

Factors Affecting Growth of Savings and Credit Cooperative Societies (SACCOS): A Case Study of Singida District Council in Tanzania

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Abstract: *Microfinance Institutions (MFIs) including SACCOS are the financial services established for the specific target to enable community, particularly poor people to access the credit after being lack of access to formal banking and related financial services. Worldwide the sector started since the 1770's, in Tanzania it kicked-off in 1991 after the enactment of Banking and Financial Institutions Act (BFIA) and Savings and Credit Cooperative Societies (SACCOS) Act in 1991. Many of the studies on the impact of SACCOS showed that; SACCOS have significant impact to poverty alleviation as well as standard of living in the community all over the world (Cherotich, 2015). Even though the sector has positive impact to the well-being of the world community but many of the SACCOS had downswing and others had an upswing since its establishment, the reasons behind of its up and down swings were explored by this study. The research was conducted in Singida District Council in the year 2018 to assess the factors affecting the growth of SACCOS; the study comprised a sample size of 88 respondents from ten (10) SACCOS of Singida District Council of which both qualitative and quantitative data set were collected. The study employed the case study design method to assess the factors affecting the growth of SACCOS in Tanzania. Thus, the research treated SACCOS growth as dependent variable, whereas factors affecting growth of SACCOS were treated as independent variables. The study revealed that capacity in managing finances and loans, adhering to the financial policies and guidelines, competency of personnel, appropriate training to key staff, loan follow up, access of SACCOS members to business training, availability of technical support to SACCOS, availability of sources for business capital, level of knowledge on sustainability, risk management, training on challenges related to business competition, macroeconomic factors including inflation, financial sector reforms and development of microfinance policy were the key factors affecting the growth of SACCOS in Singida District Council. However; based on the findings of the study, researchers realized that many of the challenges affecting the growth of SACCOS are within the capacity of the SACCOS stakeholders. Hence, if all SACCOS stakeholders can play their roles effectively the sector can perform well because many of the factors affecting the performance of SACCOS are due to the lack of seriousness of the respective SACCOS stakeholders. Hence, based on the research findings, it was concluded that SACCOS played a significant role in improving livelihood of the poor people in the community through provision of microsavings, microcredit, microinsurance, microhousing, microleasing among others; though the SACCOS faced with many constraints as explored by the study.*

Keywords: Microfinance Institutions, SACCOS, Factors affecting growth, Singida District Council, Tanzania

1. Introduction

1.1 Background information of the research problem

Microfinance Institutions (MFIs) including SACCOS are the financial services established for the specific target to enabling community, particularly poor people to access the loan after being lack of access to formal banking and related financial services. Microfinance Institutions (MFIs) including SACCOS are the entities specialized in the provision of microfinance products and services to microfinance clients such as microsavings, microcredit, microinsurance, microhousing, microleasing, money transfers and other financial related services to microfinance clients [1]. The main aim is to alleviate poverty to the marginalized society. It is the institution which provides small loan to those peoples who wouldn't access to the credit. It provides loans to the people without demanding the security of asset what matter is the implementable plan that shows how the loan repayments will be effected [2]. The concept of small loan depends on several factors, including country legal framework and the level of country GDP [3].

Worldwide the sector has a long history, it gained recognition and acceptance since 1980's in providing financial services to the poor started in European countries

in 1800's; Asian countries in 1850's; Latin America in 1900's while in African countries started officially in the 1950's [2]. The Government of Tanzania in ensuring that is not behind with the notion of MFIs, it embarked on financial sector reforms in 1991 in order to create an effective and efficient financial system. The genesis of the 1991 financial sector reforms is to create conducive environment for free market and to provide quality and reliable financial services [1]. This has allowed banking institutions to operate on a commercial basis, making their business and management decisions free from outside intervention within the norms of prudential supervision. The principal elements of the financial sector reforms included liberalization of interest rates, elimination of administrative credit allocation, strengthening the Bank of Tanzania's role in regulating and supervising financial institutions, restructuring of state owned financial institutions, and allowing the entry of local and private banks into the market [1].

Apart of the progress being achieved in the mainstream banking system, the financial services to the targeted group has remained immature. In the process of uplifting the sector the Government, in collaboration with the donor community, took action to facilitate the development of the microfinance industry by the formulation of the microfinance policy in 1996 and has continued to refine the National Microfinance

Policy of 2000 and National Microfinance Policy of 2017. The purpose of refinement of the National Microfinance Policy is to ensure that, the National Microfinance Policy is update meaning that it answers the problem that stakeholders are encountered in their day to day operations. Also, the Government of Tanzania in its strategies for promoting the financial sector reforms, it has enacted the Cooperative Societies Act of 1991 which provides the basis for the formulation of Savings and Credit Cooperative Societies (SACCOS) as privately owned and organized equity based institutions. The SACCOS was formulated primarily to provide savings and small credits to its members in order to release financial constraints and help the poor to reduce if not to alleviate poverty.

