Above 300,000

20. Household depends entirely on this business for its livelihood

- Yes it does
- No, there are supplementing sources of income

21. If the answer is 'No' please list other sources of income to household ....
....
....

22. What are uses of other income sources in relation to general hopusehold’s outgoings (please explain)

....

....

Households Resources: Physical, Financial and Human Resources

23. Tick in the boxes provided to show assets which household own:

- Housing
- A plot of undeveloped land
- Milling machines
- Motor vehicle
- Saving account with bank
- Other (please specify)...

24. What were the sources of financing of those assets in question 23 above?

- Profit from businesses
- Loan from bank or SACCOs
- Hire purchase arrangements
- Gifts or grants from friends and relatives
- Lottery
- Others (please specify)...

25. Are you planning to acquire fixed assets in near future?

- Yes, I do
- No, at least not now

26. If the answer is yes in question 25 above what are the your expected sources of financing such acquisition. Please list down:

....

....

....

27. When I find opportunity to acquire fixed assets I can do so even by using Loan borrowed from bank for business running, provided the assets highly needed by the household

- Strong agree
- Agree
- Disagree
- Strongly disagree

Households and the use of loans

28. How long you been enjoying loans from SACCOS

- Less than a year
- Between 2 – 4 years
- More than 5 years

29. How many times the SACCOS have given you loans? Please state the number of times you took loans from SACCOS..

30. Briefly comment on other service you receive from the SACCOS?

....

.... Is loan from SACCOS one of the sources of the household income?

- Yes
- No

31. How important is the credit to your businesses

- Not important
- Slightly important
- Important
- Very important

32. Cost of loan charged by SACCOS is very prohibitive

- Strongly agree
- Agree
- Disagree
- Strongly disagree

33. I find difficult to utilize loans to the business which the loan was sought for because its return is very low in such a manner that I would not be able to repay loan plus its interest timely and meet other needs.

- Strongly agree
- Agee
- Disagree

34. Number of years being a SACCOS member

- 1 – 2 years
- 3 – 4 years
- 5 – above year

35. Types of training offered by SACCOS to its customers

- Savings
- Entrepreneurship
- Loans usage
- Investment projects
- Advice

36. Improvement of the level of income by SACCOS to its customers

- Very good
- Good
- Average

37. Challenges faced by SACCOS in poverty alleviation

- Competition from other SACCOS

- Low profit margin
- Dishonest loan officer

38. Level of satisfaction with services offered by SACCOS

- Maximum
- Average
- Minimum
- Non

39. Effectiveness of SACCOS in poverty eradication

- Very effective
- Effective
- Not effective

40. Do you take loans from other institutions

- Yes
- No

41. How do you compare services provided by other financial services providers compared to SACCOS

- Very good
- Good
- Fair
- Poor

42. What are the reasons for most of borrowers not to repay the loans on time?

(i) ____

(ii) ____

(iii) ____

(iv) ____

(v) ____

43. What are the factors hindering the growth of SACCOS?

(i) ______________________________________

(ii) ______________________________________

(iii) ______________________________________

(iv) ______________________________________

(v) ______________________________________

(vi) ______________________________________

(vii) ______________________________________

44. Occupation, loan activity and collateral details

A. Loan Activity

- Agriculture and livestock keeping ______________________
- Business ____
- Social activities _____________________________________

(Education, Health, etc)

B. Collateral details

- Land plot ____
- House ____
- Salary ____
- Livestock _______________________________________
- Others ____

45. Strategy for paying Loan Back

- No strategy ______________________________________
- From Loan activity ________________________________

(Business, Project)

- Salary ____

46. Quantitative variables

- Age ____
- Level of education __________________________________
- Family size (i) No of children __________________________

  (ii) Dependant _________________________________

- Loan duration ____________________________________

(In months)

- Loan experience ___________________________________

(In year)

- Loan amount ______________________________________

(In Tshs)

- Loan Interest (%) __________________________________
- Value of collateral _________________________________

47. Training information

- None ____
- Technical Education _________________________________
- Business and entrepreneurship __________________________
- Technical, Business and entrepreneurship ___________________