Since the establishment of SACCOS, many of the SACCOS have been closed and many of them have emerged and others have managed to sustain since its establishment. Some studies have been conducted to determine the causes of the failures of some of the SACCOS and the reasons for success of some of the SACCOS that have proven to perform very well though it has not been deeply explored. Some studies on the factors affecting the SACCOS have revealed the following factors as the root causes of the failures of the many SACCOS; such as human resources capacity (knowledge, skills, and staffing level); motivation (reward, delegation and team work); systems and procedures (audit, cash and internal control); cases of financial mismanagement have been widely reported in the private and public sectors and reporting framework applicable in these institutions or whom are SACCOS accountable need to be explored further [4]. Most of the studies on SACCOS have explored the impact these institutions have made in the community, but less has been explored on what drive them to fail or succeed. Therefore, this study explored specific factors affecting the growth of SACCOS in Tanzania.

1.2. Statement of the problem

Despite the high contribution of SACCOS to people of low income in Tanzania, there are many SACCOS that have failed to provide required support to their beneficiaries due to their internal weaknesses. Some of the SACCOS in Tanzania began as small microcredit institutions, but managed to perform well and attract a bigger number of members whose contribution resulted in the big capital which is available for loans to members. However, although there is a significant level of growth, there are even more challenges associated with their growth. As a result, these SACCOS tend to decrease their performance and growth. This turning point has been at the very early stages of the development of some of the SACCOS.

Even though some efforts have been made and research on the factors affecting SACCOS have been conducted by using different approaches, methods and techniques, there is an inconsistency of findings and yet society is not aware the exact factors affecting the growth of SACCOS. Hence, the exercise of conducting the research on the factors affecting the growth of SACCOS in Tanzania is inevitable.

1.3 Research objective

Objective of the study is to assess factors affecting the growth of SACCOS.

1.4. Research Question

What are the factors affecting the growth of SACCOS?

1.5. Significance of the Study

Microfinance Institutions (MFIs) especially the SACCOS played a significant role in striving the policy of economy and development in Tanzania. Therefore, the study can assist not only SACCOS in the areas of study, but also other MFIs in ascertaining their weaknesses in understanding the best approaches employed in overcoming factors that hinders their growth. The MFIs including SACCOS would be able to understand how to address their problems in order to provide better services to the community and provide a significant contribution to the Tanzanian economy and welfare.

2. Empirical Literature Review

The [5] and [6] looked at the determinants of repayment performance for group lending in Madagascar using data from a random sample of 146 groups in six different lending programs. The study's key findings were that groups consisting of members facing homogenous risk exposure do not have higher repayment rates, but that repayment rates significantly improve when groups have some type of social cohesion, informal or not. This result suggests that group lending can significantly improve repayments and therefore reduce the risks in loan portfolios.

The [7] reviews the financial viability of village banking using data from nine institutions by studying the relationship between the return on the institution's loan portfolio and various operation cost measurements. Despite the difficulty of making strong conclusions from the small sample, the study found three strong indicators of financial health including portfolio yield (return), the interest spread, and the number of borrowers. Also, the study shows that high or hyper inflation economic conditions severely reduce the ability of microenterprises to repay loans. The [8] studied the experience of two different microfinance institutions; they showed not surprisingly, that macroeconomic conditions affect the risks in the portfolio.

The [9] in his study on Microfinance and Poverty in Bolivia, Mosley assessed the impact of microfinance on improving the people's standards of living through small sample surveys of four microfinance institutions, two urban based microfinance institutions and two rural based microfinance institutions, using a range of poverty concepts such as income, asset holdings and diversity and various measures of vulnerability. All the institutions studied had, on balance, positive impacts on income and asset levels. Despite this contribution, the study by [9] has some weaknesses. The first problem is on the sample size, which was only four microfinance institutions, this sample size might not be adequate for the generalizations made by a researcher.

The [9] argued that, microfinance programs face the problem of management, institutional structure, lack of business skills, markets for clients' products and high interest rates. All these are the MFI's bottlenecks to fight against poverty.

The [8] on their study of microfinance institutions in India found out several weaknesses on MFIs which make them unable of alleviating poverty to their people like taking credit alone as a means to alleviate poverty.

In Tanzania the issue of poverty and microfinance as a weapon against poverty has been widely studied by various people and organizations. However, SACCOS have succeeded in improving peoples' standards of living and hence alleviating poverty. Recent studies have shown that, there are over 50 registered SACCOS in Tanzania but their overall performance has been poor [10].

Moreover, [10] researched on the problems of Rural Microfinance Institutions in Tanzania, he found that that, SACCOS are not effective and efficient in providing their services due to small capital, small members' savings, few memberships, unskilled staff and board members, and insufficient revenue to cover operational costs.

The [11] examined the role of credit in generating entrepreneurial activities; they revealed that the output of enterprises increased following the access to the credit. It was further observed that the enterprises whose owners received business training and advice, performed better than those who did not receive business training.

The [11] evaluated the performance and constraints facing, semi-formal microfinance institutions in Tanzania, they revealed that poor infrastructure of the MFIs led to high transportation costs, which increased the transaction costs in credit procurement, and disbursement and this ultimately hindered the effectiveness of the credit programme.

3. Research Methods

3.1 Research Design

The research adopted descriptive and exploratory types of research designs; hence data collected were both qualitative and quantitative. The research designed to allow for triangulation and data validity by using multi-methods for data collection from key stakeholders. Therefore, the research was conducted in three stages;

- 1) In-depth interviews with officials responsible for SACCOS. This helped the researcher to get a picture of important contextual issues,
- 2) Questionnaires were administered to senior officials from the sampled institutions. This enabled the collection of data in a systematic manner and facilitated the process of compiling, classifying and summarizing the information in a meaningful way and
- 3) Finally, there were some follow-up interviews and Focus Group Discussion (FGD) for some SACCOS to get clarification on some findings, whereby semi-structured interview approach was applied.

3.2. Data Types and Sources

The research collected both qualitative and quantitative information. Both primary and secondary data were collected. For primary data, the researchers intended to know the current situation and perceptions of the people who were interviewed by using in-depth interviews, questionnaires and follow-up interview as described in section 3.1 above. For secondary data the researchers intended to get both the findings of other researches and SACCOS reports that have been done already in order to know the current situation of SACCOS. The primary data helped to get answers to specific questions that were designed to capture specific issues from respondents, especially those issues that could not be obtained from the secondary data. While the secondary data helped to reduce costs and time of doing the research by utilizing the already collected information.

3.2.1 Questionnaires

Questionnaires are widely used in collecting structured information for different purposes. A total of 100 questionnaires were administered to people working in the selected SACCOS. They were also selected from the organizations that are at different levels of growth that means, emerging to mature SACCOS. Questionnaires were very useful in drawing accurate information from the respondents in a logical sequence. Questionnaires were developed to capture information from both internal and external factors affecting growth of SACCOS. The questionnaire is one of the most widely used survey data collection methods. In this study, both closed and open questions were used so as to get a standardized response from respondents.

3.3 Sampling procedures

The sampling technique in this study was the random sampling and purposive sampling. According to [12] random sampling is one of the best methods for assuring that all elements in the sample have an equal chance of being chosen. Hence, simple random sampling was used to select staff and SACCOS member's to be requested to respond to the questionnaires, but staff who participated for in-depth interviews (senior managers) were selected through purposive sampling. The Singida Region, Singida District Council and SACCOS participated in this study were selected through purposive sampling in order to capture SACCOS at different levels of growth. For the purpose of the study; 10 SACCOS were involved in this study being selected from Singida District Council.

3.4 Study area and sample size

The study was conducted in Singida District Council in the year 2018. It comprises ten (10) SACCOS of which five (5) SACCOS were from urban areas and five (5) SACCOS were from rural areas. The study involved the sample size of 100 respondents obtained through simple random sampling method by selecting 10 respondents from each SACCOS ($10 \times 10 = 100$ respondents) of which 88 respondents equivalent to 88% returned the circulated questionnaires and

the remaining twelve (12) respondents did not answer the circulated questionnaires.

3.5. Data analysis plan

Data collected were categorized and coded according to a predetermined coding scheme. Effort was made to code the data at the point of collection to simplify work during the analysis stage. Descriptive data were coded after data collection since it is difficult to do so before due to diversity of possible responses [13]. The data were entered and analyzed by using the Ms Excel software. Processed data and the results were summarized and presented using appropriate statistical methods such as tables, charts or graphs depending on data type and the important aspect in it.

3.6 Reliability and Validity of Measurements

Reliability means consistency and stability of an observed score from a measurement scale. Reliability occurs when the obtained score is free from random error [14]. It is ensured by having pilot testing and an interviewer administered questionnaire to guide the interview rather than the “drop and collect later” approach [15].

Validity is concerned with verifying whether the findings measured exactly what they were supposed to measure or not [14]. Meaning that, the aspects and respondents interviewed were the one who were supposed to be interviewed. This implies that respondents interviewed including the SACCOS members were exactly the real stakeholders of SACCOS.

4. Empirical Results and Discussion

4.1 Age of the Respondents

The study involved a total of 100 respondents but 88 respondents were filled the questionnaire. Out of 88 respondents, 48 (55%) were males while 40 (45%) were females as illustrated in Table 4.1 below:

Table 4.1: Gender of respondents

Gender	Frequency	Percentage (%)
Males	48	55
Females	40	45
Total	88	100

Source: Research data, (2018).

4.2. Age of the respondents

The distribution of respondents based on age group is shown in Table 4.2 below. Findings showed that, the majority of the respondents (53%) were within the age category of 40 - 60 years, followed by 33% of respondents with age category between 25 - 40 years, while those with 61 years and above were 8% and below 25 years were 6% of the total respondents. In that case the results implied that, the majority of the respondents were aged between 40 and 60 years, and in the future were having some expectations of getting loans to do their business as they prepare to retire, since some have not managed to make enough savings from their jobs or businesses due to low income earned for family consumption expenditure (Table 4.2).

Table 4.2: Age group distribution of respondents

Age	Frequency	Percentage (%)
Above 61	7	8
40-60	47	53
25-40	29	33
Below 25	5	6
Total	88	100

Source: Research data, (2018).