48. For how long did you wait for your loan to be paid?

(a) Less than a week

(b) 1 week

(c) 2 weeks

(d) Above 2 weeks

Appendix 3: INTERVIEW GUIDE FOR SACCOS MANAGERS

1. SACCOS name ___________________________________
2. Is your SACCOS registered ___________________________
3. Date of registration _______________________________
4. Physical address _________________________________
5. Contact (telephone) number ___________________________

6. Email address ____

7. Number of staff ____

8. Key mission:

- Social (poverty reduction) ______________________________________
- Business (profitability) ____
- Both ____

9. What is your SACCOS vision? ___________________________________

10. How many clients/members did you have?

	2010	2011	2012	2013	2014
Male					
Female					
Total					

11. What types of products/services do you offer? (Tick)

- Loan
- Savings
- Deposit
- Other (specify) ____

12. What lending type do you use? (Tick)

- Individual lending
- Group lending
- Both (individual & group)
- Other(specify) ____

13. How many loan (credit) customers did you have;

2010	2011	2012	2013	2014

14. Give loan portfolio information

	2010	2011	2012	2013	2014
Loan amount disbursed (Tshs)					
Number of loans disbursed					
Number of active loans					
The value of outstanding loan					
Amount of loan payment overdue (in areas)					
Value of outstanding balances of loan in areas (overdue)					
Amount set for loan loss providing					
Loan written off as bad debts					

15. How much interest rates (%) charged on loans

Year	**2010**	**2011**	**2012**	**2013**	**2014**
Individual					
Group					

Year	**2010**	**2011**	**2012**	**2013**	**2014**
Individual					
Group					

16. How much was initial (minimum) loan size

17. H

Year	2010	2011	2012	2013	2014
Individual					
Group					

ow long was the repayment period for the initial loan size

Year	2010	2011	2012	2013	2014
Individual					
Group					

18. How many instalments were required for the minimum loan

19. How much (in Tshs). Value of each instalment of minimum loan?

Year	2010	2011	2012	2013	2014
Individual					
Group					

20. What is your education level?____

21. How long have your worked with your SACCOS? _______________________

22. Have you ever attended any training since you joined the SACCOS as the manager? ____

23. What were the content of the training? ____

____

____

24. What extent did the training help you in your daily performance?

____

____

____

25. Give the reasons for borrowers not to pay their loan on time.

(i) ____

(ii) ____

(iii) ____

(iv) ____

(v) ____

26. Give the factors which affect the growth of the SACCOS

(i) ____

(ii) ____

(iii) ____

(iv) ____

(v) ____

(vi) ____

(vii) ____

(viii) ____

(ix) ____

(x) ____

27. (a) Are there Loan Defaulters?

(i) Yes (ii) No

(b) If yes, give the details of Loan Defaulters

Defaulter	Age	Level of education	Family size	Loan (month) duration	Loan experience (years)	Loan amount	Interest	Value of collateral	Loan paid	Amount of over-due loan
A										
B										
C										
D										
E										
F										
G										
H										
I										
J										

28. (a) Do you often ration the loan applications?

(i) Yes (ii) No

(b) Give the rationing process

(i) ______________________________

(ii) ______________________________

(iii) ______________________________

(iv) ______________________________

(v) ______________________________

(vi) ______________________________

(vii) ______________________________

(c) What criteria are used to ration the loan applied?

(i) ____

(ii) ____

(iii) ____

(iv) ____

(v) ____

(vi) ____

(vii) ____

(d) Give the details of the loans rationed

Year	Amount Applied	Rationed Loan	Un-retioned Loan
2010			
2011			
2012			
2013			
2014			

29. (a) Give the Details of Amount of Loan Borrowed

Year	Application	Disbursed
2010		
2011		
2012		
2013		
2014		

(b) Give the details of Loan Repayment

Year	Amount Borrowed	Amount Collected	Default Loan
2010			
2011			
2012			
2013			
2014			

30. What are the type of Loan and Repayment Period

Type of Loan	Interest Rate	Period (Duration)
Emergency	0.99% per month	6 months
Social	1.09 – 2.04% per month	60 months
Business	02% per month	24 months
Instant	10%	1 month