4.3 Age of the SACCOS involved in the study

The study involved 10 SACCOS from Singida District Council, and the assessment was done to determine how long SACCOS sector has operated. It was found that 6 (60%) of the SACCOS involved in this study had operated for more than 5 years, 2 (20%) operated for 4 to 5 years and the remaining two had worked for 0-2 years each respectively as indicated in Table 4.3 below.

Table 4.3: Age of SACCOS

Age (years)	Frequency	Percentage (%)
Above 5	6	60
4-5	2	20
0-2	2	20
Total	10	100

Source: Case study, (2018).

The results have given more credibility to this study because it has assessed most of the SACCOS that have had enough time to operate and get experience and opportunity to reflect on factors that hinders or support their performance. The few SACCOS that have not operated for a long period were also able to share the factors that affect growth and performance in young SACCOS.

4.4 SACCOS name, number of members, location and the amount of loans available

Details of name, number of members, the amount of loans available for loans to members and the location of each SACCOS were also recorded. All SACCOS that were involved had already established enough capital to provide loans to their members. The amount of loans available did not take into consideration the amount that has already been given as loans, but rather the amount that members can access at the point of data collection. This is summarized in Table 4.4 below.

Table 4.4: Name, number of members, location and loans available in each SACCOS

Name of SACCOS	No. Members	Location	Amount of fund available for loan (TZS)
Singida SACCOS	302	Urban	208,850,000.00
Kilimani SACCOS	220	Urban	105,050,000.00
Kishapu community SACCOS	159	Urban	108,000,000.00
Mweru SACCOS	138	Urban	255,000,000.00
Umoja SACCOS	239	Urban	205,800,000.00
Maendeleo SACCOS	345	Rural	254,000,000.00
Kijenge SACCOS	243	Rural	306,300,000.00
Community Development SACCOS	432	Rural	304,500,000.00
Tuwezeshane SACCOS	234	Rural	258,000,000.00
Akiba SACCOS	126	Rural	90,000,000.00

Source: Case study, (2018)

As indicated in Table 4.4 above, both rural and urban SACCOS had a significant amount of money that could be accessed by members through loans. Membership is also high in almost all, although each SACCOS is trying to add more members so as to increase the capital (through members' savings) and also to increase the number of people that can request for loans.

4.5 Capacity in issuing loans and managing finances in each SACCOS

The capacity of SACCOS to manage loans and finances is a key for successful financial institutions. This is due to the fact that most of the SACCOS have failed to survive their first three years of operation due to failures in managing loans [10]. In this study, most of the 7 SACCOS (70%) indicated that they have an average capacity in issuing loans and managing finances, while 1 (10%) has a low capacity, and only 2 (20%) as high capacity. There were no SACCOS that ranked itself to have very high capacity as well as very low capacity in managing finances and issuing loans. The focus discussion groups, clarified it further, and came up with reasons that could contributed to their average capacity. It was revealed in the three focus groups that most of the staff recruited is not having enough skills and experience in managing loans. The major discussion was focused on the link between managing loans and managing general finances of the SACCOS. Participants in one group discussion indicated that there staff who have general knowledge of accounting, but are not very experienced in managing financial schemes such as those implemented by SACCOS. The guidelines for offering loans and procedures for loan repayments are not well understood by senior staff because they see inconsistency in the directives they are given when they apply for loans. One participant in a focus group discussion said:

“I took a loan five months ago and I have already paid five installments already, but in their system they indicated that I have paid only four installments. My uncle was also asked to pay less than I am paying while he took a bigger loan for the same period as mine. I think these people do not know what they are doing”

They see this as a window through which their SACCOS lose a lot of money, and this has greatly contributed in failures of some of the SACCOS (Table 4.5).

Table 4.5: Capacity in managing finances and loans

Performance levels of managing finances and loans	Frequency	Percentage (%)
Very high level	0	0
High level	2	20
Average level	7	70
Low level	1	10
Very low level	0	0
Total	10	100

Source: Case study, (2018)

4.6 Application of financial policies and guidelines

All 10 (100%) of the SACCOS involved in this study indicated that they have financial policies and guidelines on how to deal with their finances, including how to deal with

loans. This was regarded as the most important thing that any SACCOS should begin with since in the discussion people indicated that without such policies, it is very difficult to run an institution such as SACCOS. However, the major concern to the most of the SACCOS was the capacity of their institutions to apply these policies in day to day operations (Table 4.6).

When the management of each organization was asked whether they are able to properly follow their financial policies, it was found that 6 (60%) of the SACCOS involved in the study indicated that they do not follow properly their financial policies and guidelines, and the remaining 4 (40%) were confident in the way they were following their financial policies and other guidelines on dealing with loans. For those who reported not to follow their financial policy and guidelines, 3 (50%) indicated that it is because of lack of good management, and the other 3 (50%) said it is because some of their policies are not implementable. They are not friendly to both members and management, and that if they are properly followed they will reduce the number of people who are taking loans and hence the number of members (Table 4.6).

These findings explained the way in which many organizations are challenged by poor management and lack of enough technical skills to develop guidelines and policies that are relevant and practical in supporting their members and their organizations. Although developing guidelines and financial procedures may require technical skills that not all organizations will have, but there is a lack of seriousness in using consultancies that can help them develop user friendly guidelines that are relevant to the level and type of institutions, and this is one of the reasons for low or slow growth of most of the SACCOS. When asked the reasons for having guidelines that are not practical, it was evident that 6 organizations copied policies from other SACCOS and were not able to tailor them to suit their SACCOS (Table 4.6).

Table 4.6: Adhering to the financial policies and guidelines

Status	Frequency	Percentage (%)
Stick to the financial policies and guidelines	4	40
Not stick to the financial policies and guidelines	6	60
Total	10	100

Source: Field data, (2018).

4.7 Competency of personnel

Among the SACCOS with key experienced and knowledgeable personnel, 60% of these organizations came from urban areas, leaving 40% who came from rural areas. This means, urban SACCOS are likely to get better and experienced personnel than in rural areas. It was also revealed that in the focus group discussions with personnel from rural SACCOS, in rural areas there are some retired people who have related experience and have been used to support some SACCOS. However, the challenge is that most of them cannot use modern technology, especially computers and up to dated financial computer software that are applied by SACCOS and other MFIs. As a result, they are very slow and two SACCOS have reported that, they had

established another parallel financial manual system because their accountant could not operate the computerized financial system, and they are now facing difficulties in managing the two systems (computerized and manual financial systems) (Table 4.7).

Table 4.7: Competency of personnel

Competency of personnel	SACCOS location	Frequency	Percentage (%)
Knowledge and Experience	Urban	6	60
Knowledge and Experience	Rural	4	40
Total		10	100

Source: Field data, (2018).

4.8 Perception on the importance of training to the key staff

The members of the SACCOS were asked to provide their comments if they think frequent training to key personnel who are running their SACCOS is important in improving the performance and the growth of their SACCOS. The study revealed that, training of key personnel is inevitable as the average response indicate that, 29% strongly agreed, 29% agreed 40% disagreed while only 3% strongly disagreed as indicated in Table 4.8 below.

Table 4.8: Perception on training to the key staff

Importance of training to key staff	Frequency	Percentage (%)
Strongly agree	26	30
Agree	25	29
Disagree	35	40
Strongly disagree	02	01
Total	88	100

Source: Case study, (2018).

For those respondents who were strongly disagreed when asked why they think that frequent training does not increase the performance, there was a mixture of ideas, and others thought that, staff who are graduates should know much about how to manage SACCOS therefore there is no need to take much of the little resources they have for further training. There were those who said that there is always a problem in the application of the knowledge gained in training because experience tells them that many people who go for training they enjoy per diems and good meals in the training, but do not practice what they have been trained, instead, they continue to work basing on their experience and past knowledge (Table 4.8).

In the discussion with the management of Singida SACCOS, one of the respondents said: ‘I think training is not given high priority. We do not budget money for training our staff because we think they have enough experience to do their job. SACCOS management feel that staff who have basic skills in finance or accounting or management do not need further training, especially when the training are to be paid by the respective SACCOS. Spending the money from the SACCOS’ profit for staff training is regarded by some members not as wastage of money, but as spending on the issues which are not SACCOS priorities. As a result, this could contribute to lack of updated information and

techniques of SACCOS that could help them to solve their existing challenges (Table 4.8).

4.9. Level of performance

Participants were asked if their SACCOS is operating at the standard level and it was surprising to find out that almost 70% strongly disagreed, 18% disagreed that they operate well, while only 12% agreed that they are operating well (Table 4.9).

Table 4.9: SACCOS operating at required standards

Level of performance	Frequency	Percentage (%)
Strongly agree	0	0
Agree	11	12
Disagree	16	18
Strongly disagree	61	70
Total	88	100

Source: Case study, (2018).

When respondents were asked specific issues that why they think they are not operating well, there were different issues mentioned, poor follow-up on loans, they do not follow their financial policies, and there is business in giving loans and also misuse of SACCO’s money. It is normally not good when members are not comfortable with the way their SACCOS is dealing with financial issues because this is likely to reduce their confidence in their SACCOS and increase their risk of losing their money, and this will therefore discourage them from putting their savings in their SACCOS, which is likely going to reduce the performance and the growth of the SACCOS (Table 4.9).

The management of four SACCOS insisted that there is less training that target SACCOS, but there is much training on financial management. It was realized that almost all accountants attended at least one training on financial management in the last two years. However, only one had attended training on establishing and running SACCOS. This indicates that there is a lack of appropriate training for SACCOS, and this is highly contributing in poor performance and hence low growth of SACCOS (Table 4.9).

4.10. Perceptions on the capacity of SACCOS in making loan follow up

Respondents were asked to rank the capacity of their SACCOS in loan follow-up. This has been done in order to find out how much risk they are taking when they receive financial services from their SACCOS (Table 4.10).

Most (51%) of respondents thought their SACCOS have an average capacity in following up loans provided to members, while (20%) thought their SACCOS capacity is high and the remaining (29%) thought it is low, and there is no respondent who thought the capacity of his/her SACCOS in following up loans is very high and very low as indicated in Table 4.10 below.

Table 4.10: Respondents’ perceptions on the capacity of loan follow-up of the respective SACCOS

Capacity of loan follow up	Frequency	Percentage (%)
Very high capacity	0	0
High capacity	18	20
Average capacity	45	51
Low capacity	25	29
Very low capacity	0	0
Total	88	100

Source: Case study, (2018).

Members’ view of average capacity and low capacity in loan follow-up is not a good situation since SACCOS members do not have confidence in the way their organization is making follow-up of loans. This implies that most members decided to invest in SACCOS while they knew that they are taking high risk associated with average / low performance of their institution. This situation can result into reducing the commitment and seriousness of members in repaying their loans because they knew that there is average / low follow up mechanism of the loans offered to members (Table 4.10).

4.11. Business Training Accessibility

The findings revealed that there is a great difference between training opportunities in rural and urban areas. The study found that 73% of respondents attended business training came from urban areas whereas 27% of respondents came from rural areas. This implies that there are much more business training opportunities in urban areas rather than in rural areas. Consequently, urban SACCOS performed much better than rural SACCOS (Table 4.11).

Table 4.11: Respondents attended business training

Location of SACCOS	Respondents attended training	Percentage (%)
Urban	33	73
Rural	12	27
Total	45	100

Source: Case study, (2018)

Table 4.12: Respondents on availability of technical support

Location of SACCO’s	Sufficient Availability of technical support	%	Insufficient Availability of technical support	%	Total respondents	%
Urban	15	35	28	65	43	100
Rural	11	24	34	76	45	100
Total	26	30	62	70	88	100

Source: Case study, (2018).

4.13 Availability of Sources of Business Capital

Business capital is among the major factors for successful business performance for any organization or entrepreneur. The 76% of respondents indicated that they joined SACCOS because they want to access loans from the SACCOS as the sources of capital, and 10% were more interested in the training offered by SACCOS while 13% wanted somewhere to keep their money safe, and 1% had other reasons not mentioned, as indicated in Table 4.13 below. Since the majority had an interest in accessing loans, follow up questions with focus group discussions revealed that many people who tried to access loans from SACCOS had failed sometimes with the banks. They said that it is very hard to access loans from the banks because of the conditions attached to banks’ loans, but these conditions have been

4.12. Availability of Technical support to SACCOS

Table 4.12 below provides the results of the interview conducted to the management and members of SACCOS in Singida District Council on the availability of technical support or capacity building support to SACCOS. The study revealed that 62 respondents which are (70%) indicated that there is an insufficient level of technical support they receive from the government or other non-government institutions. Out of the 62 respondents who reported on insufficient capacity building support, 34 of these respondents were from rural areas and the other 28 were from urban areas. This indicated that, in rural areas there could be less opportunities for capacity building than in urban areas. In the discussion with the management, it was also revealed that some of these SACCOS are being established by people who do not have enough skills in managing funds, and also they do not get the required support they need from the government or other non-governmental organizations that are doing capacity building for institutions (Table 4.12).

Participants from the focus group discussion indicated that lack of technical support is highly contributed by lack of proper follow up from the government, few people with technical profession and experience in issuing loan, and poor commitment from the government and other non-government institutions in supporting SACCOS. It was also claimed that non-governmental organizations who are offering capacity building support to local organizations they view SACCOS as privately owned institutions (because of the direct benefits they offer to their members) and therefore they do not qualify for the support of most of international and local NGOs. As a result, most of SACCOS are left to operate without any external support (Table 4.12).

simplified by SACCOS (For example most of SACCOS their regulations and procedures of acquiring loan are simple and low bureaucratic loan process as well as low interest rates). Therefore, it is concluded that the main reason for people to join SACCOS is to access loans for venture capital (Table 4.13).

Table 4.13: Members reason for joining SACCOS

Member’s reason for joining SACCOS	Frequency	Percentage (%)
Business capital	67	76
Training	9	10
Demand deposit	11	13
Others	1	1
Total	88	100

Source: Case study, (2018)

The discussion with management also indicated that most of SACCOS depend on members' contributions for their capital. The interest they get from members loans covers some of management costs. They face challenges in getting grants from grant giving institutions. 9 out of 10 SACCOS that participated in this study indicated that they don't want to take loans from the banks because banks are charging higher interest rates than they charge for their members; therefore, they will not be able to repay the loans. The remaining one SACCOS indicated that they took loans from the bank for other income generating activities as a capital for providing loans to their members.

Therefore, while SACCOS depend much on members' savings as their capital, they still need more money than they can get from members. Two SACCOS mentioned that they would like to make other investments (such as Hotels) but they don't have enough money to support such projects and are not comfortable in applying for loans from the banks because of fear of failing to repay the loan within the repayment period.

It can therefore, be concluded that lack of capital is a challenge not only for SACCOS members but also for SACCOS themselves. Lack of enough capital can delay the speed at which the SACCOS can offer loans to their members; as a result the growth of the SACCOS would be very slow.

4.14 Understanding of Sustainability

Sustainability is an important element to both the members and the organization. In order to ensure long term effects and impacts of SACCOS, it is very important for the organization to establish sustainability plans, and to encourage members to reflect on sustainability issues as they design their projects and implement their businesses.

Respondents in this study (both members and management staff) were assessed their level of understanding on the issue of sustainability, it was found that only 23.8% thought they had enough understanding on sustainability, leaving 76.2% with non-understanding knowledge on sustainability, as indicated in Table 4.14 below.

Table 4.14: Level of knowledge on sustainability

Level of knowledge on sustainability	Frequency	Percentage (%)
Understanding on sustainability	21	23.8
Non-understanding on sustainability	67	76.2
Total	88	100

Source: Case study, (2018).

Such results indicated how many SACCOS don't put an element of sustainability as a top priority. If the SACCOS themselves don't insist on this element, members also are likely not to see it as an important element to be reflected in planning. In the training materials that one of the SACCOS is using to train its members the course of entrepreneurship skills, the word 'sustainability' was not mentioned at all. The issue here was to find on both lack of understanding of sustainability and also poor application of knowledge on sustainability to practically improve the strategies and planning processes of their institution. Lack of seriousness

in the element of sustainability is likely to cause slow or poor growth of the SACCOS in Tanzania.

4.15. Risk management

The study has also assessed the extent at which SACCOS are addressing the risks associated with lending money to members. The study looked at the determinants of repayment performance for group lending in the SACCOS. The study found that SACCOS are employing different lending methodologies; group lending and individual lending. Discussion with management and group members revealed that groups consisting of members facing homogenous risk exposure don't have higher repayment rates, but that repayment rates significantly improve when groups have some type of social cohesion, informal or not. The 80% of the SACCOS involved in the study had shown that there were better repayments in funds that were offered to groups than to individuals, and they thought that group lending can significantly improve repayment and therefore reduce the risks in loan portfolios. Although, a large cross-sectional study here seeks a stronger test of this hypothesis but the type of lending could also determine the risk involved in the lending process. It was evident that organizations are incurring big costs in chasing out individuals who have failed to repay back their loans, and more time and attention is put into chasing these individual than in doing some other activities that promote growth of their institutions (Table 4.15).

Table 4.15: Risk management and handling procedures

Practices of risk management	Frequency	Percentage (%)
Application of risk management techniques	8	80
Non-application of risk management techniques	2	20
Total	10	100

Source: Case study, (2018)

4.16. Members training on challenges related to business competition

The SACCOS members who borrow money from their SACCOS can do business and compete with other entrepreneurs in the market. It was revealed that most of the SACCOS members who take loans for the first time begin new businesses which they have not tested before due to lack of business capital. Therefore, they borrow money from the SACCOS to start new businesses. Unfortunately, most of the businesses implemented in the first time do not perform well, although they indicated that those who continue with business for longer period come to master their businesses and get good profit. This study involved SACCOS that were five years or more, and therefore there were good evidence from members or participants who have experienced what they were saying (Table 4.16).

20% of SACCOS understanding the importance of training to potential members, it was found that they provide some training related to their members' business in order to reduce the risks of losses and increase their members' competitiveness in the business. The study revealed that although these few SACCOS offered training to those few

respondents, still the training offered were not able to assist their members to solve competition problem. Respondents accessed training services were still unable to use available opportunities that have not been fully exploited to support their businesses. Therefore, the quality of training was not to the standard and could not support small and medium scale entrepreneurs to compete with their rivals (Table 4.16).

Table 4.16: Training related to Members challenges on business competition

Training before loans	Frequency	Percentage (%)
SACCOS offer training to members	2	20
SACCOS do not offer training to members	8	80
Total	10	100

Source: Case study, (2018).

4.17 SACCOS competition with other microfinance institutions

The SACCOS are faced with high competition from other microfinance and macrofinance institutions. The 80% of the SACCOS involved in this study indicated that local banks are their main competitors, followed by other microfinance institutions, while only 20% did not find other microfinance institution as a threat but rather an opportunity. In the focus group discussion with members in the two groups, it was revealed that banks are providing loans to people who have jobs, and those who are able to repay their loans easily. These people would have helped the SACCOS if they could have been taking loans from SACCOS. However, SACCOS lack opportunity to have them as their customers because banks are offering them other services, especially bank services which include processing their salaries. In this way, banks stand as a better chance to win most people. Although some SACCOS have indicated interest in establishing their own registered bank, they are faced with a challenge of shortage of skilled professional management and financial skills. This is just one of the significant obstacles that need to be addressed by the SACCOS in order to get into a commercialization mode (Table 4.17).

Table 4.17: Competition with other microfinance institutions

Competition	Frequency	Percentage (%)
SACCOS faces competition	8	80
SACCOS do not face competition	2	20
Total	10	100

Source: Case study, (2018).

4.18. Macroeconomic factors, including inflation

Changes in other economic factors affect the rate at which Tanzania’s financial institutions are performing. During the discussion with management of SACCOS, it was evident that they were all concerned with high inflation rates. Increase in prices of products caused great challenges to entrepreneurs, especially in rural areas where money circulation is limited. They indicated that the community members cannot buy products at high prices, and therefore even non-luxury goods are termed as luxury goods once they are sold at high prices. As a result, there are few customers for their products, and those who are able to sell their products in urban areas are more likely to sell more.

However, the extra cost of transportation was also reported, and this sometimes caused an increase in prices, which if not well calculated it affects sales. These challenges caused unstable businesses to SACCOS members, which affected their savings and borrowing mechanism, which in turn affected the performance of SACCOS (Table 4.18).

Table 4.18: Macroeconomic factors, including inflation

Inflation	Frequency	Percentage (%)
Inflation is affecting the SACCOS performance	10	100
Inflation is not affecting the SACCOS performance	0	0
Total	10	100

Source: Case study, (2018)

4.19. Financial Sector Reforms and Development of Microfinance Policy

This study has also involved review of different relevant policies and guidelines implemented in Tanzania. It was revealed that Tanzania has been implementing financial sector reforms since 1991, within the framework of its Financial Sector Reform Policy Statement of 1991. The reforms permitted the establishment of private sector owned banks and provided for a structure for regulation and supervision of the financial sector. All 10 (100%) of SACCOS involved in this study appreciated the reform and agreed that it had an appreciable impact in the development of their SACCOS, despite the fact that most of the staff don’t have enough knowledge on the key policies.

4.20. Application of Legal and Regulatory Framework

There is a high increase in knowledge among SACCOS’ staff (especially in management positions) on the position of SACCOS in the National Microfinance Policy. The 80% of the SACCOS their management aware of how the National Microfinance Policy recognizes the institutions providing microfinance services as the real driving force behind the achievement of the ultimate goal of development of sustainable microfinance, and all 10 (100%) of the SACCOS management were aware that SACCOS are free to develop microfinance services on the basis of their own internal objectives whether profit, poverty alleviation, self-help or other motivations. This has helped the SACCOS to exploit the opportunity provided by the government in operating as microfinance service providers in rural areas. However, during the discussions it was observed that SACCOS are challenged in fulfilling their responsibility to learn best practices and to apply sound financial principles in the delivery of their services, particularly with respect to pricing, loan delinquency control, financial reporting and information management, appropriate techniques and products, gender equity and governance. The challenges were highly contributed by lack of technical skills required in managing the SACCOS.

5. Conclusion and Recommendations

5.1. Conclusion

Based on the research findings, it was concluded that SACCOS played significant role in improving livelihood of the poor people in the community through provision of microsavings, microcredit, microinsurance, microhousing, microleasing among others; though the SACCOS faced with many constraints including:- capacity in managing finances and loans, adhering to the financial policies and guidelines, competency of personnel, appropriate training to key staff, loan follow-up, access of members to business training, availability of technical support to SACCOS, availability of sources for business capital, level of knowledge on sustainability, risk management, training on challenges related to business competition, macroeconomic factors including inflation, financial sector reforms and development of microfinance policies were the key factors affected the growth of SACCOS in Singida District Council. Hence, the microfinance sector in Tanzania has to make sure that, the key factors affecting the growth of SACCOS are addressed properly for the success of SACCOS in the country.

5.2. Recommendations

Based on the conclusion of the study, the following recommendations were made by the study to address the factors affecting the growth of SACCOS in Tanzania:-

The SACCOS should be keen to recruit competent personnel, especially in key managerial positions by establishing recruitment campaigns that profile the profession positively, use excellent personnel as examples of good practice and leadership, and encourage professionalism in their day to day activities.

The SACCOS should improve the remunerations offered to their staff, so as to retain good and competent people and keep them motivated to remain focused on addressing issues facing the organization growth. Hence, the study suggested that long term rewards such as making staff to be part of the SACCOS shareholders through selling of SACCOS shares to the staff as motivation.

SACCOS should establish a special campaign to motivate members to take business loans instead of personal use loans so as to increase SACCOS profit through members' loans interest. However, the campaign should be accompanied with appropriate entrepreneurship training, and where possible, SACCOS should have competent people who can follow-up their members who either want to take loans or those who have taken loans and offer them technical advice on how to improve their businesses through SACCOS business loans.

Group lending has appeared to have low risk than individual lending, especially to small SACCOS in rural areas. This mode of loan should be applied for small SACCOS and for people with small savings so as to test their ability in doing

business and repay their loans before they are given individual loans.

The negative perception of people in SACCOS operations is preventing many people to join SACCOS. Although there are some SACCOS which are not friendly to their members, still SACCOS have happened to provide good financial services which are friendly to low income households. SACCOS have to work with the government and key SACCOS stakeholders can contribute in creating programs that would increase reputation of SACCOS among the people, and hence contribute in increasing the number of people who could opt to join membership and apply for loans.

SACCOS play a significant role in improving the livelihood of low income households, especially in rural areas. However, the government has not done much in supporting them. It was realized that SACCOS that are based in remote areas of Tanzania are suffering more than those in urban areas. Skilled people do not want to reside in remote areas where SACCOS are small and working environment is not good. Therefore, Tanzanian government should invest in supporting SACCOS to improve working environment in rural areas so as to attract competent staff to support SACCOS in rural areas.

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